



14 October 2021

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

## INVESTOR PRESENTATION: SOUTH32 TO ACQUIRE A 45% INTEREST IN THE SIERRA GORDA COPPER MINE

**South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32)** will hold a conference call at 8.00am Australian Western Standard Time (11:00am Australian Eastern Standard Summer Time) on 14 October 2021 to provide an overview of the Transaction including Q&A, the details of which are as follows:

### Conference ID:

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

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

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

### About us

South32 is a globally diversified mining and metals company. Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come. We are trusted by our owners and partners to realise the potential of their resources. We produce bauxite, alumina, aluminium, metallurgical coal, manganese, nickel, silver, lead and zinc at our operations in Australia, Southern Africa and South America. With a focus on growing our base metals exposure, we also have two development options in North America and several partnerships with junior explorers around the world.

### Investor Relations

---

#### Alex Volante

**T** +61 8 9324 9029  
**M** +61 403 328 408  
**E** Alex.Volante@south32.net

#### Tom Gallop

**T** +61 8 9324 9030  
**M** +61 439 353 948  
**E** Tom.Gallop@south32.net

### Media Relations

---

#### Miles Godfrey

**M** +61 415 325 906  
**E** Miles.Godfrey@south32.net

#### Jenny White

**T** +44 20 7798 1773  
**M** +44 7900 046 758  
**E** Jenny.White@south32.net

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

Approved for release by Graham Kerr, Chief Executive Officer  
JSE Sponsor: UBS South Africa (Pty) Ltd  
14 October 2021



# SOUTH32 TO ACQUIRE A 45% INTEREST IN THE SIERRA GORDA COPPER MINE

14 October 2021

# IMPORTANT NOTICES



This presentation should be read in conjunction with the announcement “South32 to acquire a 45% interest in the Sierra Gorda copper mine” released on 14 October 2021, which is available on South32’s website ([www.south32.net](http://www.south32.net)).

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

## **FORWARD-LOOKING STATEMENTS**

This presentation contains forward-looking statements, including statements about trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; and provisions and contingent liabilities. These forward-looking statements reflect expectations at the date of this presentation, however they are not guarantees or predictions of future performance or statements of fact. They involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. Readers are cautioned not to put undue reliance on forward-looking statements. South32 makes no representation, assurance or guarantee as to the accuracy or likelihood or fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statement. Except as required by applicable laws or regulations, the South32 Group does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance. South32 cautions against reliance on any forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19. The denotation “e” refers to an estimate or forecast year.

## **NON-IFRS FINANCIAL INFORMATION**

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

## **NO OFFER OF SECURITIES**

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

## **RELIANCE ON THIRD PARTY INFORMATION**

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

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

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

# IMPORTANT NOTICES



## MINERAL RESOURCES AND MINERAL RESERVES

The information in this Presentation that relates to the mineral resource and mineral reserve estimates for the Sierra Gorda Cu-Mo-Au deposit was declared by KGHM Polska Miedz (**KGHM**) on their website on 25 June 2015 in accordance with National Instrument 43-101 and CIM Standard for Disclosure (43-101). Quantities are stated in Million Tonnes unless otherwise stated. Commodity weights of measure are in grams per tonne (g/t), parts per million (ppm) or per cent (%) unless otherwise stated. The mineral resource estimates are reported inclusive of mineral reserves. The estimates are "qualifying foreign estimates" under the ASX Listing Rules and stated by KGHM as being classified in accordance with National Instrument 43-101 and CIM Standard for Disclosure (43-101). Competent persons have not done sufficient work to classify the foreign estimates as Mineral Resources and Ore Reserves in accordance with the JORC Code. It is uncertain that following evaluation and further exploration that the foreign estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. Reference should be made to the clarifying statement on mineral resources and mineral reserves in the market announcement "South32 to acquire a 45% interest in the Sierra Gorda copper mine" dated 14 October 2021 (**Market Announcement**), in accordance with ASX Listing Rule 5.12. South32 is representing the mineral resource and mineral reserve estimates on a 100% basis whereas information on mineral resource and mineral reserve published by KGHM on their website on 25 June 2015 are presented on a 55% basis and in kilo tonnes. South32 Competent Persons converted the mineral resource and mineral reserve estimate to a 100% basis and in million tonnes by dividing the tonnage by 550 in discussion with the Sierra Gorda S.C.M (**SGSCM**) Technical Team. In discussion with the SGSCM Technical Team, contained metals were also converted using factors (Cu(t) to Cu(Mt) - Dividing by 0.55 million; Au(kg) to Au(t) - Dividing by 550; and Mo(t) to Mo(kt) - Dividing by 550). South32 confirms that no additional estimation or assumptions were considered in the tonnage and contained metals conversion to represent the estimates on a 100% basis. Since the publication of these estimates in June 2015, production from Sierra Gorda is expected to have resulted in a ~18% reduction in the reported mineral resource estimate and a ~20% reduction in the reported mineral reserve estimate for sulphide ore. In addition, approximately 110Mt of oxide mineral reserves have been stockpiled on surface. South32 is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimates. South32 confirms that the information contained in the clarifying statement in the Market Announcement continues to apply and has not materially changed.

The information in this presentation that relates to production targets for the medium term (CY22 to CY26) are based 100% on proven and probable mineral reserve of the foreign estimate. Material assumptions for the production target and forecast financial information for the medium term (CY22 to CY26) are included as Annexure B of the Market Announcement.

This presentation contains information in relation to the Sierra Gorda deposit, financial forecasts and assumptions as provided to South32 by Sumitomo Metal Mining Co. Ltd and Sumitomo Corporation, as part of our due diligence with respect to the acquisition of a 45% interest in SGSCM. All material assumptions (including economic) upon which this information and financial forecasts are based are contained in the Market Announcement.



# TRANSACTION OVERVIEW

---

# TRANSACTION HIGHLIGHTS



**Long-life, open pit copper mine that benefits from significant historical investment**

**Supported by excellent infrastructure including access to renewable power**

**Consistent with our strategy to reshape our portfolio for a low carbon future**

**Immediately earnings accretive, acquired at an attractive valuation of 3.3x FY21 EBITDA**

## **Opportunities to unlock upside**

**Plant de-bottlenecking  
Brownfield oxide project expansion  
Mineral Resource growth  
Regional exploration**

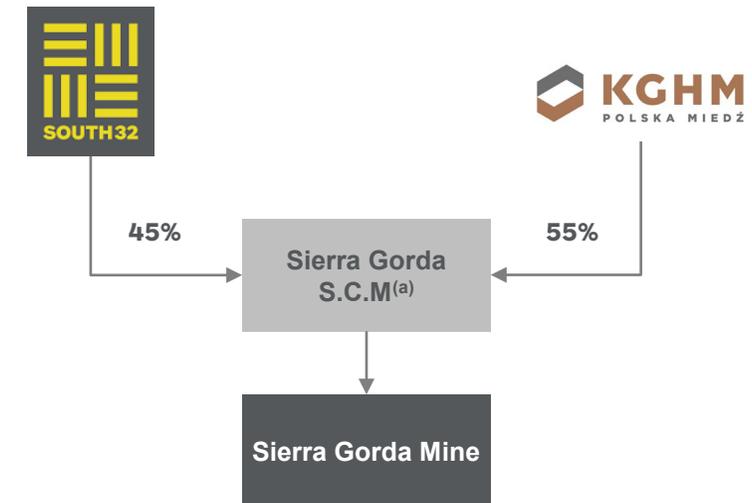
**Our capital management framework is unchanged with consideration and funding structured to maintain our strong balance sheet**

# TRANSACTION SUMMARY

## Value accretive acquisition that further positions our portfolio for a low carbon future

- **South32 will acquire a 45% interest in Sierra Gorda from Sumitomo Metal Mining (31.5%) and Sumitomo Corporation (13.5%) (collectively Sumitomo)**
  - 45% interest in the Sierra Gorda S.C.M. (SGSCM)<sup>(a)</sup> incorporated Joint Venture alongside 55% joint venture partner KGHM Polska Miedz, a global miner listed in Poland
  - Joint Venture Agreement provides South32 with joint control (refer slides 23 and 34)
- Sierra Gorda is an operating mine in the prolific Antofagasta copper mining region of Chile, expecting to produce 180kt of copper, 5kt of molybdenum, 54koz of gold and 1,573koz of silver in CY21e<sup>(b)</sup>
- Upfront consideration of US\$1.55B<sup>(c)</sup> payable in cash on completion
  - A further amount of up to US\$500M structured as contingent price-linked consideration, payable annually over four years as a percentage of incremental revenue realised above agreed copper price thresholds, when both agreed copper price and production thresholds are met<sup>(d)</sup>
- Acquisition to be funded through a combination of cash on hand and an underwritten acquisition debt facility

### Pro-forma ownership structure



Having commenced construction in CY11, ahead of commissioning in CY14, the operation has installed infrastructure for copper equivalent (CuEq) production of 214kt in CY21e<sup>1</sup>, following historical capital investment of ~US\$5B (100% basis) to CY20

Source: South32 analysis and vendor information

#### Notes:

- Indirect shareholding via Australian and Chilean subsidiaries.
- Refer to production guidance as outlined in the Important Notices on slides 2 and 3.
- Includes estimated net debt adjustment at completion.
- 50% of incremental revenue realised above the following copper price thresholds, where payable copper production also exceeds the following agreed thresholds: CY22: US\$4.10/lb and 158kt Cu, CY23: US\$3.90/lb and 151kt Cu, CY24: US\$3.85/lb and 166kt Cu, CY25: US\$3.80/lb and 158kt Cu.

# DELIVERING ON OUR STRATEGY

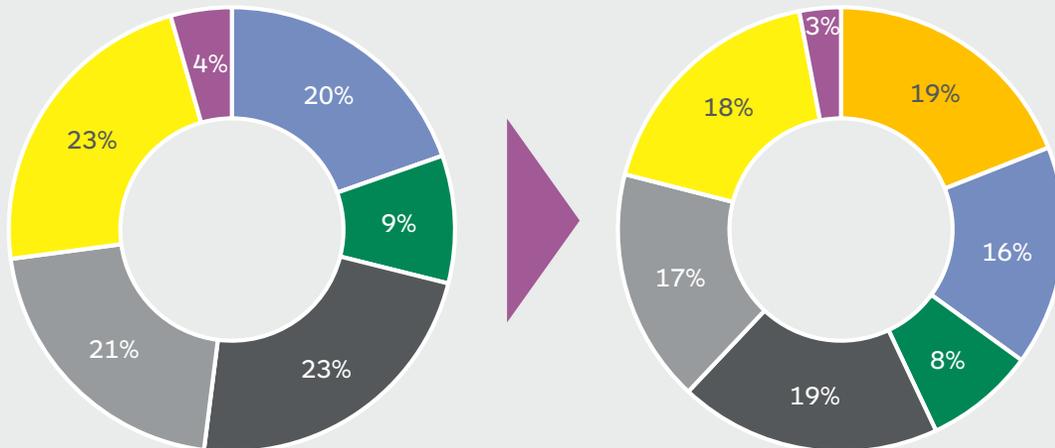
**Consistent with our strategy to reshape our portfolio for a low carbon future**

**Substantial increase in our earnings leveraged to the green energy transition**

**FY21 Underlying EBITDA by commodity<sup>(a)(b)(c)</sup>**

South32 Group

South32 + Sierra Gorda



**Base & precious metals**  
(43%)

*Used in electric vehicles, and renewable power infrastructure, transmission and storage*



**Aluminium value chain**  
(36%)

*Light weight metal for electric vehicles and construction*



**Manganese**  
(18%)

*Required for steel production and recycling, with emerging demand in electric vehicles*



**Metallurgical coal**  
(3%)

*Our high quality metallurgical coal is required to support emissions reduction targets in the steel sector*

Source: South32 analysis and vendor information

Notes:

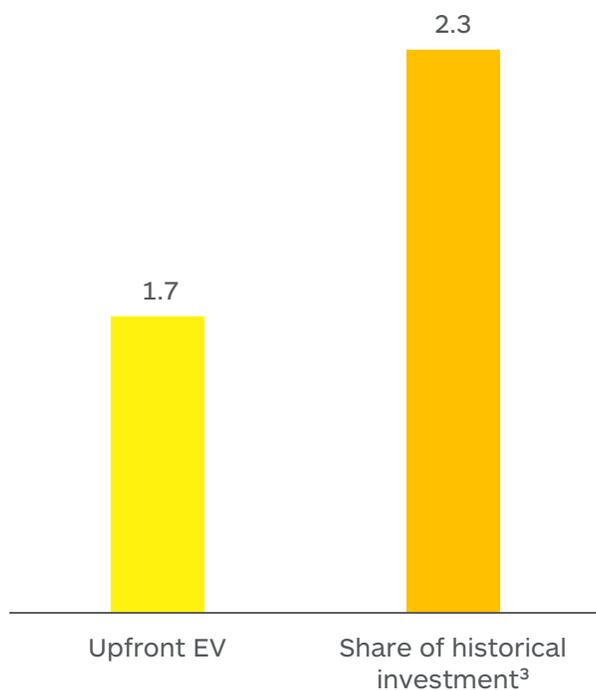
- Sierra Gorda and pro-forma financials are unaudited and for illustrative purposes only; the inclusion of Sierra Gorda to the pro forma Revenue and Underlying EBITDA will be reflected in our segment note, but not be reflected in South32's audited accounts.
- Excludes South Africa Energy Coal, manganese alloys, Hermosa, and Group and unallocated costs. Metallurgical coal comprises Illawarra Metallurgical Coal, including energy coal by-product volumes. The Brazil Alumina aluminium smelter is included in alumina. Copper comprises Sierra Gorda, including by-product volumes.
- Excludes the impact of South32 exercising our pre-emptive rights to acquire up to an additional 25% in Mozal Aluminium<sup>2</sup>.

# VALUE ACCRETIVE ACQUISITION

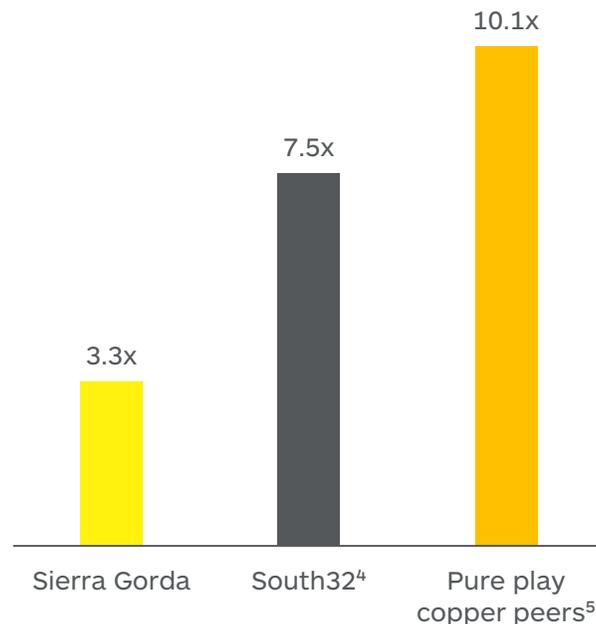


**Upfront purchase consideration benchmarks favourably to historical investment, valuation and production multiples**

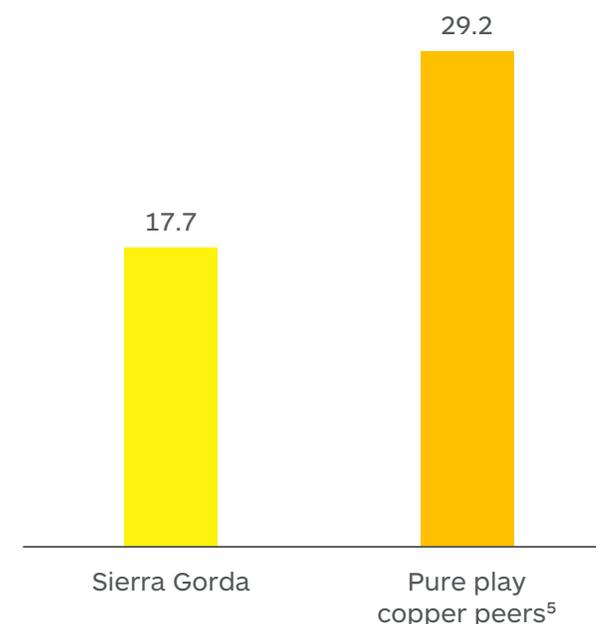
**Upfront EV<sup>(a)</sup> and Sierra Gorda historical investment**  
US\$B, 45% share



**Upfront EV/FY21 trailing EBITDA**  
x



**Upfront EV/CuEq<sup>(b)</sup> payable production**  
US\$M / kt



Source: South32 analysis, vendor information and FactSet Fundamentals

Notes:

- a. Upfront Enterprise Value (EV) refers to the upfront bid EV of US\$1.7B, which comprises US\$1.55B upfront purchase consideration and target net debt of ~US\$150M.
- b. Sierra Gorda multiple based on CY21e. Peer multiples based on published FY21 data.

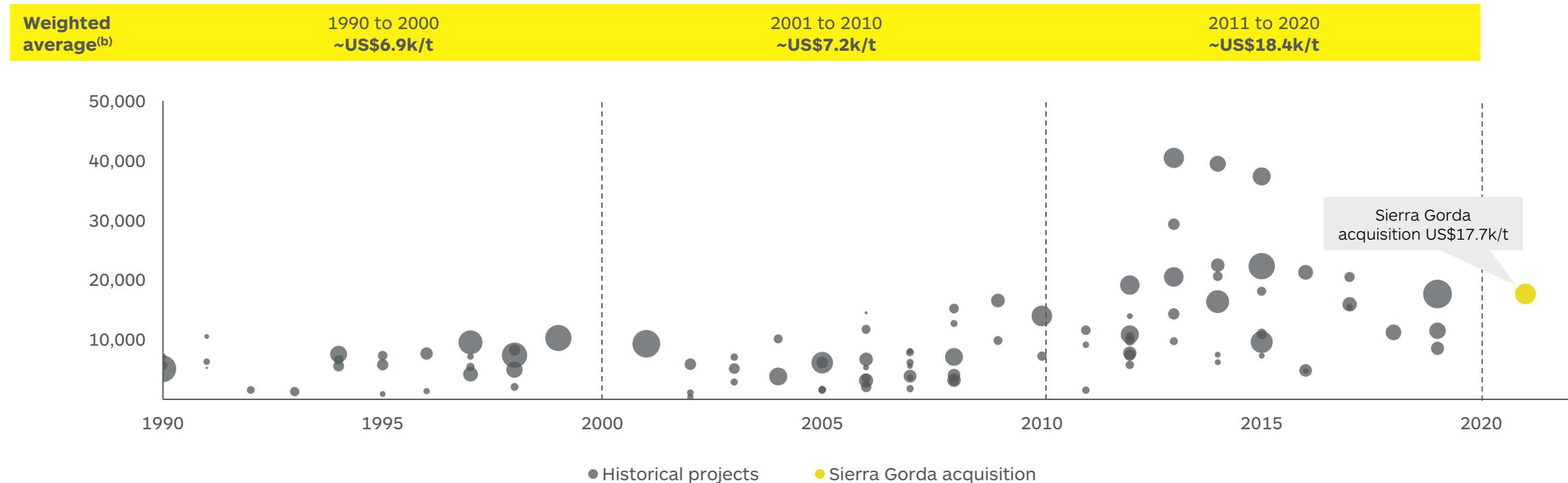
# INCREASING CAPITAL INTENSITY OF NEW BUILDS

Capital intensity of new copper builds has been increasing over time

Acquisition consideration benchmarks favourably to builds with comparable modern plant and infrastructure

Large investments required in future projects to offset industry grade and resource decline likely to uphold the trend

Growth capital intensity of historical copper projects<sup>(a)</sup>  
US\$/t CuEq, CY21 real



Source: Wood Mackenzie and South32 analysis

Notes

- a. Includes greenfield projects only. Excludes projects using the solvent extraction and electrowinning method of production. Bubble size refers to life of mine average copper equivalent production.
- b. Weighted by life of mine average copper equivalent production.

# KEY TERMS AND TRANSACTION TIMETABLE

**US\$1.55B upfront, plus a contingent price-linked consideration to acquire a 45% indirect interest in Sierra Gorda**

## Consideration

- US\$1.55B for a 45% indirect interest in Sierra Gorda through the acquisition of Sumitomo's interest in SGSCM
- To be adjusted for target net debt of ~US\$150M at completion, together with target net working capital and capital expenditure
- A further amount of up to US\$500M structured as contingent price-linked consideration, payable annually over four years as a percentage of incremental revenue realised above agreed copper price thresholds, when both agreed copper price and production thresholds are met<sup>6</sup>

## Key conditions precedent

- Competition and regulatory approvals (including Chilean in-country approvals)
- South32 to assume Sumitomo's rights under the Joint Venture Agreement (refer to Slide 23)
- No South32 or Sumitomo shareholder approvals required

## Pre-emption rights

- Under the Joint Venture Agreement, Sumitomo is required to submit the offer to KGHM, triggering a 30 day right of first refusal
- Minimal fees payable on acquisition funding facility if not drawn in the event that right of first refusal is exercised

## Other notes

- Sumitomo has agreed to provide South32 with a tax indemnity in relation to potential changes in the Chilean in-country tax regime as it pertains to SGSCM up to an agreed cap
- Completion is expected around the end of calendar year 2021, subject to conditions including competition and regulatory approvals, for which South32 has agreed to a break fee payable in limited circumstances.



# TRANSACTION HIGHLIGHTS

---

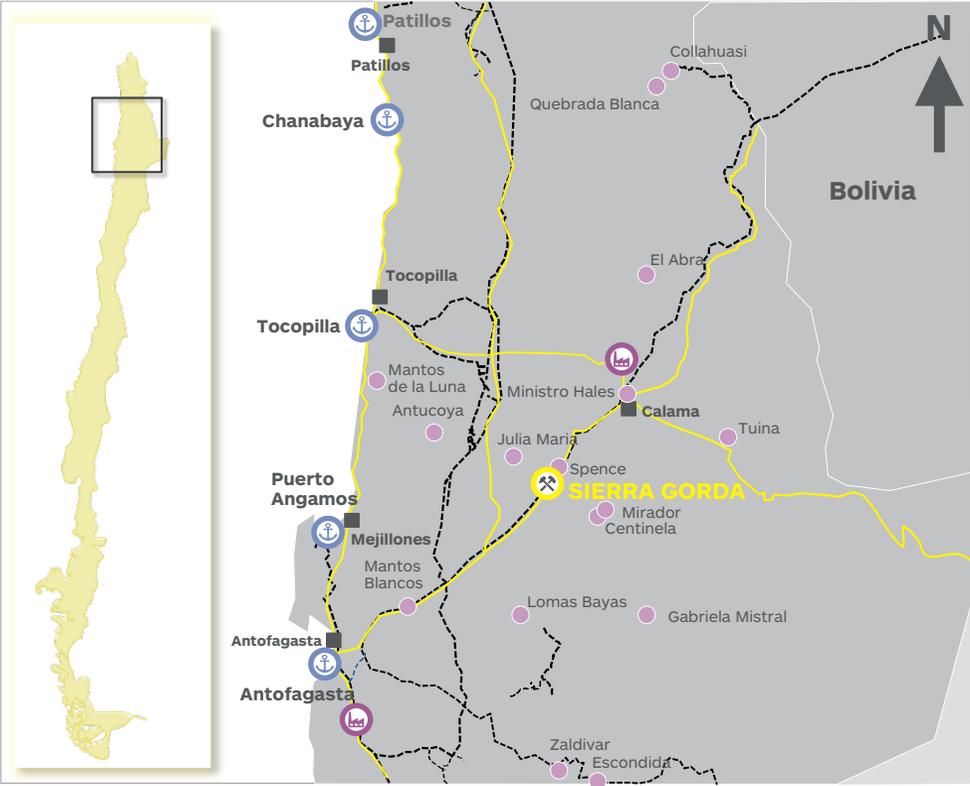
# ESTABLISHED COPPER PRODUCING ASSET

Operation has recently ramped-up and is on-track to produce copper equivalent production of 214kt in CY21e<sup>1</sup> (100% basis)

De-bottlenecking project underway expected to increase plant throughput by 6% to ~50Mtpa

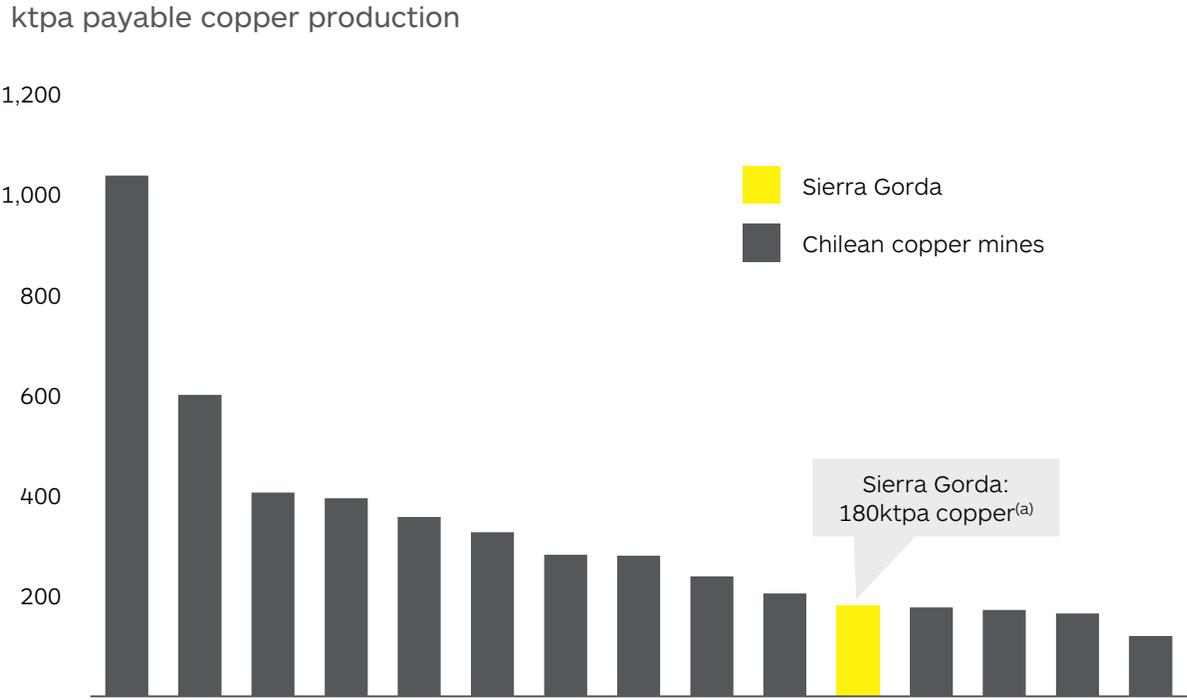
Operating unit costs of ~US\$1.30-1.50/lb CuEq<sup>7</sup> expected over medium term<sup>8</sup>

## Situated in a premier Chilean copper belt



● Operating mines 
 ■ Cities / Major Towns 
 --- Railways 
 — Roads 
 ● Sierra Gorda 
 ■ Smelters 
 ⚓ Ports 
  Km  
 0 50 100

## Top Chilean copper mines in CY21e by production volume



Source: Wood Mackenzie (Copper Market Service), South32 analysis and vendor information

Notes  
a. Excluding by-products.

# LARGE, LONG-LIFE RESERVE AT THE CATABELA PIT

>1Bt copper-molybdenum-gold sulphide mineral reserve<sup>(a)</sup>

>20 year reserve life<sup>(b)</sup> with extension potential from significant resource base

We are well advanced with our work to publish Mineral Resource and Ore Reserve estimates in accordance with the JORC Code following completion<sup>(a)</sup>

## 31 December 2014 mineral resource and mineral reserve (100% Basis)<sup>(c)</sup>

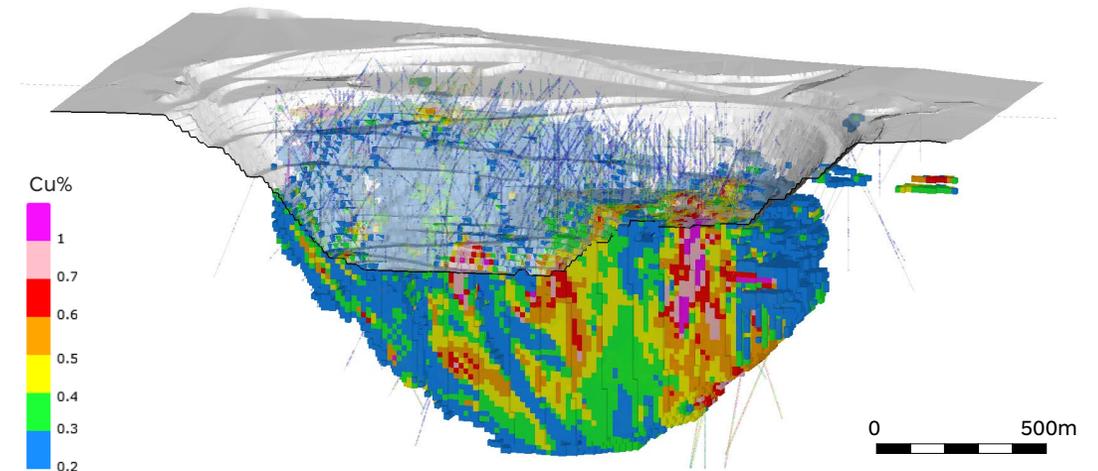
		Mineral resource				Contained metal		
Type	Classification	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Cu (Mt)	Au (t)	Mo (kt)
Sulphide	Measured	365	0.41	0.07	0.03	1.49	25.2	105.7
	Indicated	1,242	0.40	0.06	0.02	4.93	73.3	236.0
	Measured & indicated	1,607	0.40	0.06	0.02	6.42	98.4	341.7
	Inferred	84	0.35	0.04	0.01	0.29	3.2	5.0
	<b>Total mineral resource</b>	<b>1,690</b>	<b>0.40</b>	<b>0.06</b>	<b>0.02</b>	<b>6.71</b>	<b>101.6</b>	<b>346.7</b>
Oxide	Measured	24	0.38			0.09		
	Indicated	71	0.33			0.24		
	Measured & indicated	95	0.34			0.33		
	Inferred	1	0.26			0.03		
	<b>Total mineral resource</b>	<b>96</b>	<b>0.34</b>			<b>0.33</b>		

		Mineral reserve				Contained metal		
Type	Classification	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Cu (Mt)	Au (t)	Mo (kt)
Sulphide	Proven	344	0.41	0.07	0.03	1.41	24.1	103.2
	Probable	1,110	0.40	0.06	0.02	4.44	66.6	222.1
	<b>Total mineral reserve</b>	<b>1,454</b>	<b>0.40</b>	<b>0.06</b>	<b>0.02</b>	<b>5.85</b>	<b>90.7</b>	<b>325.2</b>
Oxide	Proven	23	0.38			0.09		
	Probable	68	0.33			0.23		
	<b>Total mineral reserve</b>	<b>91</b>	<b>0.35</b>			<b>0.32</b>		
	Stockpiled ore <sup>9</sup>	45	0.33			0.15		

Notes:

- Refer to clarifying statements as required by ASX Listing Rule 5.12 in the announcement "South32 to acquire a 45% interest in the Sierra Gorda copper mine" dated 14 October 2021. Production depletion to date would likely result in approximately 18% reduction in the reported mineral resource and approximately 20% reduction in the reported mineral reserve for sulphide ore.
- The scheduled extraction period in years for the total ore reserves in the approved life of operation plan.
- Refer to Important Notices on slides 2 and 3. Classification is in accordance with National Instrument 43-101 and CIM Standard for Disclosure (43-101).
- Based on Sierra Gorda resource model, with existing pit pick-up as at January 2021.

## Catabela Mineral Resource (looking southwest)<sup>(d)</sup>



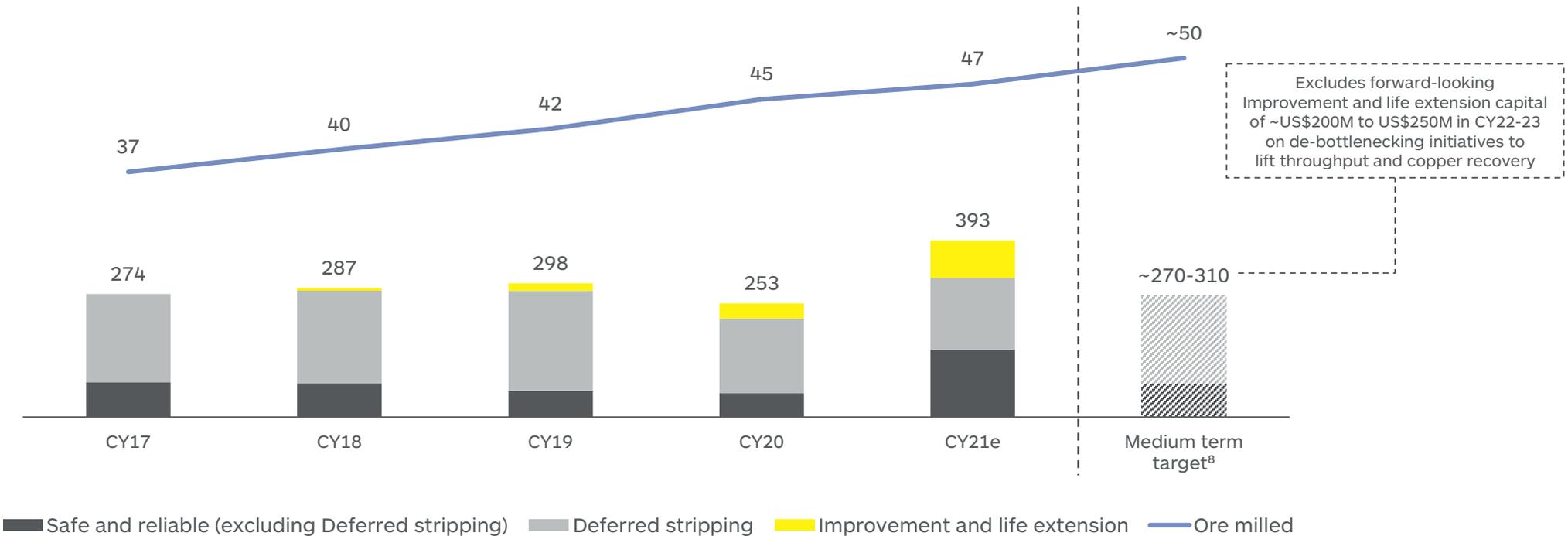
# OPERATION ACHIEVING RECORD PERFORMANCE

Significant investment in high quality, modern processing infrastructure

Record production and plant throughput in CY20, with operation on-track to repeat in CY21 despite COVID-19

Capital efficient de-bottlenecking project is lifting ore milled and recoveries

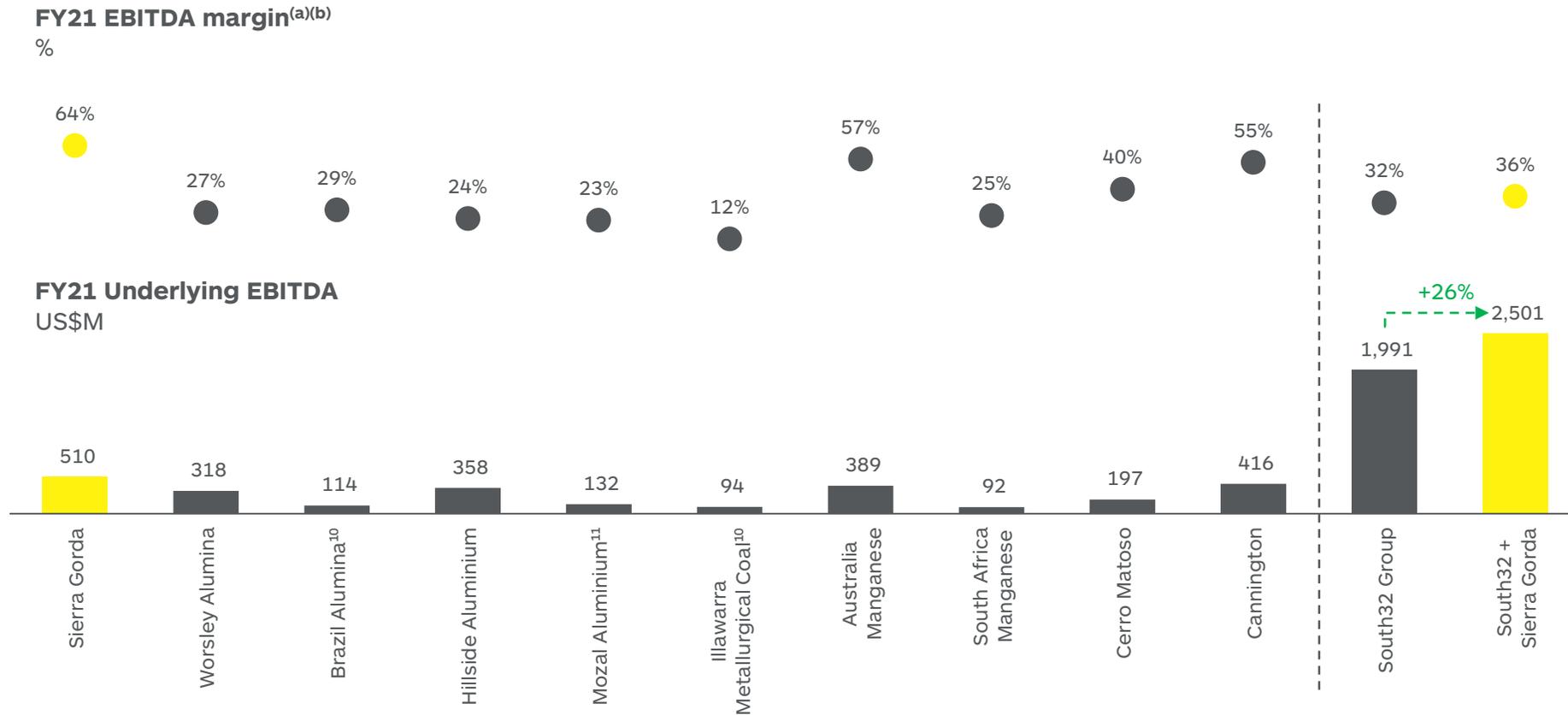
**Capital expenditure (bars) and Ore milled (line)**  
US\$M (bars); Mt (line), all 100%



Source: South32 analysis and vendor information

# EXPECTED TO BENEFIT OUR EBITDA MARGIN

**Brings immediate value and expands our EBITDA margin, further improving our portfolio and balance sheet resilience**



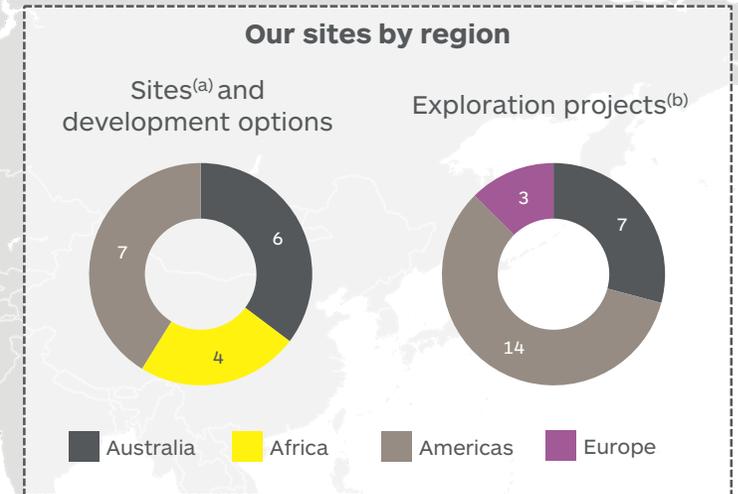
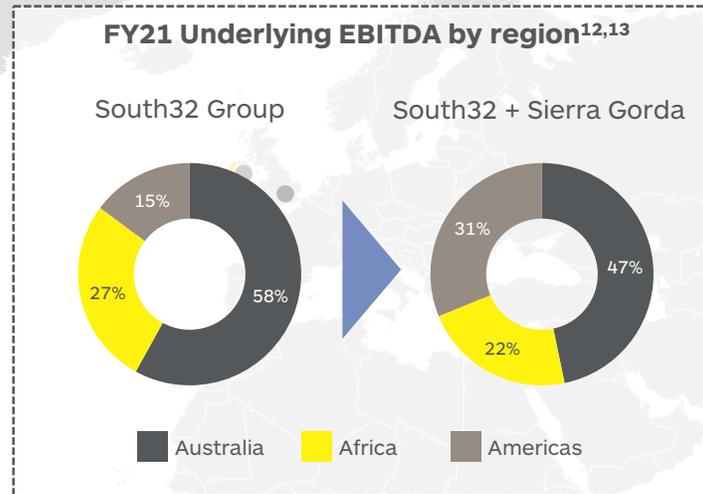
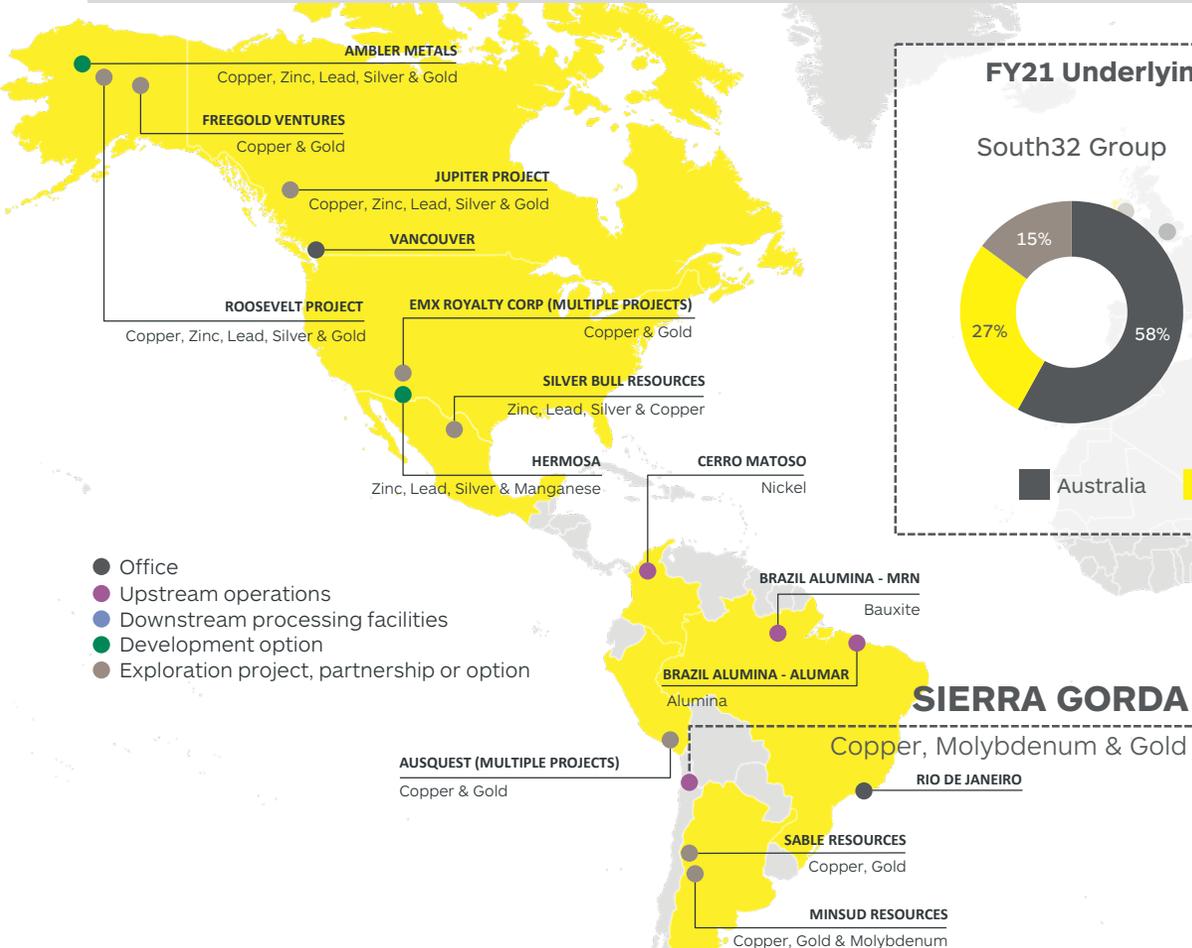
**Notes:**

- a. Sierra Gorda and pro-forma financials are unaudited and for illustrative purposes only; the inclusion of Sierra Gorda to the pro-forma Revenue and Underlying EBITDA will be reflected in our segment note, but not be reflected in South32's audited accounts.
- b. Group pro-forma Underlying EBITDA includes manganese JV on a proportionally consolidated basis and excludes South Africa Energy Coal, manganese alloys, and third party products. Based on our Mozal Aluminium ownership of 47.1% as at 30 June 2021.

# BUILDS ON OUR ESTABLISHED PRESENCE IN THE AMERICAS

**Cornerstone project in Chile,  
a prolific copper producing region**

**Expands our existing operating and  
development presence in the Americas**



Notes:  
a. Includes non-operated sites.  
b. Includes exploration partnerships.

# FURTHER RESHAPES OUR PORTFOLIO FOR THE FUTURE

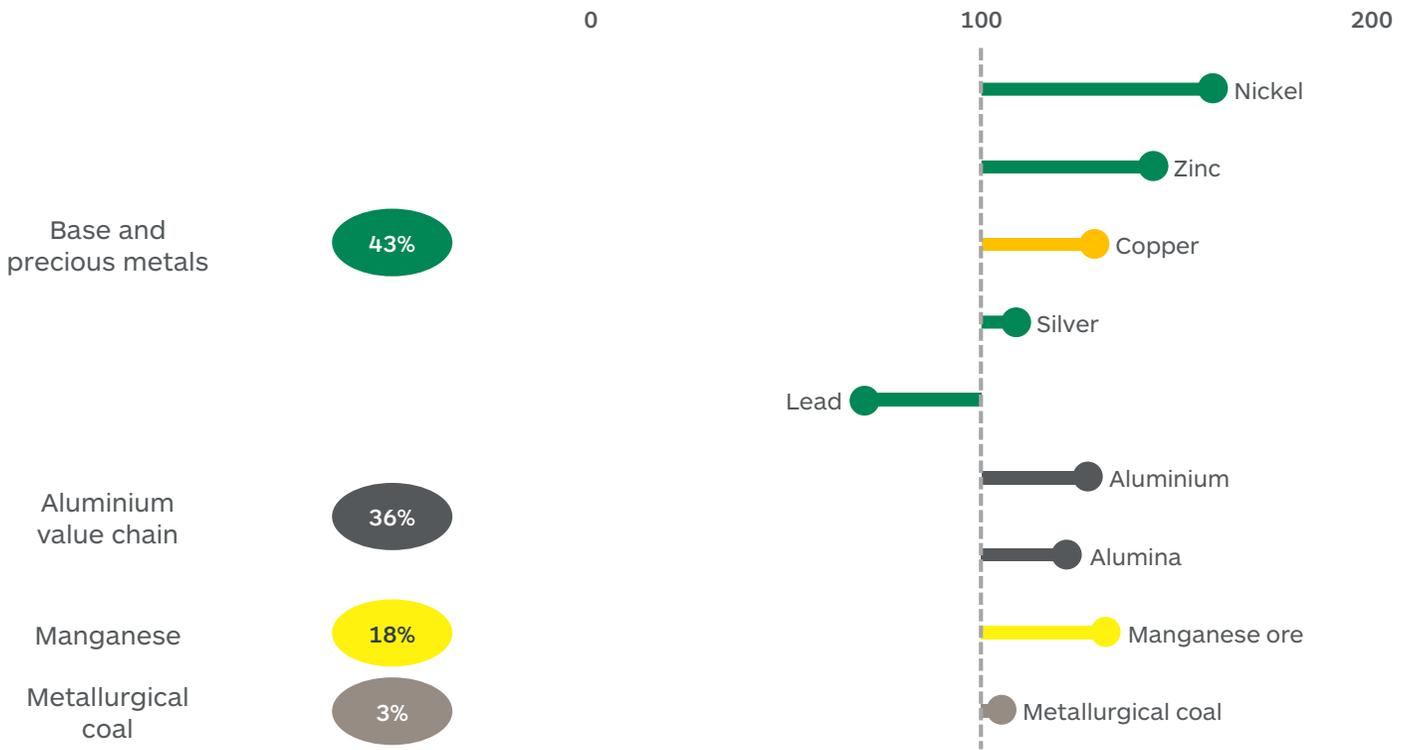


**Increases our exposure to the metals important to a low carbon future**

**Copper expected to benefit from uptake of low carbon renewable energy and electric vehicles**

**Sierra Gorda's emissions intensity well below our Group average, benefitting from access to renewable energy**

**Contribution to pro-forma FY21 Underlying EBITDA<sup>(a)</sup>      2029-2050 average commodity demand in 1.5°C scenario vs. base case<sup>14</sup>**



**Our portfolio opportunities are leveraged to the metals with the most attractive demand outlook**

- Multiple projects in execution at Cerro Matoso to add incremental nickel volumes from FY22
- Progressing development studies for our zinc-lead-silver Taylor Deposit and zinc-manganese-silver Clark Deposit at Hermosa
- Sierra Gorda de-bottlenecking and other brownfield opportunities
- High grade Arctic copper deposit at our Ambler Metals JV is progressing through PFS
- >20 exploration projects targeting base and precious metals
- Increasing our ownership at Mozal Aluminium<sup>2</sup>
- Deploying AP3XLE technology at Mozal Aluminium and undertaking a trial at Hillside Aluminium

Notes:  
a. Pro-forma FY21 Underlying EBITDA is inclusive of Sierra Gorda.

# EXPOSURE TO ATTRACTIVE COPPER MARKETS

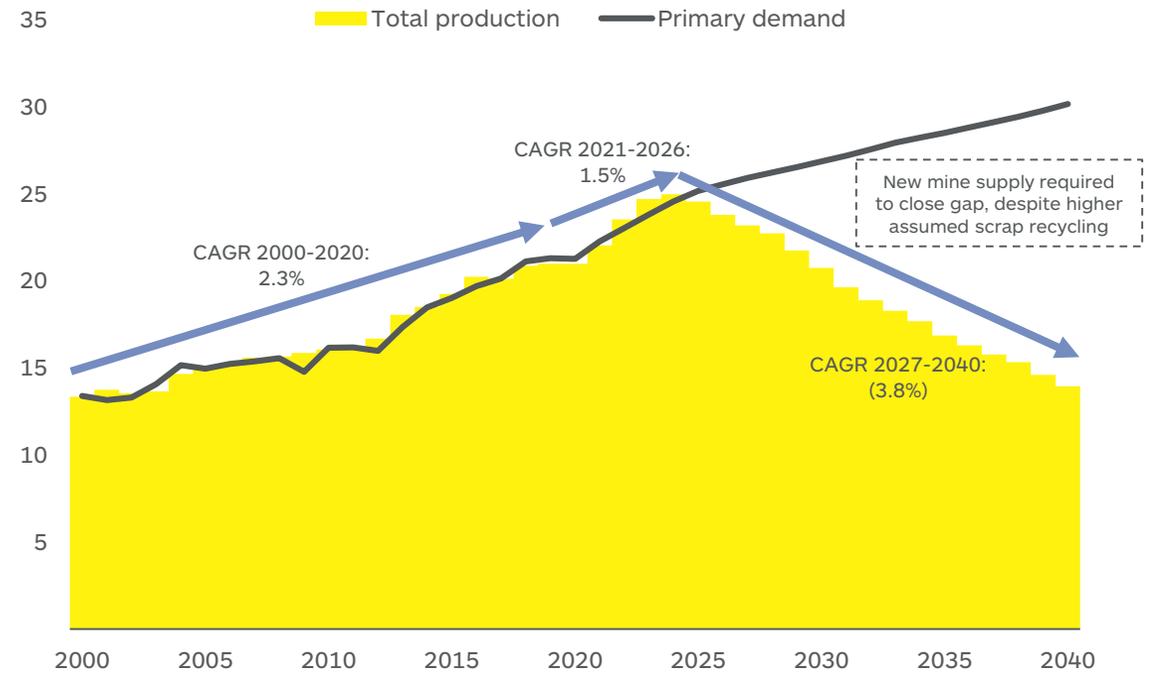
**Market expected to move into minor surplus near term following addition of new capacity**

**1Mt of additional mine production required each year from CY24e**

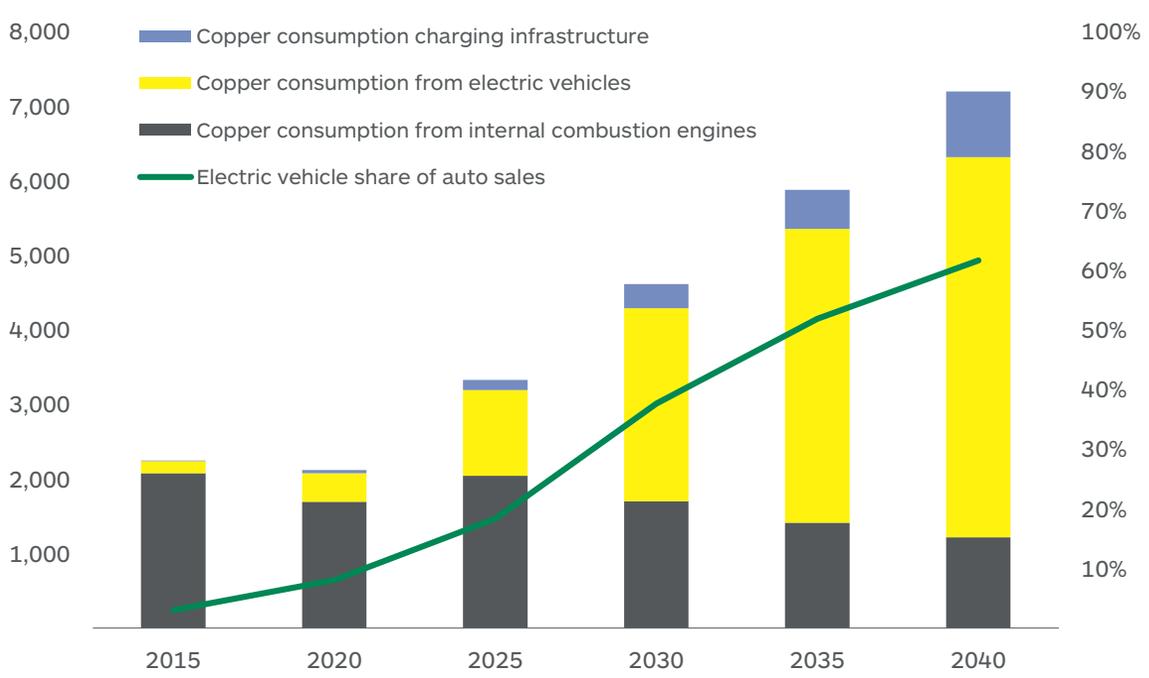
**Base case production then forecast to diminish at 3.8% p.a. from CY27e due to grade and reserve decline**

**Copper to play a key role in global decarbonisation and energy transition**

**Regional mine production<sup>(a)</sup> vs. Primary demand**  
Mt copper



**Electric vehicle uptake will support copper consumption**  
kt, LHS; % share of auto sales, RHS



Source: Wood Mackenzie (Q2 2021 Outlook) and South32 analysis

Notes  
a. Production capability represents current production before adjustments from existing mines and projects.

Source: Wood Mackenzie (Q2 2021 Outlook) and South32 analysis



# TRANSACTION FUNDING

---

# FUNDING STRUCTURE

**Acquisition consideration and funding has been structured to preserve our balance sheet's strength and flexibility**

## Pro-forma metrics<sup>15</sup>

(US\$M)	Standalone South32 <sup>(a)</sup>	Transaction	Pro-forma South32
Debt	1,068	1,000	2,068
Cash	1,728	(550)	1,178
<b>Net debt/(cash)</b>	<b>(660)</b>	<b>1,550</b>	<b>890</b>

- Consideration to be funded by a minimum of US\$550M from cash on hand and an underwritten acquisition debt facility
- We expect to use our current strong cash generation to minimise acquisition facility utilisation
- Acquisition facility to be replaced with long-term funding following completion
- We expect to maintain our current BBB+/Baa1 credit ratings, with S&P and Moody's respectively
- Our US\$1.45B revolving credit facility (RCF) is expected to remain undrawn
- Our capital management framework is unchanged and we will continue to prioritise our investment grade credit rating through the cycle
- We will continue our flexible execution approach with regards to the remaining US\$231M capital management program balance
- Pro-forma position excludes the impact of exercising our pre-emptive rights to increase our shareholding in Mozal Aluminium by up to 25%<sup>2</sup>
- Contingent consideration, subject to minimum copper production and price thresholds, to be funded by future cashflows

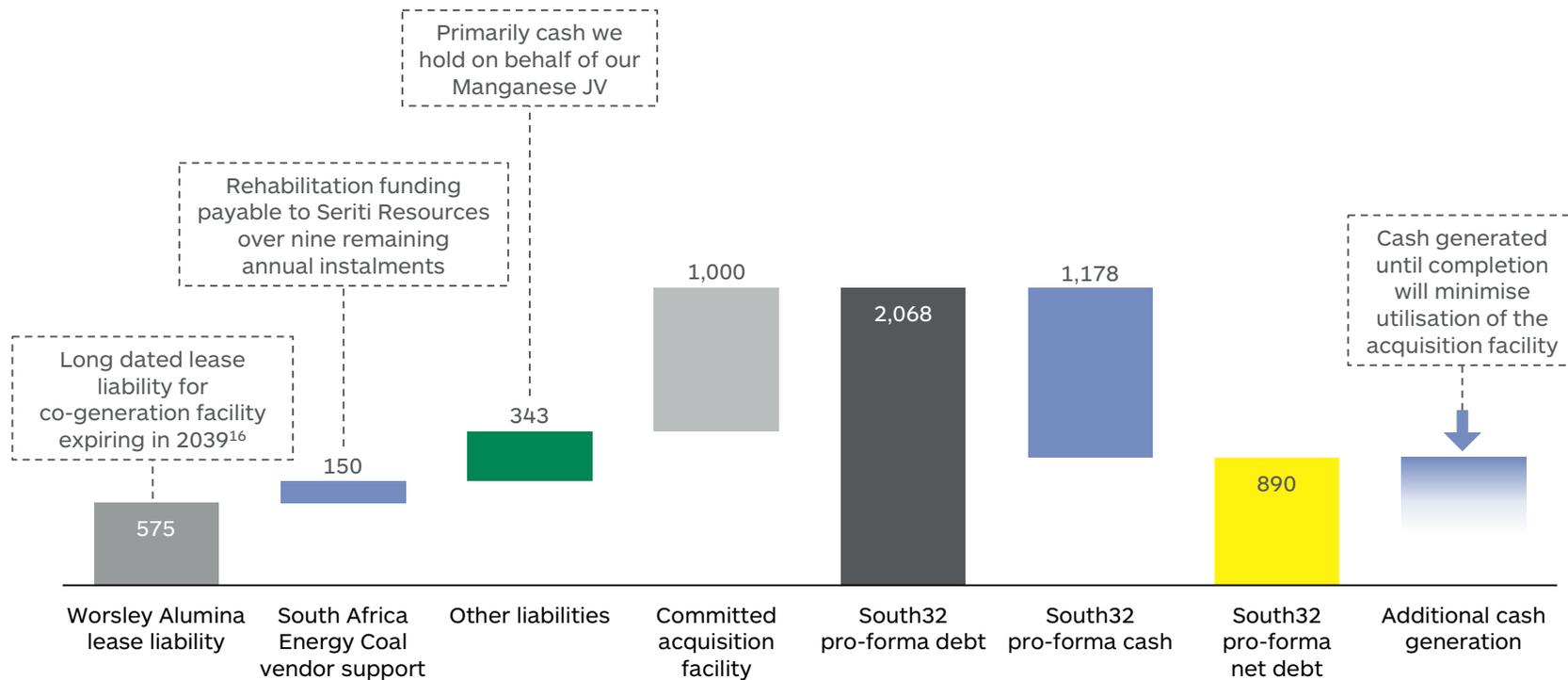
Notes:

a. Unaudited as at 30 September 2021.

# BALANCE SHEET

## Our strong balance sheet remains at the core of our strategy

**South32 pro-forma debt and cash<sup>(a)</sup>**  
US\$M



**We retain access to significant liquidity with the business generating strong free cash flow and our US\$1.45B RCF expected to remain undrawn**

**>50% of pro-forma debt relates to long dated leases, Manganese JV cash management activities and the vendor support package provided on the divestment of South Africa Energy Coal**

**Pro-forma position excludes the impact of exercising our pre-emptive rights to increase our shareholding in Mozal Aluminium<sup>2</sup>**

Notes:

a. Unaudited pro-forma metrics as at 30 September 2021.



# SIERRA GORDA OVERVIEW

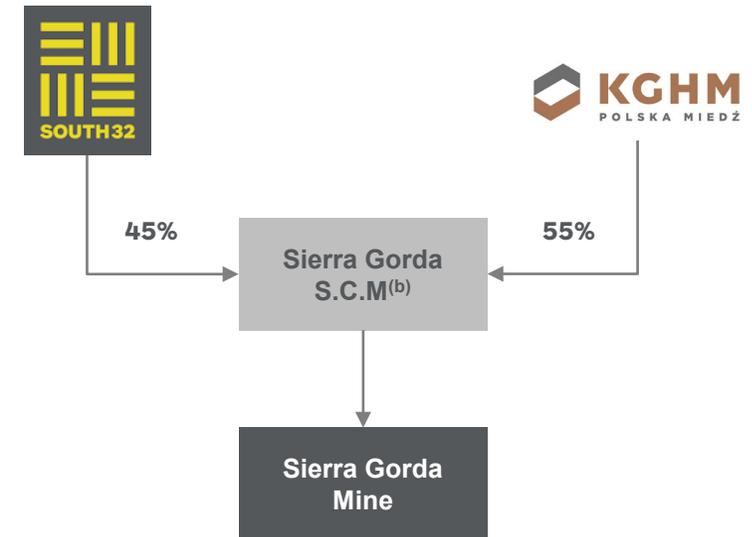
---

# JOINT VENTURE OVERVIEW

## Partnering with a experienced operator, with joint control and governance rights

	South32 influence and control
<b>Owners Council and Management</b>	<ul style="list-style-type: none"> <li>✓ Equal representation with KGHM on Owners Council<sup>(a)</sup> and subcommittees (health and safety, technical, finance, marketing and tailings)</li> <li>✓ Chair appointment rotates between South32 and KGHM every two years</li> <li>✓ Sierra Gorda operated by highly experienced management team</li> </ul>
<b>Decision making</b>	<ul style="list-style-type: none"> <li>✓ All (Ordinary and Special) Resolutions require both parties support                             <ul style="list-style-type: none"> <li>– 60% threshold for Ordinary Resolutions</li> <li>– Includes management appointments, budget approvals, production curtailments, material debt financing and capital expenditure</li> </ul> </li> </ul>
<b>Budget approval</b>	<ul style="list-style-type: none"> <li>✓ Equal control over the annual operating budget</li> </ul>
<b>Product</b>	<ul style="list-style-type: none"> <li>✓ SGSCM is responsible for marketing all products with KGHM acting as agent</li> </ul>

Pro-forma ownership structure



Notes:

- a. The Owners Council is responsible for strategic direction and oversight of SGSCM.
- b. Sierra Gorda Sociedad Contractual Minera or SGSCM.

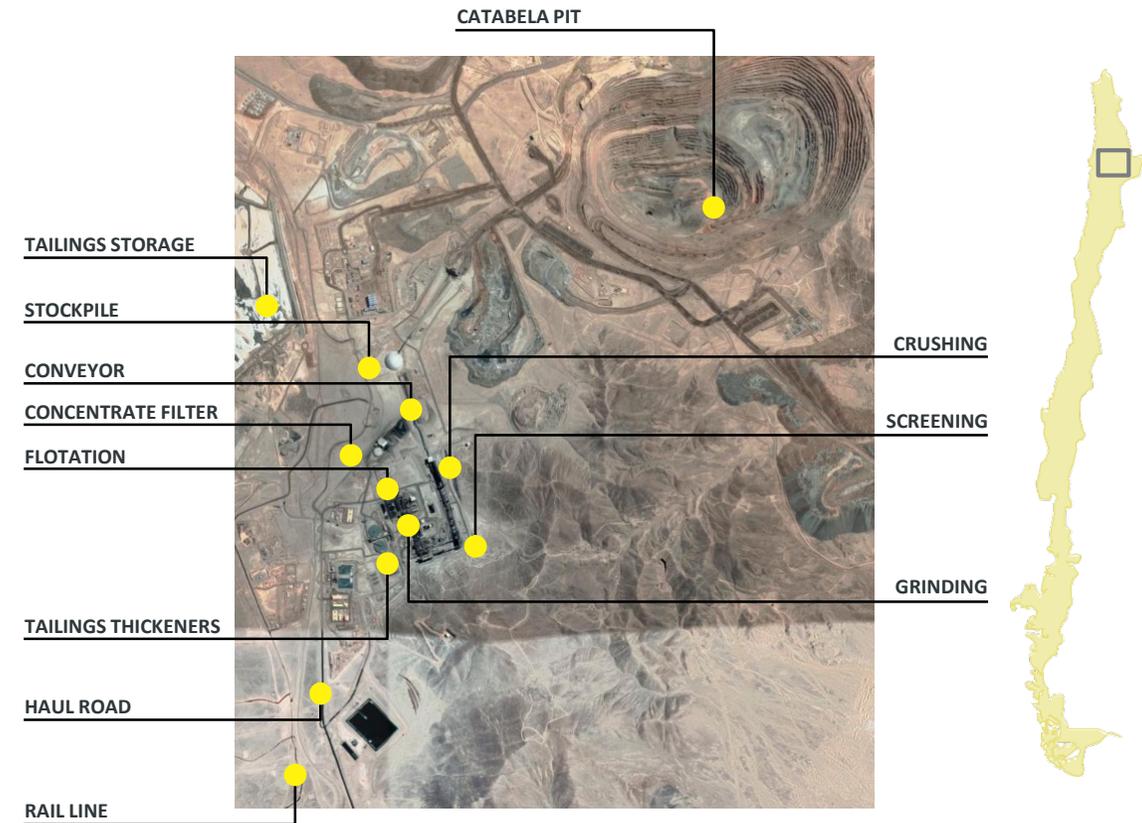
# ASSET OVERVIEW

**Large scale, open-pit operation with >4.5Mt<sup>(a)</sup> copper metal in reserves and a 20+ year reserve life**

## Asset overview (100% basis)

<b>Overview</b>	A conventional open pit mine and processing operation, producing copper and molybdenum concentrates (realised CY21e revenue by payable metal: 84% Cu, 7% Mo, 7% Au, 2% Ag)
<b>History</b>	Mineralisation delineated in CY06, development began in CY11 and commercial production achieved in CY15
<b>Strip ratio</b>	CY21e: 1.4x Life of mine expectation: ~2.0x
<b>Ore mined</b>	CY21e: 76Mt Medium term target <sup>(b)</sup> : ~65Mt
<b>Ore milled</b>	CY21e: 47Mt Medium term target <sup>(b)</sup> : ~50Mt
<b>Copper recovery</b>	Medium term target <sup>(b)</sup> : ~85%
<b>Copper concentrate grade</b>	Life of mine expectation: ~25%
<b>Payable copper equivalent production<sup>1</sup></b>	CY21e: 214kt Medium term target <sup>(b)</sup> : ~200-210kt
<b>Operating unit costs<sup>7</sup></b>	CY21e: US\$1.29/lb CuEq Medium term target <sup>(b)</sup> : ~US\$1.30-1.50/lb CuEq <sup>1</sup>
<b>Safe and reliable capital expenditure</b>	CY21e: US\$309M including deferred stripping of US\$159M Medium term target <sup>(b)</sup> : ~US\$270-310M including deferred stripping of ~US\$180-200M
<b>Improvement and life extension capital expenditure</b>	CY21e: US\$84M ~US\$200-250M forecast in CY22-23 on the ongoing de-bottlenecking project

## Sierra Gorda site map



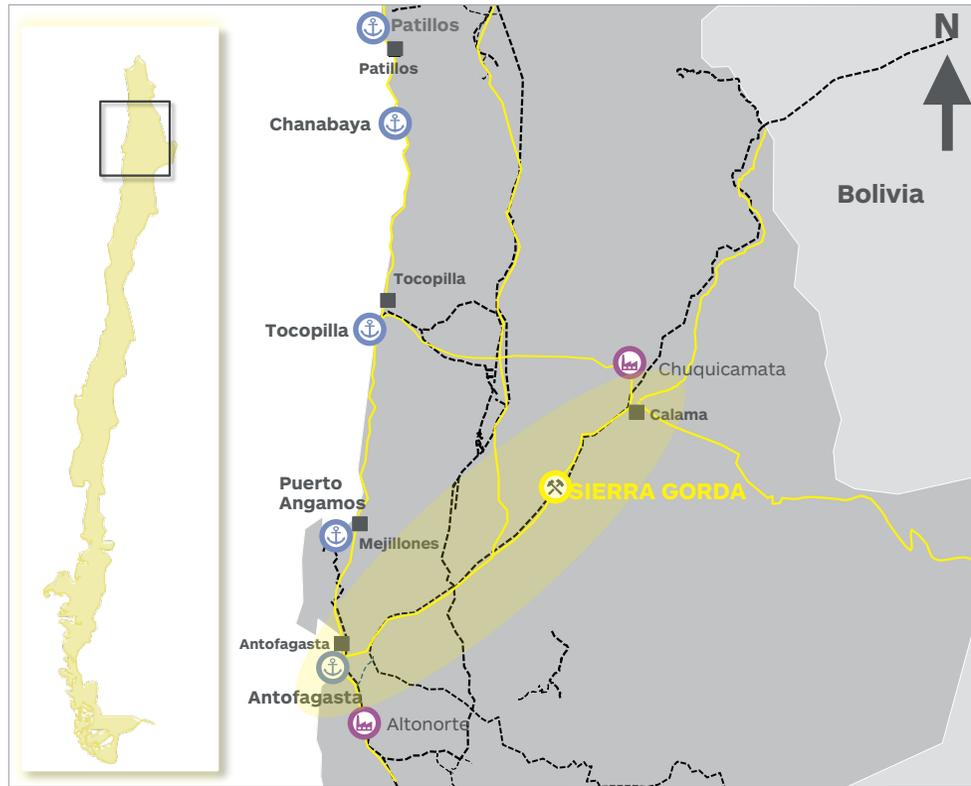
### Notes:

- a. Refer to Important Notices on slides 2 and 3.
- b. Refer to Important Notices on slides 2 and 3 for information relating to the production target. Medium term target is expected average CY22 to CY26.

# LOCATION AND INFRASTRUCTURE

**Located in a prolific copper producing region supported by dedicated, high quality infrastructure**

## Location map



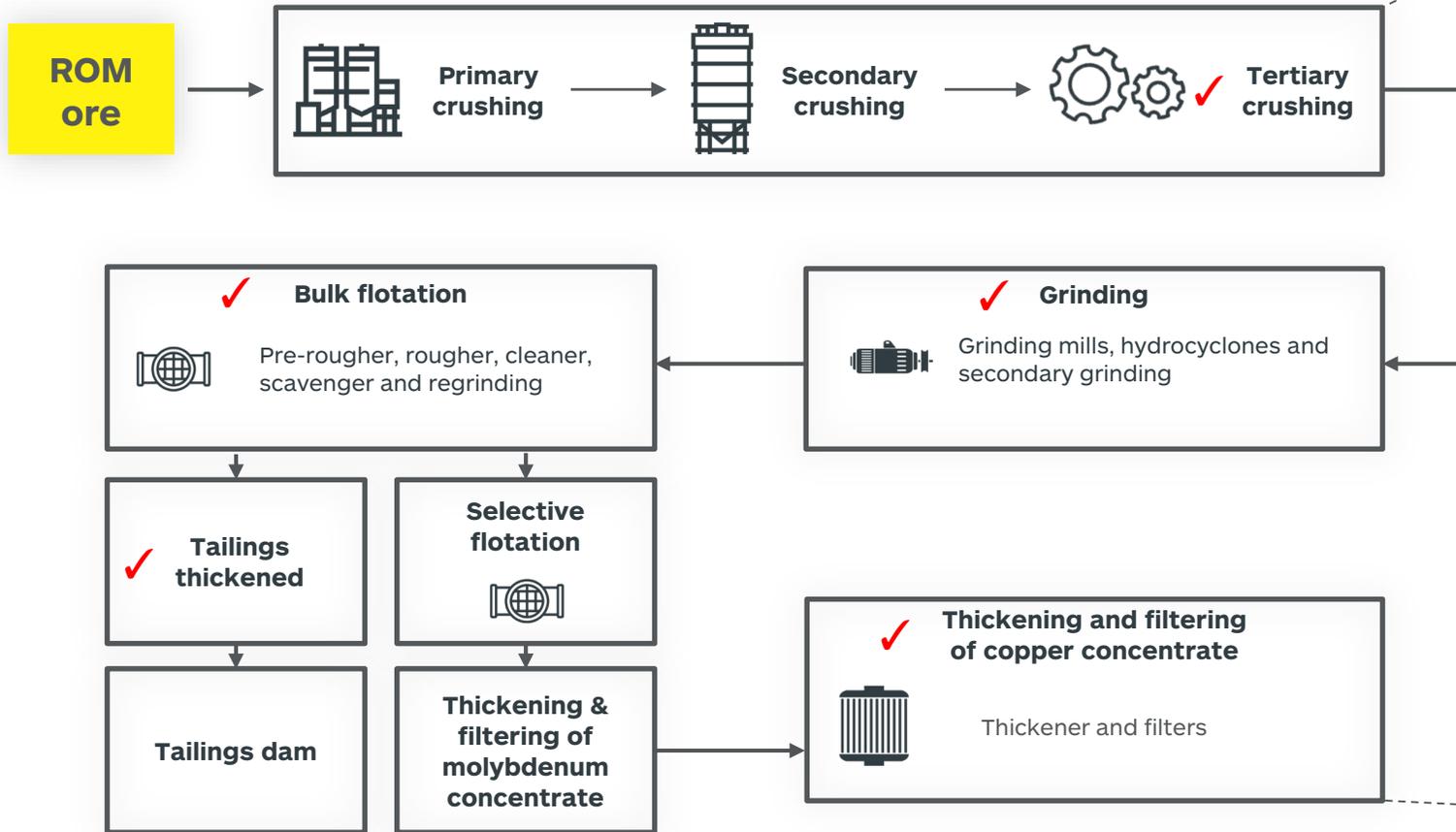
## Overview

<b>Location</b>	<p>Low altitude (1,700m above sea level)</p> <p>The mine is located 5km from a main national highway, which provides access to the port city of Antofagasta</p> <p>Rail and roadway access to the towns of Calama, Mejillones and Michilla</p>
<b>Country</b>	Established mining region with access to people, suppliers and infrastructure
<b>Labour</b>	Three collective agreements, each with a three-year term to CY24
<b>Logistics</b>	Concentrate transported by truck and rail to the ports of Antofagasta and Angamos for international export to end markets, primarily in Asia
<b>Water</b>	Seawater supply for processing purposes transported to site via a dedicated 143km pipeline which has excess capacity available
<b>Power</b>	<p>Grid power with recently signed renewable agreement covering 90% of ongoing power requirements</p> <p>Option to increase capacity by 20% from CY24 with the ability to sell excess renewable power back to the grid</p>
<b>Tailings</b>	Low profile tailings storage facility design

# HISTORY OF PLANT IMPROVEMENT

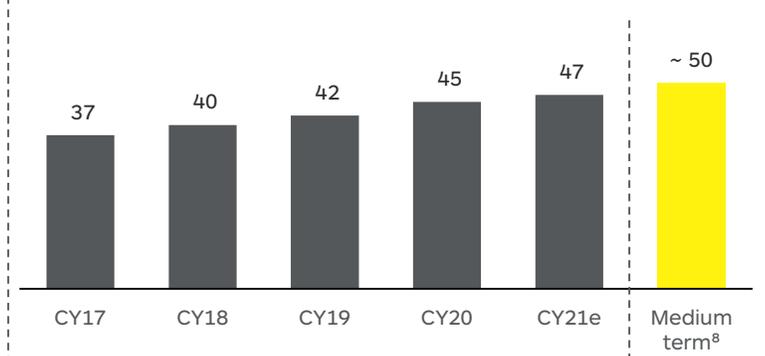
A track record of delivering improvements to plant throughput and availability

## Processing flowsheet

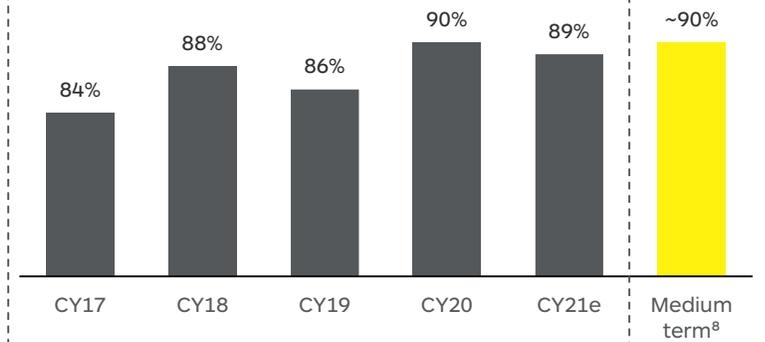


✓ De-bottlenecking initiative

## Ore milled Mt



## Plant availability %



# DE-BOTTLENECKING PROJECT

Implementing a capital efficient, low technical risk project that is transforming throughput and copper recovery

## Overview of de-bottlenecking initiatives



		Completion timing
1	<b>Primary and secondary grinding performance</b> Installation of cyclone pumps, hydrocyclone battery and three vertical mills to improve mill power and grinding capacity	CY23
2	<b>Pulp conditioning</b> Installation of three additional agitator tanks for attrition scrubbing	✓
3	<b>Installation of fourth copper filter</b> Additional copper concentrate filter to handle additional throughput	✓
4	<b>Cleaning flotation</b> Two additional flotation column cells to improve cleaner recovery	✓
5	<b>Conveyor upgrade</b> Increase transmission capacity of conveyor belts and improve maintenance procedures	CY23
6	<b>Confirmation of tailings density level</b> Installation of additional thickener to ensure waste concentration density	CY22

## Project Summary

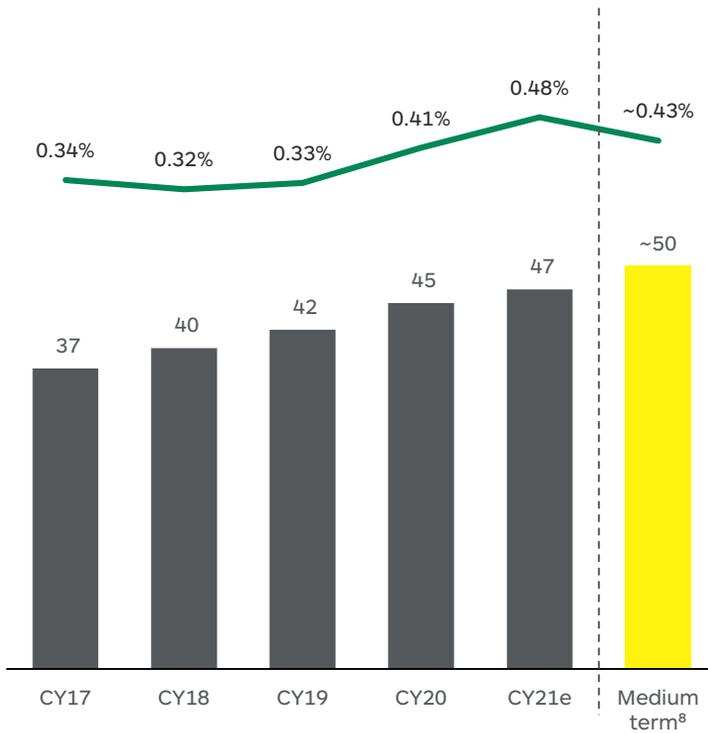
- Low technical risk and capital efficient
- In the medium term<sup>8</sup>, project is expected to deliver:
  - Ore milled of ~50Mtpa (from 45Mtpa in CY20)
  - Copper recoveries of ~85% (from 83% in CY20)
- Operation has already achieved an increase in ore milled to 47.5Mtpa eight months ahead of plan
- US\$84M spend scheduled until the end of CY21e with ~US\$200M to US\$250M expected over CY22 and CY23 (100% basis) to complete the project

✓ Complete

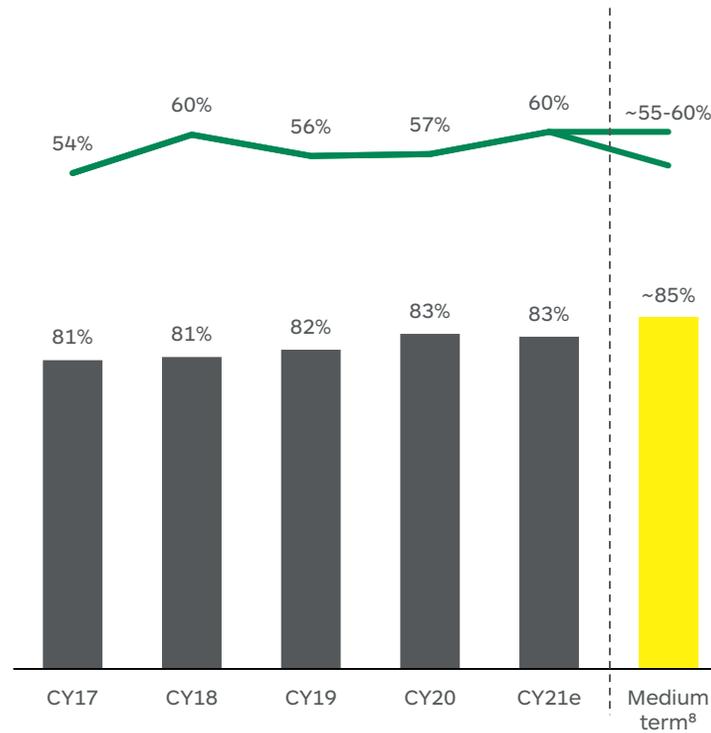
# OPERATING PERFORMANCE

**De-bottlenecking is expected to further improve already strong operating performance**

**Ore milled (bars) and copper head grade (line)**  
Mt, 100% basis; %

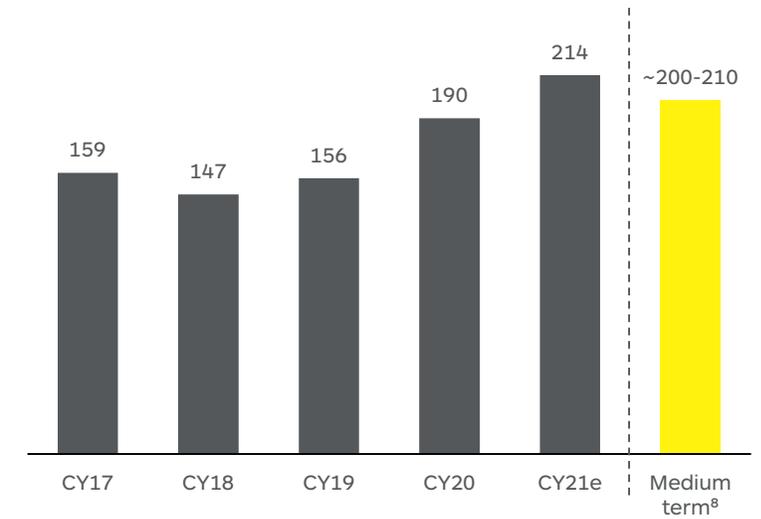


**Copper (bars) and molybdenum (line) recoveries**  
%



**Payable production<sup>1</sup>**  
kt CuEq, 100% basis

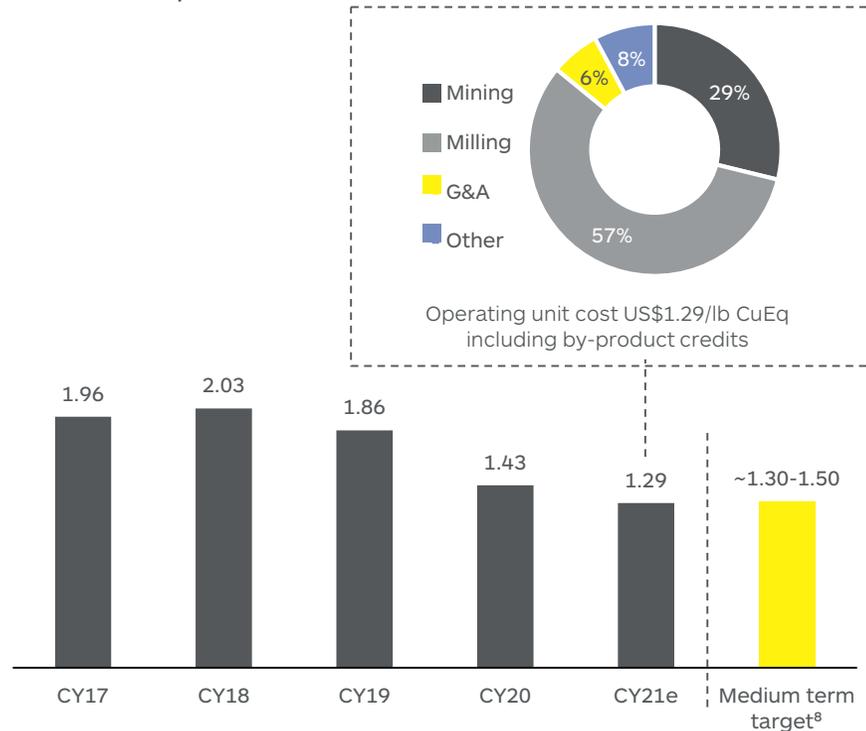
Increase in payable production has been driven by improved plant availability, throughput and recoveries over time, to be partially offset by lower expected head grade in the future



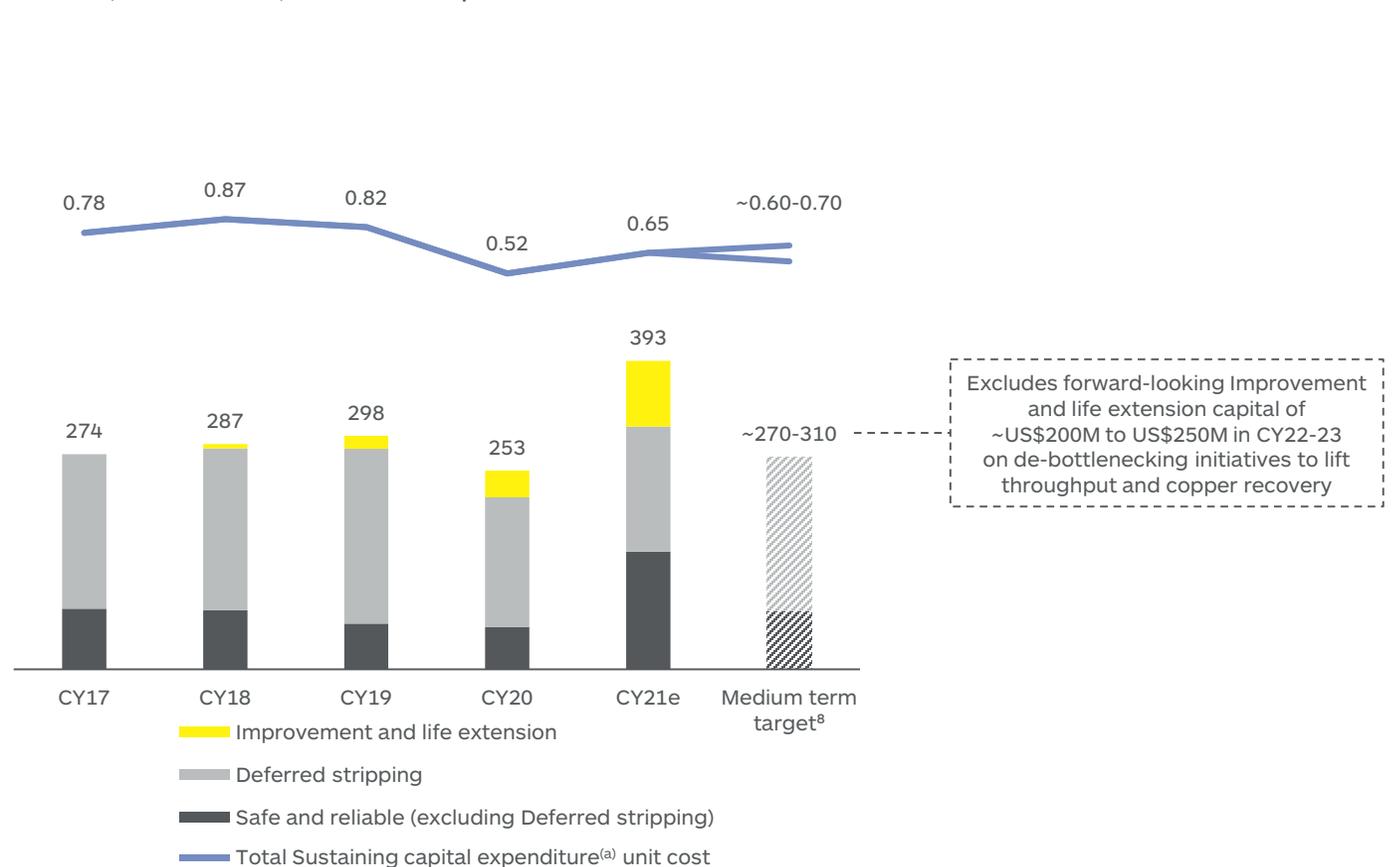
# OPERATING PERFORMANCE

## Stable performance and focussed de-bottlenecking initiatives are benefitting financial performance

**Operating unit costs<sup>7</sup>**  
US\$/lb CuEq



**Capital expenditure: total (bars) and per CuEq production (line)**  
US\$M, 100% basis; US\$/lb CuEq



Source: South32 analysis and vendor information

a. Refers to the unit cost of Safe and reliable and Deferred stripping capital expenditure.

# BROWNFIELD OXIDE PROJECT POTENTIAL

## Opportunity to increase production further through processing of stockpiled material<sup>9</sup>

### Oxide project location and layout



0 0.5 1 Km

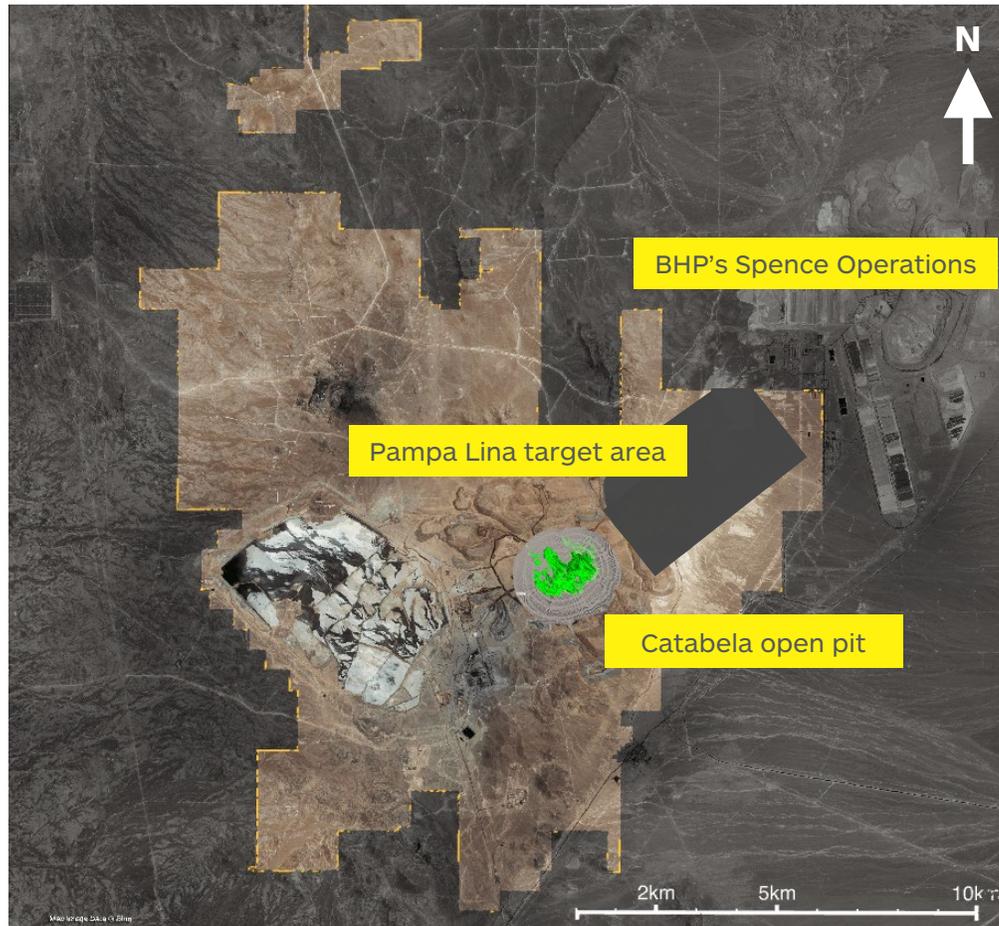
### Project Summary

- Feasibility study is underway
- Low-cost heap leach and conventional SX/EW processing of >100Mt of stockpiled oxide material<sup>9</sup>
- Commonly used and tested technology
- Majority of the material has already been mined and is stockpiled on surface in close proximity to a future plant location

# PAMPA LINA AND EXPLORATION POTENTIAL

**Potential for regional upside within a large land package that has a number of identified targets**

Property Claim Map



## Pampa Lina Project Summary

- Located 3km north-east of current operations between the Catabela pit and BHP's Spence mine
- Copper-molybdenum-gold porphyry at an exploration stage
- Possible long-term opportunity to extend the operation's life by leveraging established infrastructure

## Regional Exploration Potential

- Located along a highly productive porphyry mineralisation corridor
- The 5km long north-east trending corridor includes the Catabela, Pampa Lina and Spence deposits
- Drilling campaign to test depth potential at Catabela

# SUMMARY

**Long-life, open pit copper mine that benefits from significant historical investment**

**Supported by excellent infrastructure including access to renewable power**

**Consistent with our strategy to reshape our portfolio for a low carbon future**

**Immediately earnings accretive, acquired at an attractive valuation of 3.3x FY21 EBITDA**

## **Opportunities to unlock upside**

**Plant de-bottlenecking  
Brownfield oxide project expansion  
Mineral Resource growth  
Regional exploration**

**Our capital management framework is unchanged with consideration and funding structured to maintain our strong balance sheet**



# APPENDIX

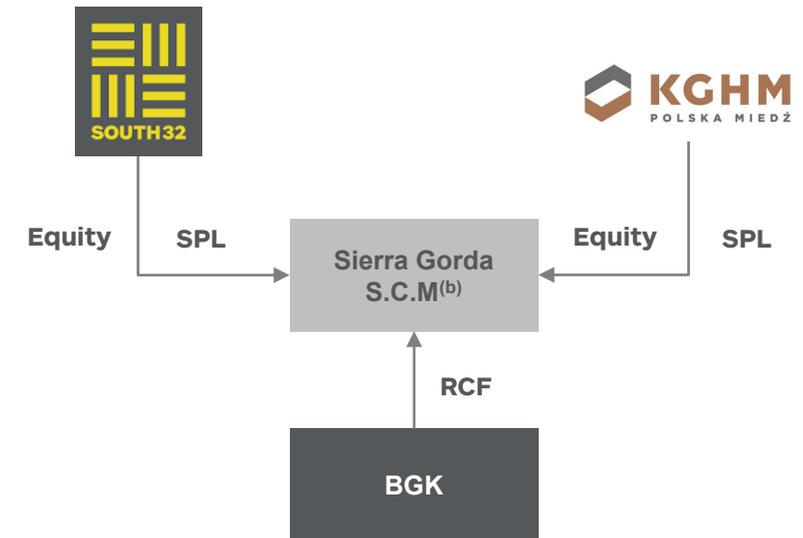
---

# JOINT VENTURE CAPITAL STRUCTURE

**SGSCM's existing capital structure primarily comprises ~US\$3B in common equity and ~US\$5B in sponsor loans, supported by a US\$700M revolving credit facility (RCF) from an external lender**

<b>Overview</b>	<ul style="list-style-type: none"> <li>KGHM and Sumitomo initially provided common equity and sponsor loans (SPL) to SGSCM to finance construction of the project</li> </ul>
<b>SPL</b>	<ul style="list-style-type: none"> <li>South32 will acquire Sumitomo's SPL lending entities, whose agreements with SGSCM have a maturity date of 15 December 2024 and form the mechanism by which the Group can initially receive distributions</li> <li>The SPLs outstanding balance (~US\$5.2B) comprise ~US\$2.8B principal plus ~US\$2.4B capitalised interest<sup>(a)</sup></li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>SGSCM has a partially drawn US\$700M RCF provided by Bank Gospodarstwa Krajowego (BGK)</li> <li>Joint venture retains a working capital balance to fund the operation</li> <li>Target net debt on completion of US\$150M (South32 share)</li> </ul>
<b>Cash distributions</b>	<ul style="list-style-type: none"> <li>The Joint Venture Agreement provides for surplus cash to be distributed with bilateral support from both shareholders</li> </ul>

**Historical financing structure**



Notes:

- a. As at 30 June 2021.
- b. Sierra Gorda Sociedad Contractual Minera or SGSCM.

# STATUTORY ACCOUNTING TREATMENT

**On completion, the acquisition will be recorded as a credit-impaired receivable on South32's balance sheet**

**Interest income, revaluation of the receivable and contingent consideration, and associated income tax expense, recognised in the statutory income statement**

<p><b>Balance sheet treatment on acquisition</b></p>	<ul style="list-style-type: none"> <li>• Sierra Gorda will be recorded as an equity-accounted investment with US\$0 carrying value on our balance sheet</li> <li>• Credit-impaired receivable (financial asset) with value equal to purchase price (including fair value of contingent consideration) grossed up for any tax liabilities recognised on acquisition</li> <li>• The shareholder loans will be treated as equity for the purpose of assessing our credit metrics</li> </ul>
<p><b>Balance sheet adjustments</b></p>	<ul style="list-style-type: none"> <li>• Credit-impaired receivable is revalued based on recoverable value for half and full-year financial reporting</li> <li>• Credit-impaired receivable carrying value increases for accrued interest and reduces for cash distributions<sup>(a)</sup> made from Sierra Gorda</li> <li>• The credit-impaired receivable cannot exceed the original face value of the sponsor loans (inclusive of capitalised interest) outstanding at each reporting period end</li> <li>• Equity-accounted investment carrying value changes to the extent that a share of equity accounted profit/loss after tax can be recognised (share of loss after tax is not recognised when the equity accounted investment carrying value is \$0)</li> </ul>
<p><b>Income statement treatment</b></p>	<ul style="list-style-type: none"> <li>• Interest income is earned on the credit-impaired receivable in the statutory income statement (below EBIT) but will not be recognised in Underlying earnings</li> <li>• Revaluation movements of the credit-impaired receivable are recorded in statutory EBIT as impairment/impairment reversal of the receivable but will not be recognised in Underlying EBIT</li> <li>• Revaluation movements of the contingent consideration are recorded in statutory EBIT as gains/losses on derivative instruments and other instruments measured at fair value through profit or loss but will not be recognised in Underlying EBIT</li> <li>• Income tax expense/benefit will be recorded on the above items</li> </ul>

Notes:

a. Cash distributions may be in the form of repayment of accrued interest and/or repayment of loan principal.

# UNDERLYING ACCOUNTING TREATMENT

**Sierra Gorda will be reported as an individual segment and included in our Underlying EBITDA, EBIT and earnings on a proportionally consolidated basis**

**We intend to begin including our existing manganese business in our Underlying EBITDA, EBIT and earnings on a proportionally consolidated basis to align our approach for material equity accounted investments**

## Illustrative segment note<sup>17</sup>

US\$M	Worsley Alumina	Hillside Aluminium	Mozal Aluminium	Brazil Alumina	Illawarra Metallurgical Coal	Sierra Gorda	Australia Manganese	South Africa Manganese	Cerro Matoso	Cannington	Hermosa	Group and unallocated items / elimination	Group Underlying results
Revenue from customers	1,174	1,507	577	400	748	793	729	369	479	746	-	(195)	7,327
Other	(1)	4	1	-	10	2	1	-	14	11	-	-	42
<b>Total revenue</b>	<b>1,173</b>	<b>1,511</b>	<b>578</b>	<b>400</b>	<b>758</b>	<b>795</b>	<b>730</b>	<b>369</b>	<b>493</b>	<b>757</b>	<b>-</b>	<b>(195)</b>	<b>7,369</b>
Group production	605	1,511	578	400	758	795	730	364	493	757	-	-	6,991
Third party products and services	-	-	-	-	-	-	-	-	-	-	-	378	378
Inter-segment revenue	568	-	-	-	-	-	-	5	-	-	-	(573)	0
<b>Total revenue</b>	<b>1,173</b>	<b>1,511</b>	<b>578</b>	<b>400</b>	<b>758</b>	<b>795</b>	<b>730</b>	<b>369</b>	<b>493</b>	<b>757</b>	<b>-</b>	<b>(195)</b>	<b>7,369</b>
<b>Underlying EBITDA</b>	<b>318</b>	<b>358</b>	<b>132</b>	<b>114</b>	<b>94</b>	<b>510</b>	<b>385</b>	<b>72</b>	<b>197</b>	<b>416</b>	<b>(6)</b>	<b>(93)</b>	<b>2,497</b>
Depreciation and amortisation	(175)	(65)	(34)	(51)	(197)	(164)	(81)	(17)	(75)	(66)	(2)	(28)	(955)
<b>Underlying EBIT</b>	<b>143</b>	<b>293</b>	<b>98</b>	<b>63</b>	<b>(103)</b>	<b>346</b>	<b>304</b>	<b>55</b>	<b>122</b>	<b>350</b>	<b>(8)</b>	<b>(121)</b>	<b>1,542</b>
Comprising:													
Group production excluding exploration expensed	143	293	98	63	(97)	346	305	55	122	352	(8)	(113)	1,559
Exploration expensed	-	-	-	-	(5)	-	(1)	-	-	(2)	-	(18)	(26)
Third party products and services	-	-	-	-	-	-	-	-	-	-	-	10	10
Share of profit / (loss) of equity accounted investments	-	-	-	-	(1)	-	-	-	-	-	-	-	(1)
<b>Underlying EBIT</b>	<b>143</b>	<b>293</b>	<b>98</b>	<b>63</b>	<b>(103)</b>	<b>346</b>	<b>304</b>	<b>55</b>	<b>122</b>	<b>350</b>	<b>(8)</b>	<b>(121)</b>	<b>1,542</b>
Underlying Net finance cost													(148)
Underlying Income tax (expense)/benefit													(422)
<b>Underlying earnings</b>													<b>971</b>
Exploration expenditure	-	-	-	-	14	-	2	1	-	2	16	22	57
Capital expenditure	55	17	11	25	188	127	55	16	45	43	64	12	658
Equity accounted investments	-	-	-	-	2	-	-	-	-	-	-	-	2
<b>Total assets</b>	<b>3,674</b>	<b>1,156</b>	<b>579</b>	<b>647</b>	<b>997</b>	<b>1,371</b>	<b>604</b>	<b>387</b>	<b>629</b>	<b>510</b>	<b>1,972</b>	<b>3,420</b>	<b>15,946</b>
<b>Total liabilities</b>	<b>1,007</b>	<b>423</b>	<b>123</b>	<b>76</b>	<b>385</b>	<b>205</b>	<b>378</b>	<b>214</b>	<b>224</b>	<b>315</b>	<b>47</b>	<b>2,037</b>	<b>5,433</b>

**We have secured a capped tax indemnity from Sumitomo that includes potential changes in the Chilean mining tax regime as it pertains to Sierra Gorda**

**Tax Certainty**

- Tax stability agreement protects SGSCM from any changes in Chilean tax law until 31 December 2028
- Sumitomo has agreed to provide South32 with a tax indemnity in relation to potential changes in the current Chilean Mining Tax and/or the introduction of a new Mining Royalty Tax that is enacted prior to 31 December 2025 up to an agreed cap
- The tax indemnity will also cover any amendment or termination to the tax stability agreement prior to 31 December 2025

**Tax Summary**

- SGSCM is subject to a 27% corporate tax rate
- As at 31 December 2020, SGSCM had a deferred tax asset of \$1.6B (100% basis), representing the value of future tax deductions that are available to be claimed by SGSCM
- The current Mining Tax rate is determined based on the amount of copper sold and the mining operating margin<sup>18</sup>
  - 0% if annual refined copper sales is below 12kt
  - 0.5% to 4.5% if annual refined copper sales are 12 – 50kt
  - 5% to 14% if annual refined copper sales are over 50kt

# FOOTNOTES



1. Recovered metal in CuEq terms is calculated using the total revenue divided by the Cu price. Average metallurgical recovery assumptions are 83% for copper, 57% for molybdenum and 53% for gold. The prices used are Sierra Gorda CY20 realised prices which exclude the impact of TCRCs.
2. Refer to market release “South32 to acquire up to an additional 25% of Mozal Aluminium” dated 30 September 2021.
3. Comprises ~US\$2.3B (45% basis) of historical investment from CY10 to CY20.
4. EV as at 8 October 2021. Calculated as the number of shares on issue (4,665 million), South32 share price of A\$3.58, a AUD:USD exchange rate of 0.73 and net cash of US\$406M as at 30 June 2021.
5. Based on market EV of pure play copper companies that reflect peers of Sierra Gorda (OZ Minerals, Southern Copper, Antofagasta, Lundin and Freeport-McMoRan) as at 8 October 2021, divided by FY21 EBITDA or FY21 payable copper equivalent production.
6. 50% of incremental revenue realised above the following copper price thresholds, where payable copper production also exceeds the following agreed thresholds: CY22: US\$4.10/lb and 158kt Cu, CY23: US\$3.90/lb and 151kt Cu, CY24: US\$3.85/lb and 166kt Cu, CY25: US\$3.80/lb and 158kt Cu.
7. Operating unit cost is Revenue less Underlying EBITDA, excluding third party sales and TCRCs, divided by sales volumes. The prices used are Sierra Gorda CY20 realised prices which exclude the impact of TCRCs and a USD/CLP FX rate of 750.
8. Medium term target is expected average CY22 to CY26.
9. South32 notes that the stockpiled ore referred to in this presentation is unclassified and cannot confirm whether the estimate has been compiled using an appropriate foreign reporting standard.
10. Illawarra Metallurgical Coal includes energy coal by-product volumes. Brazil Alumina includes the aluminium smelter.
11. Excludes the impact of South32 triggering our pre-emptive rights to acquire up to an additional 25% in Mozal Aluminium. Refer to market release “South32 to acquire up to an additional 25% of Mozal Aluminium” dated 30 September 2021.
12. Sierra Gorda and pro-forma financials are unaudited and for illustrative purposes only; the inclusion of Sierra Gorda to the pro-forma Revenue and Underlying EBITDA will be reflected in our segment note, but not be reflected in South32’s audited accounts.
13. Excludes South Africa Energy Coal, manganese alloys, Hermosa, and Group and unallocated costs.
14. In FY21, we developed a scenario in which global warming is assumed to be limited to 1.5°C above pre-industrial levels, and analysed the potential impacts on commodity demand. In this scenario the world transitions to a low carbon economy at a much faster rate than in our base case (which is a probable trajectory of at least 2°C warming). The chart illustrates projected long-term commodity demand in the 1.5°C scenario compared to our base case. Further detail on this scenario and assumptions is included in our FY21 Sustainable Development Report.
15. Based on a completion date around the end of calendar year 2021. Pro-forma debt figure includes US\$1B acquisition debt facility.
16. Worsley Alumina lease liability for two multi-fuel co-generation units commenced in 2014, with a tenor of 32 years (incorporating a 7 year extension option).
17. Based on 30 June 2021 consolidated Group segment note. Sierra Gorda financial information included in the “Sierra Gorda” segment, “Group and unallocated items / elimination” segment, “Underlying Net finance cost” and “Underlying income tax (expense)/benefit” is for the 12 months to 30 June 2021 inclusive of certain assumed fair value acquisition accounting adjustments. Eagle Downs segment combined with Group and unallocated items / elimination. “Group Underlying results” includes the manganese business and Sierra Gorda on a proportionally consolidated basis. Reconciliations from underlying information to statutory information will be presented in the Group’s half year and year end financial reporting disclosures. Information provided is unaudited.
18. The rate is determined based on operating margin; a rate of 5% corresponds to an operating margin of below 36.8%, while a margin of 50%, would entail a tax rate of 6.3%.

