

30 September 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
south32.net

SOUTH32 TO ACQUIRE UP TO AN ADDITIONAL 25% OF MOZAL ALUMINIUM

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) is pleased to announce that we have exercised our pre-emptive rights to acquire up to an additional 25% shareholding and related rights in Mozal Aluminium, from MCA Metals Holding GmbH (Mitsubishi). In doing so we will match a headline purchase price of US\$250M to acquire the interest, taking our ownership of the smelter up to 72.1%¹. Increasing our shareholding lifts our Group wide annualised equity share of aluminium production by 15% (or 145kt) to 1,138kt².

The accretive transaction, with an acquisition multiple of 3.6x FY21 EBITDA, will be funded from cash on hand. The Group's net cash balance at the end of August 2021 was US\$553M³.

South32 Chief Executive Officer, Graham Kerr said "We have established a long operating track record at the Mozal Aluminium smelter in Mozambique over the past 20 years. During this time, we have formed strong relationships with our workforce, the community, the Mozambican government and other key stakeholders.

"The smelter benefits from access to hydroelectric power and key export markets into Europe. Our investment in the AP3XLE energy efficiency technology is expected to further improve the competitiveness of the smelter, which continues to operate at its technical capacity. The smelter is an important customer for the alumina produced from our Worsley Alumina refinery and the transaction will further integrate that relationship in our supply chain.

"We are pleased to be able to increase our shareholding on value accretive terms, with a transaction that we expect will deliver a strong return for our shareholders. We are also working with our partner at Alumar in Brazil to investigate a restart of the smelter using renewable energy. Both investments are consistent with our strategy to increase our exposure to the base metals required for the critical transition to a low carbon future."

Transaction details

Completion is expected following the satisfaction of customary conditions, with the transaction consideration comprising:

- a purchase price of US\$250M based on our acquisition of Mitsubishi's 25% shareholding and related rights, which would be adjusted downwards on a pro-rata basis should the Industrial Development Corporation of South Africa (IDC) trigger their pre-emptive rights¹;
- joint profit sharing on our increased shareholding with Mitsubishi for the period 1 July 2021 until completion of the transaction; and
- customary adjustments for working capital and net debt.

¹ South32's current shareholding of Mozal Aluminium is 47.1%, while the Industrial Development Corporation of South Africa (IDC) also holds pro-rata pre-emptive rights based on their 24% shareholding which they have yet to exercise. If the IDC exercises its entire pre-emptive rights South32 would increase our shareholding in Mozal Aluminium to 63.7%, while IDC would increase their shareholding to 32.5%. If the IDC do not exercise its pre-emptive rights, then South32's shareholding in Mozal Aluminium would increase to 72.1%.

² Based on 72.1% ownership of Mozal Aluminium, and FY22e production guidance for Mozal Aluminium and Hillside Aluminium.

³ Net cash number is unaudited and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

About Mozal Aluminium

Mozal Aluminium is an aluminium smelter located near Maputo, Mozambique. The operation is currently jointly owned by South32 (47.1%), Mitsubishi (25%), the IDC (24%) and the Government of the Republic of Mozambique (3.9% through preference shares). Production guidance for the smelter is 273kt (47.1% basis) in FY22 and FY23. AP3XLE energy efficiency technology is currently being rolled out in the smelter's pot relining program, which is expected to deliver a circa 5% (or 10ktpa to 277ktpa) increase in annual production by FY24.

About us

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 bauxite, alumina, aluminium, metallurgical coal, manganese, nickel, silver, lead and zinc at 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.

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

Approved for release by Graham Kerr, Chief Executive Officer
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