APPENDIX 4D

SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 54 pages comprise the half year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A. This statement includes the consolidated results of the South32 Group for the half year ended 31 December 2019 (H1 FY20) compared with the half year ended 31 December 2018 (H1 FY19) on a statutory basis.

The half year report should be read in conjunction with the Financial Report for the year ended 30 June 2019.

US$M	H1 FY20	H1 FY19	%
Revenue	3,216	3,811	down 16%
Profit/(loss) after tax	99	635	down 84%
Underlying earnings	131	642	down 80%

Net tangible assets per share

Net tangible assets per ordinary share were US$1.98 as at 31 December 2019 (US$1.98 as at 30 June 2019).

Dividends

The Board has resolved to pay an interim dividend of US 1.1 cents per share (fully franked) for the half year ended 31 December 2019 and a special dividend of US 1.1 cents per share (fully franked).

The record date for determining entitlements to dividends is 6 March 2020; payment date is 2 April 2020.

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Financial Results and Outlook
Half Year ended 31 December 2019

13 February 2020 **ASX, LSE, JSE Share Code: S32 ADR: SOUHY**

South32 maintains strong operating performance and continues returns to shareholders

"Against a challenging backdrop for our key commodities we delivered another strong operating result with production for the majority of our operations tracking on or ahead of schedule. Our operating costs trended down in the half and we have lowered our cost guidance across most of our operations.

"We delivered record production at Brazil Alumina and maintained higher output rates at Worsley Alumina. We responded to lower manganese prices at South Africa Manganese, cutting higher cost trucking.

"Investing in exploration to create shareholder value is integral to our Group's strategy as we work to reshape and improve our portfolio. We have continued to embed high quality development options including the Ambler Metals Joint Venture in Alaska while investing in our portfolio of more than 20 exploration projects targeting base metals in prospective jurisdictions.

"We also entered into a binding conditional agreement for the sale of our South Africa Energy Coal business and progressed the review of our manganese alloy smelters.

"We advanced our pre-feasibility study at Hermosa and increased exploration across the broader land package.

"Demonstrating our strong financial position, track record of returning excess capital to shareholders and positive outlook for our business, today we announced a fully franked interim dividend of US$54 million and a US$180 million increase to our capital management program, including US$54 million which will be returned via a fully franked special dividend."

Graham Kerr, South32 CEO

Financial highlights			
US$M	**H1 FY20**	**H1 FY19**	**% Change**
Revenue(1)	3,216	3,811	(16%)
Profit/(loss) before tax and finance cost	251	908	(72%)
Profit/(loss) after tax and finance cost	99	635	(84%)
Basic earnings per share (US cents)(2)	2.0	12.5	(84%)
Ordinary dividends per share (US cents)(3)	1.1	5.1	(78%)
Special dividends per share (US cents)(4)	1.1	1.7	(35%)
Other financial measures			
Underlying EBITDA(5)	678	1,305	(48%)
Underlying EBITDA margin(6)	24.0%	38.3%	(14.3%)
Underlying EBIT(5)	293	925	(68%)
Underlying EBIT margin(7)	10.6%	26.9%	(16.3%)
Underlying earnings(5)	131	642	(80%)
Basic Underlying earnings per share (US cents)(2)	2.7	12.6	(79%)
ROIC(8)	1.7%	13.9%	(12.2%)
Ordinary shares on issue (million)	4,900	5,051	(3%)

Safety

The most important commitment we make at South32 is to ensure everyone goes home safe and well. Built on a strong culture of care and accountability we are creating an inclusive workplace where all work is well-designed and we continuously improve and learn. Our internal safety standards and risk management system provide clear global expectations as to how our operations can proactively identify and manage safety risk. Our Total Recordable Injury Frequency (TRIF)[(9)(10)] improved by 13% to 3.9 per million hours worked in H1 FY20 from 4.5 in FY19.

Performance summary

The Group's statutory profit after tax decreased by 84% to US$99M and Underlying earnings by 80% to US$131M in H1 FY20 as volatile macro-economic conditions impacted the prices of our key commodities and a temporary increase in our Underlying effective tax rate, more than offset weaker producer currencies and initiatives that have delivered lower Operating unit costs for the majority of our operations. We remain focussed on identifying and embedding further opportunities to improve our operating and cost performance in a sustainable way, to maximise margins. Following our strong start to the year in this regard and our outlook for currency markets, we have lowered our FY20 Operating unit cost guidance for the majority of our operations. Separately we have lowered our Sustaining capital expenditure guidance, including EAI, by US$25M to US$580M as we defer activity to open up new mining areas at South Africa Energy Coal in response to market conditions.

Specific highlights for H1 FY20 included:

- Strong production at Worsley Alumina as we embed improvement initiatives that are expected to support a sustainable increase in production to nameplate capacity of 4.6Mt (100% basis) ahead of future de-bottlenecking activities and record production at Brazil Alumina;
- Our response to lower manganese prices at South Africa Manganese, reducing the use of higher cost trucking and opportunistically completing an extended maintenance shut at our Wessels mine;
- The commencement of exploration drilling to infill areas of known mineralisation and test regional targets in the Southern Areas at GEMCO, following the receipt of final regulatory approval;
- The advancement of study work for our development options, with the Hermosa pre-feasibility study due for completion in H2 FY20 and a final investment decision expected for Eagle Downs Metallurgical Coal during H1 FY21;
- The progression of our manganese alloy smelter review including options for their potential divestment, closure or suspension;
- The sale of a legacy shareholding owned by our manganese joint venture for US$93M (South32 share); and
- The signing of a binding conditional agreement for the sale of our shareholding in South Africa Energy Coal with Seriti Resources Holdings Proprietary Limited (Seriti Resources) that, subject to a number of material conditions[(11)] being satisfied, is expected to close in H1 FY21.

We finished the period with a net cash balance of US$277M, having generated free cash flow from operations, including distributions from our manganese EAI, of US$284M. Notwithstanding the volatile external environment, our strong financial position and disciplined approach to capital management supported the return of US$300M to shareholders in respect of the period including:

- A US$54M fully franked interim dividend, which we have resolved to pay in April in accordance with our dividend policy which seeks to return a minimum 40% of Underlying earnings in each six month period;
- A US$54M fully franked special dividend, which we have also resolved to pay in April; and
- The continuation of our on-market share buy-back program whereby we purchased 106M shares at an average price of A$2.66 per share for a cash consideration of US$192M.

Having established a strong track record of returning excess capital to shareholders in a timely and efficient manner and demonstrating our confidence in the outlook for our business, the Board has also expanded our capital management program by US$180M to US$1.43B, leaving US$198M expected to be returned by 4 September 2020, following payment of the special dividend.

Subsequent to the end of the period, we also formed a 50:50 Joint Venture (JV) with Trilogy Metals Inc. (TMX:TMQ) for the Upper Kobuk Mineral Projects (Ambler Metals JV). The project is located in northwest Alaska and we have subscribed for our interest with a payment of US$145M to the JV in February 2020. Trilogy contributed all of its assets associated with the Upper Kobuk Mineral Projects and the JV will loan US$57.5M of the subscription payment back to South32 with the balance retained to fund its activities and exploration programs. Formation of the Ambler Metals JV comes following a three year exploration partnership, with our share of the JV's assets, liabilities, income and expenses to be recognised on a proportionally consolidated basis, commencing with the FY20 South32 Group accounts.

Earnings

The Group's statutory profit after tax declined by US$536M (or 84%) to US$99M in H1 FY20. Consistent with our accounting policies, various items are excluded from the Group's statutory profit to derive Underlying earnings including: exchange rate losses on restatement of monetary items (US$3M pre-tax); losses on fair value movements of non-trading derivative instruments and other investments (US$39M pre-tax); exchange rate gains associated with the Group's non US dollar denominated net debt (US$5M pre-tax), and the tax expense benefit for all pre-tax earnings adjustments and exchange rate variations on tax balances (US$5M). Further information on these earnings adjustments is included on page 40.

The Group's Underlying EBITDA declined by US$627M (or 48%) to US$678M, for an operating margin of 24%. Lower realised prices for our key commodities contributed to a US$595M reduction in Revenue. The Group's Operating unit costs remained well controlled with the on-going realisation of benefits associated with initiatives across our labour, energy and materials usage, combining with lower raw material prices and weaker producer currencies to offset general inflation. However, total costs rose with an increase in sales volumes being the main driver of higher controllable costs. Depreciation and amortisation increased by a modest US$5M to US$385M, meaning that Underlying EBIT decreased by US$632M (or 68%) to US$293M. Underlying earnings declined by US$511M (or 80%) to US$131M as the derecognition of tax assets at South Africa Energy Coal, associated with its potential divestment, led to a temporary increase in our Underlying effective tax rate (ETR)[12] to 75.0%.

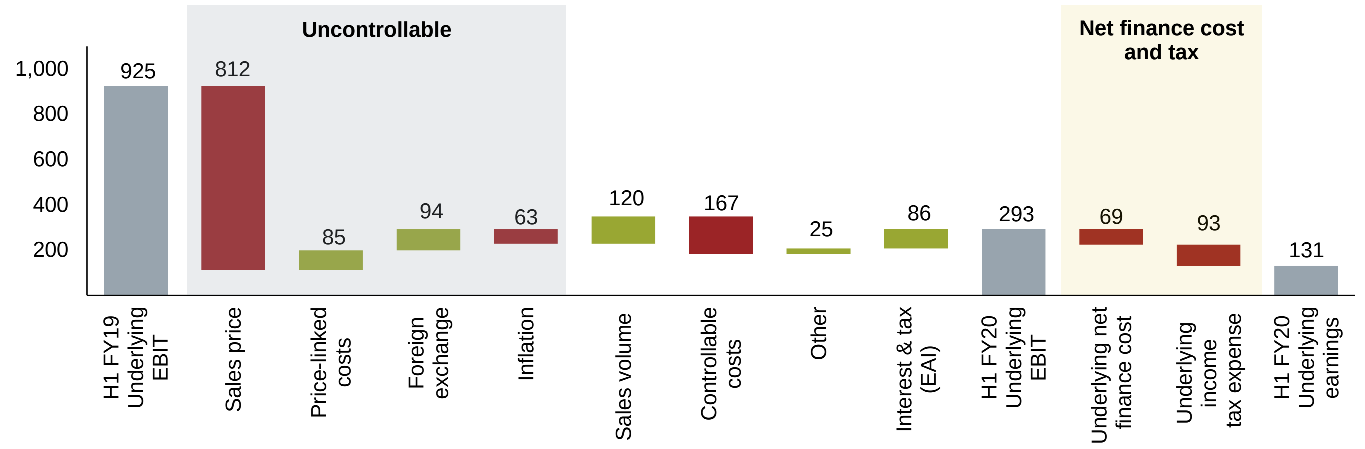
Profit/(loss) to Underlying EBITDA reconciliation		
US$M	**H1 FY20**	**H1 FY19**
Profit/(loss)	251	908
Earnings adjustments to derive Underlying EBIT	42	17
Underlying EBIT	**293**	**925**
Depreciation and amortisation	385	380
Underlying EBITDA	**678**	**1,305**

Profit/(loss) after tax to Underlying earnings reconciliation		
US$M	**H1 FY20**	**H1 FY19**
Profit/(loss) after tax	99	635
Earnings adjustments to derive Underlying EBIT	42	17
Earnings adjustments to derive Underlying net finance cost	(5)	(21)
Earnings adjustments to derive Underlying income tax expense	(5)	11
Underlying earnings	**131**	**642**

Earnings analysis

The following key factors influenced Underlying EBIT in H1 FY20, relative to H1 FY19.

Reconciliation of movements in Underlying EBIT (US$M)(13)(14)(15)



Earnings analysis	US$M	Commentary
H1 FY19 Underlying EBIT	**925**	
Change in sales price	(812)	Lower average realised prices for our commodities, including: Alumina (-US$262M) Manganese ore (-US$230M) Metallurgical coal (-US$151M) Aluminium (-US$137M) Energy coal (-US$100M) Offset by higher average realised prices for: Nickel (+US$72M)
Net impact of price-linked costs	85	Lower caustic soda prices at Worsley Alumina (+US$27M) and Brazil Alumina (+US$12M) Lower smelter raw material costs (+US$35M), including pitch and coke Lower royalties (+US$15M), primarily at South Africa Manganese and Illawarra Metallurgical Coal Lower LME-linked electricity costs at Hillside Aluminium (+US$9M) Higher third party bauxite costs at Brazil Alumina (-US$13M)
Change in exchange rates	94	Australian dollar (+US$51M) South African rand (+US$26M) Colombian peso (+US$12M)
Change in inflation	(63)	Southern Africa (-US$39M) Australia (-US$19M)
Change in sales volume	120	Illawarra Metallurgical Coal (+US$62M) Brazil Alumina (+US$30M) Cannington (+US$26M)
Controllable costs	(167)	South Africa Energy Coal (-US$106M; primarily higher Klipspruit volumes and the cost of selling unutilised rail capacity) Illawarra Metallurgical Coal (-US$59M; primarily inventory movements) Cannington (-US$19M; primarily inventory movements) Hillside Aluminium (+US$21M; reduced pot relining activity and the benefit of a major workforce restructure completed in June 2019)
Other	25	Includes: Klipspruit dragline insurance proceeds at South Africa Energy Coal Revenue from the sale of unutilised rail capacity at South Africa Energy Coal Offset by: Lower EBIT on third party product
Interest & tax (EAI)	86	Lower profitability from a weaker price environment for our jointly controlled manganese operations
H1 FY20 Underlying EBIT	**293**	

Net finance cost

The Group's Underlying net finance cost, excluding EAI, was US$69M in H1 FY20, and largely reflects the unwinding of the discount applied to our closure and rehabilitation provisions (US$54M) and interest on lease liabilities (US$26M), primarily at Worsley Alumina.

Underlying net finance cost reconciliation		
US$M	**H1 FY20**	**H1 FY19**
Unwind of discount applied to closure and rehabilitation provisions	(54)	(52)
Finance lease interest	-	(25)
Interest on lease liabilities	(26)	-
Other	11	18
Underlying net finance cost	**(69)**	**(59)**
Add back earnings adjustment for exchange rate variations on net debt	5	21
Net finance cost	**(64)**	**(38)**

Tax expense

The Group's Underlying income tax expense, which excludes tax associated with EAI, was US$93M for an Underlying ETR of 75.0% in H1 FY20. The elevated ETR during the half year was mostly driven by the loss made at South Africa Energy Coal, following the de-recognition of tax assets associated with its potential divestment. Following its divestment we expect our ETR to more closely reflect the corporate tax rates applicable to the Group(16).

The Underlying income tax expense for our manganese EAI was US$90M, including royalty related taxation of US$31M at GEMCO (Australia Manganese), for an Underlying ETR of 46.0% (H1 FY19: 38.8%). The elevated ETR during the half year was mostly driven by the higher proportion of profit in our Australian business during H1 FY20 and associated royalty expenses.

Underlying income tax expense reconciliation and Underlying ETR		
US$M	**H1 FY20**	**H1 FY19**
Underlying EBIT	293	925
Include: Underlying net finance cost	(69)	(59)
Remove: Share of profit/(loss) of EAI	(100)	(265)
Underlying profit/(loss) before tax	**124**	**601**
Income tax expense	**88**	**235**
Tax effect of earnings adjustments to Underlying EBIT	11	5
Tax effect of earnings adjustments to net finance cost	(1)	(7)
Exchange rate variations on tax balances	(5)	(9)
Underlying income tax expense	**93**	**224**
Underlying effective tax rate	**75.0%**	**37.3%**

Cash flow

The Group generated free cash flow from operations of US$124M despite a 21% reduction in the average realised prices for our commodities. We also received (net) distributions totalling US$160M from our manganese EAI, comprising dividends of US$195M and a net drawdown in shareholder loans (-US$35M). Net distributions from our manganese EAI include US$69M returned from the sale of a legacy shareholding in an unlisted entity during Q2 FY20 for US$93M (South32 share).

Total capital expenditure(17), excluding EAI, increased by US$116M to US$422M with Major capital, excluding EAI, rising US$65M to US$155M as we advanced the Klipspruit Life Extension (KPSX) project(18) at South Africa Energy Coal (+US$18M to US$73M) and ramped-up activity at Hermosa (+US$37M to US$70M). Sustaining capital expenditure, excluding EAI, increased by US$32M to US$238M with spend at Illawarra Metallurgical Coal rising to support an increase in development rates and complete work that was previously deferred during the Appin mine's extended outage in FY18.

Increased spend on Intangibles and capitalisation of exploration expenditure reflects a greater investment in technology to support our operations and US$18M on exploration, including US$12M at Hermosa. Total capital expenditure associated with our EAI was largely unchanged at US$54M as we continued our investment in additional tailings storage capacity at Australia Manganese.

Capital expenditure		
US$M	**H1 FY20**	**H1 FY19**
Sustaining capital comprising Stay-in-business, Minor discretionary and Deferred stripping (including underground development)	(238)	(206)
Major project capital expenditure	(155)	(90)
Intangibles and the capitalisation of exploration expenditure	(29)	(10)
Total capital expenditure (excluding EAI)	**(422)**	**(306)**
EAI capital expenditure (including intangibles and capitalised exploration)	(54)	(53)
Total capital expenditure (including EAI)	**(476)**	**(359)**

Working capital decreased by US$216M as lower realised prices, receipt of the initial insurance award for the Klipspruit dragline outage and the collection of receipts from elevated sales in June 2019 contributed to a US$290M decline in trade and other receivables. Our debtor days remained broadly unchanged at 22 (FY19: 24 days). Provisions and trade and other payables partially offset the benefit of lower receivables, declining by US$41M and US$53M respectively as raw material input prices fell for supplies purchased by our aluminium smelters and we continued our investment in progressive rehabilitation at South Africa Energy Coal.

Working capital movement reconciliation	
US$M	**Movement**
Trade and other receivables	290
Inventories	20
Trade and other payables	(53)
Provisions and other liabilities	(41)
Working capital movement	**216**

Free cash flow from operations, excluding EAI		
US$M	**H1 FY20**	**H1 FY19**
Profit/(loss)	251	908
Non-cash items	432	429
(Profit)/loss from EAI	(100)	(276)
Change in working capital	216	(93)
Cash generated	**799**	**968**
Total capital expenditure, excluding EAI, including intangibles and capitalised exploration	(422)	(306)
Operating cash flows before financing activities and tax, and after capital expenditure	**377**	**662**
Interest (paid)/received	(10)	1
Income tax (paid)/received	(243)	(207)
Free cash flow from operations	**124**	**456**

Balance sheet, dividends and capital management

The Group's FY19 net cash position reduced by US$140M to US$364M on 1 July 2019 following the adoption of AASB 16 *Leases*. While the Group generated free cash flow from operations, including distributions from our manganese EAI, of US$284M during H1 FY20, our net cash balance decreased to US$277M as we returned US$331M to shareholders in the period, comprising our US$139M FY19 final ordinary dividend and US$192M directed to our on-market share buy-back program.

Net cash/(debt)		
US$M	**H1 FY20**	**FY19**
Cash and cash equivalents	1,389	1,408
Finance leases	-	(543)
Lease liabilities	(676)	-
Other interest bearing liabilities	(436)	(361)
Net cash/(debt)	**277**	**504**

Reflecting our strong financial position and demonstrating the disciplined and flexible approach we are taking to our capital management program, our Board has resolved to pay a fully franked interim dividend of US$54M, representing 41% of Underlying earnings in H1 FY20 and a fully franked special dividend of US$54M.

Our capital management framework remains unchanged and having established a strong track record of returning excess capital to shareholders in a timely and efficient manner, and reflecting its confidence in the outlook for the business, the Board has also increased our capital management program by US$180M to US$1.43B. This leaves US$198M to be returned by 4 September 2020 following payment of the US$54M special dividend.

Consistent with our commitment to maintain an investment grade credit rating, Standard and Poor's and Moody's reaffirmed their respective BBB+ and Baa1 credit ratings for the Group.

Dividends announced				
Period	**Dividend per share (US cents)**	**US$M**	**Franking**	**Pay-out ratio**
H1 FY19	5.1	258	100%	40%
February 2019 special dividend	1.7	86	100%	N/A
H2 FY19	2.8	140	100%	40%
H1 FY20	1.1	54	100%	41%
February 2020 special dividend	1.1	54	100%	N/A

South32 shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 4 and 6 March 2020 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 27 February and 6 March 2020 (both dates inclusive).

Details of the currency exchange rates applicable for the dividend will be announced to the relevant stock exchanges. Further dividend information is available on our website (www.south32.net).

South32 American Depositary Receipts (ADRs) each represent five fully paid ordinary shares in South32 and ADR holders will receive dividends accordingly, subject to the terms of the Depositary Agreement.

Dividend timetable	Date
Announce currency conversion into rand	28 February 2020
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	3 March 2020
Ex-dividend date on the JSE	4 March 2020
Ex-dividend date on the ASX and London Stock Exchange (LSE)	5 March 2020
Record date (including currency election date for ASX)	6 March 2020
Payment date	**2 April 2020**

Outlook

Production

The Group's production guidance remains unchanged with the exception of South Africa Energy Coal which has been adjusted to the bottom end of its prior range and remains subject to market conditions.

Production guidance (South32's share)[15]					
	FY19	**H1 FY20**	**FY20e**	**FY21e**	**FY20 key guidance assumptions**
Worsley Alumina					**FY20 guidance unchanged**
Alumina production (kt)	3,795	1,933	3,965	3,965	Improvement in calciner availability and a drawdown of excess hydrate, notwithstanding calciner maintenance scheduled for Q3 FY20
Brazil Alumina (non-operated)					**FY20 guidance unchanged**
Alumina production (kt)	1,255	702	1,330	1,370	Continued realisation of De-bottlenecking Phase One project benefits and maintenance scheduled for Q4 FY20
Hillside Aluminium					**FY20 guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	715	362	720	720	Smelter to test its technical capacity despite the impact to production from load-shedding
Mozal Aluminium					**FY20 guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	267	134	273	273	Smelter to test its technical capacity despite the impact to production from load-shedding
Illawarra Metallurgical Coal					**FY20 guidance unchanged**
Total coal production (kt)	6,647	3,695	7,000	8,000	
Metallurgical coal production (kt)	5,350	2,859	5,800	6,800	Continued improvement in longwall performance and a longwall move scheduled at Dendrobium for Q3 FY20
Energy coal production (kt)	1,297	836	1,200	1,200	
Australia Manganese					**FY20 guidance unchanged (subject to market demand)**
Manganese ore production (kwmt)	3,349	1,775	3,560	Subject to demand	Continue to operate the Premium Concentrate Ore (PC02) circuit above nameplate capacity Wet season expected to impact production across H2 FY20
South Africa Manganese					**FY20 guidance unchanged (subject to market demand)**
Manganese ore production (kwmt)	2,187	1,038	2,100	Subject to demand	Higher cost trucking has been reduced and we continue to monitor market conditions
Cerro Matoso					**FY20 guidance unchanged**
Ore to kiln (kt)	2,738	1,389	2,500	2,750	Planned furnace outage in Q4 FY20
Payable nickel production (kt)	41.1	20.6	35.6	37.4	
Cannington					**FY20 guidance unchanged**
Ore processed (kdmt)	2,495	1,394	2,700	2,600	
Payable zinc equivalent production (kt)[19]	218.2	120.1	221.0	213.7	
Payable silver production (koz)	12,201	6,164	11,200	10,550	Inventory drawn down to normalised levels in H1 FY20 following FY19 floods, enabling higher mill throughput ahead of lower expected lead and silver grades in H2 FY20
Payable lead production (kt)	101.4	55.3	104.0	103.0	
Payable zinc production (kt)	51.6	32.5	59.0	57.0	

	FY19	**H1 FY20**	**FY20e**	**FY20 key guidance assumptions**
South Africa Energy Coal				**FY20 guidance adjusted to the bottom end of prior range and remains subject to market demand** **FY21 guidance not provided subject to divestment**
Total coal production (kt)	24,979	11,785	↓*26,000*	
Domestic coal production (kt)	14,978	6,763	↓*15,300*	Continue to adjust volumes to maximise margins
Export coal production (kt)	10,001	5,022	↓*10,700*	

Costs and capital expenditure

Operating unit cost performance

Broad appreciation of the US dollar and a strong operating performance resulted in Operating unit costs declining sequentially at the majority of our operations in H1 FY20. Further to our strong start to the year, we remain on-track to deliver US$50M in annual savings from lower functional support costs, following the simplification of the Group's support structures, and realise the benefits from our labour, energy and materials usage that were embedded in our original FY20 Operating unit cost guidance.

Operating unit cost[15][20]	H1 FY19	H2 FY19	H1 FY20	H1 FY20 adjusted[(a)]	FY20 prior guidance[(b)]	Commentary to guidance
Worsley Alumina						
(US$/t)	233	242	**225**	232	**230**	Lower caustic prices and consumption rates, combined with a weaker Australian dollar
Brazil Alumina (non-operated)						**Guidance not provided**
(US$/t)	291	250	**257**	N/A	Not provided	Higher volumes combined with lower caustic prices and consumption rates, partially offset by an increase in the use of more expensive third party bauxite
Hillside Aluminium						**Guidance not provided**
(US$/t)	2,161	1,925	**1,657**	N/A	Not provided	Lower raw material and energy prices combined with the benefits from the workforce restructure concluded in June 2019
Mozal Aluminium						**Guidance not provided**
(US$/t)	1,938	2,108	**1,904**	N/A	Not provided	Lagged benefit of lower index prices for alumina supplied by Worsley Alumina to be realised in H2 FY20
Illawarra Metallurgical Coal						
(US$/t)	87	102	**91**	95	**97**	Continued strong longwall performance and a weaker Australian dollar
Australia Manganese ore (FOB)						
(US$/dmtu)	1.51	1.68	**1.62**	1.67	**1.60**	Lower primary circuit throughput partially offset by the low cost PC02 circuit operating above design capacity
South Africa Manganese ore (FOB)						
(US$/dmtu)	2.63	2.75	**2.60**	2.58	**2.44**	Stronger South African rand and increased use of higher cost trucking in Q1 FY20, partially offset by lower price-linked royalties
Cerro Matoso						
(US$/t)[(c)]	136	129	**123**	124	**128**	Realisation of benefits from our energy procurement and usage optimisation, and a weaker Colombian peso
(US$/lb)	4.05	3.92	**3.80**	3.81	**4.00**	
Cannington						
(US$/t)[(d)]	120	125	**121**	122	**119**	Mill throughput tracking ahead of plan and a weaker Australian dollar more than offset by movements in inventory
South Africa Energy Coal						
(US$/t)	38	41	**43**	42	**37 - 40**	Lower volumes combined with an increase in activity to support the Klipspruit dragline's ramp-up towards full utilisation and contractor demobilisation costs

(a) H1 FY20 adjusted is restated to reflect price and foreign exchange rate assumptions used for FY20 prior guidance (refer to footnote 21 on page 26).
(b) FY20 prior guidance includes commodity price and foreign exchange rate forward curves or our internal expectations (refer to footnote 21 on page 26).
(c) US dollar per tonne of ore to kiln.
(d) US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs as related marketing costs may change.

Operating unit cost guidance

Updated FY20 Operating unit cost guidance primarily reflects revised currency and price assumptions as production guidance has been maintained for the majority of our operations. That being said, we expect to continue to realise the benefits from our initiatives in labour, energy and materials usage across H2 FY20, further supporting lower FY20 Operating unit cost guidance for the majority of our operations. While operating unit cost guidance is not provided for our aluminium smelters or our non-operated Brazil Alumina refinery, lower raw material prices are expected to benefit their costs in H2 FY20.

Operating unit cost guidance by upstream operation[15][20]	FY20 prior guidance[a]	FY20 adjusted guidance[b]	FY20 new guidance[c]	Commentary
Worsley Alumina				
(US$/t)	**230**	220	**219**	Lower caustic prices and a weaker Australian dollar
Illawarra Metallurgical Coal				
(US$/t)	**97**	94	**93**	Continued strong longwall performance, a weaker Australian dollar and lower price-linked royalties Longwall move scheduled for Q3 FY20
Australia Manganese ore (FOB)				**Subject to market demand**
(US$/dmtu)	**1.60**	1.54	**1.55**	An improvement in equipment productivity from H1 FY20 and a weaker Australian dollar H2 FY20 expected to be impacted by the wet season
South Africa Manganese ore (FOB)				**Subject to market demand**
(US$/dmtu)	**2.44**	2.45	**2.40**	Stronger South African rand offset by reduced trucking and lower price-linked royalties
Cerro Matoso				
(US$/t)[d]	**128**	125	**125**	Weaker Colombian peso partially offset by higher price-linked royalties
(US$/lb)	**4.00**	3.93	**3.88**	Strong production start to the year, expected to be impacted by furnace refurbishment in Q4 FY20
Cannington				
(US$/t)[e]	**119**	117	**115**	Strong operating performance in H1 FY20 and a weaker Australian dollar
South Africa Energy Coal				**Subject to market demand**
(US$/t)	**37 - 40**	41	**41**	Stronger South African rand and lower planned volumes partially offset by the lagged realisation of benefits from contractor demobilisation

(a) FY20 prior guidance includes commodity price and foreign exchange rate forward curves or our internal expectations (refer to footnote 21 on page 26).
(b) FY20 adjusted guidance is FY20 prior guidance, restated to reflect price and foreign exchange rate assumptions used for FY20 new guidance (refer to footnote 22 on page 26).
(c) FY20 new guidance includes commodity price and foreign exchange rate forward curves or our internal expectations for the remainder of FY20, as at January 2020 (refer to footnote 22 on page 26).
(d) US dollar per tonne of ore to kiln.
(e) US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs as related marketing costs may change.

Other expenditure guidance

Group and unallocated costs, excluding greenfield exploration, of US$30M are now expected in FY20. Our rate of expenditure on corporate costs, including additional functional support for our development options remains unchanged, with H1 FY20 Group and unallocated costs (+US$14M) impacted by the timing of cost recoveries from joint venture partners and inventory related consolidation elimination entries. We also expect to capitalise approximately US$30M of expenditure on information technology systems in FY20 (H1 FY20: US$11M), reflecting an increased rate of expenditure in H2 FY20.

Exploration guidance

FY20 guidance for greenfield exploration expenditure is unchanged at US$30M (H1 FY20: US$10M) with a higher rate of spend expected across our exploration partnerships, including the Ambler Metals JV, in H2 FY20. In addition, US$43M of exploration expenditure, excluding EAI, is expected to be capitalised in FY20 (H1 FY20: US$18M) including US$25M at Hermosa (H1 FY20: US$12M) to further increase our knowledge of the Taylor deposit and greater land package.

Depreciation and amortisation, and tax expense guidance

FY20 guidance for depreciation and amortisation (excluding EAI) has been increased by US$15M to US$750M (H1 FY20: US$385M) to reflect the adoption of updated assumptions at South Africa Energy Coal and Group volumes tracking ahead of plan. Depreciation and amortisation for our manganese EAI is unchanged at US$95M (H1 FY20: US$48M).

Our geographical earnings mix will have a significant bearing on our ETR given differing country tax rates, while the impact of intragroup agreements, exploration expenditure in foreign entities and other permanent differences will continue to 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 from 30 June 2019 and no benefit to be recorded for losses made prior to sale. Whilst it is therefore difficult to predict our ETR (excluding EAI), we do expect it to decline in H2 FY20. Following South Africa Energy Coal's divestment we expect our ETR to more closely reflect the primary corporate tax rates applicable to the Group[16].

Capital expenditure guidance

FY20 guidance for Sustaining capital expenditure, including EAI, has been reduced by US$25M to US$580M, reflecting a deferral of development activity to open up new mining areas at South Africa Energy Coal in response to market conditions.

FY20 guidance for Major project capital expenditure is unchanged at US$256M with the rate of spend at Hermosa expected to slow in H2 FY20 following completion of the voluntary remediation program. The program included the establishment of the initial tailings storage facility that is able to support the commencement of future production when production permits are received. South Africa Energy Coal's KPSX project is 92% complete and remains on schedule and budget for completion in FY21.

Capital expenditure (South32's share)[15][17]

US$M	FY20e prior guidance	FY20e new guidance	Commentary
Worsley Alumina	60	60	
Brazil Alumina	35	35	
Hillside Aluminium	23	23	
Mozal Aluminium	12	12	
Illawarra Metallurgical Coal	185	185	
Australia Manganese	64	64	
South Africa Manganese	26	26	
Cerro Matoso	55	55	
Cannington	55	55	
South Africa Energy Coal	90	65	Deferral of activity in response to market conditions
Sustaining capital expenditure (including EAI)	**605**	**580**	
Equity accounted adjustment[a]	(90)	(90)	
Sustaining capital expenditure (excluding EAI)	**515**	**490**	
Hermosa	109	109	
Illawarra Metallurgical Coal – Dendrobium Next Domain	21	21	
Eagle Downs Metallurgical Coal	11	11	
South Africa Energy Coal	115	115	
Major capital expenditure	**256**	**256**	
Total capital expenditure (including EAI)	**861**	**836**	

(a) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.

Operations analysis

A summary of the underlying performance of the Group's operations is presented below and more detailed analysis is presented on pages 15 to 24. Unless otherwise stated: all metrics reflect South32's share; 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; and Realised sales price is calculated as sales Revenue excluding third party sales divided by sales volume.

Operations table (South32 share)[15]				
	Revenue		Underlying EBIT	
US$M	**H1 FY20**	**H1 FY19**	**H1 FY20**	**H1 FY19**
Worsley Alumina	608	864	98	344
Brazil Alumina	204	312	(7)	97
Hillside Aluminium	651	772	38	(39)
Mozal Aluminium	262	280	(14)	13
South Africa Energy Coal	424	517	(105)	14
Illawarra Metallurgical Coal	473	574	50	195
Australia Manganese	407	581	178	352
South Africa Manganese	195	275	25	100
Cerro Matoso	305	244	92	10
Cannington	256	223	53	47
Hermosa	-	-	(3)	-
Third party products and services[23]	337	487	(13)	28
Inter-segment / Group and unallocated	(304)	(455)	4	(47)
Total	**3,818**	**4,674**	**396**	**1,114**
Equity accounting adjustment[(a)]	(602)	(863)	(103)	(189)
South32 Group	**3,216**	**3,811**	**293**	**925**

(a) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis (including third party product).

Worsley Alumina (86% share)

Volumes

Worsley Alumina saleable production increased by 1% (or 27kt) to 1,933kt in H1 FY20, despite an extended calciner shut, as the refinery continued to benefit from improved calciner availability and we opportunistically sold stockpiled hydrate. FY20 production guidance remains unchanged at 3,965kt with further calciner maintenance scheduled for Q3 FY20.

Operating costs

Operating unit costs decreased by 3% in H1 FY20 to US$225/t as lower caustic soda prices (H1 FY20: US$391/t, H1 FY19: US$535/t) and consumption rates (H1 FY20: 97kg/t, H1 FY19: 101kg/t), and the benefits of lower renegotiated energy prices, more than offset the impact of additional calciner maintenance.

We have lowered FY20 Operating unit cost guidance by US$11/t to US$219/t to reflect lower exchange rate and raw material price assumptions. Calciner maintenance activity to support a sustainable increase in production to nameplate capacity is scheduled to continue in H2 FY20. Exchange rate and price assumptions for FY20 Operating unit cost guidance are detailed on page 26, footnote 22.

Financial performance

Underlying EBIT decreased by 72% (or US$246M) in H1 FY20 to US$98M as a 30% decrease in the average realised price of alumina (-US$257M) and spend on initiatives to increase calciner availability (-US$25M), more than offset lower caustic soda costs (price and consumption, +US$34M) and reduced energy prices (+US$13M).

The average realised price for alumina sales in H1 FY20 was a premium of approximately 8% to the Platts Alumina Index[24] on a volume weighted M-1 basis. 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 that reset every calendar year. All other alumina sales were at market based prices.

Capital expenditure

Sustaining capital expenditure decreased by US$2M in H1 FY20 to US$23M with spend weighted to H2 FY20 as we continue to invest in additional bauxite residue disposal capacity. Sustaining capital expenditure of US$60M is anticipated in FY20.

South32 share	H1 FY20	H1 FY19
Alumina production (kt)	1,933	1,906
Alumina sales (kt)	1,891	1,885
Realised alumina sales price (US$/t)	322	458
Operating unit cost (US$/t)	225	233

South32 share (US$M)	H1 FY20	H1 FY19
Revenue	608	864
Underlying EBITDA	182	425
Underlying EBIT	98	344
Net operating assets[(a)]	2,847	2,831
Sustaining capital expenditure	23	25
Exploration expenditure	-	1
Exploration expensed	-	1

(a) H1 FY19 reflects balance as at 30 June 2019.

Brazil Alumina (Alumina 36% share, Aluminium 40% share)

Volumes

Brazil Alumina saleable production increased by 10% (or 66kt) to a record 702kt in H1 FY20 as the refinery benefitted from improved steam generation following the installation of package boilers in Q4 FY19, enabling the benefits of the De-bottlenecking Phase One project to be realised. FY20 production guidance remains unchanged at 1,330kt with maintenance scheduled for Q4 FY20.

Operating costs

Operating unit costs decreased by 12% in H1 FY20 to US$257/t as higher production volumes and lower caustic soda prices (H1 FY20: US$358/t, H1 FY19: US$573/t) and consumption rates, were partially offset as the price of bauxite supplied from Mineração Rio do Norte S.A (MRN) increased and we sourced additional higher cost third party material.

While Operating unit cost guidance is not provided as we are not the operator of the refinery, we do expect to benefit from a reduction in bauxite and caustic soda prices in H2 FY20.

Financial performance

Alumina Underlying EBIT decreased by US$105M in H1 FY20 to a loss of US$1M as a 40% decrease in the average realised price of alumina (-US$138M), higher bauxite (-US$15M) and boiler maintenance (-US$5M) costs were partially offset by higher sales volumes (+US$30M) and a reduction in the price of caustic soda (+US$12M).

Aluminium Underlying EBIT increased by US$1M in H1 FY20 to a loss of US$6M as we recognised a provision related to our electricity contract with Eletronorte that was terminated in December 2015.

Capital expenditure

Sustaining capital expenditure increased by US$6M in H1 FY20 to US$22M as we continue to invest in additional bauxite residue disposal capacity. Sustaining capital expenditure of US$35M is anticipated in FY20.

South32 share	H1 FY20	H1 FY19
Alumina production (kt)	702	636
Alumina sales (kt)	678	619
Realised alumina sales price (US$/t)	301	504
Alumina operating unit cost (US$/t)	257	291

South32 share (US$M)	H1 FY20	H1 FY19
Revenue	204	312
Alumina	204	312
Aluminium	-	-
Underlying EBITDA	24	125
Alumina	30	132
Aluminium	(6)	(7)
Underlying EBIT	(7)	97
Alumina	(1)	104
Aluminium	(6)	(7)
Net operating assets/(liabilities)[a]	599	687
Alumina	611	696
Aluminium	(12)	(9)
Sustaining capital expenditure	22	16

(a) H1 FY19 reflects balance as at 30 June 2019.

Hillside Aluminium (100%)

Volumes

Hillside Aluminium saleable production increased by 1% (or 2kt) to 362kt in H1 FY20 as the smelter continued to test its maximum technical capacity, despite the impact to production from load-shedding and the completion of a major workforce restructure in June 2019. Sales decreased by 3% in H1 FY20 as a shipment slipped into January 2020. FY20 production guidance is unchanged at 720kt, but remains subject to load-shedding.

South32 share	H1 FY20	H1 FY19
Aluminium production (kt)	362	360
Aluminium sales (kt)	350	360
Realised sales price (US$/t)	1,859	2,144
Operating unit cost (US$/t)	1,657	2,161

South32 share (US$M)	H1 FY20	H1 FY19
Revenue	651	772
Underlying EBITDA	71	(6)
Underlying EBIT	38	(39)
Net operating assets[a]	950	1,027
Sustaining capital expenditure	7	12

(a) H1 FY19 reflects balance as at 30 June 2019.

Operating costs

Operating unit costs decreased by 23% in H1 FY20 to US$1,657/t as the smelter benefitted from lower raw material input prices, lower aluminium price-linked power costs and a major workforce restructure that was concluded in June 2019. Alumina, coke, pitch and aluminium tri-fluoride accounted for 54% of the smelter's cost base in H1 FY20 (H1 FY19: 60%). 32 pots were also relined at a cost of US$246k per pot (H1 FY19: 108 pots at US$233k per pot), while 76 pots are scheduled to be relined across FY20 (prior FY20 guidance 79 pots).

The smelter sources alumina from our Worsley Alumina refinery with prices linked to the Platts alumina index on an M-1 basis, while its power is sourced from Eskom under long-term contracts. The price of electricity supplied to potlines 1 and 2 is linked to the LME aluminium price and the South African rand/US dollar exchange rate. The price of electricity supplied to potline 3 is South African rand based. We have been engaging with Eskom on a new pricing arrangement for Hillside that would cover the entire power supply to the smelter. We have made good progress with Eskom on this, which will be subject to the usual approval by Department of Public Enterprises, National Treasury and National Energy Regulator of South Africa in order to finalise a new power supply agreement.

While Operating unit cost guidance is not provided, the cost profile of the smelter is expected to benefit in H2 FY20 from lower raw material costs and the recently concluded workforce restructure.

Financial performance

Underlying EBIT increased by US$77M in H1 FY20 to US$38M as lower raw material input costs (+US$142M), a reduction in pot relining activity (+US$19M) and lower labour costs (+US$10M) more than offset a 13% decrease in the average realised price of aluminium (-US$100M).

Capital expenditure

Sustaining capital expenditure decreased by US$5M in H1 FY20 to US$7M. Activity at the smelter is weighted to H2 FY20 with FY20 Sustaining capital expenditure guidance unchanged at US$23M.

Mozal Aluminium (47.1% share)

Volumes

Mozal Aluminium saleable production decreased by 1% (or 1kt) to 134kt in H1 FY20 as the smelter's operating performance continued to be impacted by load-shedding events. Despite an increase in the frequency of disruptions, FY20 production guidance is unchanged at 273kt, but remains subject to load-shedding.

South32 share	H1 FY20	H1 FY19
Aluminium production (kt)	134	135
Aluminium sales (kt)	136	129
Realised sales price (US$/t)	1,914	2,171
Operating unit cost (US$/t)	1,904	1,938

South32 share (US$M)	H1 FY20	H1 FY19
Revenue	262	280
Underlying EBITDA	3	30
Underlying EBIT	(14)	13
Net operating assets[a]	499	534
Sustaining capital expenditure	6	8

(a) H1 FY19 reflects balance as at 30 June 2019.

Operating costs

Operating unit costs decreased by 2% in H1 FY20 to US$1,904/t as the smelter benefited from lower raw material input prices which more than offset a movement in inventory. Alumina, coke and pitch accounted for 47% of the smelter's cost base in H1 FY20 (H1 FY19: 53%). The smelter sources all of its alumina from our Worsley Alumina refinery with approximately 50% priced as a percentage of the LME aluminium index under a legacy contract and the remainder linked to the Platts alumina index on an M-1 basis, with caps and floors embedded within specific contracts that reset every calendar year. As a result of the latter agreement, the smelter's cost of alumina was a significant premium to the index in H1 FY20, reducing the benefit to Mozal Aluminium of lower index prices in the period. 63[25] pots were also relined across H1 FY20 at a cost of US$272k per pot (H1 FY19: 40[25] pots at US$219k per pot), with 123[25] pots scheduled to be relined across FY20.

While Operating unit cost guidance is not provided, the cost profile of the smelter is expected to benefit from lower alumina costs in H2 FY20 as the premium paid to the index in the first half subsides with the reset mechanism at the start of the calendar year. Electricity requirements are largely met by hydroelectric power that is generated by Hidroeléctrica de Cahora Bassa (HCB). HCB delivers power into Eskom's South African grid and Mozal Aluminium sources electricity via the Mozambique Transmission Company (Motraco) under a long-term contract. The price of electricity is South African rand based with the rate of escalation linked to a South Africa domestic producer price index plus a margin.

Financial performance

Underlying EBIT decreased by US$27M in H1 FY20 to a loss of US$14M as a 12% decrease in the average realised price of aluminium (-US$36M), a drawdown in finished goods (-US$14M) and higher pot relining costs (-US$4M) more than offset additional sales volumes (+US$18M) and lower raw material input prices (+US$18M).

Capital expenditure

Sustaining capital expenditure decreased by US$2M in H1 FY20 to US$6M as the smelter continued the roll out of the AP3XLE energy efficiency technology in its pot relining program. The project is 27% complete and expected to deliver a circa 5% (or 10kt pa) increase in annual production with no associated increase in power consumption, improving the smelter's global competitiveness. First incremental production from relined pots is anticipated in H2 FY20, with the full benefit to be realised by FY24. Sustaining capital expenditure of US$12M is anticipated in FY20.

South Africa Energy Coal (92% share[15])

Volumes

South Africa Energy Coal saleable production decreased by 3% (or 386kt) to 11.8Mt in H1 FY20 as the operation demobilised contractors in response to market conditions, more than offsetting a 15% increase in export sales volumes following improved dragline availability at Klipspruit.

FY20 production guidance has been lowered to the bottom end of our guidance range (26.0Mt) and remains subject to market demand.

Operating costs

Operating unit costs increased by 13% in H1 FY20 to US$43/t as the impact of lower sales volumes, demobilisation costs and increased activity to support the Klipspruit dragline's ramp-up towards full utilisation, more than offset our receipt of the final insurance payment awarded for the volume and cost impact of its FY19 outage.

In accordance with our revised production guidance we now expect FY20 Operating unit costs to be US$41/t (previously between US$37/t and US$40/t) with the impact of a stronger South African rand and lower planned volumes, partially offset by the realisation of benefits from demobilising contractors and further improvement in dragline utilisation during H2 FY20. Exchange rate and price assumptions for FY20 Operating unit cost guidance are detailed on page 26, footnote 22.

Financial performance

Underlying EBIT decreased by US$119M in H1 FY20 to a loss of US$105M as lower average realised prices (-US$88M), costs to support the ramp-up of activity at Klipspruit (-US$46M), general inflation (-US$21M) and an unfavourable movement in inventory (-US$17M) were partially offset by our receipt of the final insurance payment awarded for the volume and cost impact of the dragline's outage (+US$48M).

Capital expenditure

Sustaining capital expenditure decreased by US$19M in H1 FY20 to US$29M following the prior period's elevated spend to mitigate the impact of the Klipspruit dragline incident and the deferral of new mining area development at the Wolvekrans-Middelburg Complex in response to market conditions. FY20 Sustaining capital expenditure guidance has been reduced by US$25M to US$65M reflecting the lower rate of activity.

We also invested US$73M in Major project capital expenditure in H1 FY20 as we progressed the KPSX project, which was approved by the Board in November 2017. The 8Mt per annum brownfield project extends the life of the colliery by more than 20 years[27]. The project is approximately 92% complete and remains on schedule and budget. Major capital expenditure of US$115M is expected in FY20.

100 per cent terms[15]	H1 FY20	H1 FY19
Energy coal production (kt)	11,785	12,171
Domestic sales (kt)	6,688	7,749
Export sales (kt)	4,854	4,206
Realised domestic sales price (US$/t)	23	22
Realised export sales price (US$/t)	55	83
Operating unit cost (US$/t)	43	38

100 per cent terms[15] (US$M)	H1 FY20	H1 FY19
Revenue[26]	424	517
Underlying EBITDA	(75)	58
Underlying EBIT	(105)	14
Net operating liabilities[a]	(388)	(373)
Capital expenditure	102	103
Major	73	55
Sustaining	29	48

(a) H1 FY19 reflects balance as at 30 June 2019.

Illawarra Metallurgical Coal (100% share)

Volumes

Illawarra Metallurgical Coal saleable production decreased by 4% (or 145kt) to 3.7Mt in H1 FY20 following the completion of a longwall move at the Appin mine during Q2 FY20. FY20 production guidance remains unchanged at 7.0Mt with both the Dendrobium and Appin longwalls continuing to perform strongly and a longwall move scheduled at the Dendrobium mine during Q3 FY20.

Operating costs

Operating unit costs increased by 5% in H1 FY20 to US$91/t as additional planned maintenance and development activity was undertaken, and run of mine inventory was drawn down in support of a longwall move, more than offsetting the impact of a weaker Australian dollar.

We have lowered FY20 Operating unit cost guidance by US$4/t to US$93/t to reflect the benefit of continued strong longwall performance, a weaker Australian dollar and lower price-linked royalties. Exchange rate and price assumptions for FY20 Operating unit cost guidance are detailed on page 26, footnote 22.

Financial performance

Underlying EBIT decreased by 74% (or US$145M) in H1 FY20 to US$50M as lower average realised prices (-US$163M), a drawdown in run of mine inventory (-US$10M) and increased maintenance costs (-US$8M) were partially offset by a weaker Australian dollar (+US$14M), lower price-linked royalties (+US$7M) and the diversion of coal wash to beneficial uses (+US$7M).

Capital expenditure

Sustaining capital expenditure increased by US$49M in H1 FY20 to US$105M as we continue to invest in infrastructure improvements and increase underground development rates at Appin to support a planned return to a three longwall configuration. Notwithstanding an expected increase in underground development to US$100M in FY20 (previous guidance US$85M) to reflect the higher rate of spend in H1 FY20 (US$51M), FY20 Sustaining capital expenditure guidance is unchanged at US$185M.

We also invested US$7M in H1 FY20 to progress studies for the Dendrobium Next Domain project. While still subject to necessary regulatory approvals, the project has the potential to extend the mine life of Dendrobium to approximately FY36, with a final investment decision anticipated in H2 FY21. Major capital expenditure of US$21M is expected in FY20 as we progress study and permitting work and invest in critical path activities.

South32 share	H1 FY20	H1 FY19
Metallurgical coal production (kt)	2,859	3,082
Energy coal production (kt)	836	758
Metallurgical coal sales (kt)	2,800	2,527
Energy coal sales (kt)	819	732
Realised metallurgical coal sales price (US$/t)	154	207
Realised energy coal sales price (US$/t)	53	68
Operating unit cost (US$/t)	91	87

South32 share (US$M)	H1 FY20	H1 FY19
Revenue[28]	473	574
Underlying EBITDA	142	292
Underlying EBIT	50	195
Net operating assets[a]	1,394	1,410
Capital expenditure	112	56
Major	7	-
Sustaining	105	56
Exploration expenditure	6	4
Exploration expensed	1	3

(a) H1 FY19 reflects balance as at 30 June 2019.

Australia Manganese (60% share)

Volumes

Australia Manganese saleable ore production decreased by 2% (or 36kwmt) to 1,775kwmt in H1 FY20 as heavy rainfall in late FY19 slowed primary circuit throughput at the start of the period. Separately, with demand for our low cost PC02 product remaining favourable, we continued to operate the circuit above its design capacity, contributing 11% of total production (H1 FY19: 9%).

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 25% (or 19kt) to 57kt in H1 FY20 as one of the four furnaces was taken offline.

Operating costs

FOB manganese ore Operating unit costs increased by 7% in H1 FY20 to US$1.62/dmtu as the strip ratio increased (H1 FY20: 5.3, H1 FY19: 4.1), and lower primary circuit throughput was partially offset by additional PC02 volumes and a weaker Australian dollar.

We have lowered FY20 Operating unit cost guidance by US$0.05/dmtu to US$1.55/dmtu, reflecting an improvement in equipment productivity during FY20 and the benefit of revised exchange rate and price assumptions. The strip ratio is expected to decline to 5.1 in H2 FY20 in accordance with the mine plan. Exchange rate and price assumptions for FY20 Operating unit cost guidance are detailed on page 26, footnote 22.

Manganese alloy Operating unit costs decreased by 7% to US$914/t as lower raw material input prices were partially offset by reduced volumes at our TEMCO smelter. We continue to review options for our manganese alloy smelters including their potential divestment, closure or suspension.

Financial performance

Underlying EBIT decreased by 49% (or US$174M) in H1 FY20 to US$178M as lower realised ore prices (-US$150M), lower alloy volumes (-US$21M) and a drawdown in run of mine inventory (-US$8M) were partially offset by a weaker Australian dollar (+US$7M) and lower price-linked royalties (+US$4M).

Capital expenditure

Sustaining capital expenditure increased by US$1M in H1 FY20 to US$37M (including US$2M for alloys) with FY20 guidance unchanged at US$64M (including US$4M for alloys) as we continue to invest in additional tailings storage capacity.

South32 share	H1 FY20	H1 FY19
Manganese ore production (kwmt)	1,775	1,811
Manganese alloy production (kt)	57	76
Manganese ore sales (kwmt)	1,737	1,740
External customers	1,683	1,569
TEMCO	54	171
Manganese alloy sales (kt)	58	76
Realised external manganese ore sales price (US$/dmtu, FOB)[29][30]	4.49	6.59
Realised manganese alloy sales price (US$/t)[29]	1,013	1,408
Ore operating unit cost (US$/dmtu)[30][31]	1.62	1.51
Alloy operating unit cost (US$/t)[31]	914	987

South32 share (US$M)	H1 FY20	H1 FY19
Revenue[32]	407	581
Manganese ore	354	490
Manganese alloy	59	107
Intra-segment elimination	(6)	(16)
Underlying EBITDA	212	382
Manganese ore	206	350
Manganese alloy	6	32
Underlying EBIT	178	352
Manganese ore	174	322
Manganese alloy	4	30
Net operating assets[(a)]	286	316
Manganese ore	286	303
Manganese alloy	-	13
Sustaining capital expenditure	37	36
Exploration expenditure	2	1
Exploration expensed	1	-

(a) H1 FY19 reflects balance as at 30 June 2019.

South Africa Manganese (Ore 44.4% share, Alloy 60% share)

Volumes

South Africa Manganese saleable ore production decreased by 3% (or 37kwmt) to 1,038kwmt in H1 FY20 as we responded to market conditions in Q2 FY20, reducing our use of higher cost trucking and undertaking an extended maintenance shut at our Wessels underground mine. FY20 production guidance remains unchanged at 2,100kwmt, however will be adjusted in response to market demand.

Manganese alloy saleable production increased by 3% (or 1kt) to 34kt in H1 FY20.

Operating costs

FOB manganese ore Operating unit costs decreased by 1% in H1 FY20 to US$2.60/dmtu as lower price-linked royalties were partially offset by costs associated with the increased use of higher cost trucking in Q1 FY20 to take advantage of favourable market conditions.

We have lowered FY20 Operating unit cost guidance by US$0.04/dmtu to US$2.40/dmtu reflecting a stronger South African rand offset by lower price-linked royalties and reduced trucking activity in response to market conditions. Exchange rate and price assumptions for FY20 Operating unit cost guidance are detailed on page 26, footnote 22.

Manganese alloy Operating Unit costs increased by 1% to US$1,179/t as higher power costs offset a weaker South African rand. We continue to review options for our manganese alloy smelters including their potential divestment, closure or suspension.

Financial performance

Underlying EBIT decreased by 75% (or US$75M) in H1 FY20 to US$25M as lower realised ore prices (-US$80M) and an increase in trucking activity (-US$6M) that was curtailed in Q2 FY20 were partially offset by a favourable movement in alloy inventory (+US$10M) and lower price-linked royalties (+US$8M).

Capital expenditure

Sustaining capital expenditure was largely unchanged at US$17M (including US$2M for alloys) in H1 FY20 and is expected to increase to US$26M (including US$4M for alloys) in FY20.

South32 share	H1 FY20	H1 FY19
Manganese ore production (kwmt)	1,038	1,075
Manganese alloy production (kt)	34	33
Manganese ore sales (kwmt)	1,073	1,010
External customers	1,011	951
Metalloys	62	59
Manganese alloy sales (kt)	28	35
Realised external manganese ore sales price (US$/dmtu, FOB)[33][34]	3.81	5.85
Realised manganese alloy sales price (US$/t)[33]	935	1,086
Ore operating unit cost (US$/dmtu)[34][35]	2.60	2.63
Alloy operating unit cost (US$/t)[35]	1,179	1,171

South32 share (US$M)	H1 FY20	H1 FY19
Revenue[36]	195	275
Manganese ore[37]	176	243
Manganese alloy	26	38
Intra-segment elimination	(7)	(6)
Underlying EBITDA	39	114
Manganese ore[37]	46	117
Manganese alloy	(7)	(3)
Underlying EBIT	25	100
Manganese ore[37]	37	107
Manganese alloy	(12)	(7)
Net operating assets[a]	300	312
Manganese ore[37]	239	253
Manganese alloy	61	59
Sustaining capital expenditure	17	17
Exploration expenditure	-	-
Exploration expensed	-	-

(a) H1 FY19 reflects balance as at 30 June 2019.

Cerro Matoso (99.9% share)

Volumes

Cerro Matoso payable nickel production decreased by 2% (or 0.5kt) to 20.6kt in H1 FY20 following a planned increase in the contribution of lower grade stockpiled ore feed. FY20 production guidance remains unchanged at 35.6kt with the operation scheduled to undertake a major furnace refurbishment in Q4 FY20.

Operating costs

Operating unit costs decreased by 6% in H1 FY20 to US$3.80/lb as a result of a weaker Colombian peso and the realisation of benefits from of our energy procurement and usage optimisation approach.

We have lowered FY20 Operating unit cost guidance by US$0.12/lb to US$3.88/lb with the strong production start to the year and a weaker Colombian peso more than offsetting an increase in price-linked royalties from a higher nickel price. Exchange rate and price assumptions for FY20 Operating unit cost guidance are detailed on page 26, footnote 22.

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 have widened in the current market.

Financial performance

Underlying EBIT increased by US$82M in H1 FY20 to US$92M as a 30% rise in the average realised nickel price (+US$72M), a weaker Colombian peso (+US$12M) and lower energy costs (+US$8M) were partially offset by lower sales volumes (-US$11M).

Capital expenditure

Sustaining capital expenditure increased by US$11M in H1 FY20 to US$24M with activity weighted to H2 FY20 as we commence a major furnace refurbishment in Q4 FY20. Sustaining capital expenditure of US$55M is expected in FY20.

South32 share	H1 FY20	H1 FY19
Ore mined (kwmt)	1,400	1,209
Ore processed (kdmt)	1,389	1,401
Ore grade processed (%, Ni)	1.66	1.68
Payable nickel production (kt)	20.6	21.1
Payable nickel sales (kt)	20.4	21.3
Realised nickel sales price (US$/lb)[38]	6.77	5.20
Operating unit cost (US$/lb)	3.80	4.05
Operating unit cost (US$/t)[39]	123	136

South32 share (US$M)	H1 FY20	H1 FY19
Revenue	305	244
Underlying EBITDA	134	54
Underlying EBIT	92	10
Net operating assets[a]	470	479
Sustaining capital expenditure	24	13
Exploration expenditure	3	4
Exploration expensed	2	3

(a) H1 FY19 reflects balance as at 30 June 2019.

Cannington (100% share)

Volumes

Cannington payable zinc equivalent production[19] increased by 12% (or 12.7kt) to 120.1kt in H1 FY20 as the operation drew down run of mine stocks to a normalised level and recorded a higher average zinc grade in Q1 FY20, that more than offset lower silver grades across the period.

Processed silver, lead and zinc grades met our expectations in H1 FY20 and FY20 production guidance remains unchanged (silver 11,200koz, lead 104.0kt and zinc 59.0kt) with sequentially lower lead and silver grades expected in H2 FY20. Higher payable zinc sales in H1 FY20 reflect timing differences following significant floods in North Queensland in Q3 FY19 that caused an extended outage of a third party rail line connecting Cannington to the Townsville port.

Operating costs

Operating unit costs increased by 1% to US$121/t in H1 FY20 as the benefit of a weaker Australian dollar and increased mill throughput were more than offset by a movement in inventory.

We have lowered FY20 Operating unit cost guidance by US$4/t to US$115/t to reflect the strong operating performance in H1 FY20, and the benefit of revised exchange rate assumptions. Exchange rate and price assumptions for FY20 Operating unit cost guidance are detailed on page 26, footnote 22.

Financial performance

Underlying EBIT increased by 13% (or US$6M) in H1 FY20 to US$53M as an increase in sales volumes (+US$26M) and a weaker Australian dollar (+US$8M) were partially offset by inventory movements (-US$14M) and higher depreciation resulting from increased mill throughput (-US$7M).

Capital expenditure

Sustaining capital expenditure decreased by US$6M in H1 FY20 to US$22M. Guidance is unchanged at US$55M in FY20 with expenditure weighted to H2 FY20 as we invest in underground development and additional tailings storage capacity.

South32 share	H1 FY20	H1 FY19
Ore mined (kwmt)	1,360	1,306
Ore processed (kdmt)	1,394	1,244
Ore grade processed (g/t, Ag)	165	183
Ore grade processed (%, Pb)	4.8	4.8
Ore grade processed (%, Zn)	3.3	2.9
Zinc equivalent production (kt)[19]	120.1	107.4
Payable silver production (koz)	6,164	6,067
Payable lead production (kt)	55.3	48.3
Payable zinc production (kt)	32.5	26.3
Payable silver sales (koz)	5,912	6,340
Payable lead sales (kt)	51.8	47.1
Payable zinc sales (kt)	35.3	24.7
Realised silver sales price (US$/oz)	17.5	14.7
Realised lead sales price (US$/t)	1,869	1,656
Realised zinc sales price (US$/t)	1,591	2,146
Operating unit cost (US$/t ore processed)[40]	121	120

South32 share (US$M)	H1 FY20	H1 FY19
Revenue	256	223
Underlying EBITDA	87	74
Underlying EBIT	53	47
Net operating assets[a]	184	243
Sustaining capital expenditure	22	28
Exploration expenditure	3	3
Exploration expensed	3	2

(a) H1 FY19 reflects balance as at 30 June 2019.

Notes

(1) Revenue includes revenue from third party products and services.

(2) H1 FY20 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for H1 FY20 (4,941 million). H1 FY20 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for H1 FY20. H1 FY19 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for H1 FY19 (5,079 million). H1 FY19 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for H1 FY19.

(3) H1 FY20 ordinary dividends per share is calculated as H1 FY20 ordinary dividend announced (US$54M) divided by the number of shares on issue at 31 December 2019 (4,900 million).

(4) H1 FY20 special dividends per share is calculated as H1 FY20 special dividend announced (US$54M) divided by the number of shares on issue at 31 December 2019 (4,900 million). Paragraph 16.26(i) of the Johannesburg Stock Exchange (JSE) listing rules states that the requisite exchange control authority from the Financial Surveillance Department of the South African Reserve Bank (SARB) is required to be provided to the JSE before the JSE can approve payment of special dividends to South African shareholders.

(5) Underlying EBIT is profit before net finance costs, tax and any earnings adjustment items, including impairments. Underlying EBIT is reported inclusive of South32's share of net finance costs and tax of EAI. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. Underlying earnings is Profit/(loss) after tax and earnings adjustment items. Underlying earnings is the key measure that South32 uses to assess the performance of the South32 Group, make decisions on the allocation of resources and assess senior management's performance. In addition, the performance of each of the South32 operations and operational management are assessed based on Underlying EBIT. In order to calculate Underlying earnings, Underlying EBIT and Underlying EBITDA, the following items are adjusted as applicable each period, irrespective of materiality:

- Exchange rate (gains)/losses on restatement of monetary items;
- Impairment losses/(reversals);
- Net (gains)/losses on disposal and consolidation of interests in businesses;
- Fair value (gains)/losses on non-trading derivative instruments and other investments;
- Major corporate restructures; and
- Earnings adjustments included in profit/(loss) of EAI.

In addition, items that do not reflect the underlying operations of South32, and are individually significant to the financial statements, are excluded to determine Underlying earnings. Significant items are detailed in the Financial Information.

(6) Comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue. Also referred to as operating margin.

(7) Comprises Underlying EBIT excluding third party product EBIT, divided by revenue excluding third party product revenue.

(8) Return on invested capital (ROIC) is a key measure that South32 uses to assess performance. ROIC is calculated as Underlying EBIT less the discount on rehabilitation provisions included in net finance cost, tax effected by the Group's Underlying effective tax rate (ETR), divided by the sum of fixed assets (excluding any rehabilitation asset, the impairment of South Africa Energy Coal and unproductive capital associated on Major projects) and inventories. Manganese is included in the calculation on a proportional consolidation basis.

(9) To ensure that incident classification definitions are applied uniformly across our workforce, we have adopted the Occupational Safety and Health Administration of the United States Department of Labor (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses.

(10) Total Recordable Injury Frequency (TRIF): The sum of (fatalities + lost-time cases + restricted work cases + medical treatment cases) x 1,000,000 ÷ actual hours worked, for employees and contractors. Stated in units of per million hours worked.

(11) Refer to the market announcement "Agreement to Divest South Africa Energy Coal" dated 6 November 2019.

(12) Underlying ETR is Underlying income tax expense, excluding royalty related tax, divided by Underlying profit before tax; both the numerator and denominator exclude EAI.

(13) Sales price variance reflects the revenue impact of changes in commodity prices, based on the current period's sales volume. Price-linked costs variance reflects the change in royalties together with the change in input costs driven by changes in commodity prices or market traded consumables. Foreign exchange reflects the impact of exchange rate movements on local currency denominated costs and sales. Volume variance reflects the revenue impact of sales volume changes, based on the comparative period's sales prices. Controllable costs variance represents the impact from changes in the Group's controllable local currency cost base, including the variable cost impact of production volume changes on expenditure, and period-on-period movements in inventories. The controllable cost variance excludes earnings adjustments including significant items.

(14) Underlying net finance cost and Underlying income tax expense are actual H1 FY20 results, not half-on-half variances.

(15) South32's ownership share of operations are presented as follows: Worsley Alumina (86% share), Hillside Aluminium (100%), Mozal Aluminium (47.1% share), Brazil Alumina (Alumina 36% share, Aluminium 40% share), South Africa Energy Coal (100% share until Broad-Based Black Economic Empowerment (B-BBEE) vendor loans are repaid), Illawarra Metallurgical Coal (100%), Australia Manganese (60% share), South Africa Manganese (60% share), Cerro Matoso (99.9% share), Cannington (100%), Hermosa (100%) and Eagle Downs Metallurgical Coal (50% share).

(16) The primary corporate tax rates applicable to the Group for H1 FY20 include: Australia 30%, South Africa 28%, Colombia 33%, Mozambique 0% and Brazil 34%. The Colombian corporate tax rate is 32% in CY20 and 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.

(17) Total capital expenditure comprises Capital expenditure, the purchase of intangibles and capitalised exploration expenditure. Capital expenditure comprises Sustaining capital expenditure and Major projects capital expenditure. Sustaining capital expenditure comprises Stay-in-business (SIB), Minor discretionary and Deferred stripping (including underground development) capital expenditure.

(18) Refer to the market announcement "South32 approves Klipspruit Life Extension Project" dated 27 November 2017.

(19) Payable zinc equivalent (kt) was calculated by aggregating revenues 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 H1 FY19, FY19, H1 FY20, FY20e and FY21e.

(20) 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. Additional manganese disclosures are included in footnotes 30 and 34.

Notes

(21) FY20 prior Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY20, including: an alumina price of US$348/t; an average blended coal price of US$158/t for Illawarra Metallurgical Coal; a manganese ore price of US$5.64/dmtu for 44% manganese product; a nickel price of US$5.54/lb; a thermal coal price of US$69/t (API4) for South Africa Energy Coal; a silver price of US$15.82/troy oz; a lead price of US$1,921/t (gross of treatment and refining charges); a zinc price of US$2,483/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.70; a USD:ZAR exchange rate of 15.06; a USD:COP exchange rate of 3,112; and a reference price for caustic soda; all of which reflected forward markets as at June 2019 or our internal expectations.

(22) FY20 new Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY20, including: an alumina price of US$283/t; an average blended coal price of US$137/t for Illawarra Metallurgical Coal; a manganese ore price of US$4.58/dmtu for 44% manganese product; a nickel price of US$6.65/lb; a thermal coal price of US$78/t (API4) for South Africa Energy Coal; a silver price of US$17.60/troy oz; a lead price of US$2,004/t (gross of treatment and refining charges); a zinc price of US$2,319/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 14.58; a USD:COP exchange rate of 3,364; and a reference price for caustic soda; all of which reflected forward markets as at January 2020 or our internal expectations.

(23) H1 FY20 Third party products and services sold comprise US$19M for aluminium, US$12M for alumina, US$162M for coal, US$100M for freight services, US$44M for aluminium raw materials and nil for manganese. H1 FY20 Underlying EBIT on third party products and services comprise US$2M for aluminium, -US$2M for alumina, -US$14M for coal, nil for freight services, US$1M for aluminium raw materials and nil for manganese. H1 FY19 Third party products and services sold comprise US$33M for aluminium, US$16M for alumina, US$241M for coal, US$129M for freight services, US$61M for aluminium raw materials and US$7M for manganese. H1 FY19 Underlying EBIT on third party products and services comprise nil for aluminium, US$3M for alumina, US$27M for coal, -US$3M for freight services, US$1M for aluminium raw materials and nil for manganese.

(24) The quarterly 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") was US$299/t in H1 FY20.

(25) Presented on a 100% basis.

(26) South Africa Energy Coal Revenue includes domestic and export sales Revenue.

(27) The information in this report that relates to Coal Reserve estimates for Klipspruit was declared as part of South32's Annual Resource and Reserve declaration in the Annual Report 2019 (www.south32.net) issued on 5 September 2019 and prepared by P Mulder 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 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.

(28) Illawarra Metallurgical Coal Revenue includes metallurgical coal and energy coal sales Revenue.

(29) Realised ore prices are calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Realised alloy prices are calculated as sales Revenue, including sinter Revenue, divided by alloy sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction.

(30) Manganese Australia H1 FY20 average manganese content of external ore sales was 45.0% on a dry basis (H1 FY19: 45.8%). 96% of H1 FY20 external manganese ore sales (H1 FY19: 95%) were completed on a CIF basis. H1 FY20 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$28M (H1 FY19: US$25M), consistent with our FOB cost guidance.

(31) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume. Alloy operating unit cost is Revenue less Underlying EBITDA divided by alloy sales volumes and includes costs associated with sinter sold externally.

(32) Revenues associated with sales from GEMCO to TEMCO are eliminated as part of the consolidation.

(33) Realised ore prices are calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Realised alloy prices are calculated as sales Revenue, divided by alloy sales volumes. 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.

(34) Manganese South Africa H1 FY20 average manganese content of external ore sales was 40.0% on a dry basis (H1 FY19: 40.3%). 71% of H1 FY20 external manganese ore sales (H1 FY19: 71%) were completed on a CIF basis. H1 FY20 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$20M (H1 FY19: US$20M), consistent with our FOB cost guidance.

(35) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume. Alloy operating unit cost is Revenue less Underlying EBITDA divided by alloy sales volumes.

(36) Revenues associated with sales from Hotazel Manganese Mines (HMM) to Metalloys are eliminated as part of the consolidation.

(37) Consistent with the presentation of South32's segment information, South Africa Manganese ore production and sales have been reported at 60%. 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 interest 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%.

(38) Cerro Matoso realised nickel sales price is inclusive of by-products. Realised sales price is calculated as sales Revenue divided by sales volume.

(39) Cerro Matoso Operating unit cost per tonne is Revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs may change.

(40) Cannington Operating unit cost is Revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs may change.

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.

The following abbreviations may be used throughout this report: US$ million (US$M); US$ billion (US$B); December half year (H1 FY20); calendar year (CY); 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); dry metric tonne unit (dmtu); pound (lb); megawatt (MW); and equity accounted investments (EAI).

South32 Financial Information

For the half year ended 31 December 2019

CONSOLIDATED INCOME STATEMENT

for the half year ended 31 December 2019

US$M	Note	H1 FY20	H1 FY19
Revenue:			
Group production	4	**2,879**	3,331
Third party products and services	4	**337**	480
		3,216	3,811
Other income		**157**	126
Expenses excluding net finance cost		**(3,222)**	(3,305)
Share of profit/(loss) of equity accounted investments		**100**	276
Profit/(loss)		**251**	908
Comprising:			
Group production		**264**	880
Third party products and services		**(13)**	28
Profit/(loss)		**251**	908
Finance expenses		**(90)**	(72)
Finance income		**26**	34
Net finance cost	7	**(64)**	(38)
Profit/(loss) before tax		**187**	870
Income tax (expense)/benefit		**(88)**	(235)
Profit/(loss) after tax		**99**	635
Attributable to:			
Equity holders of South32 Limited		**99**	635
Profit/(loss) for the period attributable to the equity holders of South32 Limited:			
Basic earnings per share (cents)	6	**2.0**	12.5
Diluted earnings per share (cents)	6	**2.0**	12.4

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2019

US$M	H1 FY20	H1 FY19
Profit/(loss) for the period	**99**	635
Other Comprehensive Income		
Items that may be reclassified to the Consolidated Income Statement:		
Cash Flow hedges:		
Transfer of net (gains)/losses recognised in equity	**-**	(5)
Total items that may be reclassified to the Consolidated Income Statement	**-**	(5)
Items not to be reclassified to the Consolidated Income Statement:		
Investments in equity instruments designated as fair value through Other Comprehensive Income (FVOCI):		
Net fair value gains/(losses)	**(11)**	(28)
Tax benefit/(expense)	**3**	10
Equity accounted investments – share of Other Comprehensive Income/(loss), net of tax	**20**	(1)
Gains/(losses) on pension and medical schemes	**-**	2
Tax benefit/(expense) recognised within Other Comprehensive Income	**-**	(1)
Total items not to be reclassified to the Consolidated Income Statement	**12**	(18)
Total Other Comprehensive Income/(loss)	**12**	(23)
Total Comprehensive Income/(loss)	**111**	612
Attributable to:		
Equity holders of South32 Limited	**111**	612

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2019

US$M	H1 FY20	FY19
ASSETS		
Current assets		
Cash and cash equivalents	**1,389**	1,408
Trade and other receivables	**605**	888
Other financial assets	**80**	108
Inventories	**929**	952
Current tax assets	**16**	7
Other	**33**	38
Total current assets	**3,052**	3,401
Non-current assets		
Trade and other receivables	**339**	290
Other financial assets	**256**	272
Inventories	**71**	68
Property, plant and equipment	**9,764**	9,596
Intangible assets	**234**	233
Equity accounted investments	**613**	688
Deferred tax assets	**156**	155
Other	**13**	12
Total non-current assets	**11,446**	11,314
Total assets	**14,498**	14,715
LIABILITIES		
Current liabilities		
Trade and other payables	**769**	880
Interest bearing liabilities	**423**	313
Current tax payables	**22**	179
Provisions	**288**	312
Deferred income	**4**	4
Total current liabilities	**1,506**	1,688
Non-current liabilities		
Trade and other payables	**2**	1
Interest bearing liabilities	**689**	591
Deferred tax liabilities	**339**	334
Provisions	**2,018**	1,925
Deferred income	**2**	8
Total non-current liabilities	**3,050**	2,859
Total liabilities	**4,556**	4,547
Net assets	**9,942**	10,168
EQUITY		
Share capital	**14,020**	14,212
Treasury shares	**(43)**	(105)
Reserves	**(3,537)**	(3,490)
Retained earnings/(accumulated losses)	**(497)**	(448)
Total equity attributable to equity holders of South32 Limited	**9,943**	10,169
Non-controlling interests	**(1)**	(1)
Total equity	**9,942**	10,168

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 31 December 2019

US$M	H1 FY20	H1 FY19
Operating activities		
Profit/(loss) before tax	**187**	870
Adjustments for:		
Depreciation and amortisation expense	**385**	380
Employee share awards expense	**5**	23
Net finance cost	**64**	38
Share of (profit)/loss of equity accounted investments	**(100)**	(276)
Fair value (gains)/losses on derivative instruments and other investments	**42**	26
Changes in assets and liabilities:		
Trade and other receivables	**290**	82
Inventories	**20**	(108)
Trade and other payables	**(53)**	50
Provisions and other liabilities	**(41)**	(117)
Cash generated from operations	**799**	968
Interest received	**26**	38
Interest paid	**(36)**	(37)
Income tax (paid)/received	**(243)**	(207)
Dividends received	**1**	-
Dividends received from equity accounted investments	**195**	280
Net cash flows from operating activities	**742**	1,042
Investing activities		
Purchases of property, plant and equipment	**(393)**	(296)
Exploration expenditure	**(34)**	(26)
Exploration expenditure expensed and included in operating cash flows	**16**	16
Purchase of intangibles	**(11)**	-
Investment in financial assets	**(157)**	(208)
Acquisition of subsidiaries and jointly controlled entities, net of their cash	**-**	(1,507)
Cash outflows from investing activities	**(579)**	(2,021)
Proceeds from financial assets	**106**	166
Distribution from equity accounted investments	**-**	6
Net cash flows from investing activities	**(473)**	(1,849)
Financing activities		
Proceeds from interest bearing liabilities	**80**	2
Repayment of interest bearing liabilities	**(23)**	(60)
Purchase of shares by South32 Limited Employee Incentive Plans Trusts (ESOP Trusts)	**(17)**	(53)
Share buy-back	**(192)**	(167)
Dividends paid	**(139)**	(316)
Net cash flows from financing activities	**(291)**	(594)
Net increase/(decrease) in cash and cash equivalents	**(22)**	(1,401)
Cash and cash equivalents, net of overdrafts, at the beginning of the period	**1,406**	2,970
Foreign currency exchange rate changes on cash and cash equivalents	**5**	(4)
Cash and cash equivalents, net of overdrafts, at the end of the period	**1,389**	1,565

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2019

	Attributable to equity holders of South32 Limited								
US$M	Share capital	Treasury shares	Financial assets reserve[1]	Employee share awards reserve[2]	Other reserves[3]	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
Balance as at 1 July 2019	14,212	(105)	(9)	109	(3,590)	(448)	10,169	(1)	10,168
Profit/(loss) for the period	-	-	-	-	-	99	99	-	99
Other Comprehensive Income/(loss)	-	-	(8)	-	-	20	12	-	12
Total Comprehensive Income/(loss)	-	-	(8)	-	-	119	111	-	111
Transactions with owners:									
Dividends	-	-	-	-	-	(139)	(139)	-	(139)
Shares bought back and cancelled[4]	(192)	-	-	-	-	-	(192)	-	(192)
Accrued employee entitlements for unvested awards, net of tax	-	-	-	10	-	-	10	-	10
Employee share awards forfeited, net of tax	-	-	-	(10)	-	-	(10)	-	(10)
Purchase of shares by ESOP Trusts	-	(17)	-	-	-	-	(17)	-	(17)
Employee share awards vested and waived	-	79	-	(39)	-	(42)	(2)	-	(2)
Tax recognised for employee share awards vested	-	-	-	-	-	13	13	-	13
Balance as at 31 December 2019	14,020	(43)	(17)	70	(3,590)	(497)	9,943	(1)	9,942
Balance as at 1 July 2018	14,493	(83)	164	88	(3,585)	(367)	10,710	(1)	10,709
Adjustments for transition to new accounting standards	-	-	(12)	-	-	10	(2)	-	(2)
Restated balance as at 1 July 2018	14,493	(83)	152	88	(3,585)	(357)	10,708	(1)	10,707
Profit/(loss) for the period	-	-	-	-	-	635	635	-	635
Other Comprehensive Income/(loss)	-	-	(18)	-	(5)	-	(23)	-	(23)
Total Comprehensive Income/(loss)	-	-	(18)	-	(5)	635	612	-	612
Transactions with owners:									
Dividends	-	-	-	-	-	(316)	(316)	-	(316)
Shares bought back and cancelled[4]	(167)	-	-	-	-	-	(167)	-	(167)
Accrued employee entitlements for unvested awards, net of tax	-	-	-	30	-	-	30	-	30
Purchase of shares by ESOP Trusts	-	(53)	-	-	-	-	(53)	-	(53)
Employee share awards vested	-	76	-	(27)	-	(49)	-	-	-
Tax recognised for employee share awards vested	-	-	-	-	-	10	10	-	10
Transfer of cumulative fair value gain on equity instruments designated as FVOCI	-	-	(145)	-	-	145	-	-	-
Balance as at 31 December 2018	14,326	(60)	(11)	91	(3,590)	68	10,824	(1)	10,823

(1) Represents the fair value movement in financial assets designated as FVOCI.
(2) Represents the accrued employee entitlements to share awards that have not yet vested.
(3) Primarily consists of the common control transaction reserve of US$3,569 million, which reflects the difference between consideration paid and the carrying value of assets and liabilities acquired, as well as the gains/losses on disposal of entities as part of the demerger of the Group in 2015.
(4) Represents 105,772,439 (31 December 2018: 68,444,442) shares permanently cancelled through the on-market share buy-back during the period.

The accompanying notes form part of the half year consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – BASIS OF PREPARATION

The consolidated financial statements of South32 Limited (referred to as the Company) and its subsidiaries and joint arrangements (collectively, the Group) for the half year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 13 February 2020.

1. Reporting entity

South32 Limited is a for-profit company limited by shares incorporated in Australia with a primary listing on the Australian Securities Exchange (ASX), a standard listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE).

The nature of the operations and principal activities of the Group are described in note 4 Segment information.

2. Basis of preparation

The half year consolidated financial statements are a general purpose condensed financial report which:

- Have been prepared in accordance with AASB 134 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Corporations Act;
- Have been prepared on a historical cost basis, except for derivative financial instruments and certain other financial assets and liabilities which are required to be measured at fair value;
- Are presented in US dollars, which is the functional currency of the majority of the Group's operations, and all values are rounded to the nearest million dollars (US$M or US$ million) unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/191;
- Present reclassified comparative information where required for consistency with the current period's presentation; and
- Have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2019 annual consolidated financial statements, except for the change in accounting standards set out in note 3 New standards and interpretations which became effective on 1 July 2019 without restatement of prior years.

In preparing the half year consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

For a full understanding of the financial performance and financial position of the Group it is recommended that the half year consolidated financial statements be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2019. Consideration should also be given to any public announcements made by the Company in accordance with the continuous disclosure obligations of the ASX Listing Rules.

3. New standards and interpretations

New accounting standards and interpretations effective from 1 July 2019

The Group has changed some of its accounting policies as a result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2019. New policies and standards are:

AASB 16 Leases

The Group adopted AASB 16 from 1 July 2019 using the modified retrospective approach without restating comparative information. The Group applied the following practical expedients on transition:

- 'Grandfathering' previous lease assessments of existing contracts and applying the AASB 16 lease definition to contracts commencing or modified after 1 July 2019;
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- Accounting for leases as short-term where the lease term ends within 12 months of the date of initial application.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and generally results in leases being recognised on the Consolidated Balance Sheet, as the distinction between operating and finance leases is removed.

On transition, lease liabilities of previously recognised operating leases (excluding short-term and low-value leases) were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 July 2019. The weighted average rate applied was 8.2%. The right-of-use (ROU) assets were measured at an amount equal to the lease liabilities net of lease incentives received. For leases that were classified as finance leases under the previous standard (AASB 117 *Leases)*, there were no changes to the carrying amounts of ROU assets and lease liabilities.

Under AASB 16, optional renewable periods are included in the lease term if it is reasonably certain that an extension will occur. In addition, variable lease payments linked to a rate or an index, such as CPI, are now required to be recognised within the lease liability and ROU asset when effective.

The Group recognises the interest expense on lease liabilities and depreciation expense on ROU assets in the Consolidated Income Statement. Lease liability repayments are recognised as a combination of principal and interest payments.

On transition, the Group recognised an additional US$135 million of ROU assets and US$140 million of lease liabilities. This included US$52 million of variable lease payments based on a rate or an index. The reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019 is as follows:

US$M	
Operating lease commitment (30 June 2019)	123
Less: AASB 16 recognition exemption for short-term and low-value leases(1)	(14)
Restated total operating lease commitments (30 June 2019)	**109**
Less: effect of discounting operating lease commitments using the incremental borrowing rate (30 June 2019)	(21)
Add: recognition of variable lease payments based on a rate or an index(1)	52
Add: finance lease liabilities (30 June 2019)	543
Total lease liabilities recognised (1 July 2019)	**683**

(1) Refer to Leases policy applicable from 1 July 2019 below.

Leases policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is included in property, plant and equipment and initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimated future cost of closure or rehabilitation, less any lease incentives received. The ROU asset is subsequently measured at cost less accumulated depreciation, impairment charges and any adjustments for remeasurements of the lease liability.

The corresponding lease liability is included within interest bearing liabilities. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

3. New standards and interpretations (continued)

New accounting standards and interpretations effective from 1 July 2019 (continued)

AASB 16 Leases (continued)

Leases policy applicable from 1 July 2019 (continued)

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on a rate or an index, initially measured using the rate or index as at the commencement date;
- Amounts expected to be payable under residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease if the Group is reasonably certain to terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate or an index, if there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the Consolidated Income Statement if the carrying amount of the ROU asset has been reduced to nil.

The nature of the Group's leases predominantly relate to real estate in the form of office buildings, as well as mining equipment and assets supporting operations in line with the Group's principal activities.

The following amounts were recorded in the consolidated financial statements for the six months ended 31 December 2019:

Primary statement	Financial statement caption	US$M
Consolidated Income Statement		
Depreciation and amortisation	Expenses excluding net finance costs	33
Consolidated Cash Flow Statement		
Lease principal payments	Cash flows from financing activities	21
Lease interest paid	Interest paid	26
Consolidated Balance Sheet		
ROU assets – Carrying value	Property, plant and equipment	721
Lease liabilities – Current	Interest bearing liabilities	46
Lease liabilities – Non-current	Interest bearing liabilities	630

Short-term, low-value and variable leases

The Group has elected not to recognise ROU assets and lease liabilities for short-term and low-value leases. Short-term leases are leases with a lease term of 12 months or less, whilst low-value leases are leases where the underlying asset is considered low value. Variable leases are leases with leases payments which are variable but do not depend on a rate or an index. If variable leases have a fixed component, these would be recognised on the Consolidated Balance Sheet. The Group recognises the lease payments associated with these leases as an expense in the Consolidated Income Statement on a straight-line basis over the lease term.

4. Segment information

(a) Description of segments

The operating segments (also referred to as operations) are organised and managed separately according to the nature of products produced.

Certain members of the Lead Team (the chief operating decision makers) and the Board of Directors monitor the segment results regularly for the purpose of making decisions about resource allocation and performance assessment. The segment information for the manganese operations are presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance.

The principal activities of each operating segment as the Group is currently structured are summarised as follows:

Operating segment	Principal activities
Worsley Alumina	Integrated bauxite mine and alumina refinery in Western Australia, Australia
Hillside Aluminium	Aluminium smelter in South Africa
Mozal Aluminium	Aluminium smelter in Mozambique
Brazil Alumina	Alumina refinery in Brazil
South Africa Energy Coal	Open-cut and underground energy coal mines and processing operations in South Africa
Illawarra Metallurgical Coal	Underground metallurgical coal mines in New South Wales, Australia
Eagle Downs Metallurgical Coal	Exploration and development of metallurgical coal deposit in Queensland, Australia
Australia Manganese	Integrated producer of manganese ore in the Northern Territory and alloy in Tasmania, Australia
South Africa Manganese	Integrated producer of manganese ore and alloy in South Africa
Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in Colombia
Cannington	Silver, lead and zinc mine in Queensland, Australia
Hermosa	Exploration and development option for zinc, lead and silver sulphide deposit in Tucson, United States

All operations are operated or jointly operated by the Group except Brazil Alumina, which is operated by Alcoa.

(b) Segment results

Segment performance is measured by Underlying EBIT and Underlying EBITDA. Underlying EBIT is profit before net finance cost, tax and other earnings adjustment items including impairments. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. A reconciliation of Underlying EBIT, Underlying EBITDA and the Group's consolidated profit after tax is set out on the following pages. Segment revenue is measured on the same basis as in the Consolidated Income Statement.

The Group separately discloses sales of group production from sales of third party products and services because of the significant difference in profit margin earned on these sales.

It is the Group's policy that inter-segment transactions are made on a commercial basis.

Group and unallocated items/eliminations represent group centre functions and consolidation adjustments. Group financing (including finance expense and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Total assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities, tax balances and certain other financial assets. The carrying amount of investments accounted for using the equity method represents the balance of the Group's investment in equity accounted investments, with no adjustment for cash, interest bearing liabilities and tax balances of the equity accounted investment.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

4. Segment information (continued)

(b) Segment results (continued)

31 December 2019 US$M	Worsley Alumina	Hillside Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Eagle Downs Metallurgical Coal	Australia Manganese(1)	South Africa Manganese(1)	Cerro Matoso	Cannington	Hermosa	Group and unallocated items/ elimination	Statutory adjustment(1)	Group
Revenue from customers	608	651	263	204	427	482	-	426	197	299	261	-	34	(623)	3,229
Other(2)	-	-	(1)	-	(3)	(9)	-	(19)	(2)	6	(5)	-	(1)	21	(13)
Total revenue	**608**	**651**	**262**	**204**	**424**	**473**	**-**	**407**	**195**	**305**	**256**	**-**	**33**	**(602)**	**3,216**
Group production	304	651	262	204	424	473	-	407	195	305	256	-	-	(602)	2,879
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	337	-	337
Inter-segment revenue	304	-	-	-	-	-	-	-	-	-	-	-	(304)	-	-
Total revenue	**608**	**651**	**262**	**204**	**424**	**473**	**-**	**407**	**195**	**305**	**256**	**-**	**33**	**(602)**	**3,216**
Underlying EBITDA	**182**	**71**	**3**	**24**	**(75)**	**142**	**-**	**212**	**39**	**134**	**87**	**(3)**	**13**	**(151)**	**678**
Depreciation and amortisation	(84)	(33)	(17)	(31)	(30)	(92)	-	(34)	(14)	(42)	(34)	-	(22)	48	(385)
Underlying EBIT	**98**	**38**	**(14)**	**(7)**	**(105)**	**50**	**-**	**178**	**25**	**92**	**53**	**(3)**	**(9)**	**(103)**	**293**
Comprising:															
Group production excluding exploration expensed	98	38	(14)	(7)	(105)	51	-	179	25	94	56	(3)	14	(204)	222
Exploration expensed	-	-	-	-	-	(1)	-	(1)	-	(2)	(3)	-	(10)	1	(16)
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	(13)	-	(13)
Share of profit/(loss) of equity accounted investments(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	100	100
Underlying EBIT	**98**	**38**	**(14)**	**(7)**	**(105)**	**50**	**-**	**178**	**25**	**92**	**53**	**(3)**	**(9)**	**(103)**	**293**
Net finance cost															(69)
Income tax (expense)/benefit															(93)
Underlying earnings															**131**
Earnings adjustments(5)															(32)
Profit/(loss) after tax															**99**
Exploration expenditure	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**2**	**-**	**3**	**3**	**12**	**10**	**(2)**	**34**
Capital expenditure(6)	**23**	**7**	**6**	**22**	**102**	**112**	**5**	**37**	**17**	**24**	**22**	**70**	**-**	**(54)**	**393**
Equity accounted investments	**-**	**-**	**-**	**-**	**14**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**597**	**613**
Total assets(7)	**3,434**	**1,226**	**600**	**699**	**769**	**1,670**	**177**	**666**	**530**	**695**	**433**	**1,842**	**2,580**	**(823)**	**14,498**
Total liabilities(7)	**587**	**276**	**101**	**100**	**1,157**	**276**	**9**	**380**	**230**	**225**	**249**	**23**	**1,719**	**(776)**	**4,556**

(1) The segment information reflects the Group's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. The manganese operations are equity accounted in the half year consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.

(2) Other revenue predominately relates to fair value movements on provisionally priced contracts.

(3) Third party products and services sold comprise US$19 million for aluminium, US$12 million for alumina, US$162 million for coal, US$100 million for freight services and US$44 million for aluminium raw materials. Underlying EBIT on third party products and services comprise US$2 million for aluminium, (US$2) million for alumina, (US$14) million for coal, nil for freight services and US$1 million for aluminium raw materials.

(4) Share of profit/(loss) of equity accounted investments includes the impact of earnings adjustments to Underlying EBIT.

(5) Refer to note 4(b)(i) Earnings adjustments.

(6) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(7) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities, tax balances and certain other financial assets.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

4. Segment information (continued)

(b) Segment results (continued)

31 December 2018

US$M	Worsley Alumina	Hillside Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Eagle Downs Metallurgical Coal	Australia Manganese(1)	South Africa Manganese(1)	Cerro Matoso	Cannington	Hermosa	Group and unallocated items/ elimination	Statutory adjustment(1)	Group
Revenue from customers	864	774	282	312	517	571	-	574	275	260	233	-	32	(856)	3,838
Other(2)	-	(2)	(2)	-	-	3	-	7	-	(16)	(10)	-	-	(7)	(27)
Total revenue	864	772	280	312	517	574	-	581	275	244	223	-	32	(863)	3,811
Group production	409	772	280	312	517	574	-	581	266	244	223	-	-	(847)	3,331
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	487	(7)	480
Inter-segment revenue	455	-	-	-	-	-	-	-	9	-	-	-	(455)	(9)	-
Total revenue	864	772	280	312	517	574	-	581	275	244	223	-	32	(863)	3,811
Underlying EBITDA	425	(6)	30	125	58	292	-	382	114	54	74	-	(10)	(233)	1,305
Depreciation and amortisation	(81)	(33)	(17)	(28)	(44)	(97)	-	(30)	(14)	(44)	(27)	-	(9)	44	(380)
Underlying EBIT	344	(39)	13	97	14	195	-	352	100	10	47	-	(19)	(189)	925
Comprising:															
Group production excluding exploration expensed	345	(39)	13	97	13	197	-	352	100	13	49	-	(40)	(452)	648
Exploration expensed	(1)	-	-	-	-	(3)	-	-	-	(3)	(2)	-	(7)	-	(16)
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	28	-	28
Share of profit/(loss) of equity accounted investments(4)	-	-	-	-	1	1	-	-	-	-	-	-	-	263	265
Underlying EBIT	344	(39)	13	97	14	195	-	352	100	10	47	-	(19)	(189)	925
Net finance cost															(59)
Income tax (expense)/benefit															(224)
Underlying earnings															642
Earnings adjustments(5)															(7)
Profit/(loss) after tax															635
Exploration expenditure	1	-	-	-	-	4	-	1	-	4	3	7	7	(1)	26
Capital expenditure(6)	25	12	8	16	103	56	2	36	17	13	28	33	-	(53)	296
Equity accounted investments(7)	-	-	-	-	14	3	-	-	-	-	-	-	-	671	688
Total assets(7)	3,468	1,304	644	795	736	1,710	172	679	524	697	493	1,777	2,498	(782)	14,715
Total liabilities(7)	637	277	110	108	1,109	300	9	363	212	218	250	39	1,656	(741)	4,547

(1) The segment information reflects the Group's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. The manganese operations are equity accounted in the half year consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.

(2) Other revenue predominately relates to fair value movements on provisionally priced contracts.

(3) Third party products and services sold comprise US$33 million for aluminium, US$16 million for alumina, US$241 million for coal, US$129 million for freight services and US$61 million for aluminium raw materials. Underlying EBIT on third party products and services comprise nil for aluminium, US$3 million for alumina, US$27 million for coal, (US$3) million for freight services and US$1 million for aluminium raw materials.

(4) Share of profit/(loss) of equity accounted investments includes the impact of earnings adjustments to Underlying EBIT.

(5) Refer to note 4(b)(i) Earnings adjustments.

(6) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(7) Equity accounted investments and total assets and liabilities for each operating segment are as at 30 June 2019. Total assets and liabilities represent operating assets and liabilities which predominantly exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities, tax balances and certain other financial assets.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

4. Segment information (continued)

(b) Segment results (continued)

(i) Earnings adjustments

The following table shows earnings adjustments in determining Underlying earnings:

US$M	H1 FY20	H1 FY19
Adjustments to Underlying EBIT		
Exchange rate (gains)/losses on restatement of monetary items[1]	**3**	-
Fair value (gains)/losses on non-trading derivative instruments and other investments[1][2]	**39**	28
Earnings adjustments included in (profit)/loss of equity accounted investments[3]	**-**	(11)
Total adjustments to Underlying EBIT	**42**	17
Adjustments to net finance cost		
Exchange rate variations on net debt	**(5)**	(21)
Total adjustments to net finance cost	**(5)**	(21)
Adjustments to income tax expense		
Tax effect of earnings adjustments to Underlying EBIT	**(11)**	(5)
Tax effect of earnings adjustments to net finance cost	**1**	7
Exchange rate variations on tax balances	**5**	9
Total adjustments to income tax expense	**(5)**	11
Total earnings adjustments	**32**	7

(1) Recognised in expenses excluding net finance cost in the Consolidated Income Statement.

(2) Primarily relates to US$35 million (H1 FY19: US$14 million) included in the Hillside Aluminium segment and US$3 million (H1 FY19: US$12 million) included in the South Africa Energy Coal segment.

(3) Recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.

(ii) Significant items

Significant items are those items, not separately identified in note 4(b)(i) Earnings adjustments, where their nature and amount is considered material to the consolidated financial statements. There were no such items included within the Group's (income)/expense for the half year ended 31 December 2019 (H1 FY19: nil).

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

5. Dividends

US$M	H1 FY20	H1 FY19
Prior year final dividend[1]	**139**	316
Total dividends declared and paid during the period	**139**	316

(1) On 22 August 2019, the Directors resolved to pay a fully franked final dividend of US 2.8 cents per share (US$140 million) in respect of the 2019 financial year. The dividends were paid on 10 October 2019. In addition to the ESOP Trusts receiving dividends from South32 Limited, a total of 23,601,881 shares were bought back between the declaration and ex-dividend dates, therefore reducing the dividends paid externally to US$139 million.

6. Earnings per share

Basic earnings per share (EPS) amounts are calculated based on profit attributable to equity holders of South32 Limited and the weighted average number of shares outstanding during the period.

Dilutive EPS amounts are calculated based on profit attributable to equity holders of South32 Limited and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares.

The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:

Profit/(loss) for the period attributable to equity holders		
US$M	**H1 FY20**	**H1 FY19**
Profit/(loss) attributable to equity holders of South32 Limited (basic)	**99**	635
Profit/(loss) attributable to equity holders of South32 Limited (diluted)	**99**	635

Weighted average number of shares		
Million	**H1 FY20**	**H1 FY19**
Basic earnings per share denominator[1]	**4,941**	5,079
Shares contingently issuable under employee share ownership plans[2]	**25**	61
Diluted earnings per share denominator	**4,966**	5,140

(1) The basic EPS denominator is the aggregate of the weighted average number of shares after deduction of the weighted average number of Treasury shares outstanding and shares permanently cancelled through the on-market share buy-back.

(2) Included in the calculation of diluted EPS are shares contingently issuable under employee share ownership plans.

Earnings per share		
US cents	**H1 FY20**	**H1 FY19**
Basic earnings per share	**2.0**	12.5
Diluted earnings per share	**2.0**	12.4

7. Net finance cost

US$M	H1 FY20	H1 FY19
Finance expenses		
Interest on borrowings	**10**	12
Finance lease interest(1)	**-**	25
Interest on lease liabilities(1)	**26**	-
Discounting on provisions and other liabilities	**54**	52
Net interest expense on post-retirement employee benefits	**5**	4
Exchange rate variations on net debt	**(5)**	(21)
	90	72
Finance income		
Interest income	**26**	34
Net finance cost	**64**	38

(1) Refer to note 3 New standards and interpretations.

8. Financial assets and financial liabilities

The following table presents the Group's financial assets and liabilities by class at their carrying amounts which approximates their fair value.

31 December 2019 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Total
Financial assets				
Cash and cash equivalents	-	-	1,389	**1,389**
Trade and other receivables[1]	65	-	453	**518**
Loans to equity accounted investments[2]	-	-	32	**32**
Other financial assets:				
Derivative contracts	80	-	-	**80**
Total current financial assets	145	-	1,874	**2,019**
Trade and other receivables[1][3]	-	-	6	**6**
Loans to equity accounted investments[2]	-	-	180	**180**
Interest bearing loans receivable[2]	-	-	32	**32**
Other financial assets:				
Investments in equity instruments – designated as FVOCI	-	113	-	**113**
Other investments – held at fair value through profit or loss (FVTPL)	143	-	-	**143**
Total non-current financial assets	143	113	218	**474**
Total	**288**	**113**	**2,092**	**2,493**
Financial liabilities				
Trade and other payables[4]	5	-	755	**760**
Lease liabilities[5][6]	-	-	46	**46**
Unsecured other[6]	-	-	377	**377**
Total current financial liabilities	5	-	1,178	**1,183**
Trade and other payables	-	-	2	**2**
Lease liabilities[5][6]	-	-	630	**630**
Unsecured other[6]	-	-	59	**59**
Total non-current financial liabilities	-	-	691	**691**
Total	**5**	**-**	**1,869**	**1,874**

(1) Excludes current input taxes of US$55 million and non-current input taxes of US$33 million included in other receivables.

(2) Included in total trade and other receivables.

(3) Excludes a reimbursable right asset in relation to the closure and rehabilitation provision at South Africa Energy Coal of US$88 million included in other receivables.

(4) Excludes input taxes of US$9 million included in other payables.

(5) Refer to note 3 New standards and interpretations.

(6) Included in total interest bearing liabilities.

NOTES TO FINANCIAL STATEMENTS – CAPITAL STRUCTURE AND FINANCING

8. Financial assets and financial liabilities (continued)

30 June 2019 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Total
Financial assets				
Cash and cash equivalents	-	-	1,408	1,408
Trade and other receivables[(1)]	103	-	595	698
Loans to equity accounted investments[(2)]	-	-	36	36
Other financial assets:				
Derivative contracts	108	-	-	108
Total current financial assets	211	-	2,039	2,250
Trade and other receivables[(1)(3)]	-	-	5	5
Loans to equity accounted investments[(2)]	-	-	136	136
Interest bearing loans receivable[(2)]	-	-	33	33
Other financial assets:				
Derivative contracts	7	-	-	7
Investments in equity instruments – designated as FVOCI	-	124	-	124
Other investments – held at FVTPL	141	-	-	141
Total non-current financial assets	148	124	174	446
Total	359	124	2,213	2,696
Financial liabilities				
Trade and other payables[(4)]	1	-	870	871
Finance leases[(5)]	-	-	12	12
Unsecured other[(5)]	-	-	301	301
Total current financial liabilities	1	-	1,183	1,184
Trade and other payables	-	-	1	1
Finance leases[(5)]	-	-	531	531
Unsecured other[(5)]	-	-	60	60
Total non-current financial liabilities	-	-	592	592
Total	1	-	1,775	1,776

(1) Excludes current input taxes of US$154 million and non-current input taxes of US$33 million included in other receivables.

(2) Included in total trade and other receivables.

(3) Excludes a reimbursable right asset in relation to the closure and rehabilitation provision at South Africa Energy Coal of US$83 million included in other receivables.

(4) Excludes input taxes of US$9 million included in other payables.

(5) Included in total interest bearing liabilities.

8. Financial assets and financial liabilities (continued)

Measurement of fair value

The following table shows the Group's financial assets and liabilities carried at fair value with reference to the nature of valuation inputs used:

Level 1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.

Level 2 Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).

Level 3 Valuation includes inputs that are not based on observable market data.

31 December 2019 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	-	65	-	**65**
Trade and other payables	-	(5)	-	**(5)**
Derivative contracts	-	1	79	**80**
Investments in equity instruments – designated as FVOCI	43	-	70	**113**
Other investments – held at FVTPL	-	143	-	**143**
Total	**43**	**204**	**149**	**396**

30 June 2019 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	-	103	-	103
Trade and other payables	-	(1)	-	(1)
Derivative contracts	-	2	113	115
Investments in equity instruments – designated as FVOCI	48	-	76	124
Other investments – held at FVTPL	-	141	-	141
Total	48	245	189	482

Level 3 financial assets and liabilities

The following table shows the movements in the Group's Level 3 financial assets and liabilities:

US$M	H1 FY20	H1 FY19
At the beginning of the period	**189**	272
Disposals	**-**	(2)
Realised gains/(losses) recognised in the Consolidated Income Statement(1)	**(52)**	(31)
Unrealised gains/(losses) recognised in the Consolidated Income Statement(1)	**18**	17
Unrealised gains/(losses) recognised in the Consolidated Statement of Comprehensive Income(2)	**(6)**	(31)
At the end of the period	**149**	225

(1) Recognised in expenses excluding net finance cost in the Consolidated Income Statement.

(2) Recognised in the financial assets reserve in the Consolidated Statement of Comprehensive Income.

8. Financial assets and financial liabilities (continued)

Sensitivity analysis

The carrying amount of financial assets and liabilities that are valued using inputs other than observable market data are calculated using appropriate valuation models, including discounted cash flow modelling, with inputs such as commodity prices, foreign exchange rates and inflation. The potential effect of using reasonably possible alternative assumptions in these models, based on changes in the most significant inputs by 10 per cent while holding all other variables constant, is shown in the following table:

31 December 2019			**Profit after tax**		**Other Comprehensive Income, net of tax**	
US$M	**Carrying amount**	**Significant inputs**	**10% increase in input**	**10% decrease in input**	**10% increase in input**	**10% decrease in input**
Financial assets and liabilities						
Derivative contracts[1]	79	Aluminium price[2] Foreign exchange rate[2] Electricity price[3]	(27)	26	-	-
Investments in equity instruments – designated as FVOCI[1]	70	Alumina price[2] Aluminium price[2] Foreign exchange rate[2]	-	-	32	(50)
Total	**149**		**(27)**	**26**	**32**	**(50)**

(1) Sensitivity analysis is performed assuming all inputs are directionally moving unfavourably and favourably.
(2) Aluminium and alumina prices are comparable to market consensus forecasts and foreign exchange rates are aligned with forward market rates.
(3) Electricity prices are determined as a market equivalent price.

30 June 2019			**Profit after tax**		**Other Comprehensive Income, net of tax**	
US$M	**Carrying amount**	**Significant inputs**	**10% increase in input**	**10% decrease in input**	**10% increase in input**	**10% decrease in input**
Financial assets and liabilities						
Derivative contracts[1]	113	Aluminium price[2] Foreign exchange rate[2] Electricity price[3]	(49)	46	-	-
Investments in equity instruments – designated as FVOCI[1]	76	Alumina price[2] Aluminium price[2] Foreign exchange rate[2]	-	-	52	(78)
Total	189		(49)	46	52	(78)

(1) Sensitivity analysis is performed assuming all inputs are directionally moving unfavourably and favourably.
(2) Aluminium and alumina prices are comparable to market consensus forecasts and foreign exchange rates are aligned with forward market rates.
(3) Electricity prices are determined as a market equivalent price.

NOTES TO FINANCIAL STATEMENTS – OTHER NOTES

9. Subsequent events

On 13 February 2020, the Directors resolved to pay a fully franked interim dividend of US 1.1 cents per share (US$54 million) in respect of the 2020 half year and a fully franked special dividend of US 1.1 cents per share (US$54 million). The dividends will be paid on 2 April 2020. The dividends have not been provided for in the half year consolidated financial statements and will be recognised in the 2020 financial year.

On 13 February 2020, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$180 million to a total of US$1.43 billion. This leaves US$198 million expected to be returned by 4 September 2020, following payment of the US$54 million special dividend.

On 20 December 2019, the Group exercised its option to acquire a 50% interest in Ambler Metals Joint Venture (Ambler Metals JV) that will own the Upper Kobuk Mineral Projects (UKMP) located in northwest Alaska. Following the establishment of the Ambler Metals JV in February 2020, Trilogy Metals Inc. (TSX, NYSE American: TMQ) contributed all of its assets associated with the UKMP and the Group contributed US$145 million to the Ambler Metals JV for an equal share of its assets, liabilities, income and expenses. The Ambler Metals JV will loan US$57.5 million of the subscription payment to the Group with the balance retained to fund its activities and exploration programs. The acquisition will be treated as an acquisition of assets as it primarily involves the acquisition of exploration licenses.

No other matters or circumstances have arisen since the end of the half year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of the Company, we state that:

In the opinion of the Directors:

(a) The consolidated financial statements and notes that are set out on pages 27 to 47 for the half year ended 31 December 2019 are in accordance with the Corporations Act, including:

  (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and

  (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Karen Wood

Chair

Graham Kerr

Chief Executive Officer and Managing Director

Date: 13 February 2020

DIRECTORS' REPORT

The Directors of the Company present the Consolidated Financial Report for the half year ended 31 December 2019 and the auditor's review report thereon.

Directors

The Directors of the Company during or since the end of the half year are:

Karen Wood

Graham Kerr

Frank Cooper AO

Guy Lansdown (Appointed 2 December 2019)

Dr Xiaoling Liu

Dr Xolani Mkhwanazi (Deceased 4 January 2020)

Dr Ntombifuthi (Futhi) Mtoba

Wayne Osborn

Keith Rumble

The company secretaries of the Company during or since the end of the half year are:

Nicole Duncan

Melanie Williams

Review and results of operations

A review of the operations of the consolidated entity during the period and of the results of those operations is contained on pages 3 to 26.

Strategic risks and uncertainties

Due to the international scope of the Group's operations and the industries in which it is engaged, there are a number of risk factors and uncertainties which could have an effect on the Group's results and operations over the next six months.

The following information outlines the most significant strategic, external and operational risks identified across the Group. The list is not exhaustive, nor listed in any particular order:

- Ensuring that our people go home safe and well
- Actions by governments, political events or tax authorities
- Portfolio composition
- Global economic uncertainty and liquidity
- Unexpected operational or natural catastrophes
- Key talent identification, attraction and retention
- Changing societal expectations and acceptance
- Evolving culture of the organisation
- Predictable operational performance
- Maintain competitiveness through innovation and technology
- Security of supply of logistics chain and critical services
- Maintain, realise or enhance the value of our resources and reserves
- Climate change resilience

Further information on these risks and how they are managed can be found on pages 18 to 21 of the Annual Report for the year ended 30 June 2019, a copy of which is available on the Group's website at *www.south32.net*.

DIRECTORS' REPORT

Events subsequent to the balance date

On 13 February 2020, the Directors resolved to pay a fully franked interim dividend of US 1.1 cents per share (US$54 million) in respect of the 2020 half year and a fully franked special dividend of US 1.1 cents per share (US$54 million). The dividends will be paid on 2 April 2020. The dividends have not been provided for in the half year consolidated financial statements and will be recognised in the 2020 financial year.

On 13 February 2020, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$180 million to a total of US$1.43 billion. This leaves US$198 million expected to be returned by 4 September 2020, following payment of the US$54 million special dividend.

On 20 December 2019, the Group exercised its option to acquire a 50% interest in Ambler Metals Joint Venture (Ambler Metals JV) that will own the Upper Kobuk Mineral Projects (UKMP) located in northwest Alaska. Following the establishment of the Ambler Metals JV in February 2020, Trilogy Metals Inc. (TSX, NYSE American: TMQ) contributed all of its assets associated with the UKMP and the Group contributed US$145 million to the Ambler Metals JV for an equal share of its assets, liabilities, income and expenses. The Ambler Metals JV will loan US$57.5 million of the subscription payment to the Group with the balance retained to fund its activities and exploration programs. The acquisition will be treated as an acquisition of assets as it primarily involves the acquisition of exploration licenses.

No other matters or circumstances have arisen since the end of the half year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

UK responsibility statements

The Directors state that to the best of their knowledge the Financial Results and Outlook on pages 3 to 26 is compliant with DTR 4.2.7R and DTR 4.2.8R of the Disclosure Guidance and Transparency Rules in the United Kingdom, namely:

- Includes a fair review of important events during the first six months of the current financial year and their impact on the half year consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- Disclosure has been made for related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could have such a material effect.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 51.

Rounding of amounts

The Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies to the Group and amounts in the half year consolidated financial statements and this Directors' Report have been rounded in accordance with this instrument to the nearest million US dollars, unless stated otherwise.

This Directors' Report is made in accordance with a resolution of the Board.

Karen Wood

Chair

Graham Kerr

Chief Executive Officer and Managing Director

Date: 13 February 2020

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of South32 Limited

I declare that, to the best of my knowledge and belief, in relation to the review of South32 Limited for the half year ended 31 December 2019 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
Partner

Perth
13 February 2020

Independent Auditor's Review Report

To the shareholders of South32 Limited

Conclusion

We have reviewed the accompanying ***Half year Financial Statements*** of South32 Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half year Financial Statements of South32 Limited are not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half year Financial Statements*** comprise:

- Consolidated balance sheet as at 31 December 2019
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for the half year ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises South32 Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

Responsibilities of the Directors for the Half year Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Half year Financial Statements that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half year Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half year Financial Statements

Our responsibility is to express a conclusion on the Half year Financial Statements based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half year Financial Statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of South32 Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual Financial Report.

A review of Half year Financial Statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

13 February 2020

Disclaimer

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.

NON-IFRS FINANCIAL INFORMATION

This release includes certain non-IFRS financial measures, including Underlying earnings, Underlying EBIT and Underlying EBITDA, Basic Underlying earnings per share, Underlying effective tax rate, Underlying EBIT margin, Underlying EBITDA margin, Underlying return on capital, Free cash flow, net debt, net operating assets and ROIC. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

NO OFFER OF SECURITIES

Nothing in this release should be read or understood as an offer or recommendation to buy or sell South32 securities, or be treated or relied upon as a recommendation or advice by South32.

NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA

South32 does not provide any financial or investment 'advice' as that term is defined in the South African Financial Advisory and Intermediary Services Act, 37 of 2002, and we strongly recommend that you seek professional advice.

Further information

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Further information on South32 can be found at www.south32.net.

South32 Limited (ABN 84 093 732 597)
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ISIN: AU000000S320

JSE Sponsor: UBS South Africa (Pty) Ltd
13 February 2020