

Quarterly Report

March 2020



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

- Responded to market conditions to maintain the financial strength of our business by suspending the remaining US\$121M of our current on-market share buy-back program and lowering FY20 sustaining capital expenditure guidance, including equity accounted investments, to US\$500M.
- Initiated a Group wide review that is expected to deliver a reduction in controllable costs across our operations from FY21.
- Net cash declined by US\$127M to US\$150M during the quarter as we funded our interim ordinary and special dividends (US\$107M), made our subscription payment for our 50% interest in the Ambler Metals Joint Venture (net, US\$73M) and bought back a further 53M shares through our on-market share buy-back program (US\$77M).
- Removed guidance for our operations in South Africa and Colombia and lowered FY20 production guidance at Australia Manganese by 5%, in response to restrictions aimed at containing the spread of COVID-19.
- Received government approval to undertake limited activity at our South African manganese ore and export coal operations during the national lockdown, remobilising at a reduced rate in April.
- Maintained FY20 guidance for all other operations, where to date production and sales have been unaffected by our response to COVID-19.
- Increased Alumina production by 4% achieving record year to date production at Brazil Alumina and maintaining higher rates of calciner availability at Worsley Alumina as we deliver initiatives to sustainably increase to nameplate capacity.
- Delivered record year to date production at Hillside Aluminium, where the smelter has a government exemption to maintain production during the lockdown.
- On-track to return to a three longwall configuration in the June 2020 quarter at Illawarra Metallurgical Coal, where study work to further optimise production, sustaining capital and operating costs to maximise long term value has been advanced following strong longwall performance.

"We have responded to the COVID-19 pandemic by introducing a number of measures aligned to our priorities of keeping our people safe and well, maintaining reliable operations and supporting our communities.

"We have acted to protect our strong financial position, reducing capital and exploration expenditure, suspending our on-market share buy-back and commencing a group wide review aimed at delivering a reduction in controllable costs.

"At our operations, we have delivered a strong operating result in the year to date, highlighted by record production at Brazil Alumina and Hillside Aluminium.

"Despite market volatility, we continue our work to reshape and improve our portfolio, forming the Ambler Metals Joint Venture, progressing the sale of South Africa Energy Coal and maintaining momentum at Hermosa. "

Graham Kerr, South32 CEO

Production summary							
South32 share	9M YTD19	9M YTD20	YoY	3Q19	2Q20	3Q20	QoQ
Alumina production (kt)	3,743	3,911	4%	1,201	1,327	1,276	(4%)
Aluminium production (kt)	737	741	1%	242	248	245	(1%)
Energy coal production (kt)	19,239	18,472	(4%)	6,310	5,898	5,851	(1%)
Metallurgical coal production (kt)	4,072	4,026	(1%)	990	1,208	1,167	(3%)
Manganese ore production (kwmt)	4,246	4,120	(3%)	1,360	1,398	1,307	(7%)
Manganese alloy production (kt)	161	129	(20%)	52	47	38	(19%)
Payable nickel production (kt)	30.5	30.9	1%	9.4	10.0	10.3	3%
Payable silver production (koz)	8,948	8,597	(4%)	2,881	3,192	2,433	(24%)
Payable lead production (kt)	73.1	80.3	10%	24.8	28.8	25.0	(13%)
Payable zinc production (kt)	37.0	49.8	35%	10.7	14.1	17.3	23%

Unless otherwise noted: percentage variance relates to performance during the nine months ended March 2020 compared with the nine months ended March 2019 (YoY) or the March 2020 quarter compared with the December 2019 quarter (QoQ); production and sales volumes are reported on an attributable basis.

Corporate Update

- Net cash¹ decreased by US\$127M to US\$150M during the March 2020 quarter with our interim and special fully franked dividend payments (US\$107M) funded during the quarter, ahead of distribution to shareholders on 2 April. Our balance sheet remains strong with cash and cash equivalents of US\$1.2B, no term debt and an undrawn US\$1.5B revolving credit facility.
- Our manganese equity accounted investments (EAI) did not make net distributions² to the Group in the March 2020 quarter and we have seen additional cash build in our joint venture, despite paying royalties of US\$76M (100% share) in respect of the prior six month period. Excess cash in the joint venture is expected to be distributed to partners in the June 2020 quarter.
- On 27 March, consistent with the prudent management of our strong balance sheet, we suspended our on-market share buy-back program. Following the allocation of a further US\$77M to share purchases in the March 2020 quarter (53M shares at an average price of A\$2.21 per share) and payment of a US\$53M fully franked special dividend on 2 April, our US\$1.43B capital management program was 92% complete with US\$121M of our now suspended on-market share buy-back program remaining ahead of its extension or expiry on 4 September 2020³.
- On 11 February, we formed a 50:50 Joint Venture with Trilogy Metals Inc. for the Upper Kobuk Mineral Projects in northwest Alaska (Ambler Metals JV). We subscribed for our 50% interest with a payment of US\$145M to the Ambler Metals JV, of which US\$57.5M has been loaned back to South32⁴.
- We progressed the sale of our shareholding in South Africa Energy Coal to Seriti Resources Holdings Proprietary Limited (Seriti Resources), submitting our filings for required regulatory and third party approvals. Subject to a number of material conditions⁵ being satisfied, the transaction remains on track to be completed in the December 2020 half year.
- While we progressed the review of options for our manganese alloy smelters, the timeline to complete the review has been impacted by government restrictions in response to COVID-19. On 27 March we placed our South African manganese alloy smelter, Metalloys, on temporary care and maintenance in response to the national lockdown.
- As previously reported, we have initiated a Group wide review that is expected to deliver a reduction in controllable costs across our operations from FY21. Sustaining capital expenditure, including EAI, is now expected to decline to approximately US\$500M in FY20, as we embed savings from reduced activity in response to market conditions and reflect updated assumptions for our average exchange rates to an AUD:USD of 0.67, USD:ZAR of 15.76 and USD:COP of 3,544.
- Our geographical earnings mix will have a significant bearing on our ETR given differing country tax rates⁶, while the impact of intragroup agreements, exploration expenditure in foreign entities and other permanent differences will continue to be magnified when margins are compressed or losses are incurred in specific jurisdictions. Until it is sold, South Africa Energy Coal is expected to have an ETR of 0%, with all tax assets de-recognised from 30 June 2019 and no benefit to be recorded for losses made prior to sale. Whilst it is therefore difficult to predict our ETR (excluding EAI), we do expect it to remain elevated in H2 FY20 (H1 FY20: 75.0%).

Development and Exploration Update

- We progressed our pre-feasibility study for the Taylor deposit at the Hermosa project which we now expect to be completed in the September 2020 quarter. We also directed US\$5M (all capitalised) to exploration programs at newly identified regional targets and resource definition drilling at the project. A Mineral Resource estimate for the Clark deposit in accordance with JORC Code guidelines is expected to be released in the June 2020 quarter⁷.
- Subsequent to the end of the quarter we completed the remaining resource quality drilling at Eagle Downs Metallurgical Coal, with the interpretation of those results to support on-going feasibility study work. On 27 March, we reported that given current market uncertainty, we are prioritising work with our joint venture partner to preserve the value of our investment beyond the final investment decision scheduled for the end of this calendar year.
- Following the formation of the Ambler Metals JV in the March 2020 quarter, we released Mineral Resource estimates for the Arctic and Bornite deposits for the first time in accordance with JORC Code guidelines. During the June 2020 quarter, the joint venture partners will review the impact of COVID-19 restrictions on planned activities for the remainder of the calendar year. We anticipate a reduction in the approved exploration and study budget of US\$22.8M due to reduced exploration activity.
- Consistent with our strategy to partner with companies to fund early stage greenfield exploration opportunities, we invested US\$3M during the March 2020 quarter (US\$13M in the nine months ended March 2020). Greenfield exploration activity has been impacted by COVID-19 restrictions on the movement of people and equipment which limited the ability for some of our partners to access exploration areas in certain jurisdictions. Accordingly, FY20 greenfield exploration guidance has been reduced by US\$10M to US\$20M with these restrictions expected to continue for the remainder of the calendar year.
- We directed US\$12M towards exploration programs at our existing operations (US\$10M capitalised), including US\$5M at Hermosa as noted above (all capitalised).

Production Summary

Production guidance (South32 share)	FY19	9M YTD20	FY20e	Comments
Worsley Alumina				
Alumina production (kt)	3,795	2,869	3,965	Assumes existing or additional COVID-19 restrictions or measures have no impact
Brazil Alumina				
Alumina production (kt)	1,255	1,042	1,330	Assumes existing or additional COVID-19 restrictions or measures have no impact
Hillside Aluminium				
Aluminium production (kt)	715	540	n/a	Production guidance withdrawn
Mozaal Aluminium⁸				
Aluminium production (kt)	267	201	273	Assumes existing or additional COVID-19 restrictions or measures have no impact
South Africa Energy Coal⁹				
Energy coal production (kt)	24,979	17,444	n/a	
Domestic coal production (kt)	14,978	9,510	n/a	Production guidance withdrawn
Export coal production (kt)	10,001	7,934	n/a	
Illawarra Metallurgical Coal				
Total coal production (kt)	6,647	5,054	7,000	
Metallurgical coal production (kt)	5,350	4,026	5,800	Assumes existing or additional COVID-19 restrictions or measures have no impact
Energy coal production (kt)	1,297	1,028	1,200	
Australia Manganese				
Manganese ore production (kwmt)	3,349	2,616	↓ 3,375	Production guidance lowered 5%, reflecting lower year to date throughput and reduced productivity expectations following temporary roster changes made to respond to COVID-19. Remains subject to market demand
South Africa Manganese				
Manganese ore production ¹⁰ (kwmt)	2,187	1,504	n/a	Production guidance withdrawn
Cerro Matoso				
Payable nickel production (kt)	41.1	30.9	n/a	Production guidance withdrawn
Cannington				
Payable zinc equivalent production ¹¹ (kt)	218.2	174.5	221.0	
Payable silver production (koz)	12,201	8,597	11,200	Assumes existing or additional COVID-19 restrictions or measures have no impact
Payable lead production (kt)	101.4	80.3	104.0	
Payable zinc production (kt)	51.6	49.8	59.0	

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

Worsley Alumina

(86% share)

South32 share	9M YTD19	9M YTD20	YoY	3Q19	2Q20	3Q20	3Q20 vs 3Q19	3Q20 vs 2Q20
Alumina production (kt)	2,799	2,869	3%	893	981	936	5%	(5%)
Alumina sales (kt)	2,821	2,751	(2%)	936	973	860	(8%)	(12%)

Worsley Alumina saleable production increased by 3% (or 70kt) to 2,869kt in the nine months ended March 2020 as the refinery benefitted from improvement initiatives expected to support a sustainable increase in production to nameplate capacity of 4.6Mt (100% basis).

Sales declined by 12% during the March 2020 quarter as scheduled calciner maintenance impacted production, and a shipment slipped to the June 2020 quarter as a result of COVID-19 quarantine delays at port. Subject to existing or additional COVID-19 restrictions or measures having no impact during the remainder of the financial year, FY20 production is expected to approach guidance of 3,965kt with no further material calciner maintenance scheduled.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$13M (or 22%) to US\$47M.

Brazil Alumina

(36% share)

South32 share	9M YTD19	9M YTD20	YoY	3Q19	2Q20	3Q20	3Q20 vs 3Q19	3Q20 vs 2Q20
Alumina production (kt)	944	1,042	10%	308	346	340	10%	(2%)
Alumina sales (kt)	866	1,014	17%	247	374	336	36%	(10%)

Brazil Alumina saleable production increased by 10% (or 98kt) to a record 1,042kt in the nine months ended March 2020 as the refinery benefitted from improved steam generation, enabling the benefits of the De-bottlenecking Phase One project to be realised. Subject to existing or additional COVID-19 restrictions or measures having no impact during the remainder of the financial year, FY20 production guidance remains unchanged at 1,330kt with additional maintenance scheduled for the June 2020 quarter.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure is unchanged at US\$35M.

Hillside Aluminium

(100%)

South32 share	9M YTD19	9M YTD20	YoY	3Q19	2Q20	3Q20	3Q20 vs 3Q19	3Q20 vs 2Q20
Aluminium production (kt)	536	540	1%	176	181	178	1%	(2%)
Aluminium sales (kt)	516	524	2%	156	176	174	12%	(1%)

Hillside Aluminium saleable production increased by 1% (or 4kt) to a record 540kt in the nine months ended March 2020 as the smelter continued to test its maximum technical capacity, despite the impact to production from load-shedding.

Hillside Aluminium is considered an essential business in South Africa for the maintenance of power generation, given the role it plays in the sustainability of Eskom's generation network. As a result, the smelter continues to operate despite the nationwide lockdown that is currently scheduled to expire on 30 April, having commenced at midnight on 26 March.

As previously reported, FY20 production guidance has been withdrawn due to the uncertain impact of measures or restrictions that may be required to contain the spread of COVID-19.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$11M (or 48%) to US\$12M.

Mozal Aluminium

(47.1% share)

South32 share	9M	9M	YoY	3Q19	2Q20	3Q20	3Q20	3Q20
	YTD19	YTD20					vs	vs
							3Q19	2Q20
Aluminium production (kt)	201	201	0%	66	67	67	2%	0%
Aluminium sales (kt)	198	201	2%	69	72	65	(6%)	(10%)

Mozal Aluminium saleable production was unchanged at 201kt in the nine months ended March 2020 as the smelter continued to test its maximum technical capacity, despite the impact to production from load-shedding. Subject to no impact from existing or additional COVID-19 restrictions or measures during the remainder of the financial year, FY20 production guidance⁸ remains unchanged at 273kt.

The smelter sources all of its alumina from our Worsley Alumina refinery with approximately 50% 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 every calendar year. As a result the smelter's cost of alumina was a premium to the index in the nine months ended March 2020.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$1M (or 8%) to US\$11M.

South Africa Energy Coal

(100%)

South32 share	9M	9M	YoY	3Q19	2Q20	3Q20	3Q20	3Q20
	YTD19	YTD20					vs	vs
							3Q19	2Q20
Energy coal production (kt)	18,269	17,444	(5%)	6,098	5,493	5,659	(7%)	3%
Domestic sales (kt)	11,699	9,632	(18%)	3,950	2,962	2,944	(25%)	(1%)
Export sales (kt)	6,753	7,535	12%	2,547	2,877	2,681	5%	(7%)

South African Energy Coal saleable production decreased by 5% (or 825kt) to 17.4Mt in the nine months ended March 2020 as the demobilisation of contractors in response to market conditions and heavy rainfall experienced in the March 2020 quarter, more than offset a 12% increase in export sales volumes. Higher export sales volumes were achieved as a result of improved dragline availability at Klipspruit and the diversion of lower calorific value coal to the export market to take advantage of favourable market conditions.

The diversion of lower calorific value coal has an impact on the average price received for our export sales and accordingly we realised a discount of approximately 20% to the API4 index¹² in the nine months ended March 2020. Notwithstanding the increased tonnages in the nine months ended March 2020, export sales declined 7% during the quarter, as the temporary closure of the Richards Bay Coal Terminal, caused by the national lockdown resulted in the deferral of shipments.

Our average realised price for domestic coal in the nine months ended March 2020 was US\$24/t. In the June 2019 quarter, we invoked a hardship clause in our contract to supply coal from the Wolvekrans-Middelburg Complex to the Duvha power station with a view to securing a long term pricing tariff that supports the sustainability of the business. During the March 2020 quarter an interim pricing arrangement has been agreed to ensure continuous supply while Eskom undertakes their review of the hardship claim.

As previously reported, FY20 production guidance has been withdrawn following the nationwide lockdown in South Africa that is currently scheduled to expire on 30 April, having commenced at midnight on 26 March. While our domestic operations are considered essential in South Africa for the maintenance of power generation and are exempt from the lockdown, domestic demand is expected to be impacted by lower total power generation during the June 2020 quarter. Our export operations were placed on temporary care and maintenance at commencement of the lockdown. We subsequently requested and received government approval to undertake limited activity during the lockdown period and have partially remobilised at a reduced rate.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$21M (or 32%) to US\$44M.

Illawarra Metallurgical Coal

(100%)

South32 share	9M			3Q20 vs 3Q19				
	YTD19	YTD20	YoY	3Q19	2Q20	3Q20	vs 3Q19	3Q20 vs 2Q20
Total coal production (kt)	5,042	5,054	0%	1,202	1,613	1,359	13%	(16%)
Total coal sales ¹³ (kt)	4,790	5,213	9%	1,531	1,771	1,594	4%	(10%)
Metallurgical coal production (kt)	4,072	4,026	(1%)	990	1,208	1,167	18%	(3%)
Metallurgical coal sales (kt)	3,783	4,198	11%	1,256	1,318	1,398	11%	6%
Energy coal production (kt)	970	1,028	6%	212	405	192	(9%)	(53%)
Energy coal sales (kt)	1,007	1,015	1%	275	453	196	(29%)	(57%)

Illawarra Metallurgical Coal saleable production increased by 12kt to 5.1Mt in the nine months ended March 2020 as we completed a longwall move at Dendrobium during the March 2020 quarter. Notwithstanding both longwalls encountering challenging strata conditions to commence the June 2020 quarter, FY20 guidance remains unchanged at 7.0Mt, subject to no impact from existing or additional COVID-19 restrictions or measures during the remainder of the financial year.

The operation remains on track to return to a three longwall configuration in the June 2020 quarter. With continued strong longwall performance at both Dendrobium and Appin with a two longwall configuration, we have commenced a review to optimise production, sustaining capital and operating costs at Illawarra Metallurgical Coal, to maximise long term value.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$2M (or 1%) to US\$183M.

Australia Manganese

(60% share)

South32 share	9M			3Q20 vs 3Q19				
	YTD19	YTD20	YoY	3Q19	2Q20	3Q20	vs 3Q19	3Q20 vs 2Q20
Manganese ore production (kwmt)	2,631	2,616	(1%)	820	907	841	3%	(7%)
Manganese ore sales (kwmt)	2,522	2,512	(0%)	782	885	775	(1%)	(12%)
Manganese alloy production (kt)	114	81	(29%)	38	29	24	(37%)	(17%)
Manganese alloy sales (kt)	105	89	(15%)	29	26	31	7%	19%

Australia Manganese saleable ore production decreased by 1% (or 15kwmt) to 2,616kwmt in the nine months ended March 2020 as lower primary circuit throughput, following heavy rain in late FY19, was partially offset by an increase in demand for our low cost Premium Concentrate Ore (PC02) product. We continued to operate the PC02 circuit above its design capacity, contributing 11% of total production in the nine months ended March 2020 (10% in the prior corresponding period). Manganese ore sales declined 12% during the March 2020 quarter due to lower production and a shipment that slipped to the June 2020 quarter as a result of quarantine delays at port.

FY20 production guidance has been lowered by 5% to 3,375kwmt, reflecting lower year to date throughput and reduced productivity expectations to finish the year following temporary roster changes made to respond to COVID-19. Guidance is subject to no further impact from COVID-19 restrictions or measures during the remainder of the financial year. We also continue to monitor the potential impact of the wet season and market conditions on our adjusted FY20 production guidance.

Manganese alloy saleable production decreased by 29% (or 33kt) to 81kt in the nine months ended March 2020 as one of the four furnaces remained offline.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$1M (or 2%) to US\$63M.

South Africa Manganese

(60% share)

South32 share	9M	9M	YoY	3Q19	2Q20	3Q20	3Q20	3Q20
	YTD19	YTD20					vs	vs
							3Q19	2Q20
Manganese ore production ¹⁰ (kwmt)	1,615	1,504	(7%)	540	491	466	(14%)	(5%)
Manganese ore sales ¹⁰ (kwmt)	1,540	1,549	1%	530	529	476	(10%)	(10%)
Manganese alloy production (kt)	47	48	2%	14	18	14	0%	(22%)
Manganese alloy sales (kt)	51	48	(6%)	16	15	20	25%	33%

South Africa Manganese saleable ore production decreased by 7% (or 111kwmt) to 1,504kwmt in the nine months ended March 2020 as we reduced our use of higher cost trucking and undertook an extended maintenance shut at our Wessels mine in the December quarter, in response to market conditions.

As previously reported, FY20 production guidance has been withdrawn following the nationwide lockdown in South Africa that is currently scheduled to expire on 30 April, having commenced at midnight on 26 March. Our manganese ore and alloy operations were placed on temporary care and maintenance at commencement of the lockdown. We subsequently requested and received government approval to undertake limited activity during the lockdown period and have partially remobilised our manganese ore operations to resume production activities at a reduced rate across the June 2020 quarter.

Manganese alloy saleable production increased by 2% (or 1kt) to 48kt in the nine months ended March 2020. Our Metalloys smelter remains on temporary care and maintenance.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$5M (or 19%) to US\$21M.

Cerro Matoso

(99.9% share)

South32 share	9M	9M	YoY	3Q19	2Q20	3Q20	3Q20	3Q20
	YTD19	YTD20					vs	vs
							3Q19	2Q20
Payable nickel production (kt)	30.5	30.9	1%	9.4	10.0	10.3	10%	3%
Payable nickel sales (kt)	30.4	30.6	1%	9.1	10.4	10.2	12%	(2%)

Cerro Matoso payable nickel production increased by 1% (or 0.4kt) to 30.9kt in the nine months ended March 2020 as we achieved a higher rate of plant utilisation.

As previously reported, FY20 production guidance has been withdrawn following the nationwide lockdown in Colombia that is currently scheduled to expire on 27 April, having commenced at midnight on 24 March. Despite the lockdown, Cerro Matoso continues to operate with government approval, at a reduced rate, with FY20 production expected to benefit from the deferral of the major furnace refurbishment previously scheduled for the June 2020 quarter.

Sales declined 2% during the March 2020 quarter. Our ferronickel product sells with reference to the LME Nickel index price on a M or M+1 basis and attracts product discounts that have widened in the current market.

Following a review of activity in response to market conditions, deferral of the furnace refurbishment to the September 2020 quarter and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$21M (or 38%) to US\$34M.

Cannington

(100% share)

South32 share	9M	9M	YoY	3Q19	2Q20	3Q20	3Q20	3Q20
	YTD19	YTD20					vs	vs
							3Q19	2Q20
Payable zinc equivalent production ¹¹ (kt)	158.1	174.5	10%	50.7	59.6	54.4	7%	(9%)
Payable silver production (koz)	8,948	8,597	(4%)	2,881	3,192	2,433	(16%)	(24%)
Payable silver sales (koz)	8,160	8,538	5%	1,820	3,549	2,626	44%	(26%)
Payable lead production (kt)	73.1	80.3	10%	24.8	28.8	25.0	1%	(13%)
Payable lead sales (kt)	59.8	74.6	25%	12.7	31.2	22.8	80%	(27%)
Payable zinc production (kt)	37.0	49.8	35%	10.7	14.1	17.3	62%	23%
Payable zinc sales (kt)	31.9	49.7	56%	7.2	16.4	14.4	100%	(12%)

Cannington payable zinc equivalent production increased by 10% (or 16.4kt) to 174.5kt in the nine months ended March 2020 as the operation drew down run of mine stocks to a normalised level and recorded a higher average zinc grade, that more than offset lower silver and lead grades across the period.

Subject to no impact from existing or additional COVID-19 restrictions or measures during the remainder of the financial year, FY20 production guidance remains unchanged at 221.0kt payable zinc equivalent with a lower average zinc grade expected in the June 2020 quarter. Reduced sales in the March 2020 quarter reflect lower silver and lead production and a return to normalised inventory levels following elevated sales in the prior quarter. Our lead and zinc sells with reference to the LME market on a M+2 or M+3 basis and our realised prices are disclosed net of treatment and refining charges that have widened in the current market.

Following a review of activity in response to market conditions and an update to our assumptions for foreign exchange rates over the remainder of FY20, guidance for sustaining capital expenditure has been reduced by US\$5M (or 9%) to US\$50M.

Notes:

- Net Cash number is unaudited and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.
- Net distributions from equity accounted investments includes net debt movements and dividends, which are unaudited and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.
- Since inception, US\$1.0B has been allocated to the on-market share buy-back (477M shares at an average price of A\$2.94 per share).
- South32 subscription payment of US\$145M to form the Ambler Metals JV. The JV has retained US\$87.5M of the subscription payment to fund its activities, exploration and a pre-feasibility study for the Arctic deposit, and loaned US\$57.5M back to South32. On a proportionally consolidated basis the net effect on South32's net cash is US\$(72.5)M.
- Refer to the market announcement "Agreement to Divest South Africa Energy Coal" dated 6 November 2019.
- The primary corporate tax rates applicable to the Group for FY20 include: Australia 30%, South Africa 28%, Colombia 33%, Mozambique 0% and Brazil 34%. The Colombian corporate tax rate is 32% in CY20 and will decrease on an annual basis by a percent each year, stabilising at 30% from 1 January 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax.
- Information that relates to estimates of Mineral Resources for the Clark Deposit (formally the Central Deposit) of the Hermosa project are foreign estimates under ASX Listing Rules and are not reported in accordance with the JORC Code. Reference should be made to the clarifying statement on Mineral Resources in the market announcement "South32 to acquire Arizona Mining in agreed all cash offer" dated 18 June 2018, in accordance with ASX Listing Rule 5.12. South32 is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimate or has the ability to verify the foreign estimate as a Mineral Resource in accordance with the JORC Code. South32 confirms that the supporting information contained in the clarifying statement in the 18 June 2018 market announcement continues to apply and has not materially changed. Competent Persons have not done sufficient work to classify the foreign estimates as Mineral Resources in accordance with JORC Code. It is uncertain that following evaluation and further exploration that the foreign estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. During FY20 we have undertaken a work program aimed at increasing confidence in the resource to ensure that resources are reported in accordance with the JORC Code.
- Production guidance for Mozal Aluminium does not assume any load-shedding impact on production.
- 8% of South Africa Energy Coal is owned by a Broad-Based Black Economic Empowerment (B-BBEE) consortium. The interests owned by the B-BBEE consortium were acquired using vendor finance, with the loans repayable to South32 via distributions attributable to these parties, pro rata to their share in South Africa Energy Coal. Until these loans are repaid, South32's interest in South Africa Energy Coal is accounted at 100%.
- Consistent with the presentation of South32's segment information, South Africa Manganese ore production and sales have been reported at 60%. The Group's financial statements will continue to reflect a 54.6% interest in South Africa Manganese ore.
- Payable zinc equivalent (kt) was calculated by aggregating Revenue from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY19 realised prices for zinc (US\$2,122/t), lead (US\$1,754/t) and silver (US\$14.4/oz) have been used for FY19, YTD FY20 and FY20e.
- The sales volume weighted average of the API4 index on the basis of a one month lag to published pricing (Month minus one or "M-1") was US\$72/t in the nine months ended March quarter 2020.
- Illawarra Metallurgical Coal sales are adjusted for moisture and will not reconcile directly to Illawarra Metallurgical Coal production.

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

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

Operating Performance

South32 share	9M YTD19	9M YTD20	3Q19	4Q19	1Q20	2Q20	3Q20
Worsley Alumina (86% share)							
Alumina hydrate production (kt)	2,868	2,873	921	934	967	943	963
Alumina production (kt)	2,799	2,869	893	996	952	981	936
Alumina sales (kt)	2,821	2,751	936	1,036	918	973	860
Brazil Alumina (36% share)							
Alumina production (kt)	944	1,042	308	311	356	346	340
Alumina sales (kt)	866	1,014	247	374	304	374	336
Hillside Aluminium (100%)							
Aluminium production (kt)	536	540	176	179	181	181	178
Aluminium sales (kt)	516	524	156	191	174	176	174
Mozal Aluminium (47.1% share)							
Aluminium production (kt)	201	201	66	66	67	67	67
Aluminium sales (kt)	198	201	69	70	64	72	65
South Africa Energy Coal (100%)							
Energy coal production (kt)	18,269	17,444	6,098	6,710	6,292	5,493	5,659
Domestic sales (kt)	11,699	9,632	3,950	3,336	3,726	2,962	2,944
Export sales (kt)	6,753	7,535	2,547	3,122	1,977	2,877	2,681
Illawarra Metallurgical Coal (100%)							
Total coal production (kt)	5,042	5,054	1,202	1,605	2,082	1,613	1,359
Total coal sales ¹³ (kt)	4,790	5,213	1,531	1,516	1,848	1,771	1,594
Metallurgical coal production (kt)	4,072	4,026	990	1,278	1,651	1,208	1,167
Metallurgical coal sales (kt)	3,783	4,198	1,256	1,261	1,482	1,318	1,398
Energy coal production (kt)	970	1,028	212	327	431	405	192
Energy coal sales (kt)	1,007	1,015	275	255	366	453	196
Australia Manganese (60% share)							
Manganese ore production (kwmt)	2,631	2,616	820	718	868	907	841
Manganese ore sales (kwmt)	2,522	2,512	782	916	852	885	775
Ore grade sold (% , Mn)	45.9	44.8	45.8	46.0	45.6	44.4	44.4
Manganese alloy production (kt)	114	81	38	40	28	29	24
Manganese alloy sales (kt)	105	89	29	46	32	26	31
South Africa Manganese (60% share)							
Manganese ore production ¹⁰ (kwmt)	1,615	1,504	540	572	547	491	466
Manganese ore sales ¹⁰ (kwmt)	1,540	1,549	530	573	544	529	476
Ore grade sold (% , Mn)	40.1	39.9	39.7	41.7	40.4	39.6	39.8
Manganese alloy production (kt)	47	48	14	22	16	18	14
Manganese alloy sales (kt)	51	48	16	22	13	15	20

South32 share	9M YTD19	9M YTD20	3Q19	4Q19	1Q20	2Q20	3Q20
Cerro Matoso (99.9% share)							
Ore mined (kwmt)	1,854	2,041	645	424	668	732	641
Ore processed (kdmt)	2,035	2,082	634	703	712	677	693
Ore grade processed (% , Ni)	1.67	1.66	1.63	1.65	1.65	1.67	1.67
Payable nickel production (kt)	30.5	30.9	9.4	10.6	10.6	10.0	10.3
Payable nickel sales (kt)	30.4	30.6	9.1	10.8	10.0	10.4	10.2
Cannington (100%)							
Ore mined (kwmt)	1,954	2,066	648	771	694	666	706
Ore processed (kdmt)	1,791	2,095	547	704	656	738	701
Silver ore grade processed (g/t, Ag)	188	155	202	172	168	162	134
Lead ore grade processed (% , Pb)	5.0	4.7	5.6	4.8	4.9	4.8	4.5
Zinc ore grade processed (% , Zn)	3.0	3.4	3.0	3.0	3.8	2.8	3.6
Payable Zinc equivalent production ¹¹ (kt)	158.1	174.5	50.7	60.1	60.5	59.6	54.4
Payable silver production (koz)	8,948	8,597	2,881	3,253	2,972	3,192	2,433
Payable silver sales (koz)	8,160	8,538	1,820	4,874	2,363	3,549	2,626
Payable lead production (kt)	73.1	80.3	24.8	28.3	26.5	28.8	25.0
Payable lead sales (kt)	59.8	74.6	12.7	41.7	20.6	31.2	22.8
Payable zinc production (kt)	37.0	49.8	10.7	14.6	18.4	14.1	17.3
Payable zinc sales (kt)	31.9	49.7	7.2	15.7	18.9	16.4	14.4

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.

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