

QUARTERLY REPORT

JUNE 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

- Record annual production at Worsley Alumina and Brazil Alumina with both refineries benefitting from high plant availability
- Record annual production at Australia Manganese and a 21% year-on-year increase at South Africa Manganese with both operations exceeding guidance
- A 14% year-on-year increase in zinc equivalent production¹ at Cannington with strong underground performance enabling the acceleration of a higher-grade mining sequence
- A 9% year-on-year increase in production at Illawarra Metallurgical Coal with the return to a three longwall configuration delivering greater efficiencies
- A 54% increase in nickel production at Cerro Matoso during the June 2021 quarter following the successful refurbishment of a furnace and first ore from the higher-grade Q&P project
- Steady year-on-year production and a 21% lift in average realised prices at our aluminium smelters
- Successful divestment of South Africa Energy Coal and the TEMCO manganese alloy smelter during FY21, simplifying and improving our portfolio
- Updated Mineral Resource for our Taylor Deposit² at Hermosa, confirming higher zinc equivalent grades and improved confidence in the orebody to support our ongoing pre-feasibility study work

"During the year we achieved production records at Worsley Alumina, Brazil Alumina and Australia Manganese. At South Africa Manganese volumes increased by 21 per cent, following COVID-19 related impacts in the prior year.

"Our base metals operations, Cannington and Cerro Matoso, both finished the year strongly, achieving 20 and 54 per cent increases in zinc equivalent and nickel production volumes respectively during the June quarter.

"Our strong financial position supported the return of US\$346 million to shareholders via our on-market share buy-back during the year, bringing total returns under our capital management program to US\$1.7 billion over the past four years.

"We also made substantial progress reshaping our portfolio during the year, completing the divestments of South Africa Energy Coal and the TEMCO manganese alloy smelter, while progressing studies for our base metals development options at Hermosa and Ambler Metals. This, along with the release of our medium-term target to halve our operational emissions by 2035, positions us well as the world transitions to a low carbon future."

Graham Kerr, South32 CEO

Production summary

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	QoQ
Alumina production (kt)	5,269	5,361	2%	1,358	1,218	1,427	17%
Aluminium production (kt)	986	982	(0%)	245	240	246	3%
Energy coal production (kt)	24,129	19,561	(19%)	5,657	4,020	3,464	(14%)
Metallurgical coal production (kt)	5,549	6,170	11%	1,523	1,568	1,340	(15%)
Manganese ore production (kwmt)	5,348	5,793	8%	1,228	1,409	1,464	4%
Payable nickel production (kt)	40.6	34.1	(16%)	9.7	7.1	10.9	54%
Payable silver production (koz)	11,792	13,655	16%	3,195	3,484	4,178	20%
Payable lead production (kt)	110.4	131.8	19%	30.1	33.0	41.2	25%
Payable zinc production (kt)	66.7	67.7	1%	16.9	17.8	19.5	10%

Unless otherwise noted: percentage variance relates to performance during the financial year ended June 2021 compared with the financial year ended June 2020 (YoY) or the June 2021 quarter compared with the March 2021 quarter (QoQ); production and sales volumes are reported on an attributable basis.

CORPORATE UPDATE

- In May 2021, we announced our target to achieve a 50% reduction in operational carbon emissions (Scope 1 and 2) by FY35³ compared to our FY21 baseline, which steps up our ambition on climate change and pathway to net zero by 2050.
- We completed the divestment of our 100% shareholding in South32 SA Coal Holdings Proprietary Limited (South Africa Energy Coal) to Seriti Resources Holdings Proprietary Limited (Seriti) and two trusts for the benefit of employees and communities⁴ during the June 2021 quarter. We have booked an unaudited loss on sale of approximately US\$160M which will be excluded from Underlying earnings, with South Africa Energy Coal to be presented as a discontinued operation in our June 2021 full year results.
- As reported to the market on 1 April 2021⁵, as part of the divestment of South Africa Energy Coal we have provided a vendor support package to Seriti to underpin the sustainability of the business. This package includes providing US\$200M to fund rehabilitation activity by way of 10 annual instalments, and a US\$50M restructure facility. At 30 June 2021 we expect to recognise a liability to reflect the commitment to fund rehabilitation activity which will reduce our net cash balance by approximately US\$180M. Subsequent to the end of the quarter, the US\$50M restructure facility was also fully drawn, further reducing our net cash balance.
- During FY21 we purchased 172M shares via our on-market share buy-back at an average price of A\$2.68 per share, taking total returns through the capital management program to US\$346M for the year, including US\$144M in the June 2021 quarter. On 18 May 2021, reflecting our strong balance sheet and disciplined approach to capital allocation we increased the program's size by US\$200M to US\$1.88B. As at 30 June 2021 the capital management program was 88% complete with US\$225M remaining to be returned ahead of its expiry on 3 September 2021⁶.
- We received net distributions⁷ of US\$186M (South32 share) from our manganese equity accounted investments (EAI) in FY21, including US\$88M in the June 2021 quarter.
- Today we announced that we will recognise a pre-tax, non-cash impairment charge for Illawarra Metallurgical Coal of US\$728M (post-tax ~US\$510M) in our FY21 financial results⁸. These charges will be excluded from our Underlying earnings in FY21.
- Notwithstanding the benefits of simplification to our functional support costs through our exit of lower returning businesses and a reduction in the Group's office footprint, FY21 group and unallocated costs, excluding greenfield exploration, are expected to be above our guidance of US\$80M (H1 FY21: US\$47M), following the recognition of one-off charges during H2 FY21.
- Our Group Underlying effective tax rate (ETR) is expected to remain elevated in a range between 35% and 45% (excluding EAI) in FY21, given the impact of losses incurred at South Africa Energy Coal prior to its divestment. From FY22 we expect the rate to more closely reflect the corporate tax rates of the geographies where the Group operates⁹. Separately, we expect the underlying ETR of our manganese EAI to be in a range between 50% and 55% in FY21 following the de-recognition of certain deferred tax assets in our Australian business.

DEVELOPMENT AND EXPLORATION UPDATE

Hermosa project

- Today we released an updated Mineral Resource estimate for the Taylor Deposit² that supports the ongoing pre-feasibility study (PFS) work. The updated Mineral Resource estimate (Table A) of 138Mt, averaging 3.82% zinc, 4.25% lead and 81 g/t silver confirms higher zinc, lead and silver grades, with zinc equivalent grade increasing from 7.62% to 8.61%, partially offsetting a 17% reduction in total tonnage. The deposit remains open at depth and laterally.
- The Taylor Deposit PFS was scheduled for completion prior to the end of the June 2021 quarter but has been delayed given the impact of ongoing COVID-19 related workforce restrictions. Notwithstanding, study work to date has confirmed a preference to pursue a dual shaft development that prioritises early access to higher grade ore, identified through our improved understanding of the updated Taylor Mineral Resource estimate.
- We expect to report scoping study outcomes and future work plans for the Clark Deposit in H1 FY22.
- We directed US\$16M to exploration programs at Taylor, Clark and across the broader land package at Hermosa during FY21.

Other development and exploration options

- We commenced exploration activities for the summer field season at our Ambler Metals Joint Venture in the June 2021 quarter under strict COVID-19 protocols. Planned activities include infill drilling of the Arctic Deposit and drilling at identified regional targets along the Arctic VMS belt.
- We invested US\$18M during FY21 in our early stage greenfield exploration opportunities. Although COVID-19 restrictions persist across the majority of our exploration jurisdictions, activity continues to ramp-up globally with multiple programs underway in Australia, USA, Canada, Argentina, Peru and Ireland.
- We directed US\$39M towards exploration programs at our existing operations and development options during FY21 (US\$30M capitalised), including US\$3M for our EAI (US\$1M capitalised), US\$16M at the Hermosa project (as noted above, all capitalised) and US\$4M at Ambler Metals (all capitalised).

Table A: Mineral Resources for the Taylor Deposit as at 30 June 2021^{(b)(c)(d)}

Ore Type	Measured Mineral Resources					Indicated Mineral Resources					Inferred Mineral Resources					Total Mineral Resources				
	Mt	% Zn	% Pb	g/t Ag	% ZnEq	Mt	% Zn	% Pb	g/t Ag	% ZnEq	Mt	% Zn	% Pb	g/t Ag	% ZnEq	Mt	% Zn	% Pb	g/t Ag	% ZnEq
UG Sulphide ^(a)	29	4.10	4.05	57	8.25	82	3.65	4.45	88	8.73	23	3.62	3.82	93	8.34	133	3.74	4.26	82	8.56
UG Transition ^(a)	-	-	-	-	-	3.7	6.11	4.21	60	10.44	1.4	5.55	3.91	64	9.74	5.1	5.95	4.13	61	10.24
Total	29	4.10	4.05	57	8.25	86	3.76	4.44	86	8.79	24	3.73	3.82	91	8.41	138	3.82	4.25	81	8.61

Notes:

a. Cut-off grade: Net smelter return (NSR) of US\$80/t for both UG Sulphide and UG Transition.

b. All masses are reported as dry metric tonnes.

c. All tonnes and grade information have been rounded to reflect relative uncertainty of the estimate, hence small differences may be present in the totals.

d. ZnEq (%) is zinc equivalent which accounts for combined value of zinc (Zn), lead (Pb) and silver (Ag). Metals are converted to ZnEq via unit value calculations using long term consensus metal price assumptions and relative metallurgical recovery assumptions. Average metallurgical recovery assumptions are Zn 92%, Pb 95%, and Ag 89% and metals pricing assumptions are South32 prices from the December 2020 quarter. The formula used for calculation of zinc equivalent is $\text{ZnEq (\%)} = \text{Zn (\%)} + 0.7376 * \text{Pb (\%)} + 0.0204 * \text{Ag (g/t)}$.

PRODUCTION SUMMARY

Production guidance (South32 share)	FY20	FY21	FY21e ^(a)	% ^(b)	Comments
Worsley Alumina					
Alumina production (kt)	3,886	3,963	3,965	100%	
Brazil Alumina					
Alumina production (kt)	1,383	1,398	1,370	102%	
Hillside Aluminium ¹⁰					
Aluminium production (kt)	718	717	720	100%	
Mozal Aluminium ¹⁰					
Aluminium production (kt)	268	265	273	97%	Impacted by load-shedding, and COVID-19 workforce restrictions in the March 2021 quarter
Illawarra Metallurgical Coal					
Total coal production (kt)	7,006	7,645	8,000	96%	Impacted by challenging strata conditions at our Appin mine in the June 2021 quarter
Metallurgical coal production (kt)	5,549	6,170	6,400	96%	
Energy coal production (kt)	1,457	1,475	1,600	92%	
Australia Manganese					
Manganese ore production (kwmt)	3,470	3,529	3,500	101%	
South Africa Manganese					
Manganese ore production ¹¹ (kwmt)	1,878	2,264	2,200	103%	Benefitted from increased use of higher-cost trucking in response to favourable market conditions
Cerro Matoso					
Payable nickel production (kt)	40.6	34.1	34.6	99%	
Cannington					
Payable zinc equivalent production ¹ (kt)	332.6	380.2	382.6	99%	
Payable silver production (koz)	11,792	13,655	13,700	100%	
Payable lead production (kt)	110.4	131.8	130.7	101%	
Payable zinc production (kt)	66.7	67.7	69.2	98%	

a. The denotation (e) refers to an estimate or forecast year.

b. Percentage difference to latest production guidance. FY21 guidance as at FY20 results: Illawarra Metallurgical Coal (energy coal 1,300kt), South Africa Manganese (manganese ore 2,000kwmt), Cerro Matoso (nickel 33.5kt) and Cannington (silver 11,800koz, lead 113.9kt, zinc 60.7kt).

MARKETING UPDATE

Realised prices ¹²	FY20	1H21	2H21	FY21	FY21 vs FY20	2H21 vs 1H21
Worsley Alumina						
Alumina (US\$/t)	295	278	309	293	(1%)	11%
Brazil Alumina						
Alumina (US\$/t)	287	277	297	287	0%	7%
Hillside Aluminium						
Aluminium (US\$/t)	1,766	1,882	2,386	2,138	21%	27%
Mozal Aluminium						
Aluminium (US\$/t)	1,816	1,943	2,457	2,202	21%	26%
South Africa Energy Coal						
Domestic coal (US\$/t)	25	28	40	33	32%	43%
Export coal (US\$/t)	53	43	59	50	(6%)	37%
Illawarra Metallurgical Coal						
Metallurgical coal (US\$/t)	145	107	123	115	(21%)	15%
Energy coal (US\$/t)	51	31	51	40	(22%)	65%
Australia Manganese¹³						
Manganese ore (US\$/dmu, FOB)	4.39	3.93	4.34	4.13	(6%)	10%
South Africa Manganese¹⁴						
Manganese ore (US\$/dmu, FOB)	3.76	3.49	3.56	3.53	(6%)	2%
Cerro Matoso¹⁵						
Payable nickel (US\$/lb)	5.80	6.29	7.06	6.68	15%	12%
Cannington¹⁶						
Payable silver (US\$/oz)	16.5	26.0	24.9	25.4	54%	(4%)
Payable lead (US\$/t)	1,648	1,744	1,965	1,862	13%	13%
Payable zinc (US\$/t)	1,416	2,228	2,468	2,357	66%	11%

WORSLEY ALUMINA (86% SHARE)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Alumina production (kt)	3,886	3,963	2%	1,017	875	1,078	6%	23%
Alumina sales (kt)	3,782	4,004	6%	1,031	840	1,086	5%	29%

Worsley Alumina saleable production increased by 2% (or 77kt) to a record of 3,963kt in FY21, with the refinery finishing the year strongly, setting a quarterly record and operating above nameplate capacity of 4.6Mtpa (100% basis). The refinery's record performance in FY21 was enabled by improvement initiatives in the calcination circuit and record alumina hydrate production. Notwithstanding the refinery's strong operating performance, H2 FY21 Operating unit cost guidance of US\$217/t was premised on planned higher consumables and raw material input costs. These impacts, combined with local labour cost pressure, are expected to further increase unit costs in FY22.

We realised a modest premium to the Platts Alumina Index¹⁷ (PAX) on a volume weighted M-1 basis for alumina sales in FY21 due to the structure of legacy supply contracts with our Mozal Aluminium smelter. 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 that reset every calendar year. All other alumina sales were at market based prices.

BRAZIL ALUMINA (36% SHARE)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Alumina production (kt)	1,383	1,398	1%	341	343	349	2%	2%
Alumina sales (kt)	1,392	1,391	(0%)	378	384	333	(12%)	(13%)

Brazil Alumina saleable production increased by 1% (or 15kt) to a record 1,398kt in FY21 as the refinery continued to benefit from strong plant availability, realising the benefits of the De-bottlenecking Phase One project. Sales decreased by 13% in the June 2021 quarter due to the timing of shipments.

Subsequent to the end of the period, one of the two bauxite unloaders at the refinery sustained damage and is currently undergoing assessments for repair. As a result, the refinery is expected to reduce production rates in the September 2021 quarter, until repair work is complete and full bauxite loading capacity is restored. We expect to provide an update on the impact to our FY22 production guidance with our FY21 financial results.

HILLSIDE ALUMINIUM (100%)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Aluminium production (kt)	718	717	(0%)	178	176	180	1%	2%
Aluminium sales (kt)	723	707	(2%)	199	191	169	(15%)	(12%)

Hillside Aluminium saleable production decreased by 1kt to 717kt in FY21 as the smelter continued to test its maximum technical capacity, despite the impact to production from increased load-shedding. Sales decreased by 12% in the June 2021 quarter as ongoing congestion in the global freight market led to a slipped shipment at the end of the period.

H2 FY21 Operating unit costs are expected to increase half-on-half (H1 FY21: US\$1,536/t) for the smelter reflecting a stronger South African rand, and higher raw material input and freight costs.

MOZAL ALUMINIUM (47.1% SHARE)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Aluminium production (kt)	268	265	(1%)	67	64	66	(1%)	3%
Aluminium sales (kt)	279	262	(6%)	78	64	68	(13%)	6%

Mozal Aluminium saleable production decreased by 1% (or 3kt) to 265kt in FY21, with the smelter performing strongly in the June 2021 quarter, despite the impact of increased load-shedding. This followed COVID-19 workforce restrictions that impacted operations during the prior quarter.

H2 FY21 Operating unit costs are expected to increase half-on-half (H1 FY21: US\$1,585/t) for the smelter reflecting a stronger South African rand, and higher raw material input and freight costs.

SOUTH AFRICA ENERGY COAL (100%)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Energy coal production (kt)	22,672	18,086	(20%)	5,228	3,764	3,079	(41%)	(18%)
Domestic sales (kt)	12,638	10,375	(18%)	3,006	2,025	1,823	(39%)	(10%)
Export sales (kt)	9,715	8,025	(17%)	2,180	1,879	1,449	(34%)	(23%)

South Africa Energy Coal saleable production decreased by 20% (or 4.6Mt) to 18.1Mt in FY21 as we completed our divestment of the operation on 1 June 2021 and booked an unaudited loss on sale of ~US\$160M, which will be excluded from our Underlying earnings.

While it will be presented as a discontinued operation, we also expect to report an Underlying EBIT loss of ~US\$150M (including third party products and services) with our FY21 results. Separately, we invested US\$23M in Sustaining capital expenditure and US\$53M in Major project capital expenditure at the operation during FY21, prior to its divestment.

ILLAWARRA METALLURGICAL COAL (100%)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Total coal production (kt)	7,006	7,645	9%	1,952	1,824	1,725	(12%)	(5%)
Total coal sales ¹⁸ (kt)	7,284	7,616	5%	2,071	1,823	1,766	(15%)	(3%)
Metallurgical coal production (kt)	5,549	6,170	11%	1,523	1,568	1,340	(12%)	(15%)
Metallurgical coal sales (kt)	5,842	6,074	4%	1,644	1,542	1,367	(17%)	(11%)
Energy coal production (kt)	1,457	1,475	1%	429	256	385	(10%)	50%
Energy coal sales (kt)	1,442	1,542	7%	427	281	399	(7%)	42%

Illawarra Metallurgical Coal saleable production increased by 9% (or 639kt) to 7.6Mt in FY21 as the return to a three longwall configuration delivered greater efficiencies through the operation of alternate dual longwalls at the Appin mine and we monetised further low-margin coal wash material. While this product attracts considerable grade and product-type discounts to the API5 (5,500Kcal) index¹⁹ for our energy coal sales, the incremental volume benefits our Operating unit costs by eliminating coal waste emplacement. Notwithstanding, FY21 Operating unit costs are expected to be moderately higher than guidance of US\$83/t as a result of lower than planned total coal volumes.

Metallurgical coal production decreased by 15% during the June 2021 quarter as we encountered challenging strata conditions and completed a planned longwall move at our Appin mine during the period. Three longwall moves are scheduled across FY22, including in the December 2021 quarter, March 2022 quarter and June 2022 quarter.

AUSTRALIA MANGANESE (60% SHARE)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Manganese ore production (kwmt)	3,470	3,529	2%	854	829	866	1%	4%
Manganese ore sales (kwmt)	3,440	3,621	5%	928	865	891	(4%)	3%
Manganese alloy production (kt)	110	51	(54%)	29	-	-	(100%)	0%
Manganese alloy sales (kt)	116	59	(49%)	27	-	-	(100%)	0%

Australia Manganese saleable ore production increased by 2% (or 59kwmt) to a record 3,529kwmt in FY21 despite the impact of higher than average rainfall during the wet season. The primary concentrator continued to achieve strong output as we drew down previously established run of mine stocks, while output from the PC02 circuit remained above nameplate capacity, contributing 10% of total production (FY20: 12%).

We did not produce any manganese alloy in the June 2021 half year following our divestment of the TEMCO manganese alloy smelter. The effective completion date of the sale for accounting purposes was 31 December 2020.

SOUTH AFRICA MANGANESE (60% SHARE)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Manganese ore production ¹¹ (kwmt)	1,878	2,264	21%	374	580	598	60%	3%
Manganese ore sales ¹¹ (kwmt)	1,865	2,236	20%	316	497	636	101%	28%
Manganese alloy production (kt)	53	- (100%)		5	-	- (100%)		0%
Manganese alloy sales (kt)	55	11 (80%)		7	-	- (100%)		0%

South Africa Manganese saleable ore production increased by 21% (or 386kwmt) to 2,264kwmt in FY21 as the operation recovered from an extended shutdown in response to COVID-19 restrictions and market conditions in the prior year. Strong production in the June 2021 quarter supported higher sales, with an increase in our use of opportunistic, higher cost trucking lifting sales volumes by 28%.

We did not produce any manganese alloy in FY21 as our Metalloys smelter remained on care and maintenance.

CERRO MATOSO (99.9% SHARE)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Payable nickel production (kt)	40.6	34.1	(16%)	9.7	7.1	10.9	12%	54%
Payable nickel sales (kt)	40.6	33.5	(17%)	10.0	6.7	10.3	3%	54%

Cerro Matoso payable nickel production decreased by 16% (or 6.5kt) to 34.1kt in FY21 following the major refurbishment of one of the furnaces in the December 2020 and March 2021 quarters.

Payable nickel production increased by 54% during the June 2021 quarter as processed ore grade increased 10% following the receipt of first ore from the higher-grade Q&P project. While our ferronickel product sells with reference to the LME Nickel index price on a M or M+1 basis it continues to attract product discounts of approximately 10%.

CANNINGTON (100% SHARE)

South32 share	FY20	FY21	YoY	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Payable zinc equivalent production ¹ (kt)	332.6	380.2	14%	89.2	96.8	116.1	30%	20%
Payable silver production (koz)	11,792	13,655	16%	3,195	3,484	4,178	31%	20%
Payable silver sales (koz)	12,109	13,736	13%	3,571	2,950	4,460	25%	51%
Payable lead production (kt)	110.4	131.8	19%	30.1	33.0	41.2	37%	25%
Payable lead sales (kt)	108.1	131.7	22%	33.5	28.4	41.9	25%	48%
Payable zinc production (kt)	66.7	67.7	1%	16.9	17.8	19.5	15%	10%
Payable zinc sales (kt)	68.7	69.0	0%	19.0	15.9	21.3	12%	34%

Cannington payable zinc equivalent production increased by 14% (or 47.6kt) to 380.2kt in FY21. Strong underground mine performance supported the acceleration of a higher-grade mining sequence, which was extracted in the June 2021 quarter.

We expect to provide pre-feasibility study outcomes for the transition of the underground mine to a truck haulage operation, and an update in relation to our FY22 production guidance, with our FY21 results announcement.

Silver, lead and zinc sales increased by 51%, 48% and 34% respectively in the June 2021 quarter, as rail logistics recovered from weather related disruptions in the prior period.

NOTES

1. Payable zinc equivalent production (kt) was calculated by aggregating revenues from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY20 realised prices for zinc (US\$1,416/t), lead (US\$1,648/t) and silver (US\$16.5/oz) have been used for FY20, FY21 and FY21e.
2. The information in this report that relates to Mineral Resource estimate for the Taylor Deposit was declared in the announcement titled "Hermosa Project- Mineral Resource Estimate update" dated 21 July 2021 and prepared by Matthew Hastings, MAusIMM (CP) 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. ZnEq (%) is zinc equivalent which accounts for combined value of zinc (Zn), lead (Pb) and silver (Ag). Metals are converted to ZnEq via unit value calculations using long term consensus metal price assumptions and relative metallurgical recovery assumptions. Average metallurgical recovery assumptions are Zn 92%, Pb 95% and Ag 89% and metals pricing assumptions are South32 prices from the December 2020 quarter. The formula used for calculation of zinc equivalent is $ZnEq (\%) = Zn (\%) + 0.7376 * Pb (\%) + 0.0204 * Ag (g/t)$.
3. Compared with FY21 Baseline. The baseline will be adjusted for any material acquisitions or divestments based on emissions at the time of the transaction.
4. Refer to the market announcement "Agreement to divest South Africa Energy Coal" dated 6 November 2019. Purchaser includes Thabong Coal Proprietary Limited, a wholly-owned subsidiary of Seriti and two trusts for the benefit of employees and communities.
5. Refer to market announcement "South Africa Energy Coal Divestment Update" dated 1 April 2021 which includes details of the vendor support package to be provided.
6. Since inception, US\$1.4B has been allocated to the on-market share buy-back (649M shares at an average price of A\$2.86 per share) and US\$292M returned in the form of special dividends. The current on-market share buy-back program expires on 3 September 2021 however may be extended prior to its expiry.
7. 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.
8. Refer to market announcement "Illawarra Metallurgical Coal Impairment" dated 21 July 2021.
9. The primary corporate tax rates applicable to the Group for FY21 include: Australia 30%, South Africa 28%, Colombia 31%, Mozambique 0% and Brazil 34%. The Colombian corporate tax rate is 31% in CY21 and will decrease to 30% from 1 January 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax.
10. Production guidance for Hillside Aluminium and Mozal Aluminium did 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. 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.
13. 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.
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. Manganese ore sales are grossed-up to reflect a 60% accounting effective interest.
15. Realised nickel sales prices are unaudited and inclusive of by-products.
16. Realised prices for Cannington are unaudited and net of treatment and refining charges.
17. 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\$280/t in FY21.
18. Illawarra Metallurgical Coal sales are adjusted for moisture and will not reconcile directly to Illawarra Metallurgical Coal production.
19. The sales volume weighted average of the Argus McCloskey API5 Coal index 5,500Kcal NAR (FOB Newcastle, Australia) on a basis of a one month lag to published pricing (Month minus one or "M-1") was US\$46/t in FY21.

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

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

OPERATING PERFORMANCE

South32 share	FY20	FY21	4Q20	1Q21	2Q21	3Q21	4Q21
Worsley Alumina (86% share)							
Alumina hydrate production (kt)	3,840	3,981	967	1,010	1,002	977	992
Alumina production (kt)	3,886	3,963	1,017	963	1,047	875	1,078
Alumina sales (kt)	3,782	4,004	1,031	1,001	1,077	840	1,086
Brazil Alumina (36% share)							
Alumina production (kt)	1,383	1,398	341	352	354	343	349
Alumina sales (kt)	1,392	1,391	378	340	334	384	333
Hillside Aluminium (100%)							
Aluminium production (kt)	718	717	178	180	181	176	180
Aluminium sales (kt)	723	707	199	175	172	191	169
Mozal Aluminium (47.1% share)							
Aluminium production (kt)	268	265	67	68	67	64	66
Aluminium sales (kt)	279	262	78	64	66	64	68
South Africa Energy Coal (100%)							
Energy coal production (kt)	22,672	18,086	5,228	6,263	4,980	3,764	3,079
Domestic sales (kt)	12,638	10,375	3,006	3,607	2,920	2,025	1,823
Export sales (kt)	9,715	8,025	2,180	2,487	2,210	1,879	1,449
Illawarra Metallurgical Coal (100%)							
Total coal production (kt)	7,006	7,645	1,952	2,371	1,725	1,824	1,725
Total coal sales ¹⁸ (kt)	7,284	7,616	2,071	1,940	2,087	1,823	1,766
Metallurgical coal production (kt)	5,549	6,170	1,523	1,863	1,399	1,568	1,340
Metallurgical coal sales (kt)	5,842	6,074	1,644	1,468	1,697	1,542	1,367
Energy coal production (kt)	1,457	1,475	429	508	326	256	385
Energy coal sales (kt)	1,442	1,542	427	472	390	281	399
Australia Manganese (60% share)							
Manganese ore production (kwmt)	3,470	3,529	854	880	954	829	866
Manganese ore sales (kwmt)	3,440	3,621	928	994	871	865	891
Ore grade sold (% Mn)	44.6	44.4	43.9	44.3	44.5	44.4	44.5
Manganese alloy production (kt)	110	51	29	27	24	-	-
Manganese alloy sales (kt)	116	59	27	26	33	-	-
South Africa Manganese (60% share)							
Manganese ore production ¹¹ (kwmt)	1,878	2,264	374	581	505	580	598
Manganese ore sales ¹¹ (kwmt)	1,865	2,236	316	517	586	497	636
Ore grade sold (% Mn)	40.1	39.9	40.8	39.7	40.0	40.6	39.5
Manganese alloy production (kt)	53	-	5	-	-	-	-
Manganese alloy sales (kt)	55	11	7	8	3	-	-

South32 share	FY20	FY21	4Q20	1Q21	2Q21	3Q21	4Q21
Cerro Matoso (99.9% share)							
Ore mined (kwmt)	2,839	3,238	798	645	825	594	1,174
Ore processed (kdmt)	2,761	2,385	679	698	457	528	702
Ore grade processed (% Ni)	1.65	1.63	1.59	1.58	1.55	1.60	1.76
Payable nickel production (kt)	40.6	34.1	9.7	10.0	6.1	7.1	10.9
Payable nickel sales (kt)	40.6	33.5	10.0	10.4	6.1	6.7	10.3
Cannington (100%)							
Ore mined (kwmt)	2,792	2,819	726	700	709	714	696
Ore processed (kdmt)	2,839	2,746	744	630	672	724	720
Silver ore grade processed (g/t, Ag)	156	185	161	169	179	177	213
Lead ore grade processed (% Pb)	4.7	5.7	4.8	5.0	5.2	5.8	6.6
Zinc ore grade processed (% Zn)	3.3	3.5	3.2	2.9	3.7	3.5	3.9
Payable Zinc equivalent production ¹ (kt)	332.6	380.2	89.2	76.6	90.7	96.8	116.1
Payable silver production (koz)	11,792	13,655	3,195	2,863	3,130	3,484	4,178
Payable silver sales (koz)	12,109	13,736	3,571	2,967	3,359	2,950	4,460
Payable lead production (kt)	110.4	131.8	30.1	26.4	31.2	33.0	41.2
Payable lead sales (kt)	108.1	131.7	33.5	29.5	31.9	28.4	41.9
Payable zinc production (kt)	66.7	67.7	16.9	12.4	18.0	17.8	19.5
Payable zinc sales (kt)	68.7	69.0	19.0	11.8	20.0	15.9	21.3

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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21 July 2021