

THE HERMOSA PROJECT: PUTTING ARIZONA IN THE DRIVER'S SEAT OF THE CLEAN ENERGY RACE



The United States has set bold decarbonization targets to protect the planet and U.S. competitiveness in the global economy. But achieving these goals will require major investments in the nation's infrastructure and domestic supply chain.

South32's Hermosa Project has the potential to sustainably produce zinc, battery-grade manganese, silver, and lead in Southern Arizona to help power the nation's clean energy future. With manganese and zinc being federally designated critical minerals, this project will strengthen the domestic supply chain of critical minerals, grow the local economy, and improve lives in Santa Cruz County and the surrounding community.

"Battery demand will skyrocket over the coming decades. If the U.S. wants to control its energy destiny, it'll need a secure, resilient supply chain for critical minerals and other components." Axios, 4/21/22

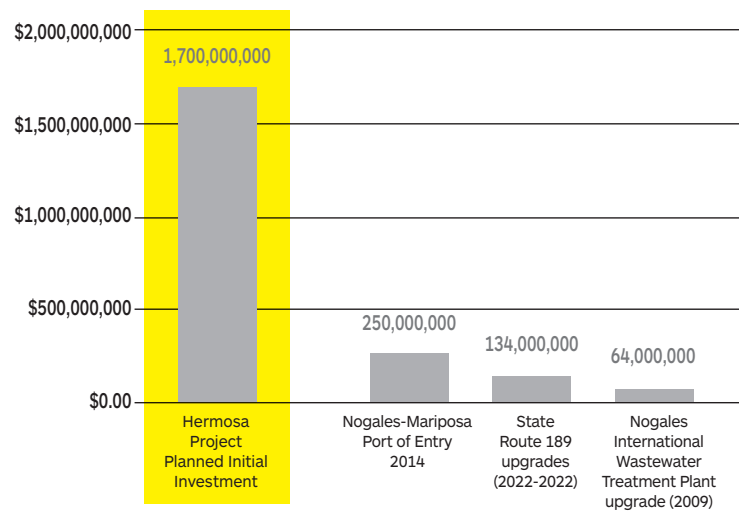
"President Joe Biden has set aggressive targets for half of all vehicles sold in the United States to be electric-powered by 2030, a goal that will require more domestic processing of EV building blocks... 'The U.S. is serious about onshoring the battery manufacturing and critical materials supply chains,' Jigar Shah, head of the Energy Department's Loan Programs Office, told Reuters. He estimated the United States only has about 5% of the manufacturing capacity needed to hit Biden's 2030 target." Reuters, 4/19/22

A Transformative Investment in the Local Economy

Santa Cruz County, where Hermosa is located, boasts a more than 80% Latino population and is home to growing opportunities. And the county seat of Nogales serves as one of the largest ports of entry between the United States and Mexico with almost 50% of the nation's produce passing through its gateways each year.¹

The \$1.7 billion upfront capital investment estimate offers the potential to sustainably produce zinc-lead-silver from the first phase of development at Hermosa. It represents the largest investment in the local economy ever.

Recent Investments in the Region






Santa Cruz County's average per capita annual income is 36%, or approximately \$18,000, lower than Arizona's statewide average. In addition, the county's unemployment rate is about twice as high as the average in the state, at 13.6%, while the poverty rate is about four percentage points higher, at 16.8%.²

1. <https://www.santacruzcountyaz.gov/246/Nogales>

2. https://www.south32.net/docs/default-source/hermosa-documents/media/hermosa-project-county-economic-benefits-report---23-march-2022.pdf?sfvrsn=a31d2aae_2

FIRST-PHASE ECONOMIC IMPACT REPORT: AT-A-GLANCE

A recent analysis by Ernst & Young demonstrates how this initial capital investment would bring new jobs to the region and deliver new tax dollars to fund local infrastructure, services, and schools at a time when a boost is needed more than ever. Importantly, this report only examines the first phase of the project and does not account for the additional economic and community benefits that will result from production of battery-grade manganese at Hermosa, which will deliver even more jobs and economic value to the region.

	Initial Zinc-Silver-Lead Construction Phase	Zinc-Silver-Lead Production Operations Phase
Jobs 	Support 1,465 Arizona jobs annually <ul style="list-style-type: none"> ● 702 direct Santa Cruz County jobs ● 332 indirect Santa Cruz County jobs ● 431 indirect Arizona jobs 	Support 2,758 Arizona jobs annually <ul style="list-style-type: none"> ● 625 direct Santa Cruz County jobs ● 1,021 indirect Santa Cruz County jobs ● 1,112 indirect Arizona jobs
Economy 	Add nearly \$1.2B to Arizona's economy during construction <ul style="list-style-type: none"> ● \$719M in Santa Cruz County 	Add \$959M to Arizona's economy annually <ul style="list-style-type: none"> ● \$640M in Santa Cruz County
Taxes 	Generate \$29M in local taxes for Santa Cruz County and \$38M in state taxes annually	Generate \$15M in local taxes for Santa Cruz County and \$23M in state taxes annually
<p>Even without accounting for future battery-grade manganese production at Hermosa, annual contributions from Hermosa operations would double the county's property tax base, which is currently about \$14 million. The largest component of local taxes is property taxes, which will help fund the county's public schools, services, and community college.</p>		

Source: *Economic and tax contributions of the Taylor Development at the Hermosa Project*, EY, 2022.

An Opportunity to Make a Difference

At South32 we believe that, when done sustainably, the development of natural resources can change people's lives for the better. This is integral to our purpose – 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 realize the potential of their resources.



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