

QUARTERLY REPORT

DECEMBER 2021



South32 Limited
(Incorporated in Australia under the Corporations Act 2001 (Cth))
(ACN 093 732 597)
ASX, LSE, JSE Share Code: S32 ADR: SOUHY
ISIN: AU000000S320

- Achieved a 4% uplift in quarterly alumina production with Worsley Alumina continuing to operate above nameplate capacity, and record production at Brazil Alumina as it returned to normalised rates following the prior quarter's bauxite unloader outage
- Revised Cannington FY22 production guidance higher by 5% with the operation on-track to transition to 100% truck haulage in the June 2022 quarter
- Increased payable nickel production at Cerro Matoso by 26% with plant availability benefitting from completion of the furnace refurbishment in FY21
- Revised Australia Manganese FY22 production guidance lower by 9% as COVID-19 and weather impacted production, preventing the re-build of stockpiles ahead of the wet season
- Increased South Africa Manganese production by 7% in the December 2021 half year with higher output of premium material
- Completed an extended longwall move at Illawarra Metallurgical Coal in the quarter, resulting in lower production for the December 2021 half year
- Realised record aluminium pricing in the December 2021 half year, while managing the impact of third-party port and freight congestion for our Southern African smelters
- Committed to grow our green aluminium capacity through our agreed acquisition of an additional shareholding in Mozal Aluminium¹ and restart of the Brazil Aluminium smelter²
- Added copper exposure to our portfolio, announcing the acquisition of a 45% interest in the Sierra Gorda joint venture, which is expected to complete in the March 2022 quarter³
- Finalised the zinc-lead-silver Taylor Deposit's pre-feasibility study following the end of the period, confirming its potential to be the first development option at our Hermosa project⁴

"We achieved a number of strong production results across our portfolio and realised significantly higher commodity prices in the December 2021 half year, lifting operating margins across the Group."

"We delivered higher base metals production and our integrated aluminium supply chain benefitted from additional alumina volumes and record aluminium prices."

"We took further steps to reshape our portfolio for a low carbon future, increasing our exposure to critical metals with our planned acquisition of a 45% interest in the Sierra Gorda copper mine in Chile and further investment in green aluminium."

"We expect to grow our total share of aluminium production by approximately 24% to 1.2Mt in FY23, through our proposed acquisition of an additional interest in the hydro powered Mozal Aluminium smelter and the restart of the Brazil Aluminium smelter using 100 per cent renewable power."

"We returned US\$316M to shareholders during the period through our on-market share buy-back and the payment of ordinary and special dividends. Looking forward our shareholders are well positioned to benefit from stronger markets and production growth, with our capital management framework designed to reward owners as our financial performance improves."

Graham Kerr, South32 CEO

Production summary

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | QoQ |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Alumina production (kt) | 2,716 | 2,610 | (4%) | 1,401 | 1,278 | 1,332 | 4% |
| Aluminium production (kt) | 496 | 494 | (0%) | 248 | 248 | 246 | (1%) |
| Metallurgical coal production (kt) | 3,262 | 2,767 | (15%) | 1,399 | 1,575 | 1,192 | (24%) |
| Manganese ore production (kwmt) | 2,920 | 2,861 | (2%) | 1,459 | 1,565 | 1,296 | (17%) |
| Payable nickel production (kt) | 16.1 | 20.3 | 26% | 6.1 | 9.6 | 10.7 | 11% |
| Payable silver production (koz) | 5,993 | 6,710 | 12% | 3,130 | 3,493 | 3,217 | (8%) |
| Payable lead production (kt) | 57.6 | 60.2 | 5% | 31.2 | 31.9 | 28.3 | (11%) |
| Payable zinc production (kt) | 30.4 | 32.7 | 8% | 18.0 | 15.4 | 17.3 | 12% |

Unless otherwise noted: percentage variance relates to performance during the half year ended December 2021 compared with the half year ended December 2020 (HoH), or the December 2021 quarter compared with the September 2021 quarter (QoQ); production and sales volumes are reported on an attributable basis.

CORPORATE UPDATE

- The COVID-19 pandemic continues to impact our operations and supply chains in different ways, across our global portfolio. We have seen an increase in case numbers and workforce restrictions in many of the jurisdictions in which we operate, impacting labour availability.
- Port congestion and tight global freight conditions continue to impact our supply chains, slowing the movement of inventory, most notably for our aluminium smelters in Southern Africa. While the resultant build in aluminium inventory during the December 2021 half year is expected to persist in the near term, we have and continue to establish alternative shipping solutions and points of dispatch to minimise the impact. We expect the working capital build to unwind once we realise the full benefit of our initiatives, and port congestion and general freight tightness is alleviated.
- We received net distributions⁵ of US\$102M (South32 share) from our manganese equity accounted investments (Manganese EAI) in the December 2021 half year.
- We spent US\$60M purchasing a further 25M shares at an average price of A\$3.36 via our on-market share buy-back during the December 2021 half year. To 31 December 2021 our US\$2B capital management program was 90% complete with US\$192M remaining to be returned to shareholders ahead of its extension or expiry on 2 September 2022⁶.
- We refinanced our multicurrency revolving credit facility, securing US\$1.4B of commitments for a five-year term to 2026, with options to extend for up to a further two years by mutual agreement. The facility has been established as a sustainability-linked loan with measures linked to our ongoing commitment to emissions reduction and improving energy and water use efficiency.
- Reflecting our strong balance sheet and continued disciplined approach to capital allocation, our current BBB+/Baa1 credit ratings were re-affirmed by S&P and Moody's respectively.
- Our Group Underlying effective tax rate (ETR) for the December 2021 half year is expected to be approximately 30%, reflecting the corporate tax rates of the jurisdictions in which we operate⁷, as well as a change in accounting treatment with our manganese business (including a royalty related tax for Australia Manganese) now included in Underlying earnings on a proportionally consolidated basis⁸. The ETR for our manganese business in the December 2021 half year is expected to be in a range of approximately 40-45%, including the royalty related tax⁹.
- We entered into binding conditional agreements with Sumitomo Metal Mining and Sumitomo Corporation (collectively Sumitomo) on 14 October 2021 to acquire a 45% interest in the Sierra Gorda copper mine in Chile for upfront cash consideration of US\$1.55B and contingent price-linked consideration of up to US\$500M³. The acquisition is expected to be completed in the March 2022 quarter, subject to the satisfaction of the remaining conditions.
- Our acquisition of an additional shareholding in Mozal Aluminium from MCA Metals (Mitsubishi)¹, remains on-track to complete in the March 2022 quarter. Our shareholding is expected to increase by a minimum of 16.6% to 63.7% for a headline purchase price of US\$166M.
- Following the end of the period, we announced our decision to participate in the restart of the Alumar aluminium smelter (Brazil Aluminium, 40% South32 share), together with our joint venture partner Alcoa Corporation (Alcoa)². First production is expected in the June 2022 quarter, with full capacity of 447ktpa (100%) in the March 2023 quarter. We have secured cost efficient renewable power for our share of production, while our alumina supply will be sourced from the co-located Brazil Alumina refinery (36% South32 share).
- Separately, to secure and align our Brazilian bauxite supply requirements, we have entered into a conditional agreement for the acquisition of an additional 18.2% interest in the MRN bauxite mine from subsidiaries of Alcoa, which would take our ownership of the mine to 33%. Completion is expected in the June 2022 half year, subject to the satisfaction of conditions.
- Samancor Manganese entered into a binding conditional agreement on 29 November 2021 to divest the Metalloys manganese alloy smelter, subject to the satisfaction of conditions.
- Illawarra Metallurgical Coal's Dendrobium Next Domain life extension project was declared as State Significant Infrastructure by the New South Wales Government on 4 December 2021. We are working towards the completion of an alternate mine plan and the submission of an environmental impact statement for the project in the March 2022 quarter.

DEVELOPMENT AND EXPLORATION UPDATE

Hermosa project

- Following the end of the period, we reported the results of a pre-feasibility study (PFS) for the Taylor Deposit⁴, the first development option at our Hermosa project. The PFS results support Taylor's potential to be the first stage of a multi-decade operation, establishing Hermosa as a globally significant producer of metals critical to a low carbon future. An initial development case demonstrates a sustainable, highly productive zinc-lead-silver underground mine and conventional process plant, in the first quartile of the industry cost curve. Completion of the feasibility study and a final investment decision to construct Taylor are expected in mid CY23.
- In parallel, we are advancing a PFS for the Clark Deposit, following the completion of a scoping study which confirmed the potential for a separate, integrated underground mining operation producing battery-grade manganese, as well as zinc and silver⁴. Our study work will also consider the opportunity to integrate its development with Taylor, potentially unlocking further operating and capital efficiencies.
- We directed US\$8M to exploration programs at Hermosa in the December 2021 half year, including work to identify targets across the broader land package. As part of this work, we have identified a highly prospective corridor which contains Taylor and Clark as well as the Peake and Flux exploration targets⁴. Exploration drilling at both prospects is planned during CY22, with the Flux program subject to the receipt of required permits.

Other development and exploration options

- At our Ambler Metals joint venture, infill drilling was completed at the Arctic Deposit during the summer exploration season. Further resource drilling at the Arctic Deposit and drill testing of regional exploration targets in the Ambler Belt is planned for the CY22 summer exploration season. An update on the forward work program from our joint venture partner can be accessed at www.trilogymetals.com.
- We invested US\$13M during the December 2021 half year in our early stage greenfield exploration opportunities with multiple programs targeting base metals underway in Australia, USA, Canada, Argentina, Peru and Ireland.
- We directed US\$24M toward exploration programs at our existing operations and development options in the December 2021 half year (US\$17M capitalised), including US\$2M for our Manganese EAI (US\$1M capitalised), US\$8M at the Hermosa project as noted above (all capitalised) and US\$7M at Ambler Metals (all capitalised).

PRODUCTION SUMMARY

| Production guidance (South32 share) | FY21 | 1H22 | FY22e ^(a) | Guidance comments |
|-------------------------------------------------------|--------|-------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Worsley Alumina | | | | |
| Alumina production (kt) | 3,963 | 1,979 | 3,965 | |
| Brazil Alumina | | | | |
| Alumina production (kt) | 1,398 | 631 | 1,300 | |
| Brazil Aluminium | | | | |
| Aluminium production (kt) | - | - | 5 | Smelter expected to restart in the June 2022 quarter, reaching full capacity (179kt, 40% South32 share) in the March 2023 quarter |
| Hillside Aluminium ¹⁰ | | | | |
| Aluminium production (kt) | 717 | 358 | 720 | |
| Mozal Aluminium ¹⁰ | | | | |
| Aluminium production (kt) | 265 | 136 | 273 | No change to guidance pending the completion of our acquisition of an additional shareholding ¹ |
| Illawarra Metallurgical Coal | | | | |
| Total coal production (kt) | 7,645 | 3,145 | 7,300 | Subject to further COVID-19 related impacts on labour availability. An update to our FY22 and FY23 guidance is expected to be provided with our H1 FY22 results announcement |
| Metallurgical coal production (kt) | 6,170 | 2,767 | 6,300 | |
| Energy coal production (kt) | 1,475 | 378 | 1,000 | |
| Australia Manganese | | | | |
| Manganese ore production (kwmt) | 3,529 | 1,704 | ↓3,200 | Revised to reflect COVID-19 and weather disrupted production, preventing the re-build of stockpiles ahead of the wet season |
| South Africa Manganese | | | | |
| Manganese ore production ¹¹ (kwmt) | 2,264 | 1,157 | 2,200 | |
| Cerro Matoso | | | | |
| Payable nickel production (kt) | 34.1 | 20.3 | 43.8 | |
| Cannington | | | | |
| Payable zinc equivalent production ¹² (kt) | 319.0 | 152.5 | ↑292.2 | Revised to reflect continued strong underground mine performance and higher average grades |
| Payable silver production (koz) | 13,655 | 6,710 | ↑12,283 | |
| Payable lead production (kt) | 131.8 | 60.2 | ↑117.9 | |
| Payable zinc production (kt) | 67.7 | 32.7 | ↑66.7 | |

a. The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19.

MARKETING SUMMARY

Market conditions remained strong in the December 2021 half year. Robust demand, congested freight markets and supply disruptions, including energy curtailments, resulted in significant price increases across many of our commodities.

| Realised prices ¹³ | 1H21 | 2H21 | 1H22 | 1H22 vs 1H21 | 1H22 vs 2H21 |
|--------------------------------------------|-------|-------|-------|--------------------|--------------------|
| Worsley Alumina | | | | | |
| Alumina (US\$/t) | 278 | 309 | 389 | 40% | 26% |
| Brazil Alumina | | | | | |
| Alumina (US\$/t) | 277 | 297 | 387 | 40% | 30% |
| Hillside Aluminium | | | | | |
| Aluminium (US\$/t) | 1,882 | 2,386 | 2,952 | 57% | 24% |
| Mozal Aluminium | | | | | |
| Aluminium (US\$/t) | 1,943 | 2,457 | 3,041 | 57% | 24% |
| Illawarra Metallurgical Coal | | | | | |
| Metallurgical coal (US\$/t) | 107 | 123 | 303 | 183% | 146% |
| Energy coal (US\$/t) | 31 | 51 | 108 | 248% | 112% |
| Australia Manganese¹⁴ | | | | | |
| Manganese ore (US\$/dmu, FOB) | 3.93 | 4.34 | 4.59 | 17% | 6% |
| South Africa Manganese¹⁵ | | | | | |
| Manganese ore (US\$/dmu, FOB) | 3.49 | 3.56 | 3.47 | (1%) | (3%) |
| Cerro Matoso¹⁶ | | | | | |
| Payable nickel (US\$/lb) | 6.29 | 7.06 | 8.39 | 33% | 19% |
| Cannington¹⁷ | | | | | |
| Payable silver (US\$/oz) | 26.0 | 24.9 | 21.0 | (19%) | (16%) |
| Payable lead (US\$/t) | 1,744 | 1,965 | 2,180 | 25% | 11% |
| Payable zinc (US\$/t) | 2,228 | 2,468 | 2,988 | 34% | 21% |

WORSLEY ALUMINA (86% SHARE)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|-------------------------|-------|--------------|------|--------------|-------|--------------|--------------------|--------------------|
| Alumina production (kt) | 2,010 | 1,979 | (2%) | 1,047 | 1,006 | 973 | (7%) | (3%) |
| Alumina sales (kt) | 2,078 | 1,946 | (6%) | 1,077 | 924 | 1,022 | (5%) | 11% |

Worsley Alumina saleable production decreased by 2% (or 31kt) to 1,979kt in the December 2021 half year. FY22 production guidance remains unchanged at 3,965kt with our ongoing focus on improvement initiatives at the refinery expected to maintain production above nameplate capacity of 4.6Mt (100% basis).

We realised a circa 8% premium to the Platts Alumina Index¹⁸ on a volume weighted M-1 basis for alumina sales from Worsley Alumina in the December 2021 half year, with our realised prices benefitting from the impact of elevated global freight rates which are also reflected in Operating unit costs.

Notwithstanding the refinery's continued strong performance that has enabled us to capture the benefit of market conditions, elevated caustic soda prices and freight rates are expected to result in Operating unit costs for the December 2021 half year being approximately 5% above our FY22 guidance (US\$241/t). We expect higher caustic soda prices to persist in the June 2022 half year further impacting the refinery's Operating unit costs. Updated FY22 Operating unit cost guidance will be provided in our financial results announcement for the December 2021 half year.

BRAZIL ALUMINA (36% SHARE)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|-------------------------|------|------------|-------|------|------|------------|--------------------|--------------------|
| Alumina production (kt) | 706 | 631 | (11%) | 354 | 272 | 359 | 1% | 32% |
| Alumina sales (kt) | 674 | 626 | (7%) | 334 | 247 | 379 | 13% | 53% |

Saleable production decreased by 11% (or 75kt) to 631kt in the December 2021 half year. Production improved by 32% (or 87kt) to a record 359kt in the December quarter as the refinery returned to nameplate capacity in October 2021, following an incident in July 2021 that damaged one of the two bauxite unloaders at the operation. FY22 production guidance remains unchanged at 1,300kt.

Sales increased by 53% in the December 2021 quarter with the prior quarter's shipment schedule impacted by the bauxite unloader outage and vessel availability. We realised a circa 4% premium to the Platts Alumina Index¹⁸ on a volume weighted M-1 basis for alumina sales from Brazil Alumina in the December 2021 half year, with our realised prices benefitting from the impact of elevated global freight rates which are also reflected in Operating unit costs.

Notwithstanding the improvement in production volumes from the refinery returning to nameplate capacity, the impact of elevated raw material input prices, in combination with the already realised volume impact of the bauxite unloader outage, is expected to result in Operating unit costs for the December 2021 half year being approximately 30% higher than the June 2021 half year (US\$201/t).

HILLSIDE ALUMINIUM (100%)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|---------------------------|------|------------|------|------|------|------------|--------------------|--------------------|
| Aluminium production (kt) | 361 | 358 | (1%) | 181 | 180 | 178 | (2%) | (1%) |
| Aluminium sales (kt) | 347 | 336 | (3%) | 172 | 160 | 176 | 2% | 10% |

Hillside Aluminium saleable production decreased by 1% (or 3kt) to 358kt in the December 2021 half year as the smelter continued to test its maximum technical capacity, despite the impact from higher load-shedding in the period. FY22 production guidance, which does not assume any load-shedding impact, remains unchanged at 720kt¹⁰.

During the half year, we completed a feasibility study for the AP3XLE energy efficiency project, approving its execution. We expect to roll the technology out as part of the smelter's pot relining program starting in FY23, bringing both volume and efficiency benefits, while reducing carbon intensity.

Third party port performance at Richards Bay and ongoing congestion in global shipping conditions, impacted the smelter's capacity to sustainably unwind working capital that was built in the September 2021 quarter. In response we have and continue to establish alternative discharge and cargo shipping options to mitigate these challenges, while maintaining sales volumes into strong market conditions. The smelter realised record prices of US\$2,952/t in the December 2021 half year. We expect the current working capital build to unwind once we realise the full benefit of our initiatives, and port congestion and general freight tightness is alleviated.

While the smelter has benefitted from the continuation of strong underlying realised prices, that are anticipated to further improve operating margins, elevated raw material input costs and the smelter's energy price linkage to the South Africa Producer Price Index are expected to result in an increase in Operating unit costs in the December 2021 half year (June 2021 half year: US\$1,722/t) of approximately 10%.

MOZAL ALUMINIUM (47.1% SHARE)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|---------------------------|------|------------|------|------|------|-----------|--------------------|--------------------|
| Aluminium production (kt) | 135 | 136 | 1% | 67 | 68 | 68 | 1% | 0% |
| Aluminium sales (kt) | 130 | 122 | (6%) | 66 | 55 | 67 | 2% | 22% |

Mozal Aluminium saleable production increased by 1% (or 1kt) to 136kt in the December 2021 half year as the benefit of our investment in the AP3XLE energy efficiency project more than offset the impact of further load-shedding. FY22 production guidance, which does not assume any load-shedding impact, remains unchanged at 273kt¹⁰. Updated production guidance will be provided following the completion of our acquisition of an additional shareholding in Mozal Aluminium that remains on-track to complete in the March 2022 quarter¹.

Challenging port and global shipping conditions impacted sales volumes from Mozal Aluminium in the December 2021 half year. Conditions improved in the December 2021 quarter with sales increasing by 22%. The smelter realised record prices of US\$3,041/t in the December 2021 half year.

While the smelter has benefitted from the continuation of strong underlying realised prices, that are anticipated to further improve operating margins, elevated raw material input costs are expected to result in an increase in Operating unit costs in the December 2021 half year (June 2021 half year: US\$1,818/t) of approximately 10%.

ILLAWARRA METALLURGICAL COAL (100%)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|-------------------------------------|-------|--------------|-------|-------|-------|--------------|--------------------|--------------------|
| Total coal production (kt) | 4,096 | 3,145 | (23%) | 1,725 | 1,888 | 1,257 | (27%) | (33%) |
| Total coal sales ¹⁹ (kt) | 4,027 | 3,255 | (19%) | 2,087 | 1,708 | 1,547 | (26%) | (9%) |
| Metallurgical coal production (kt) | 3,262 | 2,767 | (15%) | 1,399 | 1,575 | 1,192 | (15%) | (24%) |
| Metallurgical coal sales (kt) | 3,165 | 2,877 | (9%) | 1,697 | 1,490 | 1,387 | (18%) | (7%) |
| Energy coal production (kt) | 834 | 378 | (55%) | 326 | 313 | 65 | (80%) | (79%) |
| Energy coal sales (kt) | 862 | 378 | (56%) | 390 | 218 | 160 | (59%) | (27%) |

Illawarra Metallurgical Coal saleable production decreased by 23% (or 951kt) to 3,145kt in the December 2021 half year as we completed an extended longwall move at the Dendrobium mine in the current quarter. We made no energy coal sales of low-margin coal wash, with elevated freight rates making them uneconomic in the period.

The implementation of additional COVID-19 workforce restrictions in New South Wales has the potential to further impact labour availability across the June 2022 half year. We expect to provide updated production guidance for FY22 and FY23 at our financial results announcement for the December 2021 half year, as we continue to monitor the impact of COVID-19 and progress design of an alternate mine plan for the Dendrobium Next Domain life extension project.

Lower December 2021 half year production and sales volumes, and higher price-linked royalties arising from the significant increase in prices year to date, are expected to result in our Operating unit costs for the December 2021 half year being approximately 20% above our FY22 guidance (US\$101/t). Updated FY22 Operating unit cost guidance will be provided in our financial results announcement for the December 2021 half year.

AUSTRALIA MANGANESE (60% SHARE)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|---------------------------------|-------|--------------|------|------|------|------------|--------------------|--------------------|
| Manganese ore production (kwmt) | 1,834 | 1,704 | (7%) | 954 | 897 | 807 | (15%) | (10%) |
| Manganese ore sales (kwmt) | 1,865 | 1,737 | (7%) | 871 | 906 | 831 | (5%) | (8%) |

Australia Manganese saleable production decreased by 7% (or 130kwmt) to 1,704kwmt in the December 2021 half year with lower yield at the primary concentrator, while the PC02 circuit continued to deliver production above nameplate capacity (13% of total production, 1H21: 10%).

FY22 production guidance has been revised lower by 9% to 3,200kwmt with wet weather disruptions and additional COVID-19 workforce restrictions in the Northern Territory preventing the re-build of stockpiles ahead of the wet season.

Lower December 2021 half year production and sales volumes are expected to result in our Operating unit costs for the period being approximately 5% above our FY22 guidance (US\$1.68/dmtu). Updated FY22 Operating unit cost guidance will be provided in our financial results announcement for the December 2021 half year.

SOUTH AFRICA MANGANESE (60% SHARE)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|-----------------------------------------------|-------|--------------|-----|------|------|------------|--------------------|--------------------|
| Manganese ore production ¹¹ (kwmt) | 1,086 | 1,157 | 7% | 505 | 668 | 489 | (3%) | (27%) |
| Manganese ore sales ¹¹ (kwmt) | 1,103 | 1,202 | 9% | 586 | 566 | 636 | 9% | 12% |

South Africa Manganese saleable production increased by 7% (or 71kwmt) to 1,157kwmt in the December 2021 half year as planned maintenance completed in the December 2021 quarter was more than offset by higher volumes of premium material from our Mamatwan mine as we optimised our product mix.

Ore sales increased by 12% during the December 2021 quarter and 9% across the half year as we continued to truck additional volume, drawing down inventory and optimising our sales mix for market conditions. As a result, our sales achieved a premium of approximately 11% to the medium grade 37% manganese lump ore index²⁰ on a volume weighted M-1 basis.

FY22 production guidance remains unchanged at 2,200kwmt as we continue to monitor market conditions and our use of higher cost trucking.

CERRO MATOSO (99.9% SHARE)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|--------------------------------|------|-------------|-----|------|------|-------------|--------------------|--------------------|
| Payable nickel production (kt) | 16.1 | 20.3 | 26% | 6.1 | 9.6 | 10.7 | 75% | 11% |
| Payable nickel sales (kt) | 16.5 | 20.1 | 22% | 6.1 | 10.4 | 9.7 | 59% | (7%) |

Cerro Matoso payable nickel production increased by 26% (or 4.2kt) to 20.3kt in the December 2021 half year as plant availability returned to normal following the major plant refurbishment completed in FY21. Separately, average ore processed nickel grades improved to 1.73% (1H21: 1.57%) with the processing of higher-grade material from the Q&P project.

Notwithstanding a shipment slipping at the end of the period due to congestion at a destination port, nickel sales increased by 22% in the December 2021 half year as production levels normalised. While our ferronickel product continues to sell at a discount to the LME Nickel index price on a M or M+1 basis, this discount narrowed during the December 2021 half year, averaging approximately 5% (FY21: 9%).

FY22 production guidance remains unchanged at 43.8kt with the operation expected to benefit from a further improvement in plant availability and additional volumes from the higher-grade Q&P project in the June 2022 half year.

CANNINGTON (100% SHARE)

| South32 share | 1H21 | 1H22 | HoH | 2Q21 | 1Q22 | 2Q22 | 2Q22 vs 2Q21 | 2Q22 vs 1Q22 |
|-------------------------------------------------------|-------|--------------|-----|-------|-------|--------------|--------------------|--------------------|
| Payable zinc equivalent production ¹² (kt) | 140.5 | 152.5 | 9% | 76.4 | 78.2 | 74.3 | (3%) | (5%) |
| Payable silver production (koz) | 5,993 | 6,710 | 12% | 3,130 | 3,493 | 3,217 | 3% | (8%) |
| Payable silver sales (koz) | 6,326 | 6,718 | 6% | 3,359 | 2,718 | 4,000 | 19% | 47% |
| Payable lead production (kt) | 57.6 | 60.2 | 5% | 31.2 | 31.9 | 28.3 | (9%) | (11%) |
| Payable lead sales (kt) | 61.4 | 63.3 | 3% | 31.9 | 25.3 | 38.0 | 19% | 50% |
| Payable zinc production (kt) | 30.4 | 32.7 | 8% | 18.0 | 15.4 | 17.3 | (4%) | 12% |
| Payable zinc sales (kt) | 31.8 | 32.8 | 3% | 20.0 | 14.3 | 18.5 | (8%) | 29% |

Cannington payable zinc equivalent production increased by 9% (or 12kt) to 152.5kt in the December 2021 half year as higher grades across all products and strong underground performance supported metal production. FY22 production guidance has been revised higher by 5% (silver 12,283koz, lead 117.9kt and zinc 66.7kt, for 292.2kt of payable zinc equivalent production¹²) with the operation remaining on-track to transition to 100% truck haulage from the June 2022 quarter.

Payable zinc sales increased by 29% during the December 2021 quarter as we drew down inventory, while payable lead and silver sales increased by 50% and 47% respectively due to the timing of shipments, following adverse weather in the September 2021 quarter.

A trial of light battery electric vehicles is expected to commence during the June 2022 half year, testing their potential use in our vehicle fleet.

NOTES

1. Refer to market release “South32 to acquire up to an additional 25% of Mozal Aluminium” dated 30 September 2021.
2. Refer to market release “Restart of Brazil Aluminium using renewable power” dated 6 January 2022.
3. Refer to market release “South32 to acquire a 45% interest in the Sierra Gorda copper mine” dated 14 October 2021. Upfront consideration subject to customary working capital and net debt adjustments. Contingent price-linked consideration payable at threshold copper production rates and prices in the years 2022-25. The estimates indicated in the original announcement are qualifying foreign estimate and are not reported in accordance with the JORC Code. A Competent Person has not done sufficient work to classify foreign estimates as Mineral Resources or Ore Reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further work that the foreign estimates will be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code.
4. Refer to market release “Hermosa project update” dated 17 January 2022.
5. Net distributions from equity accounted investments includes net debt movements and dividends, which are unaudited and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.
6. Since inception, US\$1.4B has been allocated to the on-market share buy-back (674M shares at an average price of A\$2.88 per share) and US\$386M returned in the form of special dividends.
7. The corporate tax rates of the geographies where the Group operates include: Australia 30%, South Africa 28%, Colombia 31%, Mozambique 0% and Brazil 34%. The Colombian corporate tax rate increased to 35% from 1 January 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax.
8. Our manganese business is included in our Underlying EBITDA, EBIT and earnings on a proportionally consolidated basis from 1 July 2021, aligning our approach for material equity accounted investments including the proposed acquisition of Sierra Gorda.
9. Australia Manganese is subject to a royalty related tax equal to 20% of adjusted EBIT which is included in tax expense.
10. Production guidance for Hillside Aluminium and Mozal Aluminium does not assume any load-shedding impact on production.
11. Consistent with the presentation of South32’s segment information, South Africa Manganese ore production and sales have been reported at 60%. The Group’s financial statements will continue to reflect a 54.6% interest in South Africa Manganese ore.
12. Payable zinc equivalent production (kt) was calculated by aggregating revenues from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY21 realised prices for zinc (US\$2,357/t), lead (US\$1,862/t) and silver (US\$25.4/oz) have been used for FY21, H1 FY22 and FY22e.
13. Realised prices are unaudited. Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales Revenue divided by sales volume unless otherwise stated.
14. Realised ore prices are unaudited and calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction.
15. Realised ore prices are unaudited and calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Manganese ore sales are grossed-up to reflect a 60% accounting effective interest.
16. Realised nickel sales prices are unaudited and inclusive of by-products.
17. Realised prices for Cannington are unaudited and net of treatment and refining charges.
18. The 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”) for Worsley Alumina was US\$360/t and Brazil Alumina was US\$371/t in the December 2021 half year.
19. Illawarra Metallurgical Coal sales are adjusted for moisture and will not reconcile directly to Illawarra Metallurgical Coal production.
20. The sales volume weighted average of the Metal Bulletin 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on the basis of M-1 was US\$3.12/dmtu in the December 2021 half year.

The following abbreviations have been used throughout this report: US\$ million (US\$M); US\$ billion (US\$B); grams per tonne (g/t); tonnes (t); thousand tonnes (kt); thousand tonnes per annum (ktpa); million tonnes (Mt); million tonnes per annum (Mtpa); ounces (oz); thousand ounces (koz); million ounces (Moz); thousand wet metric tonnes (kwmt); million wet metric tonnes (Mwmt); million wet metric tonnes per annum (Mwmt pa); dry metric tonne unit (dmtu); thousand dry metric tonnes (kdmmt).

Figures in Italics indicate that an adjustment has been made since the figures were previously reported. The denotation (e) refers to an estimate or forecast year.

OPERATING PERFORMANCE

| South32 share | 1H21 | 1H22 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 |
|-----------------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Worsley Alumina (86% share) | | | | | | | |
| Alumina hydrate production (kt) | 2,012 | 1,994 | 1,002 | 977 | 992 | 997 | 997 |
| Alumina production (kt) | 2,010 | 1,979 | 1,047 | 875 | 1,078 | 1,006 | 973 |
| Alumina sales (kt) | 2,078 | 1,946 | 1,077 | 840 | 1,086 | 924 | 1,022 |
| Brazil Alumina (36% share) | | | | | | | |
| Alumina production (kt) | 706 | 631 | 354 | 343 | 349 | 272 | 359 |
| Alumina sales (kt) | 674 | 626 | 334 | 384 | 333 | 247 | 379 |
| Hillside Aluminium (100%) | | | | | | | |
| Aluminium production (kt) | 361 | 358 | 181 | 176 | 180 | 180 | 178 |
| Aluminium sales (kt) | 347 | 336 | 172 | 191 | 169 | 160 | 176 |
| Mozal Aluminium (47.1% share) | | | | | | | |
| Aluminium production (kt) | 135 | 136 | 67 | 64 | 66 | 68 | 68 |
| Aluminium sales (kt) | 130 | 122 | 66 | 64 | 68 | 55 | 67 |
| Illawarra Metallurgical Coal (100%) | | | | | | | |
| Total coal production (kt) | 4,096 | 3,145 | 1,725 | 1,824 | 1,725 | 1,888 | 1,257 |
| Total coal sales ¹⁹ (kt) | 4,027 | 3,255 | 2,087 | 1,823 | 1,766 | 1,708 | 1,547 |
| Metallurgical coal production (kt) | 3,262 | 2,767 | 1,399 | 1,568 | 1,340 | 1,575 | 1,192 |
| Metallurgical coal sales (kt) | 3,165 | 2,877 | 1,697 | 1,542 | 1,367 | 1,490 | 1,387 |
| Energy coal production (kt) | 834 | 378 | 326 | 256 | 385 | 313 | 65 |
| Energy coal sales (kt) | 862 | 378 | 390 | 281 | 399 | 218 | 160 |
| Australia Manganese (60% share) | | | | | | | |
| Manganese ore production (kwmt) | 1,834 | 1,704 | 954 | 829 | 866 | 897 | 807 |
| Manganese ore sales (kwmt) | 1,865 | 1,737 | 871 | 865 | 891 | 906 | 831 |
| Ore grade sold (% Mn) | 44.4 | 44.2 | 44.5 | 44.4 | 44.5 | 44.2 | 44.2 |
| South Africa Manganese (60% share) | | | | | | | |
| Manganese ore production ¹¹ (kwmt) | 1,086 | 1,157 | 505 | 580 | 598 | 668 | 489 |
| Manganese ore sales ¹¹ (kwmt) | 1,103 | 1,202 | 586 | 497 | 636 | 566 | 636 |
| Ore grade sold (% Mn) | 39.9 | 39.5 | 40.0 | 40.6 | 39.5 | 40.3 | 38.7 |

| South32 share | 1H21 | 1H22 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 |
|-------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Cerro Matoso (99.9% share) | | | | | | | |
| Ore mined (kwmt) | 1,470 | 2,416 | 825 | 594 | 1,174 | 1,058 | 1,358 |
| Ore processed (kdmmt) | 1,155 | 1,335 | 457 | 528 | 702 | 620 | 715 |
| Ore grade processed (% Ni) | 1.57 | 1.73 | 1.55 | 1.60 | 1.76 | 1.76 | 1.71 |
| Payable nickel production (kt) | 16.1 | 20.3 | 6.1 | 7.1 | 10.9 | 9.6 | 10.7 |
| Payable nickel sales (kt) | 16.5 | 20.1 | 6.1 | 6.7 | 10.3 | 10.4 | 9.7 |
| Cannington (100%) | | | | | | | |
| Ore mined (kwmt) | 1,409 | 1,475 | 709 | 714 | 696 | 750 | 725 |
| Ore processed (kdmmt) | 1,302 | 1,385 | 672 | 724 | 720 | 687 | 698 |
| Silver ore grade processed (g/t, Ag) | 174 | 177 | 179 | 177 | 213 | 185 | 169 |
| Lead ore grade processed (% Pb) | 5.1 | 5.2 | 5.2 | 5.8 | 6.6 | 5.5 | 4.9 |
| Zinc ore grade processed (% Zn) | 3.3 | 3.4 | 3.7 | 3.5 | 3.9 | 3.2 | 3.6 |
| Payable Zinc equivalent production ¹² (kt) | 140.5 | 152.5 | 76.4 | 81.4 | 97.1 | 78.2 | 74.3 |
| Payable silver production (koz) | 5,993 | 6,710 | 3,130 | 3,484 | 4,178 | 3,493 | 3,217 |
| Payable silver sales (koz) | 6,326 | 6,718 | 3,359 | 2,950 | 4,460 | 2,718 | 4,000 |
| Payable lead production (kt) | 57.6 | 60.2 | 31.2 | 33.0 | 41.2 | 31.9 | 28.3 |
| Payable lead sales (kt) | 61.4 | 63.3 | 31.9 | 28.4 | 41.9 | 25.3 | 38.0 |
| Payable zinc production (kt) | 30.4 | 32.7 | 18.0 | 17.8 | 19.5 | 15.4 | 17.3 |
| Payable zinc sales (kt) | 31.8 | 32.8 | 20.0 | 15.9 | 21.3 | 14.3 | 18.5 |

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.

FURTHER INFORMATION

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