



17 January 2022

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

HERMOSA PROJECT UPDATE PRESENTATION

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) will hold a conference call at 11:00am Australian Western Standard Time (2:00pm Australian Eastern Daylight Time) on 17 January 2022 to provide an update of the Hermosa project 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>).

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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Approved for release by Graham Kerr, Chief Executive Officer
JSE Sponsor: UBS South Africa (Pty) Ltd
17 January 2022



HERMOSA PROJECT UPDATE

17 January 2022

IMPORTANT NOTICES



This presentation should be read in conjunction with the "Hermosa Project Update" announcement released on 17 January 2022, which is available on South32's website (www.south32.net) and any other disclosures made to the stock exchanges since this date. 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.

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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, Operating margin 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.

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MINERAL RESOURCES AND ORE RESERVES

Clark Deposit scoping study cautionary statement: The scoping study referred to in this presentation is based on low-level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised. The study is based on 60% Indicated and 40% Inferred Mineral Resources (refer to footnotes (slide 29) for cautionary statement).

Production Targets cautionary statement: The information in this presentation that refers to Production Target and forecast financial information is based on Measured (20%), Indicated (62%), Inferred (14%) Mineral Resources and Exploration Target (4%) for the Taylor Deposit. The Mineral Resources underpinning the Production Target have been prepared by a Competent Person in accordance with the JORC Code (refer to footnotes (slide 29) for cautionary statement). All material assumptions on which the Production Target and forecast financial information is based is provided in the "Hermosa Project Update" announcement released on 17 January 2022. There is low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target will be realised. The potential quantity and grade of the Exploration Target is conceptual in nature. In respect of Exploration Target used in the Production Target, there has been insufficient exploration to determine a Mineral Resource and there is no certainty that further exploration work will result in the determination of Mineral Resources or that the Production Target itself will be realised. The stated Production Target is based on South32's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met. South32 confirms that inclusion of 18% of tonnage (14% Inferred Mineral Resources and 4% Exploration target) is not the determining factor of the project viability and the project forecasts a positive financial performance when using 82% tonnage (20% Measured and 62% Indicated Mineral Resources). South32 is satisfied, therefore, that the use of Inferred Mineral Resources and Exploration Target in the Production Target and forecast financial information reporting is reasonable.

Competent Persons Statement and cautionary statement – Exploration Results and Exploration Target: The information in this presentation that relates to Exploration Results and Exploration Targets for Hermosa (including Peake) was declared in the "Hermosa Project Update" announcement released on 17 January 2022 and is prepared by a Competent Person 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 market announcement. 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. In respect of those Exploration Targets, The potential quantity and grade is conceptual in nature. There has been insufficient exploration to determine a Mineral Resource and there is no certainty that further exploration work will result in the determination of Mineral Resources.

HERMOSA HIGHLIGHTS

Taylor PFS demonstrates its potential to be Hermosa's first development and deliver attractive returns over multiple stages

A low carbon, low impact option in the first quartile of the industry's cost curve

Preferred configuration of a conventional 4.3Mtpa plant and dual shaft access^(a)

Potential to be a globally significant producer of metals critical to a low carbon future

Located in Arizona, USA close to infrastructure, skilled service providers and supply chains

Taylor's large Mineral Resource remains open, while activities to unlock value from Clark and our regional exploration are continuing

Notes:

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

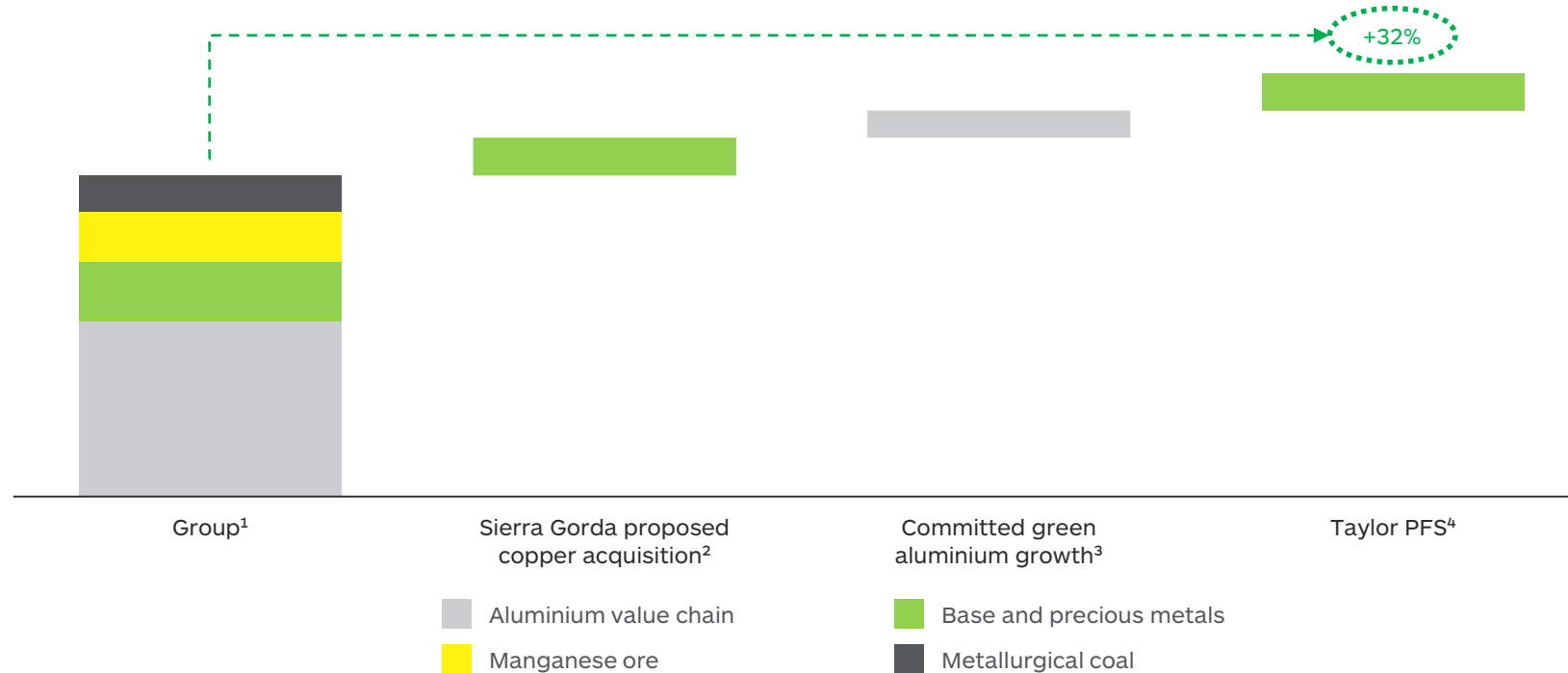
RESHAPING OUR PORTFOLIO

Taylor's development^(a) would further increase our leverage to the metals critical to a low carbon future

We have substantial production growth focused on green metals

Our portfolio already has significant exposure to the commodities which benefit from the uptake of low carbon technologies

Illustrative Group production profile^(b)
US\$M revenue equivalent at FY21 realised prices



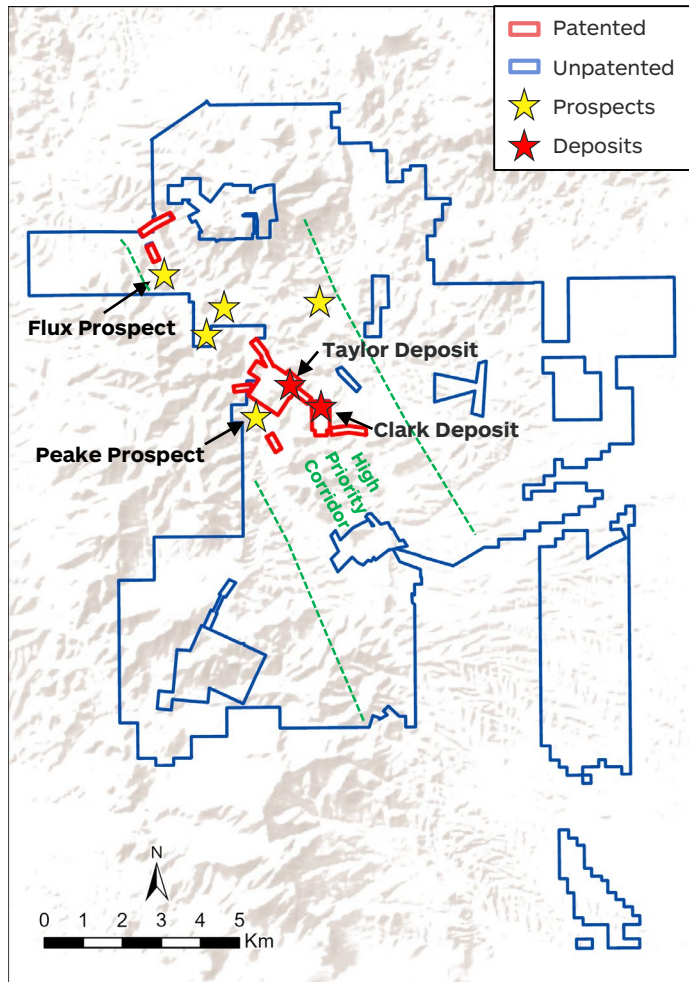
Notes:

- a. Refer to important notices (slide 2) for additional disclosure.
- b. Illustrative production growth is calculated using FY21 realised prices.

HERMOSA PROJECT

A large regional landholding hosting multiple development options and exploration targets

Hermosa land package



Taylor is an attractive base metals development option

- 138Mt zinc-lead-silver sulphide Mineral Resource with a Hermosa Exploration Target ranging from 10 to 95Mt^(a)
- PFS demonstrates potential for a sustainable, low cost operation with 20+ year initial resource life^(b)
- Final investment decision expected in mid CY23

Clark offers the separate potential to produce a battery-grade manganese product for North America

- 55Mt zinc-manganese-silver oxide Mineral Resource^(b)
- Scoping study^(a) has confirmed the potential to produce battery-grade manganese into rapidly-growing markets
- Manganese listed as a critical mineral in the United States
- Studies to consider a potential integrated development of Taylor and Clark, unlocking operating and capital synergies

A highly prospective land package

- Since acquisition, we have increased our tenure by 66%, consolidating the most prospective areas
- Through soil sampling, geophysics and mapping, we have defined a highly prospective corridor
- High-grade copper-lead-zinc-silver mineralisation intersected at the Peake prospect, south of the Taylor Deposit
- Planning to drill the Flux prospect in late CY22, located down-dip of an historic mining area

Notes:

- Refer to important notices (slide 2) for additional disclosure.
- Refer to footnotes (slide 29) for additional disclosure.

OUR APPROACH TO HERMOSA'S SUSTAINABLE DEVELOPMENT



Our commitment to sustainable development is embedded in our approach to project development

Partnering with local communities

- We are investing in local programs and partnerships that reflect the priorities of the communities around Hermosa
- We have established local procurement and employment plans

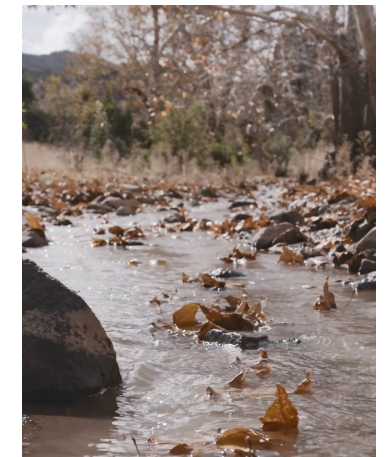


Preserving cultural heritage

- We are committed to working with Native American tribes to protect cultural resources
- We have completed initial surveys for cultural resources on both our patented lands and unpatented mining claims

Managing our environmental impact

- We have established an environmental management plan and completed key studies for biodiversity, ecosystems and water
- We have established a state-of-the-art dry stack tailings facility
- We have a strong focus on water management and minimising surface footprint in the PFS design



Targeting a carbon neutral development

- A low carbon intensity operation with a pathway to net zero
- Potential to access 100% renewable energy from local providers
- Studying options to use battery electric vehicles and mining equipment

TAYLOR PFS SUMMARY

Potential for a large scale, low-cost, multi-decade operation adopting a conventional processing circuit

PFS summary information

Mine design	Longhole open stoping underground mine with paste backfill plant
Process design	Conventional sulphide ore flotation circuit
Nameplate capacity	Up to 4.3Mtpa in the preferred PFS development scenario ^(a)
Products	Zinc and lead concentrates, with silver credits
Resource life	~22 years
Head grades	~4.1% Zn, ~4.5% Pb, ~82 g/t Ag
Recoveries	~90% Zn, ~91% Pb, ~81% Ag (in Pb concentrate)
Metal payability	~85% Zn, ~95% Pb, ~95% Ag (in Pb concentrate)
Annual payable zinc production	~111kt
Annual payable lead production	~138kt
Annual payable silver production	~7.3Moz
Annual payable ZnEq production ⁵	~280kt
Operating unit costs	~US\$81/t ore milled
Operating unit costs	~US\$(0.71)/lb ZnEq
Growth capital	~US\$1,700M comprising ~US\$1,230M (direct) & ~US\$470M (indirect)
Sustaining capital	~US\$40M per annum
Fiscal terms	Corporate tax rate ~26% ⁶

Taylor site map



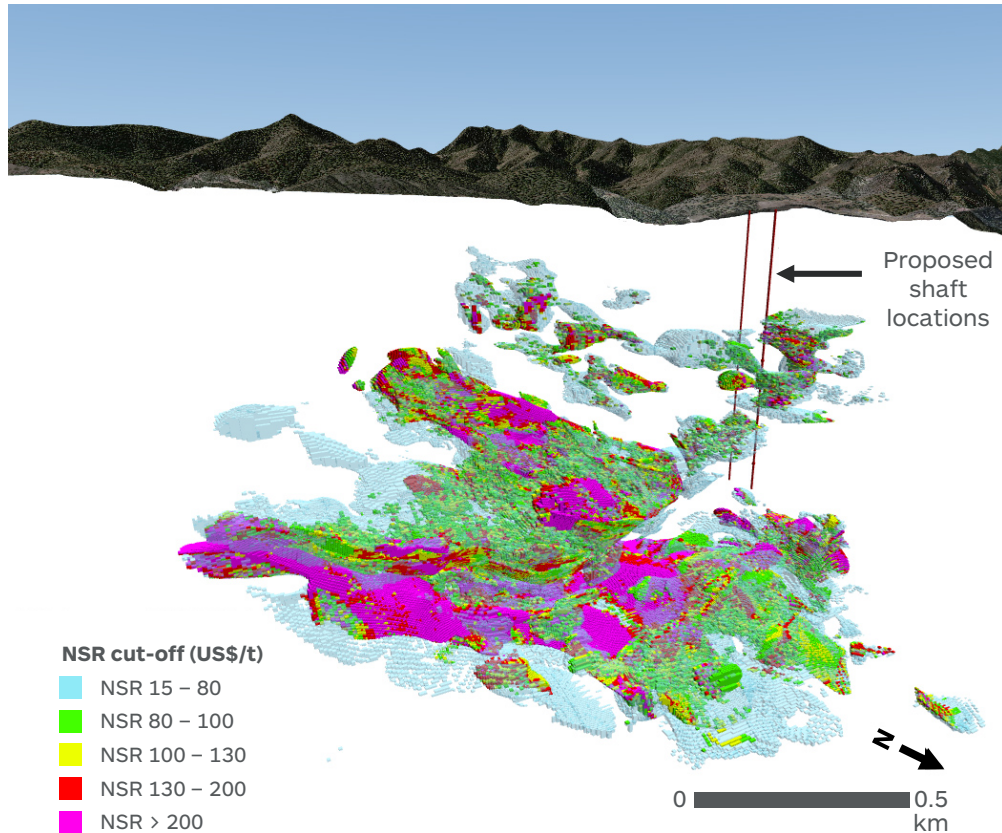
Notes:

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

TAYLOR MINERAL RESOURCE

Taylor's large Mineral Resource is expected to underpin Hermosa's first phase of development

Taylor Deposit geology and mineralisation (looking south-west)



Taylor Deposit

- 138Mt Mineral Resource with a zinc equivalent grade of 8.61%^(a)
- Large orebody with a strike length of ~2.5km and width of ~1.9km
- Extends to a depth of ~1.2km
- Comprises the upper Taylor sulphide and lower Taylor deeps domains that have a general northerly dip of 30°
- Orebody geometry enables concurrent mining from multiple independent areas, supporting the potential for high productivity and throughput

Taylor Deposit Mineral Resource

Classification	Mt	Zn (%)	Pb (%)	Ag (g/t)	ZnEq (%)
Measured	29	4.10	4.05	57	8.25
Indicated	86	3.76	4.44	86	8.79
Measured and Indicated	115	3.85	4.34	79	8.65
Inferred	24	3.73	3.82	91	8.41
Total	138	3.82	4.25	81	8.61

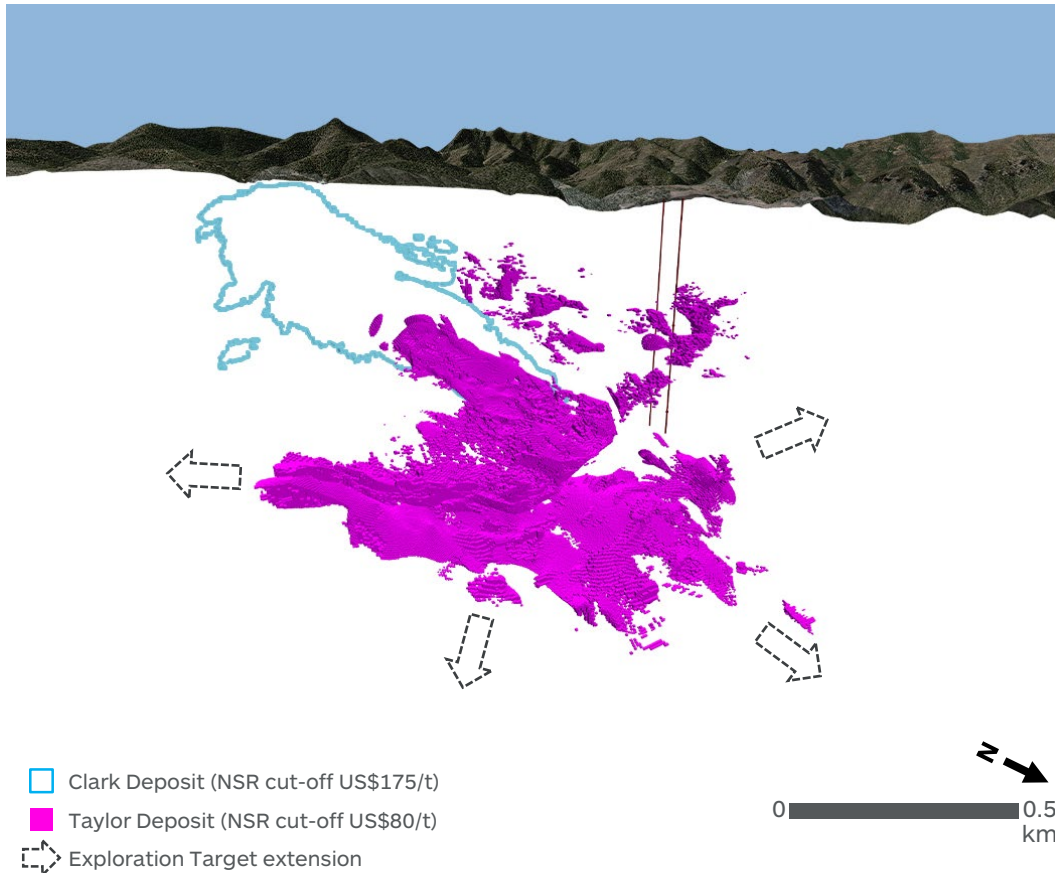
Notes:

a. Refer to footnotes (slide 29) for additional disclosure.

HERMOSA EXPLORATION POTENTIAL

Our resource range analysis work supports the potential for further resource growth

Taylor Deposit and Exploration Target



- A highly prospective mineralised system, open at depth and laterally
- We have completed resource range analysis work aimed at developing an unconstrained, spatial view of the Exploration Target at Taylor, considering extensional and near-mine exploration potential
- Our resource range analysis utilises deterministic estimates of potential volumes and grades using assumptions for continuity and extension consistent with available data and models
- Exploration Target ranges from 10 to 95Mt, with a mid case of ~45Mt

Exploration Target^{(a)(b)}

	Low Case				Mid Case				High Case			
	Mt	% Zn	% Pb	g/t Ag	Mt	% Zn	% Pb	g/t Ag	Mt	% Zn	% Pb	g/t Ag
Sulphide	10	3.8	4.2	81	45	3.4	3.9	82	95	3.6	4.0	79

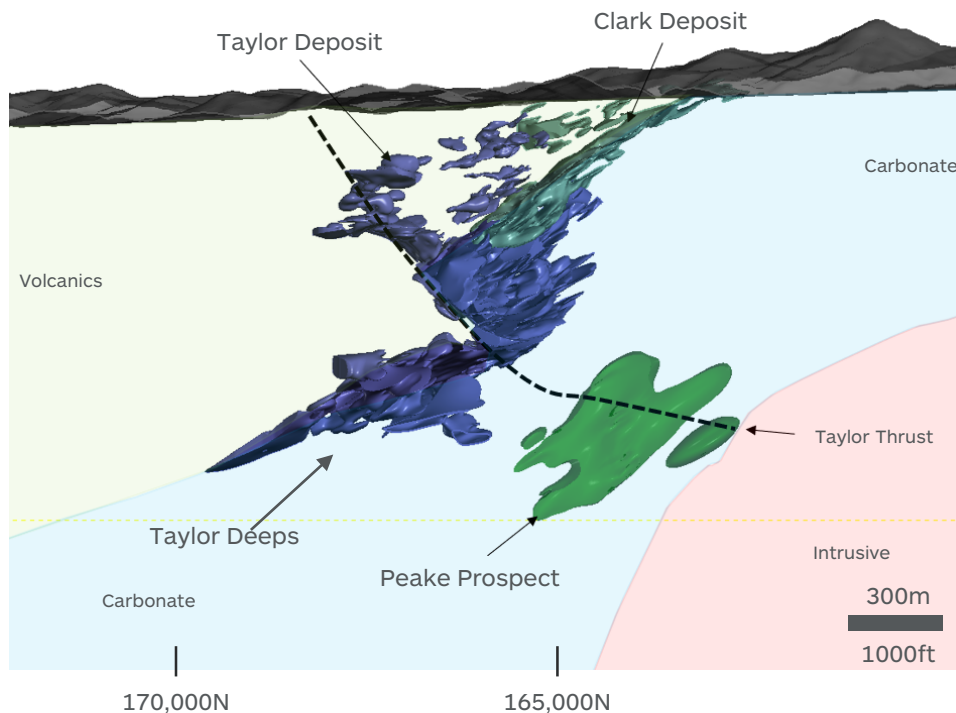
Notes:

- Refer to important notices (slide 2) for additional disclosure.
- Cut-off grade: NSR of US\$80/t.

HERMOSA EXPLORATION POTENTIAL

A new exploration target prospective for copper mineralisation

Peake prospect



Peake prospect^(a)

- Exploration drilling has identified near-mine exploration targets, including the Peake prospect
- High-grade copper-lead-zinc-silver mineralisation has been intersected at the skarn hosted Peake prospect, south of the Taylor Deposit
- Interpretation of these results and recently acquired data indicates the potential for a continuous structural and lithology controlled system connecting Taylor Deeps and Peake, a deeper zone prospective for copper
- Further exploration drilling is planned in CY22

Peake prospect – selected drilling results

Hole ID	From (m)	To (m)	Cut off	Width (m)	Zinc (%)	Lead (%)	Silver (ppm)	Copper (%)
HDS-540	1279.2	1389.0	0.2% Cu	109.7	0.1	0.3	15	0.62
				Including				
	1303.6	1309.7	0.2% Cu	6.1	0.2	0.4	61	3.48
HDS-552	1308.2	1384.7	0.2% Cu	76.5	0.2	0.4	25	1.52
				Including				
	1309.9	1328.6	0.2% Cu	18.8	0.1	0.2	40	2.77
HDS-661				And				
	1364.3	1384.7	0.2% Cu	20.4	0.1	0.3	37	2.44
	1322.2	1374.6	0.2% Cu	52.4	0.1	1.1	105	1.73
HDS-717				Including				
	1322.2	1346.0	0.2% Cu	23.8	0.1	0.8	81	3.32
				Including				
HDS-661	1322.2	1330.1	0.2% Cu	7.9	0.1	0.4	81	7.89
	1386.8	1460.6	0.2% Cu	73.8	0.5	0.7	67	1.06
				Including				
HDS-717	1399.6	1410.3	0.2% Cu	10.7	0.7	1.5	227	2.84
	1456.6	1466.7	0.2% Cu	10.1	0.5	1.0	78	2.57

Notes:

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

PFS MINE DESIGN

Our PFS mine design employs conventional methods, delivering high productivity from multiple faces

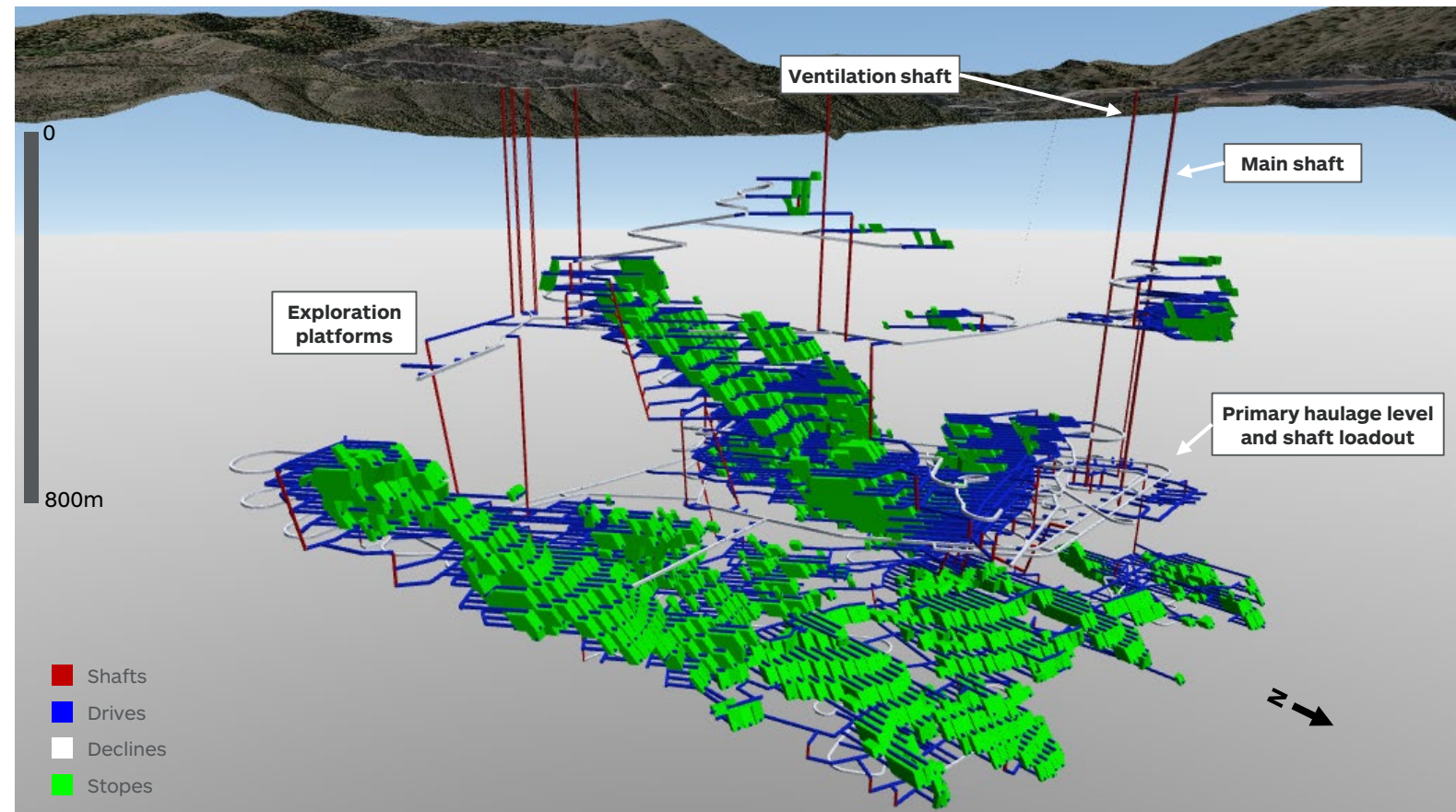
Dual shaft access prioritises higher grade ore in early years

Proposed mining method is low technical risk, employing longhole open stoping, similar to Cannington

Multiple concurrent mining areas expected to support high productivity

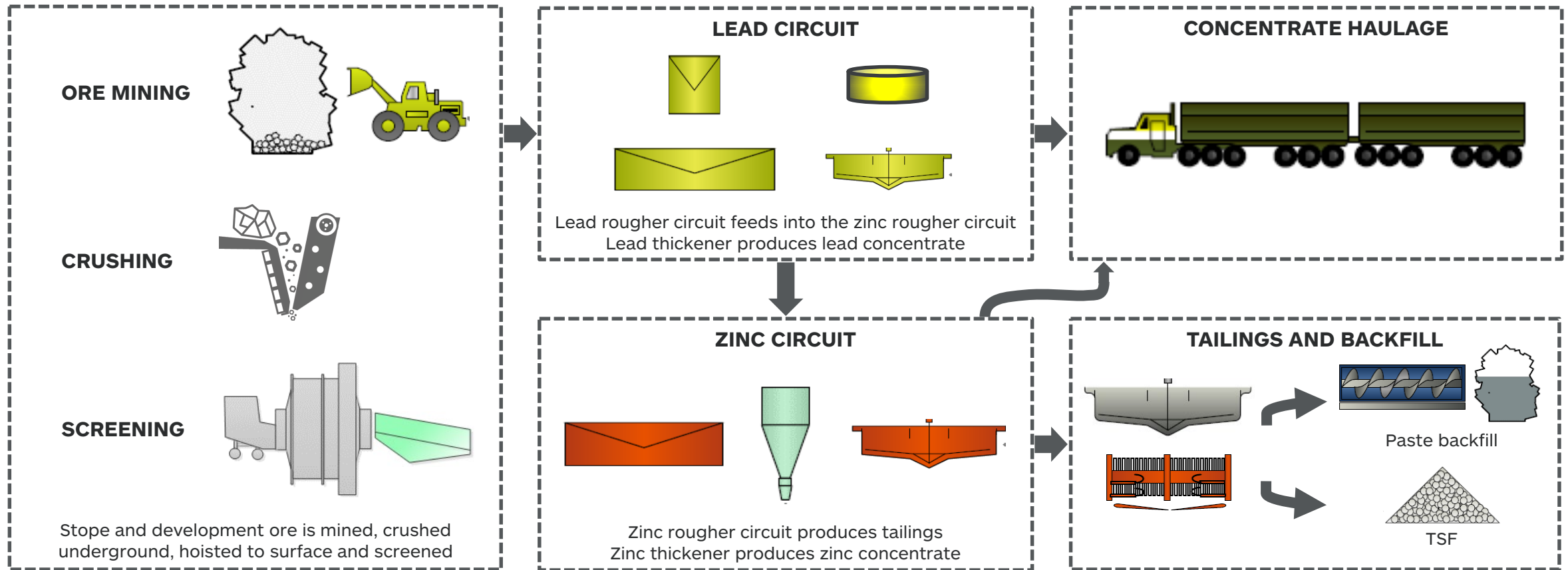
Single stage ramp-up following orebody dewatering to nameplate production

Taylor Deposit underground mine design



PFS PROCESS DESIGN

Conventional sulphide ore flotation circuit that produces separate zinc and lead concentrates with silver credits



SITE INFRASTRUCTURE

Project's initial water treatment plant and tailings storage facility are already established

Existing water and tailings infrastructure



Water

- Additional capital required to establish water wells and a second water treatment plant
- The first water treatment plant is installed and treatment upgrades are expected to be commissioned in Q3 FY22
- Construction to support critical path orebody dewatering is planned to commence in H2 FY22
- Second water treatment plant expected to be commissioned in Q4 FY23

Tailings storage

- We have completed the remediation of historic tailings, establishing the first of two state-of-the-art dry stack tailings storage facilities (TSF)
- Approximately half of Taylor's planned tailings are to be sent underground as paste fill, reducing its surface environmental footprint
- First TSF on patented land, with several State-based permits already received for dewatering
- Subsequent expansion of tailings storage capacity to require Federal permitting

Power

- Site power expected to be met through a grid-connected high voltage transmission line
- Discussions initiated to secure 100% renewable energy from local providers

Services and labour

- Excellent access to local service providers and skilled labour

TRANSPORT AND LOGISTICS

Hermosa is well located with the potential to serve multiple markets from established infrastructure

Concentrate readily exported to Asian and European smelters

Access to multiple North American ports

Concentrate expected to be trucked to a rail transfer facility or directly to port

Feasibility study to investigate the potential to supply smelters in the Americas

Transport logistics



PFS PRODUCT RECOVERIES

Taylor is expected to produce high-quality zinc and lead concentrates, with substantial silver by-product credits

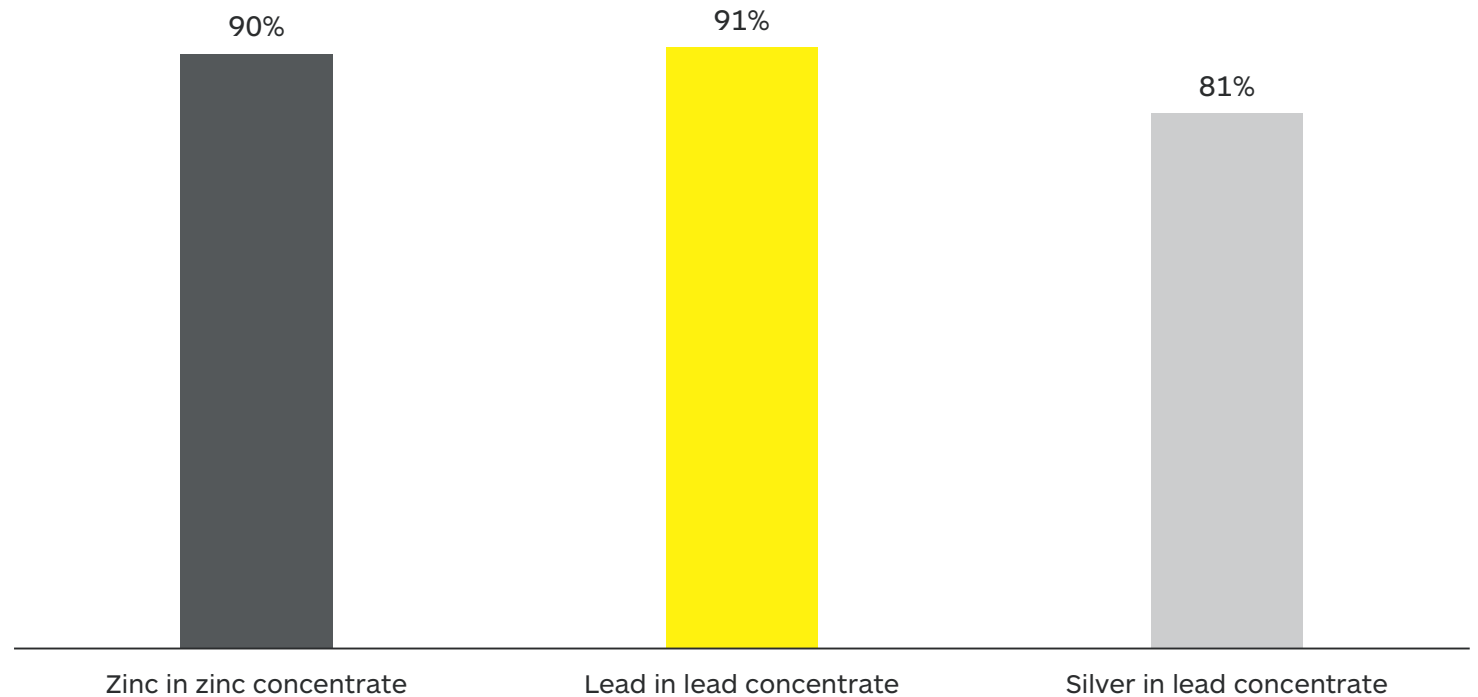
**Mid-grade zinc concentrate
with relatively high silver content**

High-grade lead concentrate

**Silver primarily reports to the
lead concentrate**

**Metallurgical test work
indicates excellent recoveries**

Average metal recoveries
%



PFS PRODUCTION PROFILE

Preferred PFS development scenario to target throughput of up to 4.3Mtpa^(a)

PFS production schedule has first ore expected in FY27 and a single stage ramp up to nameplate in FY30

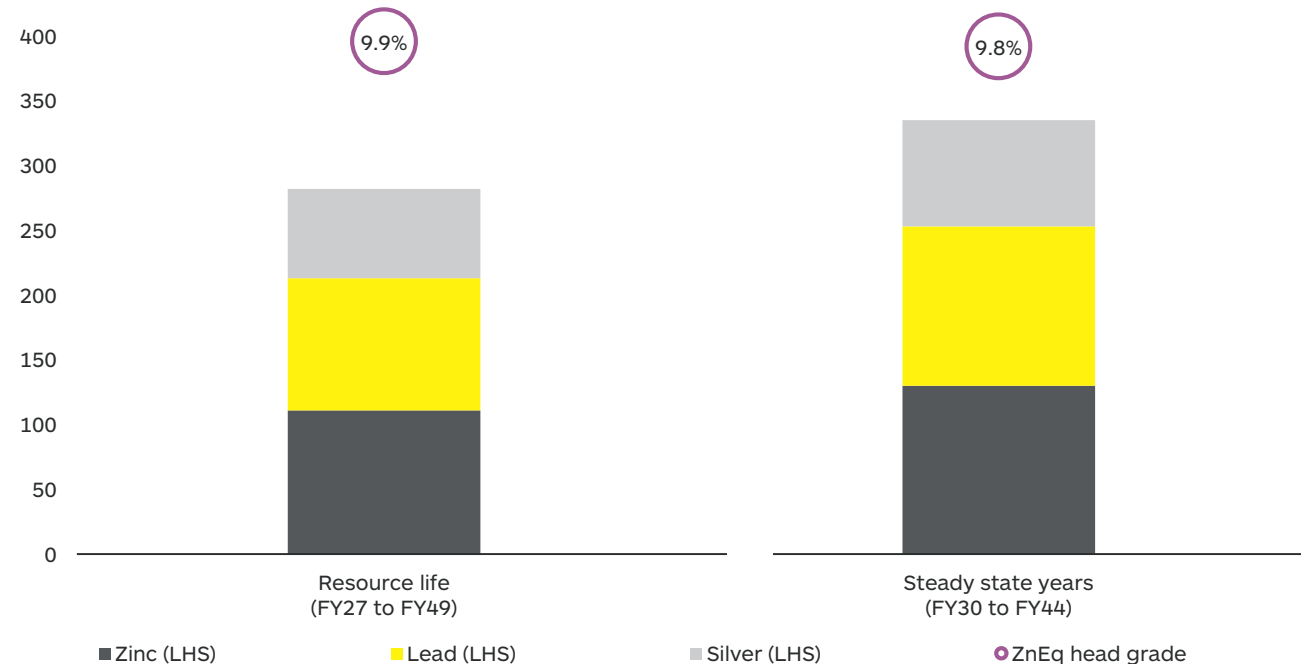
High grade mineralisation (~12% ZnEq) targeted in the first five years of mine plan

Average production in steady state years ~340ktpa ZnEq (FY30 to FY44)

Potential to extend the initial resource life

Payable ZnEq production and ZnEq head grade⁵
ktpa, LHS; %,

Up to 4.3Mtpa nameplate capacity, ~22 year resource life



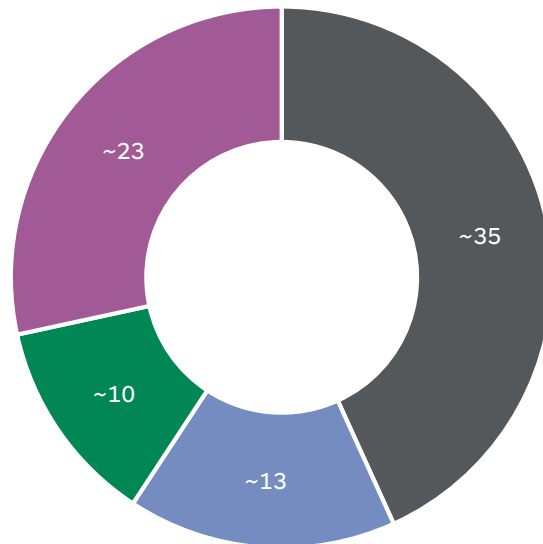
Notes:

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PFS OPERATING UNIT COSTS

Operating unit costs are expected to benefit from underground productivity, production scale and favourable location

Operating unit costs⁷
US\$/t ore milled (average)



■ Mining ■ Processing
■ General and administrative
■ Other

Negative Operating unit costs
with by-product credits

ZnEq Operating unit cost⁸
~US\$(0.71)/lb ZnEq

All-in sustaining cost⁹
~US\$(0.05)/lb ZnEq

Operating unit costs

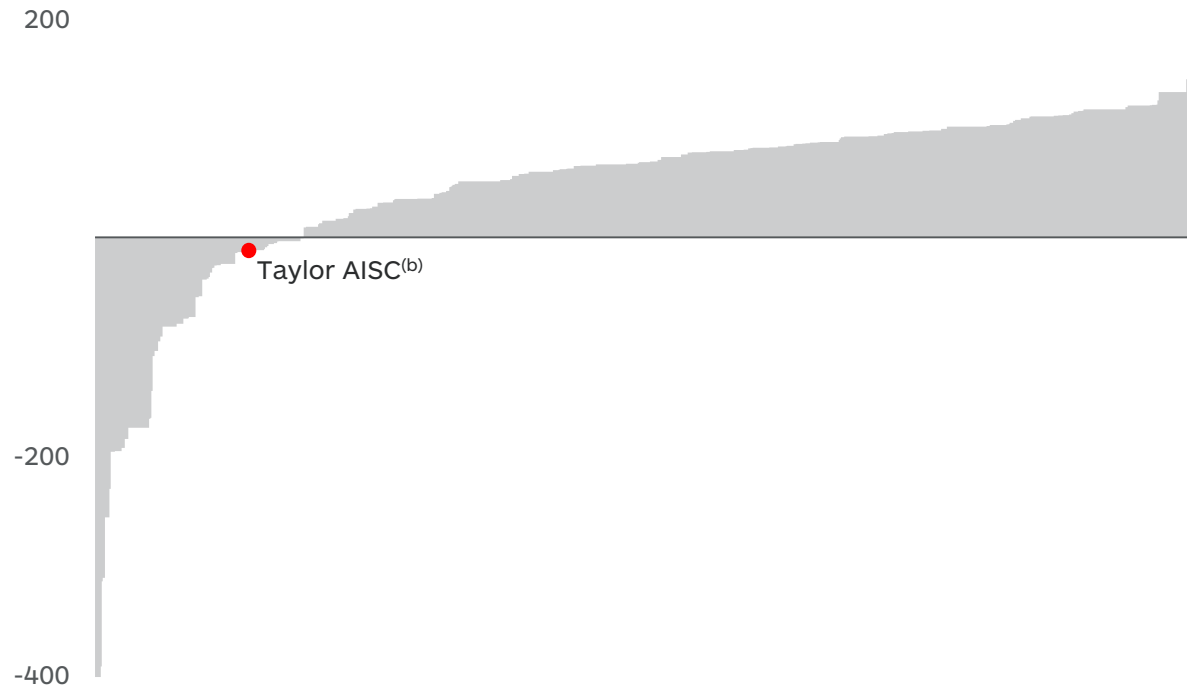
- Mining costs include all activities related to underground mining, including labour, materials, utilities and maintenance
- Processing costs include consumables, labour and power
- General and administrative costs include head office corporate costs and site support staff
- Other costs include shipping and transport, marketing and royalties, with private net smelter royalties averaging 2.4%

PFS OPERATING UNIT COSTS

Taylor's unit costs are expected to be in the first quartile of the industry's cost curve^(a)

Zinc total cash and sustaining costs curve CY29^(a)

US\$/lb, real 1 January 2021, net of credits



Potential opportunities to further reduce operating costs during feasibility include:

- Optimisation of the mining schedule, power consumption and comminution circuit
- Potential to supply smelters in the Americas, realising a material reduction in shipping and transport costs
- Emerging technology and automation opportunities to be further tested, targeting enhanced productivity

Notes:

a. Based on Wood Mackenzie Zinc Mine Normal Costs Curve (2021 Q4 dataset), and is calculated as the sum of direct costs, indirect cash costs, interest charges and sustaining capital expenditure.

b. Based on Taylor all-in sustaining cost (AISC) during steady-state operations (FY30 to FY44) of approximately US\$(0.13)/lb ZnEq.

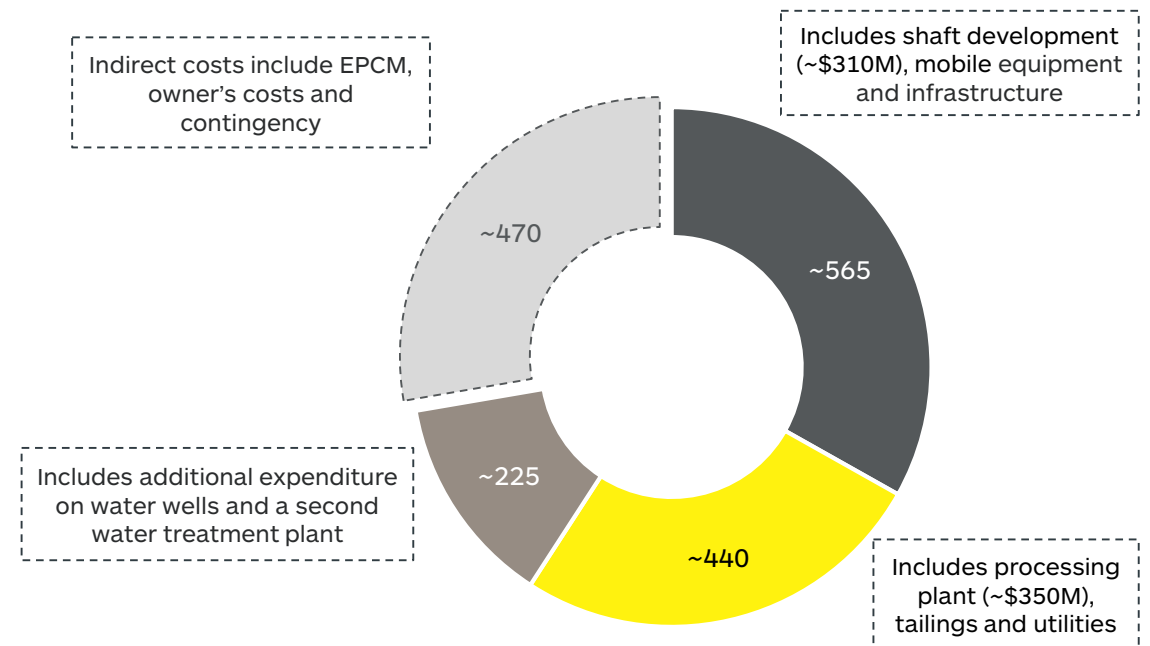
PFS CAPITAL EXPENDITURE

Upfront investment required to support additional orebody dewatering

- Direct growth capital includes estimates for all mining, processing and other surface infrastructure, including tailings, water and power
- Capital estimate reflects assumptions for key inputs including steel, cement and labour as at H1 FY22
- Mine development and processing plant cost estimates benchmark favourably, while additional capital has been allocated for upfront dewatering and to establish dedicated power infrastructure
- Includes pre-commitment capital for dewatering of ~US\$55M in H2 FY22, with further investment expected in FY23
- Annual average sustaining capital ~US\$40M
- Further optimisation of costs and design will focus on shaft optimisation and the potential benefits from a co-development of the Clark Deposit
- Additional costs will be incurred during the study phase, attributable to the Taylor feasibility study and work across the broader Hermosa project

Four year construction period following final investment decision

Pre-production capital expenditure (US\$M)



Direct costs ■ Surface facilities ■ Mining ■ Dewatering

Indirect costs

PFS TIMELINE AND APPROVALS

Taylor feasibility study and a final investment decision expected in mid CY23

Preferred development path assumed in the PFS^(a)



Key approvals and permits required for the Taylor Deposit

- Initial underground development, surface infrastructure and initial tailings placement are expected to be located on patented mining claims, requiring approvals and permits from the State of Arizona. Several State-based permits for dewatering are already held
- Surface disturbance on unpatented land will require completion of the National Environmental Policy Act (NEPA) process with the United States Forest Service to receive a Record of Decision (RoD)
- RoD would enable the establishment of tailings storage capacity on unpatented land
- The project may benefit from the classification of metals found at Hermosa as critical minerals in the United States. Zinc is proposed to be added as a critical mineral by the U.S. Geological Survey while manganese (Clark Deposit) already has this designation

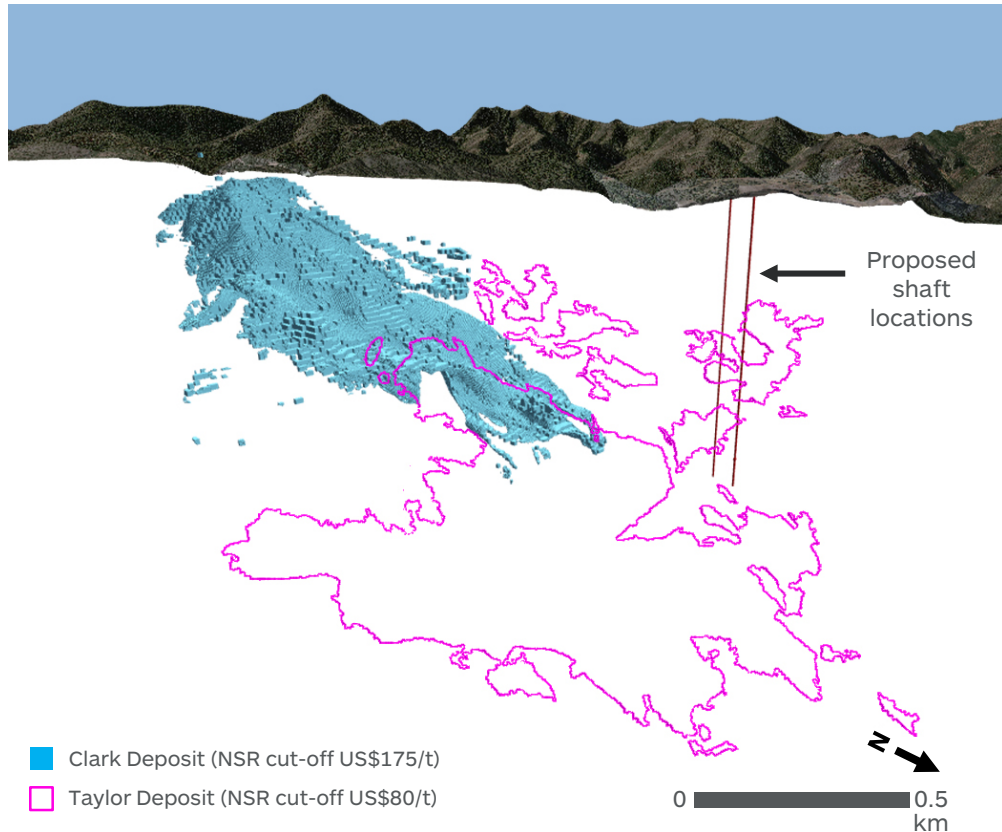
Notes:

a. Illustrative development path for the Taylor Deposit in the PFS, which is subject to investment approvals and receipt of required permits.

CLARK SCOPING STUDY

Scoping study has confirmed the potential to produce battery-grade manganese via Clark's separate development

Taylor and Clark Deposits (looking south-west)



Clark Deposit

- 55Mt Mineral Resource averaging 2.31% zinc, 9.08% manganese and 78g/t silver^(a)
- Mineralised from surface with the potential to share underground infrastructure with Taylor
- Separate processing circuit to Taylor required to produce battery-grade manganese

Scoping study results^(b)

- Confirmed a technically viable flowsheet to produce battery grade manganese:
 - Manganese Sulphate Monohydrate; or
 - Electrolytic Manganese Metal.
- Metallurgical test work has confirmed the hydrometallurgical flowsheet
- We are exploring partnerships across the battery materials supply chain

Forward plan

- We will now complete a PFS for a potential underground mine development, focused on:
 - increasing confidence in our technical and operating assumptions;
 - customer opportunities; and
 - integrated development options with Taylor, unlocking operating and capital efficiencies for both
- If the results are supportive, the Clark feasibility study may be combined with Taylor to examine the potential for a second stage development

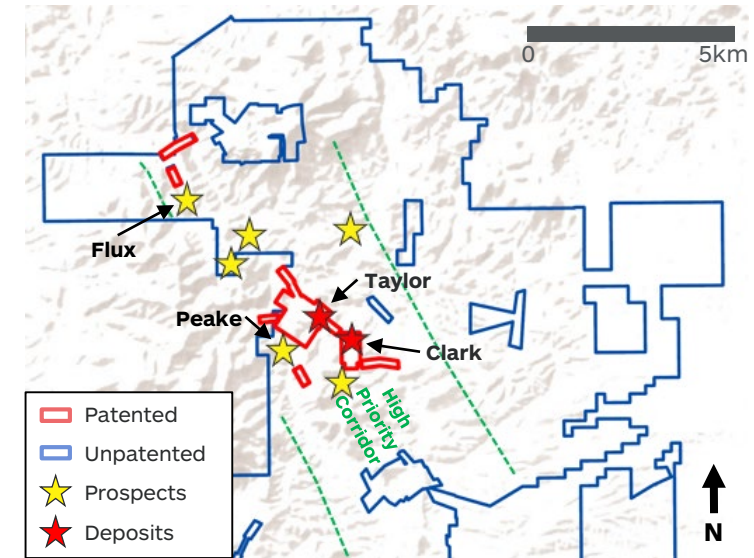
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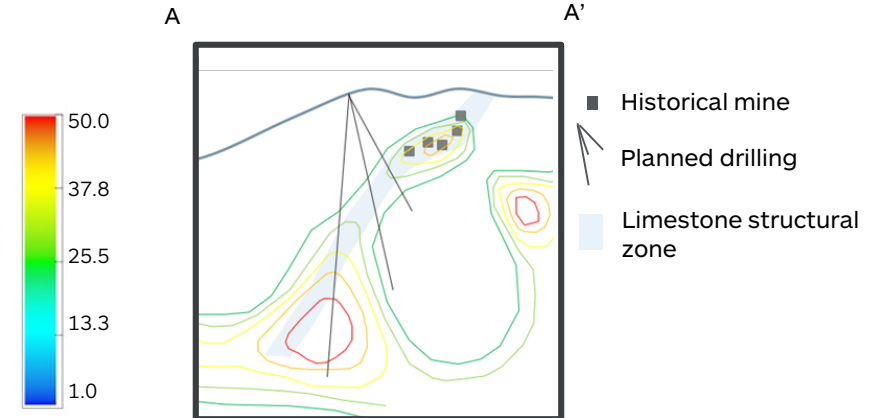
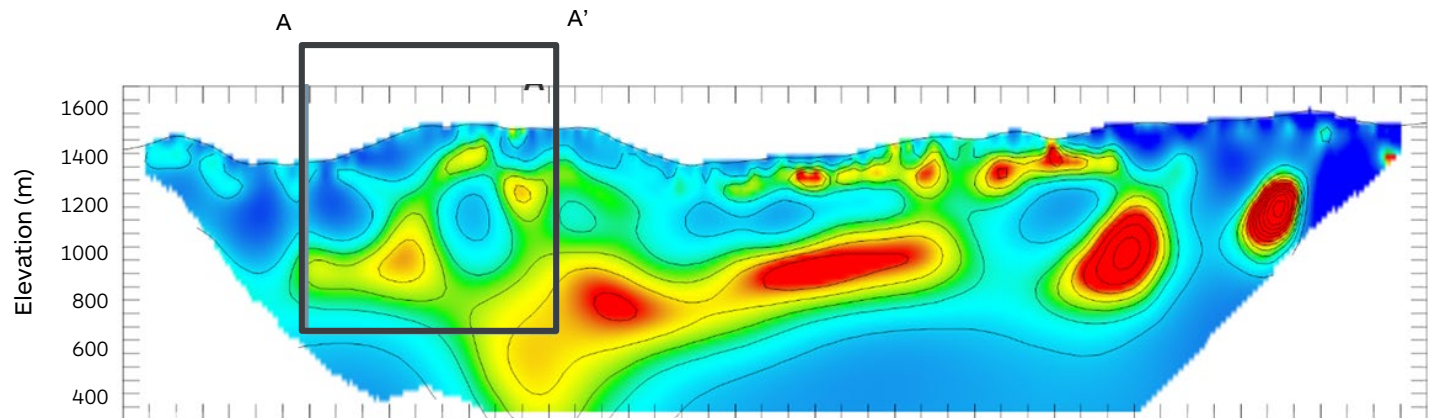
HERMOSA REGIONAL EXPLORATION

Hermosa hosts a highly prospective regional land package with the potential for future discoveries

- We have increased our tenure by 66% since acquisition, consolidating the most prospective areas for polymetallic and copper mineralisation
- Prospective corridor identified using surface geophysics, soil sampling and mapping
- Flux identified as a priority prospect in the regional corridor:
 - Immediately downdip of a historic mining area in carbonates with the potential to host Taylor-like mineralisation
 - An initial diamond drilling program planned in H2 CY22 (subject to the receipt of permits)
- Our ongoing exploration strategy will focus on identifying, permitting and drill testing new targets in the broader land package



Chargeability model of Flux prospect^(a)
(mV/V)



Notes:
a. Refer to footnotes (slide 29) for additional disclosure.

LOOKING AHEAD

PFS results show Taylor's potential to underpin Hermosa's first stage of development

Taylor feasibility study and final investment decision expected in mid CY23

Critical path works including dewatering infrastructure expected to commence in H2 FY22

We are assessing Clark's potential to be a second development option at Hermosa

Evaluating opportunities to reduce initial capital, including further optimisation of the shaft design, construction and procurement

Planning to drill the high priority Flux prospect in late CY22, subject to receipt of permits

SUMMARY

Hermosa is a regional scale opportunity pursuing critical green metals, with the potential for multiple stages of development

Taylor PFS has defined the potential for an initial mine development in the first quartile of the industry's cost curve

Potential to add to our broader portfolio's substantial production growth in metals critical to a low carbon future



SUPPLEMENTARY INFORMATION



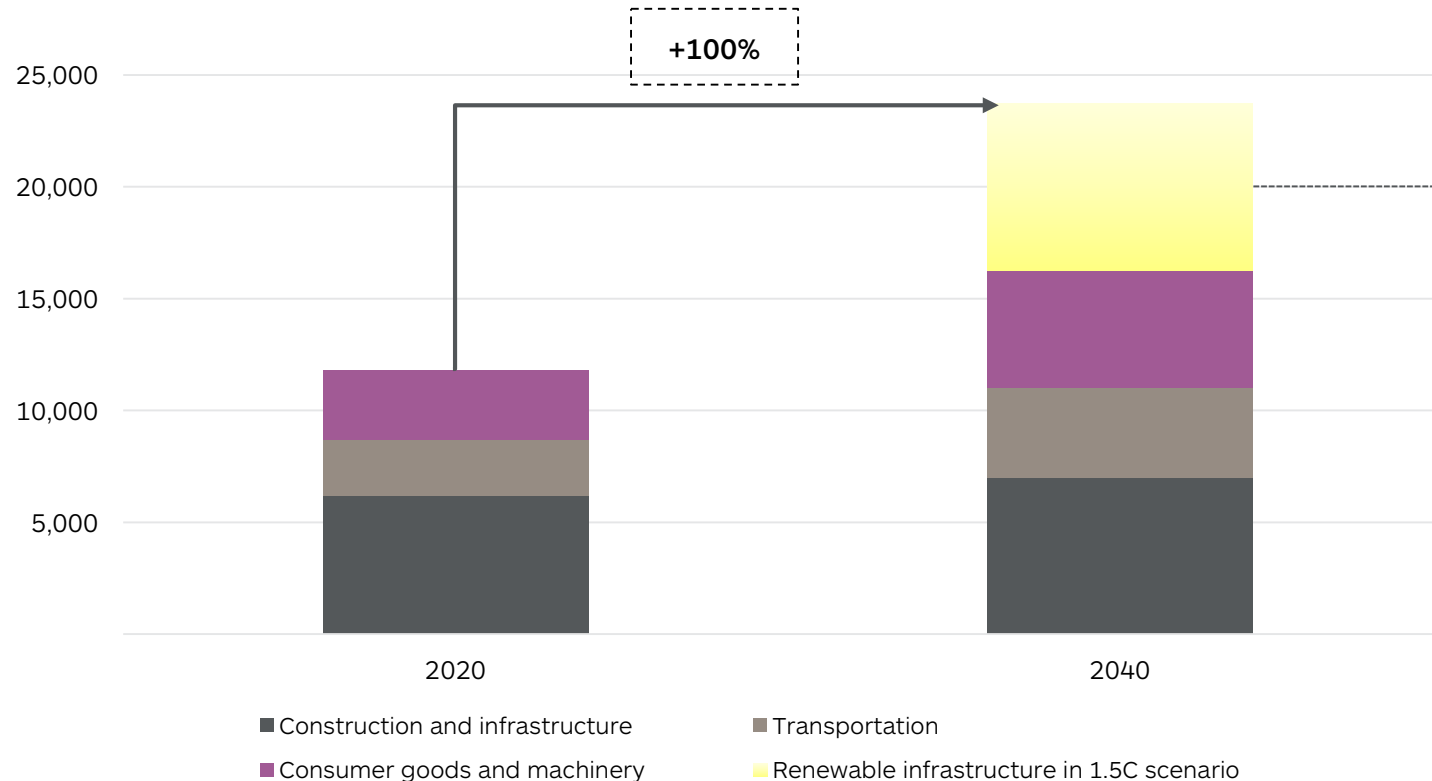
ZINC MARKET

Strong demand in transport, consumer and industrial sectors, with rising intensity of use

Rapid deployment of wind and solar infrastructure to create new demand

Supply expected to fall 3.5% pa to 2030, requiring investment in new mine supply and inducement pricing

Zinc primary demand (kt Zn)



Demand

- Zinc provides a protective coating in wind turbines, and allows for higher energy conversion in solar panels
- In a 1.5°C (climate change) scenario, we see:
 - 6x increase in renewable energy capacity to 2050, with wind increasing by 10x and solar by 14x
 - Primary zinc demand increasing 2x to 24Mt

Supply

- Conversely, current mine supply expected to fall by 3.5% pa (~270kt pa) to 2030
- Mine depletion, new builds with lower average grades and longer approval pathways will continue to constrain supply
- Pricing needed to induce new marginal supply to support average prices in the long term

Source: South32 analysis and Wood Mackenzie.

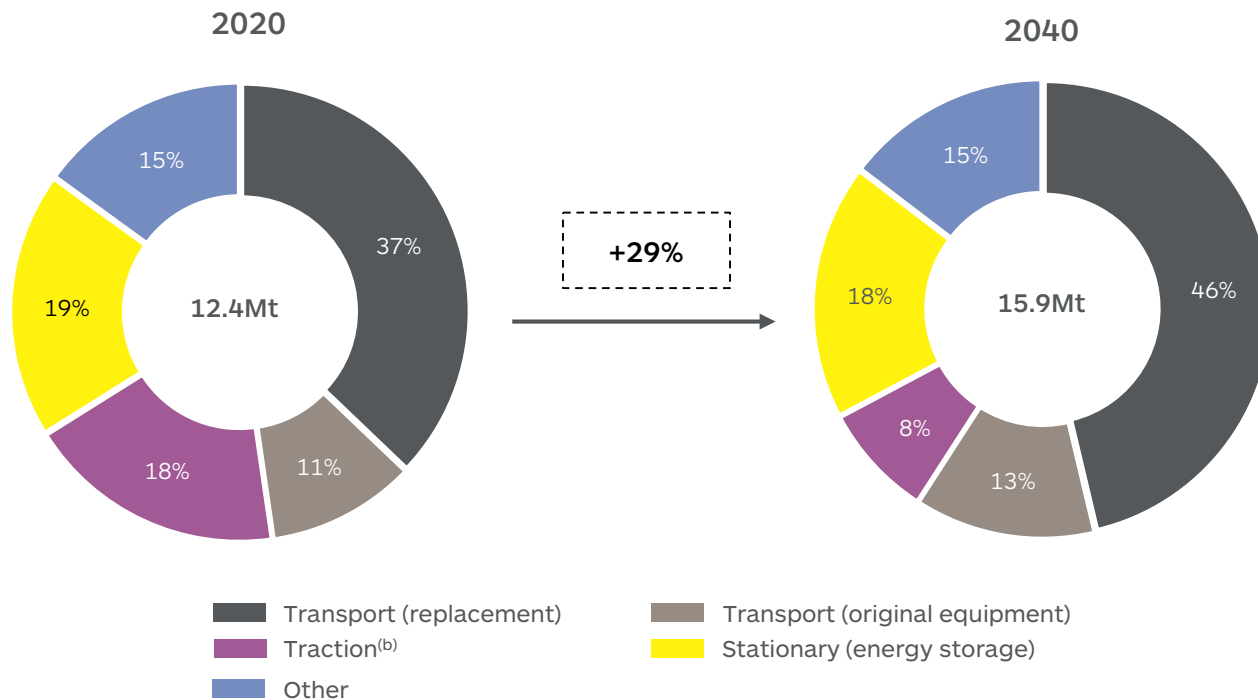
LEAD MARKET

Growth in the ICE^(a) fleet will support demand in the short to medium term

Renewable energy storage will remain a key component of demand

EV penetration rates and resultant scrap supply will ultimately determine the market balance

Total lead demand by end-user sectors



Source: South32 analysis.

Notes:

- a. ICE refers to internal combustion engine.
- b. Traction batteries refers to automotive batteries used to power smaller vehicles, including e-bike, trikes and forklifts.

Demand

- While electric vehicle penetration rates are forecast to rise, concurrent growth in the internal combustion engine fleet supports demand for lead batteries in the short to medium term
- The safety-related and low-cost characteristics of lead-acid batteries makes them an attractive choice for renewables energy storage

Supply

- Mine supply expected to fall by 3.8% pa (~100kt pa) to 2040
- In our base case, rising scrap production is insufficient to balance the projected market shortfall, requiring new mine supply and inducement pricing
- In a 1.5C (climate change) scenario, scrap supply would be significantly higher with the accelerated shift away from ICE vehicles, potentially limiting the need for additional primary supply

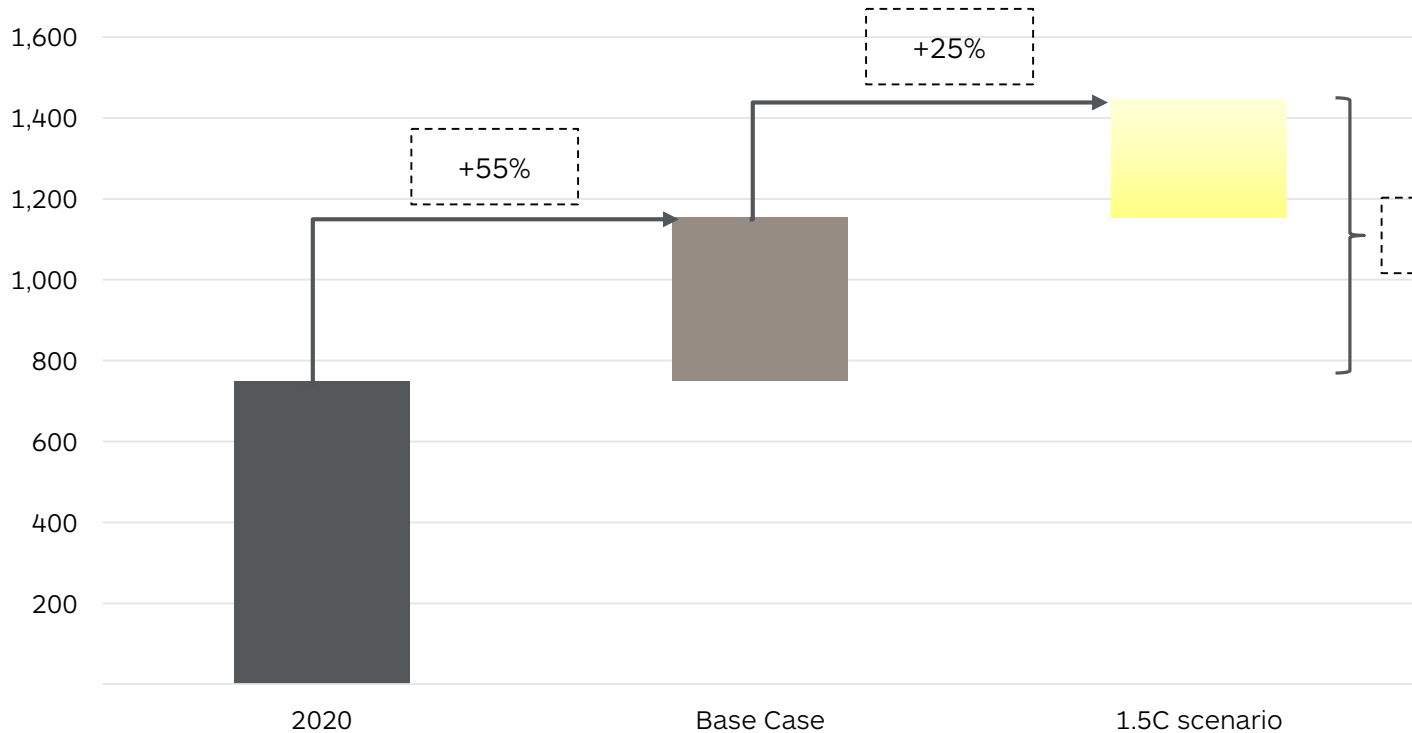
SILVER MARKET

Silver used extensively in solar panels

14x increase in solar capacity anticipated in a 1.5C world

Lack of new high-content silver polymetallic mines expected to culminate in a material market deficit

Primary silver demand: 2020 to 2040 (Moz)



Demand

- Silver is the preferred metal used in solar panels due to its superior electrical conductivity
- 55% increase in primary demand to 2040 expected in our base case scenario
- The level of demand growth rises a further 25% to ~1,400Moz in a 1.5°C (climate change) scenario

Supply

- Additional demand of ~30Moz pa until 2040 is equivalent to more than two new Cannington mines being built each year
- Despite this, there are very few high-silver polymetallic options identified globally with a material silver deficit looming
- Additionally, constrained Chinese mine volumes are expected to induce higher imports of high-silver lead concentrates to meet domestic silver demand

FOOTNOTES



1. Group FY21 operating revenue excluding South Africa Energy Coal. Refer to market release “Financial Results and Outlook – year ended 30 June 2021” dated 19 August 2021.
2. 45% interest in the Sierra Gorda copper mine. Refer to market release “South32 to acquire a 45% interest in the Sierra Gorda copper mine” dated 14 October 2021. The estimates indicated in the Original announcement are qualifying foreign estimate and are not reported in accordance with the JORC Code. A Competent Person has not done sufficient work to classify foreign estimates as Mineral Resources or Ore Reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further work that the foreign estimates will be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code.
3. 276kt increase in annual aluminium production (South32 share), following completion of the acquisition of an additional 16.6% interest in Mozal Aluminium and the restart of the Alumar aluminium smelter at nameplate capacity. Refer to market releases, “South32 to acquire up to an additional 25% of Mozal Aluminium” dated 30 September 2021 and “Restart of Brazil Aluminium using renewable power” dated 6 January 2022, respectively.
4. Revenue equivalent production in the PFS steady state years (FY30 to FY44), averaging 130kt zinc, 166kt lead and 8.7Moz silver.
5. Payable zinc equivalent was calculated by aggregating revenues from payable zinc, lead and silver, and dividing the total revenue by the price of zinc. Average metallurgical recovery assumptions are 90% for zinc, 91% for lead and 81% for silver. FY21 average index prices for zinc (US\$2,695/t), lead (US\$1,992/t) and silver (US\$25.50/oz) (excluding treatment and refining charges) have been used.
6. Federal tax of 21.0% and Arizona state tax of 4.9% of taxable income, subject to applicable allowances. Hermosa has an opening tax loss balance of approximately US\$83M as at 30 June 2020. Property and severance taxes are also expected to be paid. Based on the PFS schedule, we expect to commence paying income taxes from FY29.
7. Operating unit cost is Revenue less Underlying EBITDA, excluding third party sales and TCRCs, divided by sales volumes. The prices used are FY21 average index prices for zinc (US\$2,695/t), lead (US\$1,992/t) and silver (US\$25.50/oz) (excluding TCRCs).
8. ZnEq Operating unit cost includes lead and silver by-product credits, using FY21 average index prices.
9. All-in sustaining cost (AISC) includes operating unit costs (including royalties), TCRCs, and sustaining capital expenditure.

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

The following abbreviations have been used throughout this presentation: all-in sustaining costs (AISC); billion (B); calendar year (CY); earnings before interest, tax, depreciation and amortisation (EBITDA); engineering, procurement and construction management (EPCM); equity accounted investments (EAI); electric vehicle (EV); feasibility study (FS); final investment decision (FID); financial year (FY); free on board (FOB); internal combustion engine (ICE); kilo tonnes (kt); kilo tonnes per annum (ktpa); lead (Pb); left hand side (LHS); life of mine (LOM); million (M); million tonnes (Mt); million tonnes per annum (Mtpa); millivolts per volt (mV/V); National Environmental Policy Act (NEPA); net smelter return (NSR); pre-feasibility study (PFS); pound (lb); Record of Decision (RoD); right hand side (RHS); silver (Ag); tailings storage facility (TSF); treatment and refining charges (TCRCs); United States (US); volts (V); water treatment plant (WTP); zinc (Zn); and zinc equivalent (ZnEq).

MINERAL RESOURCES AND ORE RESERVES

Mineral Resource Statements for the Taylor and Clark deposits: The information in this presentation that relates to Mineral Resources for the Taylor and Clark deposits is extracted from South32's FY21 Annual Report (www.south32.net) published on 3 September 2021. The information was prepared by a Competent Person 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 market announcement, and that 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.

Resource life is estimated using Mineral Resources (extracted from South32's FY21 Annual Report published on 3 September 2021 and available to view on www.south32.net) and Exploration Target (details of which are available in the "Hermosa Project Update" announcement published on 17 January 2022), converted to a run-of-mine basis using conversion factors, divided by the nominated run-of-mine production rate on a 100% basis. Whilst South32 believes it has a reasonable basis to reference this resource life and incorporate it within its Production Targets, it should be noted that resource life calculations are indicative only and do not necessarily reflect future uncertainties such as economic conditions, technical or permitting issues. Resource life is based on our current expectations of future results and should not be solely relied upon by investors when making investment decisions.

Flux Exploration Target: The information in this presentation that relates to Exploration Target for Flux is extracted from “South32 Strategy and Business Update” published on 18 May 2021 and is available to view on www.south32.net. The information was prepared by a Competent Person 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 market announcement. 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.

