

# Quarterly Report

## September 2019



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

- Net cash increased by US\$163M to US\$527M<sup>1</sup> following the allocation of a further US\$74M to our on-market share buy-back, as we benefitted from an unwind in working capital, despite an increase in finished goods inventory during the quarter.
- Maintained FY20 production guidance for all operations.
- Achieved record production at Brazil Alumina and another strong quarter at Worsley Alumina as we deliver initiatives to sustainably increase to nameplate capacity from FY20.
- Continued to operate our aluminium smelters at their maximum technical capacity despite the impact of load-shedding.
- Increased production at Illawarra Metallurgical Coal by 30% as the longwalls continued to perform strongly following the completion of two moves in the prior quarter.
- Maintained higher rates of manganese ore production at our low-cost, flexible operations and commenced exploration drilling in the Southern Areas target at GEMCO following the receipt of approvals.
- Progressed exclusive negotiations with Seriti Resources in respect of its indicative offer to acquire our South Africa Energy Coal business and remain on track to provide a further update in the December 2019 quarter.
- Invested US\$17M in exploration at our early stage greenfield projects and existing operations, including at Hermosa to further increase our knowledge of the Taylor Deposit and greater land package.

*“We have maintained annual production guidance for all of our operations with a strong start to the year at our alumina refineries, a 30 per cent increase in production at Illawarra Metallurgical Coal and a 10 per cent increase in manganese ore production.*

*“With macro conditions creating headwinds for our key commodities, we remain focused on driving cost and operating performance across our portfolio.*

*“Our disciplined approach to capital allocation has allowed us to return a further US\$74 million with the continuation of our US\$1.25 billion capital management program, and following the end of the quarter pay our US\$139 million ordinary dividend in respect of the prior six months.*

*“We remain on track to finalise Seriti Resources’ offer for our South Africa Energy Coal business in the coming quarter, a significant milestone in the divestment process and a further step towards reshaping our portfolio.”*

Graham Kerr, South32 CEO

| Production summary                 |          |              |       |
|------------------------------------|----------|--------------|-------|
| South32 share                      | YTD FY19 | YTD FY20     | YoY   |
| Alumina production (kt)            | 1,159    | <b>1,308</b> | 13%   |
| Aluminium production (kt)          | 248      | <b>248</b>   | 0%    |
| Energy coal production (kt)        | 6,560    | <b>6,723</b> | 2%    |
| Metallurgical coal production (kt) | 1,515    | <b>1,651</b> | 9%    |
| Manganese ore production (kwmt)    | 1,447    | <b>1,415</b> | (2%)  |
| Manganese alloy production (kt)    | 52       | <b>44</b>    | (15%) |
| Payable nickel production (kt)     | 10.7     | <b>10.6</b>  | (1%)  |
| Payable silver production (koz)    | 3,185    | <b>2,972</b> | (7%)  |
| Payable lead production (kt)       | 25.8     | <b>26.5</b>  | 3%    |
| Payable zinc production (kt)       | 13.2     | <b>18.4</b>  | 39%   |

|                                    | 1Q19  | 4Q19  | 1Q20         | QoQ   |
|------------------------------------|-------|-------|--------------|-------|
| Alumina production (kt)            | 1,159 | 1,307 | <b>1,308</b> | 0%    |
| Aluminium production (kt)          | 248   | 245   | <b>248</b>   | 1%    |
| Energy coal production (kt)        | 6,560 | 7,037 | <b>6,723</b> | (4%)  |
| Metallurgical coal production (kt) | 1,515 | 1,278 | <b>1,651</b> | 29%   |
| Manganese ore production (kwmt)    | 1,447 | 1,290 | <b>1,415</b> | 10%   |
| Manganese alloy production (kt)    | 52    | 62    | <b>44</b>    | (29%) |
| Payable nickel production (kt)     | 10.7  | 10.6  | <b>10.6</b>  | 0%    |
| Payable silver production (koz)    | 3,185 | 3,253 | <b>2,972</b> | (9%)  |
| Payable lead production (kt)       | 25.8  | 28.3  | <b>26.5</b>  | (6%)  |
| Payable zinc production (kt)       | 13.2  | 14.6  | <b>18.4</b>  | 26%   |

Unless otherwise noted: percentage variance relates to performance during the September 2019 quarter compared with the June 2019 quarter (QoQ); production and sales volumes are reported on an attributable basis.

## Corporate Update

- We progressed exclusive negotiations with Seriti Resources Holdings Proprietary Limited (Seriti Resources) in respect of its indicative offer to acquire our South Africa Energy Coal business. The offer is subject to final negotiation and execution of a binding Sale and Purchase Agreement and we remain on track to provide a further update to the market in the December 2019 quarter.
- We continued to review options for our manganese alloy smelters as changes in market dynamics have reduced the attractiveness of our exposure and we will update the market in the March 2020 quarter.
- Net cash increased by US\$163M to US\$527M<sup>1</sup> following the allocation of a further US\$74M to our on-market share buy-back, as we benefitted from an unwind in working capital, despite an increase in finished goods inventory during the quarter. We bought back a further 41M shares during the September 2019 quarter and have now completed US\$1.06B of our US\$1.25B capital management program, including the purchase of 359M shares at an average price of A\$3.10 per share. On 10 October 2019 we also paid a fully-franked dividend of US\$139M in respect of the June 2019 half year.
- We have settled the insurance claim for the incident that led to an extended outage of the Klipspruit dragline at South Africa Energy Coal during FY19, receiving US\$98M as full and final payment from our insurers during the September 2019 quarter.
- We received net distributions<sup>2</sup> of US\$63M (South32 share) from our manganese equity accounted investments (EAI) in the September 2019 quarter following the payment of US\$115M (100% share) in royalties at Australia Manganese in respect of the prior 6 month period.
- The primary corporate tax rates applicable to the Group include: Australia 30%, South Africa 28%, Colombia 33%<sup>3</sup>, Mozambique 0%<sup>3</sup> and Brazil 34%. Our geographical earnings mix continues to have a significant bearing on our ETR given differing country tax rates, whilst the impact of permanent differences is magnified when margins are compressed or losses are incurred in specific jurisdictions. In the 2019 financial year our ETR was 37.8% (excluding EAI) and the de-recognition of tax assets in South Africa Energy Coal will further increase the Group's ETR, should the operation make a loss in the FY20 financial year.

| Production guidance<br>(South32 share)               | FY19   | 3M YTD FY20 | FY20e           |
|--|--------|-------------|-----------------|
| <b>Worsley Alumina</b>                               |        |             |                 |
| Alumina production (kt)                              | 3,795  | 952         | 3,965           |
| <b>Brazil Alumina</b>                                |        |             |                 |
| Alumina production (kt)                              | 1,255  | 356         | 1,330           |
| <b>Hillside Aluminium<sup>4</sup></b>                |        |             |                 |
| Aluminium production (kt)                            | 715    | 181         | 720             |
| <b>Mozal Aluminium<sup>4</sup></b>                   |        |             |                 |
| Aluminium production (kt)                            | 267    | 67          | 273             |
| <b>South Africa Energy Coal<sup>5</sup></b>          |        |             |                 |
| Energy coal production (kt)                          | 24,979 | 6,292       | 26,000 - 28,000 |
| Domestic coal production (kt)                        | 14,978 | 3,629       | 15,300 - 16,100 |
| Export coal production (kt)                          | 10,001 | 2,663       | 10,700 - 11,900 |
| <b>Illawarra Metallurgical Coal</b>                  |        |             |                 |
| Total coal production (kt)                           | 6,647  | 2,082       | 7,000           |
| Metallurgical coal production (kt)                   | 5,350  | 1,651       | 5,800           |
| Energy coal production (kt)                          | 1,297  | 431         | 1,200           |
| <b>Australia Manganese</b>                           |        |             |                 |
| Manganese ore production (kwmt)                      | 3,349  | 868         | 3,560           |
| <b>South Africa Manganese</b>                        |        |             |                 |
| Manganese ore production <sup>6</sup> (kwmt)         | 2,187  | 547         | 2,100           |
| <b>Cerro Matoso</b>                                  |        |             |                 |
| Payable nickel production (kt)                       | 41.1   | 10.6        | 35.6            |
| <b>Cannington</b>                                    |        |             |                 |
| Payable zinc equivalent production <sup>7</sup> (kt) | 218.2  | 60.5        | 221.0           |
| Payable silver production (koz)                      | 12,201 | 2,972       | 11,200          |
| Payable lead production (kt)                         | 101.4  | 26.5        | 104.0           |
| Payable zinc production (kt)                         | 51.6   | 18.4        | 59.0            |

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

## Development and Exploration Update

- Consistent with our strategy to partner with companies to fund early stage greenfield exploration opportunities, we invested US\$3M during the September 2019 quarter. We directed a further US\$14M towards exploration programs at our existing operations (US\$11M capitalised), including US\$1M for our EAI (all capitalised) and US\$6M at Hermosa (all capitalised) to further increase our knowledge of the Taylor Deposit<sup>8</sup> and the greater Hermosa land package<sup>9</sup>.
- We progressed our Hermosa project pre-feasibility study which we expect to complete in the June 2020 half year and advanced study work at the Eagle Downs Metallurgical Coal project ahead of a final investment decision scheduled for the December 2020 half year.
- We commenced exploration drilling in the Southern Areas at GEMCO during the September 2019 quarter following receipt of final regulatory approval. The initial program is designed to infill areas of known mineralisation and to test regional targets.

## Worsley Alumina

(86% share)

| South32 share           | YTD<br>FY19 | YTD<br>FY20 | YoY | 1Q19 | 4Q19  | 1Q20       | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|-------------------------|-------------|-------------|-----|------|-------|------------|--------------------|--------------------|
| Alumina production (kt) | 854         | <b>952</b>  | 11% | 854  | 996   | <b>952</b> | 11%                | (4%)               |
| Alumina sales (kt)      | 850         | <b>918</b>  | 8%  | 850  | 1,036 | <b>918</b> | 8%                 | (11%)              |

Worsley Alumina hydrate production increased by 4% (or 33kt) to 967kt in the September 2019 quarter as the hydrate circuit operated at an annualised rate of 4.5mtpa (100% basis), whilst alumina saleable production decreased by 4% (or 44kt) to 952kt as a scheduled calciner shut was completed. FY20 production guidance remains unchanged at 3,965kt with the refinery to benefit from improved calciner availability and the drawdown of excess hydrate stocks over the remainder of the year.

We realised a modest premium to the Platts Alumina Index<sup>10</sup> on a volume weighted M-1 basis for alumina sales in the September 2019 quarter. This mostly reflected the structure of specific legacy supply contracts with our Mozal Aluminium smelter that are linked to the Platts Alumina Index on an M-1 basis, with caps and floors embedded within specific contracts. All other alumina sales were at market based prices.

## Brazil Alumina

(36% share)

| South32 share           | YTD<br>FY19 | YTD<br>FY20 | YoY | 1Q19 | 4Q19 | 1Q20       | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|-------------------------|-------------|-------------|-----|------|------|------------|--------------------|--------------------|
| Alumina production (kt) | 305         | <b>356</b>  | 17% | 305  | 311  | <b>356</b> | 17%                | 14%                |
| Alumina sales (kt)      | 302         | <b>304</b>  | 1%  | 302  | 374  | <b>304</b> | 1%                 | (19%)              |

Brazil Alumina saleable production increased by 14% (or 45kt) to a record 356kt in the September 2019 quarter as the refinery benefitted from the installation of package boilers, enabling the benefits of the De-bottlenecking Phase One project to be realised. FY20 production guidance remains unchanged at 1,330kt.

## Hillside Aluminium

(100%)

| South32 share             | YTD<br>FY19 | YTD<br>FY20 | YoY  | 1Q19 | 4Q19 | 1Q20       | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|---------------------------|-------------|-------------|------|------|------|------------|--------------------|--------------------|
| Aluminium production (kt) | 180         | <b>181</b>  | 1%   | 180  | 179  | <b>181</b> | 1%                 | 1%                 |
| Aluminium sales (kt)      | 178         | <b>174</b>  | (2%) | 178  | 191  | <b>174</b> | (2%)               | (9%)               |

Hillside Aluminium saleable production increased by 1% (or 2kt) to 181kt in the September 2019 quarter as the smelter continued to test its maximum technical capacity, despite a modest impact to production from load-shedding and the completion of a major workforce restructure in the June 2019 quarter.

## Mozal Aluminium

(47.1% share)

| South32 share             | YTD<br>FY19 | YTD<br>FY20 | YoY  | 1Q19 | 4Q19 | 1Q20      | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|---------------------------|-------------|-------------|------|------|------|-----------|--------------------|--------------------|
| Aluminium production (kt) | 68          | <b>67</b>   | (1%) | 68   | 66   | <b>67</b> | (1%)               | 2%                 |
| Aluminium sales (kt)      | 59          | <b>64</b>   | 8%   | 59   | 70   | <b>64</b> | 8%                 | (9%)               |

Mozal Aluminium saleable production increased by 2% (or 1kt) to 67kt in the September 2019 quarter as the smelter continued to test its maximum technical capacity, despite a modest impact to production from load-shedding.

## South Africa Energy Coal

(100%)

| South32 share               | YTD<br>FY19 | YTD<br>FY20  | YoY  | 1Q19  | 4Q19  | 1Q20         | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|-----------------------------|-------------|--------------|------|-------|-------|--------------|--------------------|--------------------|
| Energy coal production (kt) | 6,170       | <b>6,292</b> | 2%   | 6,170 | 6,710 | <b>6,292</b> | 2%                 | (6%)               |
| Domestic sales (kt)         | 4,103       | <b>3,726</b> | (9%) | 4,103 | 3,336 | <b>3,726</b> | (9%)               | 12%                |
| Export sales (kt)           | 1,923       | <b>1,977</b> | 3%   | 1,923 | 3,122 | <b>1,977</b> | 3%                 | (37%)              |

South Africa Energy Coal saleable production decreased by 6% (or 418kt) to 6.3Mt in the September 2019 quarter following elevated production in the prior quarter, with lower equipment availability at Klipspruit and preparation for the upcoming wet season impacting volumes.

Domestic sales benefitted from additional volumes of a lower quality stockpiled product that had been directed to the seaborne market in the prior quarter. Export sales declined by 37% as the lower production volumes, planned rail network maintenance and weather related port congestion at Richards Bay Coal Terminal resulted in a build in inventories.

We have settled the insurance claim for the incident that led to an extended outage of the Klipspruit dragline during FY19, receiving US\$98M as full and final payment from our insurers during the September 2019 quarter.

## Illawarra Metallurgical Coal

(100%)

| South32 share                       | YTD<br>FY19 | YTD<br>FY20  | YoY | 1Q19  | 4Q19  | 1Q20         | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|-------------------------------------|-------------|--------------|-----|-------|-------|--------------|--------------------|--------------------|
| Total coal production (kt)          | 1,905       | <b>2,082</b> | 9%  | 1,905 | 1,605 | <b>2,082</b> | 9%                 | 30%                |
| Total coal sales (kt) <sup>11</sup> | 1,504       | <b>1,848</b> | 23% | 1,504 | 1,516 | <b>1,848</b> | 23%                | 22%                |
| Metallurgical coal production (kt)  | 1,515       | <b>1,651</b> | 9%  | 1,515 | 1,278 | <b>1,651</b> | 9%                 | 29%                |
| Metallurgical coal sales (kt)       | 1,178       | <b>1,482</b> | 26% | 1,178 | 1,261 | <b>1,482</b> | 26%                | 18%                |
| Energy coal production (kt)         | 390         | <b>431</b>   | 11% | 390   | 327   | <b>431</b>   | 11%                | 32%                |
| Energy coal sales (kt)              | 326         | <b>366</b>   | 12% | 326   | 255   | <b>366</b>   | 12%                | 44%                |

Illawarra Metallurgical Coal saleable production increased by 30% (or 477kt) to 2.1Mt in the September 2019 quarter following the successful completion of two longwall moves in the June 2019 quarter. The Dendrobium and Appin longwalls continue to perform strongly with an increase in the use of longwall automation. FY20 production guidance remains unchanged at 7.0Mt with longwall moves scheduled during the December 2019 and March 2020 quarters. Achieving improved development rates at Appin to support the operation's return to a three longwall configuration from the June 2020 quarter remains a focus.

## Australia Manganese

(60% share)

| South32 share                   | YTD<br>FY19 | YTD<br>FY20 | YoY   | 1Q19 | 4Q19 | 1Q20       | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|---------------------------------|-------------|-------------|-------|------|------|------------|--------------------|--------------------|
| Manganese ore production (kwmt) | 932         | <b>868</b>  | (7%)  | 932  | 718  | <b>868</b> | (7%)               | 21%                |
| Manganese ore sales (kwmt)      | 884         | <b>852</b>  | (4%)  | 884  | 916  | <b>852</b> | (4%)               | (7%)               |
| Manganese alloy production (kt) | 41          | <b>28</b>   | (32%) | 41   | 40   | <b>28</b>  | (32%)              | (30%)              |
| Manganese alloy sales (kt)      | 29          | <b>32</b>   | 10%   | 29   | 46   | <b>32</b>  | 10%                | (30%)              |

Australia Manganese saleable ore production increased by 21% (or 150kwmt) to 868kwmt in the September 2019 quarter. Higher utilisation rates were achieved in the primary circuit as the impact of heavy rainfall in the prior quarter subsided. The Premium Concentrate Ore (PC02) circuit operated at approximately 120% of its design capacity, as we continued to take advantage of favourable market conditions with our low cost PC02 fines product contributing 11% of total production. While we continue to monitor market conditions and the potential impact from the wet season across the remainder of the financial year, FY20 production guidance remains unchanged at 3,560kwmt.

Manganese alloy saleable production decreased by 30% (or 12kt) to 28kt in the September 2019 quarter as one of the four furnaces was taken offline.

## South Africa Manganese

(60% share)

| South32 share                                | YTD<br>FY19 | YTD<br>FY20 | YoY   | 1Q19 | 4Q19 | 1Q20       | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|--|-------------|-------------|-------|------|------|------------|--------------------|--------------------|
| Manganese ore production <sup>6</sup> (kwmt) | 515         | <b>547</b>  | 6%    | 515  | 572  | <b>547</b> | 6%                 | (4%)               |
| Manganese ore sales <sup>6</sup> (kwmt)      | 487         | <b>544</b>  | 12%   | 487  | 573  | <b>544</b> | 12%                | (5%)               |
| Manganese alloy production (kt)              | 11          | <b>16</b>   | 45%   | 11   | 22   | <b>16</b>  | 45%                | (27%)              |
| Manganese alloy sales (kt)                   | 16          | <b>13</b>   | (19%) | 16   | 22   | <b>13</b>  | (19%)              | (41%)              |

South Africa Manganese saleable ore production decreased by 4% (or 25kwmt) to 547kwmt in the September 2019 quarter as a planned maintenance shut was completed at our high grade underground Wessels mine. We continued to take advantage of favourable market conditions by selling lower quality fines products and utilising higher cost trucking as an alternative route to market. While we continue to monitor market conditions FY20 production guidance remains unchanged at 2,100kwmt.

Manganese alloy saleable production decreased by 27% (or 6kt) to 16kt in the September 2019 quarter.

## Cerro Matoso

(99.9% share)

| South32 share                  | YTD<br>FY19 | YTD<br>FY20 | YoY  | 1Q19 | 4Q19 | 1Q20        | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|--------------------------------|-------------|-------------|------|------|------|-------------|--------------------|--------------------|
| Payable nickel production (kt) | 10.7        | <b>10.6</b> | (1%) | 10.7 | 10.6 | <b>10.6</b> | (1%)               | 0%                 |
| Payable nickel sales (kt)      | 10.9        | <b>10.0</b> | (8%) | 10.9 | 10.8 | <b>10.0</b> | (8%)               | (7%)               |

Cerro Matoso payable nickel production was unchanged at 10.6kt in the September 2019 quarter as mining rates increased in line with plan, resulting in a lower contribution of stockpiled ore feed. FY20 production guidance remains unchanged at 35.6kt with the operation scheduled to undertake a major furnace refurbishment in the June 2020 quarter.

Sales declined by 7% during the September 2019 quarter due to the timing of shipments. Our ferronickel product sells with reference to the LME Nickel index price on a M+1 or M+2 basis and attracts product discounts that typically widen in percentage terms during periods of elevated pricing.

# Cannington

(100% share)

| South32 share  | YTD<br>FY19 | YTD<br>FY20 | YoY   | 1Q19  | 4Q19  | 1Q20  | 1Q20<br>vs<br>1Q19 | 1Q20<br>vs<br>4Q19 |
|--|-------------|-------------|-------|-------|-------|-------|--------------------|--------------------|
| Payable zinc equivalent production <sup>7</sup> (kt) | 56.1        | 60.5        | 8%    | 56.1  | 60.1  | 60.5  | 8%                 | 1%                 |
| Payable silver production (koz)                      | 3,185       | 2,972       | (7%)  | 3,185 | 3,253 | 2,972 | (7%)               | (9%)               |
| Payable silver sales (koz)                           | 3,057       | 2,363       | (23%) | 3,057 | 4,874 | 2,363 | (23%)              | (52%)              |
| Payable lead production (kt)                         | 25.8        | 26.5        | 3%    | 25.8  | 28.3  | 26.5  | 3%                 | (6%)               |
| Payable lead sales (kt)                              | 22.5        | 20.6        | (8%)  | 22.5  | 41.7  | 20.6  | (8%)               | (51%)              |
| Payable zinc production (kt)                         | 13.2        | 18.4        | 39%   | 13.2  | 14.6  | 18.4  | 39%                | 26%                |
| Payable zinc sales (kt)                              | 8.8         | 18.9        | 115%  | 8.8   | 15.7  | 18.9  | 115%               | 20%                |

Cannington payable zinc equivalent production increased by 1% (or 0.4kt) to 60.5kt in the September 2019 quarter as a higher zinc grade offset the impact of lower silver and lead grades and reduced mill throughput following planned maintenance.

Processed silver, lead and zinc grades met our expectations and FY20 production guidance remains unchanged (silver 11,200koz, lead 104.0kt and zinc 59.0kt). Silver and lead sales declined by 52% and 51% respectively as shipments normalised following the prior quarter's recovery from the impact of significant floods in February 2019 and an operational outage at a customer impacted the timing of some sales in the September 2019 quarter.

## Notes:

- Net cash is unaudited and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity. From 1 July 2019 our net cash number includes the Group's adoption of AASB 16 Leases, which generally results in leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. For comparability our reported net cash balance at 30 June 2019 has been adjusted to reflect the 1 July 2019 transitional adjustment of US\$140M.
- Net distributions from equity accounted investments 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.
- The Colombian corporate tax rate was 40% during CY17, 37% during CY18 and is 33% in CY19. The corporate tax rate will decrease on an annual basis by a percent each year, stabilising at 30% from 1 January 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax.
- Production guidance for our Hillside Aluminium and Mozal Aluminium smelters does not assume any load-shedding impacts on production.
- 8% of South Africa Energy Coal is owned by a Broad-Based Black Economic Empowerment (B-BBEE) consortium. The interests owned by the B-BBEE consortium were acquired using vendor finance, with the loans repayable to South32 via distributions attributable to these parties, pro rata to their share in South Africa Energy Coal. Until these loans are repaid, South32's interest in South Africa Energy Coal is accounted at 100%.
- Consistent with the presentation of South32's segment information, South Africa Manganese ore production and sales have been reported at 60%. The Group's financial statements will continue to reflect a 54.6% interest in South Africa Manganese ore.
- Payable zinc equivalent (kt) was calculated by aggregating Revenue from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY19 realised prices for zinc (US\$2,122/t), lead (US\$1,754/t) and silver (US\$14.4/oz) have been used for FY19, YTD FY20 and FY20e. Prior quarters have been restated to this baseline.
- The information that relates to the Mineral Resources of the Taylor Deposit was declared in the market announcement "Hermosa Project – Mineral Resource Declaration" dated 17 June 2019 ([www.south32.net](http://www.south32.net)) based on information compiled by Matthew Readford, Competent Person. 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.
- Information that relates to estimates of Mineral Resources for the Clark Deposit (formally the Central Deposit) of the Hermosa project are foreign estimates under ASX Listing Rules and are not reported in accordance with the JORC Code. Reference should be made to the clarifying statement on Mineral Resources in the market announcement "South32 to acquire Arizona Mining in agreed all cash offer" dated 18 June 2018, in accordance with ASX Listing Rule 5.12. South32 is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimate or has the ability to verify the foreign estimate as a Mineral Resource in accordance with the JORC Code. South32 confirms that the supporting information contained in the clarifying statement in the 18 June 2018 market announcement continues to apply and has not materially changed. Competent Persons have not done sufficient work to classify the foreign estimates as Mineral Resources in accordance with JORC Code. It is uncertain that following evaluation and further exploration that the foreign estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. During FY20 we will commence a work program to increase confidence in the resource to ensure that resources are reported in accordance with the JORC Code.
- The quarterly 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") was US\$314/t in the September 2019 quarter.
- Illawarra Metallurgical Coal sales are adjusted for moisture and will not reconcile directly to Illawarra Metallurgical Coal production.

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); thousand dry metric tonnes (kdmt).

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                                | YTD<br>FY19 | YTD<br>FY20  | 1Q19  | 2Q19  | 3Q19  | 4Q19  | 1Q20         |
|--|-------------|--------------|-------|-------|-------|-------|--------------|
| <b>Worsley Alumina (86% share)</b>           |             |              |       |       |       |       |              |
| Alumina hydrate production (kt)              | 959         | <b>967</b>   | 959   | 988   | 921   | 934   | <b>967</b>   |
| Alumina production (kt)                      | 854         | <b>952</b>   | 854   | 1,052 | 893   | 996   | <b>952</b>   |
| Alumina sales (kt)                           | 850         | <b>918</b>   | 850   | 1,035 | 936   | 1,036 | <b>918</b>   |
| <b>Brazil Alumina (36% share)</b>            |             |              |       |       |       |       |              |
| Alumina production (kt)                      | 305         | <b>356</b>   | 305   | 331   | 308   | 311   | <b>356</b>   |
| Alumina sales (kt)                           | 302         | <b>304</b>   | 302   | 317   | 247   | 374   | <b>304</b>   |
| <b>Hillside Aluminium (100%)</b>             |             |              |       |       |       |       |              |
| Aluminium production (kt)                    | 180         | <b>181</b>   | 180   | 180   | 176   | 179   | <b>181</b>   |
| Aluminium sales (kt)                         | 178         | <b>174</b>   | 178   | 182   | 156   | 191   | <b>174</b>   |
| <b>Mozal Aluminium (47.1% share)</b>         |             |              |       |       |       |       |              |
| Aluminium production (kt)                    | 68          | <b>67</b>    | 68    | 67    | 66    | 66    | <b>67</b>    |
| Aluminium sales (kt)                         | 59          | <b>64</b>    | 59    | 70    | 69    | 70    | <b>64</b>    |
| <b>South Africa Energy Coal (100%)</b>       |             |              |       |       |       |       |              |
| Energy coal production (kt)                  | 6,170       | <b>6,292</b> | 6,170 | 6,001 | 6,098 | 6,710 | <b>6,292</b> |
| Domestic sales (kt)                          | 4,103       | <b>3,726</b> | 4,103 | 3,646 | 3,950 | 3,336 | <b>3,726</b> |
| Export sales (kt)                            | 1,923       | <b>1,977</b> | 1,923 | 2,283 | 2,547 | 3,122 | <b>1,977</b> |
| <b>Illawarra Metallurgical Coal (100%)</b>   |             |              |       |       |       |       |              |
| Total coal production (kt)                   | 1,905       | <b>2,082</b> | 1,905 | 1,935 | 1,202 | 1,605 | <b>2,082</b> |
| Total coal sales (kt) <sup>11</sup>          | 1,504       | <b>1,848</b> | 1,504 | 1,755 | 1,531 | 1,516 | <b>1,848</b> |
| Metallurgical coal production (kt)           | 1,515       | <b>1,651</b> | 1,515 | 1,567 | 990   | 1,278 | <b>1,651</b> |
| Metallurgical coal sales (kt)                | 1,178       | <b>1,482</b> | 1,178 | 1,349 | 1,256 | 1,261 | <b>1,482</b> |
| Energy coal production (kt)                  | 390         | <b>431</b>   | 390   | 368   | 212   | 327   | <b>431</b>   |
| Energy coal sales (kt)                       | 326         | <b>366</b>   | 326   | 406   | 275   | 255   | <b>366</b>   |
| <b>Australia Manganese (60% share)</b>       |             |              |       |       |       |       |              |
| Manganese ore production (kwmt)              | 932         | <b>868</b>   | 932   | 879   | 820   | 718   | <b>868</b>   |
| Manganese ore sales (kwmt)                   | 884         | <b>852</b>   | 884   | 856   | 782   | 916   | <b>852</b>   |
| Ore grade sold (% , Mn)                      | 46.1        | <b>45.6</b>  | 46.1  | 45.8  | 45.8  | 46.0  | <b>45.6</b>  |
| Manganese alloy production (kt)              | 41          | <b>28</b>    | 41    | 35    | 38    | 40    | <b>28</b>    |
| Manganese alloy sales (kt)                   | 29          | <b>32</b>    | 29    | 47    | 29    | 46    | <b>32</b>    |
| <b>South Africa Manganese (60% share)</b>    |             |              |       |       |       |       |              |
| Manganese ore production <sup>6</sup> (kwmt) | 515         | <b>547</b>   | 515   | 560   | 540   | 572   | <b>547</b>   |
| Manganese ore sales <sup>6</sup> (kwmt)      | 487         | <b>544</b>   | 487   | 523   | 530   | 573   | <b>544</b>   |
| Ore grade sold (% , Mn)                      | 40.0        | <b>40.4</b>  | 40.0  | 40.5  | 39.7  | 41.7  | <b>40.4</b>  |
| Manganese alloy production (kt)              | 11          | <b>16</b>    | 11    | 22    | 14    | 22    | <b>16</b>    |
| Manganese alloy sales (kt)                   | 16          | <b>13</b>    | 16    | 19    | 16    | 22    | <b>13</b>    |

| South32 share  | YTD<br>FY19 | YTD<br>FY20  | 1Q19  | 2Q19  | 3Q19  | 4Q19  | 1Q20         |
|--|-------------|--------------|-------|-------|-------|-------|--------------|
| <b>Cerro Matoso (99.9% share)</b>                    |             |              |       |       |       |       |              |
| Ore mined (kwmt)                                     | 613         | <b>668</b>   | 613   | 596   | 645   | 424   | <b>668</b>   |
| Ore processed (kdmt)                                 | 712         | <b>712</b>   | 712   | 689   | 634   | 703   | <b>712</b>   |
| Ore grade processed (% Ni)                           | 1.68        | <b>1.65</b>  | 1.68  | 1.69  | 1.63  | 1.65  | <b>1.65</b>  |
| Payable nickel production (kt)                       | 10.7        | <b>10.6</b>  | 10.7  | 10.4  | 9.4   | 10.6  | <b>10.6</b>  |
| Payable nickel sales (kt)                            | 10.9        | <b>10.0</b>  | 10.9  | 10.4  | 9.1   | 10.8  | <b>10.0</b>  |
| <b>Cannington (100%)</b>                             |             |              |       |       |       |       |              |
| Ore mined (kwmt)                                     | 623         | <b>694</b>   | 623   | 683   | 648   | 771   | <b>694</b>   |
| Ore processed (kdmt)                                 | 638         | <b>656</b>   | 638   | 606   | 547   | 704   | <b>656</b>   |
| Silver ore grade processed (g/t, Ag)                 | 184         | <b>168</b>   | 184   | 181   | 202   | 172   | <b>168</b>   |
| Lead ore grade processed (% Pb)                      | 4.9         | <b>4.9</b>   | 4.9   | 4.7   | 5.6   | 4.8   | <b>4.9</b>   |
| Zinc ore grade processed (% Zn)                      | 2.9         | <b>3.8</b>   | 2.9   | 3.0   | 3.0   | 3.0   | <b>3.8</b>   |
| Payable Zinc equivalent production <sup>7</sup> (kt) | 56.1        | <b>60.5</b>  | 56.1  | 51.3  | 50.7  | 60.1  | <b>60.5</b>  |
| Payable silver production (koz)                      | 3,185       | <b>2,972</b> | 3,185 | 2,882 | 2,881 | 3,253 | <b>2,972</b> |
| Payable silver sales (koz)                           | 3,057       | <b>2,363</b> | 3,057 | 3,283 | 1,820 | 4,874 | <b>2,363</b> |
| Payable lead production (kt)                         | 25.8        | <b>26.5</b>  | 25.8  | 22.5  | 24.8  | 28.3  | <b>26.5</b>  |
| Payable lead sales (kt)                              | 22.5        | <b>20.6</b>  | 22.5  | 24.6  | 12.7  | 41.7  | <b>20.6</b>  |
| Payable zinc production (kt)                         | 13.2        | <b>18.4</b>  | 13.2  | 13.1  | 10.7  | 14.6  | <b>18.4</b>  |
| Payable zinc sales (kt)                              | 8.8         | <b>18.9</b>  | 8.8   | 15.9  | 7.2   | 15.7  | <b>18.9</b>  |

### 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.

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