APPENDIX 4E
SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 53 pages comprise the year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.3A. This statement includes the unaudited consolidated results of the South32 Group for the year ended 30 June 2022 (FY22) compared with the year ended 30 June 2021 (FY21).

Figures in italics indicate that an adjustment has been made since the financial information was previously reported.

US$M	FY22	FY21	%
Underlying revenue[a][b]	10,630	*7,323*	up 45%
Profit/(loss) after tax	2,669	(195)	N/A
Underlying earnings[a][b]	2,602	489	up 432%

(a) The basis of the Group's underlying financial results has been updated from FY22, with these changes also reflected in the FY21 comparative information. There is no change to the Group's statutory reporting. Our material Equity Accounted Investments (EAIs) are now included in our underlying financial results on a proportional consolidation basis, consistent with how their performance is assessed by the Group's Board and management, and reflecting their increased contribution to the Group's financial results with our acquisition of a 45% interest in Sierra Gorda[1]. In addition, South Africa Manganese ore has been reported as a 54.6% interest (previously 60%) aligning with our interest in Hotazel Manganese Mines[2] and reflecting our Metalloys manganese alloy smelter (60% interest) having been placed on care and maintenance.

(b) FY21 includes TEMCO and discontinued operation South Africa Energy Coal.

NET TANGIBLE ASSETS PER SHARE

Net tangible assets per ordinary share were US$2.29 as at 30 June 2022 (US$1.88 as at 30 June 2021)[3].

DIVIDENDS

The Board has resolved to pay a final dividend of US 14.0 cents per share (fully-franked) for the year ended 30 June 2022, and a special dividend of US 3.0 cents per share (fully-franked).

The record date for determining entitlements to dividends is 16 September 2022; payment date is 13 October 2022.

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FINANCIAL RESULTS AND OUTLOOK YEAR ENDED 30 JUNE 2022

ASX / LSE / JSE Share Code: S32; ADR: SOUHY

25 August 2022

South32 accelerates portfolio transformation and delivers record earnings, cash flow and shareholder returns

- **Underlying earnings of US$2.6B and free cash flow from operations (including EAI distributions) of US$2.6B**
- **Record shareholder returns in respect of FY22 of US$1.3B equal to 10% of our market capitalisation[4]**
- **Group copper equivalent production[5] expected to increase by 14% in FY23**

“We delivered record earnings and cash flow in FY22 as our stable operating performance and recent portfolio improvements enabled us to capitalise on the significant tailwind of commodity prices.

“We achieved record production at Worsley Alumina, while Hillside Aluminium and Mozal Aluminium continued to test maximum technical capacity. At Cannington we exceeded production guidance as we transitioned to a new mine configuration, bringing forward higher-grade material and at Cerro Matoso we achieved a 22% increase in nickel production.

“We made significant progress transforming our portfolio, increasing our exposure to the metals critical to a low-carbon future. We added copper to our portfolio through the acquisition of a 45 per cent interest in Sierra Gorda and doubled our low-carbon aluminium capacity with an additional shareholding in the hydro-powered Mozal Aluminium smelter and the restart of our 100% renewable powered Brazil Aluminium smelter.

“At Hermosa, we completed a pre-feasibility study for the zinc-lead-silver Taylor Deposit, which demonstrated its potential to be a globally significant producer of base metals, and advanced our study of options for the battery-grade manganese Clark Deposit.

“Reflecting our strong financial performance and disciplined approach to capital management, the Board has resolved to pay a US$648 million fully-franked final dividend in respect of H2 FY22 and a US$139 million fully-franked special dividend, taking shareholder returns to a record US$1.3 billion in respect of the 2022 financial year. The Board has also resolved to further expand our capital management program by US$156 million to US$2.3 billion, leaving US$250 million to be returned to shareholders by 1 September 2023.

“Looking forward, we are well positioned to navigate the current economic uncertainty. We have a strong balance sheet with net cash of US$538 million after funding our new investments during the year, while our ongoing focus on cost management and an expected 14% increase in production will mitigate industry-wide cost inflation. We have repositioned our portfolio toward metals critical for a low-carbon future, having already established a pipeline of high-quality development options.”

Graham Kerr, South32 CEO

Financial Highlights[2][6]			
US$M	**FY22**	**FY21**	**% Change**
Revenue	9,269	5,476	69%
Profit/(loss) before tax and net finance costs	3,724	(94)	N/A
Profit/(loss) after tax	2,669	(195)	N/A
Basic earnings per share (US cents)[7]	57.4	(4.1)	N/A
Ordinary dividends per share (US cents)[8]	22.7	4.9	363%
Special dividends per share (US cents)[8]	3.0	2.0	50%
Other financial measures			
Underlying revenue[9][10]	10,630	*7,323*	45%
Underlying EBITDA[9][11]	4,755	*1,856*	156%
Underlying EBITDA margin[9][12]	47.1%	26.4%	20.7%
Underlying EBIT[9][11]	3,967	*1,039*	282%
Underlying EBIT margin[9][13]	39.4%	*14.8%*	24.6%
Underlying earnings[9][11]	2,602	489	432%
Basic Underlying earnings per share (US cents)[7][9]	56.0	10.3	444%
ROIC[9][14]	30.1%	6.2%	23.9%
Ordinary shares on issue (million)	4,628	4,675	(1%)

SAFETY

We are deeply saddened by the loss of one of our colleagues, Mr Desmin Mienies, a contractor who was fatally injured while undertaking electrical work at our Wessels Mine at South Africa Manganese on 30 November 2021. Our deepest sympathies are with Mr Mienies' family, friends and colleagues. We provided them with our support following the tragic incident and undertook a detailed investigation to understand what happened. Learnings from the investigation were shared across our organisation.

We recognise that we must continue to improve our safety performance. During the first half of FY22, we partnered with a leading safety consultant to undertake a review of our safety performance and identify areas for improvement. This formed the foundation for our Safety Improvement Program, a three-year global program of work designed to achieve a step-change in our safety performance. Consistent with the review findings, in March 2022 we published our revised internal safety standard – an important element in the implementation of our Safety Improvement Program.

Contractors make up a significant proportion of our workforce and over the last two years we have undertaken a substantial work program to improve contractor safety. In FY22 we developed our internal contractor management standard, which describes the end-to-end process, core components and related performance requirements of our Contractor Management System of Work. It defines the key phases of the contractor management value chain and outlines the performance requirements for each phase, including how we support our contractors to undertake work safely.

Our Total Recordable Injury Frequency (TRIF)[15][16] decreased by 12% to 5.3 per million hours worked in FY22 compared to the FY21 baseline[17] of 6.0, however we did not meet our target of a 20% reduction. Performance highlights in FY22 included a 51% reduction in TRIF at Cerro Matoso and a 16% reduction at Illawarra Metallurgical Coal.

OUR RESPONSE TO COVID-19

COVID-19 continued to affect our people, operations, projects and offices, and we experienced periods of elevated case numbers and restrictions across all our locations. We support the use of regulatory approved vaccines and actively encourage vaccination for all our employees and contractors. Where possible we have worked with local authorities for our employees and contractors, their families and our communities to access vaccines.

BASIS OF UNDERLYING FINANCIAL RESULTS

The basis of the Group's underlying financial results has been updated from FY22, with these changes also reflected in the FY21 comparative information. There is no change to the Group's statutory reporting. Our material Equity Accounted Investments (EAIs) are now included in our underlying financial results on a proportional consolidation basis, consistent with how their performance is assessed by the Group's Board and management, and reflecting their increased contribution to the Group's financial results with the acquisition of a 45% interest in Sierra Gorda[1]. In addition, South Africa Manganese ore has been reported as a 54.6% interest (previously 60%) aligning with our interest in Hotazel Manganese Mines[2] and reflecting our Metalloys manganese alloy smelter (60% interest) having been placed on care and maintenance.

PERFORMANCE SUMMARY

The Group's statutory profit after tax increased by US$2,864M to a record US$2,669M in FY22 as our stable operating performance and portfolio changes that increased our exposure to higher margin businesses enabled us to capitalise on the significant tailwind of commodity prices. Underlying earnings increased by US$2,113M to a record US$2,602M in FY22. A reconciliation of statutory to Underlying earnings is set out on page 6.

Underlying revenue increased by 45% to US$10,630M as we implemented innovative logistics solutions to mitigate challenging freight and third-party port performance to deliver volumes into favourable markets, capturing the benefit of higher prices. This translated to a record operating margin of 47% (FY21: 26%), as we held increases in controllable costs to less than 2% of the Group's total cost base for the year[18]. Underlying EBITDA increased by US$2,899M to a record US$4,755M and Underlying EBIT increased by US$2,928M to a record US$3,967M as the Group delivered a 30.1% Return on Invested Capital (ROIC)[14].

We generated record free cash flow from operations of US$2,561M, including distributions from our manganese and Sierra Gorda EAIs. Our strong financial performance supported our continued investment in our business and portfolio changes, that have increased our exposure to metals critical for a low-carbon future, while delivering record returns to shareholders. We finished the period with net cash of US$538M having executed our inaugural US dollar bond during the period, issuing US$700M in Senior Unsecured Notes (Notes) to support the funding of our Sierra Gorda acquisition.

Specific highlights for FY22 included:

- Group copper equivalent production[5] was 99% of guidance, as the majority of operations delivered to revised plans, despite adverse impacts from weather and labour availability caused by the COVID-19 pandemic;
- Worsley Alumina continued to operate above nameplate capacity, achieving record annual production;
- Hillside Aluminium and Mozal Aluminium continued to test their maximum technical capacity, despite the impact of higher load-shedding, capitalising on strong aluminium prices to deliver record operating margins;
- Cannington transitioned to 100% truck haulage, while also beating our already increased production guidance; and
- Cerro Matoso achieved a 22% increase in payable nickel production, benefitting from improved plant availability following the prior period's furnace refurbishment and higher-grades from our investment in the Q&P project.

We will return a record US$1,320M to our shareholders in respect of FY22 comprising:

- US$1,053M fully-franked ordinary dividends, including today's announced US$648M fully-franked ordinary dividend in respect of H2 FY22; and
- US$267M as part of our ongoing capital management program, including today's announced US$139M fully-franked special dividend in respect of H2 FY22 and US$128M allocated to our on-market share buy-back across the financial year (46M shares purchased at an average price of A$3.89 per share).

From day one we have established a successful track record for disciplined capital allocation and returning excess cash to shareholders in both a timely and efficient manner, buying back 13% of our shares on issue since commencing our capital management program at an average price of A$2.93 per share. Reflecting our strong financial position and disciplined approach to capital management, the Board has today further expanded our capital management program by US$156M to US$2,266M, leaving US$250M to be returned by 1 September 2023.

In FY22, we made substantial progress reshaping our portfolio toward metals critical for a low-carbon future by:

- Adding copper exposure through the acquisition of a 45% interest in the Sierra Gorda copper mine[1];
- Increasing our low-carbon aluminium production capacity by more than 100%, acquiring an additional 16.6% shareholding in Mozal Aluminium[19] and participating in the restart of the Brazil Aluminium smelter[20];
- Acquiring an additional 18.2% interest in the Mineração Rio do Norte (MRN) bauxite mine, taking our ownership to 33%[21], and further aligning our bauxite supply requirements within our Brazilian aluminium value chain;
- Completing a pre-feasibility study for the zinc-lead-silver Taylor Deposit, confirming its potential to be the first development at our Hermosa project[22];
- Advancing study work on our battery-grade manganese Clark Deposit at our Hermosa project[22]; and
- Continuing our investment in greenfield exploration to discover our next generation of base metals mines, spending US$26M across the Americas, Australia and Europe, with plans to increase our investment to US$44M in FY23.

Subsequent to the end of the year we:

- Completed the sale of four non-core base metals royalties to Anglo Pacific Group Plc for up to US$200M[23], unlocking latent value in our portfolio;
- Acquired a 9.9% interest in Aldebaran Resources Inc., owner of the Altar copper project in Suan Juan, Argentina, consistent with our focus on adding options prospective for future base metal developments; and
- Announced that we would not proceed with an investment in the Dendrobium Next Domain (DND) project[24] at Illawarra Metallurgical Coal following our consideration of recently completed study work and extensive analysis of alternatives considered for the complex.

EARNINGS RECONCILIATION

The Group's statutory profit after tax increased by US$2,864M from a loss of US$195M to a record US$2,669M in FY22.

Consistent with our accounting policies, various items are excluded from the Group's statutory profit/(loss) to derive Underlying earnings. The total adjustments to derive Underlying EBIT (US$243M) shown in the table below include the recognition of indirect tax assets following the restart of the Brazil Aluminium smelter (US$77M pre-tax) and a net impairment loss of non-financial assets (US$145M pre-tax) primarily related to our Eagle Downs Metallurgical Coal development option (US$183M pre-tax), partially offset by an impairment reversal for Brazil Aluminium (US$42M pre-tax). Further information on these earnings adjustments is included on page 41.

The Group's Underlying EBITDA increased by US$2,899M (or 156%) to a record US$4,755M as we benefitted from the significant tailwind of commodity prices (US$3,666M) and we limited increases in our controllable costs (US$114M or 2% of total our cost base[18]). Uncontrollable costs increased by US$839M with significantly higher price-linked royalties and industry-wide inflation, most notably in raw material prices and distribution costs. Portfolio changes, including the divestment of lower returning businesses South Africa Energy Coal and TEMCO, combined with the acquisition of our 45% interest in Sierra Gorda and additional shareholding in Mozal Aluminium had a positive US$211M impact on the result.

The Group also achieved record Underlying EBIT of US$3,967M in FY22, increasing by US$2,928M (or 282%) on the prior year as Underlying depreciation and amortisation reduced by US$29M to US$788M following the prior period impairment at Illawarra Metallurgical Coal.

Profit/(loss) to Underlying EBITDA reconciliation[2][6]

$USM	FY22	FY21[9]
Profit/(loss) before tax and net finance costs	3,724	(94)
Adjustments to derive Underlying EBIT:		
Significant items	(77)	*(55)*
Sierra Gorda joint venture adjustments	44	-
Manganese joint venture adjustments	216	*210*
(Gains)/losses on the consolidation or disposal of interests in operations	(9)	*159*
Exchange rate (gains)/losses on the restatement of monetary items	(50)	*69*
Net impairment loss of financial assets	26	-
Net impairment loss of non-financial assets	145	*764*
(Gains)/losses on non-trading derivative instruments, contingent consideration and other investments measured at fair value through profit and loss	(52)	*(37)*
Major corporate restructures	-	*23*
Total adjustments to derive Underlying EBIT	**243**	***1,133***
Underlying EBIT	**3,967**	***1,039***
Underlying depreciation and amortisation	788	*817*
Underlying EBITDA	**4,755**	***1,856***

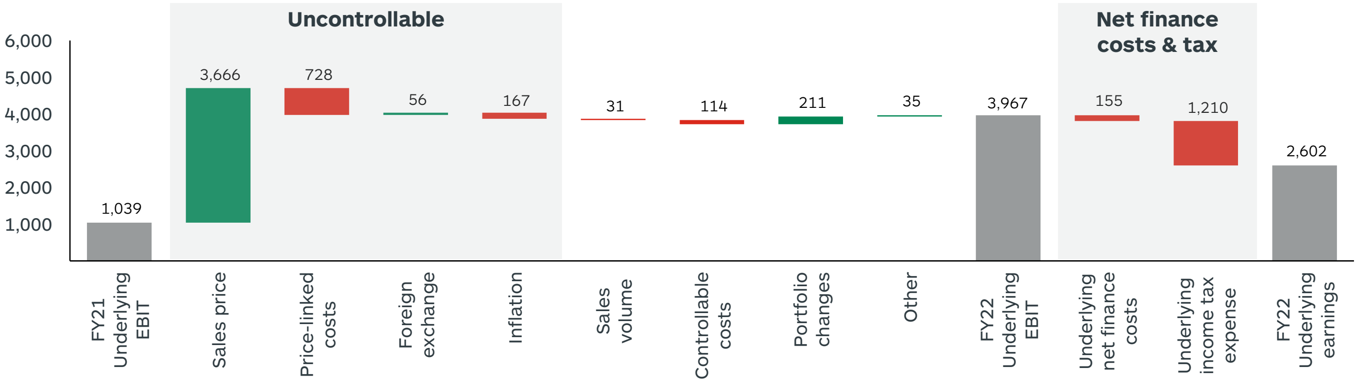
Profit/(loss) to Underlying earnings reconciliation[2][6]

US$M	FY22	FY21[9]
Profit/(loss) after tax	2,669	*(195)*
Total adjustments to derive Underlying EBIT	243	*1,133*
Total adjustments to derive Underlying net finance costs	(124)	*34*
Total adjustments to derive Underlying income tax expense	(186)	*(483)*
Underlying earnings	**2,602**	***489***

EARNINGS ANALYSIS

The following key factors influenced Underlying EBIT in FY22, relative to FY21.

Reconciliation of movements in Underlying EBIT (US$M)(2)(6)(9)(11)(25)(26)(27)



Earnings analysis	US$M	Commentary
FY21 Underlying EBIT	**1,039**	
Change in sales price	3,666	Higher average realised prices for our commodities, including: Metallurgical coal (+US$1,545M) Aluminium (+US$1,027M) Alumina (+US$386M) Nickel (+US$313M) Manganese ore (+US$279M) Energy coal (+US$88M) Zinc (+US$59M) Lead (+US$23M) Partially offset by a lower average realised price for silver (-US$54M)
Net impact of price-linked costs	(728)	Higher freight and distribution costs (-US$155M) also partially reflected in Underlying revenue Higher price-linked royalties (-US$148M) Higher aluminium smelter raw material costs (-US$143M), including pitch and coke Higher caustic soda prices at Worsley Alumina (-US$113M) and Brazil Alumina (-US$19M) Higher coal, fuel oil and diesel prices (-US$76M), mostly at Brazil Alumina and Worsley Alumina Higher electricity prices (-US$21M) at Cerro Matoso and Illawarra Metallurgical Coal
Change in exchange rates	56	Weaker Australian dollar (+US$56M), weaker Colombian peso (+US$18M) and stronger South African rand (-US$11M)
Change in inflation	(167)	Inflation-linked indexation of our aluminium smelter electricity prices (-US$40M) General inflation across Australia, Southern Africa and South America (-US$127M)
Change in sales volume	(31)	Lower volumes at: Illawarra Metallurgical Coal (-US$55M), Cannington (-US$49M), Australia Manganese (-US$28M), Brazil Alumina (-US$27M) and Worsley Alumina (-US$22M). Partially offset by higher volumes at: Cerro Matoso (+US$122M), South Africa Manganese (+US$18M) and Hillside Aluminium (+US$13M)
Controllable costs	(114)	Higher contractor and maintenance costs (-US$74M), including -US$39M at Illawarra Metallurgical Coal to support the additional longwall changeouts and maintenance activity Higher port and demurrage costs (-US$19M) due to third-party logistics constraints Higher consumables costs (-US$14M) Partially offset by lower labour costs (+US$17M), with headcount efficiencies at some operations
Portfolio changes	211	Improved profitability, following the disposal of lower returning businesses South Africa Energy Coal and TEMCO, the acquisitions of our Sierra Gorda interest and additional shareholding in Mozal Aluminium, partially offset by smelter restart costs at Brazil Aluminium
Other	35	Lower depreciation and amortisation at Illawarra Metallurgical Coal and the recognition of historical tax credits at Brazil Alumina
FY22 Underlying EBIT	**3,967**	

Net finance costs

The Group's FY22 Underlying net finance costs of US$155M comprise the unwinding of the discount applied to our closure and rehabilitation provisions (US$83M); interest on lease liabilities (US$54M) primarily at Worsley Alumina; interest and transaction costs associated with the Notes issue and refinancing of our revolving credit facility (US$14M) and our share of net finance costs for the Sierra Gorda joint venture (US$6M).

Underlying net finance costs reconciliation[2][6]		
US$M	**FY22**	**FY21**[9]
Unwind of discount applied to closure and rehabilitation provisions	(83)	*(72)*
Change in discount rate on closure and rehabilitation provisions	3	*7*
Interest on lease liabilities	(54)	(55)
Other	(21)	*(7)*
Discontinued operations	–	(43)
Underlying net finance costs	**(155)**	***(170)***
Add back earnings adjustment for exchange rate variations on net debt	40	(52)
Sierra Gorda joint venture adjustments[28]	62	–
Manganese joint venture adjustments[28]	22	*18*
Total adjustments to derive net finance costs	**124**	***(34)***
Net finance costs	**(31)**	**(204)**

Tax expense

The Group's FY22 Underlying income tax expense increased by US$830M to US$1,210M for an Underlying ETR[29] of 31.7%. Our FY22 Underlying ETR has reduced significantly from the prior period's elevated rate (FY21: *43.3%*), following the derecognition of tax assets associated with the divestment of South Africa Energy Coal in the prior period.

Our FY22 Underlying ETR reflects the corporate tax rates of the jurisdictions in which we operate[30], as well as the inclusion of the manganese business and Sierra Gorda in Underlying earnings on a proportional consolidation basis (including royalty related taxes for Australia Manganese and Sierra Gorda). The Underlying ETR for our manganese business was 45.8% in FY22, including the royalty related tax[31] and the derecognition of certain deferred tax assets.

Underlying income tax expense reconciliation and Underlying ETR[2][6]		
US$M	**FY22**	**FY21**[9]
Underlying EBIT	3,967	*1,039*
Include: Underlying net finance income/(costs)	(155)	*(170)*
Remove: Share of (profit)/loss of equity accounted investments	2	9
Underlying profit/(loss) before taxation	**3,814**	***878***
Income tax expense/(benefit)	**1,024**	**(103)**
Tax effect of earnings adjustments to Underlying EBIT	32	247
Tax effect of earnings adjustments to net finance costs	(13)	(7)
Exchange rate variations on tax balances	(20)	66
Tax effect of significant items	(26)	–
Sierra Gorda joint venture adjustment relating to income tax	1	–
Sierra Gorda joint venture adjustment relating to royalty related tax	4	–
Manganese joint venture adjustment relating to income tax	153	*124*
Manganese joint venture adjustment relating to royalty related tax	55	*53*
Total adjustments to derive Underlying income tax expense	**186**	***483***
Underlying income tax expense/(benefit)	**1,210**	***380***
Underlying ETR	**31.7%**	***43.3%***

Operating unit cost and operating margin performance

We achieved our updated FY22 Operating unit cost guidance at the majority of our operations, despite the impact of industry-wide cost inflation, higher price-linked royalties and a challenging operating environment influenced by adverse weather and COVID-19 related labour restrictions. Group operating margin increased to a record 47% (FY21: 26%) with our high operating leverage and stronger commodity prices translating into higher margins for the majority of our operations.

Operating unit cost[32] and operating margin[12]				
	FY21	FY22	Change	Operating unit cost commentary
Worsley Alumina				
(US$/t)	214	265	24%	Record volumes more than offset by a significant rise in caustic soda prices (US$28/t) and elevated global freight rates (US$10/t)
Operating margin (%)	27%	35%	8%	
Brazil Alumina (non-operated)				
(US$/t)	203	288	42%	Lower volumes and additional costs to recover from the bauxite ship unloader outage (US$7/t), added to higher raw material (US$42/t) and energy costs (US$13/t)
Operating margin (%)	29%	29%	0%	
Hillside Aluminium				
(US$/t)	1,631	2,137	31%	A significant rise in raw material input costs including alumina, coke and pitch (US$323/t), and energy cost inflation (US$45/t)
Operating margin (%)	24%	32%	8%	
Mozal Aluminium				
(US$/t)	1,702	2,243	32%	A significant rise in raw material input costs including alumina, coke and pitch (US$393/t), and energy cost inflation (US$29/t)
Operating margin (%)	23%	33%	10%	
Sierra Gorda (non-operated)				
(US$/t)[a]	n/a	14.6	n/a	FY22 Operating unit costs reflect our first period of ownership (1 March to 30 June 2022)
(US$/lb CuEq)[33]	n/a	1.61	n/a	
Operating margin (%)	n/a	55%	n/a	
Cannington				
(US$/t)[a]	124	133	7%	Impacted by planned lower throughput as we completed scheduled maintenance and work to support the transition to 100% trucking
Operating margin (%)	55%	53%	(2%)	
Cerro Matoso				
(US$/lb)	4.01	4.34	8%	A significant increase in price-linked royalties (US$0.35/lb), energy prices (US$0.18/lb) and costs to support processing of additional higher-grade Q&P ore (US$0.15/lb). Partially offset by volume benefits (US$0.24/lb), a weaker Colombian peso (US$0.19/lb) and the one-off benefit from the adjustment of a royalty provision (US$0.14/lb)
Operating margin (%)	40%	57%	17%	
Illawarra Metallurgical Coal				
(US$/t)	87	126	45%	A significant increase in price-linked royalties (US$15/t) and the impact of reduced volumes (US$15/t), including our decision to cease sales of low-margin coal wash material
Operating margin (%)	12%	64%	52%	
Australia Manganese (FOB)				
(US$/dmtu)	1.52	1.86	22%	Lower volumes (US$0.12/dmtu) together with higher diesel prices (US$0.12/dmtu) and consumable costs (US$0.04/dmtu)
Operating margin (%)	58%	58%	0%	
South Africa Manganese (FOB)				
(US$/dmtu)	2.48	2.73	10%	Higher distribution and trucking costs to support increased sales volumes of premium products (US$0.15/dmtu)
Operating margin (%)	25%	24%	(1%)	

(a) US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs.

CASH FLOW

The Group generated record free cash flow from operations of US$2,240M and received US$321M in (net) distributions[34] from our manganese and Sierra Gorda EAIs in FY22. Our record result benefited from the implementation of innovative logistic solutions across multiple operations to mitigate the impact of ongoing port congestion, which contributed to our strong sales performance particularly during Q4 FY22. This reduced our inventory positions by the end of the period, with the working capital benefit expected to be realised in Group cash flow during Q1 FY23. Record profitability also gave rise to a significant increase in income tax payments made during the period (+US$705M to US$868M), excluding tax paid within our manganese and Sierra Gorda EAIs.

Free cash flow from operations, excluding equity accounted investments		
US$M	**FY22**	**FY21**
Profit/(loss) from continuing and discontinued operations	3,724	(94)
Non-cash items	694	1,419
(Profit)/loss from equity accounted investments	(272)	(133)
(Profit)/loss on sale of operations	–	159
Change in working capital	(428)	61
Cash generated	**3,718**	**1,412**
Total capital expenditure, excluding EAI, including intangibles and capitalised exploration	(559)	(566)
Operating cash flows before financing activities and tax, and after capital expenditure	**3,159**	**846**
Interest (paid)/received[34]	(51)	(44)
Income tax (paid)/received	(868)	(163)
Free cash flow from operations	**2,240**	**639**

The working capital build of US$428M was mainly attributable to:

- Trade and other receivables increasing by US$300M as we realised higher commodity prices, and delivered a strong sales result in Q4 FY22, temporarily increasing our receivables balance at the end of the period. Our debtor days improved year-on-year to 21 days (FY21: 24 days);
- Inventory increasing by US$206M, mostly due to higher raw material input prices;
- Provisions reducing by US$82M from a weaker Australian dollar and South African rand; offset by
- Trade and other payables increasing by US$160M, due to the timing of raw material purchases and the impact of higher price-linked royalties.

Working capital movement reconciliation	
US$M	**Movement**
Trade and other receivables	(300)
Inventories	(206)
Trade and other payables	160
Provisions and other liabilities	(82)
Working capital movement	**(428)**

Capital expenditure

The Group's capital expenditure[35], excluding EAI, decreased by US$7M to US$559M in FY22, following the divestment of South Africa Energy Coal (FY21: US$76M) in June 2021:

- Safe and reliable capital expenditure increased by US$42M (or 13%) to US$367M as we invested in longwall equipment and ventilation infrastructure at Illawarra Metallurgical Coal, and bauxite residue capacity at our alumina refineries;
- Improvement and life extension capital expenditure decreased by US$5M (or 8%) to US$58M as our investment in aluminium smelter efficiency projects and the Ore Sorting and Mechanical Ore Concentration (OSMOC) project at Cerro Matoso, was more than offset by reduced activity on the DND project at Illawarra Metallurgical Coal;
- Growth capital expenditure increased by US$25M (or 35%) to US$97M as we invested in the construction of infrastructure to support orebody dewatering for the Taylor Deposit at our Hermosa project; and
- Our spend on intangibles and capitalised exploration increased by US$7M (or 23%) to US$37M as we stepped-up our exploration activity at Hermosa and Ambler Metals.

In addition, capital expenditure associated with our share of our manganese and Sierra Gorda EAIs was US$164M with the inclusion of Sierra Gorda (US$81M) and our ongoing investment in further tailings storage capacity at Australia Manganese. Our spend at Sierra Gorda, following our acquisition of the 45% interest on 22 February 2022, was primarily directed towards deferred stripping activity and the continued execution of the plant's de-bottlenecking project.

Capital expenditure (South32 share)[27][35]		
US$M	**FY22**	**FY21**
Safe and reliable capital expenditure	(367)	(325)
Improvement and life extension capital expenditure	(58)	(63)
Growth capital expenditure	(97)	(72)
Intangibles and the capitalisation of exploration expenditure	(37)	(30)
Divested operation – South Africa Energy Coal	–	(76)
Total capital expenditure (excluding EAI)	**(559)**	**(566)**
EAI capital expenditure	(164)	*(70)*
EAI divested operation – TEMCO	–	*(1)*
Total capital expenditure (including EAI)	**(723)**	***(637)***

BALANCE SHEET, DIVIDENDS AND CAPITAL MANAGEMENT

The Group's net cash balance increased by US$132M to US$538M as we generated record free cash flow from operations of US$2,240M, supporting our investment in acquisitions (US$1,534M) that have increased our portfolio's exposure to metals critical for a low-carbon future. We also returned US$788M to shareholders by way of ordinary dividends (US$567M), special dividends (US$93M) and our on-market share buy-back (US$128M, 46M shares across FY22).

Net cash/(debt)		
US$M	**FY22**	**FY21**
Cash and cash equivalents	2,365	1,613
Lease liabilities	(650)	(687)
Other interest bearing liabilities	(1,177)	(520)
Net cash/(debt)	**538**	**406**

Other interest bearing liabilities increased by US$657M to US$1,177M as we executed our inaugural US dollar bond during the period, issuing US$700M in Notes to support the funding of our Sierra Gorda acquisition. The Notes are due in 2032 and will pay interest at a rate of 4.35% per annum[36]. Consistent with our commitment to maintain an investment grade credit rating, during the year both S&P Global Ratings and Moody's reaffirmed their respective BBB+ and Baa1 credit ratings for the Group, and assigned the same ratings to the Notes. We also retain access to significant liquidity, having successfully executed the refinancing of our undrawn US$1.4B revolving credit facility during the year as a Sustainability Linked Loan.

Our capital management framework is unchanged, and designed to promote competition for capital through investment in high returning options or to protect portfolio value, as well as to reward shareholders as our financial performance improves. Demonstrating this, the Board has resolved to pay a fully-franked ordinary dividend of US 14.0 cents per share (US$648M) in respect of H2 FY22 in-line with our dividend policy to return a minimum 40% of Underlying earnings every six months.

Having established a strong track record of returning excess cash to shareholders, and reflecting our strong financial position and our confidence in the outlook for the business, the Board has also resolved to pay a fully-franked special dividend of US 3.0 cents per share (US$139M) and further expanded our capital management program by US$156M to US$2.3B, leaving US$250M to be returned by 1 September 2023.

Dividends announced				
Period	**Dividend per share (US cents)**	**US$M**	**Franking**	**Pay-out ratio**
H1 FY21	1.4	67	100%	49%
H2 FY21	3.5	164	100%	46%
August 2021 special dividend	2.0	93	100%	N/A
H1 FY22	8.7	405	100%	40%
H2 FY22	14.0	648	100%	41%
August 2022 special dividend	3.0	139	100%	N/A

South32 shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 14 and 16 September 2022 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 9 and 16 September 2022 (both dates inclusive).

Details of the currency exchange rates applicable for the dividend will be announced to the relevant stock exchanges. Further dividend information is available on our website (www.south32.net).

South32 American Depositary Receipts (ADRs) each represent five fully paid ordinary shares in South32 and ADR holders will receive dividends accordingly, subject to the terms of the Depositary Agreement.

Dividend timetable	Date
Announce currency conversion into rand	12 September 2022
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	13 September 2022
Ex-dividend date on the JSE	14 September 2022
Ex-dividend date on the ASX and London Stock Exchange (LSE)	15 September 2022
Record date (including currency election date for ASX)	16 September 2022
Payment date	13 October 2022

OUTLOOK

PRODUCTION

The majority of our operations delivered to revised plans in FY22, despite adverse impacts from weather and labour availability caused by the COVID-19 pandemic. While all guidance remains subject to further potential impacts from COVID-19, we expect Group copper equivalent production(5) to increase by 14% in FY23 as we benefit from our investments in efficiency and improvement projects and our acquisitions that will increase our production of metals critical to a low-carbon future.

Production guidance (South32 share)(27)	FY22	FY23e(a)	FY24e(a)	Key guidance assumptions
Worsley Alumina				
Alumina production (kt)	3,991	4,000	4,000	Expected to sustain above nameplate capacity in FY23 and FY24
Brazil Alumina (non-operated)				
Alumina production (kt)	1,297	1,395	1,400	Expected to increase by 8% in FY23 as the refinery returns to normalised production rates, before creeping 5kt in FY24
Brazil Aluminium (non-operated)				
Aluminium production (kt)	0.3	*↓100*	179	Lowered in FY23 due to the slower ramp-up to nameplate capacity of all three potlines (179ktpa, 40% basis)
Hillside Aluminium(37)				
Aluminium production (kt)	714	720	720	Expected to test its maximum technical capacity
Mozal Aluminium(37)				
Aluminium production (kt)	278	370	370	Expected to benefit from AP3XLE energy efficiency project and our increased ownership interest
Sierra Gorda (non-operated)				
Ore processed (Mt)	7.5	22.2		
Payable copper equivalent production (kt)(38)	*30.6*	89.0		Throughput capacity expected to increase by 6% to ~50Mtpa (100% basis) by Q2 FY23 as the benefits of the plant de-bottlenecking project are realised FY24 production guidance not provided
Payable copper production (kt)	25.3	71.8		
Payable molybdenum production (kt)	0.4	1.5		
Payable gold production (koz)	9.6	29.9		
Payable silver production (koz)	253	582		
Cannington				
Ore processed (kdmt)	2,618	2,850	2,700	
Payable zinc equivalent production (kt)(39)	*224.2*	*236.1*	233.4	Expected to benefit from the optimised mine configuration delivering earlier access to higher-grade material. Recent strong production performance is expected to continue into FY24
Payable silver production (koz)	12,946	13,500	13,500	
Payable lead production (kt)	120.6	122.0	124.0	
Payable zinc production (kt)	64.5	72.0	68.0	
Cerro Matoso				
Ore to kiln (kdmt)	2,703	2,850	2,850	Expected to increase by 4% from FY22 as plant availability returns to normalised levels and the OSMOC project is commissioned, mitigating expected grade decline
Payable nickel production (kt)	41.7	43.5	43.5	
Illawarra Metallurgical Coal				
Total coal production (kt)	6,509	7,400	5,300	Expected to increase by 14% in FY23 with fewer longwall moves and a recovery from wet weather, subject to labour productivity as the operation is currently negotiating the Appin Enterprise Agreements
Metallurgical coal production (kt)	5,712	6,500	4,600	
Energy coal production (kt)	797	900	700	Production expected to decline to 5.3Mt in FY24 as Dendrobium moves to a new mining area, with an expected average run-rate of ~5.5Mtpa to FY28(40)
Australia Manganese				
Manganese ore production (kwmt)	3,363	3,400	3,400	Expected to recover from FY22's wet weather and COVID-19 impacts, with the low-cost PC02 circuit expected to continue to operate above nameplate capacity supporting higher volumes
South Africa Manganese				
Manganese ore production (kwmt)	2,069	2,000		We expect to continue optimising production rates and our use of higher cost trucking in response to market conditions FY24 guidance subject to market demand and not provided

(a) The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19.

COSTS AND CAPITAL EXPENDITURE

Operating unit costs guidance

We continue to pursue cost efficiencies, having successfully delivered more than US$50M of annualised savings across the Group through the simplification of our functional structures and footprint (since FY20). This focus combined with an improvement in planned volumes and lower producer currencies is expected to provide partial relief from further upward pressure on our Operating unit costs in FY23, despite continuing industry-wide inflation in raw material input prices, labour and energy.

Operating unit cost[32][41]					
	FY22	H1 FY22	H2 FY22	FY23e[a][b]	Commentary FY23 key guidance assumptions
Worsley Alumina					+8% from H2 FY22
(US$/t)	265	256	274	296	Significantly higher caustic soda prices and consumption, combined with increased freight costs, partially offset by a weaker Australian dollar
Brazil Alumina (non-operated)					
(US$/t)	288	262	312	Not provided	Will continue to be influenced by energy and raw material input prices, including caustic soda
Brazil Aluminium (non-operated)					
(US$/t)	n/a	n/a	n/a	Not provided	Will be influenced by the ramp-up profile for all three potlines and the price of raw material inputs
Hillside Aluminium					
(US$/t)	2,137	1,935	2,318	Not provided	Will continue to be influenced by the price of raw material inputs, the South African rand and inflation-linked energy costs
Mozal Aluminium					
(US$/t)	2,243	2,008	2,429	Not provided	Will continue to be influenced by the price of raw materials inputs, the South African rand and inflation-linked energy costs
Sierra Gorda (non-operated)					+1% from H2 FY22
(US$/t)[c]	14.6	n/a	14.6	14.8	Efficiencies from the plant de-bottlenecking project, more than offset by higher diesel prices and labour costs
Cannington					-7% from H2 FY22
(US$/t)[c]	133	128	139	129	Higher throughput from the optimised mine plan and a weaker Australian dollar, to more than offset higher energy prices
Cerro Matoso					+9% from H2 FY22
(US$/lb)	4.34	4.11	4.56	4.97	Higher price-linked royalties, energy prices and the impact of the prior year's one-off royalty provision adjustment (US$0.13/lb), partially offset by the benefit of additional volumes
Illawarra Metallurgical Coal					-10% from H2 FY22
(US$/t)	126	123	129	116	Higher volumes and a weaker Australian dollar to more than offset labour and energy cost inflation
Australia Manganese (FOB)					+7% from H2 FY22
(US$/dmtu)	1.86	1.79	1.94	2.08	Higher labour and contractor costs associated with increased activity as the strip ratio increases (FY23e: 5.9, FY22: 5.1), combined with higher diesel prices, partially offset by a weaker Australian dollar
South Africa Manganese (FOB)					-6% from H2 FY22
(US$/dmtu)	2.73	2.63	2.83	2.66	A draw down on previously built low-cost inventory from the barrier pillar project and a weaker South African rand

(a) FY23e Operating unit cost guidance includes royalties (where appropriate) and commodity price and foreign exchange rate forward curves or our internal expectations (refer to footnote 41 on page 30).
(b) The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19.
(c) US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs.

Capital expenditure guidance (excluding exploration and intangibles)

Group safe and reliable capital expenditure is expected to increase by US$312M to US$785M in FY23 with a full year of spend from Sierra Gorda contributing US$169M (or 54%) of the increase. We expect our investment at Illawarra Metallurgical Coal to increase by US$86M to US$263M as we continue our work to support the return to a single longwall configuration at Appin from FY25[42], including projects not executed in FY22 due to adverse weather and COVID-19 related labour constraints.

Group improvement and life extension capital expenditure is expected to increase by US$56M to US$170M in FY23 as we invest in plant de-bottlenecking projects at Brazil Alumina and Sierra Gorda. At Worsley Alumina, we plan to invest US$44M as we commence multi-year programs to open up new bauxite mining areas, and advance decarbonisation projects at the refinery. At our manganese business, we plan to invest in the Eastern Leases mine life extension project (US$14M) for Australia Manganese and continue our mine and rail infrastructure upgrades (US$28M) at South Africa Manganese.

FY23 growth capital expenditure is expected to increase by US$193M to US$290M at our Hermosa project in Arizona as we invest in infrastructure to support critical path dewatering and progress study work for the Taylor Deposit, ahead of a planned final investment decision expected in mid CY23. Following the decision by the United States Government to invoke the Defense Production Act, supporting the production of critical metals including manganese, we are looking at different options to potentially accelerate the pre-feasibility study for the Clark Deposit.

Capital expenditure excluding exploration and intangibles (South32 share)[27]		
US$M	**FY22**	**FY23e[a]**
Worsley Alumina	47	45
Brazil Alumina	51	50
Brazil Aluminium	1	10
Hillside Aluminium	20	30
Mozal Aluminium	10	17
Cannington	43	60
Cerro Matoso	18	40
Illawarra Metallurgical Coal	177	263
Safe and reliable capital expenditure (excluding EAI)	**367**	**515**
Worsley Alumina	8	44
Brazil Alumina	–	19
Cerro Matoso	19	4
Illawarra Metallurgical Coal	12	3
Other operations	19	15
Improvement and life extension capital expenditure (excluding EAI)	**58**	**85**
Hermosa	97	290
Growth capital expenditure	**97**	**290**
Total capital expenditure (excluding EAI)	**522**	**890**
Total capital expenditure (including EAI)	**684**	**1,245**

Capital expenditure for EAI excluding exploration and intangibles (South32 share)[27]		
US$M	**FY22**	**FY23e[a]**
Sierra Gorda	36	205
Australia Manganese	56	50
South Africa Manganese[2]	14	15
Safe and reliable capital expenditure (EAI)	**106**	**270**
Sierra Gorda	45	43
Australia Manganese	6	14
South Africa Manganese[2]	5	28
Improvement and life extension capital expenditure (EAI)	**56**	**85**
Total capital expenditure (EAI)	**162**	**355**

Capitalised exploration (South32 share)[27]		
US$M	**FY22**	**FY23e[a]**
Capitalised exploration (excluding EAI)	33	55
EAI capitalised exploration[2]	2	8
Capitalised exploration (including EAI)	**35**	**63**

(a) The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19.

Other expenditure guidance

Underlying ETR is expected to reflect the composition of the corporate tax rates and earnings from the jurisdictions in which we operate, including the Australia Manganese and Sierra Gorda royalty related tax. All other expenditure guidance is provided in the table below. These items are on a proportional consolidation basis including our manganese and Sierra Gorda EAIs.

Other expenditure guidance			
	FY22	**FY23e[(a)]**	**Commentary FY23 key guidance assumptions**
Group and unallocated Underlying EBIT (excluding greenfield exploration and third party product and services EBIT)			
(US$M)	82	100	One-off benefits recognised in H2 FY22 FY23 guidance reflects a normalised run-rate, including the effect of recent portfolio changes
Underlying depreciation and amortisation			
(US$M)	788	935	FY23 guidance includes the first full year of owning our interest in Sierra Gorda (US$135M)
Underlying net finance costs			
(US$M)	155	135	FY23 guidance is expected to reflect a normalised level of expenditure, following one-off costs associated with the Sierra Gorda acquisition in FY22
Greenfield exploration			
(US$M)	26	44	Increased activity as we advance our greenfield exploration programs targeting base metals in the Americas, Australia and Europe

(a) The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19.

OPERATIONS ANALYSIS

A summary of the underlying performance of the Group's operations is presented below and more detailed analysis is presented on pages 18 to 28. Unless otherwise stated: all metrics reflect South32's share; Operating unit cost is Underlying revenue less Underlying EBITDA excluding third party sales divided by sales volumes; Operating cost is Underlying revenue less Underlying EBITDA excluding third party sales; and Realised sales price is calculated as Underlying revenue excluding third party sales divided by sales volume.

Operations table (South32 share)[6][27]

	Underlying revenue		Underlying EBIT	
US$M	**FY22**	**FY21**	**FY22**	**FY21**
Worsley Alumina	1,625	1,173	386	143
Brazil Alumina	524	400	89	66
Brazil Aluminium	–	–	(44)	(3)
Hillside Aluminium	2,254	1,511	666	293
Mozal Aluminium	924	578	271	98
Sierra Gorda	241	–	75	–
Cannington	736	757	315	350
Hermosa	–	–	(14)	(8)
Cerro Matoso	929	493	463	122
Illawarra Metallurgical Coal	2,338	758	1,388	(103)
Australia Manganese	848	730	402	304
South Africa Manganese	419	*337*	58	*48*
Third party products and services[43]	600	298	20	10
Inter-segment / Group and unallocated	(808)	(573)	(108)	*(131)*
South32 Group (excluding South Africa Energy Coal)	**10,630**	***6,462***	**3,967**	***1,189***
South Africa Energy Coal	–	861	–	(150)
South32 Group	**10,630**	***7,323***	**3,967**	***1,039***

WORSLEY ALUMINA

(86% SHARE)

Volumes

Worsley Alumina saleable production increased by 1% (or 28kt), to a record of 3,991kt in FY22, as the refinery delivered above its nameplate capacity (4.6Mtpa, 100% basis), realising the benefit of embedded improvements. The refinery is expected to sustain production above nameplate in FY23 and FY24 with 4,000kt per annum expected. Calciner maintenance is scheduled for Q1 and Q3 during FY23.

Operating costs

Operating unit costs increased by 24% (or US$51/t), to US$265/t, as the benefit of record volumes was more than offset by a significant rise in caustic soda prices (FY22: US$581/t, FY21: US$302/t) that accounted for more than 60% of the increase, and elevated global freight rates.

We expect FY23 Operating unit costs to rise by 12%, to US$296/t, as significantly higher caustic soda prices (an assumed 28% year-on-year increase) and an increase in planned consumption (FY23e: 106 kg/t, FY22: 102 kg/t), more than offset the benefit of a weaker Australian dollar. While global freight rates are expected to remain elevated, we will continue to also capture the impact in our realised prices. The refinery sources its power from a combination of coal and gas. While not currently expected to have an impact on our FY23 Operating unit costs, we continue to monitor the performance of our domestic third-party coal supply and our requirement to supplement it with potentially higher cost energy. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 41.

Financial performance

Underlying EBIT increased by 170% (or US$243M), to US$386M, as higher average realised alumina prices (+US$461M) more than offset higher caustic soda prices (-US$113M), price-linked freight rates (-US$47M) and energy costs (-US$18M).

Capital expenditure

Safe and reliable capital expenditure was US$47M in FY22 and is expected to be US$45M in FY23 as we continue our investment in additional bauxite residue disposal capacity.

Improvement and life extension capital expenditure was US$8M in FY22. We expect to spend US$44M in FY23 as we advance decarbonisation projects at the refinery (US$26M) and progress our work to access new bauxite mining areas (US$8M).

In FY23 our decarbonisation program is focused on completing a feasibility study for the mud-washing project and progressing work on the conversion of our first coal-fired boiler to gas. The mud-washing project is expected to lower water and energy consumption at the refinery, with the goal of reducing Worsley Alumina's operational greenhouse gas emissions by approximately 295,000 tonnes per annum (or ~7%) and water consumption by ~6%, from FY21 levels.

South32 share	FY22	FY21
Alumina production (kt)	3,991	3,963
Alumina sales (kt)	3,974	4,004
Realised alumina sales price (US$/t)	409	293
Operating unit cost (US$/t)	265	214

South32 share (US$M)	FY22	FY21
Revenue	1,625	1,173
Underlying EBITDA	571	318
Underlying EBIT	386	143
Net operating assets	2,571	2,667
Capital expenditure	55	55
Safe and reliable	*47*	*51*
Improvement and life extension	*8*	*4*

BRAZIL ALUMINA

(36% SHARE)

Volumes

Brazil Alumina saleable production decreased by 7% (or 101kt) to 1,297kt in FY22 as the refinery returned to nameplate capacity (3.86Mtpa, 100% basis) from October 2021, following an incident in July 2021 that damaged one of the two bauxite ship unloaders at the operation.

Production is expected to increase by 8% to 1,395kt in FY23 as the refinery returns to normalised production rates, ahead of creeping volumes to 1,400kt in FY24.

Operating costs

Operating unit costs increased by 42% to US$288/t with lower volumes and additional costs to recover from the bauxite ship unloader outage adding to raw material and energy cost inflation that was particularly acute in H2 FY22.

While guidance is not provided for this non-operated facility, the refinery will continue to be influenced by energy and raw material input prices, including caustic soda.

Financial performance

Underlying EBIT increased by 35% (or US$23M), to US$89M, as higher average realised alumina prices (+US$151M) more than offset higher raw material and energy prices (-US$76M), lower sales volumes (-US$27M) and increased maintenance costs (-US$7M) due to the bauxite ship unloader incident.

Capital expenditure

Safe and reliable capital expenditure increased by US$26M, to US$51M in FY22, as we stepped-up our rate of investment in bauxite residue disposal capacity. We expect to spend US$50M in FY23 as we continue this investment.

Improvement and life extension capital expenditure is expected to increase to US$19M in FY23 as we commence work on the refinery's De-bottlenecking Phase Two project. The project is expected to increase nameplate production rates by approximately 4% to 1.45Mt from H1 FY26, with anticipated capital expenditure of ~US$40M between FY23 and FY25.

Our acquisition of an additional 18.2% interest in MRN was completed on 29 April 2022. Our increased ownership of MRN secures and further aligns our bauxite supply requirements within our Brazilian value chain, and is an important step as we work with our partners to complete a pre-feasibility study for the MRN life extension project. The pre-feasibility study is now expected to be completed in late CY22.

South32 share	FY22[(a)]	FY21
Alumina production (kt)	1,297	1,398
Alumina sales (kt)	1,299	1,391
Realised sales price (US$/t)	403	288
Operating unit cost (US$/t)	288	203

South32 share (US$M)	FY22[(a)]	FY21
Revenue	524	400
Underlying EBITDA	150	117
Underlying EBIT	89	66
Net operating assets[(b)]	696	570
Capital expenditure	51	25
Safe and reliable	*51*	*25*
Improvement and life extension	–	–

(a) The increase in ownership in MRN has triggered a change in accounting treatment with the investment accounted for using the equity method (formerly classified as an investment in an equity instrument designated as fair value through other comprehensive income).

(b) Includes the recognition of indirect tax assets (US$103M pre-tax) following the restart of the Brazil Aluminium smelter (formerly reflected in the net operating assets of Brazil Aluminium as at 31 December 2021 (US$77M pre-tax)).

BRAZIL ALUMINIUM
(40% SHARE)

Volumes

Brazil Aluminium saleable production was 0.3kt in FY22 with first production achieved in Q4 FY22 following the successful restart of the smelter. With a slower than anticipated ramp-up associated with the need to stabilise the electrolytic bath, we have revised FY23 production guidance down by 29% to 100kt (40% basis) with nameplate capacity (179ktpa, 40% basis) now expected to be achieved in the Q4 FY23 (previously Q3 FY23). Production is then expected to increase to 179kt in FY24 as the smelter operates at nameplate capacity for the full year.

Operating costs

While cost guidance is not provided for this non-operated facility, we expect FY23 Operating unit costs to be influenced by the ramp-up profile for all three potlines and the price of raw material inputs. Once at nameplate capacity we expect the smelter to be in the second quartile of the global aluminium site cost curve, with our share of energy requirements secured under long-term, cost efficient, 100% renewable power contracts. Our alumina supply will be sourced from the co-located Brazil Alumina refinery with prices linked to the Platts index on a M-1 basis.

Financial performance

Underlying EBIT was a loss of US$44M as costs incurred to support the smelter's restart were expensed. With first sales to domestic customers completed in July 2022, no revenue was recognised in FY22.

Capital expenditure

Safe and reliable capital expenditure was US$1M in FY22. We expect to capitalise a further ~US$10M of expenditure on restart activities in FY23.

South32 share	FY22	FY21
Aluminium production (kt)	0.3	–
Aluminium sales (kt)	–	–
Realised sales price (US$/t)	–	–
Operating unit cost (US$/t)	–	–

South32 share (US$M)	FY22	FY21
Revenue	–	–
Underlying EBITDA	(43)	(3)
Underlying EBIT	(44)	(3)
Net operating assets[(a)]	46	1
Capital expenditure	1	–
Safe and reliable	*1*	–
Improvement and life extension	–	–

(a) Net operating assets as at 31 December 2021 reflected the recognition of indirect tax assets following the restart of the smelter (US$77M pre-tax). This item has been re-allocated to Brazil Alumina as at 30 June 2022.

HILLSIDE ALUMINIUM

(100% SHARE)

Volumes

Hillside Aluminium saleable production decreased by 3kt to 714kt in FY22 as the smelter continued to test its maximum technical capacity, despite the impact of increased load-shedding.

Production is expected to reach 720kt across both FY23 and FY24, subject to load-shedding.

Operating costs

Operating unit costs increased by 31%, to US$2,137/t, as a significant rise in raw material input costs created inflationary pressure across the aluminium industry. Alumina, coke, pitch and electricity accounted for 77% of the smelter's cost base in FY22 (FY21: 78%).

While Operating unit cost guidance is not provided, the cost profile of the smelter will continue to be heavily influenced by the price of raw material inputs, including alumina supplied by our Worsley Alumina refinery with prices linked to the PAX on a M-1 basis, and other external factors including the South African rand and inflation-linked energy costs.

Financial performance

Underlying EBIT increased by 127% (or US$373M), to US$666M, as stronger aluminium prices (+US$731M) more than offset higher raw material input prices (-US$234M), and power costs (-US$32M). While additional shipping costs (-US$25M) from higher freight rates and extended demurrage due to poor third-party port performance impacted earnings, the extent of those impacts was mitigated as we established alternative discharge and shipping options.

162 pots were relined at a cost of US$274k per pot (FY21: 120 pots at US$244k per pot) in FY22. Our first pots utilising the AP3XLE energy efficiency technology were relined during Q4 FY22, with 99 pots scheduled to be relined in FY23.

Capital expenditure

Capital expenditure increased by US$7M, to US$24M in FY22, and is expected to increase a further US$6M to US$30M in FY23 as we continue investment in a replacement trucking fleet for the transport of liquid hot metal and our roll-out of the AP3XLE technology.

The AP3XLE energy efficiency project is expected to reduce the smelter's energy consumption and in turn lower greenhouse gas emissions by approximately 150,000 to 200,000 tonnes per annum once fully deployed. Capital expenditure of approximately US$18M is expected between FY23 to FY28.

South32 share	FY22	FY21
Aluminium production (kt)	714	717
Aluminium sales (kt)	713	707
Realised sales price (US$/t)	3,161	2,137
Operating unit cost (US$/t)	2,137	1,631

South32 share (US$M)	FY22	FY21
Revenue	2,254	1,511
Underlying EBITDA	730	358
Underlying EBIT	666	293
Net operating assets	927	733
Capital expenditure	24	17
Safe and reliable	*20*	*17*
Improvement and life extension	*4*	*–*

MOZAL ALUMINIUM
(63.7% SHARE)[19]

Volumes

Mozal Aluminium saleable production increased by 5% (or 13kt) to 278kt in FY22 with the smelter benefitting from our roll-out of the AP3XLE energy efficiency technology, which partially offset the impact of increased load-shedding. Our equity share of production reflects the completion of our acquisition of an additional 16.6% shareholding in the smelter on 31 May 2022, taking our ownership to 63.7%.

Our share of production is expected to increase 33% to 370kt in FY23 and FY24 (subject to load-shedding), reflecting our new ownership and the volume benefits of our investment in the AP3XLE technology.

Operating costs

Operating unit costs increased by 32%, to US$2,243/t, as a significant rise in raw material input costs created inflationary pressure across the aluminium industry. Alumina, coke, pitch and electricity accounted for 74% of the smelter's cost base in FY22 (FY21: 73%).

While Operating unit cost guidance is not provided, the cost profile of the smelter will continue to be heavily influenced by the price of raw material inputs, including the price of alumina supplied by our Worsley Alumina refinery, and other external factors including the South African rand and inflation-linked energy costs.

Approximately 50% of the alumina supplied to the smelter is priced as a percentage of the LME aluminium index under a legacy contract and the remainder linked to the PAX on an M-1 basis, with caps and floors embedded within specific contracts that reset each calendar year.

Financial performance

Underlying EBIT increased by 177% (or US$173M), to US$271M, as stronger realised aluminium prices (+US$297M) and the benefit of our increased ownership more than offset higher raw material input prices (-US$109M) and freight related costs (-US$11M).

127[44] pots were relined at a cost of US$266k per pot (FY21: 134[44] pots at US$252k per pot) in FY22. We expect 106[44] pots to be relined in FY23 as we continue our roll-out of the AP3XLE energy efficiency technology.

Capital expenditure

Capital expenditure of US$11M was unchanged in FY22 and is expected to increase to US$19M in FY23 as we invest in plant upgrades and continue our roll-out of the AP3XLE energy efficiency technology.

South32 share	FY22[a]	FY21
Aluminium production (kt)	278	265
Aluminium sales (kt)	276	262
Realised sales price (US$/t)	3,348	2,206
Operating unit cost (US$/t)	2,243	1,702

South32 share (US$M)	FY22[a]	FY21
Revenue	924	578
Underlying EBITDA	305	132
Underlying EBIT	271	98
Net operating assets	615	456
Capital expenditure	11	11
Safe and reliable	*10*	*10*
Improvement and life extension	*1*	*1*

(a) Our underlying results reflect the completion of our acquisition of an additional 16.6% shareholding in the smelter on 31 May 2022, taking our ownership to 63.7%. Prior period numbers have not been restated for this change in ownership (presented on a 47.1% basis).

SIERRA GORDA

(45% SHARE)

Volumes

We completed our acquisition of a 45% interest in the Sierra Gorda copper mine on 22 February 2022. Our share of copper equivalent production[38] from the date of acquisition was 29.5kt (25.3kt of copper, 0.4kt of molybdenum, 9.6koz of gold and 253koz of silver).

Our FY23 production guidance of 89kt copper equivalent production[38] (copper 71.8kt, molybdenum 1.5kt, gold 29.9koz and silver 582koz) reflects our expectation for higher plant throughput as the benefits of the de-bottlenecking project are realised. FY24 production guidance is not provided for this non-operated mine.

Operating costs

Operating unit costs in our first period of ownership were US$14.6/t ore processed or US$1.61/lb CuEq[33][a].

We expect FY23 Operating unit costs to be approximately US$14.8/t ore processed, with volume efficiencies from the plant's de-bottlenecking project, more than offset by higher diesel prices and labour costs. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 41.

Financial performance

Underlying EBIT was US$75M for the period from 22 February 2022 to 30 June 2022 as we recorded US$241M of revenue from the sale of 27.7kt of copper, 0.6kt of molybdenum, 9.9koz of gold and 282koz of silver.

Capital expenditure

Our share of safe and reliable capital expenditure for the period from acquisition to 30 June 2022 was US$36M. We expect our share to increase to US$205M in FY23, as the operation increases its rate of deferred stripping (US$114M) and invests in further tailings storage infrastructure (US$29M).

We also directed US$10M to improvement and life extension capital expenditure for the plant de-bottlenecking project in FY22 and expect to invest a further US$43M in FY23. The project remains on-track to sustainably lift throughput by 6% to ~50Mtpa (100% basis) by Q2 FY23.

Separately, FY22 improvement and life extension capital included US$35M paid to compensate for expenditure incurred for the brownfield oxide project prior to our acquisition. Our purchase price for Sierra Gorda was adjusted for this amount.

South32 share	FY22[a]	FY21
Ore mined (Mt)	13.7	–
Ore processed (Mt)	7.5	–
Ore grade processed (%, Cu)	0.42	–
Payable copper equivalent production (kt)[38]	29.5	–
Payable copper production (kt)	25.3	–
Payable molybdenum production (kt)	0.4	–
Payable gold production (koz)	9.6	–
Payable silver production (koz)	253	–
Payable copper sales (kt)	27.7	–
Payable molybdenum sales (kt)	0.6	–
Payable gold sales (koz)	9.9	–
Payable silver sales (koz)	282	–
Realised copper sales price (US$/lb)	3.50	–
Realised molybdenum sales price (US$/lb)	18.48	–
Realised gold sales price (US$/oz)	1,934	–
Realised silver sales price (US$/oz)	23.5	–
Operating unit cost (US$/t ore processed)[45]	14.6	–
Operating unit cost (US$/lb CuEq)[33]	1.61	–

South32 share (US$M)	FY22[a]	FY21
Revenue	241	–
Underlying EBITDA	133	–
Underlying EBIT	75	–
Net operating assets	1,402	–
Capital expenditure	81	–
Safe and reliable	36	–
Improvement and life extension	45	–
Exploration expenditure	2	–
Exploration expensed	1	–

(a) Realised sales prices and Operating unit costs presented in the table above reflect the period 1 March 2022 to 30 June 2022. Whereas production and sales numbers, and all Income Statement items reflect the period from first ownership (22 February 2022). Operating unit costs of US$1.42/lb CuEq and realised prices (copper of US$3.18/lb, molybdenum of US$18.73/lb, gold of US$1,776/oz and silver of US$20.65/oz) reflect the period from first ownership (22 February 2022).

CANNINGTON

(100% SHARE)

Volumes

Cannington payable zinc equivalent production[39] decreased by 6% (or 19.7kt), to 299.3kt in FY22, as we completed planned maintenance and built run of mine stocks during Q4 FY22 to support the operation's transition to 100% truck haulage.

FY23 zinc equivalent production[39] is expected to increase by 5% to 236.1kt (silver 13,500koz, lead 122.0kt and zinc 72.0kt) with the benefit of higher throughput across the year, despite reduced crushing capacity in H1 FY23 as we move the underground crusher to the surface. The operation's recent strong production performance is expected to continue into FY24 with zinc equivalent production[39] expected to be 233.4kt (silver 13,500koz, lead 124.0kt and zinc 68.0kt).

Operating costs

Operating unit costs increased by 7% (or US$9/t), to US$133/t, as we lowered volumes to complete scheduled maintenance and work to support the transition to 100% truck haulage.

We expect FY23 Operating unit costs to decrease by 3%, to US$129/t, as the benefit of higher throughput from the optimised mine plan and a weaker Australian dollar, more than offset higher energy prices. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 41.

Financial performance

Underlying EBIT decreased by 10% (or US$35M), to US$315M, as our reduced sales volumes (-US$49M) and higher freight rates (-US$6M) more than offset higher prices (+US$28M) and initiatives to reduce our spend on labour and consultant activity (+US$9M).

Capital expenditure

Capital expenditure increased by US$2M to US$45M in FY22 as we invested to support the operation's transition to 100% truck haulage. Capital expenditure is expected to increase to US$62M in FY23 as we complete planned upgrades to water and ventilation infrastructure and install additional tailings storage capacity.

South32 share	FY22	FY21
Ore mined (kwmt)	2,753	2,819
Ore processed (kdmt)	2,618	2,746
Ore grade processed (g/t, Ag)	180	185
Ore grade processed (%, Pb)	5.4	5.7
Ore grade processed (%, Zn)	3.5	3.5
Payable zinc equivalent production (kt)[39]	299.3	319.0
Payable silver production (koz)	12,946	13,655
Payable lead production (kt)	120.6	131.8
Payable zinc production (kt)	64.5	67.7
Payable silver sales (koz)	12,898	13,736
Payable lead sales (kt)	122.2	131.7
Payable zinc sales (kt)	66.2	69.0
Realised silver sales price (US$/oz)	21.0	25.4
Realised lead sales price (US$/t)	2,046	1,862
Realised zinc sales price (US$/t)	3,248	2,357
Operating unit cost (US$/t ore processed)[45]	133	124

South32 share (US$M)	FY22	FY21
Revenue	736	757
Underlying EBITDA	388	416
Underlying EBIT	315	350
Net operating assets	141	195
Capital expenditure	45	43
Safe and reliable	*43*	*41*
Improvement and life extension	*2*	*2*
Exploration expenditure	3	2
Exploration expensed	2	2

CERRO MATOSO

(99.9% SHARE)

Volumes

Cerro Matoso payable nickel production increased by 22% (or 7.6kt) to 41.7kt in FY22 as throughput recovered following completion of a major furnace refurbishment in FY21 and we added higher-grade ore from the Q&P pit, increasing average nickel grades by 6% (FY22: 1.73%; FY21: 1.63%). We expect production volumes to increase by a further 4%, to 43.5kt in FY23 and FY24, with plant availability returning to normalised levels post unplanned maintenance and weather-related impacts, and the commissioning of the OSMOC project, which is expected to mitigate grade decline.

Operating costs

Operating unit costs increased by 8%, to US$4.34/lb, as a significant increase in price-linked royalties and energy prices, along with costs to support processing of additional higher-grade Q&P volumes, were partially offset by volume benefits and a weaker Colombian peso. The operation also recognised a one-off benefit related to the reversal of a royalty provision.

We expect FY23 Operating unit costs to increase by 15%, to US$4.97/lb, with higher price-linked royalties and energy prices, together with the impact of the prior year's one-off reversal of a royalty provision, to more than offset the benefit of additional volumes. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 41.

Financial performance

Underlying EBIT increased by 280% (or US$341M), to US$463M, as higher realised nickel prices (+US$313M) and sales volumes (+US$122M) more than offset higher price-linked royalties (-US$31M), energy costs (-US$17M) and additional expenditure on labour and contractors to support mining from the Q&P pit (-US$7M).

Capital expenditure

Safe and reliable capital expenditure decreased by US$12M, to US$18M in FY22, following the prior period's completion of the major furnace refurbishment. Spend is expected to increase by US$22M, to US$40M in FY23, as we continue upgrades to the furnace and invest in the new mobile fleet.

Improvement and life extension capital expenditure increased by US$4M, to US$19M in FY22, and is expected to decline to US$4M in FY23 as we commission the OSMOC project. The OSMOC project is expected to maintain payable nickel production by offsetting natural grade decline beyond FY23[46]. This is expected to be achieved through expanded processing capacity and improvements to the upgrading circuit.

We are working to extend the mining contract at Cerro Matoso by 15 years from 2029 to 2044 benefitting from the expanded processing capacity that is delivered by the OSMOC project. As part of the contract extension, we expect to make a payment of approximately US$44M to the National Mining Agency in Q3 FY23.

South32 share	FY22	FY21
Ore mined (kwmt)	4,867	3,238
Ore processed (kdmt)	2,703	2,385
Ore grade processed (%, Ni)	1.73	1.63
Payable nickel production (kt)	41.7	34.1
Payable nickel sales (kt)	41.8	33.5
Realised nickel sales price (US$/lb)[47]	10.08	6.68
Operating unit cost (US$/lb)	4.34	4.01
Operating unit cost (US$/t)[48]	148	124

South32 share (US$M)	FY22	FY21
Revenue	929	493
Underlying EBITDA	529	197
Underlying EBIT	463	122
Net operating assets	349	405
Capital expenditure	37	45
Safe and reliable	*18*	*30*
Improvement and life extension	*19*	*15*
Exploration expenditure	–	–
Exploration expensed	–	–

ILLAWARRA METALLURGICAL COAL

(100% SHARE)

Volumes

Illawarra Metallurgical Coal saleable production decreased by 15% (or 1,136kt) to 6,509kt in FY22 as we completed three longwall moves during the year and ceased sales of low-margin coal wash material. The impact of adverse weather and COVID-19 related labour restrictions also impacted the operation's ability to maintain budgeted development rates during the period.

We expect FY23 production volumes to increase by 14% to 7.4Mt with only two longwall moves planned and a recovery from wet weather in the prior period. Guidance is subject to maintaining labour productivity as Illawarra Metallurgical Coal is currently negotiating the Appin Enterprise Agreements.

FY24 production is expected to decline to 5.3Mt as we move into a new mining area at Dendrobium, followed by an average run-rate of ~5.5Mtpa to FY28 across the complex[40].

Operating costs

Operating unit costs increased by 45%, to US$126/t, with a significant increase in price-linked royalties, due to higher prices, accounting for 38% of the change. Lower volumes and increased contractor and maintenance activities were the other main drivers.

We expect FY23 Operating unit costs to decline by 8%, to US$116/t, with higher volumes and a weaker Australian dollar more than offsetting labour and energy cost inflation. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 41.

Financial performance

Underlying EBIT increased by US$1,491M, to US$1,388M, with higher realised prices (+US$1,635M), partially offset by higher price-linked royalties (-US$101M), lower sales volumes (-US$55M), and increased contractor and maintenance activity (-US$39M) to support the additional longwall moves.

Depreciation decreased by US$78M, to US$119M, following a non-cash impairment of the operation's carrying value in FY21.

Capital expenditure

Safe and reliable capital expenditure increased by US$26M, to US$177M in FY22, as we invested in additional coal clearance and ventilation infrastructure to support the transition to a single longwall at Appin. Notwithstanding the increase, FY22 expenditure was US$38M below our original guidance as adverse weather and COVID-19 related labour restrictions impacted the ability of the operation to complete planned work. FY23 guidance is expected to increase by US$86M to US$263M as we continue our investment at Appin[42], including the completion of delayed activity.

Improvement and life extension capital expenditure decreased by US$25M to US$12M in FY22 as we scaled back activity on the DND project.

Subsequent to the end of the period, we announced that we would not proceed with an investment in the DND project following our consideration of recently completed study work and extensive analysis of alternatives considered for the complex[40].

South32 share	FY22	FY21
Metallurgical coal production (kt)	5,712	6,170
Energy coal production (kt)	797	1,475
Metallurgical coal sales (kt)	5,823	6,074
Energy coal sales (kt)	783	1,542
Realised metallurgical coal sales price (US$/t)	381	115
Realised energy coal sales price (US$/t)	156	40
Operating unit cost (US$/t)	126	87

South32 share (US$M)	FY22	FY21
Revenue[49]	2,338	758
Underlying EBITDA	1,507	94
Underlying EBIT	1,388	(103)
Net operating assets	786	612
Capital expenditure	189	188
Safe and reliable	*177*	*151*
Improvement and life extension	*12*	*37*
Exploration expenditure	11	14
Exploration expensed	9	5

AUSTRALIA MANGANESE

(ORE 60% SHARE, ALLOY 60% SHARE DIVESTED)

Volumes

Australia Manganese saleable ore production decreased by 5% (or 166kwmt), to 3,363kwmt in FY22, as weather-related disruptions and COVID-19 workplace restrictions prevented the re-build of stockpiles ahead of the wet season. This contributed to adverse ore handling characteristics that resulted in a lower yield at the primary concentrator.

Production is expected to increase to 3,400kwmt across FY23 and FY24 with an improvement in yield at the primary concentrator, and the PC02 circuit continuing to operate above nameplate capacity supporting the higher volumes.

Operating costs

Operating unit costs increased by 22%, to US$1.86/dmtu, due to the lower volumes together with higher diesel prices and consumable costs.

We expect FY23 Operating unit costs to increase by 12%, to US$2.08/dmtu, with higher labour and contractor costs associated with an increase in activity due to a higher strip ratio (FY23e: 5.9, FY22: 5.1), combined with further expectations for an increase in diesel prices, to offset the benefit of a weaker Australian dollar. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 41.

Financial performance

Ore Underlying EBIT increased by 31% (or US$94M), to US$402M, as higher realised prices (+US$203M) more than offset the impact of lower sales volumes (-US$28M), higher freight rates (-US$35M), diesel prices (-US$13M) and consumable costs (-US$9M).

Our FY22 realised price improved year-on-year as we benefitted from improved market conditions and achieved the high grade 44% manganese lump ore index[50], despite our low-cost PC02 circuit operating above its design capacity, contributing 11% of total production (FY21: 10%).

Capital expenditure

Safe and reliable capital expenditure increased by US$3M, to US$56M in FY22, as we continued to invest in tailings storage capacity. FY23 capital expenditure is expected to decline by US$6M to US$50M as we continue this work.

Improvement and life extension capital expenditure increased by US$4M, to US$6M in FY22, and is expected to step-up to US$14M in FY23 as we progress the feasibility study for our Eastern Leases mine life extension project, ahead of a planned final investment decision in Q2 FY23.

South32 share	FY22	FY21
Manganese ore production (kwmt)	3,363	3,529
Manganese alloy production (kt)	–	51
Manganese ore sales (kwmt)	3,372	3,621
External customers	3,372	3,506
TEMCO	–	*115*
Manganese alloy sales (kt)	–	*59*
Realised external manganese ore sales price (US$/dmtu, FOB)[51][52]	5.29	4.13
Ore operating unit cost (US$/dmtu)[52][53]	1.86	1.52

South32 share (US$M)	FY22	FY21
Revenue	848	730
Manganese ore	*848*	*685*
Manganese alloy	–	*57*
Intra-segment elimination	–	*(12)*
Underlying EBITDA	488	385
Manganese ore	*488*	*389*
Manganese alloy	–	*(4)*
Underlying EBIT	402	304
Manganese ore	*402*	*308*
Manganese alloy	–	*(4)*
Net operating assets	258	243
Manganese ore	*258*	*243*
Manganese alloy	–	–
Capital expenditure	62	55
Safe and reliable	*56*	*53*
Improvement and life extension	6	2
Exploration expenditure	1	2
Exploration expensed	–	1

SOUTH AFRICA MANGANESE

(ORE 54.6% SHARE[2], ALLOY 60% SHARE)

Volumes

South Africa Manganese saleable ore production was largely unchanged at 2,069kwmt in FY22 as we increased volumes of premium material from our Mamatwan mine during the year, more than offsetting the impact of planned maintenance.

FY23 production guidance of 2,000kwmt assumes we continue our use of higher cost trucking to optimise sales volumes of our premium products. We continue to swing our production to meet demand and accordingly FY24 guidance is not provided with volumes to be optimised subject to market conditions.

Our Metalloys manganese alloy smelter remains on care and maintenance as we assess future options for the smelter. On 7 March 2022, we announced that the sale of the smelter would not proceed following a failure to satisfy certain commercial conditions to the agreement[54].

Operating costs

Operating unit costs increased by 10%, to US$2.73/dmtu, as the operation increased its use of higher cost trucking (FY22: 35%, FY21: 31%) to deliver additional volumes of premium product and maximise cash flow.

We expect FY23 Operating unit costs to decrease by 3%, to US$2.66/dmtu, as we realise the benefit of drawing down previously built low-cost inventory from the barrier pillar project and a weaker South African rand. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 41.

Financial performance

Ore Underlying EBIT increased by 16% (or US$11M), to US$79M, as higher realised prices (+US$76M) and sales volumes (+US$13M) more than offset increased freight costs (-US$46M) and a stock drawdown as we optimised our sales mix of premium material (-US$15M).

Our realised sales price was a premium of ~18% to the medium grade 37% manganese lump ore index[55], as we maximised our revenue by optimising our sales mix with additional volumes of our premium products.

Manganese alloy Underlying EBIT was a loss of US$21M recognising an adjustment to the closure and rehabilitation provision with the Metalloys smelter remaining on care and maintenance.

Capital expenditure

Safe and reliable capital expenditure decreased by US$1M, to US$14M in FY22, with capital expenditure expected to be largely unchanged at US$15M in FY23.

Improvement and life extension capital expenditure increased to US$5M in FY22, and we expect a further step-up to US$28M in FY23 as we open up new mining areas at Mamatwan and upgrade our rail infrastructure to maximise flexibility in our logistics.

South32 share[2]	FY22	FY21
Manganese ore production (kwmt)	2,069	2,060
Manganese alloy production (kt)	–	–
Manganese ore sales (kwmt)	2,170	2,035
External customers	*2,170*	*2,035*
Metalloys	–	–
Manganese alloy sales (kt)	–	11
Realised external manganese ore sales price (US$/dmtu, FOB)[56][57]	3.92	3.53
Ore operating unit cost (US$/dmtu)[53][57]	2.73	2.48

South32 share (US$M)[2]	FY22	FY21
Revenue	419	*337*
Manganese ore	*419*	*330*
Manganese alloy	–	*7*
Underlying EBITDA	78	*64*
Manganese ore	*99*	*84*
Manganese alloy	*(21)*	*(20)*
Underlying EBIT	58	*48*
Manganese ore	*79*	*68*
Manganese alloy	*(21)*	*(20)*
Net operating assets/(liabilities)	135	*152*
Manganese ore	*211*	*212*
Manganese alloy	*(76)*	*(60)*
Capital expenditure	19	*15*
Safe and reliable	*14*	*15*
Improvement and life extension	*5*	–
Exploration expenditure	1	1
Exploration expensed	1	1

NOTES

(1) Refer to market release “South32 completes acquisition of 45% interest in Sierra Gorda copper mine” dated 22 February 2022.

(2) South Africa Manganese ore has been reported as a 54.6% interest (previously 60%) reflecting our Metalloys manganese alloy smelter (60% interest) having been placed on care and maintenance, and aligning with our interest in Hotazel Manganese Mines (HMM). South32 has a 44.4% ownership interest in HMM. 26% of HMM is owned by a B-BBEE consortium comprising Ntsimbintle Mining (9%), NCAB Resources (7%), Iziko Mining (5%) and HMM Education Trust (5%). The interests owned by NCAB Resources, Iziko Mining and HMM Education Trust were acquired using vendor finance with the loans repayable via distributions attributable to these parties, pro rata to their share in HMM. Until these loans are repaid, South32’s interest in HMM is accounted at 54.6%.

(3) Net tangible assets as at 30 June 2022 includes all right-of-use assets and lease liabilities, in accordance with AASB 16 Leases.

(4) Market capitalisation as at 19 August 2022. Calculated as the number of shares on issue (4,628 million), the South32 closing share price A$4.19, and an AUD:USD exchange rate of 0.69.

(5) Group FY22 and FY23e copper equivalent production for all operations. Copper equivalent production was calculated using FY22 realised prices for all operations except for Brazil Aluminium which is based on FY22 average index price for aluminium.

(6) During the current financial reporting period the internal reporting of the Group’s consolidated financial results was changed, with these changes also reflected in the FY21 comparative information. The underlying information reflects the Group’s interest in material equity accounted investments and is presented on a proportional consolidation basis, which is the measure used by the Group’s Board and management to assess their performance.

(7) FY22 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY22 (4,647 million). FY22 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY22. FY21 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY21 (4,771 million). FY21 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY21.

(8) FY22 ordinary dividends per share is calculated as H1 FY22 ordinary dividend announced (US$405M) divided by the number of shares on issue at 31 December 2021 (4,650 million) plus H2 FY22 ordinary dividend announced (US$648M) divided by the number of shares on issue at 30 June 2022 (4,628 million). FY22 special dividends per share is calculated as H2 FY22 special dividend announced (US$139M) divided by the number of shares on issue at 30 June 2022 (4,628 million).

(9) FY21 includes TEMCO and discontinued operation South Africa Energy Coal.

(10) Underlying revenue includes revenue from third party products and services.

(11) The underlying information reflects the Group’s interest in material equity accounted joint ventures and is presented on a proportional consolidation basis. Underlying EBIT is profit before net finance costs, tax and any earnings adjustments, including impairments. Underlying EBITDA is Underlying EBIT before underlying depreciation and amortisation. Underlying earnings is Profit/(loss) after tax and earnings adjustment items. Underlying earnings is the key measure that South32 uses to assess the performance of the South32 Group, make decisions on the allocation of resources and assess senior management’s performance. In addition, the performance of each of the South32 operations and operational management is assessed based on Underlying EBIT. In order to calculate Underlying earnings, Underlying EBIT and Underlying EBITDA, the following items are adjusted as applicable each period, irrespective of materiality:

- Exchange rate (gains)/losses on restatement of monetary items;
- Impairment losses/(reversals);
- Net (gains)/losses on disposal and consolidation of interests in businesses;
- (Gains)/losses on non-trading derivative instruments, contingent consideration and other investments measured at fair value through profit or loss;
- Major corporate restructures;
- Joint venture adjustments;
- Exchange rate variations on net debt;
- Tax effect of earnings adjustments; and the
- Exchange rate variations on tax balances

In addition, items that do not reflect the underlying operations of South32, and are individually, or in combination with other related earnings adjustments, significant to the financial statements, are excluded to determine Underlying earnings. When applicable, significant items are detailed in the Financial Information.

(12) Comprises Underlying EBITDA excluding third party product EBITDA, divided by Underlying revenue excluding third party product revenue. Also referred to as operating margin.

(13) Comprises Underlying EBIT excluding third party product EBIT, divided by Underlying revenue excluding third party product revenue.

(14) Return on invested capital (ROIC) is a key measure that South32 uses to assess performance. ROIC is calculated as Underlying EBIT less the discount on rehabilitation provisions included in net finance costs, tax effected by the Group’s Underlying effective tax rate (ETR) including our material equity accounted investments on a proportional consolidation basis, divided by the sum of fixed assets (excluding any rehabilitation assets, the impairment of Eagle Downs Metallurgical Coal and Illawarra Metallurgical Coal, the impairment reversal of Brazil Aluminium, and unproductive capital associated with Growth and Life Extension projects) and inventories.

(15) To ensure that incident classification definitions are applied uniformly across our workforce, we have adopted the United States Government Occupational Safety and Health Administration (OSHA) and the International Council on Mining and Metals (ICMM) guidelines for the recording and reporting of occupational injuries and illnesses.

(16) Total Recordable Injury Frequency (TRIF): (The sum of recordable injuries x 1,000,000) ÷ exposure hours. This is stated in units of per million hours worked for employees and contractors.

(17) Our FY21 TRIF baseline was adjusted at end FY21 to account for the removal of South Africa Energy Coal and TEMCO from the portfolio.

(18) The Group’s total cost base of US$5,971M for FY22 includes EAI and excludes Other income. It includes a US$96M adjustment for Other income and other accounting related adjustments to reconcile to Underlying revenue minus Underlying EBITDA.

(19) Refer to market release “South32 completes acquisition of additional shareholding in Mozal Aluminium” dated 31 May 2022.

(20) Refer to market release “Restart of Brazil Aluminium using renewable power” dated 6 January 2022.

(21) Refer to media release “South32 completes acquisition of additional interest in Mineração Rio do Norte” dated 2 May 2022.

(22) Refer to market release “Hermosa project update” dated 17 January 2022.

(23) Refer to market release “South32 unlocks up to US$200M in value from non-core royalty sale” dated 12 July 2022. Includes US$103M in cash payments, US$82M of Anglo Pacific Group Plc shares issued on completion and contingent payments of up to US$15M. The US$103M cash payment comprises US$48M paid on completion, and US$55M payable in six equal quarterly instalments over the 18 months from completion. The contingent payment is triggered if the West Musgrave project achieves commercial production, and throughput and commodity price-related conditions are met prior to an agreed expiry date.

(24) Refer to market release “Dendrobium Next Domain Update” dated 23 August 2022.

(25) Sales price variance reflects the revenue impact of changes in commodity prices, based on the current period’s sales volume. Price-linked costs variance reflects the change in royalties together with the change in input costs driven by changes in commodity prices or market traded consumables. Foreign exchange reflects the impact of exchange rate movements on local currency denominated costs and sales. Volume variance reflects the revenue impact of sales volume changes, based on the comparative period’s sales prices. Controllable costs variance represents the impact from changes in the Group’s controllable local currency cost base, including the variable cost impact of production volume changes on expenditure, and period-on-period movements in inventories. The controllable cost variance excludes earnings adjustments including significant items.

(26) Underlying net finance costs and Underlying income tax expense are actual FY22 results, not year-on-year variances.

(27) South32’s ownership shares of operations are presented as follows: Worsley Alumina (86% share), Brazil Alumina (36% share), Brazil Aluminium (40% share), Hillside Aluminium (100%), Mozal Aluminium (63.7% share, noting that the FY22 Income statement reflects only one month of our increased ownership at 63.7% following the completion of the acquisition for an additional 16.6% shareholding on 31 May 2022), Sierra Gorda (45% share), Cannington (100%), Hermosa (100%), Cerro Matoso (99.9% share), Illawarra Metallurgical Coal (100%), Australia Manganese (60% share), South Africa Manganese ore (54.6% share) and South Africa Manganese alloy (60% share).

(28) The underlying information reflects the Group’s interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group’s management to assess their performance. The joint venture adjustments reconcile the proportional consolidation to the equity accounting position included in the Group’s consolidated financial statements.

(29) Underlying ETR is Underlying income tax expense, including royalty related tax, divided by Underlying profit subject to tax.

(30) The corporate tax rates of the geographies where the Group operates include: Australia 30%, South Africa 28%, Colombia 35%, Mozambique 0%, Brazil 34% and Chile 27%. The Colombian corporate tax rate increased to 35% from 1 January 2022. The South African corporate tax rate reduced to 27% from 1 July 2022. The Mozambique

operations are subject to a royalty on revenues instead of income tax. Sierra Gorda is subject to a royalty related tax based on the amount of copper sold and the mining operating margin, the rate is between 5% and 14% for annual sales over 50kt of refined copper.

(31) Australia Manganese is subject to a royalty related tax equal to 20% of adjusted EBIT which is included in Underlying tax expense.

(32) Operating unit cost is Underlying revenue less Underlying EBITDA, excluding third party sales, divided by sales volumes. Operating cost is Underlying revenue less Underlying EBITDA excluding third party sales. Additional manganese disclosures are included in footnotes 52 and 57.

(33) US dollar per pound of copper equivalent production. FY22 realised prices for copper (US$3.50/lb), molybdenum (US$18.48/lb), gold (US$1,934/oz) and silver (US$23.5/oz) have been used for FY22 Operating unit cost.

(34) FY22 net distributions from our material equity accounted joint ventures comprises of dividends and capital returns (US$224M) and a net repayment of shareholder loans (US$29M) from manganese and a distribution (US$68M) from Sierra Gorda. The distribution from Sierra Gorda comprised US$21M of principal repayments and US$47M of accrued interest.

(35) Total capital expenditure comprises Capital expenditure, evaluation expenditure, the purchase of intangibles and capitalised exploration expenditure. Capital expenditure comprises Safe and reliable capital expenditure, Improvement and life extension capital expenditure, and Growth (development of our current and future greenfield growth) capital expenditure.

(36) Refer to market release "South32 prices US$700M of Senior Notes" dated 8 April 2022.

(37) Production guidance for Hillside Aluminium and Mozal Aluminium does not assume any load-shedding impact on production.

(38) Payable copper equivalent production (kt) was calculated by aggregating revenues from copper, molybdenum, gold and silver, and dividing the total Revenue by the price of copper. FY22 realised prices for copper (US$3.50/lb), molybdenum (US$18.48/lb), gold (US$1,934/oz) and silver (US$23.5/oz) have been used for FY22 and FY23e. FY21 index prices for copper (US$4.23/lb), molybdenum (US$15.7/lb), gold (US$1,796/oz) and silver (US$25.2/oz) have been used for FY22 on page 23.

(39) 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. FY22 realised prices for zinc (US$3,248/t), lead (US$2,046/t) and silver (US$21.0/oz) have been used for FY22, FY23e and FY24e. FY21 realised prices for zinc (US$2,357/t), lead (US$1,862/t) and silver (US$25.4/oz) have been used for FY21 and FY22 on page 24.

(40) Refer to market release "Dendrobium Next Domain Update" dated 23 August 2022. Based on average between FY24 and FY28, with outcomes to vary depending on the timing of longwall moves. The information in this announcement that relates to the Production Target for Illawarra Metallurgical Coal (FY24 to FY28) is based on 23% Proved and 52% Probable Coal Reserves, and 20% Measured and 5% Indicated Coal Resources from Wongawilli, and 11% Proved and 89% Probable Coal Reserves from Bulli. Production Target cautionary statement – The Coal Resources and Coal Reserves estimates underpinning the Production Target have been prepared by Competent Persons and reported in accordance with the JORC Code. The Coal Resources and Coal Reserves estimates are available to view in South32's FY21 Annual Report (http://www.south32.net) published on 3 September 2021. The stated Production Target is based on South32's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

(41) FY23 Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY23, including: an alumina price of US$364/t; an average blended coal price of US$265/t for Illawarra Metallurgical Coal; a manganese ore price of US$6.40/dmtu for 44% manganese product; a nickel price of US$9.94/lb; a silver price of US$22.11/troy oz; a lead price of US$2,059/t (gross of treatment and refining charges); a zinc price of US$3,480/t (gross of treatment and refining charges); a copper price of US$4.07/lb (gross of treatment and refining charges); a molybdenum price of US$16.95/lb (gross of treatment and refining charges); a gold price of US$1,860/troy oz; an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 16.62; a USD:COP exchange rate of 3,851; USD:CLP exchange rate of 814; and a reference price for caustic soda; which reflect forward markets as at June 2022 or our internal expectations.

(42) Refer to market release "Dendrobium Next Domain Update" dated 23 August 2022. FY23 capital expenditure guidance includes planned work to install additional ventilation capacity to enable mining in the current Area 7 until at least 2039, which remains subject to South32 Board approval.

(43) FY22 Third party products and services sold comprise US$110M for aluminium, US$25M for alumina, US$115M for coal, US$145M for freight services, US$165M for raw materials and US$40M for manganese. Underlying EBIT on third party products and services comprise US$8M for aluminium, US$8M for alumina, US$7M for coal, (US$3M) for freight services, nil for raw materials and nil for manganese. FY21 Third party products and services sold comprise US$43M for aluminium, US$10M for alumina, US$23M for coal, US$95M for freight services, US$92M for raw materials and US$35M for manganese. Underlying EBIT on third party products and services comprise US$8M for aluminium, nil for alumina, US$1M for coal, nil for freight services, US$1M for raw materials and nil for manganese.

(44) Presented on a 100% basis.

(45) Sierra Gorda and Cannington Operating unit cost is Underlying 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.

(46) The information in this report that relates to the production target is based on Proved and Probable Ore Reserves (87%), Measured (12%) and Indicated (1%) Mineral Resources for Cerro Matoso. Mineral Resources and Ore Reserve estimates for Cerro Matoso was declared as part of South32's Annual Resource and Reserve declaration in the Annual Report 2021 (www.south32.net) issued on 3 September 2021 and prepared by I Espitia (MAusIMM) and N Monterroza (MAusIMM) 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 announcement. 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. Payable nickel is calculated using long-term consensus metal prices and relative metallurgical recoveries.

(47) Cerro Matoso realised nickel sales price is inclusive of by-products. Realised sales price is calculated as sales Underlying revenue divided by sales volume.

(48) Cerro Matoso Operating unit cost per tonne is Underlying 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.

(49) Illawarra Metallurgical Coal revenue includes metallurgical coal and energy coal sales revenue.

(50) The sales volume weighted average of the Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China) on the basis of M-1 was US$6.00/dmtu in FY22.

(51) Realised ore prices are calculated as external sales Underlying revenue less freight and marketing costs, divided by external sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction.

(52) Manganese Australia FY22 average manganese content of external ore sales was 44.2% on a dry basis (FY21: 44.4%). 96% of FY22 external manganese ore sales (FY21: 97%) were completed on a CIF basis. FY22 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$96M (FY21: US$63M), consistent with our FOB cost guidance.

(53) FOB Ore operating unit cost is Underlying revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume.

(54) Refer to market release "Sale of Metalloys manganese alloy smelter will not proceed" dated 7 March 2022.

(55) The sales volume weighted average of the Metal Bulletin 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on the basis of M-1 was US$3.33/dmtu in FY22.

(56) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised ore prices are calculated as external sales Underlying Revenue less freight and marketing costs, divided by external sales volume.

(57) Manganese South Africa FY22 average manganese content of external ore sales was 39.7% on a dry basis (FY21: 39.9%). 75% of FY22 external manganese ore sales (FY21: 76%) were completed on a CIF basis. FY22 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$88M (FY21: US$50M), consistent with our FOB cost guidance.

Figures in Italics indicate that an adjustment has been made since the figures were previously reported. The denotation (e) refers to an estimate or forecast year.

The following abbreviations may be used throughout this report: US$ million (US$M); US$ billion (US$B); financial year 2022 (FY22); financial year (FY); calendar year (CY); copper equivalent (CuEq); grams per tonne (g/t); tonnes (t); thousand tonnes (kt); thousand tonnes per annum (ktpa); million tonnes (Mt); million tonnes per annum (Mtpa); ounces (oz); thousand ounces (koz); million ounces (Moz); thousand wet metric tonnes (kwmt); million wet metric tonnes (Mwmt); thousand dry metric tonnes (kdmt);| dry metric tonne unit (dmtu); pound (lb); megawatt (MW); Australian Securities Exchange (ASX); London Stock Exchange (LSE); Johannesburg Stock Exchange (JSE); equity accounted investments (EAI); and American Depositary Receipts (ADR).

SOUTH32 FINANCIAL INFORMATION

For the year ended 30 June 2022

BASIS OF PREPARATION

The financial information included in this document for the year ended 30 June 2022 is unaudited. The financial information does not constitute the South32 Group's (the Group's) full financial statements for the year ended 30 June 2022, which will be approved by the Board, reported on by the auditors, and filed with the Australian Securities and Investments Commission. The Group's full financial statements will be prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial information set out on pages 33 to 52 for the year ended 30 June 2022 has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2021 financial statements contained within the Annual Report of the Group. As required, and unless otherwise stated, comparative financial information for the Group has been presented.

All amounts are expressed in US dollars unless otherwise stated. The Group's presentation currency (and the functional currency of the majority of its operations) is US dollars as this is the principal currency of the economic environment in which it operates.

Amounts in this financial information have, unless otherwise indicated, been rounded to the nearest million dollars (US$M or US$ million).

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2022

US$M	FY22	FY21
Continuing operations		
Revenue:		
Group production	**8,522**	5,102
Third party products and services	**747**	374
	9,269	5,476
Other income	**183**	157
Expenses excluding net finance costs	**(6,000)**	(5,571)
Share of profit/(loss) of equity accounted investments	**272**	141
Profit/(loss) from continuing operations	**3,724**	203
Comprising:		
Group production	**3,704**	193
Third party products and services	**20**	10
Profit/(loss) from continuing operations	**3,724**	203
Finance expenses	**(110)**	(178)
Finance income	**79**	17
Net finance costs	**(31)**	(161)
Profit/(loss) before tax from continuing operations	**3,693**	42
Income tax (expense)/benefit	**(1,024)**	100
Profit/(loss) after tax from continuing operations	**2,669**	142
Discontinued operation		
Profit/(loss) after tax from a discontinued operation	**-**	(337)
Profit/(loss) for the year	**2,669**	(195)
Attributable to:		
Equity holders of South32 Limited	**2,669**	(195)
Profit/(loss) from continuing operations for the year attributable to equity holders of South32 Limited:		
Basic earnings per share (cents)	**57.4**	3.0
Diluted earnings per share (cents)	**57.0**	3.0
Profit/(loss) for the year attributable to equity holders of South32 Limited:		
Basic earnings per share (cents)	**57.4**	(4.1)
Diluted earnings per share (cents)	**57.0**	(4.1)

The accompanying notes form part of the financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

US$M	FY22	FY21
Profit/(loss) for the year	**2,669**	(195)
Other comprehensive income		
Items that may be reclassified to the Consolidated Income Statement:		
Equity accounted investments – share of other comprehensive income/(loss), net of tax	**(4)**	-
Total items that may be reclassified to the Consolidated Income Statement	**(4)**	-
Items not to be reclassified to the Consolidated Income Statement:		
Investments in equity instruments designated as fair value through other comprehensive income (FVOCI):		
Net fair value gains/(losses)	**(78)**	47
Income tax (expense)/benefit	**24**	(15)
Equity accounted investments – share of other comprehensive income/(loss), net of tax	**1**	(3)
Gains/(losses) on pension and medical schemes	**3**	1
Income tax (expense)/benefit recognised within other comprehensive income	**(1)**	-
Total items not to be reclassified to the Consolidated Income Statement	**(51)**	30
Total other comprehensive income/(loss)	**(55)**	30
Total comprehensive income/(loss)	**2,614**	(165)
Attributable to:		
Equity holders of South32 Limited	**2,614**	(165)

The accompanying notes form part of the financial information.

CONSOLIDATED BALANCE SHEET

as at 30 June 2022

US$M	FY22	FY21
ASSETS		
Current assets		
Cash and cash equivalents	**2,365**	1,613
Trade and other receivables	**844**	527
Other financial assets	**1**	15
Inventories	**982**	716
Current tax assets	**4**	13
Other	**44**	38
Total current assets	**4,240**	2,922
Non-current assets		
Trade and other receivables	**1,903**	259
Other financial assets	**64**	121
Inventories	**76**	74
Property, plant and equipment	**8,988**	8,938
Intangible assets	**186**	189
Equity accounted investments	**470**	380
Deferred tax assets	**394**	348
Other	**15**	11
Total non-current assets	**12,096**	10,320
Total assets	**16,336**	13,242
LIABILITIES		
Current liabilities		
Trade and other payables	**989**	777
Interest bearing liabilities	**402**	408
Other financial liabilities	**6**	11
Current tax payables	**308**	27
Provisions	**186**	239
Deferred income	**6**	-
Total current liabilities	**1,897**	1,462
Non-current liabilities		
Trade and other payables	**8**	2
Interest bearing liabilities	**1,425**	799
Other financial liabilities	**84**	-
Deferred tax liabilities	**307**	265
Provisions	**1,835**	1,759
Deferred income	**1**	1
Total non-current liabilities	**3,660**	2,826
Total liabilities	**5,557**	4,288
Net assets	**10,779**	8,954
EQUITY		
Share capital	**13,469**	13,597
Treasury shares	**(32)**	(22)
Reserves	**(3,558)**	(3,567)
Retained earnings/(accumulated losses)	**901**	(1,053)
Total equity attributable to equity holders of South32 Limited	**10,780**	8,955
Non-controlling interests	**(1)**	(1)
Total equity	**10,779**	8,954

The accompanying notes form part of the financial information.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2022

US$M	FY22	FY21
Operating activities		
Profit/(loss) before tax from continuing operations	**3,693**	42
Profit/(loss) before tax from a discontinued operation	**-**	(340)
Adjustments for:		
Non-cash or non-operating significant items	**(77)**	(55)
Depreciation and amortisation expense	**624**	720
Net impairment loss/(reversal) of financial assets	**26**	-
Net impairment loss/(reversal) of non-financial assets	**145**	772
Employee share awards expense	**23**	32
Net finance costs	**31**	204
Share of (profit)/loss of equity accounted investments	**(272)**	(133)
Loss on disposal of a discontinued operation	**-**	159
(Gains)/losses on derivative instruments, contingent consideration and other investments measured at fair value through profit or loss (FVTPL)	**(29)**	(44)
Other non-cash or non-operating items	**(18)**	(6)
Changes in assets and liabilities:		
Trade and other receivables	**(300)**	(156)
Inventories	**(206)**	(142)
Trade and other payables	**160**	264
Provisions and other liabilities	**(82)**	95
Cash generated from operations	**3,718**	1,412
Interest received	**66**	26
Interest paid	**(70)**	(70)
Income tax paid	**(868)**	(163)
Dividends received	**-**	3
Dividends received from equity accounted investments	**224**	197
Net cash flows from operating activities	**3,070**	1,405
Investing activities		
Purchases of property, plant and equipment	**(522)**	(536)
Exploration expenditure	**(70)**	(54)
Exploration expenditure expensed and included in operating cash flows	**37**	25
Purchase of intangibles	**(4)**	(1)
Investment in financial assets	**(222)**	(152)
Acquisition of subsidiaries and joint operations, net of their cash	**(114)**	-
Acquisition of equity accounted investments	**(1,430)**	-
Disposal of a discontinued operation, net of their cash	**-**	(70)
Cash outflows from investing activities	**(2,325)**	(788)
Proceeds from sale of property, plant and equipment and intangibles	**-**	40
Proceeds from financial assets	**230**	140
Net cash flows from investing activities	**(2,095)**	(608)
Financing activities		
Proceeds from interest bearing liabilities	**1,527**	12
Repayment of interest bearing liabilities	**(932)**	(52)
Purchase of shares by South32 Limited Employee Incentive Plan Trusts (ESOP Trusts)	**(22)**	-
Share buy-back	**(128)**	(346)
Dividends paid	**(660)**	(115)
Net cash flows from financing activities	**(215)**	(501)
Net increase in cash and cash equivalents	**760**	296
Cash and cash equivalents, net of overdrafts, at the beginning of the financial year	**1,613**	1,315
Foreign currency exchange rate changes on cash and cash equivalents	**(8)**	2
Cash and cash equivalents, net of overdrafts, at the end of the financial year	**2,365**	1,613

The accompanying notes form part of the financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Attributable to equity holders of South32 Limited								
US$M	Share capital	Treasury shares	Financial assets reserve(1)	Employee share awards reserve(2)	Other reserves(3)	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
Balance as at 1 July 2021	**13,597**	**(22)**	**(22)**	**48**	**(3,593)**	**(1,053)**	**8,955**	**(1)**	**8,954**
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**2,669**	**2,669**	**-**	**2,669**
Other comprehensive income/(loss)	**-**	**-**	**(54)**	**-**	**(4)**	**3**	**(55)**	**-**	**(55)**
Total comprehensive income/(loss)	**-**	**-**	**(54)**	**-**	**(4)**	**2,672**	**2,614**	**-**	**2,614**
Transactions with owners:									
Dividends	**-**	**-**	**-**	**-**	**-**	**(660)**	**(660)**	**-**	**(660)**
Shares bought back and cancelled	**(128)**	**-**	**-**	**-**	**-**	**-**	**(128)**	**-**	**(128)**
Employee share entitlements for unvested awards, net of tax	**-**	**-**	**-**	**27**	**-**	**-**	**27**	**-**	**27**
Employee share awards vested and lapsed, net of tax	**-**	**12**	**-**	**(30)**	**-**	**12**	**(6)**	**-**	**(6)**
Purchase of shares by ESOP Trusts	**-**	**(22)**	**-**	**-**	**-**	**-**	**(22)**	**-**	**(22)**
Transfer of cumulative fair value loss on an investment in equity instruments designated as FVOCI(4)	**-**	**-**	**70**	**-**	**-**	**(70)**	**-**	**-**	**-**
Balance as at 30 June 2022	**13,469**	**(32)**	**(6)**	**45**	**(3,597)**	**901**	**10,780**	**(1)**	**10,779**
Balance as at 1 July 2020	13,943	(49)	(54)	81	(3,593)	(765)	9,563	(1)	9,562
Profit/(loss) for the year	-	-	-	-	-	(195)	(195)	-	(195)
Other comprehensive income/(loss)	-	-	32	-	-	(2)	30	-	30
Total comprehensive income/(loss)	-	-	32	-	-	(197)	(165)	-	(165)
Transactions with owners:									
Dividends	-	-	-	-	-	(115)	(115)	-	(115)
Shares bought back and cancelled	(346)	-	-	-	-	-	(346)	-	(346)
Employee share entitlements for unvested awards, net of tax	-	-	-	26	-	-	26	-	26
Employee share awards vested and lapsed, net of tax	-	24	-	(59)	-	24	(11)	-	(11)
Sale of shares by ESOP Trusts	-	3	-	-	-	-	3	-	3
Balance as at 30 June 2021	13,597	(22)	(22)	48	(3,593)	(1,053)	8,955	(1)	8,954

(1) Represents the fair value movement in financial assets designated as FVOCI.

(2) Represents the accrued employee entitlements to share awards that have not yet vested.

(3) Primarily consists of the common control transaction reserve of US$3,569 million, which reflects the difference between consideration paid and the carrying value of assets and liabilities acquired, as well as the gains/(losses) on disposal of entities as part of the demerger of the Group in 2015.

(4) Refer to Acquisition of equity accounted investments.

The accompanying notes form part of the financial information.

SEGMENT INFORMATION

(a) Description of segments

The operating segments (also referred to as operations) are organised and managed separately according to the nature of products produced.

Certain members of the Lead Team (the chief operating decision makers) and the Board of Directors monitor the segment results regularly for the purpose of making decisions about resource allocation and performance assessment. During the current financial reporting period the internal reporting of the Group's consolidated financial results and performance to the chief operating decision makers was changed. Consolidated financial results of the Group are reported on a proportional consolidation basis, including material equity accounted joint ventures, consistent with the reporting of the Group's operating segments and includes non-IFRS financial measures. Due to the change in reporting and presentation of the Group's consolidated results, the prior year comparative disclosures, together with the required reconciliations, have been updated.

The principal activities of each operating segment are summarised as follows:

Operating segment[(1)]	Principal activities
Worsley Alumina	Integrated bauxite mine and alumina refinery in Australia
Brazil Alumina	Integrated bauxite mine[(2)] and alumina refinery in Brazil
Brazil Aluminium[(3)]	Aluminium smelter in Brazil
Hillside Aluminium	Aluminium smelter in South Africa
Mozal Aluminium	Aluminium smelter in Mozambique
Sierra Gorda[(4)]	Copper mine in Chile
Cannington	Silver, lead and zinc mine in Australia
Hermosa	Base metals exploration and development option in the United States
Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in Colombia
Illawarra Metallurgical Coal	Metallurgical coal mines in Australia
Australia Manganese	Manganese ore mine in Australia
South Africa Manganese	Manganese ore mines in South Africa
South Africa Energy Coal (SAEC)[(5)]	Energy coal mines in South Africa

(1) The Eagle Downs Metallurgical Coal exploration and development option is no longer considered a material operating segment and has been reclassified to be included as part of Group and unallocated items/eliminations.
(2) On 29 April 2022, the Group acquired a further 18 per cent interest in Mineração Rio do Norte (MRN). Refer to Acquisition of equity accounted investments.
(3) On 6 January 2022, the Group announced its decision to participate in a restart of the Alumar aluminium smelter (Brazil Aluminium). First production commenced in the June 2022 quarter and Brazil Aluminium is considered a material operating segment.
(4) On 22 February 2022, the Group acquired a 45 per cent interest in Sierra Gorda Sociedad Contractual Minera (Sierra Gorda). Refer to Acquisition of equity accounted investments.
(5) On 1 June 2021, the Group completed the sale of its shareholding in SAEC to a wholly-owned subsidiary of Seriti Resources Holdings Pty Ltd (Seriti) and two trusts for the benefit of employees and communities. Refer to Discontinued operation.

All operations are operated by the Group except Brazil Alumina and Brazil Aluminium, which are operated by Alcoa Corporation, and Sierra Gorda which is independently operated by a management team that is jointly overseen by the Group and KGHM Polska Miedz.

(b) Segment results

Segment performance is measured by Underlying EBIT and Underlying EBITDA. Underlying EBIT is profit before net finance costs, tax and other earnings adjustment items including impairments. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. A reconciliation of Underlying EBIT, Underlying EBITDA and the Group's consolidated profit/(loss) after tax is set out on the following pages.

In FY22, following the acquisition of the Sierra Gorda operation, the Group has refined its definitions for Underlying EBIT and Underlying EBITDA to exclude fair value gains/(losses) on contingent consideration payable related to a business combination or an asset acquisition. There were no such transactions recorded in the comparative period, and as such the comparative period was not adjusted.

The Group separately discloses sales of group production from sales of third party products and services because of the significant difference in profit margin earned on these sales.

It is the Group's policy that inter-segment transactions are made on a commercial basis.

Group and unallocated items/eliminations represent group centre functions and consolidation adjustments. Group financing (including finance expenses and finance income) and income taxes are managed on a Group basis and are not allocated to continuing operating segments.

Total assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of non-material equity accounted investments, cash, interest bearing liabilities, tax balances and certain other financial assets and liabilities.

FY22 SEGMENT INFORMATION

30 June 2022 US$M	Worsley Alumina	Brazil Alumina	Brazil Aluminium	Hillside Aluminium	Mozal Aluminium	Sierra Gorda[(1)]	Cannington	Hermosa	Cerro Matoso	Illawarra Metallurgical Coal	Australia Manganese[(1)]	South Africa Manganese[(1)]	Group and unallocated items/ eliminations	Group underlying results[(1)]
	Continuing operations													
Revenue from customers	1,626	522	-	2,257	925	280	771	-	927	2,336	833	418	(205)	10,690
Other[(2)]	(1)	2	-	(3)	(1)	(39)	(35)	-	2	2	15	1	(3)	(60)
Total underlying revenue	**1,625**	**524**	**-**	**2,254**	**924**	**241**	**736**	**-**	**929**	**2,338**	**848**	**419**	**(208)**	**10,630**
Group production	818	523	-	2,254	924	241	736	-	929	2,338	848	419	-	10,030
Third party products and services[(3)]	-	-	-	-	-	-	-	-	-	-	-	-	600	600
Inter-segment revenue	807	1	-	-	-	-	-	-	-	-	-	-	(808)	-
Total underlying revenue	**1,625**	**524**	**-**	**2,254**	**924**	**241**	**736**	**-**	**929**	**2,338**	**848**	**419**	**(208)**	**10,630**
Underlying EBITDA	**571**	**150**	**(43)**	**730**	**305**	**133**	**388**	**(12)**	**529**	**1,507**	**488**	**78**	**(69)**	**4,755**
Underlying depreciation and amortisation	(185)	(61)	(1)	(64)	(34)	(58)	(73)	(2)	(66)	(119)	(86)	(20)	(19)	(788)
Underlying EBIT	**386**	**89**	**(44)**	**666**	**271**	**75**	**315**	**(14)**	**463**	**1,388**	**402**	**58**	**(88)**	**3,967**
Comprising:														
Group production	386	92	(44)	666	271	76	317	(14)	463	1,396	402	59	(82)	3,988
Exploration expensed	-	-	-	-	-	(1)	(2)	-	-	(9)	-	(1)	(26)	(39)
Third party products and services[(3)]	-	-	-	-	-	-	-	-	-	-	-	-	20	20
Share of profit/(loss) of equity accounted investments	-	(3)	-	-	-	-	-	-	-	1	-	-	-	(2)
Underlying EBIT	**386**	**89**	**(44)**	**666**	**271**	**75**	**315**	**(14)**	**463**	**1,388**	**402**	**58**	**(88)**	**3,967**
Underlying net finance costs														(155)
Underlying income tax (expense)/benefit														(1,151)
Underlying royalty related tax (expense)/benefit														(59)
Underlying earnings														**2,602**
Total adjustments to profit/(loss)[(4)]														67
Profit/(loss) for the year														**2,669**
Underlying exploration expenditure	-	-	-	-	-	2	3	19	-	11	1	1	37	74
Underlying capital expenditure[(5)]	55	51	1	24	11	81	45	97	37	189	62	19	12	684
Underlying equity accounted investments	-	40	-	-	-	-	-	-	-	2	-	-	-	42
Total underlying assets[(6)]	3,571	805	67	1,284	764	1,614	555	2,098	592	1,277	645	331	3,666	17,269
Total underlying liabilities[(6)]	1,000	109	21	357	149	212	414	67	243	491	387	196	2,844	6,490

(1) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. This includes the proportional elimination of revenue and corresponding expenses relating to freight services provided by the Group to these joint ventures of US$187 million and third party product revenue of US$40 million included in Group and unallocated items/eliminations. Refer to Underlying results reconciliation for the joint venture adjustments that reconcile the underlying proportional consolidation to the statutory equity accounting positions.

(2) Underlying other revenue predominantly relates to fair value movements on provisionally priced contracts.

(3) Underlying revenue on third party products and services sold from continuing operations comprised US$110 million for aluminium, US$25 million for alumina, US$115 million for coal, US$40 million for manganese, US$145 million for freight services and US$165 million for raw materials. Underlying EBIT on third party products and services sold from continuing operations comprised US$8 million for aluminium, US$8 million for alumina, US$7 million for coal and US$(3) million for freight services.

(4) Refer to Underlying results reconciliation for further details.

(5) Underlying capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(6) Total underlying assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of non-material equity accounted investments, cash, interest bearing liabilities, tax balances and certain other financial assets and liabilities.

FY21 SEGMENT INFORMATION

30 June 2021 Restated[1][2][3][4]	Continuing operations													Discontinued operation[5]	
US$M	Worsley Alumina	Brazil Alumina	Brazil Aluminium	Hillside Aluminium	Mozal Aluminium	Cannington	Hermosa	Cerro Matoso	Illawarra Metallurgical Coal	Australia Manganese[2]	South Africa Manganese[2]	Group and unallocated items/ eliminations	Group underlying results from continuing operations	South Africa Energy Coal	Group underlying results[2]
Revenue from customers	1,174	400	-	1,507	577	746	-	479	748	729	337	(275)	6,422	862	7,284
Other[6]	(1)	-	-	4	1	11	-	14	10	1	-	-	40	(1)	39
Total underlying revenue	1,173	400	-	1,511	578	757	-	493	758	730	337	(275)	6,462	861	7,323
Group production	605	400	-	1,511	578	757	-	493	758	730	332	-	6,164	735	6,899
Third party products and services[7]	-	-	-	-	-	-	-	-	-	-	-	298	298	126	424
Inter-segment revenue	568	-	-	-	-	-	-	-	-	-	5	(573)	-	-	-
Total underlying revenue	1,173	400	-	1,511	578	757	-	493	758	730	337	(275)	6,462	861	7,323
Underlying EBITDA	318	117	(3)	358	132	416	(6)	197	94	385	64	(93)	1,979	(123)	1,856
Underlying depreciation and amortisation	(175)	(51)	-	(65)	(34)	(66)	(2)	(75)	(197)	(81)	(16)	(28)	(790)	(27)	(817)
Underlying EBIT	143	66	(3)	293	98	350	(8)	122	(103)	304	48	(121)	1,189	(150)	1,039
Comprising:															
Group production	143	66	(3)	293	98	352	(8)	122	(97)	305	49	(113)	1,207	(153)	1,054
Exploration expensed	-	-	-	-	-	(2)	-	-	(5)	(1)	(1)	(18)	(27)	-	(27)
Third party products and services[7]	-	-	-	-	-	-	-	-	-	-	-	10	10	11	21
Share of profit/(loss) of equity accounted investments	-	-	-	-	-	-	-	-	(1)	-	-	-	(1)	(8)	(9)
Underlying EBIT	143	66	(3)	293	98	350	(8)	122	(103)	304	48	(121)	1,189	(150)	1,039
Underlying net finance costs													(127)	(43)	(170)
Underlying income tax (expense)/benefit													(326)	(1)	(327)
Underlying royalty related tax (expense)/benefit													(53)	-	(53)
Underlying earnings													683	(194)	489
Total adjustments to profit/(loss)[8]													(541)	(143)	(684)
Profit/(loss) for the year													142	(337)	(195)
Underlying exploration expenditure	-	-	-	-	-	2	16	-	14	2	1	22	57	-	57
Underlying capital expenditure[9]	55	25	-	17	11	43	64	45	188	55	15	12	530	76	606
Underlying equity accounted investments	-	-	-	-	-	-	-	-	2	-	-	-	2	-	2
Total underlying assets[10]	3,674	639	8	1,156	579	510	1,972	629	997	604	337	2,549	13,654	-	13,654
Total underlying liabilities[10]	1,007	69	7	423	123	315	47	224	385	361	185	1,554	4,700	-	4,700

(1) The Brazil Alumina operating segment has been reclassified to separate Brazil Aluminium for consistency with the current year's presentation.

(2) During the current financial reporting period the internal reporting of the Group's consolidated financial results was changed. The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. This includes the proportional elimination of revenue and corresponding expenses relating to freight services provided by the Group to these joint ventures of US$111 million and third party product revenue of US$35 million included in Group and unallocated items/eliminations. Refer to Underlying results reconciliation for the joint venture adjustments that reconcile the underlying proportional consolidation to the statutory equity accounting positions.

(3) The Eagle Downs operating segment has been reclassified to be included as part of Group and unallocated items/eliminations for consistency with the current year's presentation.

(4) Underlying income tax (expense)/benefit has been reclassified to separate underlying royalty related tax (expense)/benefit for consistency with the current year's presentation.

(5) Refer to Discontinued operation.

(6) Underlying other revenue predominantly relates to fair value movements on provisionally priced contracts.

(7) Underlying revenue on third party products and services sold from continuing operations comprised US$43 million for aluminium, US$10 million for alumina, US$23 million for coal, US$35 million for manganese, US$95 million for freight services and US$92 million for raw materials. Underlying EBIT on third party products and services sold from continuing operations comprised US$8 million for aluminium, US$1 million for coal and US$1 million for raw materials.

(8) Refer to Underlying results reconciliation for further details.

(9) Underlying capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(10) Total underlying assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of non-material equity accounted investments, cash, interest bearing liabilities, tax balances and certain other financial assets and liabilities.

UNDERLYING RESULTS RECONCILIATION

The following tables reconcile the underlying segment information to the statutory financial information:

Year ended 30 June 2022 US$M	Continuing operations
Underlying EBIT	**3,967**
Significant items[1]	**77**
Sierra Gorda joint venture adjustments[2][3]	**(44)**
Manganese joint venture adjustments[2][4]	**(216)**
Gains/(losses) on the consolidation of interests in operations[5]	**9**
Exchange rate gains/(losses) on restatement of monetary items[6]	**50**
Net impairment (loss)/reversal of financial assets[6][7]	**(26)**
Net impairment (loss)/reversal of non-financial assets[6][7]	**(145)**
Gains/(losses) on non-trading derivative instruments, contingent consideration and other investments measured at FVTPL[6][8]	**52**
Profit/(loss) from operations	**3,724**
Underlying net finance costs	**(155)**
Sierra Gorda joint venture adjustments[2]	**62**
Manganese joint venture adjustments[2]	**22**
Exchange rate variations on net debt	**40**
Net finance costs	**(31)**
Underlying income tax (expense)/benefit	**(1,151)**
Underlying royalty related tax (expense)/benefit	**(59)**
Tax effect of significant items[1]	**(26)**
Sierra Gorda joint venture adjustments relating to income tax (expense)/benefit[2]	**1**
Sierra Gorda joint venture adjustments relating to royalty related tax (expense)/benefit[2]	**4**
Manganese joint venture adjustments relating to income tax (expense)/benefit[2]	**153**
Manganese joint venture adjustments relating to royalty related tax (expense)/benefit[2]	**55**
Tax effect of other adjustments to Underlying EBIT	**32**
Tax effect of other adjustments to Underlying net finance costs	**(13)**
Exchange rate variations on tax balances	**(20)**
Income tax (expense)/benefit	**(1,024)**

(1) Refer to Significant items.

(2) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the statutory equity accounting positions, recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.

(3) The Group's investment in the Sierra Gorda operation is represented by the carrying value of the equity accounted investment of US$30 million, refer to Equity accounted investments, and the carrying value of a non-current credit-impaired receivable of US$1,648 million that is classified as a loan to an equity accounted investment, recognised within trade and other receivables in the Consolidated Balance Sheet. The earnings adjustments include a revaluation gain of US$26 million relating to the shareholder loan payable that was eliminated from the Group's Underlying EBIT upon proportional consolidation.

(4) Includes earnings adjustments of US$6 million included in the Australia Manganese segment and US$8 million included in the South Africa Manganese segment.

(5) Relates to a gain on the acquisition of an additional 16.6 per cent shareholding and related rights in Mozal Aluminium, recognised in other income in the Consolidated Income Statement. Refer to Acquisition of subsidiaries and joint operations.

(6) Recognised in expenses excluding net finance costs in the Consolidated Income Statement.

(7) Refer to Impairments recognised.

(8) Includes a US$48 million remeasurement of contingent consideration payable related to the acquisition of Sierra Gorda included in Group and unallocated items/eliminations.

UNDERLYING RESULTS RECONCILIATION (CONTINUED)

30 June 2022 US$M	Group underlying results from continuing operations	Sierra Gorda joint venture adjustments[1]	Manganese joint venture adjustments[1]	Group statutory results from continuing operations
Total revenue	**10,630**	**(241)**	**(1,120)**	**9,269**
Depreciation and amortisation	**788**	**(58)**	**(106)**	**624**
Share of profit/(loss) of equity accounted investments	**(2)**	**30**	**244**	**272**
Exploration expenditure	**74**	**(2)**	**(2)**	**70**
Capital expenditure	**684**	**(81)**	**(81)**	**522**
Equity accounted investments	**42**	**30**	**398**	**470**
Total assets	**17,269**	**(452)**	**(481)**	**16,336**
Total liabilities	**6,490**	**(452)**	**(481)**	**5,557**

(1) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the statutory equity accounting positions.

Year ended 30 June 2021 US$M	Continuing operations	Discontinued operation[1]	Total
Underlying EBIT	1,189	(150)	1,039
Significant items[2]	55	-	55
Manganese joint venture adjustments[3][4]	(210)	-	(210)
Gains/(losses) on the disposal of interests in operations	-	(159)	(159)
Exchange rate gains/(losses) on restatement of monetary items[5]	(35)	(34)	(69)
Net impairment (loss)/reversal of non-financial assets[5][6]	(764)	-	(764)
Gains/(losses) on non-trading derivative instruments, contingent consideration and other investments measured at FVTPL[5][7]	(9)	46	37
Major corporate restructures[5][8]	(23)	-	(23)
Profit/(loss) from operations	203	(297)	(94)
Underlying net finance costs	(127)	(43)	(170)
Manganese joint venture adjustments[3]	18	-	18
Exchange rate variations on net debt	(52)	-	(52)
Net finance costs	(161)	(43)	(204)
Underlying income tax (expense)/benefit	(326)	(1)	(327)
Underlying royalty related tax (expense)/benefit	(53)	-	(53)
Manganese joint venture adjustments relating to income tax (expense)/benefit[3]	124	-	124
Manganese joint venture adjustments relating to royalty related tax (expense)/benefit[3]	53	-	53
Tax effect of other earnings adjustments to Underlying EBIT	247	-	247
Tax effect of other earnings adjustments to Underlying net finance costs	(7)	-	(7)
Exchange rate variations on tax balances	62	4	66
Income tax (expense)/benefit	100	3	103

(1) Refer to Discontinued operation.

(2) Refer to Significant items.

(3) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the statutory equity accounting positions, recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.

(4) Includes earnings adjustments of US$(5) million included in the Australia Manganese segment and US$(10) million included in the South Africa Manganese segment.

(5) Recognised in expenses excluding net finance costs in the Consolidated Income Statement.

(6) Refer to Impairments recognised.

(7) Primarily relates to US$(8) million included in the Hillside Aluminium segment.

(8) The major corporate restructure costs primarily relate to the simplification of the Group's functional structures and office footprint and are included in Group and unallocated items/eliminations.

UNDERLYING RESULTS RECONCILIATION (CONTINUED)

30 June 2021	Group underlying results from continuing operations	Manganese joint venture adjustments[(1)]	Group statutory results from continuing operations
Total revenue	6,462	(986)	5,476
Depreciation and amortisation	790	(97)	693
Share of profit/(loss) of equity accounted investments	(1)	142	141
Exploration expenditure	57	(3)	54
Capital expenditure	530	(70)	460
Equity accounted investments	2	378	380
Total assets	13,654	(412)	13,242
Total liabilities	4,700	(412)	4,288

(1) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the statutory equity accounting positions.

Significant items

Significant items are those items, not separately identified in the Underlying results reconciliation, where their nature and amount are considered material to the consolidated financial statements.

Year ended 30 June 2022 US$M	Gross	Tax	Net
Recognition of indirect tax assets	**77**	**(26)**	**51**
Total significant items	**77**	**(26)**	**51**

Following the Group's decision to participate in a restart of Brazil Aluminium, the Group recognised indirect tax assets of US$77 million that were expensed subsequent to the smelter being placed on care and maintenance in 2015. The recognition of the indirect tax assets has resulted in a significant one-off amount of US$77 million (US$51 million post tax) recorded as other income in the Consolidated Income Statement.

Year ended 30 June 2021 US$M	Gross	Tax	Net
Disposal of royalties	55	-	55
Total significant items	55	-	55

The Group divested four royalties to a wholly owned subsidiary of the Elemental Royalties Corporation for US$55 million, which comprised US$40 million in upfront cash and US$15 million in equity. These royalties were recognised as intangible assets with a US$nil carrying value. The transaction completed on 9 February 2021 and the Group recognised other income of US$55 million (US$55 million post tax) in the Consolidated Income Statement and was included in Group and unallocated items/eliminations.

Impairments recognised

The Group recognised the following net impairments for the year ended 30 June 2022:

US$M	FY22	FY21
Financial assets		
Loans to equity accounted investments[(1)]	**(26)**	-
Total net impairment of financial assets	**(26)**	-
Non-financial assets		
Property, plant and equipment[(2)]	**(134)**	(728)
Right-of-use lease assets[(2)(3)]	**(7)**	(8)
Intangible assets[(4)]	**(4)**	(36)
Total net impairment of non-financial assets	**(145)**	(772)
Total net impairment	**(171)**	(772)

(1) Relates to a US$26 million impairment of the purchased credit-impaired receivable from Sierra Gorda.

(2) Relates to a US$183 million impairment included in Group and unallocated items/eliminations in respect of Eagle Downs and a US$42 million impairment reversal included in the Brazil Aluminium segment. In relation to the Eagle Downs impairment, this includes a US$176 million impairment of property, plant and equipment and a US$7 million impairment of right-of-use lease assets. FY21 relates to a US$728 million impairment included in the Illawarra Metallurgical Coal segment.

(3) In FY21, an impairment of right-of-use lease assets was included in the major corporate restructures earnings adjustment. Refer to Underlying results reconciliation.

(4) Relates to a US$4 million (FY21: US$36 million) impairment included in Group and unallocated items/eliminations.

UNDERLYING RESULTS RECONCILIATION (CONTINUED)

Impairments recognised (continued)

Sierra Gorda

The Group's investment in the Sierra Gorda operation is represented by the carrying value of the equity accounted investment of US$30 million and the carrying value of a non-current purchased credit-impaired receivable of US$1,648 million, classified as a loan to an equity accounted investment and included within Trade and other receivables. The Group's equity accounted investment in Sierra Gorda is considered a separate cash generating unit (CGU) and is also a reporting segment.

The loan has a contractual interest rate of 8 per cent and the repayment of the loan by the Sierra Gorda operation is dependent on its financial performance. At 30 June 2022, the Group updated its estimated timing of the loan repayments and as a result recognised an impairment of US$26 million which is included in expenses excluding net finance costs in the Consolidated Income Statement. The net present value of the expected future cash flows of the loan was determined as US$1,648 million using a measurement methodology consistent with a Level 3 fair value based on the inputs in the valuation technique.

In determining the net present value, an effective interest rate of 9 per cent was applied to discount the future loan repayments. The rate was determined on the date of acquisition of the Group's interest in Sierra Gorda and was informed by a production profile based on mineral resources and mineral reserves that are qualifying foreign estimates under the ASX Listing Rules and costs based on the most recent Sierra Gorda budget.

For further information on the qualifying foreign estimates, refer to the market release "South32 to acquire a 45 per cent interest in the Sierra Gorda copper mine" dated 14 October 2021 (Market Announcement). A Competent Person has not done sufficient work to classify foreign estimates as Mineral Resources or Ore Reserves in accordance with the JORC Code. It is also uncertain that following evaluation and/or further work that the foreign estimates will be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. The information that relates to production targets are based on proven and probable mineral reserves of the foreign estimate and the material assumptions are included as Annexure B of the Market Announcement. The Group is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimates and confirms that the information contained in the clarifying statement in the Market Announcement continues to apply and has not materially changed.

The table below shows the key assumptions used in the net present value determinations:

	Assumptions used
Copper (US$/lb)	**2.70 to 4.08**
Foreign exchange rates (US$ to CLP)	**635 to 827**

The key assumptions for copper prices are comparable to market consensus forecasts and foreign exchange rates are aligned with forward market rates in the short-run and thereafter are within the range published by market commentators. The potential effect of using reasonably possible alternative assumptions in determining the net present value of the loan, based on changes in the most significant inputs by 10 per cent while holding all other variables constant, is shown in the following table:

			Impact on profit/(loss) after tax	
US$M	Face value	Carrying value	10% increase in input	10% decrease in input
Trade and other receivables				
Loans to equity accounted investments[(1)]	**2,073**	**1,648**	**63**	**(157)**
Total	**2,073**	**1,648**	**63**	**(157)**

(1) Sensitivity analysis is performed assuming all inputs are either directionally moving unfavourably or favourably.

Eagle Downs

In October 2021, the Group announced the commencement of a process to investigate the potential divestment of our interest in the Eagle Downs Metallurgical Coal development option. In December 2021, as part of the negotiation for sale, the Group received non-binding offers from external parties which, in combination with the long-term market outlook for metallurgical coal demand and prices, resulted in the recognition of an impairment of US$79 million for the Eagle Downs CGU.

In April 2022, a preferred bidder withdrew from the negotiations and the Group has since revised its recoverable amount of the Eagle Downs CGU to US$nil, bringing the total impairment recognised for the Eagle Downs CGU in FY22 to US$183 million. The Group continues to investigate the potential divestment of our interest in Eagle Downs.

UNDERLYING RESULTS RECONCILIATION (CONTINUED)

Impairments recognised (continued)

The long-run metallurgical coal prices and exchange rates used as part of the Group's fair value less cost of disposal (FVLCD) determinations at 30 June 2022 were within the following ranges as published by market commentators:

	Assumptions used
Metallurgical coal (US$/t)	135 to 175
Foreign exchange rates (AU$ to US$)	0.71 to 0.80

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the discounted cashflow valuation model in combination with the use of the market approach. In determining the FVLCD, a real US$ post tax discount rate range of between 6 and 8 per cent was applied to the post tax forecast cash flows expressed in real terms.

In addition to an impairment of right-of-use lease assets of US$7 million, the impairment of US$176 million for property, plant and equipment of Eagle Downs includes US$3 million recognised in land and buildings, US$7 million recognised in plant and equipment, US$102 million recognised in other mineral assets, US$51 million recognised in assets under construction, and US$13 million recognised in exploration and evaluation.

Brazil Aluminium

On 6 January 2022, the Group announced its decision to participate in a restart of the Brazil Aluminium smelter. The Group has assessed the implications of the restart decision and reviewed the impact on the carrying value of the Brazil Aluminium CGU as at 31 December 2021.

At 31 December 2021, the Group reversed the full impairment that was recognised when the smelter was placed on care and maintenance in 2015, limited to the carrying amount that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised at such time. The recoverable amount remains significantly higher than the carrying amount recorded.

The recoverable amount was based on the smelter's FVLCD and was informed by the Group's production profile and cost profile which were consistent with the Group's commitments to long-term power agreements. The key assumptions used for commodity prices were comparable to market consensus forecasts and foreign exchange rates were aligned with forward market rates.

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the discounted cashflow valuation model. In determining the FVLCD, a real US$ post tax discount rate range of between 6 and 8 per cent, and a country risk premium of 2 per cent, was applied to the post tax forecast cash flows expressed in real terms.

The impairment reversal of US$42 million includes US$18 million recognised in land and buildings and US$24 million recognised in plant and equipment, both within property, plant and equipment. In addition, the Group recognised indirect tax assets of US$77 million that had been expensed since the smelter was placed on care and maintenance in 2015. Refer to Significant items.

The Group did not identify any impairment indicator as at 30 June 2022.

INCOME TAX EXPENSE

US$M	FY22	FY21
Current income tax (expense)/benefit	**(1,006)**	(196)
Deferred income tax (expense)/benefit	**(18)**	299
Total income tax (expense)/benefit	**(1,024)**	103
Income tax expense is attributable to:		
Continuing operations	**(1,024)**	100
Discontinued operation[1]	**-**	3
Total income tax (expense)/benefit	**(1,024)**	103

(1) Refer to Discontinued operation.

DIVIDENDS

US$M	FY22	FY21
Prior year final dividend[1]	**163**	48.5
Prior year special dividend[1]	**93**	-
Interim dividend[2]	**404**	66.5
Total dividends declared and paid during the year	**660**	115

(1) On 19 August 2021, the Directors resolved to pay a fully-franked final dividend of US 3.5 cents per share (US$164 million) and a fully-franked special dividend of US 2.0 cents per share (US$93 million) in respect of the 2021 financial year. The dividends were paid on 7 October 2021. In addition to the ESOP Trusts receiving dividends from South32 Limited, a total of 9,736,166 shares were bought back between the declaration and the ex-dividend dates, therefore reducing the dividends paid externally to US$256 million.

(2) On 17 February 2022, the Directors resolved to pay a fully-franked interim dividend of US 8.7 cents per share (US$405 million) in respect of the 2022 financial half year. The dividend was paid on 7 April 2022. In addition to the ESOP Trusts receiving dividends from South32 Limited, a total of 2,691,419 shares were bought back between the declaration and the ex-dividend dates, therefore reducing the dividend paid externally to US$404 million.

EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated based on profit or loss attributable to equity holders of South32 Limited and the weighted average number of shares outstanding during the year.

Dilutive EPS amounts are calculated based on profit or loss attributable to equity holders of South32 Limited and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares.

The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:

Profit/(loss) attributable to equity holders		
US$M	**FY22**	**FY21**
Continuing operations	**2,669**	142
Discontinued operation[1]	**-**	(337)
Profit/(loss) attributable to equity holders of South32 Limited (basic)	**2,669**	(195)
Profit/(loss) attributable to equity holders of South32 Limited (diluted)	**2,669**	(195)

(1) Refer to Discontinued operation.

Weighted average number of shares		
Million	**FY22**	**FY21**
Basic EPS denominator[1]	**4,647**	4,771
Shares contingently issuable under employee share ownership plans	**32**	14
Diluted EPS denominator	**4,679**	4,785

(1) The basic EPS denominator is the aggregate of the weighted average number of shares after deduction of the weighted average number of treasury shares outstanding and shares permanently cancelled through the on-market share buy-back program.

Earnings per share		
US cents	**FY22**	**FY21**
Continuing operations		
Basic EPS	**57.4**	3.0
Diluted EPS	**57.0**	3.0
Attributable to ordinary equity holders of South32 Limited		
Basic EPS	**57.4**	(4.1)
Diluted EPS	**57.0**	(4.1)

NET FINANCE COSTS

US$M	FY22	FY21
Finance expenses		
Interest on borrowings	**(31)**	(15)
Interest on lease liabilities	**(53)**	(55)
Discounting on provisions and other liabilities	**(65)**	(59)
Change in discount rate on closure and rehabilitation provisions	**2**	6
Net interest expense on post-retirement employee benefits	**(3)**	(3)
Exchange rate variations on net debt	**40**	(52)
	(110)	(178)
Finance income		
Interest on loans to equity accounted investments	**63**	8
Other interest income	**16**	9
	79	17
Net finance costs	**(31)**	(161)

EQUITY ACCOUNTED INVESTMENTS

The Group's interest in equity accounted investments with the most significant contribution to the Group's net profit/(loss) or net assets, are as follows:

Significant joint ventures	Country of incorporation	Principal activity	Reporting date	Acquisition date	Ownership interest %	
					FY22	**FY21**
Australia Manganese[1]	Australia	Manganese ore mine	30 June 2022	8 May 2015	**60**	60
South Africa Manganese[2]	South Africa	Manganese ore mines	30 June 2022	3 February 2015	**60**	60
Sierra Gorda[3]	Chile	Copper mine	31 December 2022[3]	22 February 2022[4]	**45**	-

(1) Australia Manganese consists of an investment in Groote Eylandt Mining Company Pty Ltd (GEMCO).
(2) The Group holds a 60 per cent interest in Samancor Holdings (Pty) Ltd (Samancor). Samancor indirectly owns 74 per cent of Hotazel Manganese Mines (Pty) Ltd (HMM), which gives the Group its indirect legal ownership interest of 44.4 per cent. The remaining 26 per cent of HMM is owned by B-BBEE entities, of which 17 per cent of the interests were acquired using vendor finance, with the loans repayable via distributions attributable to these parties, pro rata to their share in HMM. Until these loans are repaid, the Group's interest in HMM is accounted for at 54.6 per cent.
(3) Sierra Gorda consists of an investment in Sierra Gorda Sociedad Contractual Minera. The reporting date differs to that of the Group and is consistent with common practice in its country of incorporation.
(4) Refer to Acquisition of equity accounted investments.

Share of profit/(loss) of equity accounted investments US$M	FY22	FY21
Australia Manganese	**211**	115
South Africa Manganese	**31**	20
Sierra Gorda	**30**	-
Individually immaterial[1]	**-**	(2)
Total	**272**	133

(1) Individually immaterial consists of investments in Samancor Marketing Pte Ltd (60 per cent) of US$2 million, MRN (33 per cent) of US$(3) million and Port Kembla Coal Terminal Ltd (16.7 per cent) of US$1 million in FY22 and Samancor Marketing Pte Ltd (60 per cent) of US$7 million, Port Kembla Coal Terminal Ltd (16.7 per cent) of US$(1) million and Richards Bay Coal Terminal Pty Ltd (21.1 per cent) of US$(8) million in FY21. The share of profit/(loss) from Richards Bay Coal Terminal Pty Ltd in FY21 was included in the disposal of a discontinued operation. Refer to Discontinued operation.

INTERESTS IN JOINT OPERATIONS

Significant joint operations of the Group, which are those with the most significant contribution to the Group's net profit/(loss) or net assets, are as follows:

Significant joint operations	Country of operation	Principal activity	Acquisition date	Effective interest %	
				FY22	**FY21**
Ambler Metals	United States	Base metals exploration and development option	11 February 2020	**50**	50
Brazil Alumina	Brazil	Integrated bauxite mine and alumina refinery	3 July 2014	**36**	36
Brazil Aluminium	Brazil	Aluminium smelter	3 July 2014	**40**	40
Eagle Downs Metallurgical Coal	Australia	Metallurgical coal exploration and development option	14 September 2018	**50**	50
Mozal Aluminium[1]	Mozambique	Aluminium smelter	27 March 2015[2]	**63.7**	47.1
Worsley Alumina[1]	Australia	Integrated bauxite mine and alumina refinery	8 May 2015	**86**	86

(1) While the Group holds a greater than 50 per cent interest in Worsley Alumina and Mozal Aluminium, participants jointly approve certain matters and are entitled to receive their share of output from the arrangement.
(2) The Group initially acquired a 47.1 per cent interest on 27 March 2015 and subsequently acquired a further 16.6 per cent interest on 31 May 2022. Refer to Acquisition of subsidiaries and joint operations.

ACQUISITION OF SUBSIDIARIES AND JOINT OPERATIONS

Acquisition of additional interest in Mozal Aluminium

On 31 May 2022, the Group acquired an additional 16.6 per cent shareholding and related rights in Mozal Aluminium from its joint operating partner, MCA Metals Holding GmbH (Mitsubishi), through the exercise of its pre-emptive rights in the Mozal Aluminium joint operation. The transaction was completed for a total consideration of US$200 million of which US$175 million was paid on completion and US$25 million was paid in July 2022. The additional interest increases the Group's shareholding in the Mozal Aluminium joint operation to 63.7 per cent.

The Group acquired the additional interest in Mozal Aluminium in order to access additional outputs from the joint operation. Mozal Aluminium continues to be accounted for as a joint operation subsequent to the acquisition as the relevant decisions in relation to Mozal Aluminium are governed by unanimous consent of the joint operation participants, which includes South32 Investment 1 B.V. and the Industrial Development Corporation of South Africa. The acquisition was treated as a business combination.

The fair values of the consideration transferred and additional 16.6 per cent interest in the acquired identifiable assets and liabilities of Mozal Aluminium as at the date of the acquisition were as follows:

US$M	FY22
Purchase consideration	
Cash	**175**
Deferred consideration[1]	**25**
Total consideration	**200**
Assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	**62**
Trade and other receivables	**4**
Inventories	**62**
Property, plant and equipment	**123**
Intangible assets	**2**
Liabilities	
Trade and other payables	**(25)**
Provisions	**(19)**
Total identifiable net assets at fair value	**209**
Gain on bargain purchase[2]	**(9)**
Purchase consideration transferred	**200**
Cash outflow on acquisition	
Direct costs relating to the acquisition[3]	**176**
Net cash acquired	**(62)**
Net consolidated cash outflow[4]	**114**

(1) The second and final instalment post completion adjustments was settled during July 2022.
(2) Recognised in other income in the Consolidated Income Statement.
(3) Inclusive of acquisition related transaction costs and other directly attributable costs of US$1 million which are recognised in expenses excluding net finance costs in the Consolidated Income Statement.
(4) Cash outflow is presented as 'Acquisition of subsidiaries and joint operations, net of their cash' within the Consolidated Cash Flow Statement.

From the date of acquisition, the additional 16.6 per cent interest in Mozal Aluminium contributed an additional US$39 million of revenue and US$11 million of profit before tax to the Group. If the transaction had taken place at the beginning of the year, the additional 16.6 per cent interest would have contributed, for the full year, an additional US$295 million of revenue and US$82 million of profit before tax to the Group. The gain on bargain purchase of US$9 million is mainly attributable to fluctuations in short-term commodity prices.

ACQUISITION OF EQUITY ACCOUNTED INVESTMENTS

Acquisition of interest in Sierra Gorda

On 22 February 2022, the Group completed its acquisition of a 45 per cent interest in Sierra Gorda. The Group acquired, through a newly incorporated wholly owned subsidiary, South32 Chile Copper Holdings Pty Ltd, 100 per cent of the share capital in five holding companies which indirectly hold a 45 per cent interest in, and provide funding for, the Sierra Gorda operation. The transaction was completed for an upfront payment of US$1,408 million, inclusive of purchase price adjustments, and contingent consideration with a fair value on acquisition date of US$116 million. Contingent consideration is price linked, with up to US$500 million payable over four years at threshold copper production rates and prices.

The upfront consideration was funded from a combination of cash on hand and a dedicated acquisition bridge facility. On 14 April 2022, the Group completed the issuance of US$700 million of senior unsecured notes, with the Group utilising those cash proceeds, together with cash on hand, to fully repay amounts drawn down under the acquisition bridge facility.

The joint arrangement is classified as a joint venture as the activities are primarily designed to provide joint venture parties with rights to the net assets of the arrangement. The assets acquired include purchased credit-impaired loan receivables accounted for under AASB 9 Financial Instruments and an equity accounted investment accounted for under AASB 128 Investments in associates and joint ventures.

US$M	FY22
Purchase consideration	
Direct cash costs relating to the acquisition[1]	**1,421**
Contingent consideration payable[2]	**116**
Total consideration	**1,537**
Net assets	
Loans to equity accounted investments	**1,687**
Equity accounted investments	**-**
Current tax payable	**(151)**
Other	**1**
Net assets acquired	**1,537**
Cash outflow on acquisition	
Direct costs relating to the acquisition[1]	**1,421**
Net cash acquired	**(1)**
Net consolidated cash outflow[3]	**1,420**

(1) Inclusive of acquisition related transaction costs and other directly attributable costs of US$13 million.

(2) Contingent consideration recognised represents the present value of expected future cash flows payable. The payment is contingent on the average realised copper price and production levels for the first 4 years post acquisition. If the production thresholds are met, the consideration payable in that year is calculated as 50 per cent of the Group's 45 per cent share in Sierra Gorda's operating revenue, multiplied by the percentage amount in which the average realised copper price exceeds the specified copper price thresholds. The maximum undiscounted value of the contingent consideration payable is US$500 million and the minimum value is US$nil.

(3) Cash outflow is presented as 'Acquisition of equity accounted investments' within the Consolidated Cash Flow Statement.

Acquisition of additional interest in MRN

On 29 April 2022, the Group acquired an additional 18.2 per cent shareholding and related rights in MRN from Alcoa Corporation. The transaction was completed for an upfront payment of US$10 million and contingent consideration with a fair value on acquisition date of US$16 million.

The additional interest increases the Group's shareholding to 33 per cent, and as a result the Group has significant influence over MRN and the investment is considered an associate which is equity accounted.

The Group's existing 14.8 per cent interest, which was previously classified as an investment in equity instruments designated as FVOCI, was derecognised and the fair value of US$19 million was transferred to form part of the equity accounted investment.

ACQUISITION OF EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

Acquisition of additional interest in MRN (continued)

US$M	FY22
Purchase consideration	
Direct cash costs relating to the acquisition	**10**
Contingent consideration payable(1)	**16**
Total consideration	**26**
Net assets	
Investment in equity accounted investments	**45**
Derecognition of other financial assets(2)	**(19)**
Net assets acquired	**26**
Cash outflow on acquisition	
Direct costs relating to the acquisition	**10**
Net consolidated cash outflow(3)	**10**

(1) Contingent consideration recognised represents the present value of a fixed amount with a probability factor applied. The maximum undiscounted value of the contingent consideration is US$30 million and the minimum value is US$nil. The amount becomes payable by the Group if agreed expansion milestones are met.

(2) The Group's existing 14.8 per cent interest, which was previously classified as an investment in equity instruments designated as FVOCI, was de-recognised.

(3) Cash outflow is presented as 'Acquisition of equity accounted investments' within the Consolidated Cash Flow Statement.

DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

On 6 November 2019, the Group announced a binding conditional agreement for the sale of its shareholding in SAEC to a wholly-owned subsidiary of Seriti and two trusts which will acquire and hold equity on behalf of employees and communities.

The transaction was subject to a number of material conditions which precluded the classification of SAEC as held for sale until the conditions were satisfied on 15 May 2021. On 1 June 2021, the Group completed the sale of its shareholding in SAEC to Seriti and two trusts for the benefit of employees and communities.

The discontinued operation represents the entire SAEC operating segment which consists of: the Khutala colliery, the Klipspruit colliery, the Wolvekrans Middelburg Complex and other SAEC corporate assets.

DISCONTINUED OPERATION (CONTINUED)

Results of the discontinued operation

US$M	FY21
Revenue	
Group production	735
Third party products and services	126
	861
Other income	58
Expenses excluding net finance costs	(1,049)
Loss on disposal of the discontinued operation	(159)
Share of profit/(loss) of equity accounted investments	(8)
Profit/(loss) from the discontinued operation	(297)
Finance expenses	(52)
Finance income	9
Net finance costs	(43)
Profit/(loss) before tax from the discontinued operation	(340)
Income tax (expense)/benefit	3
Profit/(loss) after tax from the discontinued operation	(337)
Total comprehensive income/(loss) from the discontinued operation attributable to the equity holders of South32 Limited	(337)
Basic EPS (cents)	(7.1)
Diluted EPS (cents)	(7.1)

Cash flows from the discontinued operation

US$M	FY21
Net cash flows from operating activities	(180)
Net cash flows from investment activities	(149)
Net cash flows from financing activities	(3)
Net decrease in cash and cash equivalents	(332)

CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities not otherwise provided for in the consolidated financial statements are categorised as arising from:

US$M	FY22	FY21
Actual or potential litigation	**427**	427
Total contingent liabilities	**427**	427
Actual or potential litigation	**156**	-
Total contingent assets	**156**	-

Actual or potential litigation liabilities primarily relate to numerous tax assessments or matters relating to transactions in prior years in Colombia and Brazil. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been disclosed.

Actual or potential litigation assets primarily relate to potential recovery of pre-closing tax liabilities in respect of the Sierra Gorda acquisition, with allocation of liability for these pre-closing tax liabilities being disputed with the vendors.

The Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance which are in the normal course of business. Additionally, the Group has provided indemnities against certain liabilities as part of agreements for the disposal of business operations. Having taken appropriate legal advice, the Group believes that a material liability arising from the indemnities provided is remote.

SUBSEQUENT EVENTS

Non-core royalty sale

On 19 July 2022, the Group completed the sale of a package of four non-core base metal royalties to Anglo Pacific Group Plc (Anglo Pacific) in exchange for consideration comprising both cash and shares. The Group recognised a gain on the sale of US$192 million (US$134 million post tax) in the 2023 financial year. Following completion, the Group holds a 16.7% interest in Anglo Pacific.

Dendrobium Next Domain (DND) life extension project

During the year ended 30 June 2021, the New South Wales Independent Planning Commission (IPC) refused the application for the DND life extension project at Illawarra Metallurgical Coal (IMC). The decision by the IPC introduced uncertainty over the future of the DND project's value contribution to the IMC CGU recoverable amount assessment. The Group assessed the potential implications of the IPC decision and as a result recognised an impairment of the IMC CGU of US$728 million during the 2021 financial year.

On 23 August 2022, the Group announced that it will not proceed with the investment in the DND life extension project following its consideration of recently completed study work and extensive analysis of alternatives considered for the complex. With this decision, the Group will focus on continuing to optimise Dendrobium and the broader IMC complex to extend the mine life within approved domains. In light of the impairment that was recognised during the 2021 financial year, the decision not to proceed with the investment in the DND project has not resulted in an additional impairment charge and the carrying value for the IMC complex remains appropriate as at 30 June 2022.

Capital management

On 25 August 2022, the Directors resolved to pay a fully-franked final dividend of US 14.0 cents per share (US$648 million) and a fully-franked special dividend of US 3.0 cents per share (US$139 million) in respect of the 2022 financial year. The dividends will be paid on 13 October 2022. The dividends have not been provided for in the consolidated financial statements and will be recognised in the 2023 financial year.

On 25 August 2022, the Group also announced an increase to the existing capital management program, announced in March 2017, of US$156 million to a total of US$2.3 billion. This leaves US$250 million expected to be returned by 1 September 2023.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

FORWARD-LOOKING STATEMENTS

This release 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 operations; and provisions and contingent liabilities. These forward-looking statements reflect expectations at the date of this release, however they are not guarantees or predictions of future performance. 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 release. Readers are cautioned not to put undue reliance on forward-looking statements. 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.

NON-IFRS FINANCIAL INFORMATION

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

NO OFFER OF SECURITIES

Nothing in this release 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.

NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA

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

FURTHER INFORMATION

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