



19 AUGUST 2021

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

## 2021 FULL YEAR FINANCIAL RESULTS PRESENTATION

**South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32)** will hold a conference call at 8.00am Australian Western Standard Time to discuss the attached 2021 full year financial results presentation materials, 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/financial-operational-results>).

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

### About 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.

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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  
19 AUGUST 2021

A photograph of a steel mill interior. In the foreground, a large, dark, textured surface, possibly a ladle or a mold, is visible. Above it, a series of metal grates or filters are mounted on a structure. The background shows more industrial equipment and structural elements of the mill.

# 2021 FULL YEAR FINANCIAL RESULTS

19 August 2021

# IMPORTANT NOTICES



This presentation should be read in conjunction with the “Financial Results and Outlook – year ended 30 June 2021” announcement released on 19 August 2021, which is available on South32's website ([www.south32.net](http://www.south32.net)).

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

## **FORWARD-LOOKING STATEMENTS**

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

## **NON-IFRS FINANCIAL INFORMATION**

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

## **NO OFFER OF SECURITIES**

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

## **RELIANCE ON THIRD PARTY INFORMATION**

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

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

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

## **MINERAL RESOURCES AND RESERVES**

Information in this presentation that relates to Ore Reserve or Mineral Resource estimates was declared as part of South32's annual Resource and Reserve declaration in the FY20 Annual Report ([www.south32.net](http://www.south32.net)) issued on 4 September 2020 and prepared by Competent Persons in accordance with the requirements of the JORC Code. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original announcements. All material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. South32 confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

# FY21 OVERVIEW

**We have a strong foundation from which to position our business for a low carbon future**

**Achieved record production  
at three operations**

**Progressed studies for our  
base metals development projects  
Hermosa and Ambler Metals**

**Completed the divestments of  
South Africa Energy Coal and  
TEMCO manganese alloy smelter**

**Set a target to halve our  
operational emissions by FY35<sup>1</sup>**



# FINANCIAL SCORECARD

**Our strong operating performance has translated to our financial result and increased returns for shareholders**

Net Loss after Tax **US\$195M**

Underlying Earnings **US\$489M**

Underlying EBITDA ↑32% to

**US\$1.6B**

Underlying EPS ↑164% to

**10.3 US cents per share**

Free cash flow<sup>(a)</sup> ↑42% to

**US\$825M**

H2 FY21 Dividends (ordinary and special)

**5.5 US cents per share**

FY21 Shareholder returns<sup>(b)</sup>

**US\$670M**

Capital management program remaining

**US\$252M**

Net cash at 30 June 2021

**US\$406M**

Notes:

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

b. In respect of the June 2021 financial year. Includes fully franked dividends (interim ordinary US\$66.5M, final ordinary US\$164M and final special US\$93M) and on-market share buy-back of US\$346M.

# OUR RESPONSE TO COVID-19

We have remained committed to the three key areas that have guided our response from the beginning of the pandemic



## KEEPING OUR PEOPLE SAFE AND WELL

- We have tailored controls in place at our operations to help protect our **employees and contractors**
- We have provided **mental health and wellbeing** support to our people
- We are actively engaged with governments and health authorities regarding **vaccine roll-out plans**
- We have registered and used a number of our sites for **vaccine delivery**



## MAINTAINING SAFE AND RELIABLE OPERATIONS

- Our crisis and emergency protocols remain activated to **identify, prevent and respond** to risks and opportunities as they arise
- We deployed a fast and effective **pre-shift screening tool** used across our sites globally
- More than **one million screening assessments** were completed in the past 12 months



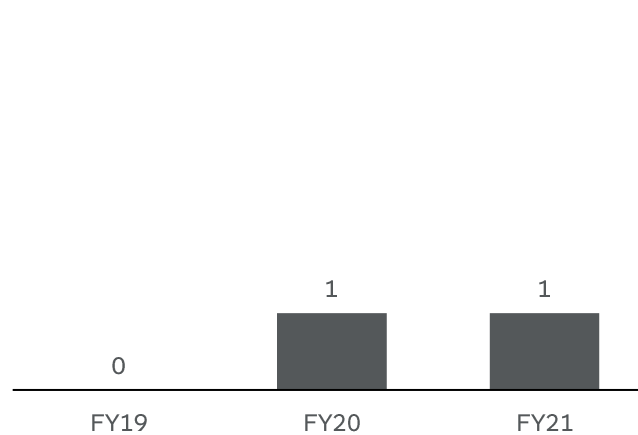
## SUPPORTING OUR COMMUNITIES

- We identified and responded to potential health and economic risks **in our communities**
- We have **invested a total of US\$7.6M** through our targeted COVID-19 Community Investment Fund across the areas of prevention, preparedness, response and recovery

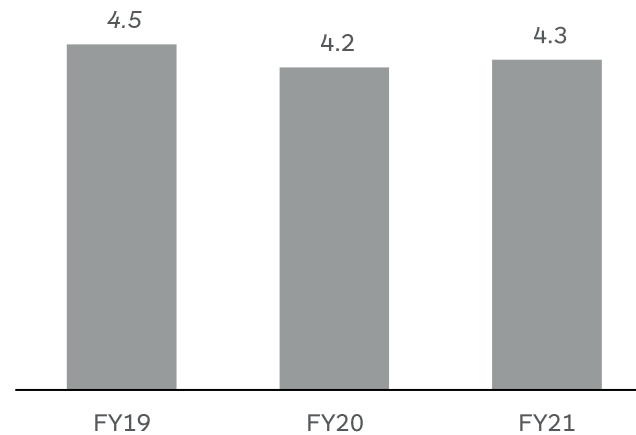
# HEALTH & SAFETY PERFORMANCE

**The most important commitment we all make at South32 is that everyone goes home safe and well**

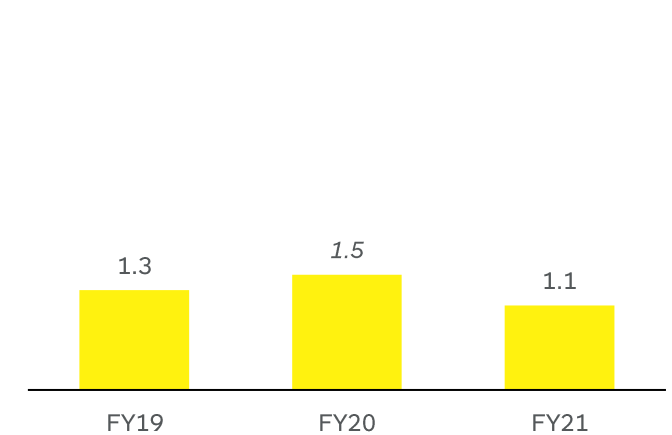
**Fatalities<sup>2(a)</sup>**



**TRIF<sup>2,3</sup>**



**TRILF<sup>2,3</sup>**



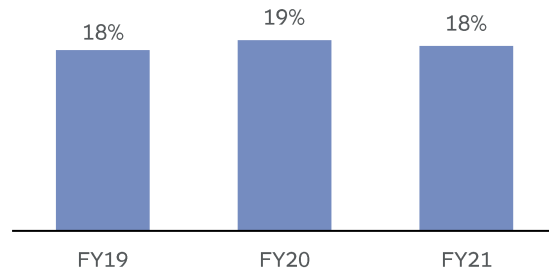
**Notes:**

- a. Incidents are included where South32 controls the work location or controls the work activity. In FY20, two people from our contracting companies tragically also lost their lives in separate off-site road incidents during transport of our product to shipping ports. These incidents were associated with our Cerro Matoso and South Africa Manganese operations. In FY21, an employee from a contracting company tragically also lost their life in an off-site road paving accident close to our Cerro Matoso operation.

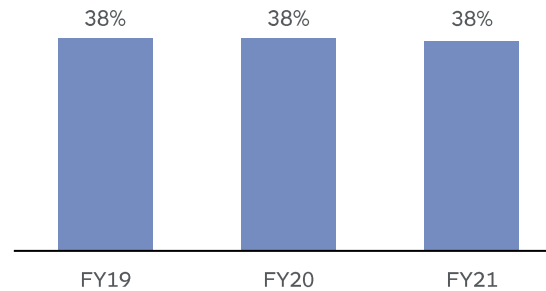
# INCLUSION AND DIVERSITY PROGRESS

**We believe an inclusive, diverse and engaged workforce will unlock the full potential of our business**

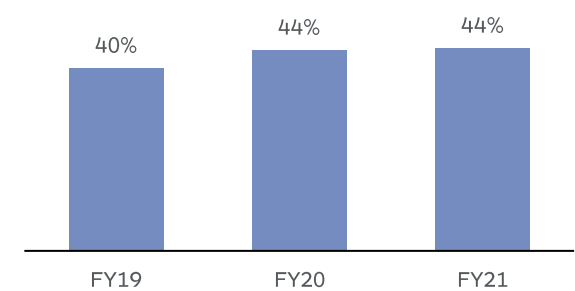
**Percentage of total employees who are women**



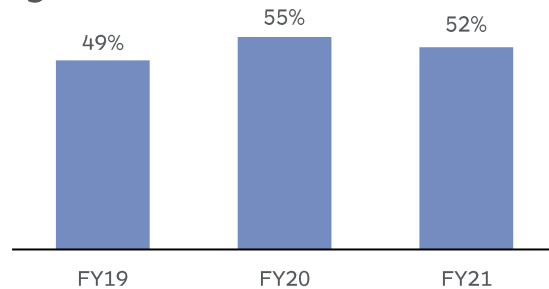
**Women on our Board**



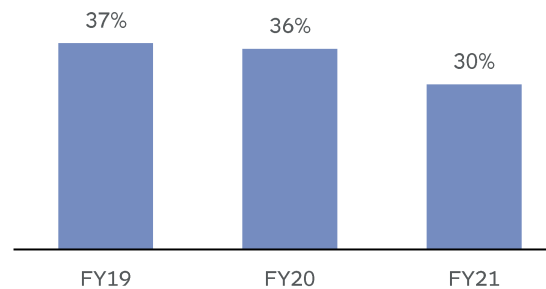
**Women on our Lead Team**



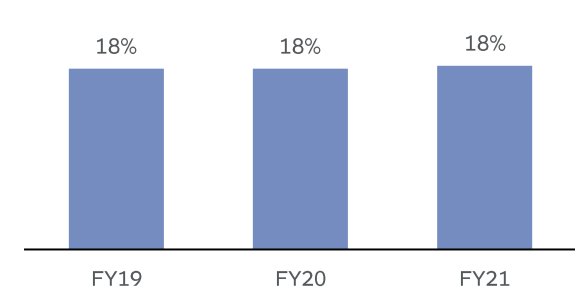
**Black People<sup>4</sup> in our South African management team**



**Women in senior leadership<sup>5</sup>**



**Women in operational leadership<sup>6</sup>**





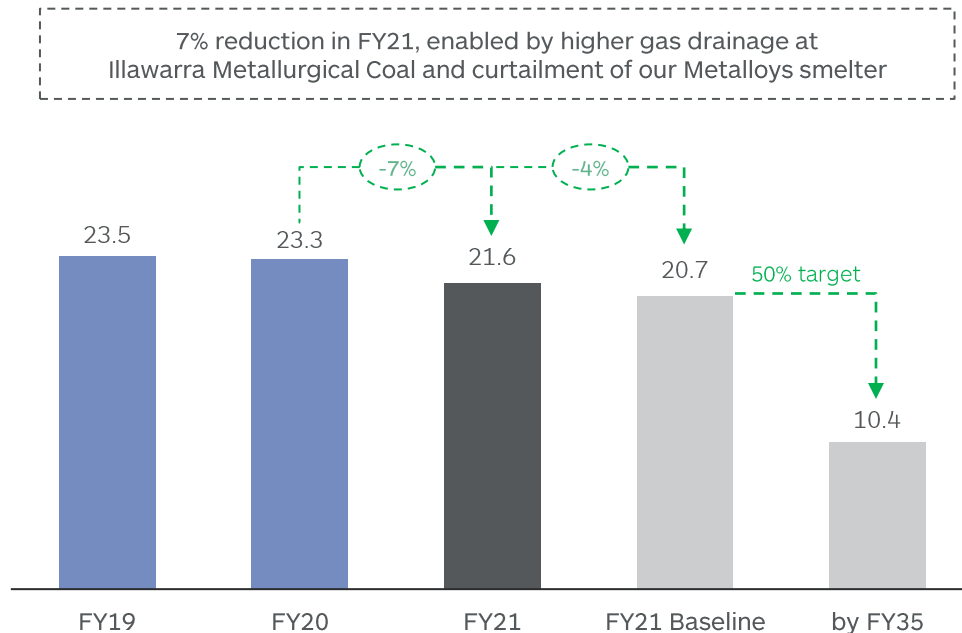
# CLIMATE CHANGE

**We achieved our short-term climate change target in FY21<sup>(a)</sup>**

**We have set a target to halve our operational emissions by FY35<sup>1</sup>**

**We intend to put our climate disclosure to an advisory vote at our 2022 AGM**

## Scope 1 and 2 carbon emissions<sup>2,7</sup> (Mt CO<sub>2</sub>-e)



Notes:

a. FY21 Scope 1 carbon emissions below our FY15 baseline.

## Our current action on climate change

### Optimise



- PFS for the Worsley Alumina mud-washing efficiency project underway
- FS for Hillside AP3XLE technology underway
- Updated physical risk assessment to be completed in FY22

### Unlock



- Low-carbon energy studies underway at Worsley Alumina and Hillside Aluminium
- Founding member of the Electric Mine Consortium and planning to trial light electric vehicles at Cannington
- A pilot scale trial of CSIRO's VAMMIT<sup>8</sup> technology is underway at Illawarra Metallurgical Coal

### Identify



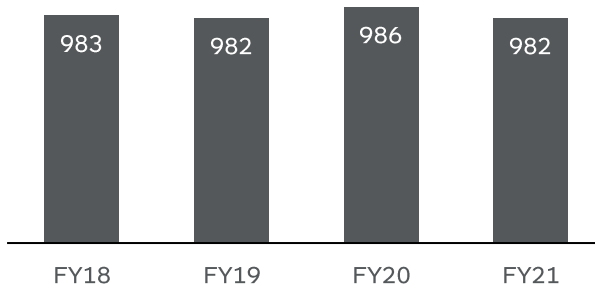
- Investing in base metals projects leveraged to a greener economy
- Substantially reduced our Scope 3 emissions through the exit of South Africa Energy Coal and the TEMCO manganese alloy smelter
- Undertaking just transition risk assessments for Worsley Alumina and Hillside Aluminium in FY22

# FINANCIAL RESULTS

# PRODUCTION OVERVIEW

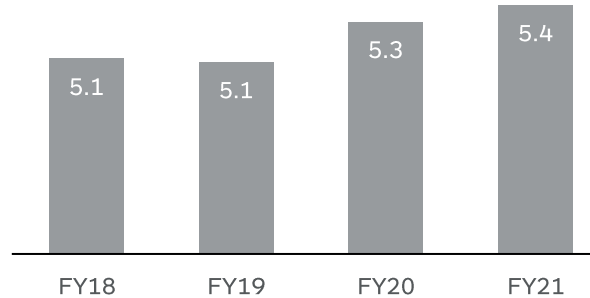
**We set three production records and beat our initial market guidance at a further three operations**

**Aluminium (kt)**



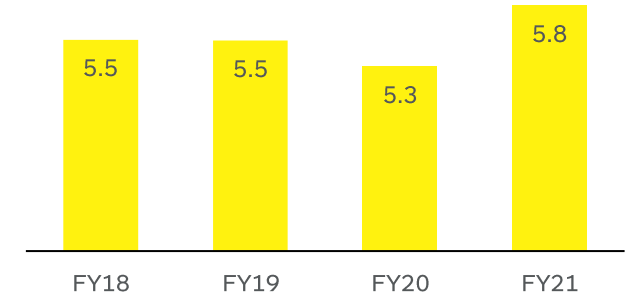
Both smelters continued to test their maximum technical capacity, despite the impact from increased load-shedding and COVID-19 workforce restrictions

**Alumina (Mt)**



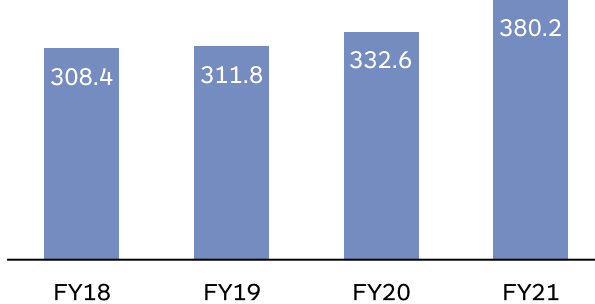
Record annual production at both refineries as they benefitted from high plant availability following historic de-bottlenecking investment

**Manganese ore (Mwmt)**



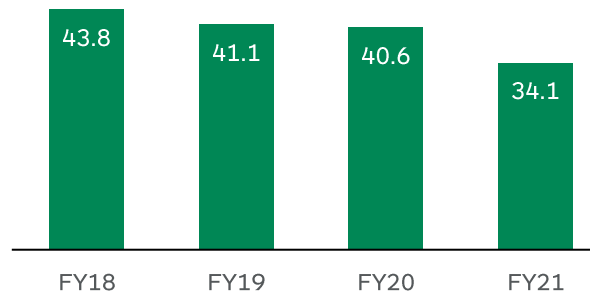
Record annual production at Australia Manganese and a 21% year-on-year increase at South Africa Manganese

**Zinc equivalent<sup>9</sup> (kt)**



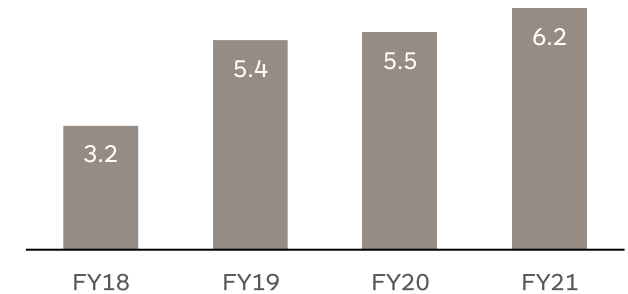
Acceleration of a higher grade mining sequence at Cannington supported a 14% year-on-year increase in volumes

**Nickel (kt)**



Major furnace refurbishment at Cerro Matoso completed with a 28% increase in volumes expected in FY22

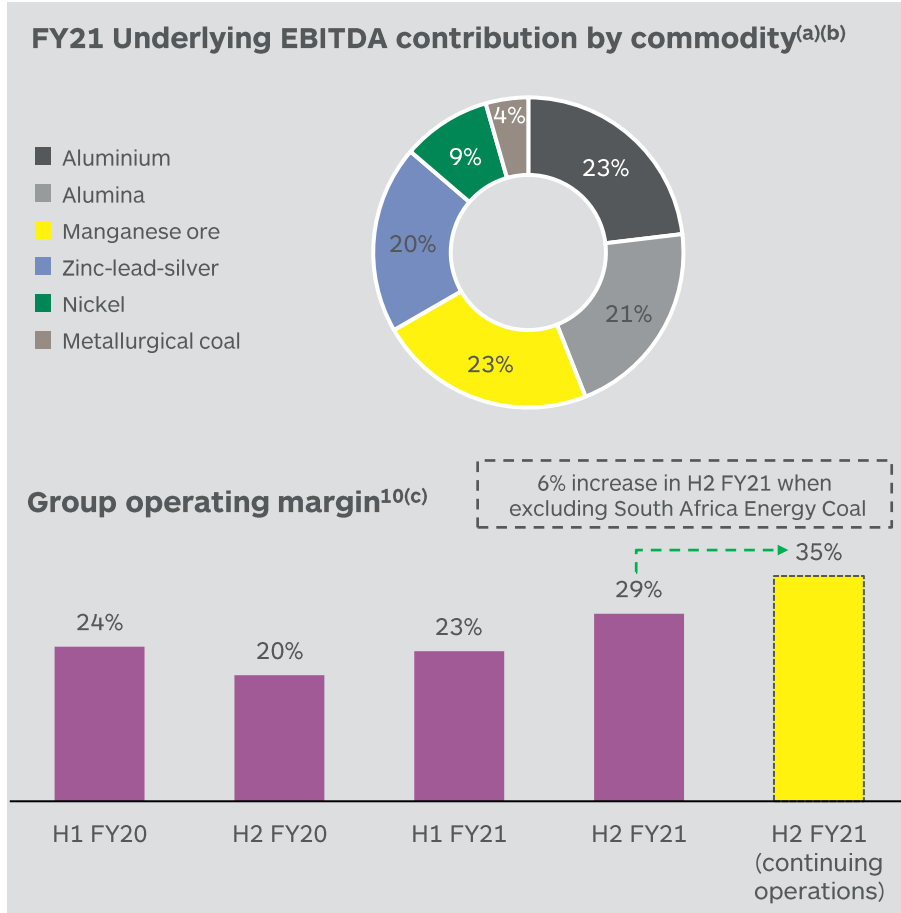
**Metallurgical coal (Mt)**



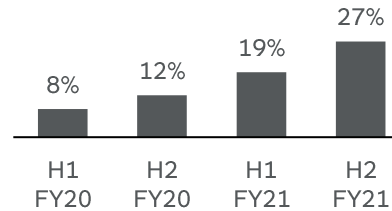
Higher volumes supported by the return to a three longwall configuration at Illawarra Metallurgical Coal

# FY21 PERFORMANCE ANALYSIS

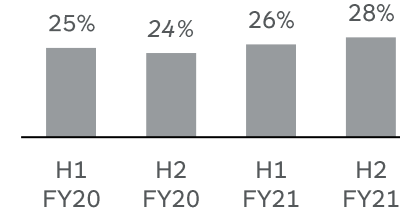
**Group margins are expected to further benefit from the divestment of lower returning businesses**



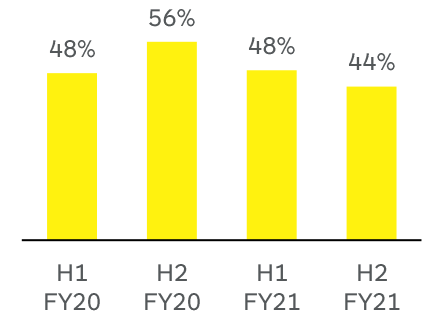
**Aluminium operating margin**



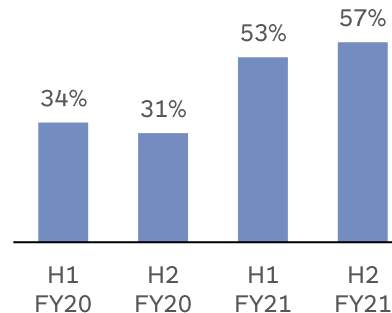
**Alumina operating margin<sup>(b)</sup>**



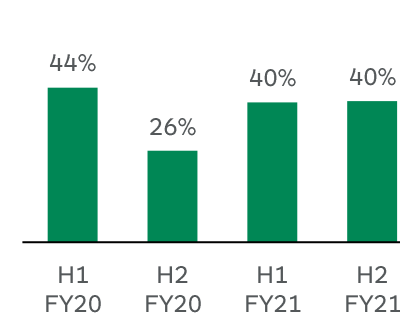
**Manganese ore operating margin**



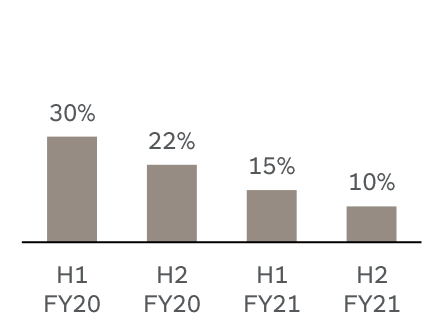
**Zinc-lead-silver operating margin**



**Nickel operating margin**



**Metallurgical coal operating margin<sup>(b)</sup>**



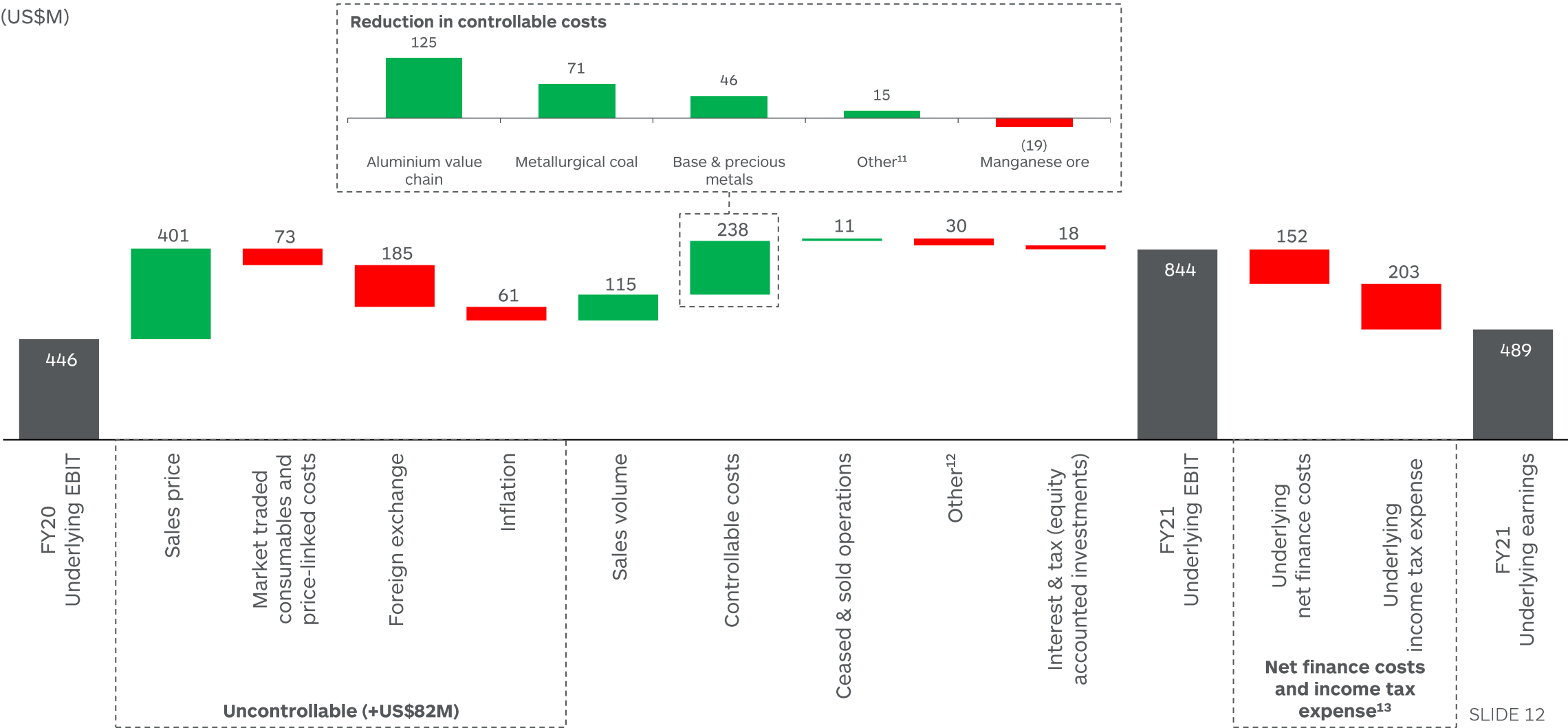
- Notes:
- Presented on a proportionally consolidated basis and excludes South Africa Energy Coal, manganese alloys, Hermosa, and Group and unallocated costs.
  - Metallurgical coal comprises Illawarra Metallurgical Coal, including energy coal by-product volumes. The Brazil Alumina aluminium smelter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



# EARNINGS ANALYSIS

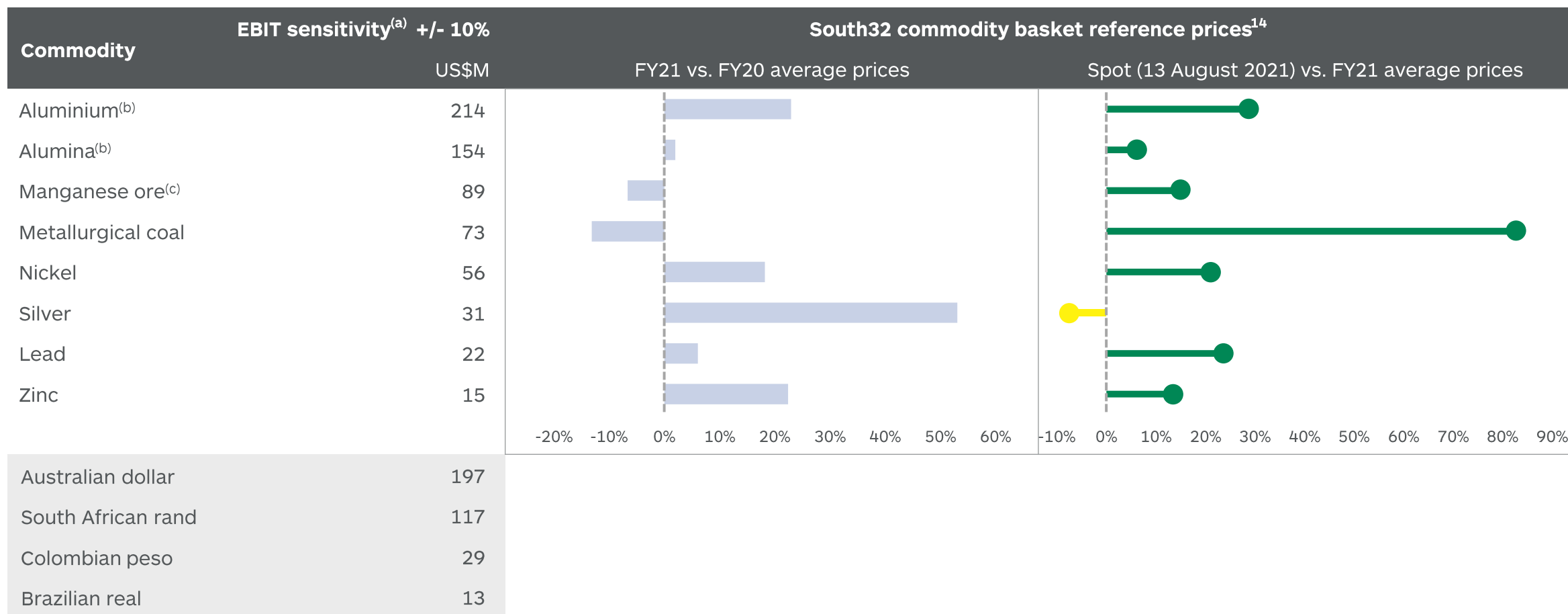


Our strong operating result combined with higher prices, lifted our Underlying EBIT by 89%



# COMMODITY AND FOREIGN EXCHANGE ANALYSIS

**FY21 saw a broad based recovery in our commodities, with further momentum year-to-date**

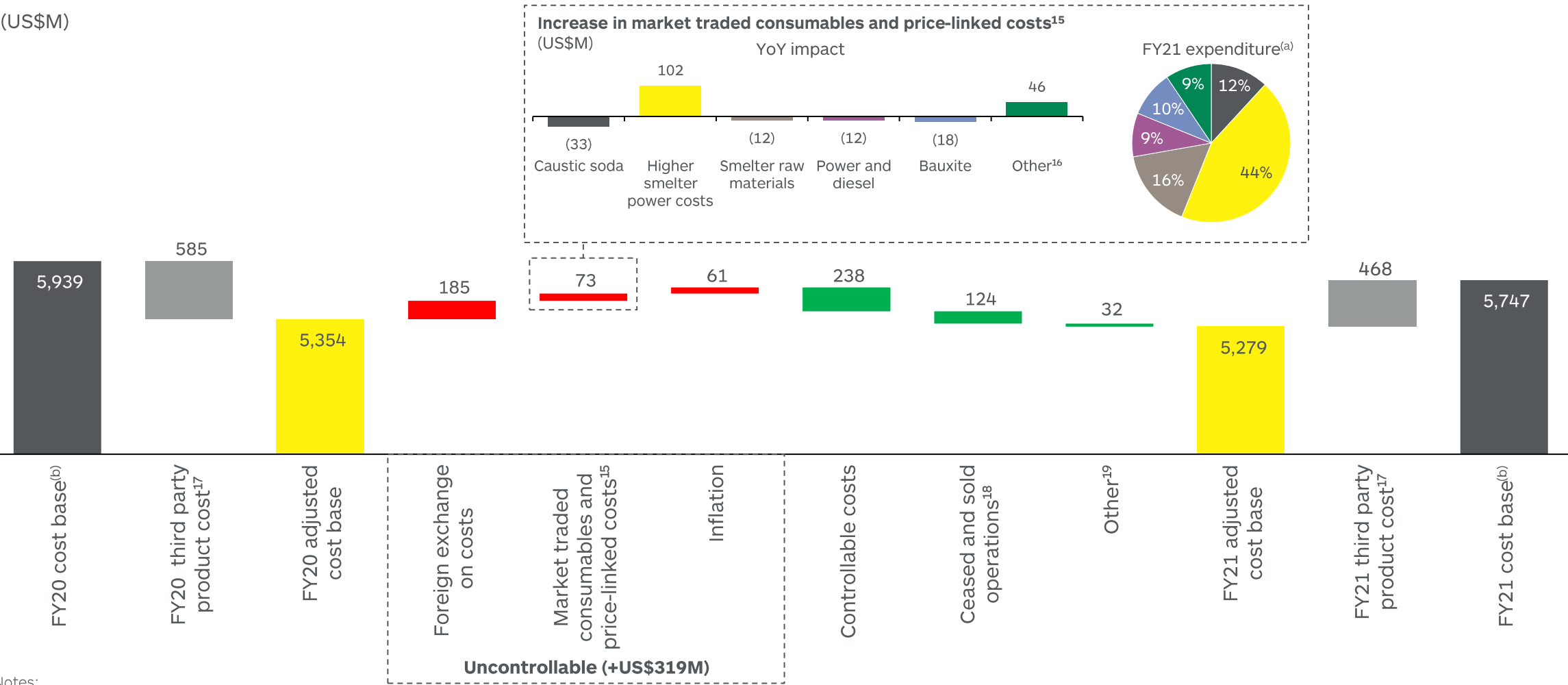


## Notes:

- The sensitivities reflect the annualised estimated impact on FY22e Underlying EBIT of a 10% movement in FY21 actual realised prices and FY21 actual average exchange rates applied to FY22e volumes and costs.
- Aluminium sensitivity does not include the Group consolidation impact of inter-company alumina sold on index. Aluminium sensitivity is shown without any associated increase in alumina pricing.
- The sensitivity impacts for manganese ore are on a pre-tax basis. The Group's Manganese operations are reported as EAI. As a result, the Profit after taxation for Manganese is included in the Underlying EBIT of South32.

# COST ANALYSIS

Cost and volume efficiencies helped offset the impact of stronger producer currencies and higher power costs

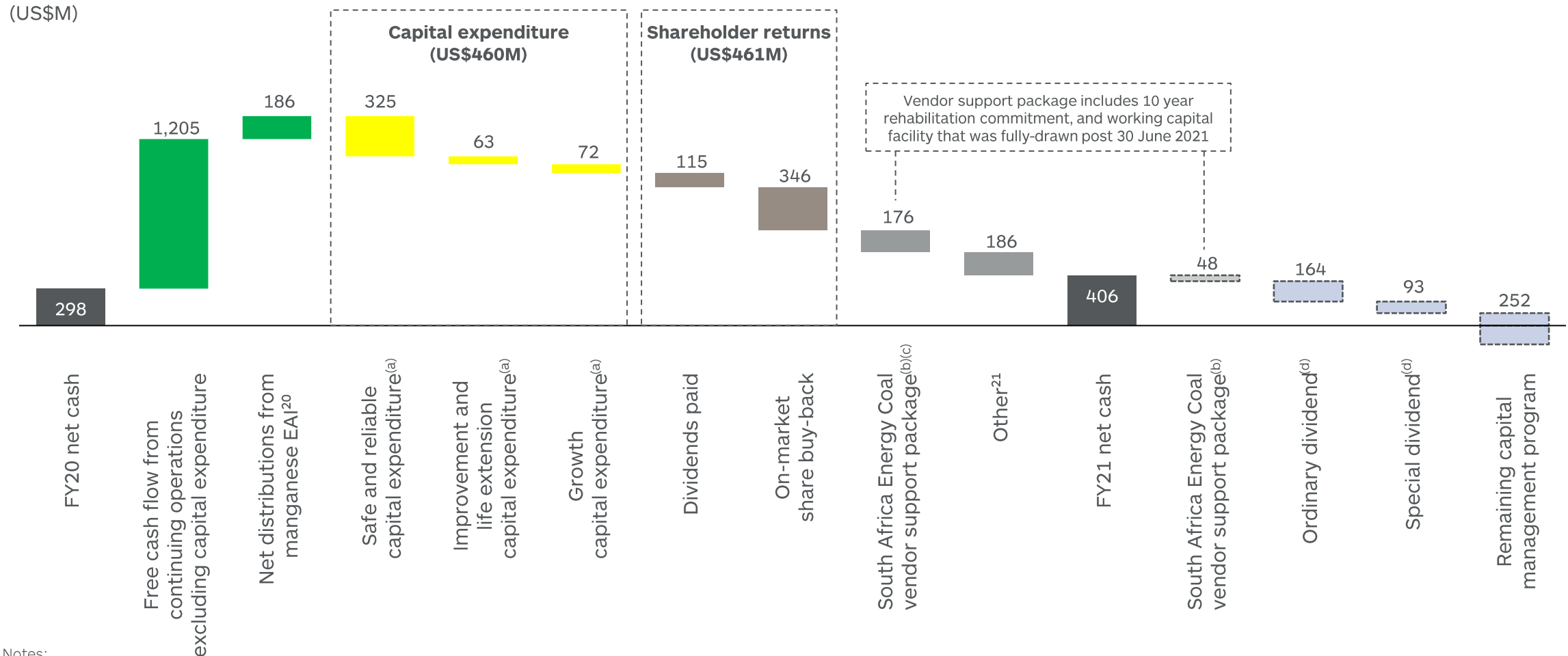


Notes:

- a. Excluding South Africa Energy Coal.
- b. Cost base includes EAI and excludes Other income. FY21 includes US\$798M of statutory adjustments and a US\$176M adjustment for Other income and inter-segment manganese sales to reconcile to Revenue minus Underlying EBITDA (FY20 includes US\$822M of statutory adjustments and a US\$227M adjustment for Other income to reconcile to Revenue minus Underlying EBITDA).

# CASH FLOW ANALYSIS

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



**Notes:**

- Excludes equity accounted investments and discontinued operation.
- Refer to the market announcement "South Africa Energy Coal Divestment Update" dated 1 April 2021.
- Non-cash movement to be funded over 10 years with first payment (US\$27.5M) made on 31 July 2021.
- The Board has resolved to pay a fully franked ordinary dividend of US 3.5 cents per share (US\$164M) and fully franked special dividend of US 2.0 cents per share (US\$93M) on 7 October 2021.



# BALANCE SHEET

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

### Net cash/(debt)

(US\$M)

2,400

2,000

1,600

1,200

800

400

(400)

H1 FY17

H2 FY17

H1 FY18

H2 FY18

H1 FY19

H2 FY19

H1 FY20

H2 FY20

H1 FY21

H2 FY21

■ Net cash ▲ Adjusted net cash<sup>(a)</sup>

- We target an investment grade credit rating through the cycle
- The divestment of lower returning, capital intensive businesses has increased our flexibility
- Our strong balance sheet has supported returns to shareholders, investment in greenfield exploration and the acquisition of project options that position our portfolio for a low carbon future

● Acquisition of Arizona Mining (Hermosa)

● Acquisition of 50% interest in Ambler Metals

● Divestment of TEMCO

● Divestment of South Africa Energy Coal

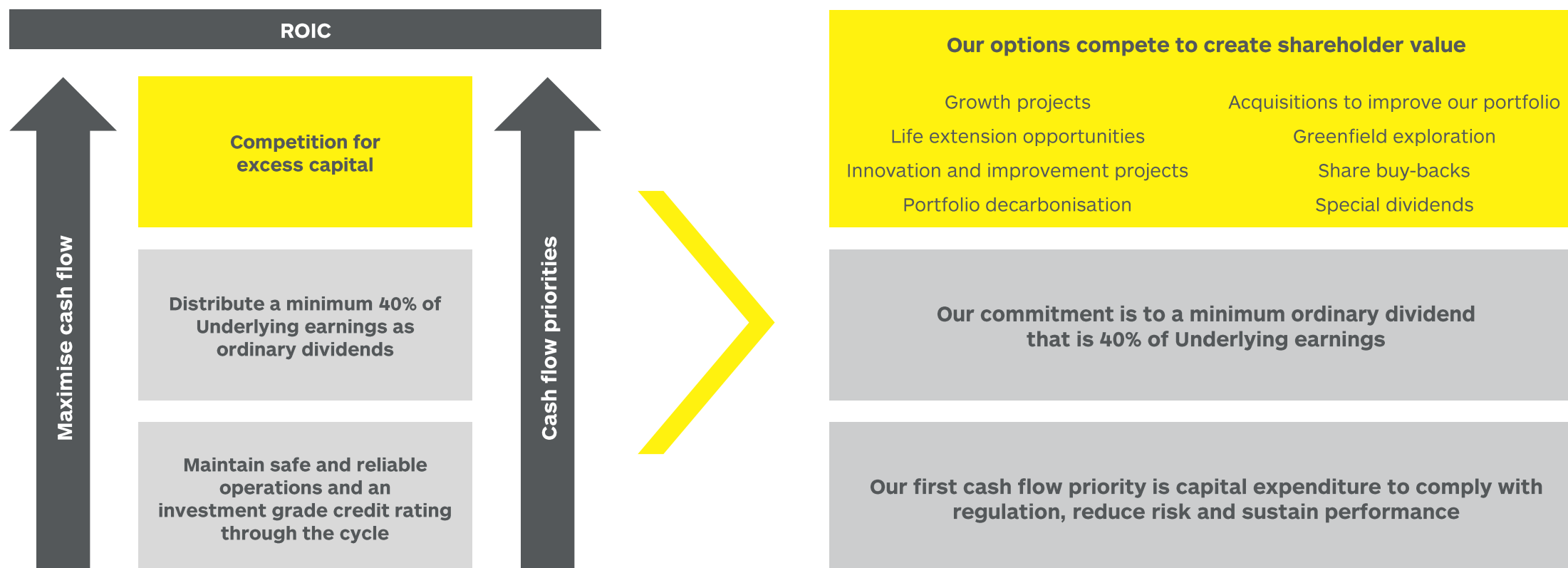
Notes:

a. Adjusted net cash is calculated as net cash/(debt) after dividend and capital management program commitments at each reporting date.

# CAPITAL MANAGEMENT FRAMEWORK

**Our capital management framework remains unchanged**

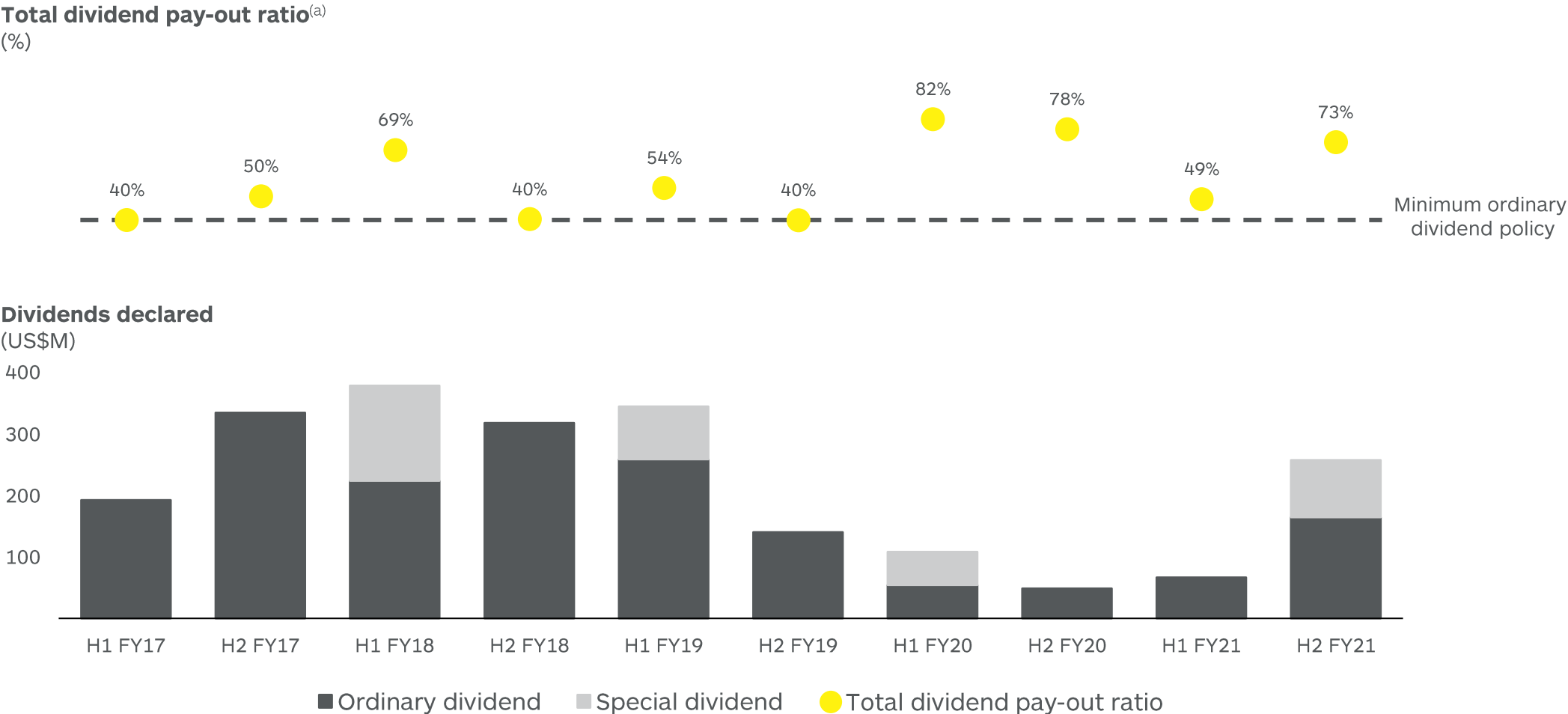
## Capital management framework



# RETURNS TO SHAREHOLDERS



**Our framework supports our ordinary dividend that is a minimum 40% of Underlying earnings, supplemented when appropriate, by special dividends through our flexible capital management program**



Notes:

a. Calculated as the sum of ordinary and special dividends declared in the period as a ratio of Underlying earnings in respect of the period.

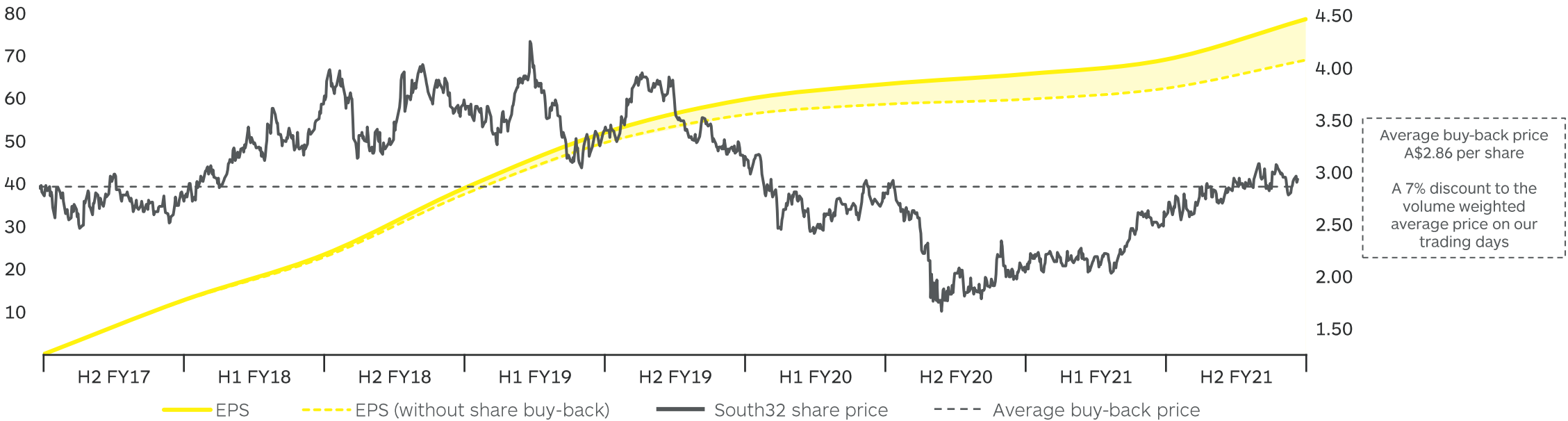
# RETURNS TO SHAREHOLDERS

**Our capital management program has had duration, is flexible and seeks to return excess capital efficiently**

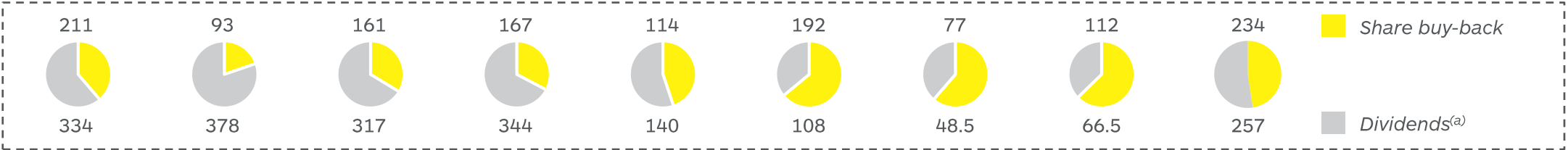
**The benefit of our on-market share buy-back has accumulated through time, reducing shares on issue by 12%**

**Our capital management program has been increased by a further US\$120M, leaving US\$252M to be returned**

**Cumulative EPS<sup>22</sup> (LHS) and South32 share price (RHS)**  
(US cents per share from 31 December 2016, LHS; A\$/share, RHS)



**Returns to shareholders (US\$M)**



Notes:  
a. Ordinary and special dividends resolved to be paid in respect of the period.

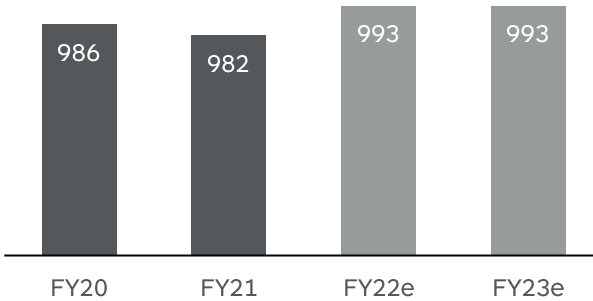


# OUTLOOK

# PRODUCTION GUIDANCE

**We expect to extract further efficiencies from our investment in high returning improvement projects**

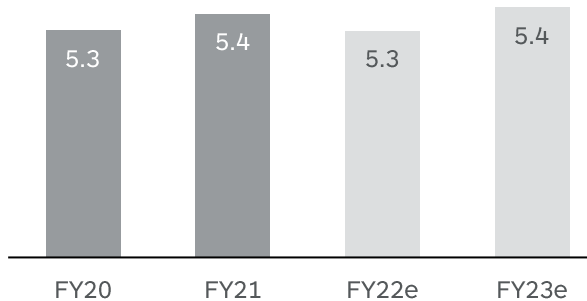
**Aluminium (kt)**



Mozal Aluminium expected to realise the benefits of installing AP3XLE technology with production increasing 3% from FY22

Study underway to assess deployment of AP3XLE at Hillside Aluminium

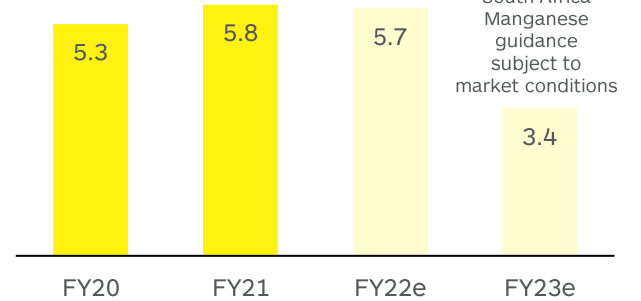
**Alumina (Mt)**



Worsley Alumina expected to maintain nameplate capacity in FY22 and target creep from FY23

Brazil Alumina expected to be impacted by bauxite ship unloader damage in FY22 before normalising in FY23

**Manganese ore (Mwmt)**

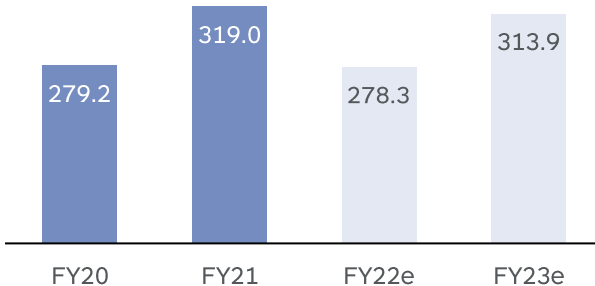


South Africa Manganese guidance subject to market conditions

Australia Manganese expected to remain in line with FY21's record rate

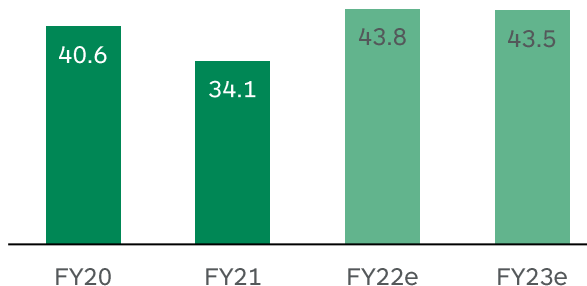
South Africa Manganese guidance assumes the ongoing sale of our lower quality fines product and use of higher cost trucking

**Zinc equivalent<sup>23</sup> (kt)**



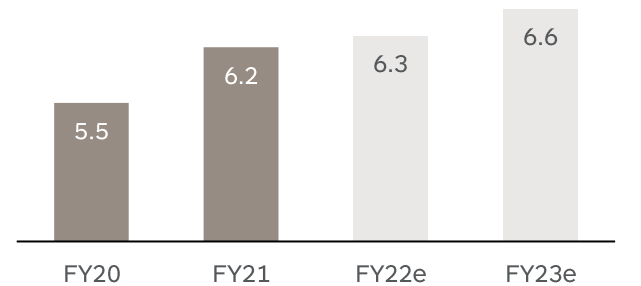
Transition to trucking from Q4 FY22 at Cannington will enable further higher grade material earlier in the mine plan, lifting metal production

**Nickel (kt)**



28% increase in FY22 with the first full year of ore from the higher-grade Q&P project, and the benefit of the furnace refurbishment

**Metallurgical coal (Mt)**

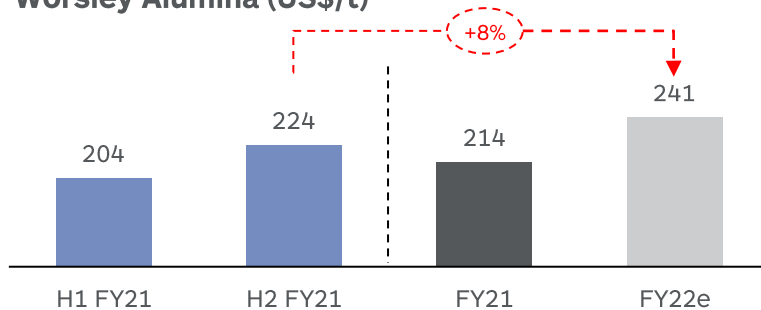


Volumes expected to continue to improve following the return to a three longwall configuration, despite an additional longwall move being planned for FY22

# OPERATING UNIT COSTS PERFORMANCE AND GUIDANCE

**Cost and volume efficiencies are expected to partially offset the impact of stronger producer currencies and the cyclical inflation we have seen since H2 FY21**

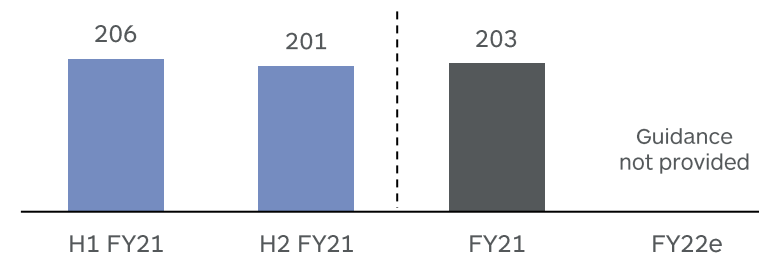
**Worsley Alumina (US\$/t)<sup>24</sup>**



**FY22 guidance +8% from H2 FY21**

Higher caustic soda prices, freight<sup>(a)</sup> and a planned transition to a higher cost mining area

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

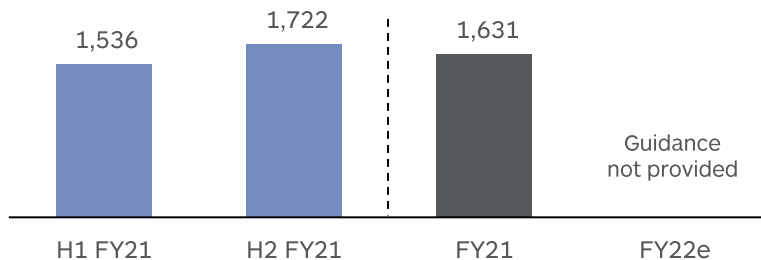


**Guidance not provided**

Achieved record output and recognised one-off historical tax credits that provided a benefit to unit costs of US\$12/t in FY21

FY22 costs expected to be impacted by higher raw material input costs and bauxite ship unloader outage in H1 FY22

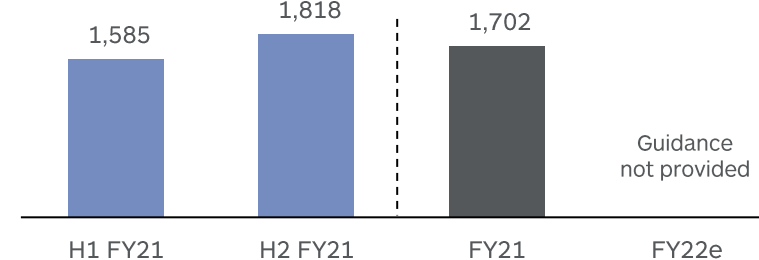
**Hillside Aluminium (US\$/t)**



**Guidance not provided**

Expected to be influenced by a planned increase in pot relining activity, the South African rand and price of raw material inputs

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



**Guidance not provided**

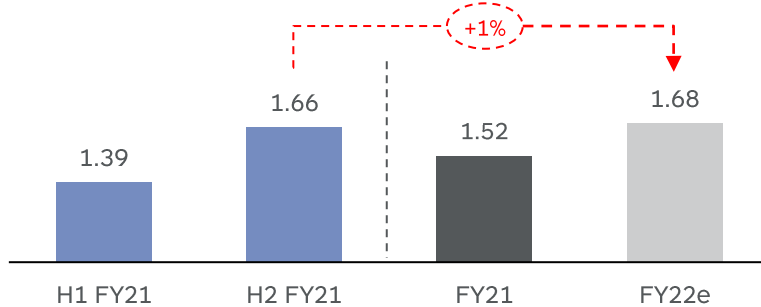
Expected to be influenced by the South African rand and the price of raw material inputs

Notes:

a. Customer freight which is typically margin neutral.

# OPERATING UNIT COSTS PERFORMANCE AND GUIDANCE

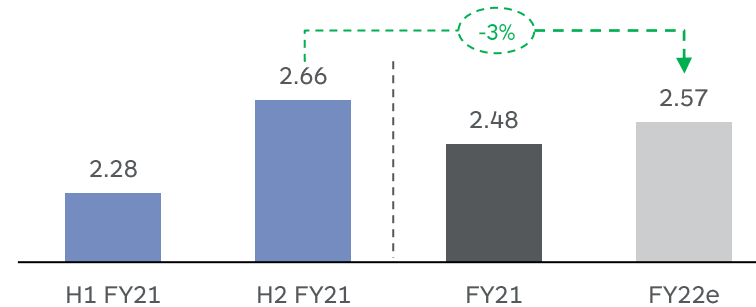
## Australia Manganese ore (US\$/dmu)<sup>24,25</sup>



**FY22 guidance +1% from H2 FY21**

Stronger Australian dollar, an expected decline in product yield and a planned increase in strip ratio

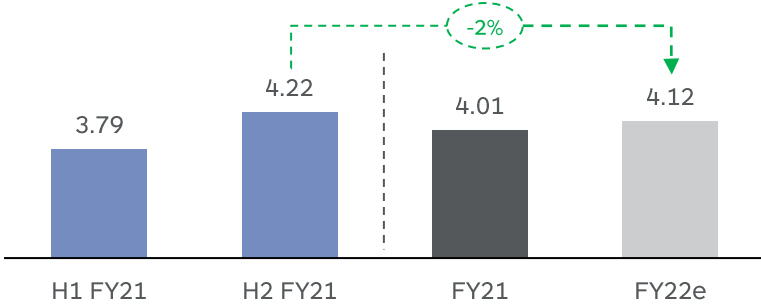
## South Africa Manganese ore (US\$/dmu)<sup>24,25</sup>



**FY22 guidance -3% from H2 FY21**

Stronger South African rand and increased trucking costs offset by labour efficiencies

## Cerro Matoso (US\$/lb)<sup>24</sup>



**FY22 guidance -2% from H2 FY21**

Increased sales volumes partially offset by higher price-linked royalties and electricity prices

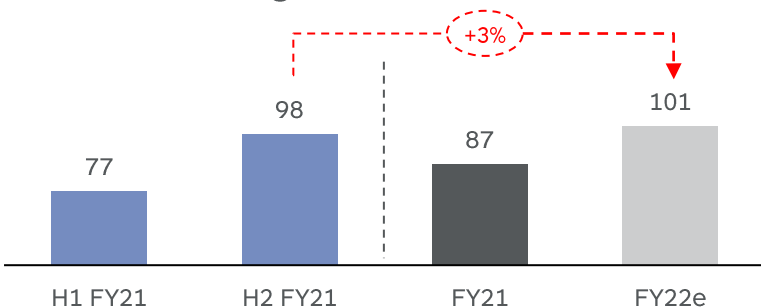
## Cannington (US\$/t)<sup>24,26</sup>



**FY22 guidance -2% from H2 FY21**

Higher throughput, production efficiencies and the impact of inventory movements to more than offset a stronger Australian dollar

## Illawarra Metallurgical Coal (US\$/t)<sup>24</sup>



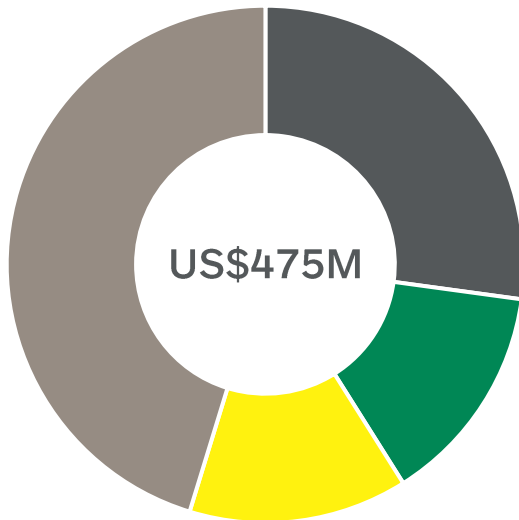
**FY22 guidance +3% from H2 FY21**

Fewer planned sales of low-margin coal wash material, higher price-linked royalties, incremental maintenance activity and longwall moves

# CAPITAL EXPENDITURE GUIDANCE

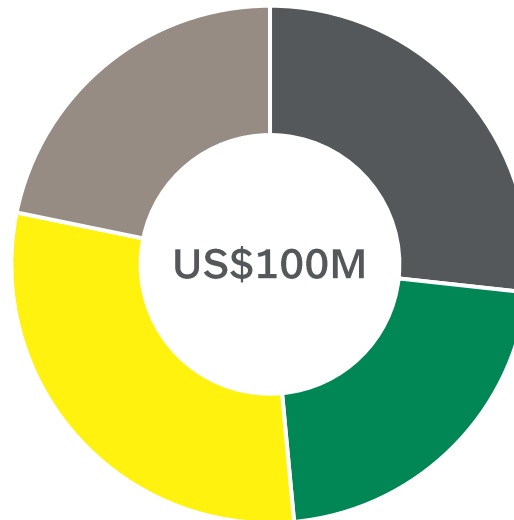
**Safe and reliable capital supports regulatory compliance, risk reduction and sustains performance**

**FY22e Safe and reliable<sup>(a)</sup>**  
(US\$M)



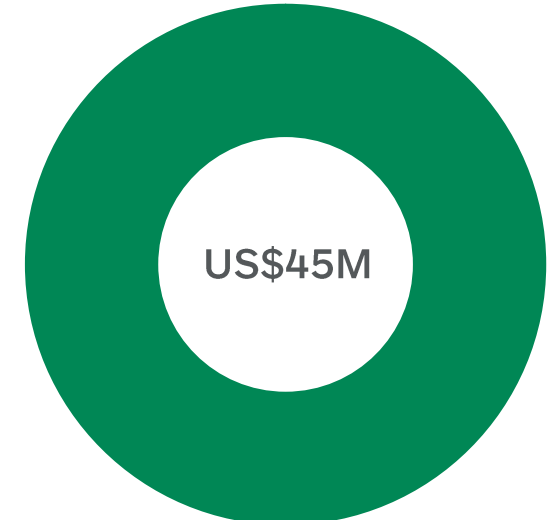
**Improvement and life extension spend includes our decarbonisation and innovation projects**

**FY22e Improvement and life extension<sup>(a)</sup>**  
(US\$M)



**Growth capital funds our development projects that are leveraged to the green economy transition**

**FY22e Growth**  
(US\$M)



Aluminium value chain
  Base & precious metals
  Manganese ore
  Metallurgical coal

Upgrades to coal clearance and ventilation infrastructure at Illawarra Metallurgical Coal to support its transition in FY25 to a single longwall mine plan, and increased spend at Brazil Alumina on bauxite residue disposal facilities

Directing capital towards early stage implementation of decarbonisation projects, productivity and nickel growth projects at Cerro Matoso, and new mining areas at Worsley Alumina

Reflects H1 FY22 activity at Hermosa as we progress the PFS, but excludes investment in orebody dewatering and other critical path activities that remain subject to internal approval

Notes:  
a. Includes equity accounted investments.

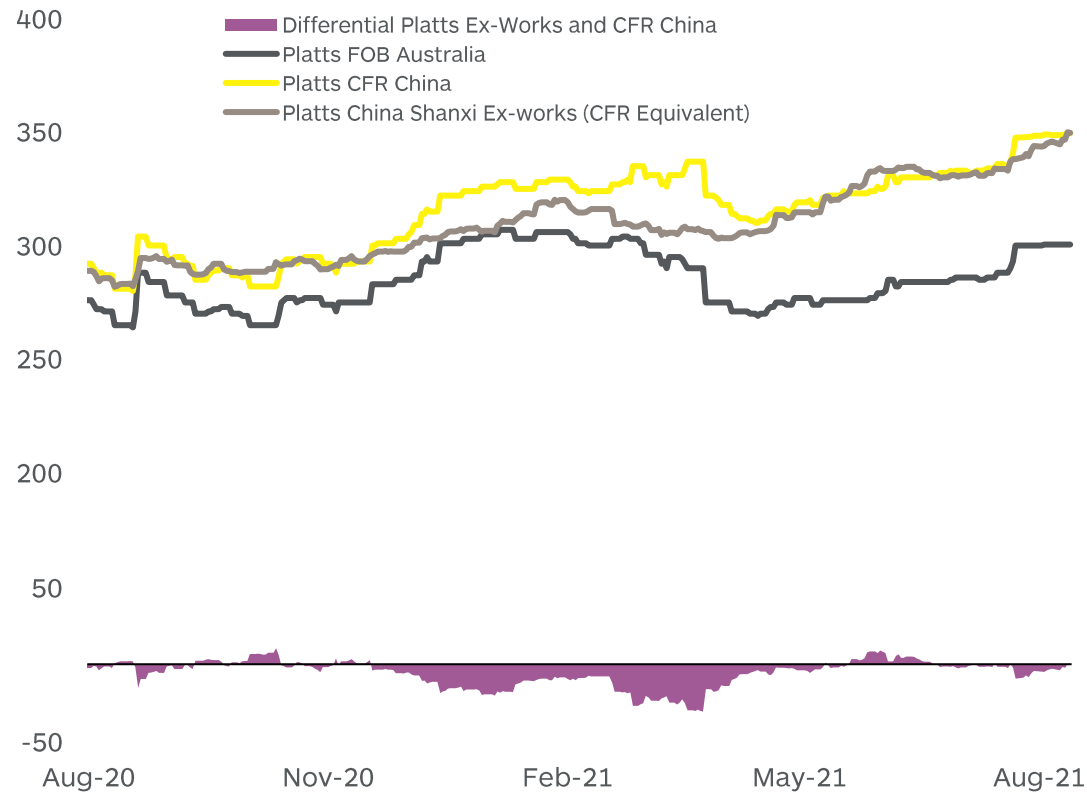
# ALUMINA MARKET

**Strong recovery in global aluminium demand will provide support to alumina prices**

**Cost curve has been shifting upwards in CY21 due to rising energy, caustic soda and freight rates**

**Expected to lift in the long term, driven by higher raw material costs, bauxite resource depletion and Chinese environmental policy**

**Alumina price and arbitrage**  
(US\$/t)

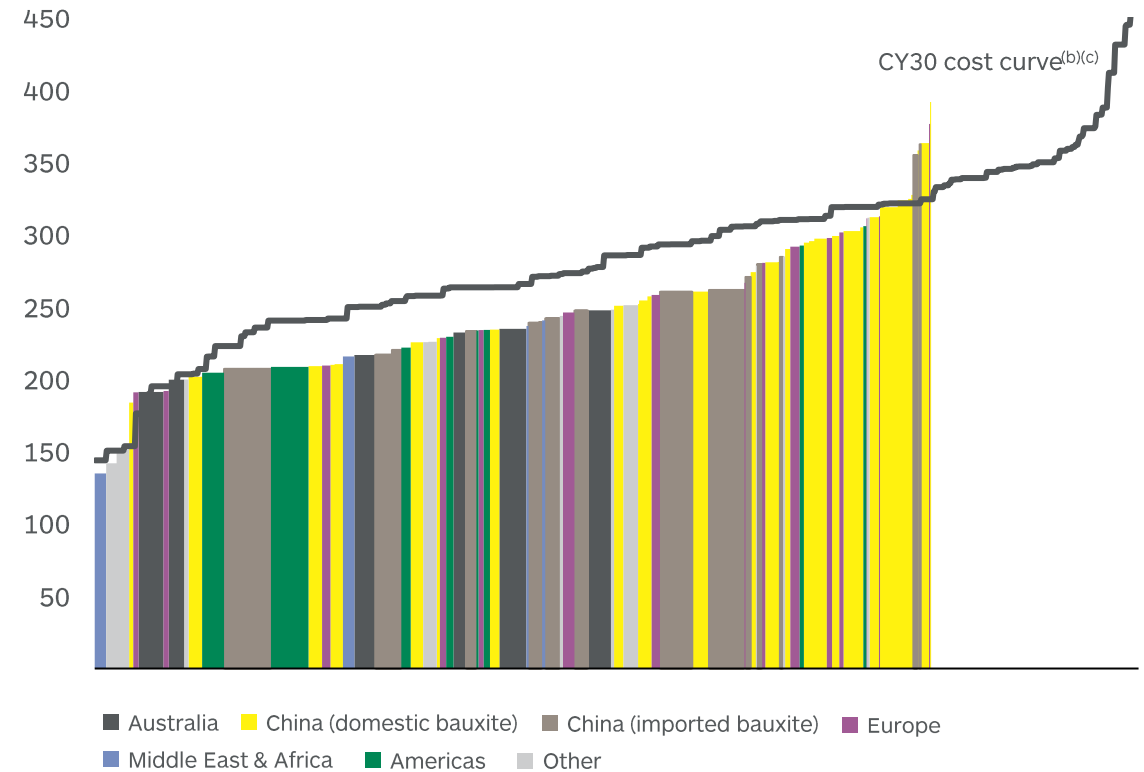


Source: Platts, South32 Analysis

Notes:

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

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



Source: CRU



# ALUMINA MARKET

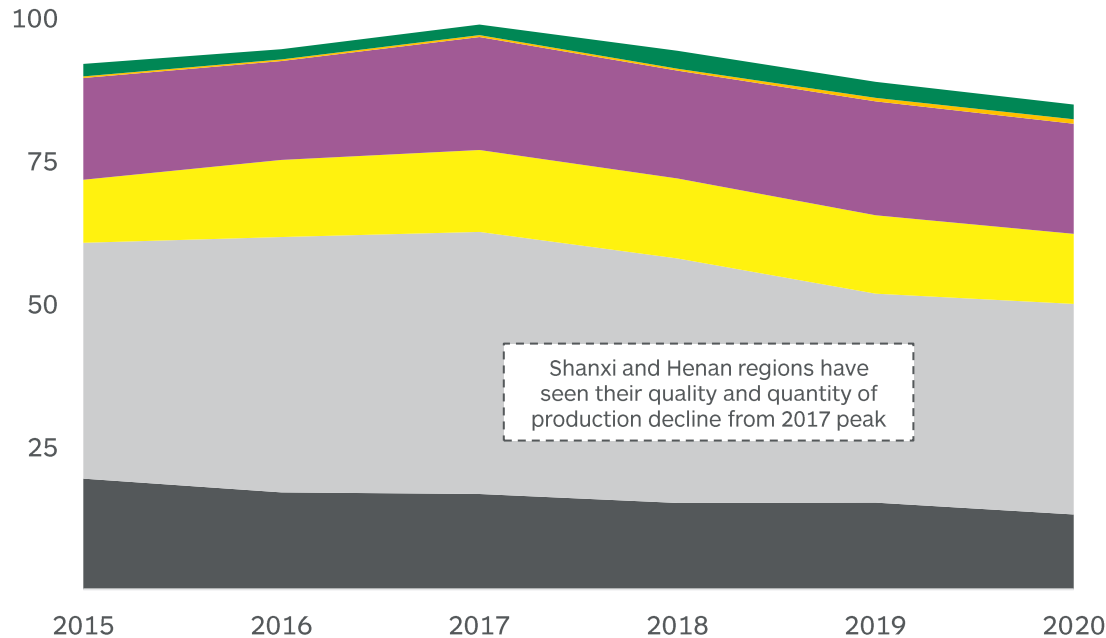
**Deteriorating quality, combined with stricter regulations, have lowered Chinese bauxite production**

**New domestic refineries are more dependent on imported bauxite**

**Supportive of a higher long-term inducement cost when dependency is combined with the need for greater investment in ex-China refining capacity**

**China domestic bauxite production**

(Mt)



■ Henan ■ Shanxi ■ Guizhou ■ Guangxi ■ Chongqing ■ Yunnan

Source: CRU

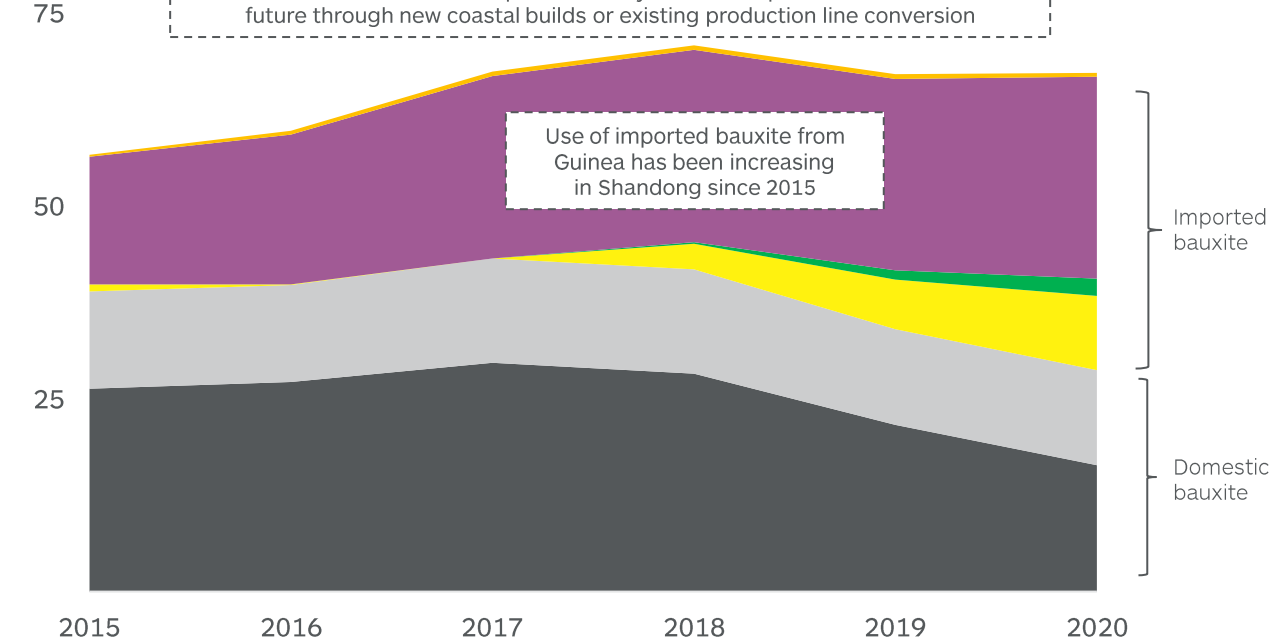
Notes:

a. Southwest China refers to Guangxi, Guizhou and Yunnan.

b. Bauxite imports converted to alumina equivalent tonnes at 10% moisture and conversion rate of 2.5.

**Chinese domestic alumina production<sup>(a)(b)</sup>**

(Mt)



■ Henan & Shanxi - domestic bauxite ■ Southwest China - domestic bauxite  
 ■ Henan & Shanxi - imported bauxite ■ Southwest China - imported bauxite  
 ■ Shandong - imported bauxite ■ Inner Mongolia - imported bauxite

Source: CRU

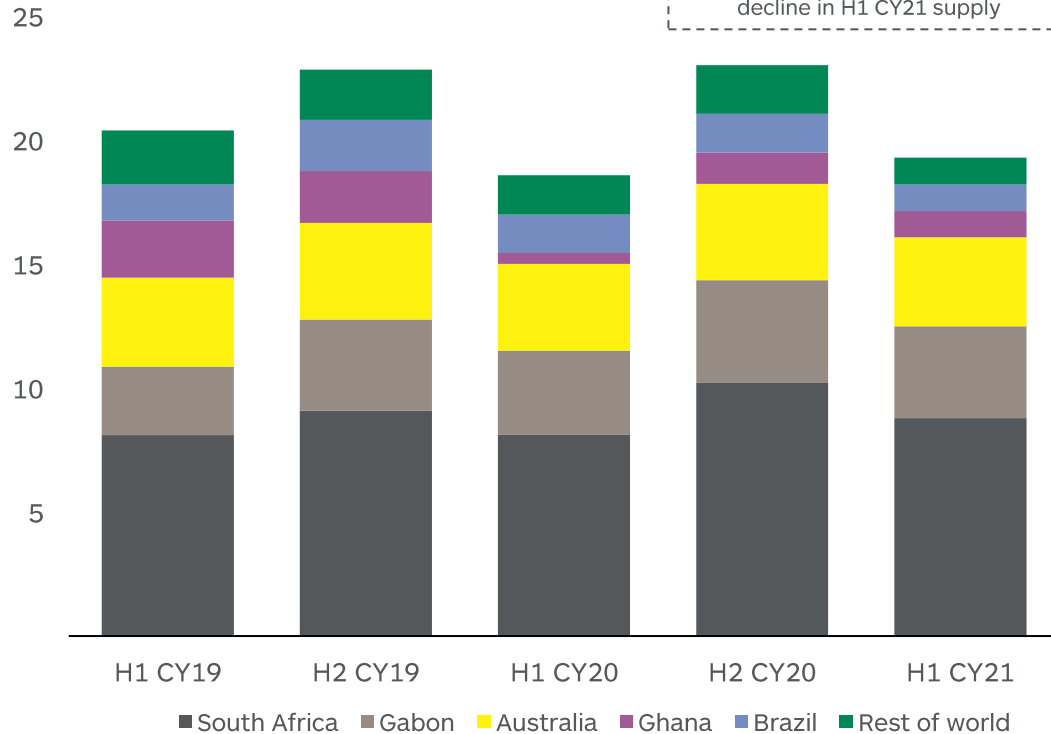
# MANGANESE MARKET

**Supply disruptions, alloy demand for steel and higher sea freight supported delivered prices in H1 CY21**

**H2 CY21 outlook expected to see strong demand for high grade ore to compensate for high freight costs**

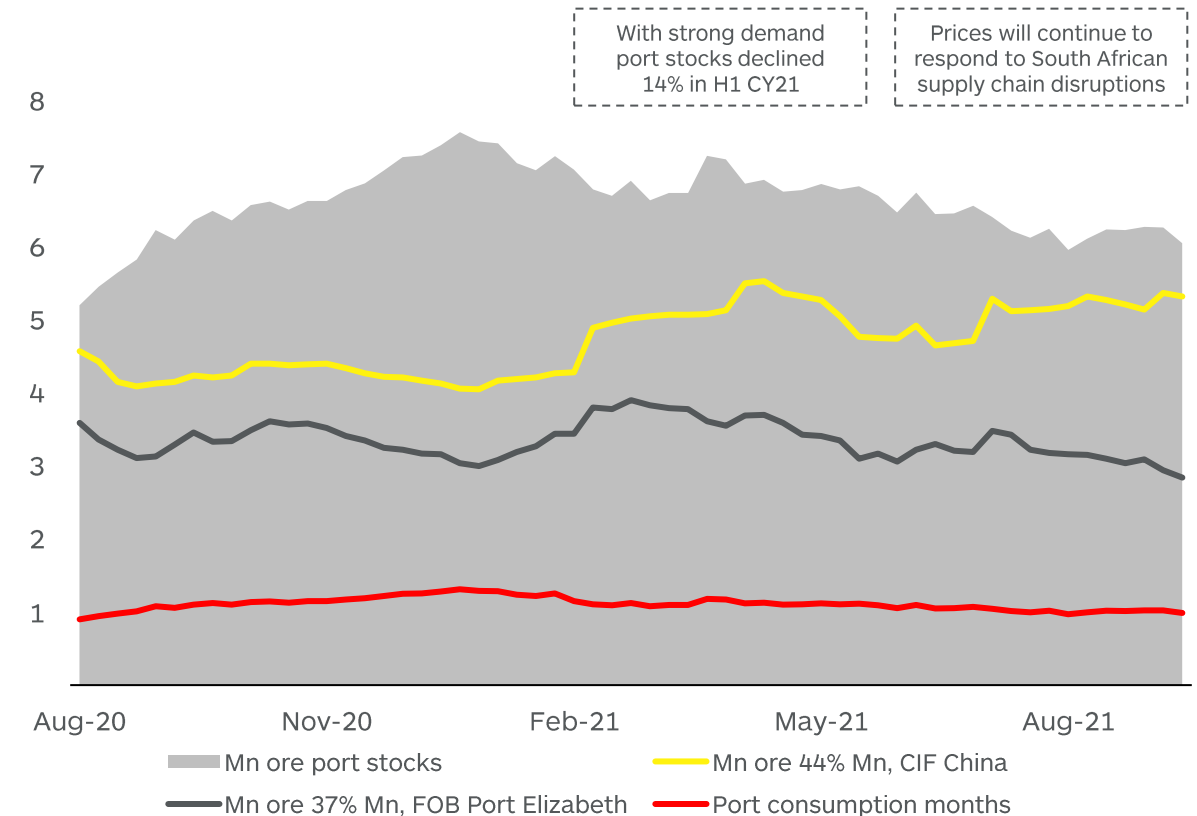
**We continue to expect the long term price to be set by marginal South African supply transitioning underground over time**

**Manganese ore supply**  
(Mt, 40% Mn content)  
**Seaborne exports**



Source: South32 industry analysis, GTIS

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



Source: Fastmarkets, Ferroalloy.net

Notes:

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

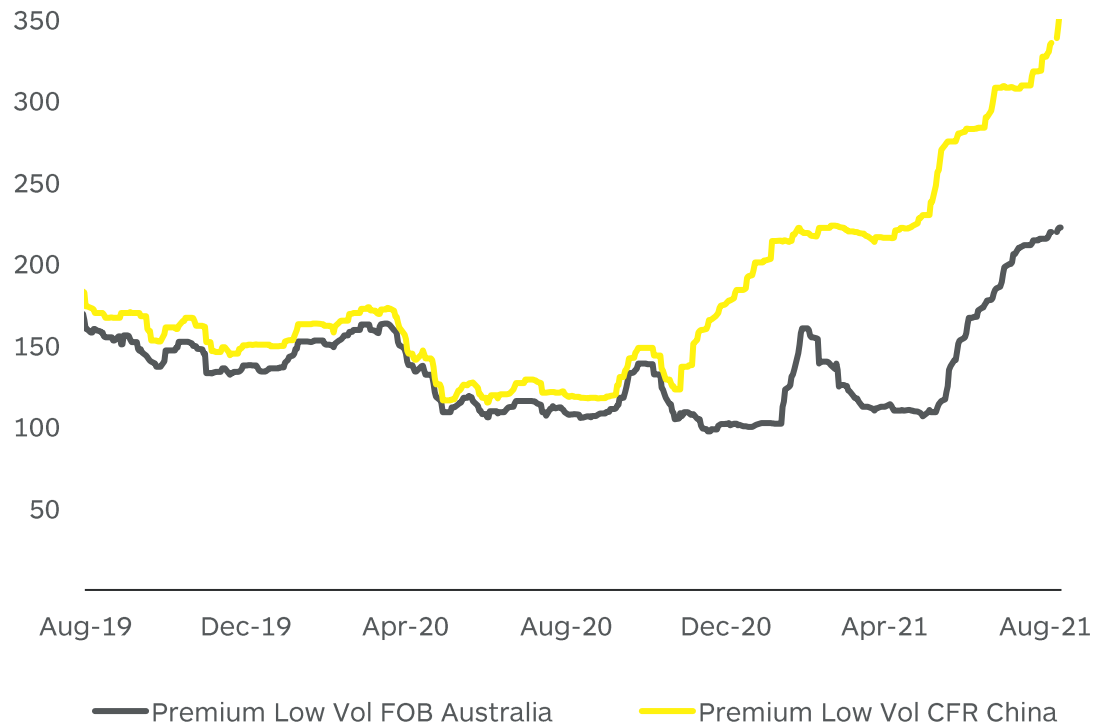
# METALLURGICAL COAL MARKET

**A strong rebound in demand for high quality Australian coal in JKT<sup>(a)</sup> and other traditional markets has underpinned a strong rise in prices**

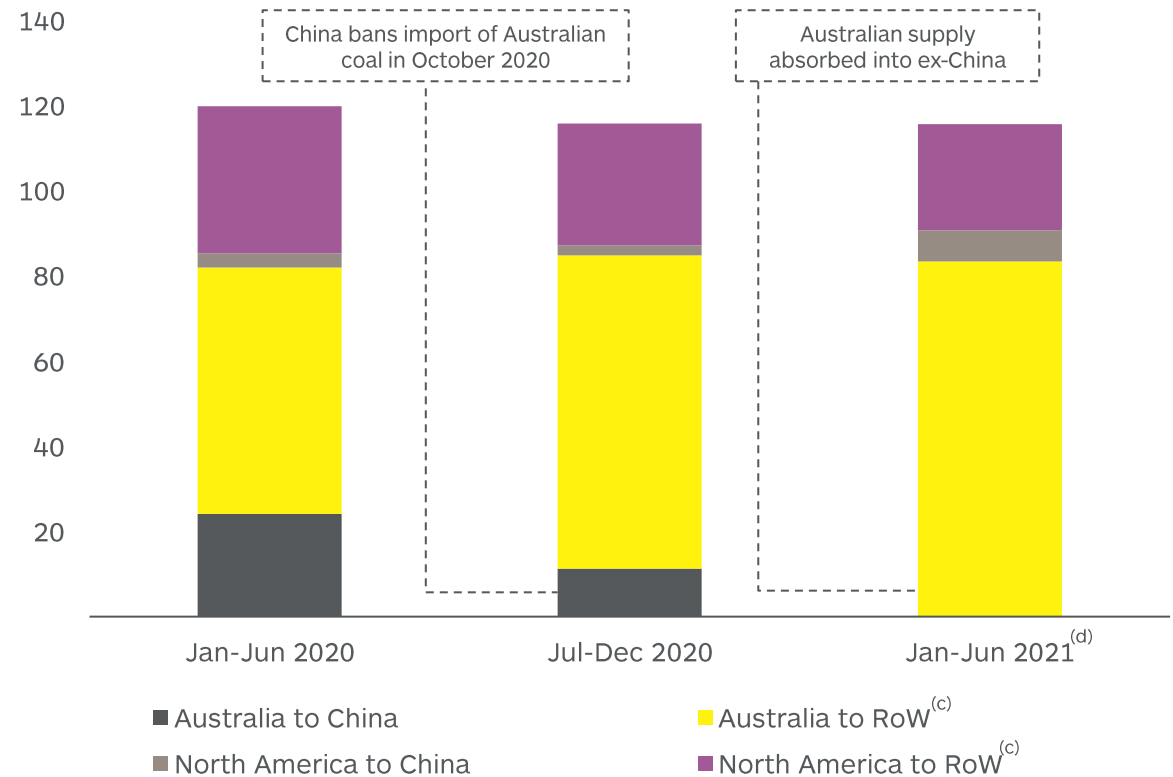
**North American supply diverted to China in H1 CY21 for the price premium, increasing ex-China's reliance on cheaper Australian coal**

**H2 CY21 looks supported by strong ex-China demand and expectations for tight supply of Australian Premium Mid Vol**

**Metallurgical coal price and arbitrage (US\$/t)**



**Seaborne trade flows<sup>(b)</sup> (Mt, Major seaborne supply)**



Source: Platts SBB database, Fenwei (Sxcoal), South32 analysis

Notes:

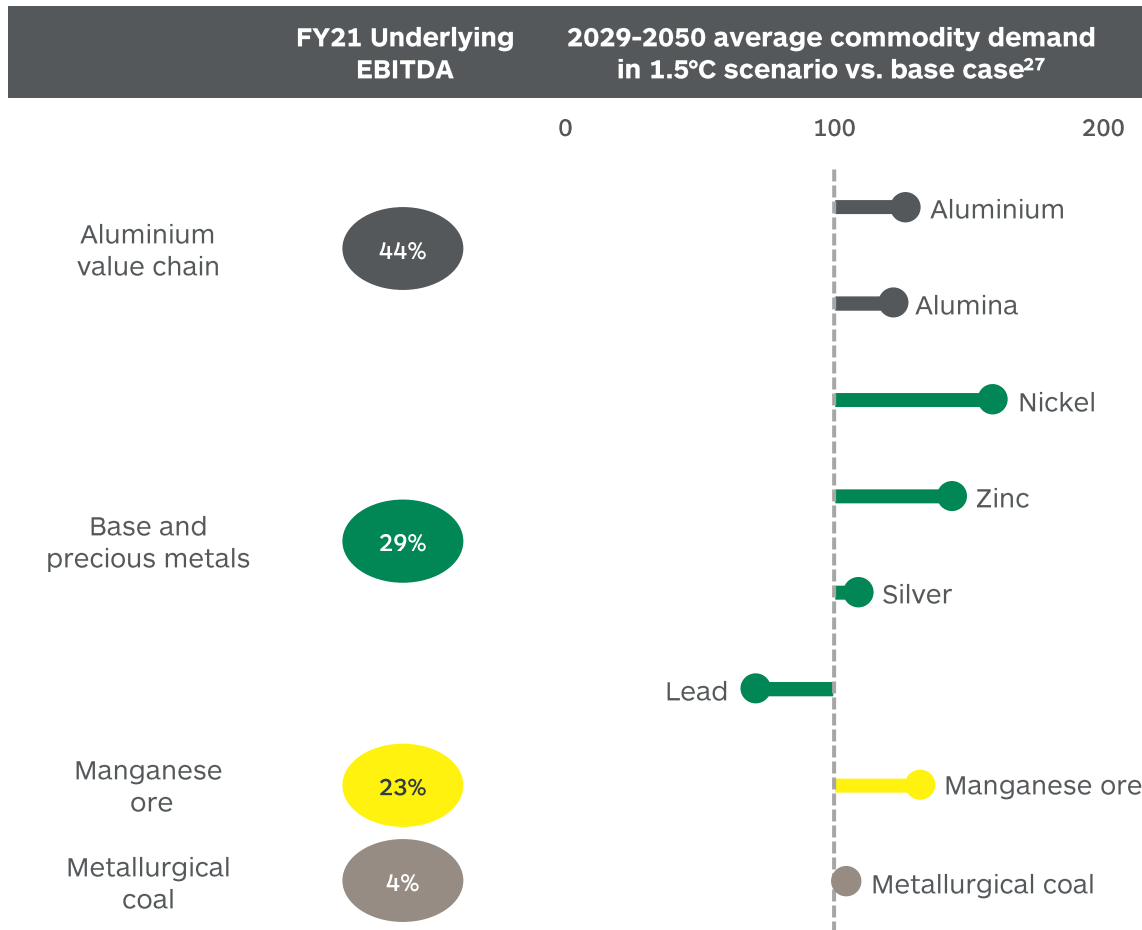
- a. JKT: Japan-Korea-Taiwan.
- b. Metallurgical coal trade flow includes HCC, weak coking coal and PCI.
- c. RoW: Rest of World.
- d. Six months based on extrapolation of monthly volumes with actuals for the first five months.

Source: GTIS, IHS India Coal Report and South32 analysis

# COMMODITY DEMAND IN A 1.5°C SCENARIO

**Our portfolio is well positioned for a rapid global transition to a low carbon economy**

**Demand for most of our commodities would grow significantly with the uptake of low carbon technologies**



## Key drivers in the 1.5°C scenario

- ↑ **Aluminium:** benefits from higher intensity of use in electric vehicles, higher demand in building construction and substitution of fossil fuel-based plastics
- ↑ **Alumina:** key raw material for the production of aluminium
- ↑ **Nickel:** an alloy in renewables such as wind, solar and geothermal power infrastructure, while nickel-rich batteries are critical for rapid adoption of electric vehicles
- ↑ **Zinc:** a protective coating in wind turbines and solar panels
- ↑ **Silver:** used in solar panels due to its superior electrical conductivity
- ↓ **Lead:** lead batteries displaced from use in motor cars as internal combustion engine fleet is phased out by 2050, partly offset by higher demand for use in energy storage systems
- ↑ **Manganese ore:** higher use in infrastructure sector to improve quality and strength of steel, minimal impact of recycling as needs to be continually replaced in steel making
- **Metallurgical coal:** high quality coal required to support emissions targets in steel sector and new capacity in emerging markets, partially offset by higher steel recycling and increasing share of electric arc furnaces



# STRATEGY AND PORTFOLIO

# OUR STRATEGY



## OPTIMISE

our business by working safely, minimising our impact, consistently delivering stable and predictable performance and continually improving our competitiveness.



## UNLOCK

the full value of our business through our people, innovation, projects and technology.



## IDENTIFY

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

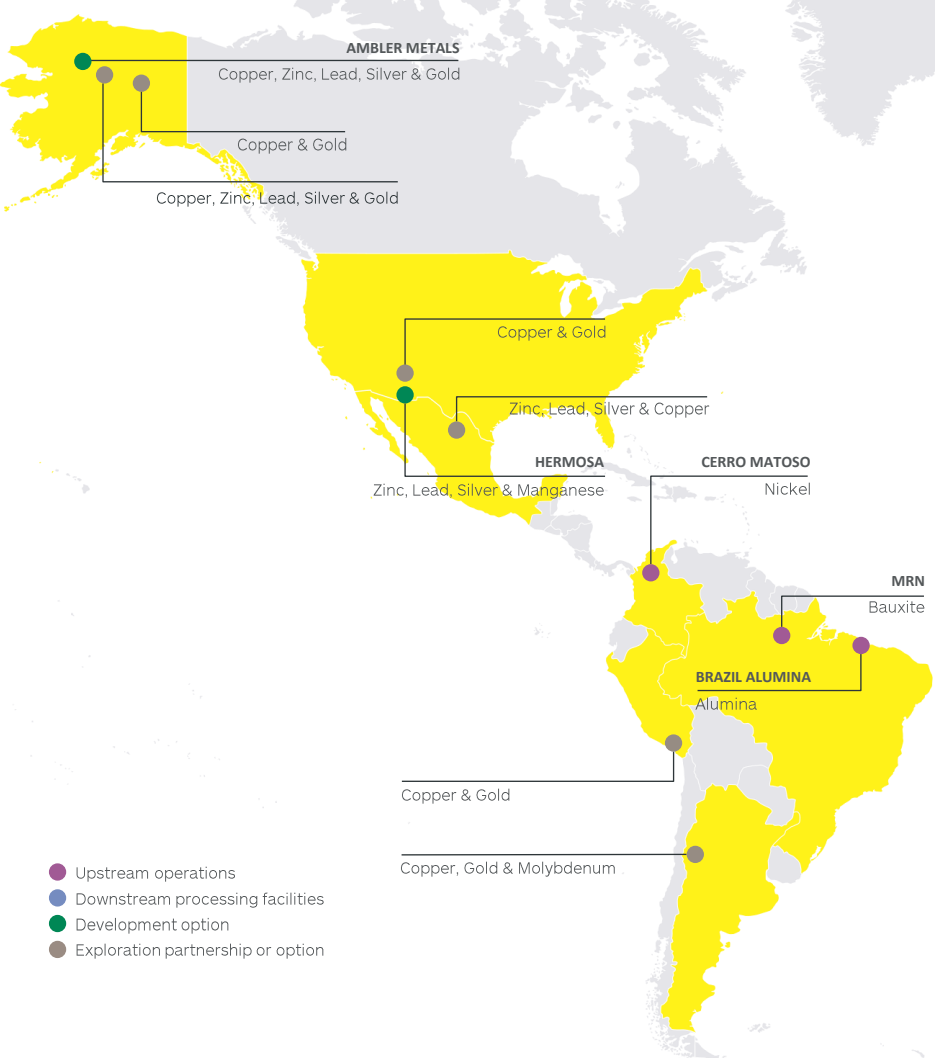
**A simple strategy underpinned by a disciplined approach to capital management**

# OUR PORTFOLIO

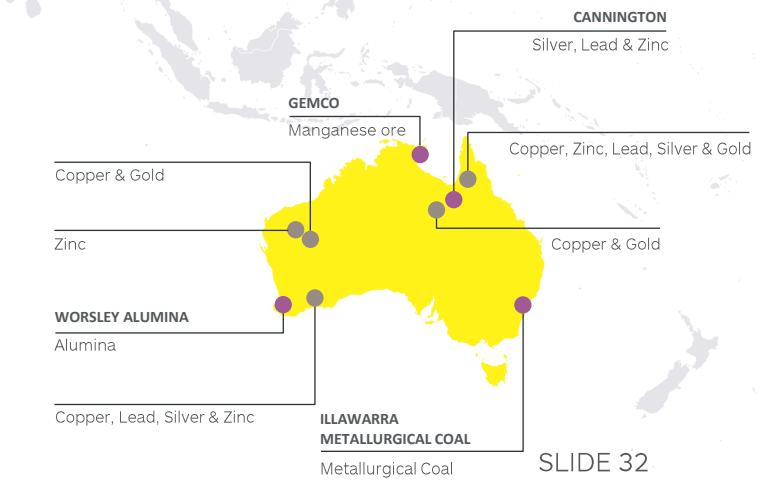
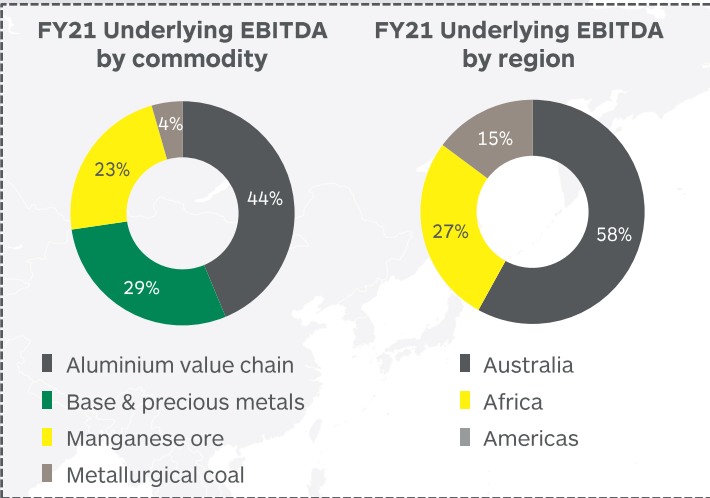
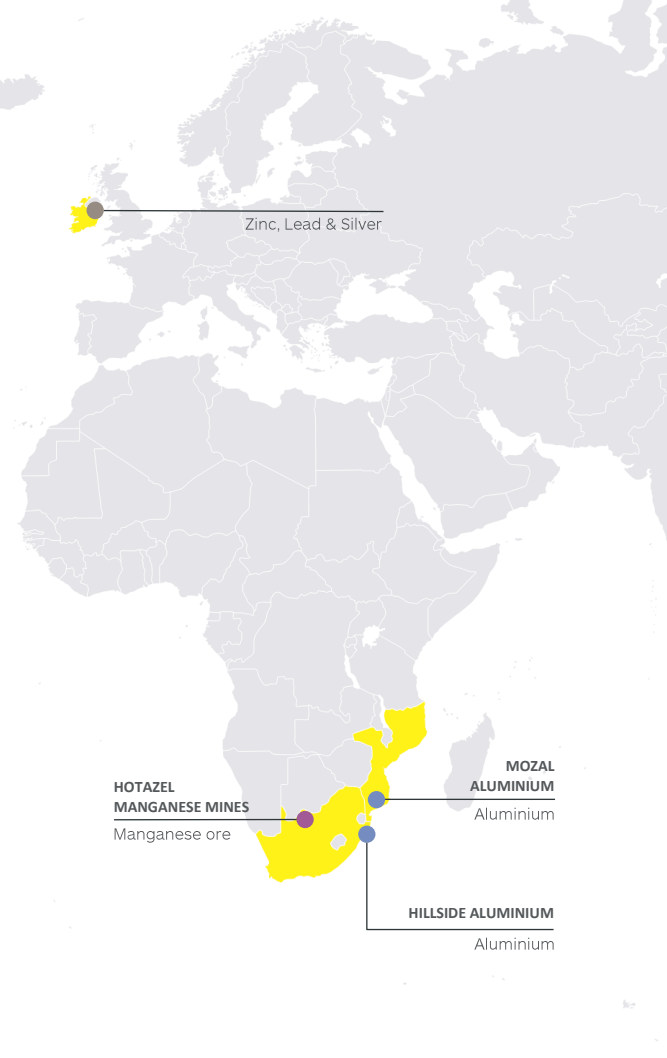
**Operating margin from  
continuing businesses 33% in FY21**

**Growth projects leveraged to  
the green economy transition**

**A pipeline of greenfield, base metal  
exploration partnerships**



- Upstream operations
- Downstream processing facilities
- Development option
- Exploration partnership or option

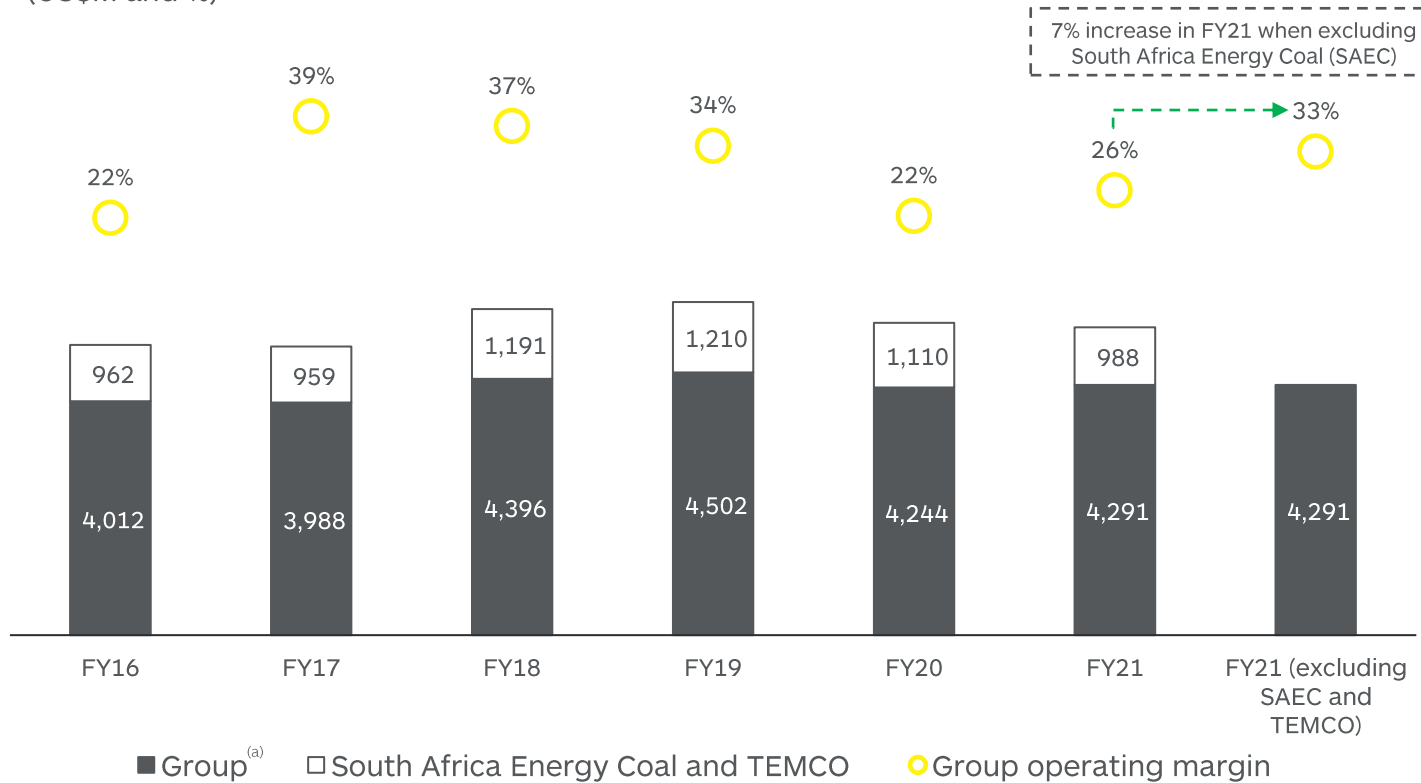




# OUR NEW COST BASE

**The divestments of South Africa Energy Coal and TEMCO have lowered our cost base by ~20% positioning us to improve margins through the cycle**

**Group cost base<sup>(a)</sup> and Group operating margin**  
(US\$M and %)



Looking forward other FY22 cost expectations for the Group include:

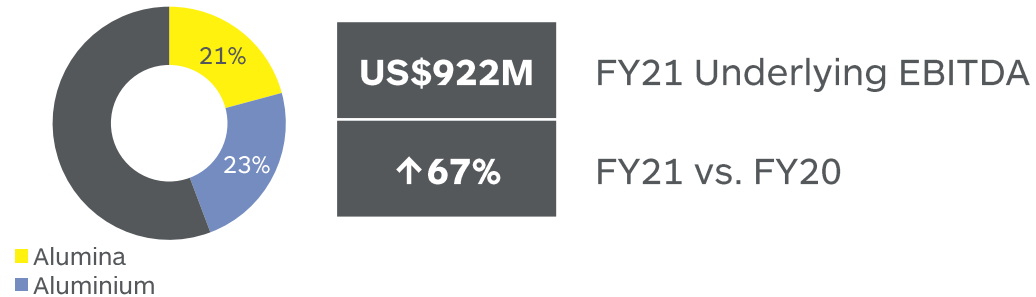
- Depreciation and amortisation (excluding EAI) of ~US\$630M, a reduction of US\$90M
- Underlying net finance costs (excluding EAI) of ~US\$110M, a reduction of US\$42M
- A return to a normalised tax rate reflecting the jurisdictions in which we operate

Notes:

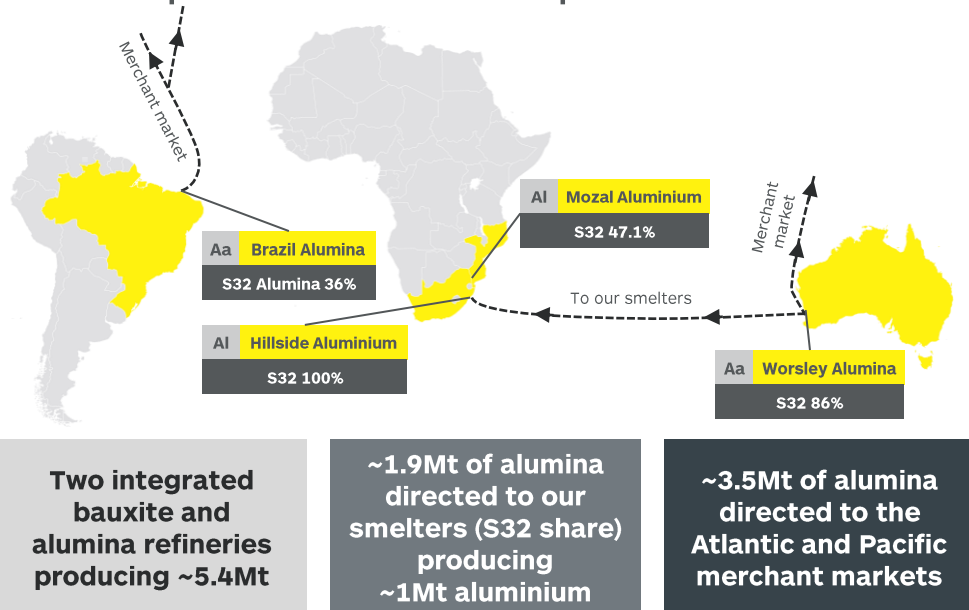
a. Cost base equals Revenue minus Underlying EBITDA. Group cost base includes equity accounted investments and excludes other income, South Africa Energy Coal and TEMCO.

# OUR ALUMINA AND ALUMINIUM OPERATIONS

## FY21 EBITDA contribution<sup>(a)</sup>



## FY21 Group alumina and aluminium operations



We set annual production records at both alumina refineries while our smelters benefitted from a recovery in aluminium prices

### Worsley Alumina

- Record production as the refinery operated above nameplate in Q4 FY21
- Production creep to 4Mtpa in FY23 as we pursue de-bottlenecking opportunities
- Investing US\$18M in processing improvements and new mining areas
- PFS for conversion of our coal-fired boilers to natural gas underway
- PFS for the mud-washing efficiency project underway

### Brazil Alumina

- Record production as the refinery benefitted from strong plant availability
- Continue to progress a PFS assessing the potential to extend the life of the bauxite mine by more than 20 years<sup>(b)</sup>

### Hillside and Mozal Aluminium

- Steady production despite load-shedding and COVID-19 workforce impacts
- FS for AP3XLE energy efficiency technology underway at Hillside following its successful deployment at Mozal
- New 10-year power agreement in place at Hillside and energy transition studies underway to evaluate future low-carbon alternatives

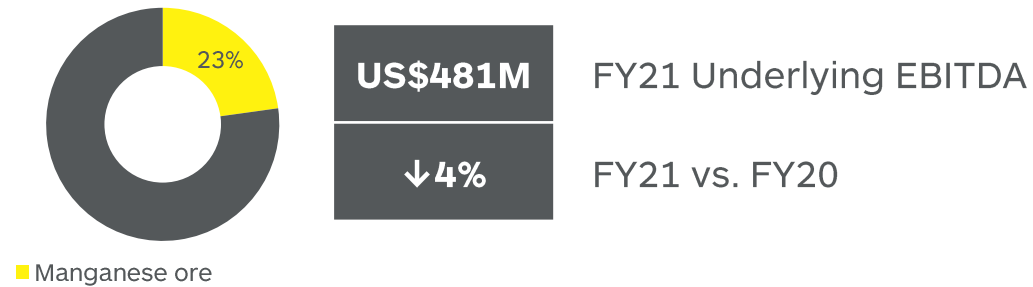
Notes:

a. The Brazil Alumina aluminium smelter is included in alumina operating margin.

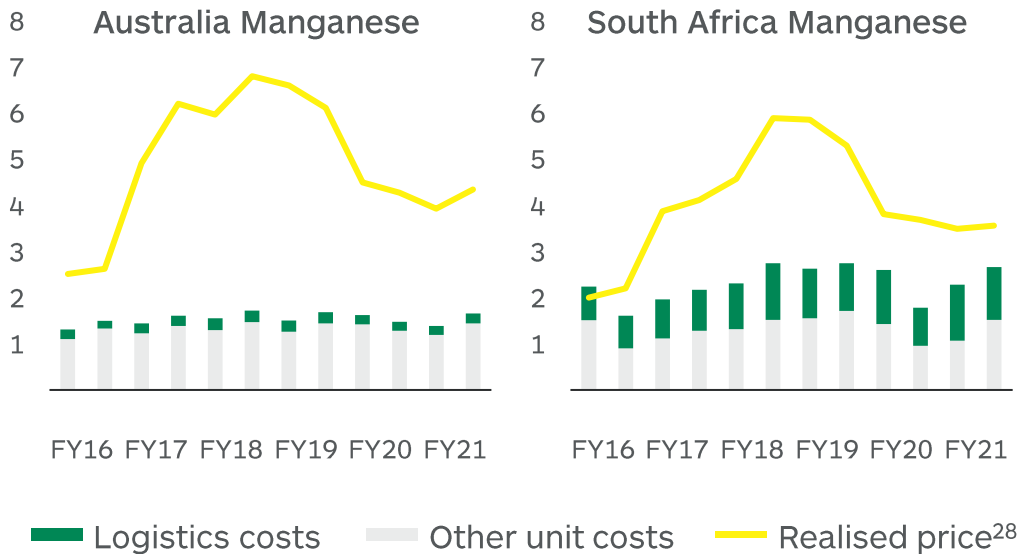
b. Refer to important notices (Slide 2) for additional disclosure.

# OUR MANGANESE ORE OPERATIONS

## FY21 EBITDA contribution



## Realised prices and Operating unit costs (US\$dmto, FOB)



Our joint venture supplies 20% of the seaborne market, setting another record at our low-cost Australian operation and continuing to swing production in South Africa in response to demand

## Australia Manganese

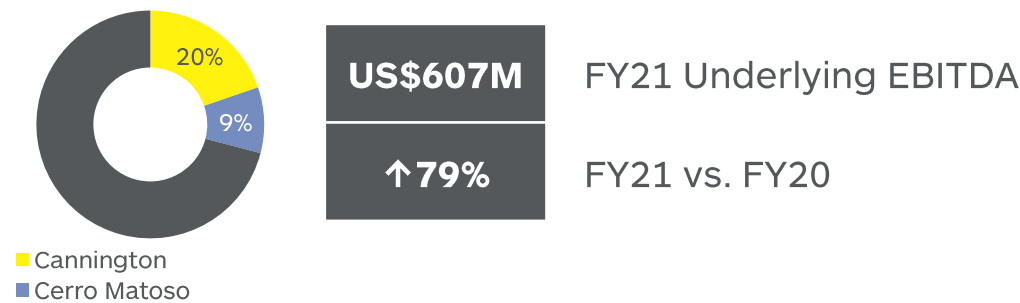
- Record production despite higher than average rainfall during the wet season
- Progressed FS for our Eastern Leases mine life extension project
- Continuing exploration activities in the Southern Areas

## South Africa Manganese

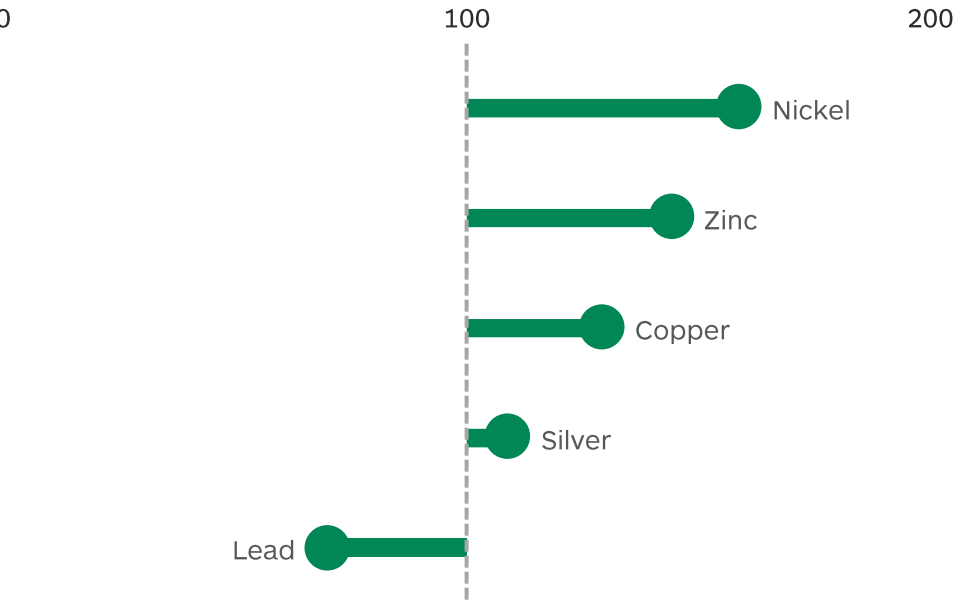
- Production increased by 21% in FY21 as the operation recovered from pandemic related disruptions in the prior year
- We expect to invest US\$20M in FY22 to open up new mining areas and complete upgrades to our rail infrastructure
- Studying the potential to expand the high-grade Wessels underground mine and install rapid train loadout infrastructure to realise efficiencies across the operation, and maintain our leading position in the Kalahari

# OUR BASE METALS OPERATIONS

## FY21 EBITDA contribution



## 2029-2050 average commodity demand in 1.5°C scenario vs. base case<sup>27</sup>



Our growth is leveraged to the green economy transition at our existing operations and through our multiple development projects in study phase

### Cannington

- Transition to trucking will bring high grade material forward in the mine plan, resulting in incremental zinc-equivalent production from FY23
- Implementing a trial of battery electric light vehicles in FY22 to support their potential widescale use in our vehicle fleet

### Cerro Matoso

- Multiple projects in execution and study phase to add incremental production volume from FY22

### Hermosa

- Our updated Mineral Resource estimate for Taylor confirms the potential for a high grade, long-life zinc-lead-silver project in a favourable jurisdiction
- Taylor deposit PFS nearing completion following COVID-19 workforce delays
- Preliminary outcomes from Clark scoping study have confirmed a technically viable flowsheet to produce battery grade manganese

### Ambler Metals (50% share)

- Current exploration field season underway targeting further copper along the VMS belt that includes the existing high grade Arctic Deposit

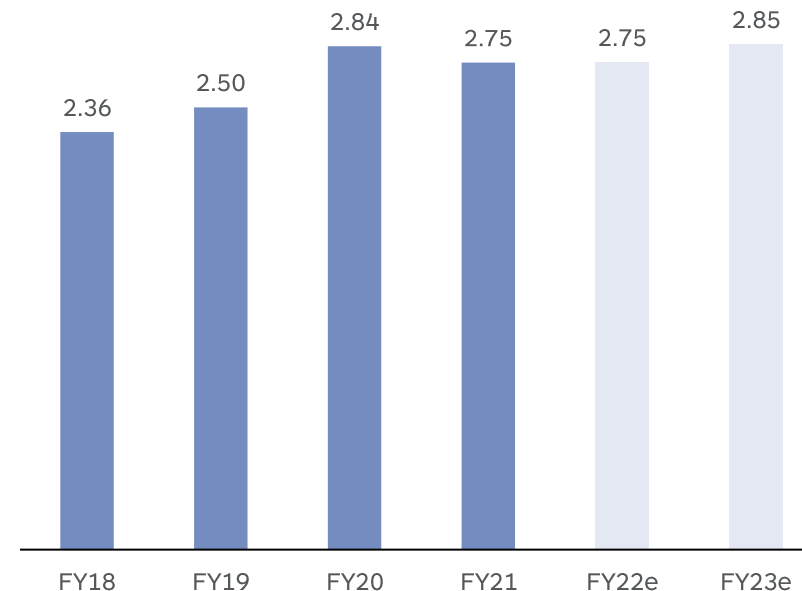
# CANNINGTON – TRANSITION TO TRUCKING



## Project Summary

- Hoisting shaft at Cannington is nearing the end of its life
- Planning is underway to transition to a trucking only operation from Q4 FY22
- Decommissioning underground infrastructure reduces constraints on our mining sequence, allowing for further high-grade material to be brought forward
- High returning, low capital project that maintains current operating costs
- Capital expenditure includes US\$15M in FY22 for total investment of US\$28M

## Ore processed (Mt)



## Payable production

	FY18	FY19	FY20	FY21	FY22	FY23	Mid-term target <sup>(a)</sup>
Zinc (kt)	41.3	51.6	66.7	67.7	63.9	72.0	~58
Lead (kt)	104.4	101.4	110.4	131.8	112.6	122.0	~131
Silver (Moz)	12.5	12.2	11.8	13.7	11.6	13.5	~15

Notes:

a. FY24 to FY27 average.

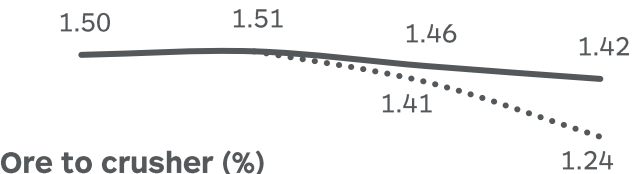
# CERRO MATOSO – Q&P



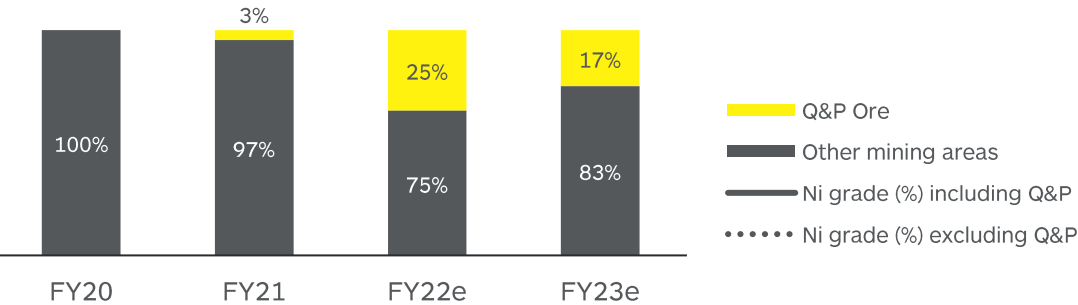
## Project Summary

- Queresas and Porvenir (Q&P) is a project that comprises the development of a 17Mt<sup>29</sup> satellite deposit north of Cerro Matoso’s plant
- High returning (IRR >100%<sup>30</sup>), low capital (US\$13M) option expected to contribute to higher average ore feed grades
- 4.8Mt of ore to crusher expected over a six year life of mine, averaging a nickel grade of 1.5% Ni (versus Cerro Matoso reserve grade of 1.2%<sup>29</sup>)
- Project is complete with first ore delivered in Q4 FY21

### Ore grade to crusher (% Ni)



### Ore to crusher (%)



## Conventional open pit mining at Q&P





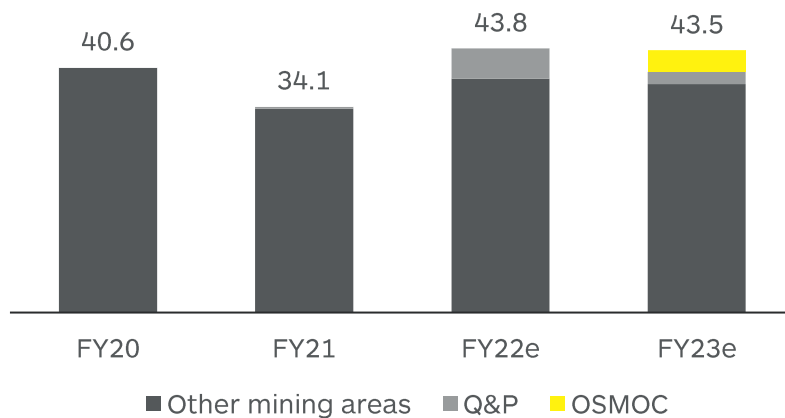
# CERRO MATOSO – OSMOC



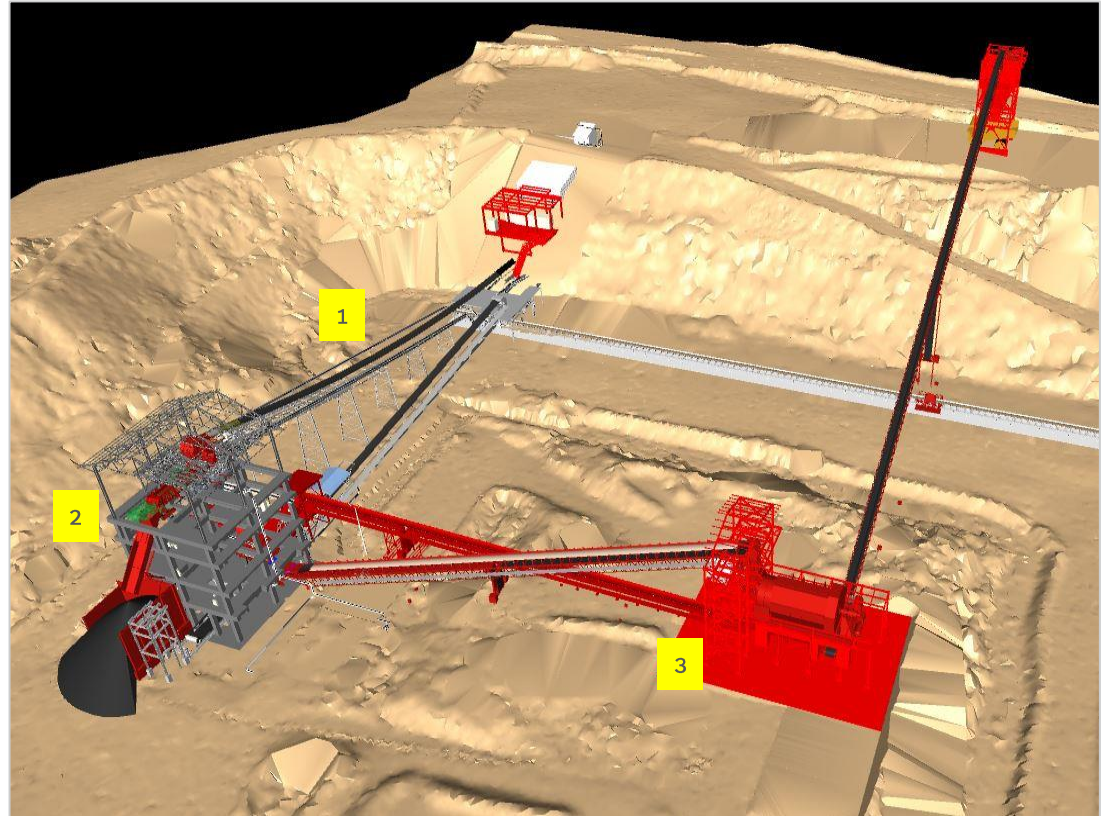
## Project Summary

- The Ore Sorting and Mechanical Ore Concentration (OSMOC) project replaces the current ore upgrading circuit at Cerro Matoso
- Enhances the concentration of nickel, resulting in further upgrading prior to the ore entering the kilns
- Expected to deliver a ~50% increase in processing capacity and increase in the ore upgrading factor from ~5% to ~10%<sup>29</sup>
- High returning (IRR >100%<sup>30</sup>), low capital (US\$23M) option expected to increase payable nickel production by up to 10%, offsetting natural grade decline from FY23
- Project commissioning expected in H1 FY23

## Nickel production (kt)



## OSMOC Overview



1 Processing capacity increased by ~50% ahead of crusher

2 'Ore Sorting' diverter that rejects lower grade ore

3 'Mechanical Ore Concentration' consists of 'rubber' and 'roller screen' to separate fine and coarse particles, mechanically concentrating the coarse fragments

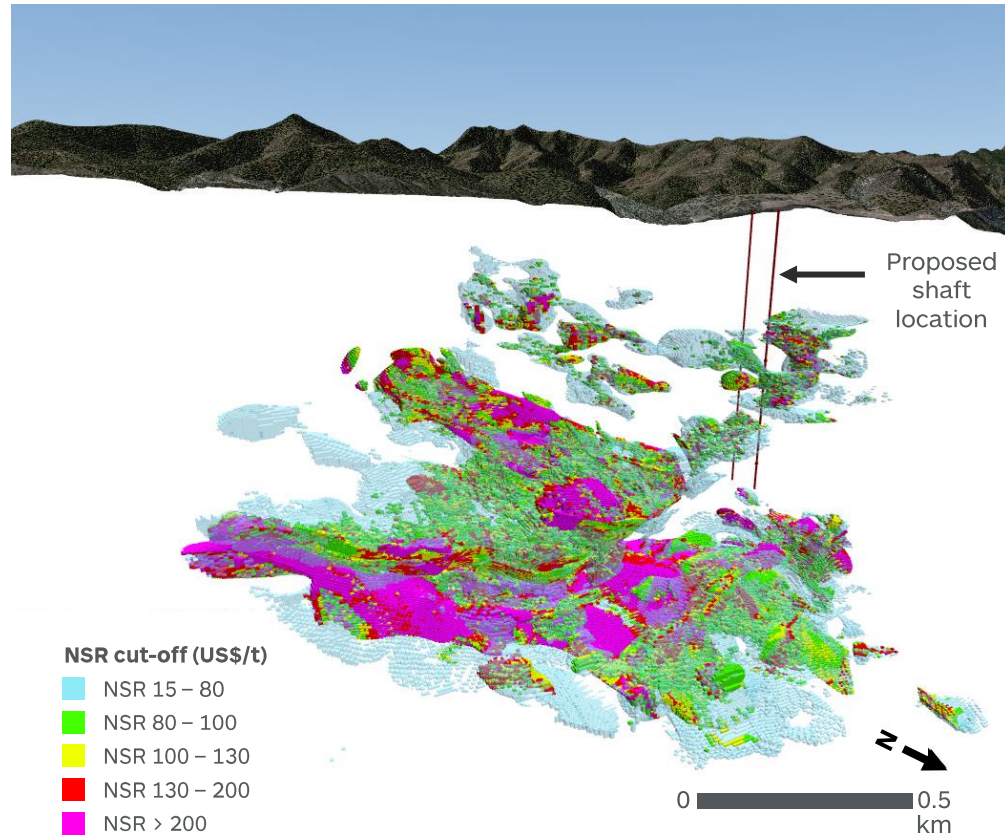
# HERMOSA PROJECT – TAYLOR

**Over 153km<sup>2</sup> of tenure  
in Arizona, USA hosting metals  
essential for a low carbon future**

**Establishment of initial on-site  
infrastructure and permitting underway**

**Open at depth and laterally**

## Taylor Deposit geology and mineralisation (looking south-west)



## Taylor Deposit

- Updated Mineral Resource<sup>31</sup> with zinc equivalent grade increasing from 7.62% to 8.61%, offsetting a 17% reduction in total tonnage
- Enhanced confidence from additional drilling and refinements to structural interpretation at the resource boundary
- Reduction in NSR cut-off grade to US\$80/t (from US\$90/t) reflects improvements to anticipated project economics
- Remains open at depth and laterally, with infill and extensional opportunities identified for next phase of drilling

## Taylor PFS and capital expenditure

- On-site infrastructure, including initial tailings storage facility and water treatment plant completed
- Study work to date has confirmed:
  - the preference for a dual shaft development to prioritise early access to higher grade mineralisation; and
  - additional water treatment and well infrastructure to support orebody dewatering.
- Growth capital expenditure of US\$45M in H1 FY22e excludes our expectation for investment across FY22, related to orebody dewatering and other critical path items for the potential development of the Taylor Deposit, that remain subject to internal approvals

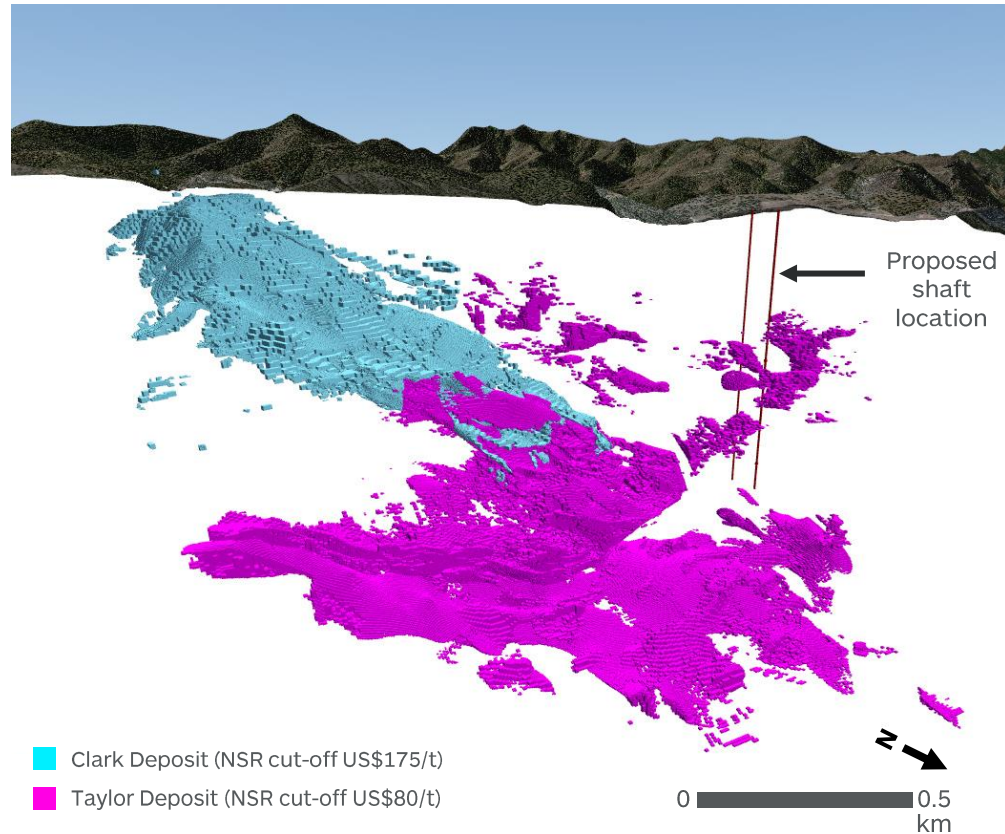
# HERMOSA PROJECT – CLARK

**Zinc-lead-manganese oxide  
resource located above Taylor**

**Scoping study has confirmed  
technically viable flowsheet to  
produce battery grade minerals**

**Potential to offer capital efficiencies  
from an integrated Taylor development**

**Clark and Taylor deposits (looking southwest)**



## **Clark Deposit**

- 55Mt Mineral Resource averaging 2.31% zinc, 9.08% manganese and 78g/t silver<sup>(a)</sup>
- Mineralised from surface with a separate processing circuit to Taylor
- Manganese designated as a critical mineral by the US federal government

## **Scoping study**

- Preliminary outcomes indicate a technically viable flowsheet to produce battery grade manganese:
  - High Purity Manganese Sulphate Monohydrate; or
  - Electrolytic Manganese Metal.
- Metallurgical test work has confirmed the hydrometallurgical flowsheet

## **Next steps**

- Further advance marketing studies on end customer opportunities
- Finalise scoping study and progress to PFS, establish our permitting strategy and preferred development alternative
- Combine Taylor and Clark resource models to study opportunities to integrate underground mining and capture further efficiencies

Notes:

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

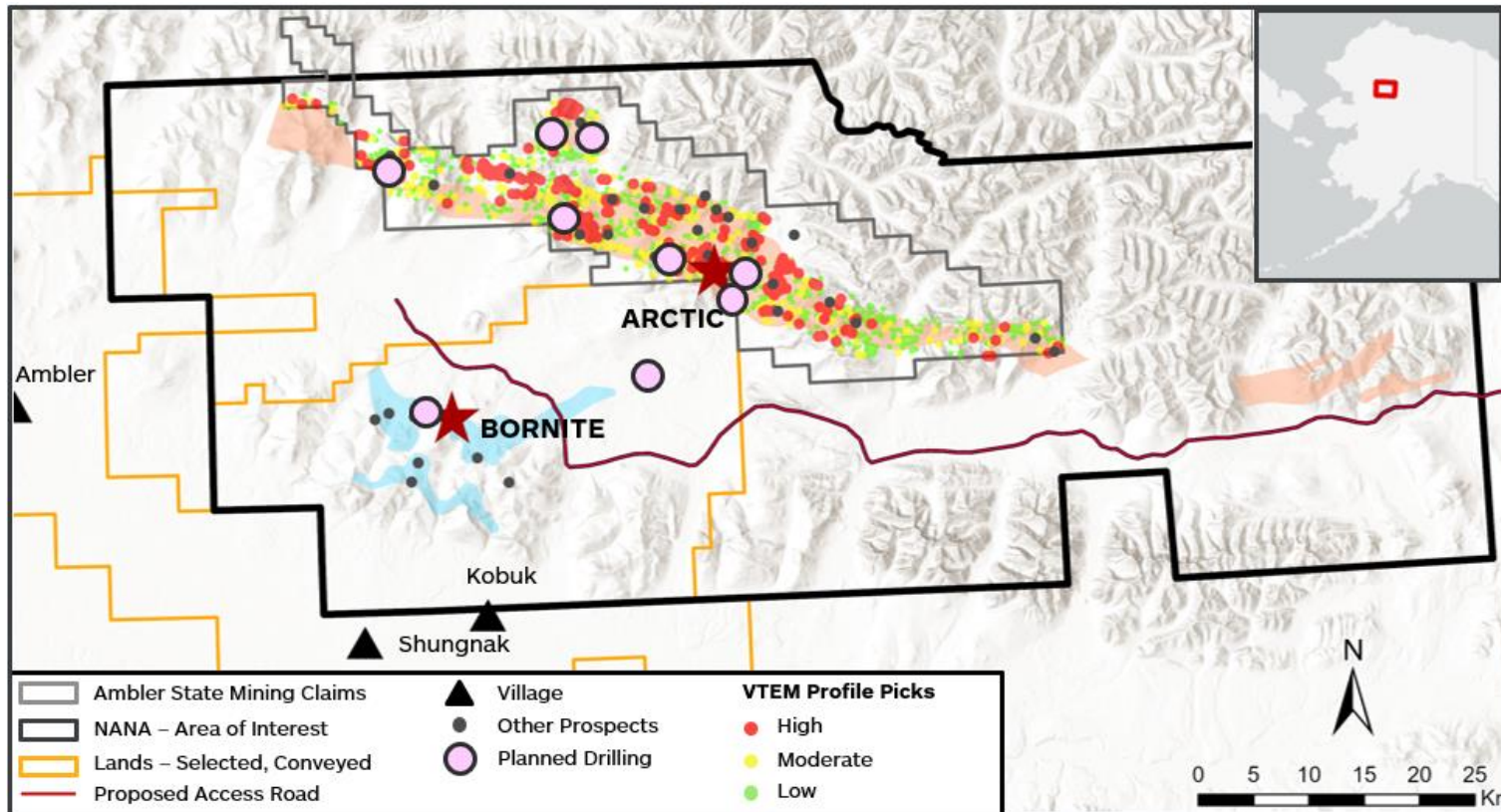


# AMBLER METALS

Regional scale, base and precious metals project with supportive local partner, NANA Regional Corporation<sup>(a)</sup>

PFS for Arctic Deposit progressing

Federal permits received for access road that has the potential to unlock the region



## 2021 exploration field season underway

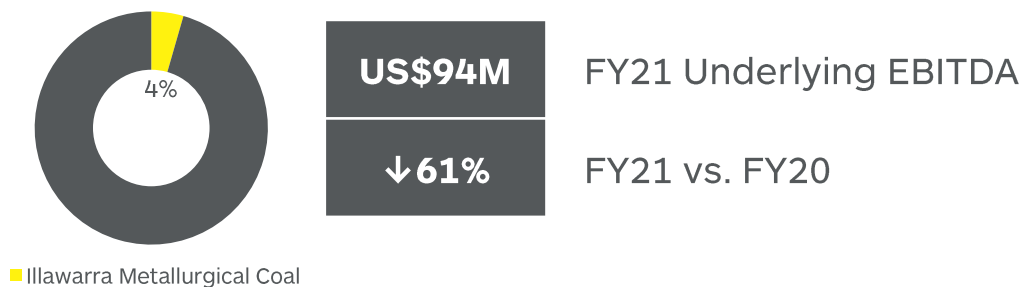
- Commenced in Q4 FY21 with strict COVID-19 protocols
- Planned drilling includes (see image)
  - Infill drilling of the Arctic Deposit
  - Drilling in a 3 to 5km radius of the Arctic Deposit to identify potential satellite deposits
  - Drilling of identified targets along the Arctic VMS belt
- First assay results expected in H1 FY22

### Notes:

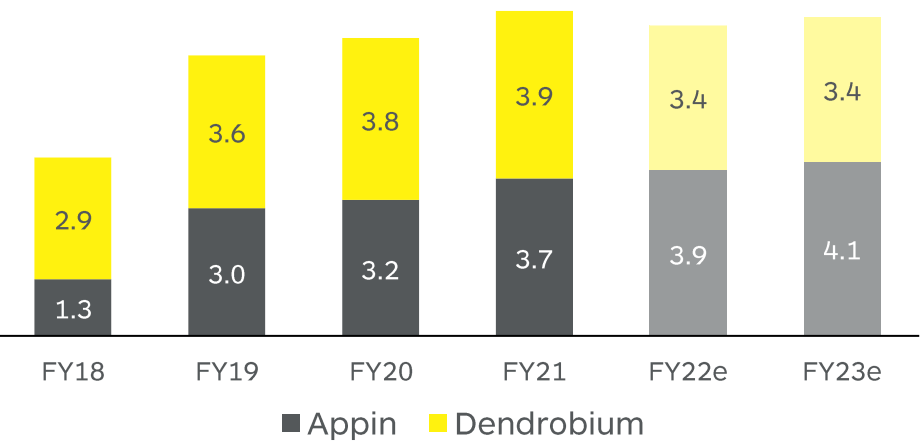
- a. If the JV proceeds with construction of a mine on lands subject to the NANA Agreement, NANA will have the option to acquire between 16% and 25% (as specified by NANA) of the project or receive a net proceeds royalty of 15%.

# METALLURGICAL COAL

## FY21 EBITDA contribution



## Illawarra Metallurgical Coal production (Mt)<sup>(a)</sup>



Notes:

a. FY21 and FY22e includes low-margin coal wash material.

b. JKT: Japan-Korea-Taiwan

Our Illawarra Metallurgical Coal operation produces high quality hard coking coal for domestic and seaborne markets

## Illawarra Metallurgical Coal (IMC)

- Successfully returned to a three longwall configuration delivering greater efficiencies and higher volumes
- Investing in coal clearance and ventilation infrastructure at Appin to support its transition to a single longwall configuration from FY25, which is expected to bring further operating and capital efficiencies
- A pilot plant scale trial of CSIRO's VAMMIT<sup>8</sup> methane capture technology is scheduled for completion in H2 FY22

## Eagle Downs Metallurgical Coal

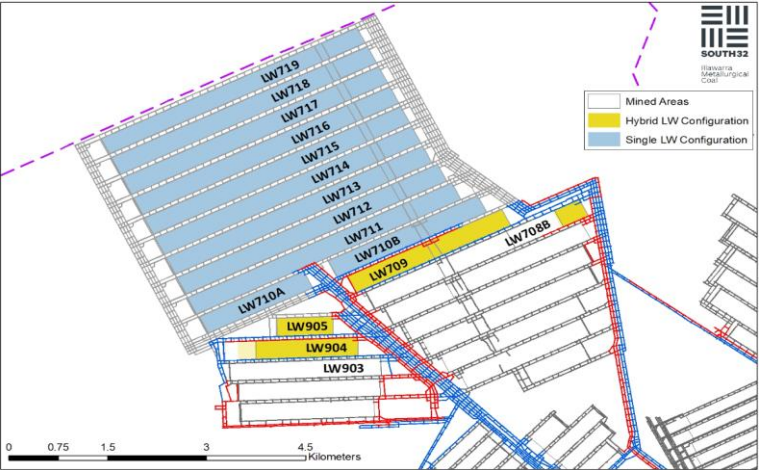
- Project placed on hold while we assess options with our partners that may include the divestment of our interest

## FY21 IMC hard coking coal sales

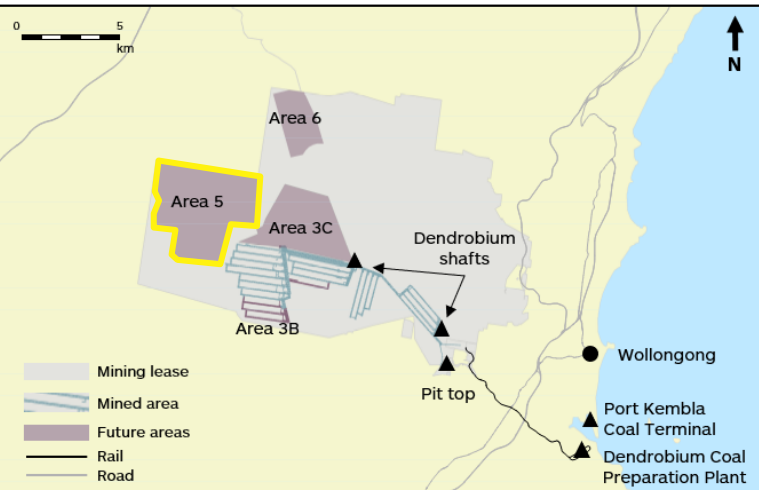


# ILLAWARRA METALLURGICAL COAL

## Appin optimised plan



## Dendrobium mining domains and infrastructure



### Notes:

- Operating unit costs.
- Assumes an AUD:USD exchange rate of 0.75.
- The total investment amount of the "Original DND mine plan" option refers to prior guidance at a rebased AUD:USD exchange rate of 0.75.

- An assessment of options is underway to determine the optimal pathway for the Illawarra Metallurgical Coal complex, to ensure its competitiveness and sustainability
- Appin's optimised plan incorporates a dual longwall configuration until FY24, before transitioning to a single longwall with longer panels to realise operating and capital efficiencies
- We are upgrading coal clearance and ventilation infrastructure in support of this plan
- Our initial Dendrobium Next Domain (DND) application was to develop Areas 5 and 6, extending Dendrobium's life to ~FY36 from Area 5 alone
- The NSW Independent Planning Commission (IPC) refused our application for DND in Q3 FY21 and in response:
  - we have requested a judicial review of the IPC's decision in the Land and Environment Court of NSW
  - the State Legislative Council has passed a motion requesting that any future development of DND be declared as State Significant Infrastructure (SSI)
- IMC is expected to produce 7.3Mt at US\$101/t<sup>(a)</sup> in FY22 from Appin (3.9Mt) and Dendrobium (3.4Mt)

## Potential options under assessment

	Original DND mine plan	DND Adapt	Appin only
<b>Assumption</b>	Judicial review successful with minimal changes	Alternate mine plan with project declared as SSI	No successful pathway and Dendrobium closes
<b>Annual metallurgical coal production beyond FY25<sup>32</sup></b>	~7.6Mt	7.5-8.0Mt	~4.5Mt
<b>FY22-25 average annual Safe and reliable capital expenditure<sup>(b)</sup></b>	~US\$190M (includes ventilation, coal clearance and shield set investment at Appin)		
<b>Total DND life extension investment amount<sup>(c)</sup></b>	US\$700-900M (FY22-25)	US\$700-800M (FY23-27)	N/A
<b>Other</b>		Optimises mine plan, responds to IPC decision, delivers highest quality coal	

# FY21 SUMMARY

**We have a strong foundation from which to position our business for a low carbon future**

**Our operations are performing well and are positioned to take advantage of strong commodity markets**

**We are reshaping our portfolio by exiting lower returning operations and investing further in base metals**

**Our unchanged capital management framework is rewarding our shareholders as our financial performance improves**



# SUPPLEMENTARY INFORMATION

# EARNINGS SENSITIVITIES













Annualised estimated impact on FY22e Underlying EBIT of a 10% change in commodity prices or currency <sup>(a)</sup>	EBIT sensitivities +/- 10%
	US\$M
Aluminium <sup>(b)</sup>	214
Alumina <sup>(b)</sup>	154
Manganese ore <sup>(c)</sup>	89
Metallurgical coal	73
Nickel	56
Silver	31
Lead	22
Zinc	15
Australian dollar	197
South African rand	117
Colombian peso	29
Brazilian real	13

Notes:

- The sensitivities reflect the annualised estimated impact on FY22e Underlying EBIT of a 10% movement in FY21 actual realised prices and FY21 actual average exchange rates applied to FY22e volumes and costs.
- Aluminium sensitivity does not include the Group consolidation impact of inter-company alumina sold on index. Aluminium sensitivity is shown without any associated increase in alumina pricing.
- The sensitivity impacts for manganese ore are on a pre-tax basis. The Group's Manganese operations are reported as EAI. As a result, the Profit after taxation for Manganese is included in the Underlying EBIT of South32.

# OPERATING UNIT COSTS

Operating unit costs	FY20	H1 FY21	H2 FY21	FY21	FY21 guidance <sup>33</sup>	FY21 actual vs. FY21 guidance			Commentary to guidance or FY20
						(10%)	0%	10%	
<b>Worsley Alumina</b> (US\$/t)	210	204	224	214	210				Higher caustic soda usage and freight costs
<b>Brazil Alumina (non-operated)</b> (US\$/t)	244	206	201	203	Guidance not provided				Record output, lower bauxite usage rates and pricing during the period
<b>Illawarra Metallurgical Coal</b> (US\$/t)	93	77	98	87	83				Lower sales volumes
<b>Australia Manganese<sup>25</sup></b> (FOB, US\$/dmu)	1.55	1.39	1.66	1.52	1.49				Drawdown of run of mine inventory and a stronger Australian dollar
<b>South Africa Manganese<sup>25</sup></b> (FOB, US\$/dmu)	2.25	2.28	2.66	2.48	2.44				Higher volumes more than offset by a stronger South African rand and higher price-linked royalties
<b>Cerro Matoso</b> (US\$/lb)	3.69	3.79	4.22	4.01	4.10				Weaker Colombian peso and lower price-linked royalties
<b>Cannington<sup>26</sup></b> (US\$/t)	113	124	124	124	123				Higher price-linked royalties
<b>Cost breakdown</b>									
<b>FY21</b>									
<b>Hillside Aluminium</b> (US\$/t)	1,531	1,536	1,722	1,631					Lower raw material input costs more than offset by higher charges from a new power agreement
<b>Mozal Aluminium</b> (US\$/t)	1,785	1,585	1,818	1,702					Lower raw material input costs

Foreign exchange 
  Price-linked costs (including royalties)<sup>34</sup>
 Controllable costs 
  Raw material inputs 
  Other

○ FY21 actual vs. FY21 guidance % movement 
 ○ ≤ 5% of guidance 
 ○ >5% of guidance



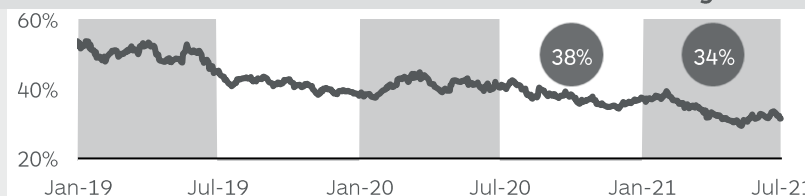
# OPERATING UNIT COST GUIDANCE

Operating unit costs	H2 FY21 actual	FY21	FY22 Guidance <sup>24</sup>	FY22 guidance vs. FY21 actual				Commentary
				(10%)	0%	10%	20%	
<b>Worsley Alumina</b> (US\$/t)	224	214	241					Higher caustic soda prices, price-linked freight and a planned transition to a higher cost mining area
<b>Brazil Alumina (non-operated)</b> (US\$/t)	201	203	Guidance not provided					Expected to be impacted by lower sales volumes, higher bauxite costs and the prior year's one-off tax credit
<b>Illawarra Metallurgical Coal</b> (US\$/t)	98	87	101					Fewer planned sales of low-margin coal wash material, higher price-linked royalties, incremental maintenance activity and longwall moves
<b>Australia Manganese<sup>25</sup></b> (FOB, US\$/dmu)	1.66	1.52	1.68					Stronger Australian dollar, an expected decline in product yield and a planned increase in strip ratio
<b>South Africa Manganese<sup>25</sup></b> (FOB, US\$/dmu)	2.66	2.48	2.57					Stronger South African rand and increased trucking costs partially offset by labour efficiencies
<b>Cerro Matoso</b> (US\$/lb)	4.22	4.01	4.12					Increased sales volumes more than offset by higher price-linked royalties and electricity prices
<b>Cannington<sup>26</sup></b> (US\$/t)	124	124	121					Higher throughput, production efficiencies and the impact of inventory movements partially offset by a stronger Australian dollar

## Smelter raw material basket costs

(% of LME Aluminium)<sup>35</sup>

6 month averages



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

1,722

1,631

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

1,818

1,702

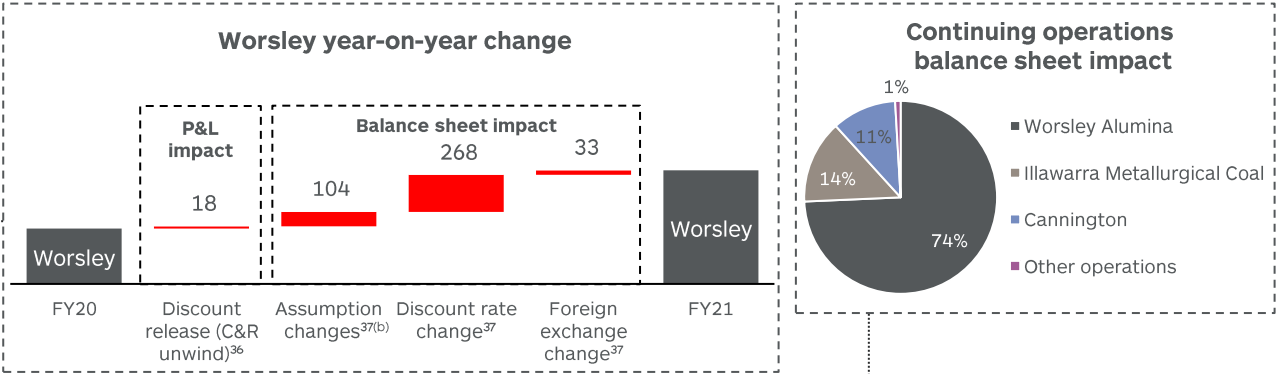
Cost profile to continue to be influenced by the South African rand and the price of raw material inputs

■ Foreign exchange 
 ■ Price-linked costs (including royalties)<sup>34</sup>
■ Controllable costs

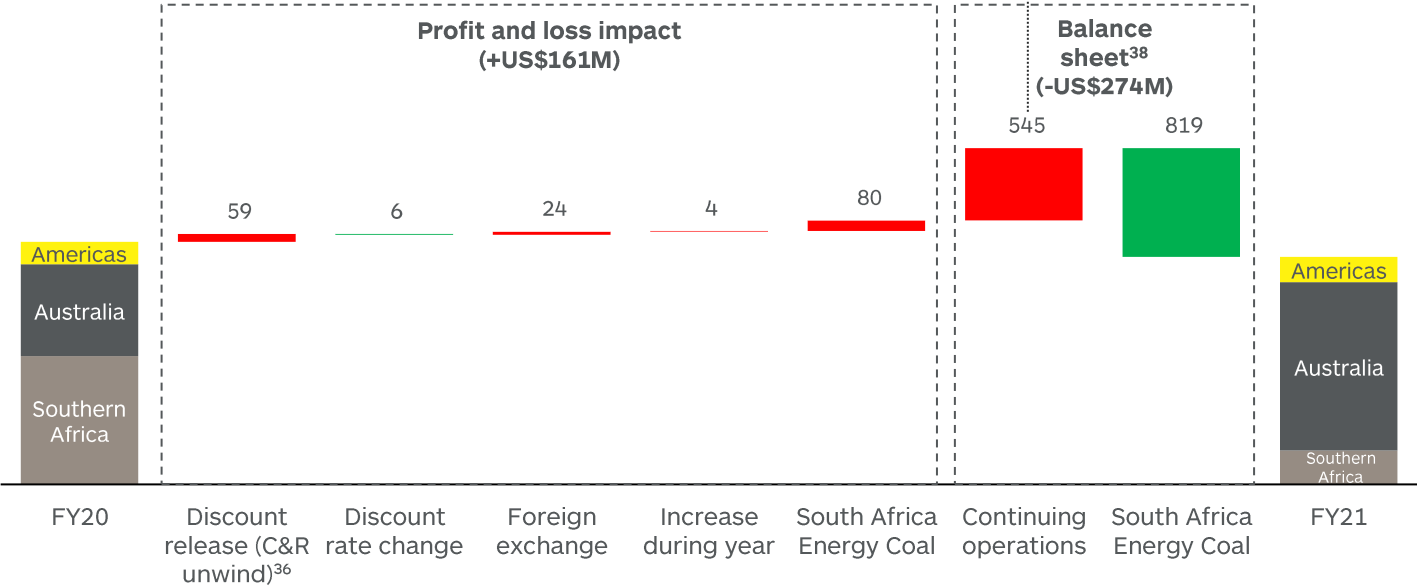
○ FY22 guidance vs. FY21 actual % movement 
 ○ ≤ 5% of prior year actual 
 ○ > 5% of prior year actual

# CLOSURE & REHABILITATION PROVISIONS

Closure and rehabilitation provisions by operation (South32 share)	FY21 US\$M	FY20 US\$M
Worsley Alumina	825	402
Cannington	232	167
Hillside Aluminium <sup>(a)</sup>	206	175
Illawarra Metallurgical Coal	206	118
Cerro Matoso	115	97
Mozal Aluminium	49	54
Brazil Alumina (non-operated)	46	44
Hermosa	31	28
Eagle Downs Metallurgical Coal	7	6
South Africa Energy Coal	-	739
<b>Total</b>	<b>1,717</b>	<b>1,830</b>



## South32 Group



Notes:  
a. Includes the Bayside aluminium smelter.  
b. Change in cost estimates and mine life.

# EARNINGS ADJUSTMENTS

Earnings adjustments	Continuing operations	Discontinued operation	FY21 US\$M	FY20 US\$M
<b>Adjustments to Underlying EBIT</b>				
Significant items	(55)	-	(55)	-
Exchange rate (gains)/losses on restatement of monetary items	35	34	69	(72)
Impairment losses	764	-	764	-
(Gains)/losses on non-trading derivative instruments and other investments measured at fair value through profit or loss	9	(46)	(37)	149
Major corporate restructures	23	-	23	-
Net (gains)/losses on the disposal of interests in businesses	-	159	159	-
Earnings adjustments included in profit/(loss) of equity accounted investments	15	-	15	108
<b>Total adjustments to Underlying EBIT</b>	<b>791</b>	<b>147</b>	<b>938</b>	<b>185</b>
<b>Adjustments to net finance costs</b>				
Exchange rate variations on net debt	52	-	52	(6)
<b>Total adjustments to net finance costs</b>	<b>52</b>	<b>-</b>	<b>52</b>	<b>(6)</b>
<b>Adjustments to income tax expense</b>				
Tax effect of other earnings adjustments to Underlying EBIT	(247)	-	(247)	(18)
Tax effect of earnings adjustments to net finance costs	7	-	7	(2)
Exchange rate variations on tax balances	(62)	(4)	(66)	99
<b>Total adjustments to income tax expense</b>	<b>(302)</b>	<b>(4)</b>	<b>(306)</b>	<b>79</b>
<b>Total earnings adjustments</b>	<b>541</b>	<b>143</b>	<b>684</b>	<b>258</b>

# UNDERLYING INCOME TAX EXPENSE

Underlying income tax expense reconciliation and Underlying effective tax rate	FY21	FY20
	US\$M	US\$M
Underlying EBIT	844	446
Include: Underlying net finance costs	(152)	(145)
Remove: Share of profit/(loss) of equity accounted investments	(148)	(208)
<b>Underlying profit/(loss) before tax</b>	<b>544</b>	<b>93</b>
Income tax expense/(benefit)	(103)	187
Tax effect of earnings adjustments to Underlying EBIT	247	18
Tax effect of earnings adjustments to net finance costs	(7)	2
Exchange rate variations on tax balances	66	(99)
<b>Underlying income tax expense</b>	<b>203</b>	<b>108</b>
<b>Underlying effective tax rate</b>	<b>37.3%</b>	<b>116%</b>



# UNDERLYING NET FINANCE COSTS

Underlying net finance costs reconciliation	FY21	FY20
	US\$M	US\$M
Unwind of discount applied to closure and rehabilitation provisions	(59)	(54)
Change in discount rate on closure and rehabilitation provisions	6	-
Interest on lease liabilities	(55)	(51)
Other	(1)	5
Discontinued operation	(43)	(45)
<b>Underlying net finance costs</b>	<b>(152)</b>	<b>(145)</b>
Add back earnings adjustment for exchange rate variations on net debt	(52)	6
<b>Net finance costs</b>	<b>(204)</b>	<b>(139)</b>

# CAPITAL EXPENDITURE GUIDANCE

Capital expenditure (excluding exploration and intangibles) (South32 share)	FY21 US\$M	FY22e US\$M
Worsley Alumina	51	43
Brazil Alumina	25	54
Hillside Aluminium	17	22
Mozal Aluminium	10	10
South Africa Energy Coal	23	-
Illawarra Metallurgical Coal	151	215
Cerro Matoso	30	23
Cannington	41	43
<b>Safe and reliable capital expenditure (excluding EAI)</b>	<b>348</b>	<b>410</b>
Worsley Alumina	4	18
South Africa Energy Coal	53	-
Illawarra Metallurgical Coal – Dendrobium Next Domain	37	15
Cerro Matoso	15	20
Other	7	17
<b>Improvement and life extension capital expenditure (excluding EAI)</b>	<b>116</b>	<b>70</b>
Hermosa <sup>(a)</sup>	64	45
Eagle Downs	8	-
<b>Growth capital expenditure</b>	<b>72</b>	<b>45</b>
<b>Total capital expenditure (excluding EAI)</b>	<b>536</b>	<b>525</b>
<b>Equity accounted investment capital expenditure (South32 share)</b>		
Australia Manganese	53	47
South Africa Manganese	16	18
<b>Safe and reliable capital expenditure (EAI)</b>	<b>69</b>	<b>65</b>
Australia Manganese	2	10
South Africa Manganese	-	20
<b>Improvement and life extension capital expenditure (EAI)</b>	<b>2</b>	<b>30</b>
<b>Total capital expenditure (EAI)</b>	<b>71</b>	<b>95</b>

Notes:

a. Guidance for Hermosa is for H1 FY22.

# FOOTNOTES

1. Scope 1 and 2 carbon emissions, compared with our FY21 baseline of 20.7Mt (actual emissions of 21.6Mt less South Africa Energy Coal and TEMCO). The FY21 baseline will be adjusted for any other material acquisitions or divestments.
2. Metrics describing sustainability and Health, safety, environment and community performance apply to operations that have been wholly owned and operated by South32, or that have been operated by South32 in a joint arrangement.
3. Total Recordable Injury Frequency (TRIF): The sum of work-related (fatalities + permanent impairment > 30 per cent of body + lost time injuries + restricted work injuries + medical treatment injuries) x 1,000,000 ÷ actual hours worked, for employees and contractors. Total Recordable Illness Frequency (TRILF): The sum of work-related (fatalities + permanent impairment > 30 per cent of body + lost time illnesses + restricted work illnesses + medical treatment illnesses) x 1,000,000 ÷ actual hours worked, for employees and contractors. These calculations exclude working from home hours and working from home injuries and illnesses. We adopt the United States Government Occupational Safety and Health Administration (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses.
4. Generic term meaning Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent; or who become citizens of the Republic of South Africa by naturalisation before 27 April 1994 or on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date.
5. FY21 outcome reflects a definitional change (Presidents and Vice Presidents reporting to members of the South32 Lead Team). FY19 and FY20 outcomes are based on the previous definition (Group Managers, Vice Presidents and Project Directors reporting to the South32 Lead Team).
6. Operational leadership refers to all General Managers and Managers reporting to Vice President Operations and all Managers reporting to General Managers at an Operation, excluding Functional Managers (such as Human Resources, Finance and Supply in FY21; and HSE, Human Resources, Finance and Supply in FY19 and FY20).
7. Greenhouse gas (GHG) total includes Scope 1 and Scope 2 emissions, measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol (WRI/WBCSD). Refer to the FY20 Sustainable Development Report for additional information which is available at [www.south32.net](http://www.south32.net).
8. In partnership with Australia's national science agency, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), we are supporting the development of ventilation air methane (VAM) abatement technologies which aim to increase the effectiveness of methane capture at low concentrations in ventilation air in a safe manner. The pilot plant scale trial will inform the technical capability of its potential deployment at Illawarra Metallurgical Coal.
9. Payable zinc equivalent (kt) was calculated by aggregating revenues from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY20 realised prices for zinc (US\$1,416/t), lead (US\$1,648/t) and silver (US\$16.5/oz) have been used for FY18, FY19, FY20 and FY21.
10. Operating margin comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.
11. Other includes corporate and marketing costs.
12. Other includes third party product, fully suspended operations (Metalloys), depreciation, non-cash, other income and costs associated with other income.
13. Underlying net finance costs and Underlying income tax expense are actual FY21 results, not year-on-year variances.
14. Aluminium (Aluminium LME cash index); Alumina (Platts Alumina Index (PAX) (FOB Australia)); 44% manganese (Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China)); Metallurgical coal (Platts Low-Vol Hard Coking Coal index (FOB Australia)); Nickel (Nickel (LME) cash index); Silver (Silver LME cash index); Lead (Lead LME cash index); and Zinc (Zinc LME cash index).
15. Market traded consumables and price-linked costs includes the impact of smelter power costs.
16. Other includes fair value on derivatives and freight.
17. FY20 third party product cost is US\$40M for aluminium, US\$18M for alumina, US\$291M for coal, nil for manganese, \$152M for freight services and US\$84M for aluminium raw materials. FY21 third party product cost is US\$35M for aluminium, US\$10M for alumina, US\$137M for coal, US\$195M for freight services and US\$91M for aluminium raw materials.
18. Includes all uncontrollable and controllable factors for South Africa Energy Coal (-US\$81M), TEMCO (-US\$44M) and Bayside (+US\$1M).
19. Other includes accounting related adjustments and the reduction in cost base at Metalloys.
20. Distributions include dividends and the net repayment of shareholder loans from manganese EAI.
21. Other primarily includes South African Energy Coal capital expenditure, foreign exchange movements on net cash, net cash outflows as a direct result of the South African Energy Coal divestment, proceeds from the sale of intangible royalty assets, new lease additions and capitalised exploration.
22. EPS refers to Underlying earnings per share since inception of the capital management program. Cumulative EPS is calculated as the sum of Underlying earnings over time, divided by shares outstanding with or without the share buy-back.
23. 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. FY21 realised prices for zinc (US\$2,357/t), lead (US\$1,862/t) and silver (US\$25.4/oz) have been used for FY20, FY21, FY22e and FY23e.
24. FY22 Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY22, including: an alumina price of US\$289/t; an average blended coal price of US\$140/t for Illawarra Metallurgical Coal; a manganese ore price of US\$4.79/dmtu for 44% manganese product; a nickel price of US\$7.93/lb; a silver price of US\$25.84/troy oz; a lead price of US\$2,165/t (gross of treatment and refining charges); a zinc price of US\$2,846/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.75; a USD:ZAR exchange rate of 15.00; a USD:COP exchange rate of 3,650; and a reference price for caustic soda; all of which reflected forward markets as at June 2021 or our internal expectations.
25. FOB ore Operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume.

# FOOTNOTES

26. Cannington Operating unit cost is Revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact Operating unit costs as related marketing costs may change.
27. 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 will be released in our FY21 Sustainable Development Report.
28. Realised ore prices are unaudited and calculated as external sales 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. South Africa Manganese ore sales are grossed-up to reflect a 60% accounting effective interest.
29. The information in this paragraph that relates to the production target is based on Proved and Probable Ore Reserves (87%), and Measured (12%) and Indicated (1%) Mineral Resources for Cerro Matoso. Mineral Resources and Ore Reserve estimates for Cerro Matoso were declared as part of South32's Annual Resource and Reserve declaration in the Annual Report 2020 ([www.south32.net](http://www.south32.net)) issued on 4 September 2020 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.
30. IRR is predicated on a consensus long term LME Nickel price of US\$16,000/t.
31. The information in this presentation that relates to Mineral Resource estimate for Taylor Deposit was declared in the market announcement "Hermosa Project-Mineral Resource Estimate Update" dated 21 July 2021 and prepared by Matthew Hastings, MAusIMM (CP) 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 the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.
32. The information in this presentation that refers to the Production target is based on Proved and Probable Coal Reserves and Measured, Indicated and Inferred Coal Resources for Illawarra Metallurgical Coal as provided in Appendix A. The proportion of resource and reserve from each category required to meet each of the targets mentioned in the Presentation is included in Appendix B. The information in this presentation that relates to the Coal Resources for the Illawarra Metallurgical Coal is presented on a 100% basis, represents an estimate as at 30 June 2021, and is based on information compiled by Mr. M Krejci. The information in this report that relates to the Coal Reserves for the Illawarra Metallurgical Coal is presented on a 100% basis, represents an estimate as at 30 June 2021, and is based on information compiled by Mr. M Rose. Mr. Krejci and Mr. Rose are full-time employees of South32 and are members of the Australasian Institute of Mining and Metallurgy. Both Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activities being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Competent Person consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.
33. FY21 Operating unit cost guidance included royalties (where appropriate) and the influence of exchange rates, and included various assumptions for FY21, including: an alumina price of US\$270/t; an average blended coal price (including coal wash sales) of US\$96/t for Illawarra Metallurgical Coal; a manganese ore price of US\$4.55/dmtu for 44% manganese product; a nickel price of US\$7.51/lb; a silver price of US\$25.15/troy oz; a lead price of US\$1,952/t (gross of treatment and refining charges); a zinc price of US\$2,597/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.75; a USD:ZAR exchange rate of 15.69; a USD:COP exchange rate of 3,594; and a reference price for caustic soda; all of which reflected forward markets as at January 2021 or our internal expectations.
34. Price-linked costs reflect commodity price-linked and market traded consumables costs.
35. Sources: LME, Baiinfo, Aladinny, AZ China, CRU, Platts, Jacobs. Calculation assumes 1t of aluminium, 1.9t alumina, 0.35t coke, 0.075t pitch and 0.02t aluminium tri-fluoride.
36. Unwind of discount applied to closure and rehabilitation provisions.
37. Amounts capitalised related to open mines.
38. Balance sheet movement of continuing operations (US\$545M) reflects net impact of a US\$168M increase in provisions as a result of amounts capitalised to the provision as a result of a review of underlying cash flow assumptions and estimates relating to open mines, a US\$76M increase in provisions associated with the capitalisation of foreign exchange impacts on restatement of closure provisions relating to open sites, a US\$305M increase in provisions associated with the capitalisation of discount rate change impacts and a US\$4M decrease as a result of utilisation.

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

The following abbreviations have been used throughout this presentation: aluminium tri-fluoride (ATF); cost, insurance and freight (CIF); equity accounted investments (EAI); free on board (FOB); hard coking coal (HCC); Illawarra Metallurgical Coal (IMC); internal rate of return (IRR); Mineração Rio do Norte (MRN); Premium Concentrate Ore (PCO2); pulverized coal injection (PCI); pre-feasibility study (PFS); and feasibility study (FS).

# APPENDIX A

## Coal Resources

As at 30 June 2021

As at 30 June 2021																				As at 30 June 2020			
Deposit <sup>(1)</sup>	Mining Method	Coal Type	Measured Coal Resources				Indicated Coal Resources				Inferred Coal Resources				Total Coal Resources				South32 Interest	Total Coal Resources			
			Mt	% Ash	% VM	% S	Mt	% Ash	% VM	% S	Mt	% Ash	% VM	% S	Mt	% Ash	% VM	% S		%	Mt	% Ash	% VM
Illawarra Metallurgical Coal <sup>(2)(3)</sup>																			100				
Bulli	UG	Met/Th	172	11.3	24.0	0.36	297	12.3	23.6	0.36	320	13.6	22.9	0.36	789	12.6	23.4	0.36		783	12.6	23.5	0.36
Wongawilli	UG	Met/Th	57	28.6	23.5	0.59	240	29.7	22.2	0.57	130	29.7	22.4	0.57	426	29.5	22.4	0.57		428	29.5	22.4	0.57

## Coal Reserves

As at 30 June 2021

As at 30 June 2021																				As at 30 June 2020				
Deposit <sup>(1)(4)(5)(6)</sup>	Mining Method	Coal Type	Proved Coal Reserves	Probable Coal Reserves	Total Coal Reserves	Proved Marketable Coal Reserves			Probable Marketable Coal Reserves				Total Marketable Coal Reserves			Reserve Life	South32 Interest	Total Marketable Coal Reserves				Reserve Life		
			Mt	Mt	Mt	Mt	% Ash	% VM	% S	Mt	% Ash	% VM	% S	Mt	% Ash	% VM	% S	Years	%	Mt	% Ash	% VM	% S	Years
Illawarra Metallurgical Coal																			100					
Bulli	UG	Met	14	102	116	12	8.9	24.3	0.36	85	8.9	24.6	0.35	97	8.9	24.6	0.35	22		99	8.9	24.5	0.35	24
Wongawilli	UG	Met/Th	6.9	7.2	14																			
	UG	Met				4.1	10.8	23.9	0.60	4.0	10.8	23.3	0.59	8.1	10.8	23.6	0.59	3.4		7.4	10.8	24.2	0.60	3.0
	UG	Th				1.4	28.0			1.6	28.0			3.0	28.0					2.7	27.5			

Notes:

- (1) Cut-off grade  
Coal Resources  
No seam thickness cut-off applied, minimum thickness is economic, partial exception for south Bulli.
- (2) Coal Resources tonnes are reported on an in situ moisture basis, Ash is reported as raw, VM and S are reported as potential product on air-dried basis.
- (3) Coal Resources classification changes due to additional drilling and updated resource model.
- (4) Total Coal Reserves are at the moisture content when mined (6% Bulli, 7% Wongawilli), Total Marketable Coal Reserves are the tonnes of coal available at moisture content (8.5% Bulli, 15% Wongawilli Met, 6% Wongawilli Th) and air-dried qualities after the beneficiation of the Total Coal Reserves.
- (5) Coal delivered to wash plant.
- (6) Process recoveries:  
Bulli 84%  
Wongawilli 78%

# APPENDIX B

	Resource/ Reserve Category	Original DND Mine Plan	DND Adapt	Appin Only
		~7.6Mtpa	7.5 – 8.0Mtpa	~4.5Mtpa
Coal Reserves	Proved	3%	4%	5%
	Probable	66%	74%	91%
Coal Resources	Measured	13%	15%	0%
	Indicated	12%	4%	0%
	Inferred	6%	3%	4%

