

# Quarterly Report

## December 2020



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

- Achieved record year to date production at Worsley Alumina with output above nameplate capacity as the refinery benefitted from on-going improvement initiatives.
- Set a year to date production record at Brazil Alumina as the refinery continued to achieve high levels of plant availability, despite planned maintenance.
- Delivered another record for year to date ore production at Australia Manganese as the performance of our high-grade circuit improved.
- Increased production at Illawarra Metallurgical Coal by 11% in the December 2020 half year as the operation continued to benefit from the return to a three longwall configuration.
- Increased FY21 production guidance at Cannington by 5% with underground performance supporting the accelerated extraction of a higher-grade mining sequence.
- Approved an early development timetable for the low capital, higher-grade Q&P project at Cerro Matoso, increasing FY21 and FY22 production guidance by 3% and 13% respectively.
- Determined not to proceed with development of the Eagle Downs Metallurgical Coal project, with the project placed on hold while we assess options for our joint venture interest.
- Entered into a binding agreement to sell a portfolio of non-core minerals royalties to Elemental Royalties Corp.
- Progressed the sale of South Africa Energy Coal during the quarter, receiving approval from the Competition Tribunal of South Africa and advancing discussions with Eskom to meet the material outstanding conditions.
- Following the end of the quarter, completed the sale of GEMCO's shareholding in the TEMCO manganese alloy smelter.

*"During the quarter, we adjusted to the different phases of the COVID-19 pandemic in the regions where we operate, focussing on keeping our people safe and well, maintaining safe and reliable operations and supporting our communities.*

*"This was another period of strong operating performance across our business, with three of our operations setting production records for the half year. I'm pleased that the efforts of our people during this challenging period have enabled us to achieve a strong result, and increase our full year production guidance for Cannington and Cerro Matoso.*

*"We're in a strong financial position, resuming our on-market share buy-back program in October. Our unchanged capital management framework and disciplined approach to capital allocation is designed to reward shareholders as supportive market conditions translate to financial performance.*

*"The ongoing transformation of our portfolio continues to gain momentum as we focus on exiting lower returning businesses and work towards increasing our base metals exposure."*

Graham Kerr, South32 CEO

Production summary							
South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	QoQ
Alumina production (kt)	2,635	<b>2,716</b>	3%	1,327	1,315	<b>1,401</b>	7%
Aluminium production (kt)	496	<b>496</b>	0%	248	248	<b>248</b>	0%
Energy coal production (kt)	12,621	<b>12,077</b>	(4%)	5,898	6,771	<b>5,306</b>	(22%)
Metallurgical coal production (kt)	2,859	<b>3,262</b>	14%	1,208	1,863	<b>1,399</b>	(25%)
Manganese ore production (kwmt)	2,813	<b>2,920</b>	4%	1,398	1,461	<b>1,459</b>	(0%)
Manganese alloy production (kt)	91	<b>51</b>	(44%)	47	27	<b>24</b>	(11%)
Payable nickel production (kt)	20.6	<b>16.1</b>	(22%)	10.0	10.0	<b>6.1</b>	(39%)
Payable silver production (koz)	6,164	<b>5,993</b>	(3%)	3,192	2,863	<b>3,130</b>	9%
Payable lead production (kt)	55.3	<b>57.6</b>	4%	28.8	26.4	<b>31.2</b>	18%
Payable zinc production (kt)	32.5	<b>30.4</b>	(6%)	14.1	12.4	<b>18.0</b>	45%

Unless otherwise noted: percentage variance relates to performance during the half year ended December 2020 compared with the half year ended December 2019 (HoH) or the December 2020 quarter compared with the September 2020 quarter (QoQ); production and sales volumes are reported on an attributable basis.

## Corporate Update

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- We continue to respond to COVID-19, adjusting to the different phases of the pandemic across the jurisdictions where we operate, focussing on keeping our people well, maintaining safe and reliable operations and supporting our communities. Additional COVID-19 protocols implemented at many shipping ports globally have resulted in congestion and delays, which combined with adverse weather, are expected to contribute to a temporary build in working capital during the December 2020 half year.
- Industry cost curves continue to steepen as a result of US dollar weakness, which provides further support for markets. While our Operating unit costs are tracking to plan on the basis of previously disclosed exchange rate and commodity price assumptions<sup>1</sup>, we will experience cost inflation should these external pressures persist across the remainder of the year. Updated unit cost guidance for FY21 will be provided with our December 2020 half year results.
- We also expect to see an increase in our US dollar denominated lease balance as at 31 December 2020, with the majority of the Group's lease liabilities financed in Australian dollars.
- We received net distributions<sup>2</sup> of US\$52M (South32 share) from our manganese equity accounted investments (EAI) in the December 2020 half year as timing differences, that are expected to unwind in the June 2021 half year, resulted in excess cash being retained in our EAI.
- Our strong financial position and operating performance enabled us to lift the suspension of our on-market share buy-back and we spent US\$112M purchasing a further 66M shares at an average price of A\$2.34 per share during the December 2020 half year. To 31 December 2020 our US\$1.43B capital management program was 99% complete with US\$9M remaining to be returned to shareholders by way of our on-market share buy-back, ahead of its extension or expiry on 3 September 2021<sup>3</sup>. We also paid our US\$48M final dividend in respect of FY20 in October 2020.
- We entered into a binding agreement to sell a portfolio of non-core minerals royalties to Elemental Royalties Corp. (Elemental, TSX-V:ELE) for US\$40M in cash and US\$15M in Elemental shares. The sale is expected to complete in the March 2021 quarter, following the satisfaction of outstanding conditions.
- Following the end of the quarter we completed the sale of GEMCO's shareholding in the TEMCO manganese alloy smelter to an entity within GFG Alliance. The effective completion date of the sale for accounting purposes was 31 December 2020.
- We received approval from the Competition Tribunal of South Africa for the sale of our shareholding in South Africa Energy Coal to Seriti Resources Holdings Proprietary Limited (Seriti)<sup>4</sup> on 23 December 2020. While the transaction remains subject to material conditions including approvals from Eskom SOC Limited<sup>5</sup>, we continue to make progress towards achieving these and are currently targeting completion during the March 2021 quarter.
- We continue to pursue cost reductions through our exit of lower returning businesses and ongoing simplification of the Group's functional structures and office footprint, to deliver a further US\$50M in annualised savings beyond FY22. In support of these changes, one-off, pre-tax restructuring costs (including redundancies and lease break fees) of approximately US\$17M (post tax ~US\$13M, South32 share) are anticipated. We also expect to a book pre-tax, non-cash impairment charge of approximately US\$36M (post-tax ~US\$25M) to reflect the deferral of an update to our information technology systems as a result of travel restrictions caused by COVID-19. These unaudited charges will be excluded from Underlying earnings in our December 2020 half year financial results.
- Our geographical earnings mix will continue to have a significant bearing on our effective tax rate (ETR) given differing country tax rates<sup>6</sup>, while the impact of intragroup agreements, exploration expenditure in foreign entities and other permanent differences will be magnified when margins are compressed or losses are incurred in specific jurisdictions. Until it is sold, South Africa Energy Coal is expected to have an ETR of 0%, with all tax assets de-recognised and no benefit to be recorded for losses made prior to its planned divestment timing. Accordingly, our Group Underlying ETR for the December 2020 half year is expected to be in a range between 45% and 55% (excluding EAI). Separately, we expect the underlying ETR of our manganese EAI to be in a range between 55% and 65% in the December 2020 half year following the de-recognition of certain deferred tax assets in the period.

## Development and Exploration Update

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- Following completion of the Eagle Downs Metallurgical Coal feasibility study in the December 2020 quarter, we have determined not to proceed with the project at this time. While the study indicated the potential for a long-life operation, the expected returns do not currently support the allocation of capital in accordance with our capital management framework. The project has been placed on hold while the partners assess options that may include the divestment of our 50% interest.
- We directed US\$7M to exploration programs at Hermosa in the December 2020 half year despite drilling activity being impacted by COVID-19 restrictions in the state of Arizona. We continue to progress our pre-feasibility study for the Taylor Deposit and scoping study for the Clark Deposit with the Taylor pre-feasibility study expected to be concluded in the June 2021 quarter.
- Consistent with our strategy to partner with companies to fund early stage greenfield exploration opportunities, we invested US\$8M during the December 2020 half year.
- We directed US\$19M towards exploration programs at our existing operations and development options in the December 2020 half year (US\$15M capitalised), including US\$2M for our EAI (US\$1M capitalised) and US\$7M at Hermosa as noted above (all capitalised).

## Production Summary

Production guidance (South32 share)	FY20	1H21	FY21e <sup>(a)</sup>	Comments
<b>Worsley Alumina</b>				
Alumina production (kt)	3,886	<b>2,010</b>	3,965	
<b>Brazil Alumina</b>				
Alumina production (kt)	1,383	<b>706</b>	1,370	
<b>Hillside Aluminium<sup>7</sup></b>				
Aluminium production (kt)	718	<b>361</b>	720	
<b>Mozal Aluminium<sup>7</sup></b>				
Aluminium production (kt)	268	<b>135</b>	273	
<b>South Africa Energy Coal</b>				
Energy coal production (kt)	22,672	<b>11,243</b>	15,800 – 16,400	Updated to reflect expected production for the March 2021 quarter
Domestic coal production (kt)	12,552	<b>6,561</b>	9,300 – 9,700	
Export coal production (kt)	10,120	<b>4,682</b>	6,500 – 6,700	
<b>Illawarra Metallurgical Coal</b>				
Total coal production (kt)	7,006	<b>4,096</b>	7,700	
Metallurgical coal production (kt)	5,549	<b>3,262</b>	6,400	
Energy coal production (kt)	1,457	<b>834</b>	1,300	
<b>Australia Manganese</b>				
Manganese ore production (kwmt)	3,470	<b>1,834</b>	3,500	Subject to market demand
<b>South Africa Manganese</b>				
Manganese ore production <sup>8</sup> (kwmt)	1,878	<b>1,086</b>	2,000	Subject to market demand
<b>Cerro Matoso</b>				
Payable nickel production (kt)	40.6	<b>16.1</b>	↑ 34.6	Approval of an early development timetable for the Q&P project
<b>Cannington</b>				
Payable zinc equivalent production <sup>9</sup> (kt)	332.6	<b>167.3</b>	↑ 347.2	Underground performance supporting the acceleration of a higher-grade mining sequence
Payable silver production (koz)	11,792	<b>5,993</b>	↑ 12,600	
Payable lead production (kt)	110.4	<b>57.6</b>	↑ 119.2	
Payable zinc production (kt)	66.7	<b>30.4</b>	↑ 61.6	

a. The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19. South Africa Energy Coal guidance is provided for 9M YTD21.

## Marketing Update

Realised prices <sup>10</sup>	1H20	2H20	1H21	1H21 vs 1H20	1H21 vs 2H20
<b>Worsley Alumina</b>					
Alumina (US\$/t)	322	269	<b>278</b>	(14%)	3%
<b>Brazil Alumina</b>					
Alumina (US\$/t)	301	274	<b>277</b>	(8%)	1%
<b>Hillside Aluminium</b>					
Aluminium (US\$/t)	1,859	1,678	<b>1,882</b>	1%	12%
<b>Mozal Aluminium</b>					
Aluminium (US\$/t)	1,914	1,723	<b>1,943</b>	2%	13%
<b>South Africa Energy Coal</b>					
Domestic coal (US\$/t)	23	26	<b>28</b>	22%	8%
Export coal (US\$/t)	55	50	<b>43</b>	(22%)	(14%)
<b>Illawarra Metallurgical Coal</b>					
Metallurgical coal (US\$/t)	154	138	<b>107</b>	(31%)	(22%)
Energy coal (US\$/t)	53	49	<b>31</b>	(42%)	(37%)
<b>Australia Manganese<sup>11</sup></b>					
Manganese ore (US\$/dmtu, FOB)	4.49	4.27	<b>3.93</b>	(12%)	(8%)
<b>South Africa Manganese<sup>12</sup></b>					
Manganese ore (US\$/dmtu, FOB)	3.81	3.68	<b>3.49</b>	(8%)	(5%)
<b>Cerro Matoso<sup>13</sup></b>					
Payable nickel (US\$/lb)	6.77	4.81	<b>6.29</b>	(7%)	31%
<b>Cannington<sup>14</sup></b>					
Payable silver (US\$/oz)	17.5	15.6	<b>26.0</b>	49%	67%
Payable lead (US\$/t)	1,869	1,445	<b>1,744</b>	(7%)	21%
Payable zinc (US\$/t)	1,591	1,231	<b>2,228</b>	40%	81%

## Worsley Alumina

(86% share)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Alumina production (kt)	1,933	<b>2,010</b>	4%	981	963	<b>1,047</b>	7%	9%
Alumina sales (kt)	1,891	<b>2,078</b>	10%	973	1,001	<b>1,077</b>	11%	8%

Worsley Alumina saleable alumina production increased by 4% (or 77kt) to a record 2,010kt in the December 2020 half year, with the refinery benefitting from improvement initiatives that supported output above nameplate capacity of 4.6Mt (100% basis). FY21 production guidance remains unchanged at 3,965kt with calciner maintenance scheduled in the March 2021 quarter.

## Brazil Alumina

(36% share)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Alumina production (kt)	702	<b>706</b>	1%	346	352	<b>354</b>	2%	1%
Alumina sales (kt)	678	<b>674</b>	(1%)	374	340	<b>334</b>	(11%)	(2%)

Brazil Alumina saleable production increased by 1% (or 4kt) to a record 706kt in the December 2020 half year as the refinery continued to benefit from increased plant availability. Having successfully completed planned maintenance during the quarter, FY21 production guidance remains unchanged at 1,370kt.

## Hillside Aluminium

(100%)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Aluminium production (kt)	362	<b>361</b>	(0%)	181	180	<b>181</b>	0%	1%
Aluminium sales (kt)	350	<b>347</b>	(1%)	176	175	<b>172</b>	(2%)	(2%)

Hillside Aluminium saleable production decreased 1kt to 361kt in the December 2020 half year as the smelter continued to test its maximum technical capacity, despite the impact from load-shedding. FY21 production guidance<sup>7</sup> remains unchanged at 720kt.

During the December 2020 quarter Eskom submitted a new energy supply agreement for the smelter to the National Energy Regulator of South Africa (NERSA). The new agreement is to cover power supplied for a 10-year period with a tariff that is South African rand based. The NERSA review process is expected to conclude during the June 2021 half year.

## Mozal Aluminium

(47.1% share)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Aluminium production (kt)	134	<b>135</b>	1%	67	68	<b>67</b>	0%	(1%)
Aluminium sales (kt)	136	<b>130</b>	(4%)	72	64	<b>66</b>	(8%)	3%

Mozal Aluminium saleable production increased by 1% (or 1kt) to 135kt in the December 2020 half year as the smelter continued to test its maximum technical capacity, despite the impact from load-shedding. FY21 production guidance<sup>7</sup> remains unchanged at 273kt.

## South Africa Energy Coal

(100%)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Energy coal production (kt)	11,785	<b>11,243</b>	(5%)	5,493	6,263	<b>4,980</b>	(9%)	(20%)
Domestic sales (kt)	6,688	<b>6,527</b>	(2%)	2,962	3,607	<b>2,920</b>	(1%)	(19%)
Export sales (kt)	4,854	<b>4,697</b>	(3%)	2,877	2,487	<b>2,210</b>	(23%)	(11%)

South Africa Energy Coal saleable production decreased by 5% (or 0.5Mt) to 11.2Mt in the December 2020 half year with domestic sales declining in the December 2020 quarter following reduced demand from Eskom. Export sales were also lower following the suspension of activity from loss-making pits in response to market conditions. Operating unit costs are expected to be approximately 10% above the top end of our guidance range of US\$39/t in the December 2020 half year following a strengthening of the South African rand.

Subject to the satisfaction of material conditions<sup>5</sup>, we are currently targeting to complete the divestment of South Africa Energy Coal by 31 March 2021 with saleable production of 4.6 to 5.2Mt expected for the March 2021 quarter.

## Illawarra Metallurgical Coal

(100%)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Total coal production (kt)	3,695	<b>4,096</b>	11%	1,613	2,371	<b>1,725</b>	7%	(27%)
Total coal sales <sup>15</sup> (kt)	3,619	<b>4,027</b>	11%	1,771	1,940	<b>2,087</b>	18%	8%
Metallurgical coal production (kt)	2,859	<b>3,262</b>	14%	1,208	1,863	<b>1,399</b>	16%	(25%)
Metallurgical coal sales (kt)	2,800	<b>3,165</b>	13%	1,318	1,468	<b>1,697</b>	29%	16%
Energy coal production (kt)	836	<b>834</b>	(0%)	405	508	<b>326</b>	(20%)	(36%)
Energy coal sales (kt)	819	<b>862</b>	5%	453	472	<b>390</b>	(14%)	(17%)

Illawarra Metallurgical Coal saleable production increased by 11% (or 401kt) to 4.1Mt in the December 2020 half year with the operation's successful return to a three longwall configuration in April 2020 supporting higher volumes of metallurgical coal.

Energy coal production volumes were flat in the December 2020 half year, despite the completion of a longwall move at the Dendrobium mine in the December 2020 quarter, as we monetised low-margin coal wash material for sale to industrial customers. This material attracts grade and product-type discounts to the API5 (5,500Kcal) index<sup>16</sup> for our energy coal sales. While the coal wash material is expected to generate a small margin, the incremental volumes are expected to result in our Operating unit costs for the December 2020 half year being approximately 5% lower than FY21 guidance (US\$84/t).

FY21 production guidance remains unchanged at 7.7Mt with a further longwall move scheduled for the June 2021 quarter.

## Australia Manganese

(60% share)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Manganese ore production (kwmt)	1,775	<b>1,834</b>	3%	907	880	<b>954</b>	5%	8%
Manganese ore sales (kwmt)	1,737	<b>1,865</b>	7%	885	994	<b>871</b>	(2%)	(12%)
Manganese alloy production (kt)	57	<b>51</b>	(11%)	29	27	<b>24</b>	(17%)	(11%)
Manganese alloy sales (kt)	58	<b>59</b>	2%	26	26	<b>33</b>	27%	27%

Australia Manganese saleable ore production increased by 3% (or 59kwmt) to a record 1,834kwmt in the December 2020 half year as favourable ore characteristics supported continued strong output from the primary concentrator. We also achieved a production record in the December 2020 quarter with an increase in volumes from the Premium Concentrate Ore (PC02) circuit adding to the strong primary concentrator performance. PC02 fines contributed 10% of total production in the December 2020 half year (H1 FY20: 11%).

The PC02 fines product has a manganese content of approximately 40%, which leads to both grade and product-type discounts when referenced to the high grade 44% manganese lump ore index. With the lower relative price for PC02 fines we realised a 5% discount for our manganese ore sales to the high grade 44% index<sup>17</sup> during the December 2020 half year. While we continue to monitor market conditions and the potential impact from the wet season across the remainder of the financial year, FY21 production guidance remains unchanged at 3,500kwmt.

Manganese alloy saleable production decreased by 11% (or 6kt) to 51kt in the December 2020 half year ahead of the divestment of the TEMCO manganese alloy smelter, which was completed subsequent to the end of the period.

## South Africa Manganese

(60% share)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Manganese ore production <sup>8</sup> (kwmt)	1,038	<b>1,086</b>	5%	491	581	<b>505</b>	3%	(13%)
Manganese ore sales <sup>8</sup> (kwmt)	1,073	<b>1,103</b>	3%	529	517	<b>586</b>	11%	13%
Manganese alloy production (kt)	34	-	(100%)	18	-	-	(100%)	0%
Manganese alloy sales (kt)	28	<b>11</b>	(61%)	15	8	<b>3</b>	(80%)	(63%)

South Africa Manganese saleable ore production increased by 5% (or 48kwmt) to 1,086kwmt in the December 2020 half year following an extended shut in response to market conditions in the prior period. Production was 13% lower in the December 2020 quarter as we completed a planned maintenance shut at our Mamatwan mine.

Sales increased by 13% during the December 2020 quarter as we continued to utilise higher cost trucking and South African rail logistics normalised following a ramp-up period after a nationwide COVID-19 lockdown in the June 2020 quarter. While we continue to monitor market conditions and the attractiveness of higher cost trucking, FY21 production guidance remains unchanged at 2,000kwmt.

We did not produce any manganese alloy in the December 2020 half year as our Metalloys manganese alloy smelter remained in care and maintenance.

## Cerro Matoso

(99.9% share)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Payable nickel production (kt)	20.6	<b>16.1</b>	(22%)	10.0	10.0	<b>6.1</b>	(39%)	(39%)
Payable nickel sales (kt)	20.4	<b>16.5</b>	(19%)	10.4	10.4	<b>6.1</b>	(41%)	(41%)

Cerro Matoso payable nickel production decreased by 22% (or 4.5kt) to 16.1kt in the December 2020 half year as we commenced a major refurbishment of one of the furnaces in the December 2020 quarter. The refurbishment is on-track to be completed, ahead of schedule, by the end of January 2021.

During the period we approved development of the Queresas and Porvenir project (Q&P project). The Q&P project comprises the development of 17Mt of Mineral Resources (46% Measured, 45% Indicated and 9% Inferred) of the total Mineral Resource estimate reported for Cerro Matoso in FY20<sup>18</sup>. The project is a high returning, low capital option that is expected to contribute to higher average ore feed grades over the next 6 years. Following its approval and the accelerated delivery timetable we have increased our FY21 and FY22 production guidance by 3% (to 34.6kt) and 13% (to 43.8kt) respectively.

## Cannington

(100% share)

South32 share	1H20	1H21	HoH	2Q20	1Q21	2Q21	2Q21 vs 2Q20	2Q21 vs 1Q21
Payable zinc equivalent production <sup>9</sup> (kt)	168.7	<b>167.3</b>	(1%)	84.8	76.6	<b>90.7</b>	7%	18%
Payable silver production (koz)	6,164	<b>5,993</b>	(3%)	3,192	2,863	<b>3,130</b>	(2%)	9%
Payable silver sales (koz)	5,912	<b>6,326</b>	7%	3,549	2,967	<b>3,359</b>	(5%)	13%
Payable lead production (kt)	55.3	<b>57.6</b>	4%	28.8	26.4	<b>31.2</b>	8%	18%
Payable lead sales (kt)	51.8	<b>61.4</b>	19%	31.2	29.5	<b>31.9</b>	2%	8%
Payable zinc production (kt)	32.5	<b>30.4</b>	(6%)	14.1	12.4	<b>18.0</b>	28%	45%
Payable zinc sales (kt)	35.3	<b>31.8</b>	(10%)	16.4	11.8	<b>20.0</b>	22%	69%

Cannington payable zinc equivalent production decreased by 1% (or 1.4kt) to 167.3kt in the December 2020 half year following the completion of planned surface maintenance in the September 2020 quarter. Ore mined volumes increased by 4% during the same period with underground mine performance supporting the re-establishment of run of mine inventory. We expect to accelerate the extraction of a higher-grade mining sequence during the June 2021 quarter and as a result FY21 zinc equivalent production guidance has been increased by 5% in FY21 (12,600koz for silver, 119.2kt for lead and 61.6kt for zinc). FY22 production guidance remains unchanged.

Payable silver and lead sales increased by 7% and 19% respectively during the December 2020 half year as the operation drew down finished product inventory. In combination with the impact of a stronger Australian dollar, the movement in finished product inventory is expected to result in Operating unit costs for the December 2020 half year being approximately 10% higher than our FY21 guidance (US\$111/t<sup>19</sup>).

## Notes:

1. FY21 Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY21, including: an alumina price of US\$250/t; an average blended coal price of US\$103/t for Illawarra Metallurgical Coal; a manganese ore price of US\$4.83/dmtu for 44% manganese product; a nickel price of US\$5.78/lb; a thermal coal price of US\$56/t (API4) for South Africa Energy Coal; a silver price of US\$18.20/troy oz; a lead price of US\$1,788/t (gross of treatment and refining charges); a zinc price of US\$2,102/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 17.68; a USD:COP exchange rate of 3,665; and a reference price for caustic soda; all of which reflected forward markets as at June 2020 or our internal expectations.
2. 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.
3. Since inception, US\$1.1B has been allocated to the on-market share buy-back (543M shares at an average price of A\$2.87 per share) and US\$292M returned in the form of special dividends.
4. Purchaser includes Thabong Coal Proprietary Limited, a wholly-owned subsidiary of Seriti and two trusts for the benefit of employees and communities.
5. Refer to the market announcement "Agreement to Divest South Africa Energy Coal" dated 6 November 2019.
6. The primary corporate tax rates applicable to the Group for FY21 include: Australia 30%, South Africa 28%, Colombia 32%, Mozambique 0% and Brazil 34%. The Colombian corporate tax rate is 31% in CY21 and will decrease to 30% from 1 January 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax.
7. Production guidance for Hillside Aluminium and Mozal Aluminium does not assume any load-shedding impact on production.
8. 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.
9. 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. FY20 realised prices for zinc (US\$1,416/t), lead (US\$1,648/t) and silver (US\$16.5/oz) have been used for FY20, H1 FY21 and FY21e.
10. 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.
11. Realised ore prices are unaudited and calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction.
12. Realised ore prices are unaudited and calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction. Manganese ore sales are grossed-up to reflect a 60% accounting effective interest.
13. Realised nickel sales prices are unaudited and inclusive of by-products.
14. Realised prices for Cannington are unaudited and net of treatment and refining charges.
15. Illawarra Metallurgical Coal sales are adjusted for moisture and will not reconcile directly to Illawarra Metallurgical Coal production.
16. The quarterly sales volume weighted average of the Argus McCloskey API5 Coal index 5,500Kcal NAR (FOB Newcastle, Australia) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US\$38/t in the December 2020 half year.
17. The quarterly sales volume weighted average of the Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US\$4.41/dmtu in the December 2020 half year.
18. Cerro Matoso total Mineral Resource estimate declared in the South32 Annual Report 2020 ([www.south32.net](http://www.south32.net)).
19. US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs.

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	1H20	1H21	2Q20	3Q20	4Q20	1Q21	2Q21
<b>Worsley Alumina (86% share)</b>							
Alumina hydrate production (kt)	1,910	<b>2,012</b>	943	963	967	1,010	<b>1,002</b>
Alumina production (kt)	1,933	<b>2,010</b>	981	936	1,017	963	<b>1,047</b>
Alumina sales (kt)	1,891	<b>2,078</b>	973	860	1,031	1,001	<b>1,077</b>
<b>Brazil Alumina (36% share)</b>							
Alumina production (kt)	702	<b>706</b>	346	340	341	352	<b>354</b>
Alumina sales (kt)	678	<b>674</b>	374	336	378	340	<b>334</b>
<b>Hillside Aluminium (100%)</b>							
Aluminium production (kt)	362	<b>361</b>	181	178	178	180	<b>181</b>
Aluminium sales (kt)	350	<b>347</b>	176	174	199	175	<b>172</b>
<b>Mozal Aluminium (47.1% share)</b>							
Aluminium production (kt)	134	<b>135</b>	67	67	67	68	<b>67</b>
Aluminium sales (kt)	136	<b>130</b>	72	65	78	64	<b>66</b>
<b>South Africa Energy Coal (100%)</b>							
Energy coal production (kt)	11,785	<b>11,243</b>	5,493	5,659	5,228	6,263	<b>4,980</b>
Domestic sales (kt)	6,688	<b>6,527</b>	2,962	2,944	3,006	3,607	<b>2,920</b>
Export sales (kt)	4,854	<b>4,697</b>	2,877	2,681	2,180	2,487	<b>2,210</b>
<b>Illawarra Metallurgical Coal (100%)</b>							
Total coal production (kt)	3,695	<b>4,096</b>	1,613	1,359	1,952	2,371	<b>1,725</b>
Total coal sales <sup>15</sup> (kt)	3,619	<b>4,027</b>	1,771	1,594	2,071	1,940	<b>2,087</b>
Metallurgical coal production (kt)	2,859	<b>3,262</b>	1,208	1,167	1,523	1,863	<b>1,399</b>
Metallurgical coal sales (kt)	2,800	<b>3,165</b>	1,318	1,398	1,644	1,468	<b>1,697</b>
Energy coal production (kt)	836	<b>834</b>	405	192	429	508	<b>326</b>
Energy coal sales (kt)	819	<b>862</b>	453	196	427	472	<b>390</b>
<b>Australia Manganese (60% share)</b>							
Manganese ore production (kwmt)	1,775	<b>1,834</b>	907	841	854	880	<b>954</b>
Manganese ore sales (kwmt)	1,737	<b>1,865</b>	885	775	928	994	<b>871</b>
Ore grade sold (% , Mn)	45.0	<b>44.4</b>	44.4	44.4	43.9	44.3	<b>44.5</b>
Manganese alloy production (kt)	57	<b>51</b>	29	24	29	27	<b>24</b>
Manganese alloy sales (kt)	58	<b>59</b>	26	31	27	26	<b>33</b>
<b>South Africa Manganese (60% share)</b>							
Manganese ore production <sup>8</sup> (kwmt)	1,038	<b>1,086</b>	491	466	374	581	<b>505</b>
Manganese ore sales <sup>8</sup> (kwmt)	1,073	<b>1,103</b>	529	476	316	517	<b>586</b>
Ore grade sold (% , Mn)	40.0	<b>39.9</b>	39.6	39.8	40.8	39.7	<b>40.0</b>
Manganese alloy production (kt)	34	-	18	14	5	-	-
Manganese alloy sales (kt)	28	<b>11</b>	15	20	7	8	<b>3</b>

South32 share	1H20	1H21	2Q20	3Q20	4Q20	1Q21	2Q21
<b>Cerro Matoso (99.9% share)</b>							
Ore mined (kwmt)	1,400	<b>1,470</b>	732	641	798	645	<b>825</b>
Ore processed (kdmt)	1,389	<b>1,155</b>	677	693	679	698	<b>457</b>
Ore grade processed (% , Ni)	1.66	<b>1.57</b>	1.67	1.67	1.59	1.58	<b>1.55</b>
Payable nickel production (kt)	20.6	<b>16.1</b>	10.0	10.3	9.7	10.0	<b>6.1</b>
Payable nickel sales (kt)	20.4	<b>16.5</b>	10.4	10.2	10.0	10.4	<b>6.1</b>
<b>Cannington (100%)</b>							
Ore mined (kwmt)	1,360	<b>1,409</b>	666	706	726	700	<b>709</b>
Ore processed (kdmt)	1,394	<b>1,302</b>	738	701	744	630	<b>672</b>
Silver ore grade processed (g/t, Ag)	165	<b>174</b>	162	134	161	169	<b>179</b>
Lead ore grade processed (% , Pb)	4.8	<b>5.1</b>	4.8	4.5	4.8	5.0	<b>5.2</b>
Zinc ore grade processed (% , Zn)	3.3	<b>3.3</b>	2.8	3.6	3.2	2.9	<b>3.7</b>
Payable zinc equivalent production <sup>9</sup> (kt)	168.7	<b>167.3</b>	84.8	74.7	89.2	76.6	<b>90.7</b>
Payable silver production (koz)	6,164	<b>5,993</b>	3,192	2,433	3,195	2,863	<b>3,130</b>
Payable silver sales (koz)	5,912	<b>6,326</b>	3,549	2,626	3,571	2,967	<b>3,359</b>
Payable lead production (kt)	55.3	<b>57.6</b>	28.8	25.0	30.1	26.4	<b>31.2</b>
Payable lead sales (kt)	51.8	<b>61.4</b>	31.2	22.8	33.5	29.5	<b>31.9</b>
Payable zinc production (kt)	32.5	<b>30.4</b>	14.1	17.3	16.9	12.4	<b>18.0</b>
Payable zinc sales (kt)	35.3	<b>31.8</b>	16.4	14.4	19.0	11.8	<b>20.0</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. 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 connect with COVID-19.

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