

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

SOUTH32 UNLOCKS UP TO US\$200M IN VALUE FROM NON-CORE ROYALTY SALE

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) is pleased to announce that it has entered into a binding agreement for the sale of a package of four non-core base metals royalties (Base Metals Royalties) to London Stock Exchange listed Anglo Pacific Group Plc (Anglo Pacific). The total sale price includes US\$185M of fixed consideration plus contingent payments of up to US\$15M¹. The Base Metals Royalties are across third party interests in a mix of producing assets and advanced development stage projects, largely in copper and nickel in Australia, USA and Chile.

There are no conditions precedent for the transaction, with completion expected within five business days. The fixed consideration includes US\$103M in cash payments², and US\$82M of Anglo Pacific shares, which will be issued to South32 on completion. Following completion, South32 will hold a ~16.9% interest in Anglo Pacific.

Today's transaction follows our successful divestment of four precious metal royalties to Elemental Royalties Corp. (Elemental) in 2021 for a US\$40M cash payment and US\$15M in Elemental shares³.

South32 Chief Executive Officer, Graham Kerr said: "Today's sale of another non-core royalty package is a further step forward in unlocking latent value from our portfolio. The proposed transaction will realise an immediate cash payment, while also retaining long-term exposure to these royalties through our shareholding in Anglo Pacific. Following the sale, we still retain an exciting package of 36 royalties at different stages of maturity, weighted towards base metals."

Further detail on the royalty package sold today is included in the table below.

Royalty	Project operator	Stage	Primary commodity	High level terms
West Musgrave	OZ Minerals Ltd	Feasibility	Nickel	2.0% Net Smelter Return (NSR) royalty plus a contingent payment payable 12 months after commencement of production
Santo Domingo	Capstone Copper Corp.	Feasibility	Copper	2.0% NSR royalty
Nifty	Cyprium Metals Ltd	Re-start	Copper	1.5% realised value royalty
Carlota	KGHM Polska Miedz S.A.	Residual production	Copper	5.0% NSR royalty

The package of 36 royalties retained by South32 include NSR royalties over Ecuacorriente S.A.'s Mirador mine, Explorcobres S.A.'s San Carlos/Panantza project, and Solaris Resources Inc.'s Warintza project, which are located in Ecuador.

Accounting and tax

The Base Metals Royalties are currently recognised as intangible assets with a US\$nil carrying value. On completion, we expect to recognise a gain on sale of ~US\$193M (~US\$135M post-tax) within Other income, which will be excluded from Underlying earnings as an earnings adjustment. We also expect to make tax payments associated with the transaction of ~US\$58M across FY23.

Advisers

¹ The contingent payment is triggered if the West Musgrave project achieves commercial production, and throughput and commodity price-related conditions are met prior to an agreed expiry date.

² The cash payment comprises US\$48M payable on completion, and US\$55M payable in six equal quarterly instalments over the next 18 months.

³ Refer to media release "Agreement to divest select precious metal royalties" dated 24 November 2020.

Scotiabank are acting as financial advisor and Herbert Smith Freehills, Cariola Díez Pérez-Cotapos and McCarthy Tetrault are acting as legal advisors.

About South32

South32 is a globally diversified mining and metals company. Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come. We are trusted by our owners and partners to realise the potential of their resources. We produce commodities including bauxite, alumina, aluminium, copper, silver, lead, zinc, nickel, metallurgical coal and manganese from our operations in Australia, Southern Africa and South America. With a focus on growing our base metals exposure, we also have two development options in North America and several partnerships with junior explorers around the world.

About Anglo Pacific

Anglo Pacific Group PLC (Anglo Pacific) is a global natural resources royalty and streaming company listed on the London Stock Exchange (APF) and Toronto Stock Exchange (APY) with a focus on future facing commodities. Anglo Pacific's strategy is to become a leading natural resources company through investing in high quality projects in preferred jurisdictions with trusted counterparties, underpinned by strong ESG principles. It is a continuing policy of the Anglo Pacific to pay a portion of these royalties and streams to shareholders as dividends.

Investor Relations

Alex Volante

T +61 8 9324 9029
M +61 403 328 408
E Alex.Volante@south32.net

Tom Gallop

T +61 8 9324 9030
M +61 439 353 948
E Tom.Gallop@south32.net

Media Relations

Jamie Macdonald

T +61 8 9324 9000
M +61 408 925 140
E Jamie.Macdonald@south32.net

Miles Godfrey

T +61 8 9324 9000
M +61 415 325 906
E Miles.Godfrey@south32.net

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

Approved for release by Graham Kerr, Chief Executive Officer
JSE Sponsor: The Standard Bank of South Africa Limited
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