APPENDIX 4E

SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 41 pages comprise the year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.3A. This statement includes the unaudited consolidated results of the South32 Group for the year ended 30 June 2020 (FY20) compared with the year ended 30 June 2019 (FY19) on a statutory basis.

US$M	FY20	FY19	%
Revenue	6,075	7,274	down 16%
Profit/(loss) after tax	(65)	389	N/A
Underlying earnings	193	992	down 81%

Net tangible assets per share

Net tangible assets per ordinary share were US$1.92 as at 30 June 2020 (US$1.98 as at 30 June 2019)[1].

Dividends

The Board has resolved to pay a final dividend of US 1 cent per share (fully franked) for the year ended 30 June 2020.

The record date for determining entitlements to dividends is 11 September 2020; payment date is 8 October 2020.

Annual General Meeting

South32 Limited’s 2020 Annual General Meeting (AGM) will be held on Thursday 29 October 2020 at midday (12 noon AWST) as a virtual meeting, with shareholders participating via online facilities. Further details regarding the AGM will be made available in September 2020, and shareholders are encouraged to monitor securities exchange releases and the company’s website www.south32.net for information and updates.

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Financial Results and Outlook
Year ended 30 June 2020

SOUTH32

20 August 2020 **ASX, LSE, JSE Share Code: S32 ADR: SOUHY**

South32 delivers strong operating result, further strengthens balance sheet and announces dividend

"As the COVID-19 pandemic continues to impact the world, our focus remains on keeping our people well, maintaining safe and reliable operations and supporting our communities through the health crisis. Even as we face this challenge, we delivered a strong operating result, with annual production records at Australia Manganese ore, Hillside Aluminium and Brazil Alumina.

"Given the extraordinary circumstances and volatility caused by the pandemic we have been quick to act to protect our strong financial position. During the year we re-designed and re-prioritised our capital expenditure programs, maintained strong control over our operating costs and suspended our on-market share buy-back.

"Looking to next financial year we are taking further action as we continue to navigate a period of potentially extended market volatility and lower commodity prices. We expect cost efficiencies and further simplification of our Group, combined with higher volumes to result in lower operating unit costs across the majority of our operations.

"We finished the year in a strong financial position, with lower costs and a balance sheet that provides flexibility. Against this backdrop we continue to invest in the exploration and growth options we have embedded in our portfolio to create shareholder value.

"At Hermosa we are progressing our pre-feasibility study for the Taylor Deposit, releasing an updated Mineral Resource estimate following the end of the financial year and have commenced a scoping study on emerging end-market opportunities in battery technology for the Clark Deposit. Having formed the Ambler Metals Joint Venture in Alaska with Trilogy Metals, we have embedded another exciting base metals project in our growth pipeline.

"Our strong financial position and disciplined approach to capital management has supported the return of US$424 million to our shareholders in respect of the year, including the Board's resolution today for a US$48 million fully franked final dividend. While our on-market share buy-back remains suspended with US$121 million remaining, it has been extended by 12 months to September 2021, giving us the flexibility to re-commence the program as COVID-19 related operational risks subside and our financial performance improves."

Graham Kerr, South32 CEO

Financial highlights			
US$M	**FY20**	**FY19**	**% Change**
Revenue(2)	6,075	7,274	(16%)
Profit/(loss) before tax and net finance cost	261	887	(71%)
Profit/(loss) after tax and net finance cost	(65)	389	N/A
Basic earnings per share (US cents)(3)	(1.3)	7.7	N/A
Ordinary dividends per share (US cents)(4)	2.1	7.9	(73%)
Special dividends per share (US cents)(5)	1.1	1.7	(35%)
Other financial measures			
Underlying EBITDA(6)	1,185	2,197	(46%)
Underlying EBITDA margin(7)	21.9%	33.9%	(12.0%)
Underlying EBIT(6)	446	1,440	(69%)
Underlying EBIT margin(8)	8.4%	22.2%	(13.8%)
Underlying earnings(6)	193	992	(81%)
Basic Underlying earnings per share (US cents)(3)	3.9	19.7	(80%)
ROIC(9)	2.2%	*10.7%*	(8.5%)
Ordinary shares on issue (million)	4,846	5,006	(3.2%)

Safety

We were deeply saddened by the fatal injury to one of our colleagues, Duncan Mankhedi Ngoato, a Diesel Mechanic Assistant for Modi Mining, following an incident at the Ifalethu Colliery at South Africa Energy Coal on 27 May 2020. We immediately responded with support to Mr Ngoato's family, friends and colleagues. A detailed investigation into this incident was undertaken, led by a member of our Senior Leadership Team, with the results reviewed by the Chief Executive Officer, management team and Board. The key learnings have been shared across our operations and the contractor's business to prevent a similar tragedy occurring again. Tragically two people were also fatally injured in off-site incidents within our contractors' road transport activities, which were associated with our operations.

We aim to ensure our work is well-designed and that activities are executed in a safe and predictable manner. We are committed to working together safely and continually improving our systems and processes at all our operations. Our Total Recordable Injury Frequency (TRIF)[(10)(11)] improved by 9% to 4.2 per million hours worked in FY20, compared with our FY19 TRIF of 4.6.

Our response to COVID-19

Our response to COVID-19 is focussed on keeping our people well, maintaining safe and reliable operations and supporting our communities through the pandemic. We continue to monitor the situation closely, deferring non-critical activity and ensuring our operations run safely, as we continue to adjust to the different phases of the pandemic across the jurisdictions where we operate. Accordingly, our guidance is subject to further potential impacts from COVID-19.

Performance summary

The Group's statutory profit after tax declined by US$454M to a loss of US$65M in FY20 following the recognition of impairment and restructuring charges totalling US$115M (US$94M post-tax) in relation to our equity accounted manganese alloy smelters.

Underlying earnings decreased by 81% to US$193M as volatile macro-economic conditions impacted the prices of our key commodities and we experienced a temporary increase in our Underlying effective tax rate (ETR)[(12)]. Despite the deterioration in commodity markets we delivered a strong operating result. We recorded sequentially lower Operating unit costs at the majority of our operations, delivered US$50M in annual savings[(a)] across the Group through the simplification of our functional support structures and took action to protect our strong balance sheet.

Looking ahead, while the volatile macro-economic conditions and uncertainty of the current health crisis pose a significant challenge to the industry we are well placed entering FY21. We expect to deliver a further reduction in capital expenditure and Operating unit costs across our operations by pursuing efficiencies to offset the impact of a weaker US dollar. In addition, by exiting low returning businesses and further simplifying the Group's functional structures and footprint we expect to deliver another US$50M in annualised savings from FY22.

Specific highlights for FY20 included:

- Record production at Australia Manganese ore, Hillside Aluminium and Brazil Alumina;
- Successfully returning to a three longwall configuration at Illawarra Metallurgical Coal;
- Unlocking additional value at Hermosa with a first time Mineral Resource estimate for the Clark Deposit, commencing a scoping study on emerging end-market opportunities in battery technology, and subsequent to the end of the year, announcing an updated Mineral Resource estimate for the Taylor Deposit as we progress its pre-feasibility study;
- Creating additional growth options for our portfolio, forming the Ambler Metals Joint Venture with Trilogy Metals, releasing first time Mineral Resource estimates for the Arctic and Bornite Deposits and commencing a pre-feasibility study for Arctic;
- Signing a binding conditional agreement for the sale of South Africa Energy Coal with Seriti Resources Holdings Proprietary Limited that, subject to a number of material conditions[(13)] being satisfied, is on-track for completion in H1 FY21; and
- Placing the Metalloys manganese alloy smelter on care and maintenance, and subsequent to the end of the year, entering into a binding agreement to divest our TEMCO manganese alloy smelter[(14)].

We finished the year with a net cash balance of US$298M, having generated free cash flow from operations, including distributions from our manganese equity accounted investments (EAI), of US$583M. Notwithstanding the volatile external environment, our strong financial position and disciplined approach to capital management supported the return of US$424M to our shareholders in respect of the period including:

- The payment of a US$53.5M fully franked interim dividend in respect of H1 FY20, the Board resolving to pay a US$48M fully franked final dividend in respect of H2 FY20; and
- US$323M as part of our ongoing capital management program, with US$269M allocated to our on-market share buy-back program and US$53.5M returned in the form of a fully franked special dividend.

Having expanded our capital management program by US$180M to US$1.43B in February 2020, the Board responded to the uncertainty caused by the pandemic, suspending our on-market share buy-back program on 27 March 2020 with US$121M remaining. The Board has extended the execution window for the remaining program by 12 months, to 3 September 2021, maintaining the flexibility to re-commence the program as COVID-19 related operational risks subside and our financial performance improves.

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[a] Compared to FY18.

Earnings

The Group's statutory profit after tax declined by US$454M to a loss of US$65M in FY20. Consistent with our accounting policies, various items are excluded from the Group's statutory profit to derive Underlying earnings including: exchange rate gains on restatement of monetary items (US$72M pre-tax); losses on non-trading derivative instruments and other investments measured at fair value (US$149M pre-tax); loss associated with earnings adjustments included in our EAI (US$108M); exchange rate gains associated with the Group's non US dollar denominated net debt (US$6M pre-tax), and the tax expense for all pre-tax earnings adjustments and exchange rate variations on tax balances (US$79M). Further information on these earnings adjustments is included on page 37.

The Group generated Underlying EBITDA of US$1.2B, for an operating margin of 22%. A deterioration in commodity markets was the primary driver of the significant decline in profitability, reducing Revenue by US$1.6B. Our continued focus on costs across the Group meant Operating unit costs remained well controlled. The general strengthening of the US dollar against our producer currencies, a reduction in price-linked costs and the on-going realisation of savings across our labour, energy and materials usage combined to offset inflation and lower the Group's cost base[15] by 6% in FY20. Depreciation and amortisation decreased by a modest US$18M to US$739M, meaning that Underlying EBIT decreased by US$1.0B (or 69%) to US$446M. Underlying earnings declined by US$799M (or 81%) to US$193M as the derecognition of tax assets at South Africa Energy Coal, associated with its potential divestment, led to a temporary increase in our Underlying ETR.

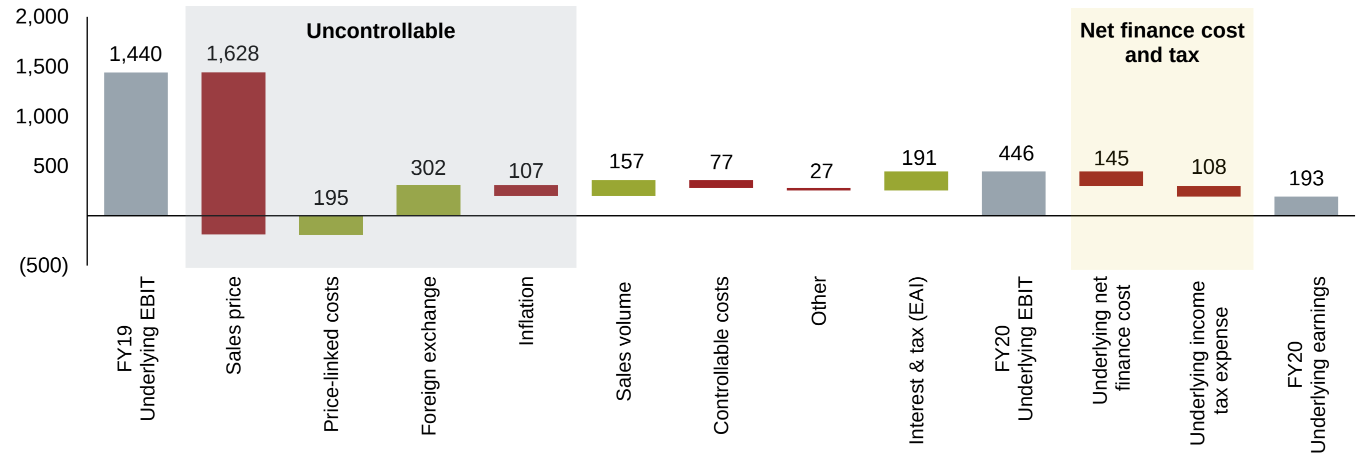
Profit/(loss) to Underlying EBITDA reconciliation		
US$M	**FY20**	**FY19**
Profit/(loss)	261	887
Earnings adjustments to derive Underlying EBIT	185	553
Underlying EBIT	**446**	**1,440**
Depreciation and amortisation	739	757
Underlying EBITDA	**1,185**	**2,197**

Profit/(loss) after tax to Underlying earnings reconciliation		
US$M	**FY20**	**FY19**
Profit/(loss) after tax	(65)	389
Earnings adjustments to derive Underlying EBIT	185	553
Earnings adjustments to derive Underlying net finance cost	(6)	(34)
Earnings adjustments to derive Underlying income tax expense	79	84
Underlying earnings	**193**	**992**

Earnings analysis

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

Reconciliation of movements in Underlying EBIT (US$M)[16][17][18]



Earnings analysis	US$M	Commentary
FY19 Underlying EBIT	**1,440**	
Change in sales price	(1,628)	Lower average realised prices for our commodities, including: Alumina (-US$468M) Manganese ore (-US$397M) Metallurgical coal (-US$363M) Aluminium (-US$271M) Energy coal (-US$101M)
Net impact of price-linked costs	195	Lower caustic soda prices at Worsley Alumina (+US$44M) and Brazil Alumina (+US$20M) Lower aluminium smelter raw material costs (+US$41M), including pitch and coke Lower royalties (+US$38M), primarily at South Africa Manganese and Illawarra Metallurgical Coal Lower LME-linked electricity costs at Hillside Aluminium (+US$23M) Lower electricity costs (+US$13M), primarily at Mozal Aluminium and Cerro Matoso
Change in exchange rates	302	South African rand (+US$138M) Australian dollar (+US$113M) Colombian peso (+US$27M)
Change in inflation	(107)	Southern Africa (-US$57M) Australia (-US$28M)
Change in sales volume	157	Higher volumes at: Illawarra Metallurgical Coal (+US$173M) Brazil Alumina (+US$88M) Cannington (+US$45M) Partially offset by lower volumes at: South Africa Manganese (ore -US$44M, alloy -US$20M) South Africa Energy Coal (-US$104M)
Controllable costs	(77)	Drawdown in inventory to normalised levels (-US$284M), primarily at Illawarra Metallurgical Coal, South Africa Energy Coal, Hillside Aluminium, Cannington and Mozal Aluminium Costs to respond to COVID-19 (-US$16M) Partially offset by: Cost efficiencies (+US$188M) captured across our business, including labour, energy, smelter pot relining and caustic soda consumption Lower production volumes (+US$35M), primarily at South Africa Energy Coal
Other	(27)	Includes: Lower EBIT on third party product Proceeds from Mining Lease relinquishment at Illawarra Metallurgical Coal in prior year Offset by: One-off benefit from settling a historical royalty claim at South Africa Manganese
Interest & tax (EAI)	191	Lower profitability from a weaker price environment for our jointly controlled manganese operations
FY20 Underlying EBIT	**446**	

Operating unit cost performance

In FY20 we embedded cost savings across our operations despite the implementation of COVID-19 controls focused on keeping our people well, and maintaining safe and reliable operations. The realisation of benefits from our optimisation of labour, energy and materials usage contributed to lower Operating unit costs across the majority of our operations.

Operating unit cost[18][19]

	FY19	FY20	Change	Commentary
Worsley Alumina				
(US$/t)	238	210	(12%)	Higher volumes, lower caustic soda prices and consumption rates, and lower renegotiated energy prices
Brazil Alumina (non-operated)				
(US$/t)	270	244	(10%)	Higher volumes and lower caustic soda prices and consumption rates, partially offset by a temporary increase in bauxite costs
Hillside Aluminium				
(US$/t)	2,045	1,531	(25%)	Lower raw material input prices, lower aluminium price-linked power costs and the benefit from a major workforce restructure concluded in June 2019
Mozal Aluminium				
(US$/t)	2,026	1,785	(12%)	Lower raw material input prices, including alumina and energy
Illawarra Metallurgical Coal				
(US$/t)	94	93	(1%)	Higher volumes and weaker Australian dollar partially offset by the drawdown of finished goods and run of mine inventory
Australia Manganese (FOB)				
(US$/dmtu)	1.59	1.55	(3%)	Equipment productivity and the optimisation of volumes from our low cost PC02 circuit mitigated a further increase in strip ratio
South Africa Manganese (FOB)				
(US$/dmtu)	2.69	2.25	(16%)	Weaker South African rand, lower price-linked royalties and the one-off benefit from settling a historical royalty claim in the June 2020 half year partially offset by lower sales volumes
Cerro Matoso				
(US$/t)[a]	132	120	(9%)	Weaker Colombian peso and the realisation of ongoing benefits from our energy optimisation strategy
(US$/lb)	3.99	3.69	(8%)	
Cannington				
(US$/t)[b]	123	113	(8%)	Weaker Australian dollar, increased mill throughput and further insourcing of activity with efficiencies partially offset by inventory movements
South Africa Energy Coal				
(US$/t)	40	42	5%	Impact of lower sales volumes and costs to support the Klipspruit dragline's return to full utilisation, more than offset savings from reduced activity in loss-making pits and a weaker South African rand

(a) US dollar per tonne of ore to kiln. Periodic movements in finished product inventory may impact Operating unit costs.
(b) US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs.

Net finance cost

The Group's Underlying net finance cost, excluding EAI, was US$145M in FY20, and largely reflects the unwinding of the discount applied to our closure and rehabilitation provisions (US$102M) and interest on lease liabilities (US$51M), primarily at Worsley Alumina.

Underlying net finance cost reconciliation		
US$M	**FY20**	**FY19**
Unwind of discount applied to closure and rehabilitation provisions	(102)	(103)
Finance lease interest	-	(47)
Interest on lease liabilities	(51)	-
Other	8	32
Underlying net finance cost	**(145)**	**(118)**
Add back earnings adjustment for exchange rate variations on net debt	6	34
Net finance cost	**(139)**	**(84)**

Tax expense

The Group's Underlying income tax expense, which excludes tax associated with EAI, was US$108M for an Underlying ETR of 116% in FY20. The elevated Underlying ETR 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 the Underlying ETR to more closely reflect the corporate tax rates applicable to the Group[20].

The Underlying income tax expense for our manganese EAI was US$163M, including royalty related taxation of US$56M at GEMCO (Australia Manganese), for an Underlying ETR of 43.7% (FY19: 42.2%). The higher Underlying ETR in FY20 was mostly driven by the higher proportion of profit in our Australian business and associated royalty expenses.

Underlying income tax expense reconciliation and Underlying ETR		
US$M	**FY20**	**FY19**
Underlying EBIT	446	1,440
Include: Underlying net finance cost	(145)	(118)
Remove: Share of profit/(loss) of equity accounted investments	(208)	(450)
Underlying profit/(loss) before tax	**93**	**872**
Income tax expense	**187**	**414**
Tax effect of earnings adjustments to Underlying EBIT	18	(56)
Tax effect of earnings adjustments to net finance cost	2	(10)
Exchange rate variations on tax balances	(99)	(18)
Underlying income tax expense	**108**	**330**
Underlying effective tax rate	**116%**	**37.8%**

Cash flow

The Group generated free cash flow from operations of US$270M and received US$313M in (net) distributions from our manganese EAI[21] in FY20 despite a 20% reduction in the average realised prices for our commodities. While cash generation was impacted by the lagged effect of income tax payments from the prior period's profitability, a strong focus on controlling working capital more than offset a small increase in capital expenditure as we continued our investment in our growth and life extension projects.

Total capital expenditure[22], excluding EAI, increased by US$35M to US$745M. Major capital, excluding EAI, was US$32M higher at US$251M including US$104M at the Hermosa project as we completed the voluntary remediation program, increased the size of our landholdings in the region and established early works surface infrastructure. A further US$122M was invested at South Africa Energy Coal as we progressed the Klipspruit Life Extension (KPSX) project, advancing it to 97% completion.

Sustaining capital expenditure, excluding EAI, decreased by US$8M to US$425M, 17% below our original guidance (US$515M) as we re-designed and re-prioritised expenditure in response to the uncertainty and conditions imposed by the pandemic. Increased spend on Intangibles and capitalisation of exploration expenditure reflects a greater investment in technology to support our operations (US$36M) and exploration activity across our portfolio (US$33M), including US$19M of exploration at Hermosa. Total capital expenditure associated with our manganese EAI declined by US$5M to US$91M.

Capital expenditure		
US$M	**FY20**	**FY19**
Sustaining capital comprising Stay-in-business, Minor discretionary and Deferred stripping (including underground development)	(425)	(433)
Major project capital expenditure	(251)	(219)
Intangibles and the capitalisation of exploration expenditure	(69)	(58)
Total capital expenditure (excluding EAI)	**(745)**	**(710)**
EAI capital expenditure (including intangibles and capitalised exploration)	(91)	(96)
Total capital expenditure (including EAI)	**(836)**	**(806)**

Working capital unwound by US$287M as lower realised prices and receipt of the insurance award for the Klipspruit dragline outage that occurred in the prior year contributed to a US$367M decline in trade and other receivables. Tight management of our receivables through the current market uncertainty meant debtor days remained broadly unchanged at 23 (FY19: 24 days). Our focus on ensuring our business remains resilient extended to our management of inventory, which we drew down to normalised levels, bringing a further US$208M benefit. Lower trade and other payables and provisions partially offset the above, declining by US$184M and US$104M respectively, as input prices fell for raw material 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	367
Inventories	208
Trade and other payables	(184)
Provisions and other liabilities	(104)
Working capital movement	**287**

Free cash flow from operations, excluding equity accounted investments		
US$M	**FY20**	**FY19**
Profit/(loss)	261	887
Non-cash items	927	1,335
(Profit)/loss from equity accounted investments	(100)	(467)
Change in working capital	287	(129)
Cash generated	**1,375**	**1,626**
Total capital expenditure, excluding equity accounted investments, including intangibles and capitalised exploration	(745)	(710)
Operating cash flows before financing activities and tax, and after capital expenditure	**630**	**916**
Interest (paid)/received	(25)	1
Income tax (paid)/received	(335)	(346)
Free cash flow from operations	**270**	**571**

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$583M during FY20, our net cash balance decreased to US$298M as we returned US$246M to shareholders in the period by way of dividends and directed US$269M to our on-market share buy-back program.

We took decisive action in H2 FY20 in response to the pandemic to protect our strong balance sheet, reducing Sustaining capital expenditure and suspending our on-market share buy-back program. We continue to manage our financial position to ensure we retain the right balance of flexibility, efficiency and prudence with additional liquidity available via an undrawn US$1.45B revolving credit facility. Reflecting our strong financial position and 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.

Net cash/(debt)		
US$M	**FY20**	**FY19**
Cash and cash equivalents	1,315	1,408
Finance leases	(651)	(543)
Other interest bearing liabilities	(366)	(361)
Net cash/(debt)	**298**	**504**

Our capital management framework remains unchanged and we continue to believe that the combination of high operating leverage and undue financial leverage delivers a sub-optimal outcome for shareholders. Given the strength of our net cash position and available franking credits, the Board has resolved to pay a fully franked final dividend of US 1 cent per share (US$48M), representing 77% of Underlying earnings in respect of H2 FY20. Reflecting the prudent management of our balance sheet and disciplined allocation of capital, we suspended our on-market share buy-back on 27 March 2020 in response to the uncertainty caused by the pandemic. The Board has extended the execution window for the remaining US$121M of our current program by 12 months, to 3 September 2021, maintaining the flexibility to re-commence the on-market share buy-back as COVID-19 related operational risks subside, and our financial performance improves.

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%	NA
H2 FY19	2.8	140	100%	40%
H1 FY20	1.1	54	100%	41%
February 2020 special dividend	1.1	54	100%	NA
H2 FY20	1.0	48	100%	77%

South32 shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 9 and 11 September 2020 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 4 and 11 September 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	7 September 2020
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	8 September 2020
Ex-dividend date on the JSE	9 September 2020
Ex-dividend date on the ASX and London Stock Exchange (LSE)	10 September 2020
Record date (including currency election date for ASX)	11 September 2020
Payment date	**8 October 2020**

Outlook

Production

We delivered a strong operating result in FY20 despite the challenging backdrop, implementing measures to keep our people safe and well, and maintaining safe and reliable operations. While all guidance is subject to further potential impacts from COVID-19, we expect to increase production at the majority of our operations in FY21.

Production guidance (South32 share)[18]

	FY20	FY21e	FY22e	Key guidance assumptions
Worsley Alumina				**FY21 guidance unchanged**
Alumina production (kt)	3,886	3,965	3,965	Refinery to achieve nameplate capacity with further improvement in calciner availability
Brazil Alumina (non-operated)				**FY21 guidance unchanged**
Alumina production (kt)	1,383	1,370	1,390	Planned maintenance during FY21
Hillside Aluminium				**FY21 guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	718	720	720	Smelter to continue to test its maximum technical capacity following record FY20 production
Mozal Aluminium				**FY21 guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	268	273	273	Benefits of the AP3XLE energy efficiency project to be realised
Illawarra Metallurgical Coal				**FY21 guidance decreased by 4%**
Total coal production (kt)	7,006	↓ *7,700*	7,300	Optimisation of Appin's dual longwall operation for capital, labour and equipment productivity to maximise value, rather than volume
Metallurgical coal production (kt)	5,549	↓ *6,400*	6,300	Saleable coal production is expected to decline to 7.3Mt in FY22, with metallurgical coal production largely unchanged and lower value energy coal volumes expected to decline with an extra longwall move at Dendrobium, before normalising in FY23
Energy coal production (kt)	1,457	↑ *1,300*	1,000	
Australia Manganese				**FY21 and FY22 guidance provided for the first time (subject to market demand)**
Manganese ore production (kwmt)	3,470	3,500	3,500	Low cost PC02 circuit to continue to operate above nameplate capacity, supporting secondary product volumes
South Africa Manganese				**FY21 guidance provided for the first time (subject to market demand)**
Manganese ore production (kwmt)	1,878	2,000	Subject to demand	Sales of lower quality fines product and use of higher cost trucking to continue, subject to market conditions
Cerro Matoso				**FY21 guidance unchanged**
Ore to kiln (kdmt)	2,761	2,400	2,850	Ore to kiln volumes to benefit following planned furnace refurbishment, scheduled for the December 2020 quarter
Payable nickel production (kt)	40.6	33.5	38.6	
Cannington				**FY21 guidance increased by 10%[23]**
Ore processed (kdmt)	2,839	↑ *2,700*	2,650	
Payable zinc equivalent production (kt)[23]	332.6	330.8	301.1	Ore processed to continue to benefit from improved performance in the underground mine
Payable silver production (koz)	11,792	↑ *11,800*	10,500	Payable metal production revised higher in FY21 to reflect an increase in expected mill throughput and grades
Payable lead production (kt)	110.4	↑ *113.9*	103.0	
Payable zinc production (kt)	66.7	↑ *60.7*	58.8	

	FY20	H1 FY21e	Key guidance assumptions
South Africa Energy Coal			**Guidance provided for H1 FY21 with divestment on-track for completion in H1 FY21, subject to the satisfaction of a number of material conditions[13]**
Total coal production (kt)	22,672	10,500 – 12,500	
Domestic coal production (kt)	12,552	6,500 – 7,800	Continue to adjust volumes to maximise margins
Export coal production (kt)	10,120	4,000 – 4,700	

Costs and capital expenditure

Operating unit cost guidance

We continue to pursue cost efficiencies in our business to offset the impact of a stronger Australian dollar and the potential for an extended period of volatility and lower commodity prices. This focus is expected to contribute to the further reduction in Operating unit costs across the majority of our operations in FY21. Although guidance is not provided for our downstream processing operations, Operating unit costs are expected to benefit from the lagged effect of a reduction in raw material prices, particularly alumina.

Operating unit cost[18][19]	H1 FY20	H2 FY20	FY20	FY21e[a]	Commentary FY21 key guidance assumptions
Worsley Alumina					
(US$/t)	225	196	210	**205**	Higher volumes and the reduction of contractor rates and activity, partially offset by higher planned caustic consumptions rates and a stronger Australian dollar
Brazil Alumina (non-operated)					
(US$/t)	257	231	244	Not provided	Not provided but expected to benefit from lower bauxite, caustic soda and energy prices
Hillside Aluminium					
(US$/t)	1,657	1,413	1,531	Not provided	Not provided but combined tailwinds of lower alumina prices and a weaker South African rand are expected to mitigate higher power costs
Mozal Aluminium					
(US$/t)	1,904	1,671	1,785	Not provided	Not provided but expected to benefit from the further insourcing of activity and the combined tailwinds of lower alumina prices and a weaker South African rand
Illawarra Metallurgical Coal					
(US$/t)	91	95	93	**84**	Higher volumes and an associated increase in productivity partially offset by a stronger Australian dollar
Australia Manganese ore (FOB)					
(US$/dmtu)	1.62	1.48	1.55	**1.48**	Expected improvement in yield due to favourable ore characteristics and lower contractor and labour spend, partially offset by a stronger Australian dollar
South Africa Manganese ore (FOB)					
(US$/dmtu)	2.60	1.78	2.25	**2.25**	Higher volumes and a weaker South African rand, offset by the prior period's realisation of a one-off royalty benefit and a planned increase in trucking volumes
Cerro Matoso					
(US$/t)[b]	123	116	120	**121**	Weaker Colombian peso, lower price-linked royalties and the continued benefit of our energy optimisation strategy, more than offset by lower production volumes from planned furnace outage
(US$/lb)	3.80	3.57	3.69	**3.97**	
Cannington					
(US$/t)[c]	121	105	113	**111**	Insourcing of activity and the continued benefit of lower negotiated energy contracts, partially offset by a stronger Australian dollar and lower mill throughput
South Africa Energy Coal					**Guidance provided for H1 FY21**
(US$/t)	43	40	42	**36 – 39**	Guidance range reflects our intent to adjust volumes to maximise margins and a weaker South African rand

(a) FY21e Operating unit cost guidance includes royalties (where appropriate) and commodity price and foreign exchange rate forward curves or our internal expectation, as at June 2020 (refer to page 26, footnote 24).

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

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

Depreciation and amortisation, and tax expense guidance

Depreciation and amortisation (excluding EAI and South Africa Energy Coal) is expected to reduce to approximately US$683M in FY21 (FY20: US$692M). Depreciation and amortisation for our manganese EAI is expected to reduce to US$96M (FY20: US$99M). We also expect depreciation and amortisation for South Africa Energy Coal of US$12M in H1 FY21.

Our geographical earnings mix will continue to have a significant bearing on our Underlying ETR given differing country tax rates[20], 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 and no benefit to be recorded for losses prior to sale. This will continue to influence the Group's Underlying ETR should South Africa Energy Coal make a loss prior to the planned timing of its divestment in H1 FY21[13]. While it is therefore difficult to predict our Underlying ETR we do expect it to decline in FY21 (FY20: 116%). Following South Africa Energy Coal's divestment we expect our Underlying ETR to more closely reflect the primary corporate tax rates applicable to the Group.

Other expenditure guidance

Group and unallocated costs, excluding greenfield exploration, of US$80M are expected in FY21 as we continue to pursue savings through our exit of low returning businesses and ongoing simplification of the Group's functional structures and footprint.

We have a prospective portfolio of greenfield exploration partnerships targeting base metals in Australia, the Americas and Europe. FY21 guidance for greenfield exploration expenditure to progress these early stage projects is US$18M (FY20: US$15M). In addition, US$50M of exploration expenditure, excluding EAI, is expected to be capitalised in FY21 (FY20: US$33M). This includes US$29M at Hermosa (FY20: US$19M) and US$10M (South32 share) at our Ambler Metals Joint Venture.

Capital expenditure guidance (excluding exploration and intangibles)

Sustaining capital expenditure, excluding EAI, is expected to decline by US$50M (or 12%) to US$375M in FY21. Savings are expected to be realised from the re-design and re-prioritisation of activity across our operations in response to market conditions. Expenditure at Illawarra Metallurgical Coal is expected to decrease by US$35M (or 19%) as we reduce the level of spend on underground development to typical levels, following the substantial investment in prior periods. Sustaining capital expenditure associated with our manganese EAI is expected to decrease by US$15M (or 17%) to US$75M as we complete site infrastructure improvement projects and lower spend at our alloy smelters.

Major project capital expenditure is expected to decline by US$96M (or 38%) to US$155M in FY21 with South Africa Energy Coal's KPSX project expected to be completed in H1 FY21. Modest expenditure is anticipated at Eagle Downs Metallurgical Coal, ahead of an expected final investment decision in H1 FY21. Hermosa guidance includes development studies, surface and decline infrastructure to advance the project prior to completing the Taylor Deposit's pre-feasibility study (PFS). We expect to provide updated FY21 capital expenditure guidance for Hermosa with the PFS outcomes in the December 2020 quarter. External approvals for Dendrobium Next Domain (DND) are progressing and we expect to make a final investment decision in H2 FY21. Guidance of US$64M for DND includes critical path mine development, ventilation infrastructure and other long lead time equipment associated with the life extension project.

Capital expenditure (South32 share)[18][22]		
US$M	**FY20**	**FY21e**
Worsley Alumina	48	57
Brazil Alumina	34	27
Hillside Aluminium	13	18
Mozal Aluminium	11	8
Illawarra Metallurgical Coal	185	150
Australia Manganese	67	58
South Africa Manganese	23	17
Cerro Matoso	39	36
Cannington	52	39
South Africa Energy Coal	42	40[b]
Group & unallocated	1	-
Sustaining capital expenditure (including EAI)	**515**	**450**
Equity accounted adjustment[a]	(90)	(75)
Sustaining capital expenditure (excluding EAI)	**425**	**375**
Hermosa	104	60
Illawarra Metallurgical Coal – DND	14	64
Eagle Downs Metallurgical Coal	11	7
South Africa Energy Coal	122	24[b]
Major project capital expenditure	**251**	**155**
Total capital expenditure (including EAI)	**766**	**605**

(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.
(b) Guidance for South Africa Energy Coal is for H1 FY21.

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)[18]				
	Revenue		Underlying EBIT	
US$M	**FY20**	**FY19**	**FY20**	**FY19**
Worsley Alumina	1,118	1,619	160	541
Brazil Alumina	399	566	(15)	160
Hillside Aluminium	1,276	1,439	103	(75)
Mozal Aluminium	508	556	(24)	(21)
South Africa Energy Coal	822	1,037	(155)	(46)
Illawarra Metallurgical Coal	924	1,135	52	359
Australia Manganese	763	1,095	328	638
South Africa Manganese	342	553	54	188
Cerro Matoso	519	489	107	40
Cannington	476	467	105	104
Third party products and services[25]	583	815	(17)	5
Inter-segment / Group and unallocated[(a)]	(550)	(857)	(68)	(78)
Total	**7,180**	**8,914**	**630**	**1,815**
Equity accounting adjustment[(b)]	(1,105)	(1,640)	(184)	(375)
South32 Group	**6,075**	**7,274**	**446**	**1,440**

(a) Group and unallocated Underlying EBIT includes Hermosa (-US$5M).

(b) 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 2% (or 91kt) to 3,886kt in FY20, as the refinery benefitted from improved calciner availability. The refinery continues to benefit from improvement initiatives that are expected to support a sustainable increase in production to nameplate capacity of 4.6Mt (100% basis) in FY21 and FY22.

Operating costs

Operating unit costs decreased by 12% in FY20 to US$210/t as the refinery benefitted from lower caustic soda prices (FY20: US$366/t, FY19: US$489/t) and consumption rates (FY20: 93kg/t, FY19: 98kg/t), and lower renegotiated energy prices.

We expect FY21 Operating unit costs to decrease by 2% to US$205/t as higher volumes and the reduction of contractor rates and activity, are partially offset by higher planned caustic consumption rates (FY21: 95kg/t) and a stronger Australian dollar. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Underlying EBIT decreased by 70% (or US$381M) in FY20 to US$160M as a 30% decrease in the average realised price of alumina (-US$469M) and lower sales volumes (-US$32M) were partially offset by lower caustic soda costs (price and consumption, +US$53M), a weaker Australian dollar (+US$35M) and lower renegotiated energy prices (+US$25M).

The average realised price for alumina sales was a modest premium to the Platts Alumina Index[26] (PAX) on a volume weighted M-1 basis in FY20. Price realisations in H2 FY20 were in-line with market indices as a result of specific legacy supply contracts with our Mozal Aluminium smelter that reset each calendar year. Contracts with the smelter are linked to the LME aluminium price and alumina indices on an M-1 basis, with caps and floors embedded within specific contracts. All other alumina sales were at market based prices.

Capital expenditure

Sustaining capital expenditure decreased by US$9M in FY20 to US$48M and is expected to increase to US$57M in FY21 as we continue to invest in additional bauxite residue disposal capacity and improvements in processing infrastructure to support a sustainable increase in production to nameplate capacity.

South32 share	FY20	FY19
Alumina production (kt)	3,886	3,795
Alumina sales (kt)	3,782	3,857
Realised alumina sales price (US$/t)	296	420
Operating unit cost (US$/t)	210	238

South32 share (US$M)	FY20	FY19
Revenue	1,118	1,619
Underlying EBITDA	322	702
Underlying EBIT	160	541
Net operating assets	2,789	2,831
Sustaining capital expenditure	48	57
Exploration expenditure	-	1
Exploration expensed	-	1

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

Volumes

Brazil Alumina saleable production increased by 10% (or 128kt) to a record 1.38Mt in FY20 as the refinery achieved improved performance in steam generation, enabling the benefits of the De-bottlenecking Phase One project to be realised. Production is expected to decrease to 1.37Mt in FY21 with planned maintenance scheduled, before increasing to 1.39Mt in FY22 as the de-bottlenecking benefits are again realised over a full year.

Operating costs

Operating unit costs decreased by 10% in FY20 to US$244/t as higher production volumes and lower caustic soda prices (FY20: US$324/t, FY19: US$503/t) and consumption rates, were partially offset by an increase in bauxite costs as we sourced third party material due to a temporary shortfall in supply from Mineração Rio do Norte S.A (MRN).

While FY21 Operating unit cost guidance is not provided for this non-operated facility, the refinery is expected to benefit from a reduction in the use of third party bauxite and a reset in the cost of supply from MRN, in accordance with its linkage to alumina and aluminium. Lower caustic soda and energy prices are also anticipated.

Financial performance

Alumina Underlying EBIT decreased by 103% (or US$177M) in FY20 to a loss of US$5M as a 37% decline in the average realised price of alumina (-US$237M), higher bauxite costs (-US$20M) and a drawdown of inventory (-US$10M) were partially offset by higher sales volumes (+US$70M) and lower caustic soda costs (price and consumption, +US$23M).

Aluminium Underlying EBIT increased by US$2M in FY20 to a loss of US$10M as we incurred costs to maintain the smelter on care and maintenance and recognised a provision related to our electricity contract with Eletronorte that was terminated in December 2015.

Capital expenditure

Sustaining capital expenditure increased by US$8M in FY20 to US$34M and is expected to decrease by US$7M to US$27M in FY21 as the rate of investment in bauxite residue disposal capacity reduces and we undertake further de-bottlenecking work at the refinery.

Together with our partners at MRN we continue to progress the life extension project's pre-feasibility study. The project has the potential to extend the life of the mine by more than 20 years at a relatively low capital cost. MRN has a substantial 494Mt[27] high grade bauxite Mineral Resource, with the pre-feasibility study expected to be completed in H2 FY21.

South32 share	FY20	FY19
Alumina production (kt)	1,383	1,255
Alumina sales (kt)	1,392	1,240
Realised alumina sales price (US$/t)	287	456
Alumina operating unit cost (US$/t)	244	270

South32 share (US$M)	FY20	FY19
Revenue	399	566
Alumina	*399*	*566*
Aluminium	-	-
Other income	-	3
Underlying EBITDA	50	219
Alumina	*60*	*231*
Aluminium	*(10)*	*(12)*
Underlying EBIT	(15)	160
Alumina	*(5)*	*172*
Aluminium	*(10)*	*(12)*
Net operating assets/(liabilities)	568	687
Alumina	*584*	*696*
Aluminium	*(16)*	*(9)*
Sustaining capital expenditure	34	26

Hillside Aluminium (100%)

Volumes

Hillside Aluminium saleable production increased by 3kt to a record 718kt in FY20 as the smelter continued to test its maximum technical capacity, despite the impact to production from increased load-shedding. Production is expected to increase to a record 720kt in FY21 and FY22, subject to load-shedding.

South32 share	FY20	FY19
Aluminium production (kt)	718	715
Aluminium sales (kt)	723	707
Realised sales price (US$/t)	1,765	2,035
Operating unit cost (US$/t)	1,531	2,045

South32 share (US$M)	FY20	FY19
Revenue	1,276	1,439
Underlying EBITDA	169	(7)
Underlying EBIT	103	(75)
Net operating assets	794	1,027
Sustaining capital expenditure	13	19

Operating costs

Operating unit costs decreased by 25% in FY20 to US$1,531/t as the smelter benefited 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 FY20 (FY19: 58%).

The smelter sources alumina from our Worsley Alumina refinery with prices linked to the PAX on an M-1 basis, while its power is sourced from Eskom under separate contracts for its three potlines. We have been engaging with Eskom on a new pricing arrangement for the smelter, agreeing a new tariff to cover power supplied for a 10 year period. The new tariff is South African rand based, with a rate of escalation linked to the South Africa Producer Price Index. While the new tariff is being considered for approval by the National Energy Regulator of South Africa, we have entered into an interim arrangement for power supply with Eskom.

While Operating unit cost guidance is not provided, the combined tailwinds of lower anticipated alumina prices and a weaker South African rand are expected to mitigate the impact of higher power costs in FY21.

Financial performance

Underlying EBIT increased by US$178M in FY20 to US$103M as a 13% decrease in the average realised price of aluminium (-US$198M) was more than offset by lower raw material input costs (+US$239M), increased sales volumes (+US$35M), a weaker South African rand (+US$31M), lower aluminium price-linked power costs (+US$23M) and lower labour costs (+US$22M) following the major workforce restructure concluded in June 2019. Pot relining activity also reduced (+US$23M) in FY20, with 65 pots relined at a cost of US$248k per pot (FY19: 171 pots at US$249k per pot). 142 pots are scheduled to be relined across FY21.

Capital expenditure

Sustaining capital expenditure decreased by US$6M in FY20 to US$13M. A modest increase in Sustaining capital expenditure to US$18M is expected in FY21.

Mozal Aluminium (47.1% share)

Volumes

Mozal Aluminium saleable production increased by 1kt to 268kt in FY20 as the smelter continued to test its maximum technical capacity, despite the impact to production from increased load-shedding.

Production is expected to increase to a record 273kt in FY21 and FY22, as the benefits of the AP3XLE energy efficiency project are realised, subject to load-shedding.

Operating costs

Operating unit costs decreased by 12% in FY20 to US$1,785/t as raw material input costs decreased for alumina, coke, pitch and aluminium tri-fluoride, which combined to account for 46% of the smelter's cost base (FY19: 49%).

The smelter sources 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 each calendar year.

While Operating unit cost guidance is not provided, the cost profile of the smelter is expected to benefit in FY21 from the further insourcing of activity and the combined tailwinds of lower alumina prices and a weaker South African rand.

Financial performance

Underlying EBIT decreased by US$3M in FY20 to a loss of US$24M as a 12% decrease in the average realised price of aluminium (-US$74M) and an increase in pot relining costs (-US$3M) were offset by lower raw material prices (+US$42M), increased sales volumes (+US$26M) and reduced labour and contractor charges (+US$8M). 112[28] pots were relined across FY20 at a cost of US$278k per pot (FY19: 103[28] pots at US$234k per pot), with 120[28] pots scheduled to be relined in FY21.

Capital expenditure

Sustaining capital expenditure decreased by US$8M in FY20 to US$11M and is expected to decrease further to US$8M in FY21. The smelter continues to roll out the AP3XLE energy efficiency technology in its pot relining program. The project is expected to deliver a circa 5% (or 10kt pa) increase in annual production by FY24 with no associated increase in power consumption, improving the smelter's global competitiveness.

South32 share	FY20	FY19
Aluminium production (kt)	268	267
Aluminium sales (kt)	279	268
Realised sales price (US$/t)	1,821	2,075
Operating unit cost (US$/t)	1,785	2,026

South32 share (US$M)	FY20	FY19
Revenue	508	556
Underlying EBITDA	10	13
Underlying EBIT	(24)	(21)
Net operating assets	436	534
Sustaining capital expenditure	11	19

South Africa Energy Coal (100% share)

Volumes

South Africa Energy Coal saleable production decreased by 9% (or 2.3Mt) to 22.7Mt in FY20 with the operation closing loss-making pits in H1 FY20 to maximise margins, before COVID-19 restrictions further impacted activity during the June 2020 quarter.

Subject to a number of material conditions[13] being satisfied, the divestment of South Africa Energy Coal is on-track for completion in H1 FY21. Accordingly, guidance is only provided for H1 FY21 with saleable production expected to range between 10.5 and 12.5Mt as we continue to adjust volumes to maximise margins.

Operating costs

Operating unit costs increased by 5% in FY20 to US$42/t as the impact of lower sales volumes and costs to support the Klipspruit dragline's return to full utilisation, more than offset savings from reduced activity in loss-making pits and a weaker South African rand.

We expect H1 FY21 Operating unit costs to decrease by up to 14% to between US$36/t and US$39/t reflecting our intent to adjust volumes to maximise margins and a weaker South African rand. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Underlying EBIT decreased by US$109M in FY20 to a loss of US$155M as lower average export realised prices (-US$156M), lower sales volumes (-US$104M), costs to support the increase in activity at Klipspruit (-US$49M) and inventory movements (-US$45M) more than offset savings from the closure of loss-making pits at the Wolvekrans-Middelburg Complex (WMC) (+US$90M), higher average domestic realised prices (+US$78M) and a weaker South African rand (+US$67M).

Capital expenditure

Sustaining capital expenditure decreased by US$48M in FY20 to US$42M as we deferred expenditure at the WMC and reduced activity at Klipspruit following the completion of work to recover from the dragline outage in FY19. Sustaining capital expenditure of US$40M is expected in H1 FY21 as investment in new mining areas returns to typical rates.

We also invested US$122M in Major project capital expenditure in FY20 with a further US$24M expected in H1 FY21 as we progress the KPSX project towards completion.

South32 share	FY20	FY19
Energy coal production (kt)	22,672	24,979
Domestic sales (kt)	12,638	15,035
Export sales (kt)	9,715	9,875
Realised domestic sales price (US$/t)	25	24
Realised export sales price (US$/t)	53	69
Operating unit cost (US$/t)	42	40

South32 share (US$M)	FY20	FY19
Revenue[29]	822	1,037
Underlying EBITDA	(108)	42
Underlying EBIT	(155)	(46)
Net operating assets/(liabilities)	(365)	(373)
Capital expenditure	164	213
Major	*122*	*123*
Sustaining	*42*	*90*

Illawarra Metallurgical Coal (100% share)

Volumes

Illawarra Metallurgical Coal saleable production increased by 5% (or 359kt) to 7.0Mt in FY20 as the Dendrobium and Appin longwalls continued to perform strongly, with the operation returning to a three longwall configuration in the June 2020 quarter.

Notwithstanding the strong trend in longwall performance, we have lowered FY21 production guidance by 4% to 7.7Mt as Appin's dual longwall operation is optimised for capital, labour and equipment productivity to maximise value, rather than volume.

Saleable coal production is expected to decline to 7.3Mt in FY22, with metallurgical coal production largely unchanged, and lower value energy coal volumes expected to decline with an extra longwall move at Dendrobium, before normalising in FY23.

South32 share	FY20	FY19
Metallurgical coal production (kt)	5,549	5,350
Energy coal production (kt)	1,457	1,297
Metallurgical coal sales (kt)	5,842	5,044
Energy coal sales (kt)	1,442	1,262
Realised metallurgical coal sales price (US$/t)	145	209
Realised energy coal sales price (US$/t)	51	66
Operating unit cost (US$/t)	93	94

South32 share (US$M)	FY20	FY19
Revenue[30]	924	1,135
Underlying EBITDA	243	542
Underlying EBIT	52	359
Net operating assets	1,356	1,410
Capital expenditure	199	138
Major	*14*	*5*
Sustaining	*185*	*133*
Exploration expenditure	16	9
Exploration expensed	7	3

Operating costs

Operating unit costs decreased by 1% in FY20 to US$93/t as the benefit of increased sales volumes and a weaker Australian dollar were partially offset by a drawdown of finished goods and run of mine inventory.

We expect FY21 Operating unit costs to decrease by 10% to US$84/t with higher volumes and an associated increase in productivity, partially offset by a stronger Australian dollar. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Underlying EBIT decreased by US$307M in FY20 to US$52M as lower average realised prices (-US$385M), a drawdown of inventory (-US$104M) and lower other income (-US$31M) were partially offset by stronger sales volumes (+US$174M), a weaker Australian dollar (+US$32M), the benefit of coal wash diversion (+US$8M) and lower spend on consultants (+US$8M).

Capital expenditure

Sustaining capital expenditure increased by US$52M in FY20 to US$185M as we invested in infrastructure improvements and increased our underground development rates at Appin, ahead of the return to a three longwall configuration. Sustaining capital expenditure is expected to decrease by US$35M in FY21 to US$150M as we lower the level of spend on underground development to US$78M (FY20: US$94M) and other sustaining expenditure returns to typical levels following the substantial investment in prior periods.

We also invested US$14M in FY20 to progress the feasibility study for the DND project. While still subject to regulatory approvals, the project has the potential to extend the life of Dendrobium to approximately FY36. With a final investment decision anticipated in H2 FY21, Major capital expenditure is expected to increase by US$50M to US$64M with pre-commitment spend on mine development and ventilation critical path works to commence in FY21.

Australia Manganese (60% share)

Volumes

Australia Manganese saleable ore production increased by 4% (or 121kwmt) to a record 3,470kwmt in FY20, with the operation returning to full production following the removal of temporary roster changes in response to COVID-19 restrictions during the June 2020 quarter. Manganese alloy saleable production decreased by 29% (or 44kt) to 110kt in FY20 as one of the four furnaces at TEMCO remained offline.

Ore production guidance of 3,500kwmt in FY21 and 3,500kwmt in FY22 assumes we continue to operate the low cost PC02 circuit above nameplate capacity, supporting secondary product volumes.

Operating costs

FOB manganese ore Operating unit costs decreased by 3% in FY20 to US$1.55/dmtu as equipment productivity and the optimisation of volumes from our low cost PC02 circuit mitigated a further increase in strip ratio (FY20: 5.4, FY19: 4.5).

We expect FY21 Operating unit costs for manganese ore to decrease 5% to US$1.48/dmtu with an expected improvement in yield due to favourable ore characteristics and lower contractor and labour spend, partially offset by a stronger Australian dollar. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Manganese alloy Operating unit costs decreased by 4% to US$905/t in FY20 as the operation benefitted from lower raw material input costs. On 13 August 2020 we reached agreement to divest our shareholding in TEMCO.

Financial performance

Underlying EBIT decreased by 49% (or US$310M) in FY20 to US$328M as lower realised prices (-US$297M), lower alloy sales volumes (-US$40M) and one-off costs incurred to respond to temporary COVID-19 restrictions (-US$7M) were partially offset by lower energy, coke and freight costs (+US$22M).

Our average realised price for external sales of Australian ore was a 7% discount to the high grade 44% manganese lump ore index[31] in FY20 as we responded to market demand with an increased contribution of PC02 fines (FY20: 12%, FY19: 10%) and other secondary products.

Capital expenditure

Sustaining capital expenditure increased by US$2M in FY20 to US$67M as we continue to invest in additional tailings storage capacity and complete site infrastructure upgrades at GEMCO. Sustaining capital expenditure is expected to decrease to US$58M in FY21 as we complete upgrade work and the divestment of TEMCO during the year.

South32 share	FY20	FY19
Manganese ore production (kwmt)	3,470	3,349
Manganese alloy production (kt)	110	154
Manganese ore sales (kwmt)	3,440	3,438
External customers	*3,300*	*3,094*
TEMCO	*140*	*344*
Manganese alloy sales (kt)	116	151
Realised external manganese ore sales price (US$/dmtu, FOB)[32][33]	4.39	6.35
Realised manganese alloy sales price (US$/t)[32]	940	1,311
Ore operating unit cost (US$/dmtu)[33][34]	1.55	1.59
Alloy operating unit cost (US$/t)[34]	905	947

South32 share (US$M)	FY20	FY19
Revenue[35]	763	1,095
Manganese ore	*668*	*930*
Manganese alloy	*109*	*198*
Intra-segment elimination	*(14)*	*(33)*
Underlying EBITDA	400	698
Manganese ore	*396*	*643*
Manganese alloy	*4*	*55*
Underlying EBIT	328	638
Manganese ore	*329*	*588*
Manganese alloy	*(1)*	*50*
Net operating assets/(liabilities)	242	316
Manganese ore	*293*	*303*
Manganese alloy	*(51)*	*13*
Sustaining capital expenditure	67	65
Exploration expenditure	2	2
Exploration expensed	1	1

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

Volumes

South Africa Manganese saleable ore production decreased by 14% (or 309kwmt) to 1,878kwmt in FY20 as we responded to weaker market conditions during H1 FY20, reducing our use of higher cost trucking and undertaking an extended maintenance shut at our underground Wessels mine. Both the open pit Mamatwan and underground Wessels mines were placed on temporary care and maintenance during the nationwide COVID-19 lockdown in the June 2020 quarter, before returning to full capacity when lockdown restrictions were lifted.

Manganese alloy saleable production decreased by 23% (or 16kt) to 53kt in FY20 as we made the decision to place the Metalloys smelter on care and maintenance.

Ore production guidance of 2,000kwmt in FY21 assumes market conditions remain attractive for the sale of lower quality fines product and the use of higher cost trucking. Ore production guidance for FY22 is not provided with volumes from the operation to be optimised subject to market demand.

Operating costs

FOB manganese ore Operating unit costs decreased by 16% in FY20 to US$2.25/dmtu as a weaker South African rand, lower price-linked royalties and the one-off benefit from settling a historical royalty claim more than offset lower sales volumes.

We expect FY21 Operating unit costs for manganese ore to remain unchanged at US$2.25/dmtu with higher volumes and a weaker South African rand expected to offset the prior period's one-off benefit and a planned increase in trucking volumes. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Manganese alloy Operating unit costs increased by 16% in FY20 to US$1,364/t in-line with the decline in sales volumes.

Financial performance

Underlying EBIT decreased by 71% (or US$134M) in FY20 to US$54M as lower average realised prices (-US$130M) and reduced sales volumes (-US$81M), were partially offset by a weaker South African rand (+US$20M), lower price-linked royalties (+US$16M), and reduced activity delivering lower spend on the opportunistic trucking of ore (+US$16M), contractors (+US$10M) and maintenance (+US$5M).

Our average realised price for external sales of South African ore was a 6% discount to the medium grade 37% manganese lump ore index (FOB Port Elizabeth, South Africa)(36) in FY20 as the contribution of our lower quality fines product increased (FY20: 13%, FY19: 6%) in response to market conditions throughout the year.

Capital expenditure

Sustaining capital expenditure decreased by US$7M in FY20 to US$23M and is expected to decline further to US$17M in FY21 with the Metalloys smelter placed on care and maintenance.

South32 share	FY20	FY19
Manganese ore production (kwmt)	1,878	2,187
Manganese alloy production (kt)	53	69
Manganese ore sales (kwmt)	1,865	2,113
External customers	*1,772*	*1,990*
Metalloys	*93*	*123*
Manganese alloy sales (kt)	55	73
Realised external manganese ore sales price (US$/dmtu, FOB)(37)(38)	3.76	5.57
Realised manganese alloy sales price (US$/t)(37)	909	1,068
Ore operating unit cost (US$/dmtu)(38)(39)	2.25	2.69
Alloy operating unit cost (US$/t)(39)	1,364	1,178

South32 share (US$M)	FY20	FY19
Revenue(40)	342	553
Manganese ore(41)	*305*	*488*
Manganese alloy	*50*	*78*
Intra-segment elimination	*(13)*	*(13)*
Underlying EBITDA	81	215
Manganese ore(41)	*106*	*223*
Manganese alloy	*(25)*	*(8)*
Underlying EBIT	54	188
Manganese ore(41)	*88*	*205*
Manganese alloy	*(34)*	*(17)*
Net operating assets	237	312
Manganese ore(41)	*281*	*253*
Manganese alloy	*(44)*	*59*
Sustaining capital expenditure	23	30
Exploration expenditure	1	-
Exploration expensed	1	-

Cerro Matoso (99.9% share)

Volumes

Cerro Matoso payable nickel production decreased by 1% (or 0.5kt) to 40.6kt in FY20 as the operation achieved a higher rate of plant utilisation and throughput, partially offsetting planned lower ore feed grades.

FY21 production is expected to decline 17% to 33.5kt, before increasing by 15% to 38.6kt in FY22 as the operation undertakes a planned major furnace refurbishment in the December 2020 quarter. The refurbishment is expected to broaden the operating window of the furnace, resulting in higher ore to kiln volumes.

Operating costs

Operating unit costs decreased by 8% in FY20 to US$3.69/lb as a result of a weaker Colombian peso and the realisation of ongoing benefits from our energy procurement and utilisation approach.

We expect FY21 Operating unit costs to increase 8% to US$3.97/lb with the impact to volumes from the furnace refurbishment, partially offset by a weaker Colombian peso, lower price-linked royalties and the continued benefit of our energy optimisation strategy. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Underlying EBIT increased by US$67M in FY20 to US$107M with an 8% rise in the average realised nickel price (+US$38M), a weaker Colombian peso (+$27M) and lower electricity costs (+US$9M) partially offset by lower sales volumes (-US$8M).

Capital expenditure

Sustaining capital expenditure increased by US$7M in FY20 to US$39M as long lead items were purchased for the furnace refurbishment. A modest decrease to US$36M is expected in FY21 with the refurbishment scheduled for completion in the December 2020 quarter.

South32 share	FY20	FY19
Ore mined (kwmt)	2,839	2,278
Ore processed (kdmt)	2,761	2,738
Ore grade processed (%, Ni)	1.65	1.66
Payable nickel production (kt)	40.6	41.1
Payable nickel sales (kt)	40.6	41.2
Realised nickel sales price (US$/lb)[42]	5.80	5.38
Operating unit cost (US$/lb)	3.69	3.99
Operating unit cost (US$/t)[43]	120	132

South32 share (US$M)	FY20	FY19
Revenue	519	489
Underlying EBITDA	189	127
Underlying EBIT	107	40
Net operating assets	425	479
Sustaining capital expenditure	39	32
Exploration expenditure	4	10
Exploration expensed	2	8

Cannington (100% share)

Volumes

Cannington payable zinc equivalent production[44] increased by 9% (or 19.8kt) to 238.0kt in FY20 as planned higher zinc grades more than offset lower silver and lead grades, and the operation drew down run of mine stocks to a normalised level following the Queensland flood event in FY19. The drawdown and further improvement in underground mine performance supported the realisation of efficiencies in mill throughput, resulting in a 14% lift in ore processed during FY20.

We have increased our payable zinc equivalent production[23] guidance for Cannington by 10% in FY21 (11.8Moz for silver, 113.9kt for lead and 60.7kt for zinc) as mill throughput continues to benefit from improved performance in the underground mine and higher planned grades. Production is then expected to decline by 9% in FY22 (10.5Moz for silver, 103.0kt for lead and 58.8kt for zinc) as grade varies in accordance with the mine plan.

Operating costs

Operating unit costs decreased by 8% to US$113/t in FY20 as the benefits of a weaker Australian dollar, increased mill throughput and savings from the insourcing of activity more than offset inventory movements.

We expect FY21 Operating unit costs to decrease by 2% to US$111/t as the insourcing of activity and continued benefit of lower renegotiated energy costs are partially offset by a stronger Australian dollar and lower mill throughput. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Underlying EBIT increased by 1% (or US$1M) in FY20 to US$105M as higher sales volumes (+US$45M), a weaker Australian dollar (+US$16M), lower freight expenditure (+US$5M) and a reduction in contractor costs (+US$5M) offset lower average realised prices (-US$36M) and inventory movements from higher sales and the drawdown of run of mine stocks (-US$43M).

Capital expenditure

Sustaining capital expenditure decreased by US$3M in FY20 to US$52M and is expected to decrease to US$39M in FY21 as we lower our rate of investment in underground development and additional tailings storage capacity.

South32 share	FY20	FY19
Ore mined (kwmt)	2,792	2,725
Ore processed (kdmt)	2,839	2,495
Ore grade processed (g/t, Ag)	156	184
Ore grade processed (%, Pb)	4.7	5.0
Ore grade processed (%, Zn)	3.3	3.0
Payable zinc equivalent production (kt)[44]	238.0	218.2
Payable silver production (koz)	11,792	12,201
Payable lead production (kt)	110.4	101.4
Payable zinc production (kt)	66.7	51.6
Payable silver sales (koz)	12,109	13,034
Payable lead sales (kt)	108.1	101.5
Payable zinc sales (kt)	68.7	47.6
Realised silver sales price (US$/oz)	16.5	14.4
Realised lead sales price (US$/t)	1,648	1,754
Realised zinc sales price (US$/t)	1,416	2,122
Operating unit cost (US$/t ore processed)[45]	113	123

South32 share (US$M)	FY20	FY19
Revenue	476	467
Underlying EBITDA	155	161
Underlying EBIT	105	104
Net operating assets	214	243
Sustaining capital expenditure	52	55
Exploration expenditure	4	4
Exploration expensed	4	3

Notes

(1) Net tangible assets as at 30 June 2020 includes right-of-use assets, in accordance with AASB 16 *Leases*, with a net book value of US$702M (30 June 2019: Net tangible assets includes assets held under finance leases, in accordance with the former AASB 117 *Leases*, with a net book value of US$612M).

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

(3) FY20 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY20 (4,892 million). FY20 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY20. FY19 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY19 (5,048 million). FY19 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY19.

(4) 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) plus H2 FY20 ordinary dividend announced (US$48M) divided by the number of shares on issue at 30 June 2020 (4,846 million).

(5) 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).

(6) 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 equity accounted investments. 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 is 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;
- Gains/losses on non-trading derivative instruments and other investments measured at fair value;
- Major corporate restructures; and
- Earnings adjustments included in profit/(loss) of equity accounted investments.

In addition, items that do not reflect the underlying operations of South32, and are individually, or in combination with other related earnings adjustments, significant to the financial statements, are excluded to determine Underlying earnings. When applicable, significant items are detailed in the Financial Information.

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

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

(9) 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) including our manganese equity accounted investments (EAI) on a proportional consolidated basis, divided by the sum of inventories and fixed assets (excluding any rehabilitation asset, the impairment of South Africa Energy Coal and our equity accounted manganese alloy smelters, and unproductive capital associated with Major projects). Our manganese EAI are included in the calculation on a proportional consolidation basis.

(10) 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.

(11) 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.

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

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

(14) Refer to the media release "Agreement to Divest Tasmanian Electro Metallurgical Company" dated 13 August 2020.

(15) Cost base excluding third party product cost.

(16) 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.

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

(18) 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%), 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).

(19) 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 33 and 38.

(20) The primary corporate tax rates applicable to the Group for 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.

(21) FY20 net distributions from our manganese EAI comprise dividends and capital returns (US$349M) and a net drawdown in shareholder loans (-US$36M).

(22) Total capital expenditure comprises Capital expenditure, evaluation 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.

(23) 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. FY20 realised prices for zinc (US$1,416/t), lead (US$1,648/t) and silver (US$16.5/oz) have been used for FY20, FY21e and FY22e.

Notes

(24) FY21 Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY21, including: an alumina price of US$250/t; an average blended coal price of US$103/t for Illawarra Metallurgical Coal; a manganese ore price of US$4.83/dmtu for 44% manganese product; a nickel price of US$5.78/lb; a thermal coal price of US$56/t (API4) for South Africa Energy Coal; a silver price of US$18.20/troy oz; a lead price of US$1,788/t (gross of treatment and refining charges); a zinc price of US$2,102/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 17.68; a USD:COP exchange rate of 3,665; and a reference price for caustic soda; all of which reflected forward markets as at June 2020 or our internal expectations.

(25) FY20 Third party products and services sold comprise US$42M for aluminium, US$14M for alumina, US$276M for coal, US$165M for freight services, US$86M for aluminium raw materials and nil for manganese. Underlying EBIT on third party products and services comprise US$2M for aluminium, (US$4M) for alumina, (US$15M) for coal, (US$2M) for freight services, US$2M for aluminium raw materials and nil for manganese. FY19 Third party products and services sold comprise US$57M for aluminium, US$2M for alumina, US$392M for coal, US$239M for freight services, US$116M for aluminium raw materials and US$9M for manganese. Underlying EBIT on third party products and services comprise nil for aluminium, US$2M for alumina, US$9M for coal, (US$5M) for freight services, (US$1M) for aluminium raw materials and nil for manganese.

(26) 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$283/t in FY20.

(27) The information in this report that relates to Mineral Resource estimates for MRN 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 M A H Monteiro 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) Presented on a 100% basis.

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

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

(31) The quarterly sales volume weighted average of the Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US$5.04/dmtu in FY20.

(32) 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.

(33) Manganese Australia FY20 average manganese content of external ore sales was 44.6% on a dry basis (FY19: 45.9%). 95% of FY20 external manganese ore sales (FY19: 95%) were completed on a CIF basis. FY20 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$46M (FY19: US$47M), consistent with our FOB cost guidance.

(34) 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.

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

(36) The quarterly sales volume weighted average of the Metal Bulletin 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US$3.98/dmtu in FY20.

(37) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. 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.

(38) Manganese South Africa FY20 average manganese content of external ore sales was 40.1% on a dry basis (FY19: 40.5%). 72% of FY20 external manganese ore sales (FY19: 74%) were completed on a CIF basis. FY20 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$33M (FY19: US$40M), consistent with our FOB cost guidance.

(39) 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.

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

(41) 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%.

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

(43) 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.

(44) Payable zinc equivalent (kt) was calculated by aggregating Revenue from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY19 realised prices for zinc (US$2,122/t), lead (US$1,754/t) and silver (US$14.4/oz) have been used for FY19 and FY20.

(45) 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); financial year (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); Australian Securities Exchange (ASX); London Stock Exchange (LSE); Johannesburg Stock Exchange (JSE); equity accounted investments (EAI); and American Depositary Receipts (ADR).

South32 Financial Information

For the year ended 30 June 2020

BASIS OF PREPARATION

The financial information included in this document for the year ended 30 June 2020 is unaudited. The financial information does not constitute the South32 Group's (the Group) full financial statements for the year ended 30 June 2020, which will be approved by the Board, reported on by the auditors, and filed with the Australian Securities and Investments Commission. The Group's full financial statements will be prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial information set out on pages 29 to 40 for the year ended 30 June 2020 has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2019 financial statements contained within the Annual Report of the Group, except for the adoption of AASB 16 *Leases* which became effective from 1 July 2019 without restatement of prior years. The impact of adopting AASB 16 has been disclosed in the Group's 31 December 2019 half year financial statements, with transitional adjustments of US$135 million and US$140 million recognised as additional right-of-use assets and lease liabilities respectively on the Consolidated Balance Sheet.

As required, and unless otherwise stated, comparative financial information for the Group has been presented.

All amounts are expressed in US dollars unless otherwise stated. The Group's presentation currency (and the functional currency of the majority of its operations) is US dollars as this is the principal currency of the economic environment in which it operates.

Amounts in this financial information have, unless otherwise indicated, been rounded to the nearest million dollars (US$M or US$ million).

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2020

US$M	FY20	FY19
Revenue:		
Group production	**5,492**	6,468
Third party products and services	**583**	806
	6,075	7,274
Other income	**198**	245
Expenses excluding net finance cost	**(6,112)**	(7,099)
Share of profit/(loss) of equity accounted investments	**100**	467
Profit/(loss)	**261**	887
Comprising:		
Group production	**278**	882
Third party products and services	**(17)**	5
Profit/(loss)	**261**	887
Finance expenses	**(183)**	(151)
Finance income	**44**	67
Net finance cost	**(139)**	(84)
Profit/(loss) before tax	**122**	803
Income tax (expense)/benefit	**(187)**	(414)
Profit/(loss) after tax	**(65)**	389
Attributable to:		
Equity holders of South32 Limited	**(65)**	389
Profit/(loss) for the year attributable to the equity holders of South32 Limited:		
Basic earnings per share (cents)	**(1.3)**	7.7
Diluted earnings per share (cents)	**(1.3)**	7.6

The accompanying notes form part of the financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

US$M	FY20	FY19
Profit/(loss) for the year	**(65)**	389
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)	**(65)**	(26)
Tax benefit/(expense)	**20**	10
Equity accounted investments – share of Other Comprehensive Income/(loss), net of tax	**21**	66
Gains/(losses) on pension and medical schemes	**2**	(3)
Tax benefit/(expense) recognised within Other Comprehensive Income	**-**	1
Total items not to be reclassified to the Consolidated Income Statement	**(22)**	48
Total Other Comprehensive Income/(loss)	**(22)**	43
Total Comprehensive Income/(loss)	**(87)**	432
Attributable to:		
Equity holders of South32 Limited	**(87)**	432

The accompanying notes form part of the financial information.

CONSOLIDATED BALANCE SHEET

as at 30 June 2020

US$M	FY20	FY19
ASSETS		
Current assets		
Cash and cash equivalents	**1,315**	1,408
Trade and other receivables	**531**	888
Other financial assets	**19**	108
Inventories	**735**	952
Current tax assets	**27**	7
Other	**36**	38
Total current assets	**2,663**	3,401
Non-current assets		
Trade and other receivables	**303**	290
Other financial assets	**172**	272
Inventories	**77**	68
Property, plant and equipment	**9,680**	9,596
Intangible assets	**248**	233
Equity accounted investments	**460**	688
Deferred tax assets	**123**	155
Other	**11**	12
Total non-current assets	**11,074**	11,314
Total assets	**13,737**	14,715
LIABILITIES		
Current liabilities		
Trade and other payables	**627**	880
Interest bearing liabilities	**355**	313
Other financial liabilities	**1**	-
Current tax payables	**9**	179
Provisions	**274**	312
Deferred income	**5**	4
Total current liabilities	**1,271**	1,688
Non-current liabilities		
Trade and other payables	**3**	1
Interest bearing liabilities	**662**	591
Deferred tax liabilities	**339**	334
Provisions	**1,899**	1,925
Deferred income	**1**	8
Total non-current liabilities	**2,904**	2,859
Total liabilities	**4,175**	4,547
Net assets	**9,562**	10,168
EQUITY		
Share capital	**13,943**	14,212
Treasury shares	**(49)**	(105)
Reserves	**(3,566)**	(3,490)
Retained earnings/(accumulated losses)	**(765)**	(448)
Total equity attributable to equity holders of South32 Limited	**9,563**	10,169
Non-controlling interests	**(1)**	(1)
Total equity	**9,562**	10,168

The accompanying notes form part of the financial information.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2020

US$M	FY20	FY19
Operating activities		
Profit/(loss) before tax	**122**	803
Adjustments for:		
Depreciation and amortisation expense	**739**	757
Impairments of property, plant and equipment	**-**	504
Employee share awards expense	**29**	38
Net finance cost	**139**	84
Share of (profit)/loss of equity accounted investments	**(100)**	(467)
(Gains)/losses on derivative instruments and other investments measured at fair value	**152**	35
Other non-cash or non-operating items	**7**	1
Changes in assets and liabilities:		
Trade and other receivables	**367**	6
Inventories	**208**	(58)
Trade and other payables	**(184)**	(13)
Provisions and other liabilities	**(104)**	(64)
Cash generated from operations	**1,375**	1,626
Interest received	**44**	71
Interest paid	**(69)**	(70)
Income tax (paid)/received	**(335)**	(346)
Dividends received	**1**	-
Dividends received from equity accounted investments	**349**	536
Net cash flows from operating activities	**1,365**	1,817
Investing activities		
Purchases of property, plant and equipment	**(676)**	(652)
Exploration expenditure	**(61)**	(74)
Exploration expenditure expensed and included in operating cash flows	**28**	46
Purchase of intangibles	**(36)**	(30)
Investment in financial assets	**(259)**	(411)
Acquisition of interest previously held by non-controlling interests	**(3)**	-
Acquisition of subsidiaries and jointly controlled entities, net of their cash	**(73)**	(1,507)
Cash outflows from investing activities	**(1,080)**	(2,628)
Proceeds from sale of property, plant and equipment and intangibles	**1**	5
Proceeds from financial assets	**206**	305
Distribution from equity accounted investments	**-**	6
Net cash flows from investing activities	**(873)**	(2,312)
Financing activities		
Proceeds from interest bearing liabilities	**31**	3
Repayment of interest bearing liabilities	**(55)**	(37)
Purchase of shares by South32 Limited Employee Incentive Plan Trusts (ESOP Trusts)	**(23)**	(99)
Share buy-back	**(269)**	(281)
Dividends paid	**(246)**	(657)
Net cash flows from financing activities	**(562)**	(1,071)
Net increase/(decrease) in cash and cash equivalents	**(70)**	(1,566)
Cash and cash equivalents, net of overdrafts, at the beginning of the financial year	**1,406**	2,970
Foreign currency exchange rate changes on cash and cash equivalents	**(21)**	2
Cash and cash equivalents, net of overdrafts, at the end of the financial year	**1,315**	1,406

The accompanying notes form part of the financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

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
	Attributable to equity holders of South32 Limited								
Balance as at 1 July 2019	**14,212**	**(105)**	**(9)**	**109**	**(3,590)**	**(448)**	**10,169**	**(1)**	**10,168**
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**(65)**	**(65)**	**-**	**(65)**
Other Comprehensive Income/(loss)	**-**	**-**	**(45)**	**-**	**-**	**23**	**(22)**	**-**	**(22)**
Total Comprehensive Income/(loss)	**-**	**-**	**(45)**	**-**	**-**	**(42)**	**(87)**	**-**	**(87)**
Transactions with owners:									
Acquisition of interest previously held by non-controlling interests	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**	**-**	**(3)**
Dividends	**-**	**-**	**-**	**-**	**-**	**(246)**	**(246)**	**-**	**(246)**
Shares bought back and cancelled	**(269)**	**-**	**-**	**-**	**-**	**-**	**(269)**	**-**	**(269)**
Accrued employee entitlements for unvested awards, net of tax	**-**	**-**	**-**	**21**	**-**	**-**	**21**	**-**	**21**
Employee share awards forfeited, net of tax	**-**	**-**	**-**	**(10)**	**-**	**-**	**(10)**	**-**	**(10)**
Purchase of shares by ESOP Trusts	**-**	**(23)**	**-**	**-**	**-**	**-**	**(23)**	**-**	**(23)**
Employee share awards vested and waived	**-**	**79**	**-**	**(39)**	**-**	**(42)**	**(2)**	**-**	**(2)**
Tax recognised for employee awards vested	**-**	**-**	**-**	**-**	**-**	**13**	**13**	**-**	**13**
Balance as at 30 June 2020	**13,943**	**(49)**	**(54)**	**81**	**(3,593)**	**(765)**	**9,563**	**(1)**	**9,562**
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 year	-	-	-	-	-	389	389	-	389
Other Comprehensive Income/(loss)	-	-	(16)	-	(5)	64	43	-	43
Total Comprehensive Income/(loss)	-	-	(16)	-	(5)	453	432	-	432
Transactions with owners:									
Dividends	-	-	-	-	-	(657)	(657)	-	(657)
Shares bought back and cancelled	(281)	-	-	-	-	-	(281)	-	(281)
Accrued employee entitlements for unvested awards, net of tax	-	-	-	49	-	-	49	-	49
Purchase of shares by ESOP Trusts	-	(99)	-	-	-	-	(99)	-	(99)
Employee share awards vested	-	77	-	(28)	-	(49)	-	-	-
Tax recognised for employee awards vested	-	-	-	-	-	17	17	-	17
Transfer of cumulative fair value gain on equity instruments designated as FVOCI	-	-	(145)	-	-	145	-	-	-
Balance as at 30 June 2019	14,212	(105)	(9)	109	(3,590)	(448)	10,169	(1)	10,168

(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.

The accompanying notes form part of the financial information.

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 is 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(1) in Tasmania, Australia
South Africa Manganese	Integrated producer of manganese ore and alloy(2) in South Africa
Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in Colombia
Cannington	Silver, lead and zinc mine in Queensland, Australia
Hermosa	Base metals exploration and development option in Arizona, United States

(1) On 13 August 2020, the Group announced that Groote Eylandt Mining Company Pty Ltd (GEMCO) had entered into a binding agreement for the sale of its shareholding in the Tasmanian Electro Metallurgical Company Pty Ltd (TEMCO) to an entity within GFG Alliance (GFG).

(2) After consideration of its future economic viability, the Group made the decision with its joint venture partner to place the Metalloys manganese smelter on care and maintenance.

All operations are 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 and liabilities. 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, tax balances and certain other financial assets and liabilities of the equity accounted investment.

FY20 SEGMENT INFORMATION

30 June 2020 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	1,119	1,276	507	399	829	937	-	785	346	516	497	-	36	(1,131)	6,116
Other(2)	(1)	-	1	-	(7)	(13)	-	(22)	(4)	3	(21)	-	(3)	26	(41)
Total revenue	**1,118**	**1,276**	**508**	**399**	**822**	**924**	**-**	**763**	**342**	**519**	**476**	**-**	**33**	**(1,105)**	**6,075**
Group production	568	1,276	508	399	822	924	-	763	342	519	476	-	-	(1,105)	5,492
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	583	-	583
Inter-segment revenue	550	-	-	-	-	-	-	-	-	-	-	-	(550)	-	-
Total revenue	**1,118**	**1,276**	**508**	**399**	**822**	**924**	**-**	**763**	**342**	**519**	**476**	**-**	**33**	**(1,105)**	**6,075**
Underlying EBITDA	**322**	**169**	**10**	**50**	**(108)**	**243**	**-**	**400**	**81**	**189**	**155**	**(5)**	**(38)**	**(283)**	**1,185**
Depreciation and amortisation	(162)	(66)	(34)	(65)	(47)	(191)	-	(72)	(27)	(82)	(50)	-	(42)	99	(739)
Underlying EBIT	**160**	**103**	**(24)**	**(15)**	**(155)**	**52**	**-**	**328**	**54**	**107**	**105**	**(5)**	**(80)**	**(184)**	**446**
Comprising:															
Group production excluding exploration expensed	160	103	(24)	(15)	(162)	59	-	329	55	109	109	(5)	(48)	(387)	283
Exploration expensed	-	-	-	-	-	(7)	-	(1)	(1)	(2)	(4)	-	(15)	2	(28)
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	(17)	-	(17)
Share of profit/(loss) of equity accounted investments(4)	-	-	-	-	7	-	-	-	-	-	-	-	-	201	208
Underlying EBIT	**160**	**103**	**(24)**	**(15)**	**(155)**	**52**	**-**	**328**	**54**	**107**	**105**	**(5)**	**(80)**	**(184)**	**446**
Net finance cost															(145)
Income tax (expense)/benefit															(108)
Underlying earnings															**193**
Earnings adjustments(5)															(258)
Profit/(loss) after tax															**(65)**
Exploration expenditure	**-**	**-**	**-**	**-**	**-**	**16**	**2**	**2**	**1**	**4**	**4**	**19**	**16**	**(3)**	**61**
Capital expenditure(6)	**48**	**13**	**11**	**34**	**164**	**199**	**11**	**67**	**23**	**39**	**52**	**104**	**1**	**(90)**	**676**
Equity accounted investments	**-**	**-**	**-**	**-**	**21**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**436**	**460**
Total assets(7)	**3,379**	**1,058**	**531**	**663**	**655**	**1,617**	**184**	**608**	**438**	**623**	**457**	**1,894**	**2,430**	**(800)**	**13,737**
Total liabilities(7)	**590**	**264**	**95**	**95**	**1,020**	**261**	**10**	**366**	**201**	**198**	**243**	**36**	**1,559**	**(763)**	**4,175**

(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 consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.

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

(3) Revenue on third party products and services sold comprise of US$42 million for aluminium, US$14 million for alumina, US$276 million for coal, US$165 million for freight services and US$86 million for aluminium raw materials. Underlying EBIT on third party products and services sold comprise of US$2 million for aluminium, (US$4) million for alumina, (US$15) million for coal, (US$2) million for freight services and US$2 million for aluminium raw materials.

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

(5) Refer to 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 and liabilities.

FY19 SEGMENT INFORMATION

30 June 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	1,619	1,443	558	565	1,043	1,139	-	1,102	556	498	478	-	(39)	(1,650)	7,312
Other(2)	-	(4)	(2)	1	(6)	(4)	-	(7)	(3)	(9)	(11)	-	(3)	10	(38)
Total revenue	1,619	1,439	556	566	1,037	1,135	-	1,095	553	489	467	-	(42)	(1,640)	7,274
Group production	797	1,439	556	548	1,037	1,135	-	1,095	536	489	467	-	-	(1,631)	6,468
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	815	(9)	806
Inter-segment revenue	822	-	-	18	-	-	-	-	17	-	-	-	(857)	-	-
Total revenue	1,619	1,439	556	566	1,037	1,135	-	1,095	553	489	467	-	(42)	(1,640)	7,274
Underlying EBITDA	702	(7)	13	219	42	542	-	698	215	127	161	-	(53)	(462)	2,197
Depreciation and amortisation	(161)	(68)	(34)	(59)	(88)	(183)	-	(60)	(27)	(87)	(57)	-	(20)	87	(757)
Underlying EBIT	541	(75)	(21)	160	(46)	359	-	638	188	40	104	-	(73)	(375)	1,440
Comprising:															
Group production excluding exploration expensed	542	(75)	(21)	160	(47)	360	-	639	188	48	107	-	(47)	(823)	1,031
Exploration expensed	(1)	-	-	-	-	(3)	-	(1)	-	(8)	(3)	-	(31)	1	(46)
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	5	-	5
Share of profit/(loss) of equity accounted investments(4)	-	-	-	-	1	2	-	-	-	-	-	-	-	447	450
Underlying EBIT	541	(75)	(21)	160	(46)	359	-	638	188	40	104	-	(73)	(375)	1,440
Net finance cost															(118)
Income tax (expense)/benefit															(330)
Underlying earnings															992
Earnings adjustments(5)															(603)
Profit/(loss) after tax															389
Exploration expenditure	1	-	-	-	-	9	1	2	-	10	4	18	31	(2)	74
Capital expenditure(6)	57	19	19	26	213	138	6	65	30	32	55	85	2	(95)	652
Equity accounted investments	-	-	-	-	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 consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.

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

(3) Revenue on third party products and services sold comprise of US$57 million for aluminium, US$2 million for alumina, US$392 million for coal, US$239 million for freight services and US$116 million for aluminium raw materials. Underlying EBIT on third party products and services sold comprise of nil for aluminium, US$2 million for alumina, US$9 million for coal, (US$5) million for freight services and (US$1) million for aluminium raw materials.

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

(5) Refer to 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 and liabilities.

EARNINGS ADJUSTMENTS

The following table shows earnings adjustments in determining Underlying earnings:

US$M	FY20	FY19
Adjustments to Underlying EBIT		
Exchange rate (gains)/losses on restatement of monetary items[1]	**(72)**	3
Impairment losses[1][2]	**-**	504
(Gains)/losses on non-trading derivative instruments and other investments measured at fair value[1][3]	**149**	35
Major corporate restructures[1]	**-**	28
Earnings adjustments included in (profit)/loss of equity accounted investments[4][5]	**108**	(17)
Total adjustments to Underlying EBIT	**185**	553
Adjustments to net finance cost		
Exchange rate variations on net debt	**(6)**	(34)
Total adjustments to net finance cost	**(6)**	(34)
Adjustments to income tax expense		
Tax effect of earnings adjustments to Underlying EBIT	**(18)**	56
Tax effect of earnings adjustments to net finance cost	**(2)**	10
Exchange rate variations on tax balances	**99**	18
Total adjustments to income tax expense	**79**	84
Total earnings adjustments	**258**	603

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

(2) Recognised impairments of property, plant and equipment for the separately identifiable cash generating units (CGUs) within the South Africa Energy Coal (SAEC) segment in FY19. The Group received external indicative offers for SAEC which, in combination with the market outlook for thermal coal demand and prices, informed the Group's assessment of the recoverable amount for SAEC as a collective group of CGUs.

(3) Primarily relates to US$105 million (FY19: US$30 million) included in the Hillside Aluminium segment and US$36 million (FY19: US$5 million) included in the South Africa Energy Coal segment.

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

(5) Relates to US$51 million (FY19: (US$17) million) included in the Australia Manganese segment and US$57 million (FY19: nil) included in the South Africa Manganese segment. Of the US$108 million, impairment losses of US$40 million were recorded in the Australia Manganese segment after GEMCO entered into a binding agreement for the sale of its shareholding in TEMCO, and US$49 million in the South Africa Manganese segment following the decision to place the Metalloys manganese smelter on care and maintenance.

INCOME TAX EXPENSE

US$M	FY20	FY19
Current income tax (expense)/benefit	**(130)**	(313)
Deferred income tax (expense)/benefit	**(57)**	(101)
Total income tax (expense)/benefit	**(187)**	(414)

NET FINANCE COST

US$M	FY20	FY19
Finance expenses		
Interest on borrowings	**(18)**	(23)
Finance lease interest	**-**	(47)
Interest on lease liabilities(1)	**(51)**	-
Discounting on provisions and other liabilities	**(102)**	(103)
Net interest expense on post-retirement employee benefits	**(8)**	(9)
Fair value change on financial assets	**(10)**	(3)
Exchange rate variations on net debt	**6**	34
	(183)	(151)
Finance income		
Interest income	**44**	67
Net finance cost	**(139)**	(84)

(1) Lease liabilities include leases previously recognised as finance leases under AASB 117 *Leases*.

EQUITY ACCOUNTED INVESTMENTS

The Group's interest in equity accounted investments with the most significant contribution to the Group's net profit/(loss) or net assets, are as follows:

Significant joint ventures	Country of incorporation/ principal place of business	Principal activity	Reporting date	Acquisition date	Ownership interest %	
					FY20	FY19
Australia Manganese(1)(2)	Australia	Integrated producer of manganese ore and alloy(3)	30 June 2020	8 May 2015	**60**	60
South Africa Manganese(1)(4)	South Africa	Integrated producer of manganese ore and alloy(5)	30 June 2020	3 February 2015	**60**	60

(1) While the Group holds a greater than 50 per cent interest in the joint ventures, joint control is contractually achieved as joint venture parties unanimously consent on decisions over the joint venture's relevant activities.

(2) Australia Manganese consists of an investment in GEMCO.

(3) On 13 August 2020, the Group announced that GEMCO had entered into a binding agreement for the sale of its shareholding in TEMCO.

(4) South Africa Manganese consists of an investment in Samancor Holdings (Pty) Ltd.

(5) After consideration of its future economic viability, the Group made the decision with its joint venture partner to place the Metalloys manganese smelter on care and maintenance.

Share of profit/(loss) of equity accounted investments US$M	FY20	FY19
Australia Manganese and South Africa Manganese	**88**	448
Individually immaterial(1)	**12**	19
Total(2)	**100**	467

(1) Individually immaterial consists of investments in Samancor Marketing Pte Ltd (60 per cent), Richards Bay Coal Terminal Proprietary Limited (21.1 per cent) and Port Kembla Coal Terminal Limited (16.7 per cent).

(2) Includes earnings adjustments of US$108 million (FY19: (US$17) million). Refer to Earnings adjustments.

INTERESTS IN JOINT OPERATIONS

Significant joint operations of the Group, which are those with the most significant contribution to the Group's net profit/(loss) or net assets, are as follows:

Significant joint operations	Country of operation	Principal activity	Acquisition date	Effective interest % FY20	Effective interest % FY19
Ambler Metals(1)(2)	United States	Development studies, resource drilling and regional exploration	11 February 2020	**50**	-
Brazil Alumina	Brazil	Alumina refining	3 July 2014	**36**	36
Eagle Downs Metallurgical Coal	Australia	Metallurgical coal exploration and development	14 September 2018	**50**	50
Mozal Aluminium SARL(2)	Mozambique	Aluminium smelting	27 March 2015	**47.1**	47.1
Worsley Alumina(3)	Australia	Bauxite mining and alumina refining	8 May 2015	**86**	86

(1) Refer to Acquisition of subsidiaries and jointly controlled operations.

(2) This joint arrangement is an incorporated entity. It is classified as a joint operation as the participants are entitled to receive output, not dividends, from the arrangement.

(3) While the Group holds a greater than 50 per cent interest in Worsley Alumina, participants jointly approve certain matters and are entitled to receive their share of output from the arrangement.

ACQUISITION OF SUBSIDIARIES AND JOINTLY CONTROLLED OPERATIONS

Acquisition of Upper Kobuk Mineral Projects

On 11 February 2020, the Group completed the formation of the Ambler Metals Joint Venture (Ambler Metals JV) with Trilogy Metals Inc. (TSX, NYSE American: TMQ). Trilogy Metals Inc. contributed all of its assets associated with the Upper Kobuk Mineral Projects (UKMP) and the Group contributed a US$145 million subscription payment to the Ambler Metals JV for an equal share of its assets, liabilities, income and expenses. The transaction was treated as an acquisition of assets including mineral rights and exploration licences. The joint arrangement is classified as a joint operation as the activities are primarily designed for the future provision of output to the parties of the arrangement. The Ambler Metals JV loaned US$57.5 million of the subscription payment to the Group with the balance retained to fund its activities and exploration programs.

US$M	FY20
Cash outflow on acquisition	
Net cash acquired	72.5
Direct costs relating to the acquisition(1)	(145)
Net consolidated cash outflow	**(72.5)**
Net assets	
Cash and cash equivalents	72.5
Property, plant and equipment(2)	72.5
Net assets	**145**

(1) Inclusive of acquisition related transaction costs and other directly attributable costs.

(2) Includes mineral rights of US$72.5 million.

SUBSEQUENT EVENTS

On 14 July 2020, the Group extended the expiry date of the undrawn revolving credit facility by one year to February 2023, providing the Group with access to US$1.45 billion in liquidity.

On 13 August 2020, the Group announced that Groote Eylandt Mining Company Pty Ltd had entered into a binding agreement for the sale of its shareholding in the Tasmanian Electro Metallurgical Company Pty Ltd to an entity within GFG Alliance. Completion of the transaction is subject to approval from Australia's Foreign Investment Review Board.

On 20 August 2020, the Directors resolved to pay a fully franked final dividend of US 1 cent per share (US$48 million) in respect of the 2020 financial year. The dividend will be paid on 8 October 2020. The dividend has not been provided for in the consolidated financial statements and will be recognised in the 2021 financial year.

Following the decision to suspend the on-market share buy-back program on 27 March 2020, the Group announced, on 20 August 2020, a 12-month extension to the program's execution window to 3 September 2021.

No other matters or circumstances have arisen since the end of the financial 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.

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. South32 cautions against reliance on any forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19.

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.

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