APPENDIX 4D

SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 51 pages comprise the half year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A. This statement includes the consolidated results of the South32 Group for the half year ended 31 December 2020 (H1 FY21) compared with the half year ended 31 December 2019 (H1 FY20) on a statutory basis.

The half year report should be read in conjunction with the Financial Report for the year ended 30 June 2020.

US$M	H1 FY21	H1 FY20	%
Revenue	2,943	3,216	down 8%
Profit/(loss) after tax	53	99	down 46%
Underlying earnings	136	131	up 4%

Net tangible assets per share

Net tangible assets per ordinary share were US$1.93 as at 31 December 2020 (US$1.92 as at 30 June 2020)[(1)].

Dividends

The Board has resolved to pay an interim dividend of US 1.4 cents per share (fully franked) for the half year ended 31 December 2020. The record date for determining entitlements to dividends is 12 March 2021; payment date is 8 April 2021.

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Financial Results and Outlook Half Year ended 31 December 2020

18 February 2021 | ASX, LSE, JSE Share Code: S32 ADR: SOUHY

South32 delivers strong operating performance and increases returns to shareholders

“As we continue to navigate the uncertainties created by the COVID-19 pandemic, our focus remains on keeping our people safe and well, maintaining safe and reliable operations and supporting our communities.

“During this period of volatility, we have focused on what we can control, delivering a strong operating result, including record production at Worsley Alumina, Brazil Alumina and Australia Manganese, supporting lower Operating unit costs at the majority of our operations during the half.

“Looking ahead, we have increased production guidance at Cannington, Illawarra Metallurgical Coal and Cerro Matoso. Additional volumes and other cost efficiencies across our operations will help offset weaker US dollar headwinds.

“Reflecting the strong position of our business, we recommenced our on-market share buy-back in October and today the Board has expanded the capital management program by US$250 million, leaving US$259 million to be returned. The Board has also resolved to pay an ordinary dividend for the period of US 1.4 cents per share, compared to US 1.1 cents a year earlier.

“We continue to transform our portfolio with our South Africa Energy Coal divestment progressing towards completion. Subsequent to the end of the period, we also completed the sale of the TEMCO alloy smelter and a portfolio of non-core precious metals royalties. As we exit these lower returning businesses we continue to transform our portfolio, moving towards a base metals bias.

“At our Hermosa project in Arizona, we plan to deliver a pre-feasibility study for the Taylor Deposit in the June quarter, while also advancing a scoping study for the Clark Deposit to test its potential to supply the manganese chemical battery market. Work at the Ambler Metals Joint Venture in Alaska is also progressing with a pre-feasibility study underway. Each of these projects has the potential to increase our exposure to metals which are essential for the transition to a low-carbon world.

“We continue to focus on costs and remain on-track to embed US$50 million in annualised savings beyond FY22 as we change the way we work. In order to achieve this goal, we are reducing our office footprint and continue to simplify our corporate and marketing structures.

“We are off to a strong start in 2021, as we continue to build on our recent operating performance. Our net cash has increased from US$275 million on 31 December to US$452 million at the end of January, and we are now seeing a rebound in demand from markets outside of China for some of our key commodities, that is underpinning a recovery in prices. With this, our business is well placed to benefit as the global economy recovers, enabling us to deliver value for all our stakeholders.”

Graham Kerr, South32 CEO

Financial highlights			
US$M	**H1 FY21**	**H1 FY20**	**% Change**
Revenue(2)	2,943	3,216	(8%)
Profit/(loss) before tax and net finance costs	170	251	(32%)
Profit/(loss) after tax and net finance costs	53	99	(46%)
Basic earnings per share (US cents)(3)	1.1	2.0	(45%)
Ordinary dividends per share (US cents)(4)	1.4	1.1	27%
Special dividends per share (US cents)	-	1.1	N/A
Other financial measures			
Underlying EBITDA(5)	633	678	(7%)
Underlying EBITDA margin(6)	23.3%	24.0%	(0.7%)
Underlying EBIT(5)	282	293	(4%)
Underlying EBIT margin(7)	10.3%	10.6%	(0.3%)
Underlying earnings(5)	136	131	4%
Basic Underlying earnings per share (US cents)(3)	2.8	2.7	4%
ROIC(8)	3.5%	*3.1%*	0.4%
Ordinary shares on issue (million)	4,781	4,900	(2%)

Safety

Nothing is more important at South32 than ensuring everyone goes home safe and well every day. We continue to advance our risk management system to ensure that our work is executed in a safe and predictable manner, making improvements over a number of years and lowering our Total Recordable Injury Frequency (TRIF)[9][10] from 7.7 per million hours worked in FY16 to 4.4 in H1 FY21.

We also continue to respond to COVID-19, adjusting to the different phases of the pandemic across the jurisdictions where we operate, focussing on keeping our people well, maintaining safe and reliable operations and supporting our communities. Accordingly, our guidance remains subject to further potential impacts from the pandemic.

Performance summary

The Group recorded a statutory profit after tax of US$53M in H1 FY21 as a 9%[11] reduction in our cost base and higher sales volumes were more than offset by weaker prices for our key commodities. Strong production volumes and the realisation of further cost efficiencies supported lower Operating unit costs at the majority of our operations and a 4% increase in Underlying earnings to US$136M.

While strengthening producer currencies will steepen industry cost curves and present a headwind to Operating unit costs in H2 FY21, we expect to partially offset this impact with cost and volume efficiencies. FY21 production guidance has been revised higher at Cannington, Illawarra Metallurgical Coal and Cerro Matoso; the latter following approval of an early development timetable for the low capital, higher-grade Queresas and Porvenir project (Q&P project).

Specific highlights for H1 FY21 included:

- Achieving record production at Worsley Alumina, Brazil Alumina and Australia Manganese ore;
- Increasing production at Illawarra Metallurgical Coal by 11% as the operation continued to benefit from the return to a three longwall configuration;
- Our aluminium smelters continuing to test their maximum technical capacity, despite the impact of load-shedding; and
- Placing the Eagle Downs Metallurgical Coal project on hold while we assess options for our joint venture interest, demonstrating our disciplined approach to allocating capital after the feasibility study did not meet our investment criteria.

Following the end of the period, we completed the divestment of GEMCO's shareholding in the TEMCO manganese alloy smelter and the sale of a portfolio of non-core precious metals royalties to Elemental Royalties Corp. receiving US$40M in cash and US$15M in Elemental shares for the royalty package.

Reflecting our strong financial position and demonstrating the disciplined and flexible approach we are taking to our capital management program, we returned US$179M to our shareholders in respect of the period including:

- A US$67M fully franked interim dividend, which we have resolved to pay in April, representing 49% of H1 FY21 Underlying earnings; and
- US$112M as part of our on-market share buy-back program which was restarted in October 2020, purchasing a further 66M shares at an average price of A$2.34 per share.

With a net cash balance of US$275M and a temporary build in working capital expected to unwind, we are well positioned to capitalise on improving market conditions for many of our key commodities. Demonstrating our confidence in the outlook for the business, the Board has increased our capital management program by US$250M to US$1.68B, leaving US$259M to be returned to shareholders by 3 September 2021.

Looking ahead, we continue to re-shape our portfolio by exiting lower returning businesses and embedding growth and exploration opportunities with a bias to the metals that will be important for the transition to a low-carbon world. Progress in H1 FY21 included:

- Receiving approval from the Competition Tribunal of South Africa and advancing discussions with Eskom to meet the material outstanding conditions for the sale of South Africa Energy Coal[12];
- Advancing the pre-feasibility study (PFS) for the Hermosa project's Taylor Deposit, with completion expected in Q4 FY21;
- Commencing a scoping study focussed on metallurgy and the manganese battery chemicals market for the Hermosa project's Clark Deposit, with completion expected in H1 FY22;
- Working with our partner in the Ambler Metals Joint Venture to progress the PFS for the Arctic Deposit and planning for the next season's regional exploration program; and
- On-going activity across our pipeline of more than 20 greenfield exploration partnerships.

Subsequent to the end of the period, the NSW Independent Planning Commission (IPC) refused the application for the Dendrobium Next Domain project at Illawarra Metallurgical Coal. A final investment decision for the life extension project had been scheduled for H2 FY21, after the expected receipt of approvals. We are assessing the IPC's decision and its impact on the project, our long-term coal supply agreement, previously disclosed timing and capital expenditure estimates. Accordingly, guidance in relation to the project is withdrawn ahead of providing further updates.

Earnings

The Group's statutory profit after tax declined by US$46M to US$53M in H1 FY21. Consistent with our accounting policies, various items are excluded from the Group's statutory profit to derive Underlying earnings including: exchange rate losses on restatement of monetary items (US$71M pre-tax); gains on non-trading derivative instruments and other investments measured at fair value (US$19M pre-tax); major corporate restructures (US$17M pre-tax); loss associated with earnings adjustments included in our EAI (US$7M post-tax); a non-cash impairment charge to reflect the deferral of an update to our information technology systems (US$36M pre-tax); exchange rate losses associated with the Group's non US dollar denominated net debt (US$66M pre-tax); and the tax expense for all pre-tax earnings adjustments and exchange rate variations on tax balances (US$95M). Further information on these earnings adjustments is included on page 38.

The Group generated Underlying EBITDA of US$633M, for an operating margin of 23%. Group Revenue declined by 8% as lower realised prices for metallurgical coal, alumina and manganese ore were partially offset by increased sales volumes and higher silver and zinc prices. The Group's Operating unit costs remained well controlled with cost efficiencies across our business and a temporary build in inventory, combining with a weaker South African rand to lower the Group's cost base by 9%[11]. Depreciation and amortisation reduced by US$34M to US$351M, with Underlying EBIT declining by a modest US$11M (or 4%) to US$282M. Underlying earnings were largely unchanged, increasing by US$5M (or 4%) to US$136M.

Profit/(loss) to Underlying EBITDA reconciliation

US$M	H1 FY21	H1 FY20
Profit/(loss)	170	251
Earnings adjustments to derive Underlying EBIT	112	42
Underlying EBIT	**282**	**293**
Depreciation and amortisation	351	385
Underlying EBITDA	**633**	**678**

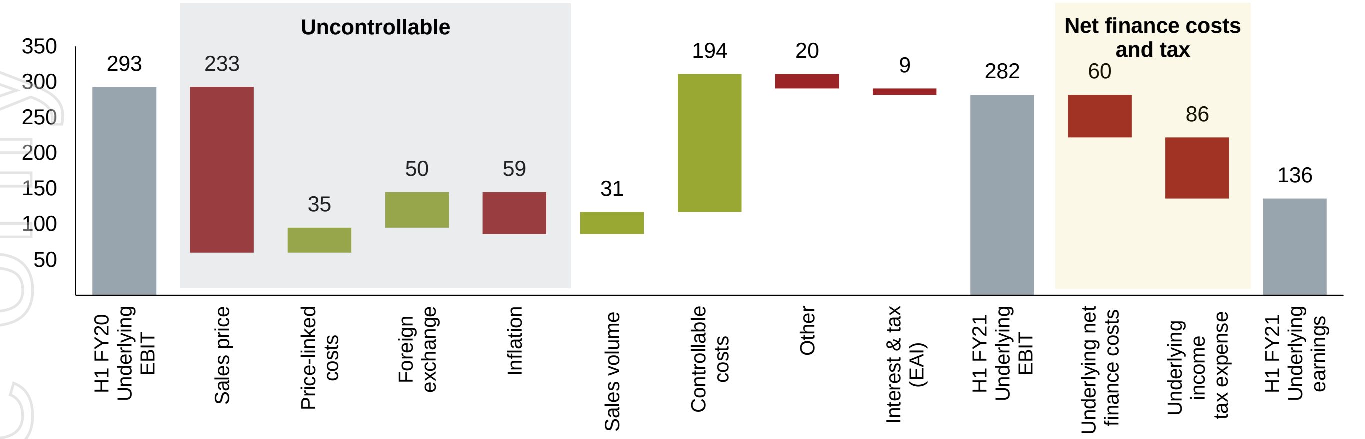
Profit/(loss) after tax to Underlying earnings reconciliation

US$M	H1 FY21	H1 FY20
Profit/(loss) after tax	53	99
Earnings adjustments to derive Underlying EBIT	112	42
Earnings adjustments to derive Underlying net finance costs	66	(5)
Earnings adjustments to derive Underlying income tax expense	(95)	(5)
Underlying earnings	**136**	**131**

Earnings analysis

The following key factors influenced Underlying EBIT in H1 FY21, relative to H1 FY20.

Reconciliation of movements in Underlying EBIT (US$M)[(13)(14)(15)(16)]



Earnings analysis	US$M	Commentary
H1 FY20 Underlying EBIT	**293**	
Change in sales price	(233)	Lower average realised prices for our commodities, including: Metallurgical coal (-US$145M) Alumina (-US$62M) Manganese ore (-US$57M) Energy coal (-US$24M) Nickel (-US$18M) Partially offset by higher average realised prices for: Silver (+US$53M) Zinc (+US$20M)
Net impact of price-linked costs	35	Lower diesel and fuel oil prices, and freight costs (+US$23M) Lower caustic soda prices (+US$21M) at Worsley Alumina and Brazil Alumina Lower aluminium smelter raw material costs (+US$19M), including pitch and coke Lower bauxite costs at Brazil Alumina (+US$11M) Lower price-linked royalties (+US$10M) Higher electricity prices at Hillside Aluminium (-US$51M)
Change in exchange rates	50	Weaker producer currencies including South African rand (+US$75M), Brazilian real (+US$13M) and Colombian peso (+US$9M), partially offset by a stronger Australian dollar (-US$50M)
Change in inflation	(59)	Southern Africa (-US$40M) Australia (-US$15M)
Change in sales volume	31	Higher volumes at: Illawarra Metallurgical Coal (+US$60M) Worsley Alumina (+US$31M) Cannington (+US$21M) Partially offset by lower volumes at: Cerro Matoso (-US$58M) South Africa Energy Coal (-US$16M) Mozal Aluminium (-US$12M)
Controllable costs	194	Inventory movements (+US$121M), primarily aluminium and metallurgical coal Cost efficiencies (+US$29M), primarily at Worsley Alumina, South Africa Energy Coal and Illawarra Metallurgical Coal Reduction in controllable costs for our marketing and corporate functions (+US$29M) Impact of lower volumes (+US$15M) at Cerro Matoso due to a furnace refurbishment and South Africa Energy Coal from the closure of uneconomic pits
Other	(20)	Movement includes: The prior period insurance receipt for dragline outage at South Africa Energy Coal Partially offset by: Lower depreciation and amortisation primarily at South Africa Energy Coal
Interest & tax (EAI)	(9)	Higher Underlying income tax expense
H1 FY21 Underlying EBIT	**282**	

Net finance costs

The Group's Underlying net finance costs, excluding EAI, was US$60M in H1 FY21, and largely reflects the unwinding of the discount applied to our closure and rehabilitation provisions (US$55M) and interest on our lease liabilities (US$27M), primarily at Worsley Alumina. These costs were partially offset by the impact of an update to the discount rates applied to calculate our closure and rehabilitation provisions for closed sites (US$23M).

Underlying net finance costs reconciliation		
US$M	**H1 FY21**	**H1 FY20**
Unwind of discount applied to closure and rehabilitation provisions	(55)	(54)
Change in discount rate on closure and rehabilitation provisions	23	-
Interest on lease liabilities	(27)	(26)
Other	(1)	11
Underlying net finance costs	**(60)**	**(69)**
Add back earnings adjustment for exchange rate variations on net debt	(66)	5
Net finance costs	**(126)**	**(64)**

Tax expense

The Group's Underlying income tax expense, which excludes tax associated with EAI, was US$86M for an Underlying Effective Tax rate (ETR)[17] of 52.8% in H1 FY21 (H1 FY20: 75.0%). Notwithstanding this reduction, our Underlying ETR remains elevated as a result of the loss made at South Africa Energy Coal, following the de-recognition of tax assets associated with its potential divestment. Following South Africa Energy Coal's divestment we expect the Group's Underlying ETR to more closely reflect the corporate tax rates applicable to the Group[18].

The Underlying income tax expense for our manganese EAI was US$99M, including royalty related taxation of US$27M at GEMCO, for an Underlying ETR of 58.2% (H1 FY20: 46.0%). The elevated Underlying ETR during the half year was mostly driven by the de-recognition of deferred tax assets in our Australian business during the period and is expected to reduce in H2 FY21.

Underlying income tax expense reconciliation and Underlying ETR		
US$M	**H1 FY21**	**H1 FY20**
Underlying EBIT	282	293
Include: Underlying net finance costs	(60)	(69)
Remove: Share of profit/(loss) of equity accounted investments	(59)	(100)
Underlying profit/(loss) before tax	**163**	**124**
Income tax expense/(benefit)	**(9)**	**88**
Tax effect of earnings adjustments to Underlying EBIT	31	11
Tax effect of earnings adjustments to net finance costs	9	(1)
Exchange rate variations on tax balances	55	(5)
Underlying income tax expense	**86**	**93**
Underlying effective tax rate	**52.8%**	**75.0%**

Cash flow

The Group generated free cash flow from operations of US$136M as a 7% reduction in the average realised prices for our commodities was more than offset by further cost efficiencies, lower capital expenditure and the lagged effect of profitability on cash tax payments. We received a further US$52M in net distributions from our manganese EAI[19] as timing differences, that are expected to unwind in H2 FY21, resulted in excess cash being retained in our EAI.

Working capital increased by US$37M, with additional COVID-19 protocols implemented at many shipping ports globally causing congestion and delays that led to a temporary build in inventories (US$96M). Trade and other receivables also increased (US$66M) reflecting higher realised prices for our commodities at the end of the period and the timing of receipts. Our debtor days remained broadly unchanged at 25 (FY20: 23 days). Provisions and trade and other payables partially offset the build in receivables and inventories, increasing by US$63M and US$62M respectively, following an increase in the Group's closure and rehabilitation provisions, and the accrual of higher power costs under a new pricing agreement at Hillside Aluminium.

Working capital movement reconciliation	
US$M	**Movement**
Trade and other receivables	(66)
Inventories	(96)
Trade and other payables	62
Provisions and other liabilities	63
Working capital movement	**(37)**

Total capital expenditure[20], excluding EAI, decreased by US$132M to US$290M. Major capital, excluding EAI, was lower by US$64M, at US$91M as we reached mechanical completion of South Africa Energy Coal's Klipspruit Life Extension (KPSX) project and the rate of spend at Hermosa declined due to the impact of COVID-19 restrictions and completion of the voluntary remediation program in the prior period. Sustaining capital expenditure, excluding EAI, declined by US$53M to US$185M, with COVID-19 restrictions impacting activity and spend at Illawarra Metallurgical Coal returning to normalised levels following the substantial investment in prior periods.

Lower spend on Intangibles and capitalisation of exploration expenditure reflects the impact of COVID-19 travel restrictions that led to the deferral of an update to our information technology systems and reduced exploration activity. Total capital expenditure for our manganese EAI declined by US$14M to US$40M.

Capital expenditure		
US$M	**H1 FY21**	**H1 FY20**
Sustaining capital comprising Stay-in-business, Minor discretionary and Deferred stripping (including underground development)	(185)	(238)
Major project capital expenditure	(91)	(155)
Intangibles and the capitalisation of exploration expenditure	(14)	(29)
Total capital expenditure (excluding EAI)	**(290)**	**(422)**
EAI capital expenditure (including intangibles and capitalised exploration)	(40)	(54)
Total capital expenditure (including EAI)	**(330)**	**(476)**

Free cash flow from operations, excluding equity accounted investments		
US$M	**H1 FY21**	**H1 FY20**
Profit/(loss)	170	251
Non-cash items	395	432
(Profit)/loss from equity accounted investments	(52)	(100)
Change in working capital	(37)	216
Cash generated	**476**	**799**
Total capital expenditure, excluding equity accounted investments, including intangibles and capitalised exploration	(290)	(422)
Operating cash flows before financing activities and tax, and after capital expenditure	**186**	**377**
Interest (paid)/received	(22)	(10)
Income tax (paid)/received	(28)	(243)
Free cash flow from operations	**136**	**124**

Balance sheet, dividends and capital management

The Group's net cash balance decreased by US$23M during the period to US$275M at 31 December 2020 as the stronger Australian dollar contributed to an increase in our lease liabilities balance of US$36M.

Reflecting our strong financial position and demonstrating the disciplined and flexible approach we are taking to our capital management program, we recommenced our on-market share buy-back in October 2020, returning a further US$112M to shareholders in addition to our US$48M FY20 final ordinary dividend paid during H1 FY21.

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	**H1 FY21**	**FY20**
Cash and cash equivalents	1,383	1,315
Lease liabilities	(687)	(651)
Other interest bearing liabilities	(421)	(366)
Net cash/(debt)	**275**	**298**

Our unchanged capital management framework is designed to reward shareholders as financial performance improves. Consistent with our dividend policy, the Board has resolved to pay a fully franked ordinary dividend of US 1.4 cents per share (US$67M), representing 49% of Underlying earnings in respect of H1 FY21.

Having established a strong track record of returning excess cash to shareholders in a timely and efficient manner, and reflecting our confidence in the outlook for the business, the Board has also increased our capital management program by US$250M to US$1.68B. This leaves US$259M to be returned by 3 September 2021.

Dividends announced				
Period	**Dividend per share (US cents)**	**US$M**	**Franking**	**Pay-out ratio**
H1 FY20	1.1	54	100%	41%
February 2020 special dividend	1.1	54	100%	N/A
H2 FY20	1.0	48	100%	77%
H1 FY21	1.4	67	100%	49%

South32 shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 10 and 12 March 2021 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 4 and 12 March 2021 (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	5 March 2021
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	9 March 2021
Ex-dividend date on the JSE	10 March 2021
Ex-dividend date on the ASX and London Stock Exchange (LSE)	11 March 2021
Record date (including currency election date for ASX)	12 March 2021
Payment date	**8 April 2021**

Outlook

Production

The Group delivered another strong operating result, achieving production records at three operations and increasing our FY21 production guidance for Cerro Matoso, Cannington and Illawarra Metallurgical Coal. We have maintained guidance for our other operations, while providing Q3 FY21 production guidance for South Africa Energy Coal.

Production guidance (South32 share)[16]

	FY20	H1 FY21	FY21e[a]	FY22e	Key guidance assumptions
Worsley Alumina					**Guidance unchanged**
Alumina production (kt)	3,886	2,010	3,965	3,965	Output at nameplate capacity with calciner maintenance scheduled in Q3 FY21.
Brazil Alumina (non-operated)					**Guidance unchanged**
Alumina production (kt)	1,383	706	1,370	1,390	Planned maintenance successfully completed during the period.
Hillside Aluminium					**Guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	718	361	720	720	Smelter to continue to test its maximum technical capacity.
Mozal Aluminium					**Guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	268	135	273	273	Benefits of the AP3XLE energy efficiency project to be realised.
Illawarra Metallurgical Coal					**FY21 guidance increased by 4%**
Total coal production (kt)	7,006	4,096	*↑8,000*	7,300	Energy coal guidance increased by 300kt to reflect expected sales volumes of low-margin coal wash material.
Metallurgical coal production (kt)	5,549	3,262	6,400	6,300	Metallurgical coal volumes continue to benefit from the return to a three longwall configuration, with a longwall move at the Appin mine scheduled for Q4 FY21.
Energy coal production (kt)	1,457	834	*↑1,600*	1,000	
Australia Manganese					**Guidance unchanged**
Manganese ore production (kwmt)	3,470	1,834	3,500	3,500	Low cost Premium Concentrate Ore (PC02) circuit to continue to operate above nameplate capacity. Wet season expected to impact production in H2 FY21.
South Africa Manganese					**Guidance unchanged (subject to market demand)**
Manganese ore production (kwmt)	1,878	1,086	2,000	Subject to demand	Continue to monitor market demand and use of higher cost trucking.
Cerro Matoso					**FY21 and FY22 guidance increased by 3% and 13% respectively**
Ore to kiln (kdmt)	2,761	1,155	2,400	2,850	Approval of an early development timetable for the Q&P project.
Payable nickel production (kt)	40.6	16.1	*↑34.6*	*↑43.8*	
Cannington					**FY21 guidance increased by 5%[21]**
Ore processed (kdmt)	2,839	1,302	2,700	2,650	Underground performance to support the acceleration of a higher-grade mining sequence.
Payable zinc equivalent production[21]	332.6	167.3	*↑347.2*	301.1	
Payable silver production (koz)	11,792	5,993	*↑12,600*	10,500	
Payable lead production (kt)	110.4	57.6	*↑119.2*	103.0	
Payable zinc production (kt)	66.7	30.4	*↑61.6*	58.8	
	FY20	**H1 FY21**	**9M YTD21e**		**Key guidance assumptions**
South Africa Energy Coal					**Lower end of guidance adjusted**
Total coal production (kt)	22,672	11,243	*15,000 – 16,400*		Continue to adjust volumes to maximise margins and respond to Eskom demand.
Domestic coal production (kt)	12,552	6,561	*8,600 – 9,700*		
Export coal production (kt)	10,120	4,682	*6,400 – 6,700*		

(a) All guidance is subject to further potential impacts from COVID-19. South Africa Energy Coal guidance provided for 9 months to align to targeted completion of divestment by 31 March 2021.

Costs and capital expenditure

Operating unit cost performance

Operating unit costs were in-line or below our original guidance for the majority of operations. Strong volumes, combined with further cost efficiencies and lower raw material inputs across our aluminium value chain, offset stronger than expected producer currencies.

Operating unit cost[16][22]	H1 FY20	H2 FY20	H1 FY21	H1 FY21 adjusted[a]	FY21 prior guidance[b]	Commentary to guidance or H1 FY20
Worsley Alumina						
(US$/t)	225	196	**204**	202	**205**	Record production volumes, lower caustic soda prices and cost efficiencies, more than offset a stronger Australian dollar (compared to guidance).
Brazil Alumina (non-operated)						**Guidance not provided**
(US$/t)	257	231	**206**	N/A	Not provided	Record production volumes, lower caustic soda, energy and bauxite prices (compared to H1 FY20).
Hillside Aluminium						**Guidance not provided**
(US$/t)	1,657	1,413	**1,536**	N/A	Not provided	Lower raw material input costs and a weaker South African rand more than offset higher power costs (compared to H1 FY20).
Mozal Aluminium						**Guidance not provided**
(US$/t)	1,904	1,671	**1,585**	N/A	Not provided	Lower raw material input costs and a weaker South African rand (compared to H1 FY20).
Illawarra Metallurgical Coal						
(US$/t)	91	95	**77**	74	**84**	Additional volumes of coal wash material and improved longwall performance supporting higher metallurgical coal sales, more than offset a stronger Australian dollar (compared to guidance).
Australia Manganese (FOB)						
(US$/dmtu)	1.62	1.48	**1.39**	1.35	**1.48**	Record volumes and cost efficiencies more than offset a stronger Australian dollar (compared to guidance).
South Africa Manganese (FOB)						
(US$/dmtu)	2.60	1.78	**2.28**	2.15	**2.25**	Higher volumes more than offset a stronger South African rand (compared to guidance).
Cerro Matoso						
(US$/t)[c]	123	116	**119**	119	**121**	Cost efficiencies combined with a weaker Colombian peso and lower price-linked royalties (compared to guidance).
(US$/lb)	3.80	3.57	**3.79**	3.81	**3.97**	
Cannington						
(US$/t)[d]	121	105	**124**	117	**111**	Cost efficiencies more than offset by inventory movements, a stronger Australian dollar and higher price-linked royalties (compared to guidance).
South Africa Energy Coal						
(US$/t)	43	40	**42**	39	**36 – 39**	Stronger South African rand and reduced activity in uneconomic pits (compared to guidance).

(a) H1 FY21 adjusted is restated to reflect price and foreign exchange rate assumptions used for FY21 prior guidance (refer to footnote 23 on page 25).

(b) FY21 prior guidance includes commodity price and foreign exchange rate forward curves or our internal expectations (refer to footnote 23 on page 25).

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

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

Operating unit cost guidance

Our updated FY21 Operating unit cost guidance primarily reflects revised currency and price assumptions, and increases to production guidance. While stronger producer currencies are expected to have an inflationary effect, steepening cost curves, the business is well placed to realise efficiencies that will partially offset their impact. While Operating unit cost guidance is not provided for our aluminium smelters, their cost profile will continue to be influenced by the South African rand and the price of raw material inputs.

Operating unit cost guidance by upstream operation[16][22]

	FY21 prior guidance[a]	FY21 adjusted guidance[b]	FY21 new guidance[c]	Commentary
Worsley Alumina				**Increased by 2%**
(US$/t)	**205**	209	**210**	Stronger Australian dollar partially offset by lower caustic prices.
Illawarra Metallurgical Coal				**Lowered by 1%**
(US$/t)	**84**	89	**83**	Increased production guidance to more than offset a stronger Australian dollar. Longwall move scheduled for Q4 FY21.
Australia Manganese ore (FOB)				**Increased by 1%**
(US$/dmtu)	**1.48**	1.56	**1.49**	Stronger Australian dollar partially offset by equipment productivity.
South Africa Manganese ore (FOB)				**Increased by 8%**
(US$/dmtu)	**2.25**	2.46	**2.44**	Stronger South African rand and on-going use of higher cost trucking partially offset by cost efficiencies and lower price-linked royalties.
Cerro Matoso				**Increased by 3% (US$/lb)**
(US$/t)[d]	**121**	127	**133**	Higher price-linked royalties and electricity prices partially offset by increased volumes.
(US$/lb)	**3.97**	4.15	**4.10**	
Cannington				**Increased by 11%**
(US$/t)[e]	**111**	123	**123**	Stronger Australian dollar and higher price-linked royalties.
South Africa Energy Coal				**Guidance not provided**
(US$/t)	**36 – 39**	N/A	**N/A**	Cost expected to reflect adjustments to production volumes and a stronger South African rand.

(a) FY21 prior guidance includes commodity price and foreign exchange rate forward curves or our internal expectations (refer to footnote 23 on page 25).

(b) FY21 adjusted guidance is FY21 prior guidance, restated to reflect price and foreign exchange rate assumptions used for FY21 new guidance (refer to footnote 24 on page 26).

(c) FY21 new guidance includes commodity price and foreign exchange rate forward curves or our internal expectations for the remainder of FY21, as at January 2021 (refer to footnote 24 on page 26).

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

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

Other expenditure guidance

Depreciation and amortisation (excluding EAI and South Africa Energy Coal) of US$690M is now expected (H1 FY21: US$337M). Depreciation and amortisation for our manganese EAI is unchanged at US$96M (H1 FY21: US$46M). We also expect depreciation and amortisation for South Africa Energy Coal of US$21M in the 9 months to 31 March 2021 (H1 FY21: US$14M).

Guidance for group and unallocated costs, excluding greenfield exploration, is unchanged at US$80M in FY21 as we continue to pursue simplification through our exit of lower returning businesses and reduction in the Group’s office 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 for these partnerships is unchanged at US$18M (H1 FY21: US$8M). We have reduced our FY21 guidance for capitalised exploration (excluding EAI) by US$19M to US$31M (H1 FY21: US$14M) to reflect the impact of COVID-19 restrictions on our exploration programs at our Hermosa (FY21e: US$18M), and Ambler Metals Joint Venture (FY21e: US$5M) projects.

Capital expenditure guidance (excluding exploration and intangibles)

Guidance for FY21 Sustaining capital expenditure (excluding EAI and South Africa Energy Coal) remains unchanged at US$335M despite the impact of stronger producer currencies, and accelerated development of the Q&P project at Cerro Matoso, with lower activity expected across the Group during H2 FY21. Sustaining capital expenditure associated with our manganese EAI is unchanged at US$75M.

Major project capital expenditure (excluding South Africa Energy Coal) of US$105M is now expected with H2 FY21 Hermosa guidance provided for the first time. Spend at Hermosa is weighted towards H2 FY21 following COVID-19 impacts on the H1 FY21 work schedule. Activity is largely directed towards water treatment infrastructure and studies for both the Taylor and Clark deposits. The Taylor Deposit PFS is expected to be completed in Q4 FY21 with the Clark Deposit scoping study focussed on metallurgy and the manganese battery chemicals market, expected to follow in H1 FY22.

Subsequent to the end of the period, the IPC refused the application for the Dendrobium Next Domain life extension project at Illawarra Metallurgical Coal. Following the IPC decision, we are assessing its impact on the project and our previously disclosed capital expenditure estimates. Accordingly, H2 FY21 guidance is withdrawn ahead of providing further updates.

Capital expenditure (South32 share excluding South Africa Energy Coal)[16][20]			
US$M	**FY21e prior guidance**	**FY21e new guidance**	**Commentary**
Sustaining capital expenditure (excluding EAI)	335	335	
EAI	75	75	
Sustaining capital expenditure (including EAI)	**410**	**410**	
Hermosa	60	75	Taylor PFS expected in Q4 FY21, Clark scoping study H1 FY22
Illawarra Metallurgical Coal	64	23	Assumes nil spend in H2 FY21 with guidance withdrawn
Eagle Downs Metallurgical Coal	7	7	Placed on hold while we assess options for our interest
Major project capital expenditure	**131**	**105**	
Total capital expenditure (including EAI)	**541**	**515**	

Sustaining capital expenditure of US$20M at South Africa Energy Coal is expected in the 9 months to 31 March 2021 (H1 FY21: US$10M). Major project capital expenditure guidance of US$44M is anticipated for the same period (H1 FY21: US$35M) as we incur completion costs associated with the KPSX project.

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)[16]

	Revenue		Underlying EBIT	
US$M	**H1 FY21**	**H1 FY20**	**H1 FY21**	**H1 FY20**
Worsley Alumina	578	608	70	98
Brazil Alumina	187	204	24	(7)
Hillside Aluminium	653	651	87	38
Mozal Aluminium	254	262	31	(14)
South Africa Energy Coal	386	424	(103)	(105)
Illawarra Metallurgical Coal	365	473	(41)	50
Australia Manganese	368	407	147	178
South Africa Manganese	177	195	32	25
Cerro Matoso	229	305	50	92
Cannington	342	256	154	53
Third party products and services[25]	240	337	2	(13)
Inter-segment / Group and unallocated[(a)]	(293)	(304)	(59)	1
Total	**3,486**	**3,818**	**394**	**396**
Equity accounting adjustment[(b)]	(543)	(602)	(112)	(103)
South32 Group	**2,943**	**3,216**	**282**	**293**

(a) Group and unallocated Underlying EBIT includes a loss of US$4M for Hermosa (H1 FY20: loss of US$3M).

(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 4% (or 77kt) to a record 2,010kt in H1 FY21, with the refinery benefitting from improvement initiatives that supported output above nameplate capacity of 4.6Mt (100% basis). FY21 production guidance remains unchanged at 3,965kt with calciner maintenance scheduled in Q3 FY21.

Operating costs

Operating unit costs decreased by 9% in H1 FY21 to US$204/t as higher volumes, lower caustic soda prices (H1 FY21: US$308/t, H1 FY20: US$391/t), and reduced contractor and maintenance spend, more than offset a stronger Australian dollar.

We have revised FY21 Operating unit cost guidance by US$5/t to US$210/t to reflect updated caustic soda prices 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 29% (or US$28M) in H1 FY21 to US$70M as a 14% decrease in the average realised price of alumina (-US$91M), a drawdown of finished goods inventory (-US$23M) and a stronger Australian dollar (-US$14M) more than offset higher sales volumes (+US$61M), lower caustic soda prices (+US$17M), and reduced contractor and maintenance spend (+US$15M).

Capital expenditure

Sustaining capital expenditure increased by US$5M in H1 FY21 to US$28M as we continued our investment in bauxite residue disposal capacity and processing infrastructure improvements to support nameplate production. Sustaining capital expenditure of US$57M is anticipated in FY21.

South32 share	H1 FY21	H1 FY20
Alumina production (kt)	2,010	1,933
Alumina sales (kt)	2,078	1,891
Realised alumina sales price (US$/t)	278	322
Operating unit cost (US$/t)	204	225

South32 share (US$M)	H1 FY21	H1 FY20
Revenue	578	608
Underlying EBITDA	155	182
Underlying EBIT	70	98
Net operating assets/(liabilities)[(a)]	2,704	2,789
Sustaining capital expenditure	28	23

(a) H1 FY20 reflects balance as at 30 June 2020.

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

Volumes

Brazil Alumina saleable production increased by 1% (or 4kt) to a record 706kt in H1 FY21 as the refinery continued to benefit from increased plant availability. FY21 production guidance remains unchanged at 1,370kt, with planned maintenance successfully completed in H1 FY21.

Operating costs

Operating unit costs decreased by 20% in H1 FY21 to US$206/t as the refinery benefitted from lower caustic soda (H1 FY21: US$296/t, H1 FY20 US$358/t), energy and bauxite prices. Our bauxite costs reduced with declining volumes of third party bauxite, and a lower cost of supply from Mineração Rio do Norte S.A (MRN), where pricing was reset in accordance with its linkage to alumina and aluminium prices.

Financial performance

Alumina Underlying EBIT increased by US$26M in H1 FY21 to US$25M despite an 8% decline in the average realised price of alumina (-US$16M), as a weaker Brazilian real (+US$13M) and lower prices for bauxite (+US$11M), energy (+US$6M) and caustic soda (+US$4M) combined to reduce the refinery's cost base.

Aluminium Underlying EBIT improved by US$5M in H1 FY21 to a loss of US$1M as we continued to incur costs to maintain the smelter on care and maintenance.

Capital expenditure

Sustaining capital expenditure decreased by US$7M in H1 FY21 to US$15M despite our continued investment in bauxite residue disposal capacity. Sustaining capital expenditure of US$27M is anticipated in FY21.

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 481Mt[26] high grade bauxite Mineral Resource, with the pre-feasibility study expected to be completed in CY21.

South32 share	H1 FY21	H1 FY20
Alumina production (kt)	706	702
Alumina sales (kt)	674	678
Realised alumina sales price (US$/t)	277	301
Alumina operating unit cost (US$/t)	206	257

South32 share (US$M)	H1 FY21	H1 FY20
Revenue	187	204
Alumina	*187*	*204*
Aluminium	-	-
Underlying EBITDA	47	24
Alumina	*48*	*30*
Aluminium	*(1)*	*(6)*
Underlying EBIT	24	(7)
Alumina	*25*	*(1)*
Aluminium	*(1)*	*(6)*
Net operating assets/(liabilities)[(a)]	588	568
Alumina	*594*	*584*
Aluminium	*(6)*	*(16)*
Sustaining capital expenditure	15	22

(a) H1 FY20 reflects balance as at 30 June 2020.

Hillside Aluminium (100%)

Volumes

Hillside Aluminium saleable production decreased 1kt to 361kt in H1 FY21 as the smelter continued to test its maximum technical capacity, despite the impact from higher load-shedding. FY21 production guidance is unchanged at 720kt, but remains subject to load-shedding.

South32 share	H1 FY21	H1 FY20
Aluminium production (kt)	361	362
Aluminium sales (kt)	347	350
Realised sales price (US$/t)	1,882	1,859
Operating unit cost (US$/t)	1,536	1,657

South32 share (US$M)	H1 FY21	H1 FY20
Revenue	653	651
Underlying EBITDA	120	71
Underlying EBIT	87	38
Net operating assets/(liabilities)[(a)]	805	794
Sustaining capital expenditure	6	7

(a) H1 FY20 reflects balance as at 30 June 2020.

Operating costs

Operating unit costs decreased by 7% in H1 FY21 to US$1,536/t as lower raw material input costs and a weaker South African rand more than offset an increase in power costs.

Alumina, coke, pitch and aluminium tri-fluoride accounted for 48% of the smelter's cost base in H1 FY21 (H1 FY20: 54%), reflecting softer market prices for raw materials.

The smelter sources alumina from our Worsley Alumina refinery with prices linked to the Platts alumina index on an M-1 basis, while its power has been historically 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 single tariff to cover power supplied for a further 10-year period. The new tariff is South African rand based, with a rate of escalation linked to the South Africa Producer Price Index. During Q2 FY21 Eskom submitted the new agreement to the National Energy Regulator of South Africa (NERSA), with their review process expected to conclude in H2 FY21. From 1 August 2020 we have been accruing power costs on the basis of the new pricing arrangement.

While Operating unit cost guidance is not provided, the cost profile of the smelter will continue to be heavily influenced by the South African rand and the price of raw material inputs, given its highly variable cost base.

Financial performance

Underlying EBIT increased by 129% (or US$49M) in H1 FY21 to US$87M as lower raw material input costs (+US$61M), a weaker South African rand (+US$22M), a build in finished goods inventory (+US$15M) and a 1% increase in the average realised price of aluminium (+US$8M) were partially offset by higher power costs (-US$51M). Absolute pot relining costs were also higher (-US$5M) in H1 FY21, with 50 pots relined at a cost of US$238k per pot (H1 FY20: 32 pots at US$246k per pot). 142 pots are scheduled to be relined across FY21.

Capital expenditure

Sustaining capital expenditure decreased by US$1M in H1 FY21 to US$6M with activity at the smelter impacted by COVID-19 restrictions and consequently weighted to H2 FY21. FY21 Sustaining capital expenditure guidance has been reduced by US$2M to US$16M.

We are currently progressing a feasibility study for the installation of AP3XLE energy efficiency technology at Hillside Aluminium. A final investment decision is due in H1 FY22.

Mozal Aluminium (47.1% share)

Volumes

Mozal Aluminium saleable production increased by 1% (or 1kt) to 135kt in H1 FY21 as the smelter continued to test its maximum technical capacity, despite the impact from higher load-shedding. FY21 production guidance unchanged at 273kt, with the smelter expected to benefit from amperage creep as we continue to rollout the AP3XLE energy efficiency technology. Guidance remains subject to load-shedding.

Operating costs

Operating unit costs decreased by 17% in H1 FY21 to US$1,585/t as the smelter benefitted from a weaker South African rand and lower prices for alumina, coke, pitch and aluminium tri-fluoride. Reflecting the softer market conditions for raw materials, they combined to account for 43% of the smelter's cost base in H1 FY21 (H1 FY20: 47%).

The smelter sources alumina from our Worsley Alumina refinery with approximately half 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 will continue to be heavily influenced by the South African rand and the price of raw material inputs, given its highly variable cost base.

Financial performance

Underlying EBIT increased by US$45M in H1 FY21 to US$31M as the smelter benefitted from lower raw material prices (+US$28M) and a weaker South African rand (+US$6M). A 2% increase in the average realised price of aluminium (+US$4M) provided further support to earnings. Pot relining costs declined marginally with 61[27] pots relined across H1 FY21 at a cost of US$258k per pot (H1 FY20: 63[27] pots at US$272k per pot). 120[27] pots are scheduled to be relined in FY21.

Capital expenditure

Sustaining capital expenditure was unchanged at US$6M in H1 FY21 as the smelter continued 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. FY21 Sustaining capital expenditure guidance has been increased by US$2M to US$10M.

South32 share	H1 FY21	H1 FY20
Aluminium production (kt)	135	134
Aluminium sales (kt)	130	136
Realised sales price (US$/t)	1,943	1,914
Operating unit cost (US$/t)	1,585	1,904

South32 share (US$M)	H1 FY21	H1 FY20
Revenue	254	262
Underlying EBITDA	48	3
Underlying EBIT	31	(14)
Net operating assets/(liabilities)[a]	457	436
Sustaining capital expenditure	6	6

(a) H1 FY20 reflects balance as at 30 June 2020.

South Africa Energy Coal (100% share)

Volumes

South Africa Energy Coal saleable production decreased by 5% (or 0.5Mt) to 11.2Mt in H1 FY21 with reduced demand from Eskom impacting domestic sales. Export sales were also lower with the suspension of activity from loss-making pits in response to market conditions. Saleable production of 15.0 to 16.4Mt is expected for the 9 months to 31 March 2021, as we continue to adjust volumes to maximise margins and respond to Eskom demand.

Operating costs

Operating unit costs decreased by 2% in H1 FY21 to US$42/t as the operation benefitted from a weaker South African rand and savings from the closure of loss-making pits.

While Operating unit cost guidance is not provided, we expect Q3 FY21 costs to be influenced by adjustments made to saleable production volumes and a stronger South African rand.

Financial performance

Underlying EBIT increased by US$2M in H1 FY21 to a loss of US$103M, despite the prior period result benefiting from the receipt of an insurance payment for the Klipspruit dragline outage (-US$48M). The improvement came as savings from the closure of loss-making pits (+US$65M), higher average domestic realised prices (+US$60M), a weaker South African rand (+US$36M) and lower depreciation (+US$16M) more than offset lower average export realised prices (-US$62M) and additional costs incurred to support an increase in activity at Klipspruit (-US$56M), following completion of the KPSX project during Q2 FY21.

Capital expenditure

Sustaining capital expenditure decreased by US$19M in H1 FY21 to US$10M as we reduced expenditure at loss-making pits. Sustaining capital expenditure of US$20M is expected for the 9 months to 31 March 2021.

Major project capital expenditure decreased by US$38M in H1 FY21 to US$35M with completion of the KPSX project during Q2 FY21. Expenditure of US$44M is expected for the nine months to 31 March 2021 as we incur completion costs at the project.

South32 share	H1 FY21	H1 FY20
Energy coal production (kt)	11,243	11,785
Domestic sales (kt)	6,527	6,688
Export sales (kt)	4,697	4,854
Realised domestic sales price (US$/t)	28	23
Realised export sales price (US$/t)	43	55
Operating unit cost (US$/t)	42	43

South32 share (US$M)	H1 FY21	H1 FY20
Revenue[28]	386	424
Underlying EBITDA	(89)	(75)
Underlying EBIT	(103)	(105)
Net operating assets/(liabilities)[a]	(273)	(365)
Capital expenditure	45	102
Major	35	73
Sustaining	10	29

(a) H1 FY20 reflects balance as at 30 June 2020.

Illawarra Metallurgical Coal (100% share)

Volumes

Illawarra Metallurgical Coal saleable production increased by 11% (or 401kt) to 4.1Mt in H1 FY21 with the operation's successful return to a three longwall configuration in April 2020 supporting higher volumes of metallurgical coal.

Energy coal production volumes were flat in H1 FY21, despite the completion of a longwall move at the Dendrobium mine in Q2 FY21, as we monetised 0.2Mt of low-margin coal wash material for sale to industrial customers. The coal wash material generates a small margin, attracting significant grade and product-type discounts to the API5 (5,500Kcal) index[29] for our energy coal sales.

FY21 production guidance has been increased by 4% to 8.0Mt to reflect our expected sales volumes of coal wash material during the period. A longwall move is scheduled at the Appin mine for Q4 FY21.

Operating costs

Operating unit costs decreased by 15% in H1 FY21 to US$77/t as the operation benefitted from higher volumes.

We have lowered FY21 Operating unit cost guidance by US$1/t to US$83/t with additional volumes expected to more than offset 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$91M in H1 FY21 to a loss of US$41M as lower average realised prices (-US$167M) and a stronger Australian dollar (-US$14M) more than offset increased sales volumes (+US$59M) and a movement in finished goods inventory (+US$19M).

Capital expenditure

Sustaining capital expenditure decreased by US$30M in H1 FY21 to US$75M as our spend on underground development (H1 FY21: US$37M) and other sustaining expenditure (H1 FY21: US$38M) returned to typical levels following a substantial prior investment to support the return to a three longwall configuration. FY21 Sustaining capital expenditure guidance has been reduced by US$4M to US$146M.

Major project capital expenditure for Dendrobium Next Domain increased by US$16M in H1 FY21 to US$23M as we incurred pre-commitment spend on studies and critical path items ahead of a final investment decision scheduled in H2 FY21. Subsequent to the end of the period the IPC refused the application for the development of the project. We are assessing the impact of this decision and accordingly our H2 FY21 guidance is withdrawn ahead of providing further updates.

South32 share	H1 FY21	H1 FY20
Metallurgical coal production (kt)	3,262	2,859
Energy coal production (kt)	834	836
Metallurgical coal sales (kt)	3,165	2,800
Energy coal sales (kt)	862	819
Realised metallurgical coal sales price (US$/t)	107	154
Realised energy coal sales price (US$/t)	31	53
Operating unit cost (US$/t)	77	91

South32 share (US$M)	H1 FY21	H1 FY20
Revenue[30]	365	473
Underlying EBITDA	54	142
Underlying EBIT	(41)	50
Net operating assets/(liabilities)[a]	1,347	1,356
Capital expenditure	98	112
Major	23	7
Sustaining	75	105
Exploration expenditure	8	6
Exploration expensed	2	1

(a) H1 FY20 reflects balance as at 30 June 2020.

Australia Manganese (60% share)

Volumes

Australia Manganese saleable ore production increased by 3% (or 59kwmt) to a record 1,834kwmt in H1 FY21 as favourable ore characteristics supported strong output from the primary concentrator. The PC02 circuit contributed 10% of total production (H1 FY20: 11%) adding to the primary concentrator performance.

While we continue to monitor the potential impact from the wet season across the remainder of the financial year, FY21 production guidance remains unchanged at 3,500kwmt.

Manganese alloy saleable production decreased by 11% (or 6kt) to 51kt in H1 FY21 with GEMCO's divestment of the TEMCO manganese alloy smelter completed subsequent to the end of the period. The effective completion date of the sale for accounting purposes was 31 December 2020.

Operating costs

FOB manganese ore Operating unit costs decreased by 14% in H1 FY21 to US$1.39/dmtu as higher volumes, equipment productivity and lower planned maintenance more than offset the impact of a stronger Australian dollar, and an expected increase in the strip ratio (H1 FY21: 5.6, H1 FY20: 5.3).

We have increased FY21 Operating unit cost guidance by US$0.01/dmtu to US$1.49/dmtu as equipment productivity is expected to be 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 increased by 13% in H1 FY21 to US$1,034/t as the Australian dollar strengthened and we drew down finished goods inventory ahead of the divestment of TEMCO.

Financial performance

Underlying EBIT decreased by 17% (or US$31M) in H1 FY21 to US$147M as lower average realised prices (-US$49M) and a stronger Australian dollar (-US$7M) more than offset higher sales volumes (+US$10M), lower diesel prices (+US$6M) and reduced maintenance expenditure at GEMCO (+US$3M).

Capital expenditure

Sustaining capital expenditure decreased by US$8M in H1 FY21 to US$29M despite our continued investment in additional tailings storage capacity and non-processing infrastructure upgrades at GEMCO. Sustaining capital expenditure of US$58M is anticipated in FY21.

South32 share	H1 FY21	H1 FY20
Manganese ore production (kwmt)	1,834	1,775
Manganese alloy production (kt)	51	57
Manganese ore sales (kwmt)	1,865	1,737
External customers	*1,750*	*1,683*
TEMCO	*115*	*54*
Manganese alloy sales (kt)	59	58
Realised external manganese ore sales price (US$/dmtu, FOB)[31][32]	3.93	4.49
Realised manganese alloy sales price (US$/t)[31]	958	1,013
Ore operating unit cost (US$/dmtu)[32][33]	1.39	1.62
Alloy operating unit cost (US$/t)[33]	1,034	914

South32 share (US$M)	H1 FY21	H1 FY20
Revenue[34]	368	407
Manganese ore	*323*	*354*
Manganese alloy	*57*	*59*
Intra-segment elimination	*(12)*	*(6)*
Underlying EBITDA	184	212
Manganese ore	*188*	*206*
Manganese alloy	*(4)*	*6*
Underlying EBIT	147	178
Manganese ore	*151*	*174*
Manganese alloy	*(4)*	*4*
Net operating assets/(liabilities)[a]	269	242
Manganese ore	*269*	*293*
Manganese alloy	-	*(51)*
Sustaining capital expenditure	29	37
Exploration expenditure	2	2
Exploration expensed	1	1

(a) H1 FY20 reflects balance as at 30 June 2020.

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

Volumes

South Africa Manganese saleable ore production increased by 5% (or 48kwmt) to 1,086kwmt in H1 FY21 following an extended shut in response to market conditions in the prior period. While we continue to monitor market conditions and the attractiveness of higher cost trucking, FY21 production guidance remains unchanged at 2,000kwmt.

We did not produce any manganese alloy in H1 FY21 as the Metalloys manganese alloy smelter remained on care and maintenance.

Operating costs

FOB manganese ore Operating unit costs decreased by 12% in H1 FY21 to US$2.28/dmtu as the operation benefitted from higher sales volumes and a weaker South African rand.

We have increased FY21 Operating unit cost guidance by US$0.19/dmtu to US$2.44/dmtu to reflect a stronger South African rand and our on-going use of higher cost trucking, which we expect to be partially offset by cost efficiencies and lower price-linked royalties. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Ore Underlying EBIT increased by 14% (or US$5M) in H1 FY21 to US$42M as increased sales volumes (+US$14M), a weaker South African rand (+US$10M) and inventory movements (+US$5M) more than offset an 8% reduction in realised prices (-US$12M) and higher freight costs (-US$4M).

Alloy Underlying EBIT improved by US$2M in H1 FY21 to a loss of US$10M as we incurred one-off costs associated with the smelter's recent placement on care and maintenance.

Our average realised price for external sales of South African ore was a 1% premium to the medium grade 37% manganese lump ore index (FOB Port Elizabeth, South Africa)[35] in H1 FY21, as our lower quality fines product made up a smaller proportion of total sales (H1 FY21: 5%, H1 FY20: 15%).

Capital expenditure

Sustaining capital expenditure decreased by US$7M to US$10M in H1 FY21, and is expected to be US$17M in FY21.

South32 share	H1 FY21	H1 FY20
Manganese ore production (kwmt)	1,086	1,038
Manganese alloy production (kt)	-	34
Manganese ore sales (kwmt)	1,103	1,073
External customers	1,103	1,011
Metalloys	-	62
Manganese alloy sales (kt)	11	28
Realised external manganese ore sales price (US$/dmtu, FOB)[36][37]	3.49	3.81
Realised manganese alloy sales price (US$/t)[36]	648	935
Ore operating unit cost (US$/dmtu)[37][38]	2.28	2.60
Alloy operating unit cost (US$/t)[38]	N/A	1,179

South32 share (US$M)	H1 FY21	H1 FY20
Revenue[39]	177	195
Manganese ore[40]	170	176
Manganese alloy	7	26
Intra-segment elimination	-	(7)
Underlying EBITDA	41	39
Manganese ore[40]	50	46
Manganese alloy	(9)	(7)
Underlying EBIT	32	25
Manganese ore[40]	42	37
Manganese alloy	(10)	(12)
Net operating assets/(liabilities)[a]	200	237
Manganese ore[40]	253	281
Manganese alloy	(53)	(44)
Sustaining capital expenditure	10	17

(a) H1 FY20 reflects balance as at 30 June 2020.

Cerro Matoso (99.9% share)

Volumes

Cerro Matoso payable nickel production decreased by 22% (or 4.5kt) to 16.1kt in H1 FY21 as we commenced a major refurbishment of one of the furnaces. The refurbishment, which was completed subsequent to the end of the period, is expected to broaden the operating window of the furnace, resulting in higher ore to kiln volumes.

During the period we approved development of the Q&P project, which comprises the development of 17Mt of Mineral Resources (46% Measured, 45% Indicated and 9% Inferred) of the total estimate reported for Cerro Matoso in FY20[41]. The project is a high returning, low capital option that is expected to contribute to higher average ore feed grades over the next six years. Following its approval and the accelerated delivery timetable we have increased our FY21 and FY22 production guidance by 3% (to 34.6kt) and 13% (to 43.8kt) respectively.

Operating costs

Operating unit costs decreased by US$0.01/lb in H1 FY21 to US$3.79/lb, despite lower sales volumes, with the operation benefitting from a weaker Colombian peso and lower price-linked royalties.

We have increased FY21 Operating unit cost guidance by US$0.13/lb to US$4.10/lb with additional volumes expected to be more than offset by higher price-linked royalties and an increase in electricity prices. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Underlying EBIT decreased by 46% (or US$42M) in H1 FY21 to US$50M as a 7% reduction in the average realised nickel price (-US$18M) and lower sales volumes (-US$58M) were partially offset by a reduction in energy usage (+US$10M), lower price-linked royalties (+US$6M) and a weaker Colombian peso (+US$9M).

Capital expenditure

Sustaining capital expenditure decreased by US$9M in H1 FY21 to US$15M with FY21 guidance increased by US$4M to US$40M to accelerate development of the Q&P project.

South32 share	H1 FY21	H1 FY20
Ore mined (kwmt)	1,470	1,400
Ore processed (kdmt)	1,155	1,389
Ore grade processed (%, Ni)	1.57	1.66
Payable nickel production (kt)	16.1	20.6
Payable nickel sales (kt)	16.5	20.4
Realised nickel sales price (US$/lb)[42]	6.29	6.77
Operating unit cost (US$/lb)	3.79	3.80
Operating unit cost (US$/t ore processed)[43]	119	123

South32 share (US$M)	H1 FY21	H1 FY20
Revenue	229	305
Underlying EBITDA	91	134
Underlying EBIT	50	92
Net operating assets/(liabilities)[a]	406	425
Sustaining capital expenditure	15	24
Exploration expenditure	-	3
Exploration expensed	-	2

(a) H1 FY20 reflects balance as at 30 June 2020.

Cannington (100% share)

Volumes

Cannington payable zinc equivalent production[21] decreased by 1% (or 1.4kt) to 167.3kt in H1 FY21 following the completion of planned surface maintenance. Ore mined volumes increased by 4% with underground mine performance supporting the re-establishment of run of mine inventory. We now expect to accelerate the extraction of a planned higher-grade mining sequence during Q4 FY21 and as a result FY21 zinc equivalent production guidance has been increased by 5% (to 12,600koz for silver, 119.2kt for lead and 61.6kt for zinc). FY22 production guidance remains unchanged.

Operating costs

Operating unit costs increased by 2% in H1 FY21 to US$124/t as a stronger Australian dollar and reduced mill throughput were partially offset by lower consumables usage and energy cost efficiencies.

We have increased FY21 Operating unit cost guidance by US$12/t to US$123/t to reflect a stronger Australian dollar and higher price-linked royalties. Exchange rate and price assumptions for FY21 Operating unit cost guidance are detailed on page 26, footnote 24.

Financial performance

Underlying EBIT increased by 191% (or US$101M) in H1 FY21 to US$154M as higher average realised prices (+US$65M), improved silver and lead sales volumes (+US$26M), efficiencies in consumables usage (+US$4M) and lower energy prices (+US$2M) were partially offset by a stronger Australian dollar (-US$7M).

Capital expenditure

Sustaining capital expenditure increased by US$7M in H1 FY21 to US$29M as we continue to invest in underground development and additional tailings storage capacity. Sustaining capital expenditure of US$39M is anticipated in FY21.

South32 share	H1 FY21	H1 FY20
Ore mined (kwmt)	1,409	1,360
Ore processed (kdmt)	1,302	1,394
Ore grade processed (g/t, Ag)	174	165
Ore grade processed (%, Pb)	5.1	4.8
Ore grade processed (%, Zn)	3.3	3.3
Payable zinc equivalent production (kt)[21]	167.3	168.7
Payable silver production (koz)	5,993	6,164
Payable lead production (kt)	57.6	55.3
Payable zinc production (kt)	30.4	32.5
Payable silver sales (koz)	6,326	5,912
Payable lead sales (kt)	61.4	51.8
Payable zinc sales (kt)	31.8	35.3
Realised silver sales price (US$/oz)	26.0	17.5
Realised lead sales price (US$/t)	1,744	1,869
Realised zinc sales price (US$/t)	2,228	1,591
Operating unit cost (US$/t ore processed)[44]	124	121

South32 share (US$M)	H1 FY21	H1 FY20
Revenue	342	256
Underlying EBITDA	180	87
Underlying EBIT	154	53
Net operating assets/(liabilities)[a]	226	214
Sustaining capital expenditure	29	22
Exploration expenditure	1	3
Exploration expensed	1	3

(a) H1 FY20 reflects balance as at 30 June 2020.

Notes

(1) Net tangible assets as at 31 December 2020 includes right-of-use assets with a net book value of US$645M (30 June 2020: US$702M).

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

(3) H1 FY21 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for H1 FY21 (4,815 million). H1 FY21 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for H1 FY21. H1 FY20 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for H1 FY20 (4,941 million). H1 FY20 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for H1 FY20.

(4) H1 FY21 ordinary dividends per share is calculated as H1 FY21 ordinary dividend announced (US$67M) divided by the number of shares on issue at 31 December 2020 (4,781 million).

(5) 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;
- Earnings adjustments included in profit/(loss) of equity accounted investments; and
- The income tax impact of the above items.

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.

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

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

(8) 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 costs, 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.

(9) To ensure that incident classification definitions are applied uniformly across our workforce, we have adopted the United States Government Occupational Safety and Health Administration (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses.

(10) Total Recordable Injury Frequency (TRIF): The sum of (recordable injuries x 1,000,000) ÷ exposure hours. This is stated in units of per million hours worked for employees and contractors. Recordable injuries is the sum of work-related (fatalities + permanent impairment >30 per cent of body + lost time injuries + restricted work injuries + medical treatment injuries).

(11) Cost base excluding third party product cost.

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

(13) 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.

(14) Other includes the impact of fully suspended operations to reflect the decision to place the Metalloys manganese alloy smelter on care and maintenance.

(15) Underlying net finance costs and Underlying income tax expense are actual H1 FY21 results, not half-on-half variances.

(16) 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 (100% share), Cannington (100%), Hermosa (100%) and Eagle Downs Metallurgical Coal (50% share).

(17) 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.

(18) The primary corporate tax rates applicable to the Group for FY21 include: Australia 30%, South Africa 28%, Colombia 32%, 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.

(19) H1 FY21 net distributions from our manganese EAI comprise dividends and capital returns (US$92M) and a net drawdown in shareholder loans (-US$40M).

(20) 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.

(21) 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 H1 FY20, FY20, H1 FY21, FY21e and FY22e.

(22) 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 32 and 37.

(23) FY21 prior 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

Notes

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.

(24) FY21 new 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$270/t; an average blended coal price (including coal wash sales) of US$96/t for Illawarra Metallurgical Coal; a manganese ore price of US$4.55/dmtu for 44% manganese product; a nickel price of US$7.51/lb; a thermal coal price of US$77/t (API4) for South Africa Energy Coal; a silver price of US$25.15/troy oz; a lead price of US$1,952/t (gross of treatment and refining charges); a zinc price of US$2,597/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.75; a USD:ZAR exchange rate of 15.69; a USD:COP exchange rate of 3,594; and a reference price for caustic soda; all of which reflected forward markets as at January 2021 or our internal expectations.

(25) H1 FY21 third party products and services sold comprise US$18M for aluminium, US$15M for alumina, US$86M for coal, US$83M for freight services, US$35M for aluminium raw materials and US$3M for manganese. Underlying EBIT on third party products and services comprise US$2M for aluminium, (US$1M) for alumina, US$1M for coal, nil for freight services, nil for aluminium raw materials and nil for manganese. H1 FY20 third party products and services sold comprise US$19M for aluminium, US$12M for alumina, US$162M for coal, US$100M for freight services, US$44M for aluminium raw materials and nil for manganese. Underlying EBIT on third party products and services comprise US$2M for aluminium, (US$2M) for alumina, (US$14M) for coal, nil for freight services, US$1M for aluminium raw materials and nil for manganese.

(26) 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 2020 (www.south32.net) issued on 4 September 2020 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.

(27) Presented on a 100% basis.

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

(29) The quarterly sales volume weighted average of the Argus McCloskey API5 Coal index 5,500Kcal NAR (FOB Newcastle, Australia) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US$38/t in H1 FY21.

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

(31) 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.

(32) Manganese Australia H1 FY21 average manganese content of external ore sales was 44.4% on a dry basis (H1 FY20: 45.0%). 96% of H1 FY21 external manganese ore sales (H1 FY20: 96%) were completed on a CIF basis. H1 FY21 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$25M (H1 FY20: US$28M), consistent with our FOB cost guidance.

(33) 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.

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

(35) 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$3.46/dmtu in H1 FY21.

(36) 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.

(37) Manganese South Africa H1 FY21 average manganese content of external ore sales was 39.9% on a dry basis (H1 FY20: 40.0%). 74% of H1 FY21 external manganese ore sales (H1 FY20: 71%) were completed on a CIF basis. H1 FY21 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$20M (H1 FY20: US$20M), consistent with our FOB cost guidance.

(38) 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.

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

(40) 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%.

(41) Cerro Matoso total Mineral Resource estimate declared in the South32 Annual Report 2020 (www.south32.net).

(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) 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); December half year (H1 FY21); 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 half year ended 31 December 2020

CONSOLIDATED INCOME STATEMENT

for the half year ended 31 December 2020

US$M	Note	H1 FY21	H1 FY20
Revenue:			
Group production	3	**2,706**	2,879
Third party products and services	3	**237**	337
		2,943	3,216
Other income		**79**	130
Expenses excluding net finance costs		**(2,904)**	(3,195)
Share of profit/(loss) of equity accounted investments		**52**	100
Profit/(loss)		**170**	251
Comprising:			
Group production		**168**	264
Third party products and services		**2**	(13)
Profit/(loss)		**170**	251
Finance expenses		**(139)**	(90)
Finance income		**13**	26
Net finance costs	7	**(126)**	(64)
Profit/(loss) before tax		**44**	187
Income tax (expense)/benefit		**9**	(88)
Profit/(loss) after tax		**53**	99
Attributable to:			
Equity holders of South32 Limited		**53**	99
Profit/(loss) for the period attributable to the equity holders of South32 Limited:			
Basic earnings per share (cents)	5	**1.1**	2.0
Diluted earnings per share (cents)	5	**1.1**	2.0

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2020

US$M	H1 FY21	H1 FY20
Profit/(loss) for the period	**53**	99
Other comprehensive income		
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)	**(26)**	(11)
Tax benefit/(expense)	**9**	3
Equity accounted investments – share of other comprehensive income/(loss), net of tax	**-**	20
Gains/(losses) on pension and medical schemes	**(2)**	-
Tax benefit/(expense) recognised within other comprehensive income	**1**	-
Total items not to be reclassified to the Consolidated Income Statement	**(18)**	12
Total other comprehensive income/(loss)	**(18)**	12
Total comprehensive income/(loss)	**35**	111
Attributable to:		
Equity holders of South32 Limited	**35**	111

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2020

US$M	Note	H1 FY21	FY20
ASSETS			
Current assets			
Cash and cash equivalents		**1,383**	1,315
Trade and other receivables		**585**	531
Other financial assets	8	**10**	19
Inventories		**826**	735
Current tax assets		**9**	27
Other		**23**	36
Total current assets		**2,836**	2,663
Non-current assets			
Trade and other receivables		**375**	303
Other financial assets	8	**177**	172
Inventories		**82**	77
Property, plant and equipment		**10,179**	9,680
Intangible assets		**207**	248
Equity accounted investments		**420**	460
Deferred tax assets		**154**	123
Other		**12**	11
Total non-current assets		**11,606**	11,074
Total assets		**14,442**	13,737
LIABILITIES			
Current liabilities			
Trade and other payables		**695**	627
Interest bearing liabilities		**432**	355
Other financial liabilities	8	**5**	1
Current tax payables		**30**	9
Provisions	6	**299**	274
Deferred income		**6**	5
Total current liabilities		**1,467**	1,271
Non-current liabilities			
Trade and other payables		**1**	3
Interest bearing liabilities		**676**	662
Deferred tax liabilities		**287**	339
Provisions	6	**2,561**	1,899
Deferred income		**1**	1
Total non-current liabilities		**3,526**	2,904
Total liabilities		**4,993**	4,175
Net assets		**9,449**	9,562
EQUITY			
Share capital		**13,831**	13,943
Treasury shares		**(29)**	(49)
Reserves		**(3,612)**	(3,566)
Retained earnings/(accumulated losses)		**(740)**	(765)
Total equity attributable to equity holders of South32 Limited		**9,450**	9,563
Non-controlling interests		**(1)**	(1)
Total equity		**9,449**	9,562

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 31 December 2020

US$M	H1 FY21	H1 FY20
Operating activities		
Profit/(loss) before tax	44	187
Adjustments for:		
Depreciation and amortisation expense	351	385
Impairment losses	43	-
Employee share awards expense	19	5
Net finance costs	126	64
Share of (profit)/loss of equity accounted investments	(52)	(100)
(Gains)/losses on derivative instruments and other investments measured at fair value	(16)	42
Other non-cash or non-operating items	(2)	-
Changes in assets and liabilities:		
Trade and other receivables	(66)	290
Inventories	(96)	20
Trade and other payables	62	(53)
Provisions and other liabilities	63	(41)
Cash generated from operations	476	799
Interest received	13	26
Interest paid	(35)	(36)
Income tax (paid)/received	(28)	(243)
Dividends received	1	1
Dividends received from equity accounted investments	92	195
Net cash flows from operating activities	519	742
Investing activities		
Purchases of property, plant and equipment	(276)	(393)
Exploration expenditure	(25)	(34)
Exploration expenditure expensed and included in operating cash flows	11	16
Purchase of intangibles	-	(11)
Investment in financial assets	(96)	(157)
Cash outflows from investing activities	(386)	(579)
Proceeds from financial assets	56	106
Net cash flows from investing activities	(330)	(473)
Financing activities		
Proceeds from interest bearing liabilities	59	80
Repayment of interest bearing liabilities	(23)	(23)
Purchase of shares by South32 Limited Employee Incentive Plan Trusts (ESOP Trusts)	(1)	(17)
Share buy-back	(112)	(192)
Dividends paid	(48)	(139)
Net cash flows from financing activities	(125)	(291)
Net increase/(decrease) in cash and cash equivalents	64	(22)
Cash and cash equivalents, net of overdrafts, at the beginning of the period	1,315	1,406
Foreign currency exchange rate changes on cash and cash equivalents	4	5
Cash and cash equivalents, net of overdrafts, at the end of the period	1,383	1,389

The accompanying notes form part of the half year consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2020

	Attributable to equity holders of South32 Limited								
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
Balance as at 1 July 2020	**13,943**	**(49)**	**(54)**	**81**	**(3,593)**	**(765)**	**9,563**	**(1)**	**9,562**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**53**	**53**	**-**	**53**
Other comprehensive income/(loss)	**-**	**-**	**(17)**	**-**	**-**	**(1)**	**(18)**	**-**	**(18)**
Total comprehensive income/(loss)	**-**	**-**	**(17)**	**-**	**-**	**52**	**35**	**-**	**35**
Transactions with owners:									
Dividends	**-**	**-**	**-**	**-**	**-**	**(48)**	**(48)**	**-**	**(48)**
Shares bought back and cancelled[4]	**(112)**	**-**	**-**	**-**	**-**	**-**	**(112)**	**-**	**(112)**
Accrued employee entitlements for unvested awards, net of tax	**-**	**-**	**-**	**24**	**-**	**-**	**24**	**-**	**24**
Purchase of shares by ESOP Trusts	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Employee share awards vested and lapsed	**-**	**21**	**-**	**(53)**	**-**	**30**	**(2)**	**-**	**(2)**
Tax recognised for employee share awards vested and lapsed	**-**	**-**	**-**	**-**	**-**	**(9)**	**(9)**	**-**	**(9)**
Balance as at 31 December 2020	**13,831**	**(29)**	**(71)**	**52**	**(3,593)**	**(740)**	**9,450**	**(1)**	**9,449**
Balance as at 1 July 2019	14,212	(105)	(9)	109	(3,590)	(448)	10,169	(1)	10,168
Profit/(loss) for the period	-	-	-	-	-	99	99	-	99
Other comprehensive income/(loss)	-	-	(8)	-	-	20	12	-	12
Total comprehensive income/(loss)	-	-	(8)	-	-	119	111	-	111
Transactions with owners:									
Dividends	-	-	-	-	-	(139)	(139)	-	(139)
Shares bought back and cancelled[4]	(192)	-	-	-	-	-	(192)	-	(192)
Accrued employee entitlements for unvested awards, net of tax	-	-	-	10	-	-	10	-	10
Employee share awards forfeited, net of tax	-	-	-	(10)	-	-	(10)	-	(10)
Purchase of shares by ESOP Trusts	-	(17)	-	-	-	-	(17)	-	(17)
Employee share awards vested and waived	-	79	-	(39)	-	(42)	(2)	-	(2)
Tax recognised for employee share awards vested	-	-	-	-	-	13	13	-	13
Balance as at 31 December 2019	14,020	(43)	(17)	70	(3,590)	(497)	9,943	(1)	9,942

(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.
(4) Represents 65,508,132 (H1 FY20: 105,772,439) shares permanently cancelled through the on-market share buy-back program during the period.

The accompanying notes form part of the half year consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – BASIS OF PREPARATION

The Group continues to respond to COVID-19, adjusting to the different phases of the pandemic across the jurisdictions where it operates, focussing on keeping its people well, maintaining safe and reliable operations and supporting its communities. Even as the Group faces this challenge, it delivered a strong operating result, with year to date production records at Australia Manganese, Worsley Alumina and Brazil Alumina.

The Group generated US$519 million net cash flows from operating activities during the year, finishing the period with net cash of US$275 million (cash and cash equivalents of US$1,383 million less lease liabilities of US$687 million and other interest bearing liabilities of US$421 million). The Group also has an undrawn US$1.45 billion revolving credit facility which supports its strong liquidity position.

The Group has considered the impact of COVID-19 on each of its significant accounting judgements and estimates. Key assumptions that underpin the assessment of indicators for impairment and impairment reversal of assets continue to be the Group's main area of estimation uncertainty as described in the Group's 30 June 2020 annual consolidated financial statements. While no further significant estimates have been identified as a result of COVID-19, the pandemic has increased the level of uncertainty in all future cash flow forecasts applicable when considering the valuation of asset, liability and equity balances of the Group.

The consolidated financial statements of South32 Limited (referred to as the Company) and its subsidiaries and joint arrangements (collectively, the Group) for the half year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 18 February 2021.

1. Reporting entity

South32 Limited is a for-profit company limited by shares incorporated in Australia with a primary listing on the Australian Securities Exchange (ASX), a standard listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE).

The nature of the operations and principal activities of the Group are described in note 3 Segment information.

2. Basis of preparation

The half year consolidated financial statements are a general purpose condensed financial report which:

- Have been prepared in accordance with AASB 134 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Corporations Act;
- Have been prepared on a historical cost basis, except for derivative financial instruments and certain other financial assets and liabilities which are required to be measured at fair value;
- Are presented in US dollars, which is the functional currency of the Group's operations, and all values are rounded to the nearest million dollars (US$M or US$ million) unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/191;
- Present reclassified comparative information where required for consistency with the current period's presentation; and
- Have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2020 annual consolidated financial statements.

In preparing the half year consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2020. Specifically, management has continued to make key judgements and assumptions in estimating the recoverable amount of the South Africa Energy Coal (SAEC) cash generating units following the agreement to sell SAEC announced on 6 November 2019. The sale continues to be subject to material conditions precedent being satisfied per the terms of the agreement, including approvals from Eskom SOC Limited. The Group continues to advance its discussions with Eskom SOC Limited to meet the material outstanding conditions precedent. The estimate of recoverable amount at 31 December 2020 was informed by management's assumptions regarding completion of a sale agreement that satisfies the conditions precedent, timing of transaction completion and future operating cashflows aligned to the assumed transaction date. These cash flows assume forecast thermal coal prices and a South African rand exchange rate which are comparable to market based forecasts. These uncertainties may result in future recoverable amounts differing from the amounts currently estimated. No further impairment or impairment reversal has been recognised at 31 December 2020.

For a full understanding of the financial performance and financial position of the Group, it is recommended that the half year consolidated financial statements be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2020. Consideration should also be given to any public announcements made by the Company in accordance with the continuous disclosure obligations of the ASX Listing Rules.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

3. 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 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 (SAEC)	Open-cut and underground energy coal mines and processing operations in South Africa
Illawarra Metallurgical Coal (IMC)	Underground metallurgical coal mines in New South Wales (NSW), Australia
Eagle Downs Metallurgical Coal	Metallurgical coal exploration and development option 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 4 January 2021, Groote Eylandt Mining Company Pty Ltd (GEMCO) legally completed the sale of its shareholding in Tasmanian Electro Metallurgical Company Pty Ltd (TEMCO) to an entity within GFG Alliance (GFG). The effective completion of the sale for accounting purposes was 31 December 2020.

(2) The Metalloys manganese smelter has not recommenced production since the Group's decision with its joint venture partner to place it on care and maintenance during the year ended 30 June 2020.

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 costs, 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/(loss) 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 expenses 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.

3. Segment information (continued)

(b) Segment results (continued)

31 December 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	578	653	252	187	385	369	-	369	177	219	323	-	(51)	(544)	2,917
Other[2]	-	-	2	-	1	(4)	-	(1)	-	10	19	-	(2)	1	26
Total revenue	**578**	**653**	**254**	**187**	**386**	**365**	**-**	**368**	**177**	**229**	**342**	**-**	**(53)**	**(543)**	**2,943**
Group production	290	653	254	187	386	365	-	368	172	229	342	-	-	(540)	2,706
Third party products and services[3]	-	-	-	-	-	-	-	-	-	-	-	-	240	(3)	237
Inter-segment revenue	288	-	-	-	-	-	-	-	5	-	-	-	(293)	-	-
Total revenue	**578**	**653**	**254**	**187**	**386**	**365**	**-**	**368**	**177**	**229**	**342**	**-**	**(53)**	**(543)**	**2,943**
Underlying EBITDA	**155**	**120**	**48**	**47**	**(89)**	**54**	**-**	**184**	**41**	**91**	**180**	**(3)**	**(37)**	**(158)**	**633**
Depreciation and amortisation	(85)	(33)	(17)	(23)	(14)	(95)	-	(37)	(9)	(41)	(26)	(1)	(16)	46	(351)
Underlying EBIT	**70**	**87**	**31**	**24**	**(103)**	**(41)**	**-**	**147**	**32**	**50**	**154**	**(4)**	**(53)**	**(112)**	**282**
Comprising:															
Group production excluding exploration expensed	70	87	31	24	(97)	(37)	-	148	32	50	155	(4)	(47)	(180)	232
Exploration expensed	-	-	-	-	-	(2)	-	(1)	-	-	(1)	-	(8)	1	(11)
Third party products and services[3]	-	-	-	-	-	-	-	-	-	-	-	-	2	-	2
Share of profit/(loss) of equity accounted investments[4]	-	-	-	-	(6)	(2)	-	-	-	-	-	-	-	67	59
Underlying EBIT	**70**	**87**	**31**	**24**	**(103)**	**(41)**	**-**	**147**	**32**	**50**	**154**	**(4)**	**(53)**	**(112)**	**282**
Net finance costs															(60)
Income tax (expense)/benefit															(86)
Underlying earnings															**136**
Earnings adjustments[5]															(83)
Profit/(loss) after tax															**53**
Exploration expenditure	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**2**	**-**	**-**	**1**	**7**	**9**	**(2)**	**25**
Capital expenditure[6]	**28**	**6**	**6**	**15**	**45**	**98**	**4**	**29**	**10**	**15**	**29**	**29**	**1**	**(39)**	**276**
Equity accounted investments	**-**	**-**	**-**	**-**	**15**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**404**	**420**
Total assets[7]	**3,613**	**1,125**	**550**	**684**	**834**	**1,692**	**189**	**606**	**402**	**629**	**533**	**1,934**	**2,455**	**(804)**	**14,442**
Total liabilities[7]	**909**	**320**	**93**	**96**	**1,107**	**345**	**8**	**337**	**202**	**223**	**307**	**41**	**1,771**	**(766)**	**4,993**

(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 half year 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$18 million for aluminium, US$15 million for alumina, US$86 million for coal, US$83 million for freight services and US$35 million for aluminium raw materials. Underlying EBIT on third party products and services sold comprise of US$2 million for aluminium, (US$1) million for alumina, US$1 million for coal and nil for freight services and aluminium raw materials.

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

(5) Refer to note 3(b)(i) 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.

3. Segment information (continued)

(b) Segment results (continued)

31 December 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	608	651	263	204	427	482	-	426	197	299	261	-	34	(623)	3,229
Other(2)	-	-	(1)	-	(3)	(9)	-	(19)	(2)	6	(5)	-	(1)	21	(13)
Total revenue	**608**	**651**	**262**	**204**	**424**	**473**	**-**	**407**	**195**	**305**	**256**	**-**	**33**	**(602)**	**3,216**
Group production	304	651	262	204	424	473	-	407	195	305	256	-	-	(602)	2,879
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	337	-	337
Inter-segment revenue	304	-	-	-	-	-	-	-	-	-	-	-	(304)	-	-
Total revenue	**608**	**651**	**262**	**204**	**424**	**473**	**-**	**407**	**195**	**305**	**256**	**-**	**33**	**(602)**	**3,216**
Underlying EBITDA	**182**	**71**	**3**	**24**	**(75)**	**142**	**-**	**212**	**39**	**134**	**87**	**(3)**	**13**	**(151)**	**678**
Depreciation and amortisation	(84)	(33)	(17)	(31)	(30)	(92)	-	(34)	(14)	(42)	(34)	-	(22)	48	(385)
Underlying EBIT	**98**	**38**	**(14)**	**(7)**	**(105)**	**50**	**-**	**178**	**25**	**92**	**53**	**(3)**	**(9)**	**(103)**	**293**
Comprising:															
Group production excluding exploration expensed	98	38	(14)	(7)	(105)	51	-	179	25	94	56	(3)	14	(204)	222
Exploration expensed	-	-	-	-	-	(1)	-	(1)	-	(2)	(3)	-	(10)	1	(16)
Third party products and services(3)	-	-	-	-	-	-	-	-	-	-	-	-	(13)	-	(13)
Share of profit/(loss) of equity accounted investments(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	100	100
Underlying EBIT	**98**	**38**	**(14)**	**(7)**	**(105)**	**50**	**-**	**178**	**25**	**92**	**53**	**(3)**	**(9)**	**(103)**	**293**
Net finance costs															(69)
Income tax (expense)/benefit															(93)
Underlying earnings															**131**
Earnings adjustments(5)															(32)
Profit/(loss) after tax															**99**
Exploration expenditure	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**2**	**-**	**3**	**3**	**12**	**10**	**(2)**	**34**
Capital expenditure(6)	**23**	**7**	**6**	**22**	**102**	**112**	**5**	**37**	**17**	**24**	**22**	**70**	**-**	**(54)**	**393**
Equity accounted investments(7)	**-**	**-**	**-**	**-**	**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 half year 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$19 million for aluminium, US$12 million for alumina, US$162 million for coal, US$100 million for freight services and US$44 million for aluminium raw materials. Underlying EBIT on third party products and services sold comprise of US$2 for aluminium, (US$2) million for alumina, (US$14) million for coal, nil 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, net of tax.

(5) Refer to note 3(b)(i) Earnings adjustments.

(6) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(7) Equity accounted investments and total assets and liabilities for each operating segment are as at 30 June 2020. 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.

3. Segment information (continued)

(b) Segment results (continued)

(i) Earnings adjustments

The following table shows earnings adjustments in determining Underlying earnings:

US$M	H1 FY21	H1 FY20
Adjustments to Underlying EBIT		
Exchange rate (gains)/losses on restatement of monetary items[1]	**71**	3
Impairment losses[1][2]	**36**	-
(Gains)/losses on non-trading derivative instruments and other investments measured at fair value[1][3]	**(19)**	39
Major corporate restructures[1][4]	**17**	-
Earnings adjustments included in profit/(loss) of equity accounted investments[5][6]	**7**	-
Total adjustments to Underlying EBIT	**112**	42
Adjustments to net finance costs		
Exchange rate variations on net debt	**66**	(5)
Total adjustments to net finance costs	**66**	(5)
Adjustments to income tax expense		
Tax effect of earnings adjustments to Underlying EBIT	**(31)**	(11)
Tax effect of earnings adjustments to net finance costs	**(9)**	1
Exchange rate variations on tax balances	**(55)**	5
Total adjustments to income tax expense	**(95)**	(5)
Total earnings adjustments	**83**	32

(1) Recognised in expenses excluding net finance costs in the Consolidated Income Statement.
(2) Relates to a US$36 million impairment of intangible assets included in Group and unallocated items. Impairment losses exclude a US$7 million impairment of right-of-use assets included in major corporate restructures.
(3) Primarily relates to US$8 million (H1 FY20: US$35 million) included in the Hillside Aluminium segment and (US$27) million (H1 FY20: US$3 million) included in the SAEC segment.
(4) The major corporate restructure costs primarily relate to the simplification of the Group's functional structures and office footprint of which US$15 million was included in Group and unallocated items.
(5) Recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.
(6) Relates to US$5 million (H1 FY20: nil) included in the Australia Manganese segment and US$2 million (H1 FY20: nil) included in the South Africa Manganese segment. Of the US$5 million recorded in the Australia Manganese segment, US$4 million relates to GEMCO's loss on disposal of its shareholding in TEMCO.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

4. Dividends

US$M	H1 FY21	H1 FY20
Prior year final dividend[(1)]	**48**	139
Total dividends declared and paid during the period	**48**	139

(1) On 20 August 2020, the Directors resolved to pay a fully franked final dividend of US 1 cent per share in respect of the 2020 financial year. The dividend was paid on 8 October 2020.

5. Earnings per share

Basic earnings per share (EPS) amounts are calculated based on profit or loss attributable to equity holders of South32 Limited and the weighted average number of shares outstanding during the period.

Dilutive EPS amounts are calculated based on profit or loss attributable to equity holders of South32 Limited and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares.

The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:

Profit/(loss) for the period attributable to equity holders US$M	H1 FY21	H1 FY20
Profit/(loss) attributable to equity holders of South32 Limited (basic)	**53**	99
Profit/(loss) attributable to equity holders of South32 Limited (diluted)	**53**	99

Weighted average number of shares Million	H1 FY21	H1 FY20
Basic EPS denominator[(1)]	**4,815**	4,941
Shares contingently issuable under employee share ownership plans[(2)]	**12**	25
Diluted EPS denominator	**4,827**	4,966

(1) The basic EPS denominator is the aggregate of the weighted average number of shares after deduction of the weighted average number of Treasury shares outstanding and shares permanently cancelled through the on-market share buy-back program.

(2) Included in the calculation of diluted EPS are shares contingently issuable under employee share ownership plans.

Earnings per share US cents	H1 FY21	H1 FY20
Basic EPS	**1.1**	2.0
Diluted EPS	**1.1**	2.0

NOTES TO FINANCIAL STATEMENTS – OPERATING ASSETS AND LIABILITIES

6. Provisions

US$M	H1 FY21	FY20
Current		
Employee benefits	**196**	184
Closure and rehabilitation	**59**	40
Other	**44**	50
Total current provisions	**299**	274
Non-current		
Employee benefits	**5**	4
Closure and rehabilitation	**2,420**	1,790
Post-retirement employee benefits	**103**	77
Other	**33**	28
Total non-current provisions	**2,561**	1,899

31 December 2020 US$M	Employee benefits	Closure and rehabilitation	Post-retirement employee benefits	Other	Total
At the beginning of the period	188	1,830	77	78	**2,173**
Charge/(credit) for the period to the Consolidated Income Statement					
Underlying	92	7	2	14	**115**
Discounting	-	55	-	2	**57**
Change in discount rate	-	(23)	-	-	**(23)**
Net interest expense	-	-	4	-	**4**
Exchange rate variations	23	42	13	9	**87**
Released during the year	(1)	-	-	-	**(1)**
Amounts capitalised for change in costs and estimates	-	115	-	-	**115**
Foreign exchange amounts capitalised	-	228	-	-	**228**
Amounts capitalised for change in discount rate	-	235	-	-	**235**
Amounts taken to retained earnings	-	-	2	-	**2**
Utilisation	(101)	(10)	(4)	(19)	**(134)**
Transfers and other movements	-	-	9	(7)	**2**
At the end of the period	**201**	**2,479**	**103**	**77**	**2,860**

7. Net finance costs

US$M	H1 FY21	H1 FY20
Finance expenses		
Interest on borrowings	**8**	10
Interest on lease liabilities	**27**	26
Discounting on provisions and other liabilities	**57**	54
Change in discount rate on closure and rehabilitation provisions	**(23)**	-
Net interest expense on post-retirement employee benefits	**4**	5
Exchange rate variations on net debt	**66**	(5)
	139	90
Finance income		
Interest income	**13**	26
Net finance costs	**126**	64

8. Financial assets and financial liabilities

The following table presents the financial assets and liabilities by class at their carrying amounts which approximates their fair value.

31 December 2020 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Total
Financial assets				
Cash and cash equivalents	-	-	1,383	**1,383**
Trade and other receivables[1]	77	-	437	**514**
Loans to equity accounted investments[2]	-	-	17	**17**
Other financial assets:				
Derivative contracts	1	-	-	**1**
Other investments – held at fair value through profit or loss (FVTPL)	9	-	-	**9**
Total current financial assets	**87**	**-**	**1,837**	**1,924**
Trade and other receivables[1][3]	-	-	14	**14**
Loans to equity accounted investments[2]	-	-	220	**220**
Interest bearing loans receivable from joint operations[2]	-	-	30	**30**
Other financial assets:				
Investments in equity instruments – designated as FVOCI	-	33	-	**33**
Other investments – held at FVTPL	144	-	-	**144**
Total non-current financial assets	**144**	**33**	**264**	**441**
Total	**231**	**33**	**2,101**	**2,365**
Financial liabilities				
Trade and other payables[4]	1	-	683	**684**
Lease liabilities[5]	-	-	42	**42**
Unsecured other[5]	-	-	390	**390**
Other financial liabilities:				
Derivative contracts	5	-	-	**5**
Total current financial liabilities	**6**	**-**	**1,115**	**1,121**
Trade and other payables	-	-	1	**1**
Lease liabilities[5]	-	-	645	**645**
Unsecured other[5]	-	-	31	**31**
Total non-current financial liabilities	**-**	**-**	**677**	**677**
Total	**6**	**-**	**1,792**	**1,798**

(1) Excludes current input taxes of US$54 million and non-current input taxes of US$40 million included in trade and other receivables.
(2) Included in trade and other receivables on the Consolidated Balance Sheet.
(3) Excludes a reimbursable right asset in relation to the closure and rehabilitation provision at SAEC of US$71 million included in trade and other receivables.
(4) Excludes input taxes of US$11 million included in trade and other payables.
(5) Included in interest bearing liabilities on the Consolidated Balance Sheet.

8. Financial assets and financial liabilities (continued)

30 June 2020 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Total
Financial assets				
Cash and cash equivalents	-	-	1,315	1,315
Trade and other receivables[1]	80	-	393	473
Loans to equity accounted investments[2]	-	-	15	15
Other financial assets:				
Derivative contracts	19	-	-	19
Total current financial assets	99	-	1,723	1,822
Trade and other receivables[1][3]	-	-	6	6
Loans to equity accounted investments[2]	-	-	177	177
Interest bearing loans receivable from joint operations[2]	-	-	26	26
Other financial assets:				
Investments in equity instruments – designated as FVOCI	-	59	-	59
Other investments – held at FVTPL	113	-	-	113
Total non-current financial assets	113	59	209	381
Total	212	59	1,932	2,203
Financial liabilities				
Trade and other payables[4]	-	-	621	621
Lease liabilities[5]	-	-	42	42
Unsecured other[5]	-	-	313	313
Other financial liabilities:				
Derivative contracts	1	-	-	1
Total current financial liabilities	1	-	976	977
Trade and other payables	-	-	3	3
Lease liabilities[5]	-	-	609	609
Unsecured other[5]	-	-	53	53
Total non-current financial liabilities	-	-	665	665
Total	1	-	1,641	1,642

(1) Excludes current input taxes of US$43 million and non-current input taxes of US$33 million included in trade and other receivables.
(2) Included in trade and other receivables on the Consolidated Balance Sheet.
(3) Excludes a reimbursable right asset in relation to the closure and rehabilitation provision at SAEC of US$61 million included in trade and other receivables.
(4) Excludes input taxes of US$6 million included in trade and other payables.
(5) Included in interest bearing liabilities on the Consolidated Balance Sheet.

Measurement of fair value

The following table shows the Group's financial assets and liabilities carried at fair value with reference to the nature of valuation inputs used:

Level 1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.

Level 2 Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).

Level 3 Valuation includes inputs that are not based on observable market data.

31 December 2020 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	-	77	-	**77**
Trade and other payables	-	(1)	-	**(1)**
Derivative contracts	(4)	-	-	**(4)**
Investments in equity instruments – designated as FVOCI	33	-	-	**33**
Other investments – held at FVTPL	-	153	-	**153**
Total	**29**	**229**	**-**	**258**

8. Financial assets and financial liabilities (continued)

Measurement of fair value (continued)

30 June 2020 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	-	80	-	80
Derivative contracts	10	-	8	18
Investments in equity instruments – designated as FVOCI	32	-	27	59
Other investments – held at FVTPL	-	113	-	113
Total	42	193	35	270

Level 3 financial assets and liabilities

The following table shows the movements in the Group's Level 3 financial assets and liabilities:

US$M	H1 FY21	H1 FY20
At the beginning of the period	**35**	189
Realised gains/(losses) recognised in the Consolidated Income Statement(1)	**(8)**	(52)
Unrealised gains/(losses) recognised in the Consolidated Income Statement(1)	**-**	18
Unrealised gains/(losses) recognised in the Consolidated Statement of Comprehensive Income(2)(3)	**(27)**	(6)
At the end of the period	**-**	149

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

(2) Recognised in financial assets reserve in the Consolidated Statement of Comprehensive Income.

(3) The carrying amount of level 3 investments in equity instruments designated as FVOCI is nil at 31 December 2020. The carrying amount is valued using inputs other than observable market data and is calculated using appropriate valuation models, including discounted cash flow modelling. The potential effect of a 10% favourable movement in alumina price, aluminium price or foreign exchange rate assumptions in these models will result in an increase in other comprehensive income of US$35 million, net of tax.

NOTES TO FINANCIAL STATEMENTS – OTHER NOTES

9. Subsequent events

On 5 February 2021, the Group was advised that the NSW Independent Planning Commission (IPC) refused the application for the Dendrobium Next Domain (DND) project at IMC. The IMC cash generating unit (CGU) includes the Dendrobium underground coal mine. The value of the IMC CGU reflects judgements for the likelihood of future mine life extension projects and risk-weights those projects for various factors including, but not limited to, regulatory approvals. The decision by the IPC has demonstrated significant uncertainty over the future of the DND project, the IMC complex and the DND project's value contribution to the IMC CGU recoverable amount assessment. An initial estimate of the impact of these uncertainties for the IMC CGU has been considered by management and reflected in the risk-weightings. In addition, management is currently performing a strategic review of the DND project and are assessing options to determine the optimal path forward. Whilst the IMC CGU carrying value can be supported, there are a number of uncertainties which impact the key assumptions underpinning the cashflow modelling, including future production as well as metallurgical coal prices and an Australian dollar exchange rate which are comparable to market-based forecasts. Compared to prior periods the value of the IMC CGU is now more sensitive to such assumptions and future recoverable amounts may differ from the amounts currently estimated.

On 18 February 2021, the Directors resolved to pay a fully franked interim dividend of US 1.4 cents per share (US$67 million) in respect of the 2021 financial half year. The dividend will be paid on 8 April 2021. The dividend has not been provided for in the half year consolidated financial statements and will be recognised in the second half of the 2021 financial year.

On 18 February 2021, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$250 million to a total of US$1.68 billion. This leaves US$259 million expected to be returned by 3 September 2021.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of the Company, we state that:

In the opinion of the Directors:

(a) The consolidated financial statements and notes that are set out on pages 27 to 44 for the half year ended 31 December 2020 are in accordance with the Corporations Act, including:

  (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and

  (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Karen Wood

Chair

Graham Kerr

Chief Executive Officer and Managing Director

Date: 18 February 2021

DIRECTORS' REPORT

The Directors of the Group present the consolidated financial statements for the half year ended 31 December 2020 and the auditor's review report thereon.

Directors

The Directors of the Company during or since the end of the half year are:

Karen Wood

Graham Kerr

Frank Cooper AO

Guy Lansdown

Dr Xiaoling Liu

Dr Ntombifuthi (Futhi) Mtoba

Wayne Osborn

Keith Rumble

The company secretaries of the Company during or since the end of the half year are:

Nicole Duncan

Claire Tolcon (Appointed 30 October 2020)

Melanie Williams (Resigned 30 October 2020)

Review and results of operations

A review of the operations of the consolidated entity during the period and of the results of those operations is contained on pages 3 to 26.

Strategic risks and uncertainties

Due to the international scope of the Group's operations and the industries in which it is engaged, there are a number of risk factors and uncertainties which could have an effect on the Group's results and operations over the next six months.

The following information outlines the most significant strategic exposures identified across the Group. The risks are not listed in any particular order:

- Ensuring that our people go home safe and well
- Actions by governments, political risks and/or tax authorities
- Portfolio composition
- Global economic uncertainty, volatility and liquidity
- Unexpected major events or natural catastrophes
- Key talent identification, attraction and retention
- Evolving culture of the organisation
- Predictable operational performance
- Maintain competitiveness through innovation and technology
- Security of supply of logistics chain and critical services
- Maintain, realise or enhance the value of our resources and reserves
- Climate change resilience
- Evolving stakeholder expectations

Further information on these risks and how they are managed can be found on pages 24 to 31 of the Annual Report for the year ended 30 June 2020, a copy of which is available on the Group's website at *www.south32.net*.

DIRECTORS' REPORT

Events subsequent to the balance sheet date

On 5 February 2021, the Group was advised that the NSW IPC refused the application for the DND project at IMC. The IMC CGU includes the Dendrobium underground coal mine. The value of the IMC CGU reflects judgements for the likelihood of future mine life extension projects and risk-weights those projects for various factors including, but not limited to, regulatory approvals. The decision by the IPC has demonstrated significant uncertainty over the future of the DND project, the IMC complex and the DND project's value contribution to the IMC CGU recoverable amount assessment. An initial estimate of the impact of these uncertainties for the IMC CGU has been considered by management and reflected in the risk-weightings. In addition, management is currently performing a strategic review of the DND project and are assessing options to determine the optimal path forward. Whilst the IMC CGU carrying value can be supported, there are a number of uncertainties which impact the key assumptions underpinning the cashflow modelling, including future production as well as metallurgical coal prices and an Australian dollar exchange rate which are comparable to market-based forecasts. Compared to prior periods the value of the IMC CGU is now more sensitive to such assumptions and future recoverable amounts may differ from the amounts currently estimated.

On 18 February 2021, the Directors resolved to pay a fully franked interim dividend of US 1.4 cents per share (US$67 million) in respect of the 2021 financial half year. The dividend will be paid on 8 April 2021. The dividend has not been provided for in the half year consolidated financial statements and will be recognised in the second half of the 2021 financial year.

On 18 February 2021, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$250 million to a total of US$1.68 billion. This leaves US$259 million expected to be returned by 3 September 2021.

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

UK responsibility statements

The Directors state that to the best of their knowledge the Financial Results and Outlook on pages 3 to 26 is compliant with DTR 4.2.7R and DTR 4.2.8R of the Disclosure Guidance and Transparency Rules in the United Kingdom, namely:

- Includes a fair review of important events during the first six months of the current financial year and their impact on the half year consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- Disclosure has been made for related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could have such a material effect.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 48.

Rounding of amounts

The Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies to the Group and amounts in the half year consolidated financial statements and this Directors' Report have been rounded in accordance with this instrument to the nearest million US dollars, unless stated otherwise.

This Directors' Report is made in accordance with a resolution of the Board.

Karen Wood

Chair

Graham Kerr
Chief Executive Officer and Managing Director

Date: 18 February 2021

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of South32 Limited

I declare that, to the best of my knowledge and belief, in relation to the review of South32 Limited for the Half-year ended 31 December 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG	Graham Hogg *Partner* Perth 18 February 2021

Independent Auditor's Review Report

To the shareholders of South32 Limited

Conclusion

We have reviewed the accompanying ***Half Year Consolidated Financial Statements*** of South32 Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half Year Consolidated Financial Statements of South32 Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half Year Consolidated Financial Statements*** comprise:

- Consolidated balance sheet as at 31 December 2020
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for the Half-year ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises South32 Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Half Year Consolidated Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Half Year Consolidated Financial Statements that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half Year Consolidated Financial Statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Review of the Half Year Consolidated Financial Statements

Our responsibility is to express a conclusion on the Half Year Consolidated Financial Statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half Year Consolidated Financial Statements do not comply with the *Corporations Act 2001* including giving a true and fair view of the Group’s financial position as at 31 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of Half Year Consolidated Financial Statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Graham Hogg
Partner

Perth

18 February 2021

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.

Further information

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

South32 Limited (ABN 84 093 732 597)
Registered in Australia
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ISIN: AU000000S320

JSE Sponsor: UBS South Africa (Pty) Ltd
18 February 2021