

QUARTERLY REPORT

June 2022



- **Group FY22 copper equivalent production¹ was 99% of current guidance, as the majority of our operations delivered to revised plans, despite impacts from weather and labour availability caused by the COVID-19 pandemic**
- **We expect to report FY22 Operating unit costs in-line with our previously updated guidance at the majority of our operations, with lower than anticipated producer currencies providing a benefit in the June 2022 quarter**
- **Our stable operating performance allowed us to capitalise on record conditions for a number of our commodities, with strong sales in the June 2022 quarter capturing the benefit of high prices**
- Worsley Alumina achieved record annual production in FY22, exceeding guidance and operating above nameplate capacity, as we realised the benefit of embedded improvement initiatives
- Cannington beat our previously upgraded FY22 zinc equivalent production² guidance by 2%, successfully transitioning to a 100% truck haulage operation in the June 2022 quarter
- Cerro Matoso achieved a 22% increase in payable nickel production, despite unplanned maintenance and weather-related disruptions impacting the operation during H2 FY22
- Illawarra Metallurgical Coal successfully completed three longwall moves across Appin and Dendrobium during the year, with strong price realisations for our premium quality hard coking coal supporting record pricing
- South Africa Manganese delivered record production in the June 2022 quarter as we increased our Manganese production by 22%, supporting higher sales with customer demand for our premium products delivering strong price realisations
- We grew our share of aluminium production by 5% in the June 2022 quarter as we closed the acquisition of an additional shareholding in the hydro-powered Mozal Aluminium smelter³ and achieved first production from the restart of our 100% renewable powered smelter in Brazil⁴
- We successfully completed the acquisition of Sierra Gorda⁵ in H2 FY22, receiving our first US\$68M in distributions from the joint venture in June 2022

South32 Chief Executive Officer, Graham Kerr: *“Our teams delivered another strong operating performance in the June quarter, despite challenges that included extreme weather, supply chain disruptions and reduced labour availability caused by the COVID-19 pandemic. Record annual production at Worsley Alumina, along with record quarterly production at South Africa Manganese and a strong sales result in June, capturing the benefit of high prices, capped another year of substantial progress for South32.*”

“We achieved further significant milestones as we reshape our portfolio towards the metals critical for a low carbon future. In May, we completed the acquisition of an additional shareholding in the hydro-powered Mozal Aluminium smelter. We also completed our acquisition of an additional interest in the MRN bauxite mine and delivered first production from the restart of our Brazil Aluminium smelter, powered by 100 per cent cost efficient renewable power.”

“Our strong financial position and capital management framework, which is designed to reward our shareholders as our financial performance improves, supported further returns across the year via our on-market share buy-back, bringing total returns under our capital management program to US\$1.9 billion since its inception.”

Production summary							
South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	QoQ
Alumina production (kt)	5,361	5,288	(1%)	1,427	1,317	1,361	3%
Aluminium production (kt)	982	992	1%	246	243	255	5%
Payable copper production (kt)	–	25.3	N/A	–	8.4	16.9	101%
Payable silver production (koz)	13,655	13,199	(3%)	4,178	3,653	2,836	(22%)
Payable lead production (kt)	131.8	120.6	(8%)	41.2	34.6	25.8	(25%)
Payable zinc production (kt)	67.7	64.5	(5%)	19.5	16.4	15.4	(6%)
Payable nickel production (kt)	34.1	41.7	22%	10.9	10.6	10.8	2%
Metallurgical coal production (kt)	6,170	5,712	(7%)	1,340	1,565	1,380	(12%)
Manganese ore production (kwmt)	5,589	5,432	(3%)	1,410	1,206	1,469	22%

Unless otherwise noted: percentage variance relates to performance during the financial year ended June 2022 compared with the financial year ended June 2021 (YoY), or the June 2022 quarter compared with the March 2022 quarter (QoQ); production and sales volumes are reported on an attributable basis.

CORPORATE UPDATE

- We expect to report FY22 Group Underlying depreciation and amortisation of US\$790M, including US\$110M for our manganese business and US\$60M for Sierra Gorda.
- We expect to report FY22 Group Underlying net finance costs of ~US\$155M, which includes costs applicable to our ownership of a 45% interest in Sierra Gorda and one-off costs associated with financing its acquisition.
- We received net distributions⁶ of US\$321M (South32 share) from our manganese and Sierra Gorda equity accounted investments (EAI) in FY22. In the June 2022 quarter we received US\$115M from our manganese business and our first distribution of US\$68M from Sierra Gorda.
- We spent US\$128M purchasing a further 46M shares at an average price of A\$3.89 per share via our on-market share buy-back during FY22. As at 30 June 2022 our currently approved capital management program was 89% complete with US\$233M remaining to be returned to shareholders ahead of its extension or expiry on 2 September 2022⁷. We have now returned US\$1.9B since the inception of our flexible capital management program, including US\$1.5B via our on-market share buy-back at an average price of A\$2.93 per share, reducing total shares on issue by 13%.
- Our FY22 Group Underlying effective tax rate (ETR) is expected to be approximately 32%, reflecting the corporate tax rates of the jurisdictions in which we operate⁸, including our manganese and Sierra Gorda EAIs which are proportionally consolidated in our Underlying results. The FY22 Underlying ETR for our manganese business is expected to be in a range of approximately 45 to 48%, including the royalty related tax for Australia Manganese⁹ and the derecognition of certain deferred tax assets.
- Further to the update provided in our March 2022 Quarterly Report on future tax payments following completion of the Sierra Gorda acquisition, we now expect to make payments totalling ~US\$150M in FY23¹⁰. Of this amount, ~US\$130M is expected to be paid to the Dutch tax authorities to settle pre-closing tax liabilities ahead of potential recovery from the vendors, with allocation of liability for such pre-closing tax liabilities being disputed.
- On 31 May 2022, we completed our acquisition of an additional 16.6% shareholding in Mozal Aluminium for a total cash consideration of US\$200M, increasing our ownership of the hydro-powered smelter to 63.7%³.
- On 29 April 2022, we completed our acquisition of an additional 18.2% interest in the Mineração Rio do Norte (MRN) bauxite mine, increasing our ownership to 33%¹¹, and further aligning our bauxite supply requirements within our aluminium value chain in Brazil.
- Following the end of the period, we completed the sale of four non-core base metals royalties to Anglo Pacific Group Plc (Anglo Pacific) for a sale price of up to US\$200M, including US\$103M in cash payments¹², US\$82M of Anglo Pacific shares and contingent payments of up to US\$15M¹³. We now hold a 16.9% interest in Anglo Pacific. We expect to recognise a gain on sale of ~US\$193M (~US\$135M post-tax) within Other income in FY23, which will be excluded from Underlying earnings as an earnings adjustment. We also expect to make tax payments associated with the transaction of ~US\$58M across FY23.
- While no acceptable offers have been received to date, we continue to seek potential divestment opportunities for our interest in the Eagle Downs Metallurgical Coal development option (Eagle Downs). Eagle Downs remains on care and maintenance, and we will assess its carrying value as part of the annual impairment cycle for our FY22 financial results.
- We successfully concluded our release from a guarantee originally provided to support Seriti Resources Holdings Proprietary Limited's¹⁴ acquisition of South Africa Energy Coal during the quarter. Following the derecognition of this commitment we expect to recognise a ~US\$12M benefit in Other income within our FY22 financial results.

DEVELOPMENT AND EXPLORATION UPDATE

Exploration plays a critical role within our simple strategy to identify and pursue opportunities to sustainably reshape our business for the future, and create enduring social, environmental and economic value. We have established options to discover our next generation of mines, with more than 25 exploration programs across our partnerships and own properties. Our expenditure has continued to increase in this area as we have added further options and advance multiple, maturing exploration programs. In FY22 we spent US\$56M across our portfolio of greenfield and development options, an amount we expect to increase further to ~US\$90M in FY23 as we continue to execute on our strategy.

Hermosa project

- We continued to progress our feasibility study for the zinc-lead-silver Taylor Deposit at our Hermosa project in Arizona during the quarter, ahead of a planned final investment decision in mid CY23. Following the decision by the United States Government to invoke the Defense Production Act, supporting the production of critical minerals including manganese, we are looking at different options to potentially accelerate the pre-feasibility study for the Clark Deposit.
- Construction of infrastructure to support our critical path dewatering of the Taylor orebody continued to plan during the quarter. Our FY23 Growth capital expenditure guidance at Hermosa is US\$290M as we continue our early works at Taylor ahead of a final investment decision, and progress study work at Clark.
- We directed US\$19M to our exploration programs at Hermosa during FY22, advancing the work to assess targets across a highly prospective corridor including new exploration drilling at the Peake prospect¹⁵ during the quarter.

Ambler Metals project

- During the quarter the right-of-way permits previously issued to the Alaska Industrial Development and Export Authority for the Ambler Access Road were temporarily suspended to allow for additional work to be undertaken by United States government departments on the Final Environmental Impact Statement. Together with our Ambler Metals Joint Venture partner, we continue to assess the impact of this delay on our own study work for the Arctic Deposit.
- Separately we have commenced exploration activities at Ambler for the CY22 summer field season, including additional infill drilling of the Arctic Deposit and drill testing of regional exploration targets in the Ambler Belt. The budget for the year is US\$13M (South32 50% share) with the program expected to support ongoing development study work being completed by the Joint Venture partners.

Greenfield exploration

- Consistent with our strategy of targeting prospective base metals regions, we entered into new farm-in agreements with Encounter Resources Limited covering two copper and zinc exploration projects in the Northern Territory. We will be the operator and fully fund initial exploration across both projects.
- We invested US\$26M in greenfield exploration programs across our partnerships and own properties during FY22, with multiple drilling and field programs targeting base metals currently underway in Australia, USA, Canada, Argentina, Peru and Ireland.
- Following the end of the period, we entered into a subscription agreement with Aldebaran Resources Inc. (Aldebaran Resources) (TSX-V: ALDE) to acquire a 9.9% equity interest in the company for up to C\$11.1M. Aldebaran Resources is an exploration company whose key asset is an option to acquire a controlling interest in the Altar copper project in San Juan, Argentina.

Brownfield exploration

- We directed US\$48M (US\$35M capitalised) towards exploration programs at our existing operations and development options during FY22, including US\$19M at the Hermosa project (noted above, all capitalised), US\$11M at Ambler Metals (all capitalised), US\$2M for our manganese EAI (US\$1M capitalised) and US\$2M for our Sierra Gorda EAI (US\$1M capitalised).

PRODUCTION SUMMARY

Production guidance (South32 share)	FY21	FY22	FY22e ^(a)	% ^(b)	Comments
Worsley Alumina					
Alumina production (kt)	3,963	3,991	3,965	101%	
Brazil Alumina (non-operated)					
Alumina production (kt)	1,398	1,297	1,300	100%	
Brazil Aluminium (non-operated)					
Aluminium production (kt)	–	0.3	5.0	6%	Slower than expected ramp-up of restart activities. An update to our FY23 guidance is expected to be provided with our FY22 results announcement
Hillside Aluminium¹⁶					
Aluminium production (kt)	717	714	720	99%	Achieved despite significant load-shedding in FY22
Mozal Aluminium¹⁶					
Aluminium production (kt)	265	278	281	99%	Achieved despite significant load-shedding in FY22 Reflects the impact of our increased ownership (63.7%) from 1 June 2022 ³
Sierra Gorda (non-operated)					
Payable copper equivalent production ¹⁷ (kt)	–	29.5	31.0	95%	FY23 guidance of copper 71.8kt, molybdenum 1.5kt, gold 29.9koz and silver 582koz provided for the first time
Payable copper production (kt)	–	25.3	27.0	94%	
Payable molybdenum production (kt)	–	0.4	0.4	100%	
Payable gold production (koz)	–	9.6	10.0	96%	
Payable silver production (koz)	–	253	225	112%	
Cannington					
Payable zinc equivalent production ² (kt)	319.0	299.3	292.2	102%	
Payable silver production (koz)	13,655	12,946	12,283	105%	
Payable lead production (kt)	131.8	120.6	117.9	102%	
Payable zinc production (kt)	67.7	64.5	66.7	97%	
Cerro Matoso					
Payable nickel production (kt)	34.1	41.7	43.8	95%	Adverse wet weather causing moisture in ore during the June 2022 quarter
Illawarra Metallurgical Coal					
Total coal production (kt)	7,645	6,509	6,800	96%	Adverse wet weather and COVID-19 related labour availability impacts
Metallurgical coal production (kt)	6,170	5,712	5,900	97%	
Energy coal production (kt)	1,475	797	900	89%	
Australia Manganese					
Manganese ore production (kwmt)	3,529	3,363	3,200	105%	Favourable weather conditions during the June 2022 quarter and further strong performance from our PCO2 circuit
South Africa Manganese					
Manganese ore production ¹⁸ (kwmt)	2,060	2,069	2,000	103%	FY23 guidance of 2,000kwmt provided for the first time

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

b. Reflects percentage of achieved production for FY22 compared to current FY22e.

MARKETING UPDATE

Our FY22 realised prices reflect the strong performance of our exchange traded commodities and notable positive realisations against indices for our premium manganese and hard coking coal products. With heightened market volatility and supply chain disruptions prevalent across our industry in H2 FY22, our stable operating performance enabled us to deliver production volumes largely to plan despite COVID-19 labour and adverse weather-related disruptions in many of the geographies where we operate.

Innovative logistic solutions were established across multiple operations to mitigate the impact of ongoing port congestion, tight freight markets and the broader disruption of global supply chains, contributing to our strong sales performance in the June 2022 quarter. This enabled the Group to capitalise on strong markets lowering our inventory position by the end of the financial year with the working capital benefit of this work expected to be realised in the first quarter of FY23.

The average realised prices achieved for our commodities are summarised below. Outstanding concentrate sales were revalued at 30 June 2022 with the final price of these to be determined in the December 2022 half year.

Realised prices ¹⁹	FY21	1H22	2H22	FY22	FY22 vs FY21	2H22 vs 1H22
Worsley Alumina						
Alumina (US\$/t)	293	389	428	409	40%	10%
Brazil Alumina (non-operated)^(a)						
Alumina (US\$/t)	288	387	419	403	40%	8%
Hillside Aluminium						
Aluminium (US\$/t)	2,137	2,952	3,347	3,161	48%	13%
Mozal Aluminium						
Aluminium (US\$/t)	2,206	3,041	3,591	3,348	52%	18%
Sierra Gorda (non-operated)^{(a)(b)}						
Payable copper (US\$/lb) ²⁰	-	-	3.50	3.50	N/A	N/A
Payable molybdenum (US\$/lb) ²⁰	-	-	18.48	18.48	N/A	N/A
Payable gold (US\$/oz) ²⁰	-	-	1,934	1,934	N/A	N/A
Payable silver (US\$/oz) ²⁰	-	-	23.5	23.5	N/A	N/A
Cannington²¹						
Payable silver (US\$/oz)	25.4	21.0	21.0	21.0	(17%)	0%
Payable lead (US\$/t)	1,862	2,180	1,902	2,046	10%	(13%)
Payable zinc (US\$/t)	2,357	2,988	3,473	3,248	38%	16%
Cerro Matoso²²						
Payable nickel (US\$/lb)	6.68	8.39	11.64	10.08	51%	39%
Illawarra Metallurgical Coal						
Metallurgical coal (US\$/t)	115	303	457	381	231%	51%
Energy coal (US\$/t)	40	108	200	156	290%	85%
Australia Manganese²³						
Manganese ore (US\$/dmtu, FOB)	4.13	4.59	6.05	5.29	28%	32%
South Africa Manganese²⁴						
Manganese ore (US\$/dmtu, FOB)	3.53	3.47	4.39	3.92	11%	27%

a. While Brazil Alumina is non-operated, South32 owns the marketing rights for our share of production. While Sierra Gorda is also non-operated, the Joint Venture is responsible for marketing our share of production.

b. Published realised sales prices and Operating unit costs reflect the period 1 March 2022 to 30 June 2022 whereas quarterly production and sales numbers reflect the period from first ownership (22 February 2022). Revenue, Underlying EBITDA and Underlying EBIT to be published with the Group Segment note released with our FY22 results announcement, as well as Operating unit costs and realised prices (copper of US\$3.18/lb, molybdenum US\$18.73/lb, gold US\$1,776/oz and silver US\$20.65/oz), will reflect the period from first ownership (22 February 2022).

OPERATING UNIT COST UPDATE

We expect to report FY22 Operating unit costs in-line with our previously updated guidance at the majority of operations with lower than anticipated producer currencies benefiting costs in the June 2022 quarter. Looking forward, higher volumes at some of our operations and the tailwind of lower producer currencies are expected to provide partial relief from the ongoing effect of industry wide labour, raw material and energy cost inflation that impacted our cost base in H2 FY22.

The cost profile of our Southern African aluminium smelters will continue to be heavily influenced by the South African rand, and the price of raw materials and energy. H2 FY22 Operating unit costs are expected to be 15-20% higher than H1 FY22 (previously 10-15%), as both smelters remained profitable by maintaining their strong operating performance which saw them continue to test their maximum technical capacity, despite increased load-shedding.

The future direction of raw material and energy costs will also influence our non-operated Brazil Alumina refinery, where Operating unit costs in H2 FY22 are expected to be ~15% higher than the first half of the financial year (US\$262/t). The below commentary reflects our expectations for FY22 Operating unit costs for all other operations. We will provide FY23 guidance with our financial results announcement for the 30 June 2022 year end.

Operating unit cost ^(a)					
	Actuals		Guidance		Guidance commentary
	H1 FY22	H2 FY22e ^(b)	FY22e ²⁵		
Worsley Alumina					
(US\$/t)	256	274	265		FY22: Expected to be in-line with current guidance
Sierra Gorda (non-operated)					
(US\$/lb CuEq) ^(c)	-	1.63	1.63		FY22: Expected to be ~5% above current guidance due to lower than planned volumes
Cannington					
(US\$/t) ^(d)	128	134	131		FY22: Expected to be in-line with current guidance
Cerro Matoso					
(US\$/t) ^(e)	136	148	142		FY22: Expected to be in-line with current US\$/lb guidance
(US\$/lb)	4.11	4.87	4.49		
Illawarra Metallurgical Coal					
(US\$/t)	123	129	126		FY22: Expected to be in-line with current guidance
Australia Manganese (FOB)					
(US\$/dmtu)	1.79	1.97	1.88		FY22: Expected to be in-line with current guidance
South Africa Manganese (FOB)					
(US\$/dmtu)	2.63	2.95	2.79		FY22: Expected to be in-line with current guidance

a. Operating unit cost is Revenue less Underlying EBITDA, excluding third party sales, divided by sales volumes. Operating cost is Revenue less Underlying EBITDA excluding third party sales.

b. H2 FY22e Operating unit cost guidance reflects a simple average calculation by taking into consideration FY22 Operating unit cost guidance and H1 FY22 Operating unit cost.

c. US dollar per pound of copper equivalent production. FY21 index prices for copper (US\$4.23/lb), molybdenum (US\$15.7/lb), gold (US\$1,796/oz) and silver (US\$25.2/oz) have been used for FY22e Operating unit costs. Published realised sales prices and Operating unit costs reflect the period 1 March 2022 to 30 June 2022 whereas quarterly production and sales numbers reflect the period from first ownership (22 February 2022). Revenue, Underlying EBITDA and Underlying EBIT to be published with the Group Segment note released with our FY22 results announcement, as well as Operating unit costs and realised prices (copper of US\$3.18/lb, molybdenum US\$18.73/lb, gold US\$1,776/oz and silver US\$20.65/oz), will reflect the period from first ownership (22 February 2022).

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

e. US dollar per tonne of ore to kiln. Periodic movements in finished product inventory may impact Operating unit costs.

WORSLEY ALUMINA (86% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Alumina production (kt)	3,963	3,991	1%	1,078	982	1,030	(4%)	5%
Alumina sales (kt)	4,004	3,974	(1%)	1,086	910	1,118	3%	23%

Worsley Alumina saleable production increased by 1% (or 28kt) to a record of 3,991kt in FY22 as the refinery delivered above its nameplate capacity (4.6Mtpa, 100% basis), realising the benefit of embedded improvement initiatives and surpassing guidance expectations.

Sales increased by 23% in the June 2022 quarter with a carry-over shipment from the prior quarter supporting the refinery to draw inventory levels down towards the end of the financial year. We realised an ~8% premium to the Platts Alumina Index²⁶ on a volume weighted M-1 basis for alumina sales in FY22 as we continued to capture the impact of elevated global freight rates in our realised prices (which are also reflected in our Operating unit costs).

BRAZIL ALUMINA (36% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Alumina production (kt)	1,398	1,297	(7%)	349	335	331	(5%)	(1%)
Alumina sales (kt)	1,391	1,299	(7%)	333	306	367	10%	20%

Brazil Alumina saleable production decreased by 7% (or 101kt) to 1,297kt in FY22 as the refinery returned to nameplate capacity (3.86Mtpa, 100% basis) from October 2021, following an incident in July 2021 that damaged one of the two bauxite ship unloaders at the operation. Despite the impact of local weather-related disruptions across H2 FY22, the refinery achieved 100% of FY22 production guidance.

Sales increased by 20% in the June 2022 quarter with a carry-over shipment from the prior quarter supporting the refinery to draw inventory levels down towards the end of the financial year. We realised a ~5% premium to the Platts Alumina Index²⁶ on a volume weighted M-1 basis for alumina sales in FY22 as we continued to capture the impact of elevated global freight rates in our realised prices (which are also reflected in our Operating unit costs).

The refinery's De-bottlenecking Phase Two project was approved for execution in the June 2022 quarter. The project is expected to increase nameplate production rates by approximately 4% to 1.45Mt from H1 FY26, with anticipated capital expenditure of ~US\$40M (South32 share) between FY23 and FY25.

BRAZIL ALUMINIUM (40% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Aluminium production (kt)	-	0.3	N/A	-	-	0.3	N/A	N/A
Aluminium sales (kt)	-	-	N/A	-	-	-	N/A	N/A

Brazil Aluminium saleable production was 0.3kt in FY22 with first production achieved in the June 2022 quarter following the successful restart of the smelter. First sales to domestic customers were made in July 2022. With a slower than anticipated ramp-up associated with the need to stabilise the electrolytic bath, we expect to provide updated FY23 production guidance with our FY22 results announcement, including revised timing to achieve nameplate production (179ktpa, our 40% share).

HILLSIDE ALUMINIUM (100% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Aluminium production (kt)	717	714	(0%)	180	177	179	(1%)	1%
Aluminium sales (kt)	707	713	1%	169	179	198	17%	11%

Hillside Aluminium saleable production was largely unchanged at 714kt in FY22 as the smelter achieved 99% of guidance, despite the impact of increased load-shedding. Our first pots utilising the AP3XLE energy efficiency technology were relined during the June 2022 quarter, with the project expected to deliver both volume and energy efficiency benefits, reducing the smelter's carbon intensity.

Sales increased by 11% in the June 2022 quarter with inventory returning to normalised levels as we realised the benefit of initiatives undertaken to establish alternative discharge and cargo shipping options, mitigating poor third-party port performance and ongoing shipping congestion.

MOZAL ALUMINIUM (63.7%³ SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Aluminium production (kt)	265	278	5%	66	66	76	15%	15%
Aluminium sales (kt)	262	276	5%	68	66	88	29%	33%

Mozal Aluminium saleable production increased by 5% (or 13kt) to 278kt in FY22 with the smelter benefitting from our roll-out of the AP3XLE energy efficiency technology, which partially offset the impact of increased load-shedding to achieve 99% of guidance. Our equity share of production reflects the completion of our acquisition of an additional 16.6% shareholding in the smelter on 31 May 2022, taking our ownership to 63.7%. Prior period production and sales numbers have not been restated for this change in ownership (presented on a 47.1% basis).

Aluminium sales increased by 33% in the June 2022 quarter supported by the improvement in quarterly production volumes and the realisation of benefits from initiatives undertaken to optimise our shipping and logistics operations at the smelter.

SIERRA GORDA (45% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Payable copper equivalent production ¹⁷ (kt)	-	29.5	N/A	-	9.7	19.8	N/A	104%
Payable copper production (kt)	-	25.3	N/A	-	8.4	16.9	N/A	101%
Payable copper sales (kt)	-	27.7	N/A	-	11.1	16.6	N/A	50%

Sierra Gorda payable copper equivalent production¹⁷ was 29.5kt in FY22, following the completion of our acquisition on 22 February 2022, achieving 95% of guidance due to lower than planned copper grades in the June 2022 quarter. Looking forward, the plant de-bottlenecking project remains on-track to sustainably lift throughput by 6% to ~50Mtpa (100% basis) by the December 2022 quarter. Accordingly, our FY23 production guidance (South32 share) of copper 71.8kt, molybdenum 1.5kt, gold 29.9koz and silver 582koz reflects the benefit of the higher expected plant throughput.

CANNINGTON (100% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Payable zinc equivalent production ² (kt)	319.0	299.3	(6%)	97.1	82.3	64.5	(34%)	(22%)
Payable silver production (koz)	13,655	12,946	(5%)	4,178	3,568	2,668	(36%)	(25%)
Payable silver sales (koz)	13,736	12,898	(6%)	4,460	2,818	3,362	(25%)	19%
Payable lead production (kt)	131.8	120.6	(8%)	41.2	34.6	25.8	(37%)	(25%)
Payable lead sales (kt)	131.7	122.2	(7%)	41.9	27.9	31.0	(26%)	11%
Payable zinc production (kt)	67.7	64.5	(5%)	19.5	16.4	15.4	(21%)	(6%)
Payable zinc sales (kt)	69.0	66.2	(4%)	21.3	17.3	16.1	(24%)	(7%)

Cannington payable zinc equivalent production² decreased by 6% (or 19.7kt) to 299.3kt as we completed planned maintenance and built run of mine stocks in the June 2022 quarter to support the operation's transition to 100% truck haulage. Notwithstanding our prioritisation of activities to support the transition to trucking and the ongoing impact of COVID-19 on workforce availability, the operation exceeded our previously upgraded zinc equivalent production guidance by 2% and our original FY22 guidance by 8%.

Payable silver and lead sales increased by 19% and 11% respectively in the June 2022 quarter as we drew inventory down to normalised levels by the end of the financial year, capturing the benefit of strong pricing.

The operation transitioned to 100% truck haulage in the June 2022 quarter. While the new configuration is expected to bring higher-grade material forward in the mine plan at current throughput rates, FY23 volumes are expected to be skewed towards H2 FY23 as crushing operations relocate from underground to surface.

CERRO MATOSO (99.9% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Payable nickel production (kt)	34.1	41.7	22%	10.9	10.6	10.8	(1%)	2%
Payable nickel sales (kt)	33.5	41.8	25%	10.3	9.8	11.9	16%	21%

Cerro Matoso payable nickel production increased by 22% (or 7.6kt) to 41.7kt in FY22 following a major furnace refurbishment completed in FY21 and the addition of higher-grade ore from the Q&P pit, increasing average nickel grades by 6% (FY22: 1.73%; FY21: 1.63%). While the operation only achieved 95% of our FY22 guidance as a result of unplanned maintenance and weather-related disruptions during H2 FY22, we expect plant availability and performance to return to normalised levels in FY23 as these temporary impacts ease.

Our payable nickel sales increased by 21% in the June 2022 quarter with inventories returning to normalised levels as shipping performance improved and the ferronickel market recovered from the disruption that was caused by a temporary spike in LME Nickel prices to previously unseen levels. Our ferronickel product typically attracts a discount to the LME Nickel price index on a volume weighted M or M+1 basis, widening to approximately 15% in the June 2022 quarter (FY22: 7%; FY21: 10%). Looking forward, we expect discounts to remain elevated due to weakening global steel demand, and the current relationship between ferronickel and nickel pig-iron pricing conditions.

ILLAWARRA METALLURGICAL COAL (100% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Total coal production (kt)	7,645	6,509	(15%)	1,725	1,781	1,583	(8%)	(11%)
Total coal sales ²⁷ (kt)	7,616	6,606	(13%)	1,766	1,465	1,886	7%	29%
Metallurgical coal production (kt)	6,170	5,712	(7%)	1,340	1,565	1,380	3%	(12%)
Metallurgical coal sales (kt)	6,074	5,823	(4%)	1,367	1,358	1,588	16%	17%
Energy coal production (kt)	1,475	797	(46%)	385	216	203	(47%)	(6%)
Energy coal sales (kt)	1,542	783	(49%)	399	107	298	(25%)	179%

Illawarra Metallurgical Coal saleable production decreased by 15% (or 1,136kt) to 6,509kt in FY22 as we completed three longwall moves across Appin and Dendrobium during the year. We also stopped our opportunistic energy coal sales of low-margin coal wash material.

Production volumes declined by 11% in the June 2022 quarter following adverse weather and COVID-19 related labour restrictions that also impacted the operation's ability to maintain budgeted development rates. Notwithstanding these disruptions and the volatility witnessed across seaborne coal markets, our geographically diverse customer base supported a 29% increase in sales volumes in the quarter as we drew down inventory, capturing the benefit of very strong index prices.

AUSTRALIA MANGANESE (60% SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Manganese ore production (kwmt)	3,529	3,363	(5%)	866	815	844	(3%)	4%
Manganese ore sales (kwmt)	3,621	3,372	(7%)	891	775	860	(3%)	11%

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

Notwithstanding these challenges in H1 FY22, saleable production increased by 4% in the June 2022 quarter and we exceeded our revised FY22 guidance by 5% as the operation benefitted from improved weather conditions.

Our FY22 price realisations improved year-on-year as we took advantage of favourable market conditions, achieving the high grade 44% manganese lump ore index²⁸ on a volume weighted M-1 basis, despite our low-cost PC02 circuit operating above its design capacity, contributing 11% of total production (FY21: 10%).

SOUTH AFRICA MANGANESE (ORE 54.6%¹⁸ SHARE)

South32 share	FY21	FY22	YoY	4Q21	3Q22	4Q22	4Q22 vs 4Q21	4Q22 vs 3Q22
Manganese ore production ¹⁸ (kwmt)	2,060	2,069	0%	544	391	625	15%	60%
Manganese ore sales ¹⁸ (kwmt)	2,035	2,170	7%	579	495	581	0%	17%

South Africa Manganese saleable production was largely unchanged at 2,069kwmt in FY22 as we produced higher volumes of premium material from our Mamatwan mine during the year, more than offsetting the impact of scheduled maintenance in the March 2022 quarter. The operation delivered a strong finish to the year, with saleable production increasing by 60% to a record 625kwmt in the June 2022 quarter following the prior period's maintenance shut, beating our FY22 guidance by 3%.

Record production was matched by a 17% increase in sales for the June 2022 quarter following the partial improvement in third party rail and port performance from the prior quarter. We continue to optimise our product mix to take advantage of favourable market conditions, realising a premium of ~18% to the medium grade 37% manganese lump ore index²⁹ on a volume weighted M-1 basis across FY22.

NOTES

1. Group FY22 and current FY22e payable copper equivalent production for all operations. Payable copper equivalent production was calculated using FY22 realised prices for all operations except for Brazil Aluminium which is based on FY22 average index price for aluminium.
2. Payable zinc equivalent production (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 FY21, FY22 and FY22e.
3. Refer to market release "South32 completes acquisition of additional shareholding in Mozal Aluminium" dated 31 May 2022.
4. Refer to market release "Restart of Brazil Aluminium using renewable power" dated 6 January 2022.
5. Refer to market release "South32 completes acquisition of 45% interest in Sierra Gorda copper mine" dated 22 February 2022.
6. Net distributions from our material equity accounted joint ventures (manganese and Sierra Gorda) includes net debt movements and dividends, which are unaudited and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.
7. Since inception, US\$1.5B has been allocated to the on-market share buy-back (695M shares at an average price of A\$2.93 per share) and US\$386M returned in the form of special dividends.
8. The corporate tax rates of the geographies where the Group operates include: Australia 30%, South Africa 28%, Colombia 35%, Mozambique 0%, Brazil 34% and Chile 27%. The Colombian corporate tax rate increased to 35% from 1 January 2022. The South African corporate tax rate reduced to 27% from 1 July 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax. Sierra Gorda is subject to a mining tax based on the amount of copper sold and the mining operating margin, the rate is between 5% and 14% for annual sales over 50kt of refined copper.
9. Australia Manganese is subject to a royalty related tax equal to 20% of adjusted EBIT which is included in Underlying tax expense.
10. Approximately US\$123M and US\$28M is expected to be paid in H1 FY23 and H2 FY23 respectively. We expect to recognise this amount as a tax liability in our FY22 financial results. There is no impact on the Income Statement.
11. The increase in ownership in MRN has triggered a change in accounting treatment with the investment accounted for using the equity method (formerly classified as an investment in an equity instrument designated as fair value through other comprehensive income).
12. Refer to market release "South32 unlocks up to US\$200M in value from non-core royalty sale" dated 12 July 2022. The cash payment comprises US\$48M payable on completion, and US\$55M payable in six equal quarterly instalments over the next 18 months.
13. The contingent payment is triggered if the West Musgrave project achieves commercial production, and throughput and commodity price-related conditions are met prior to an agreed expiry date.
14. Refer to the market announcement "South Africa Energy Coal divestment update" dated 1 April 2021. Purchaser includes Thabong Coal Proprietary Limited, a wholly-owned subsidiary of Seriti and two trusts for the benefit of employees and communities.
15. Peake Prospect Exploration Target: The information in this announcement that relates to the Exploration Target for Peake Prospect is extracted from "Hermosa Project Update" published on 17 January 2022 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.
16. Production guidance for Hillside Aluminium and Mozal Aluminium does not assume any load-shedding impact on production.
17. FY22 and FY22e payable copper equivalent production (kt) was calculated by aggregating revenues from copper, molybdenum, gold and silver, and dividing the total Revenue by the price of copper. FY21 index prices for copper (US\$4.23/lb), molybdenum (US\$15.7/lb), gold (US\$1,796/oz) and silver (US\$25.2/oz) have been used for FY22 and FY22e.
18. South Africa Manganese ore has been reported as a 54.6% interest (previously 60%) to reflect our 60% interest in the Metallurgy manganese alloy smelter which is currently on care and maintenance and aligning with our interest in Hotazel Manganese Mines (HMM). South32 has a 44.4% ownership interest in HMM. 26% of HMM is owned by a B-BBEE consortium comprising Ntsimbintle Mining (9%), NCAB Resources (7%), Iziko Mining (5%) and HMM Education Trust (5%). The interests owned by NCAB Resources, Iziko Mining and HMM Education Trust were acquired using vendor finance with the loans repayable via distributions attributable to these parties, pro rata to their share in HMM. Until these loans are repaid, South32's interest in HMM is accounted at 54.6%.
19. Realised prices are unaudited. Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales Revenue divided by sales volume unless otherwise stated.
20. Realised prices for Sierra Gorda are unaudited and net of treatment and refining charges.
21. Realised prices for Cannington are unaudited and net of treatment and refining charges.
22. Realised nickel sales prices are unaudited and inclusive of by-products.
23. Realised ore prices are unaudited and calculated as external sales Revenue less freight and marketing costs, divided by external sales volume.
24. Realised ore prices are unaudited and calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Manganese ore sales are grossed-up to reflect a 54.6% accounting effective interest.
25. 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\$399/t; an average blended coal price of US\$382/t for Illawarra Metallurgical Coal; a manganese ore price of US\$6.07/dmtu for 44% manganese product; a nickel price of US\$10.60/lb; a silver price of US\$24.22/troy oz; a lead price of US\$2,308/t (gross of treatment and refining charges); a zinc price of US\$3,461/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.73; a USD:ZAR exchange rate of 15.06; a USD:COP exchange rate of 3,843; and a reference price for caustic soda; all of which reflected forward markets as at March 2022 or our internal expectations.
26. The sales volume weighted average of the Platts Alumina Index (FOB Australia) on the basis of a one month lag to published pricing (Month minus one or "M-1") for Worsley Alumina was US\$379/t and Brazil Alumina was US\$384/t in FY22.
27. Illawarra Metallurgical Coal sales are adjusted for moisture and will not reconcile directly to Illawarra Metallurgical Coal production.
28. The sales volume weighted average of the Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China) on the basis of M-1 was US\$6.00/dmtu in FY22.
29. The sales volume weighted average of the Metal Bulletin 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on the basis of M-1 was US\$3.33/dmtu in FY22.

The following abbreviations have been used throughout this report: US\$ million (US\$M); US\$ billion (US\$B); grams per tonne (g/t); tonnes (t); thousand tonnes (kt); thousand tonnes per annum (ktpa); million tonnes (Mt); million tonnes per annum (Mtpa); ounces (oz); thousand ounces (koz); million ounces (MoZ); thousand wet metric tonnes (kwmt); million wet metric tonnes (Mwmt); million wet metric tonnes per annum (Mwmt pa); dry metric tonne unit (dmtu); thousand dry metric tonnes (kdmt); Mineração Rio do Norte (MRN).

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

OPERATING PERFORMANCE

South32 share	FY21	FY22	4Q21	1Q22	2Q22	3Q22	4Q22
Worsley Alumina (86% share)							
Alumina hydrate production (kt)	3,981	3,980	992	997	997	972	1,014
Alumina production (kt)	3,963	3,991	1,078	1,006	973	982	1,030
Alumina sales (kt)	4,004	3,974	1,086	924	1,022	910	1,118
Brazil Alumina (36% share)							
Alumina production (kt)	1,398	1,297	349	272	359	335	331
Alumina sales (kt)	1,391	1,299	333	247	379	306	367
Brazil Aluminium (40% share)							
Aluminium production (kt)	-	0.3	-	-	-	-	0.3
Aluminium sales (kt)	-	-	-	-	-	-	-
Hillside Aluminium (100% share)							
Aluminium production (kt)	717	714	180	180	178	177	179
Aluminium sales (kt)	707	713	169	160	176	179	198
Mozal Aluminium (63.7%³ share)							
Aluminium production (kt)	265	278	66	68	68	66	76
Aluminium sales (kt)	262	276	68	55	67	66	88
Sierra Gorda (45% share)							
Ore mined (Mt)	-	13.7	-	-	-	4.7	9.0
Ore processed (Mt)	-	7.5	-	-	-	2.3	5.2
Copper ore grade processed (% Cu)	-	0.42	-	-	-	0.45	0.40
Payable copper equivalent production ¹⁷ (kt)	-	29.5	-	-	-	9.7	19.8
Payable copper production (kt)	-	25.3	-	-	-	8.4	16.9
Payable copper sales (kt)	-	27.7	-	-	-	11.1	16.6
Payable molybdenum production (kt)	-	0.4	-	-	-	0.2	0.2
Payable molybdenum sales (kt)	-	0.6	-	-	-	0.1	0.5
Payable gold production (koz)	-	9.6	-	-	-	2.3	7.3
Payable gold sales (koz)	-	9.9	-	-	-	3.0	6.9
Payable silver production (koz)	-	253	-	-	-	85	168
Payable silver sales (koz)	-	282	-	-	-	111	171

South32 share	FY21	FY22	4Q21	1Q22	2Q22	3Q22	4Q22
Cannington (100%)							
Ore mined (kwmt)	2,819	2,753	696	750	725	637	641
Ore processed (kdmmt)	2,746	2,618	720	687	698	681	552
Silver ore grade processed (g/t, Ag)	185	180	213	185	169	188	177
Lead ore grade processed (% , Pb)	5.7	5.4	6.6	5.5	4.9	5.9	5.5
Zinc ore grade processed (% , Zn)	3.5	3.5	3.9	3.2	3.6	3.4	3.8
Payable zinc equivalent production ² (kt)	319.0	299.3	97.1	78.2	74.3	82.3	64.5
Payable silver production (koz)	13,655	12,946	4,178	3,493	3,217	3,568	2,668
Payable silver sales (koz)	13,736	12,898	4,460	2,718	4,000	2,818	3,362
Payable lead production (kt)	131.8	120.6	41.2	31.9	28.3	34.6	25.8
Payable lead sales (kt)	131.7	122.2	41.9	25.3	38.0	27.9	31.0
Payable zinc production (kt)	67.7	64.5	19.5	15.4	17.3	16.4	15.4
Payable zinc sales (kt)	69.0	66.2	21.3	14.3	18.5	17.3	16.1
Cerro Matoso (99.9% share)							
Ore mined (kwmt)	3,238	4,867	1,174	1,058	1,358	1,310	1,141
Ore processed (kdmmt)	2,385	2,703	702	620	715	690	678
Ore grade processed (% , Ni)	1.63	1.73	1.76	1.76	1.71	1.73	1.71
Payable nickel production (kt)	34.1	41.7	10.9	9.6	10.7	10.6	10.8
Payable nickel sales (kt)	33.5	41.8	10.3	10.4	9.7	9.8	11.9
Illawarra Metallurgical Coal (100%)							
Total coal production (kt)	7,645	6,509	1,725	1,888	1,257	1,781	1,583
Total coal sales ²⁷ (kt)	7,616	6,606	1,766	1,708	1,547	1,465	1,886
Metallurgical coal production (kt)	6,170	5,712	1,340	1,575	1,192	1,565	1,380
Metallurgical coal sales (kt)	6,074	5,823	1,367	1,490	1,387	1,358	1,588
Energy coal production (kt)	1,475	797	385	313	65	216	203
Energy coal sales (kt)	1,542	783	399	218	160	107	298
Australia Manganese (60% share)							
Manganese ore production (kwmt)	3,529	3,363	866	897	807	815	844
Manganese ore sales (kwmt)	3,621	3,372	891	906	831	775	860
Ore grade sold (% , Mn)	44.4	44.2	44.5	44.2	44.2	44.1	44.2
South Africa Manganese (54.6%¹⁸ share)							
Manganese ore production ¹⁸ (kwmt)	2,060	2,069	544	608	445	391	625
Manganese ore sales ¹⁸ (kwmt)	2,035	2,170	579	515	579	495	581
Ore grade sold (% , Mn)	39.9	39.7	39.5	40.3	38.7	40.5	39.4

Forward-looking statements

This release contains forward-looking statements, including statements about trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; and provisions and contingent liabilities. These forward-looking statements reflect expectations at the date of this release, however they are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this release. Readers are cautioned not to put undue reliance on forward-looking statements. Except as required by applicable laws or regulations, the South32 Group does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance. South32 cautions against reliance on any forward looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19.

FURTHER INFORMATION

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