APPENDIX 4D
SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 59 pages comprise the half year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A. This statement includes the unaudited consolidated results of the South32 Group for the half year ended 31 December 2021 (H1 FY22) compared with the half year ended 31 December 2020 (H1 FY21).

The half year report should be read in conjunction with the Financial Report for the year ended 30 June 2021. Figures in italics indicate that an adjustment has been made since the figures were previously reported.

US$M	H1 FY22	H1 FY21[b]	%
Underlying Revenue[a]	4,602	*3,486*	up 32%
Profit/(loss) after tax	1,032	53	up 1,847%
Underlying earnings	1,004	136	up 638%

(a) The basis of the Group's underlying financial results has been updated from H1 FY22. Our material equity accounted investments (EAI) are now included in our Underlying financial results on a proportionally consolidated basis, consistent with how their performance is assessed by the Group's Board and management, and reflecting their increased contribution to the Group's financial results with our planned acquisition of a 45% interest in Sierra Gorda[1]. In addition, South Africa Manganese ore has been reported as a 54.6% interest (previously 60%) reflecting the proposed divestment of our 60% interest in the Metalloys manganese alloy smelter and aligning with our interest in Hotazel Manganese Mines[2]. H1 FY21 comparative information has been updated to reflect these changes, which included restating information for Underlying revenue, Underlying EBITDA and Underlying EBIT. There is no change to the Group's statutory reporting.

(b) H1 FY21 includes TEMCO and discontinued operation South Africa Energy Coal.

NET TANGIBLE ASSETS PER SHARE

Net tangible assets per ordinary share were US$2.03 as at 31 December 2021 (US$1.88 as at 30 June 2021)[3].

DIVIDENDS

The Board has resolved to pay an interim dividend of US 8.7 cents per share (fully franked) for the half year ended 31 December 2021.

The record date for determining entitlements to dividends is 11 March 2022; payment date is 7 April 2022.

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FINANCIAL RESULTS AND OUTLOOK HALF YEAR ENDED 31 DECEMBER 2021

ASX, LSE, JSE Share Code: S32 ADR: SOUHY

17 February 2022

South32 accelerates portfolio transformation and delivers increased returns to shareholders

"We achieved a record operating margin of 44% and a significant improvement in our Underlying earnings to US$1.0B in the half, following a broad recovery in commodity prices, while also making substantial progress reshaping our portfolio.

"A number of our operations delivered strong production results during the half. We achieved record quarterly production at Brazil Alumina and South Africa Manganese during the period, while Worsley Alumina continued to operate above nameplate capacity.

"Production guidance at Cannington has been revised higher by five per cent as the operation prepares to transition to 100 percent truck haulage in the June 2022 quarter, which is expected to bring forward access to higher grade material.

"This performance, together with our strong financial position is enabling us to invest in our business, grow base metals production and substantially increase our returns to shareholders, with the Board resolving to pay a record US$405 million fully franked ordinary dividend in respect of the period. The Board has also resolved to expand our capital management program by US$110M to US$2.1B, leaving US$302M to be returned.

"Our business is in excellent financial health and we have continued to reshape our portfolio, with the planned acquisition of a 45 per cent stake in the Sierra Gorda copper mine, and further investment in green aluminium.

"In January we also published a pre-feasibility study for the zinc-lead-silver Taylor Deposit, confirming its potential to be a sustainable and highly productive underground mine in the industry's first cost quartile. We are excited to progress Taylor as the first development option at our Hermosa project, while continuing our work at other opportunities across our landholding, including exploration targeting copper, and studies to confirm the potential for the Clark Deposit to develop a battery-grade manganese product.

"Looking ahead, we are well positioned to capitalise on current market conditions as countries continue their economic recovery from COVID-19, and into the future as they invest in new infrastructure that is expected to see continued growth in demand for the metals critical for a low carbon future."

Graham Kerr, South32 CEO

Financial Highlights[2][4]			
US$M	**H1 FY22**	**H1 FY21**[5]	**% Change**
Profit/(loss) before tax and net finance costs	1,502	170	784%
Profit/(loss) after tax	1,032	53	1,847%
Basic earnings per share (US cents)[6]	22.2	1.1	1,918%
Ordinary dividends per share (US cents)[7]	8.7	1.4	521%
Special dividends per share (US cents)	-	-	-
Other financial measures			
Underlying revenue[8]	4,602	*3,486*	32%
Underlying EBITDA[9]	1,871	*786*	138%
Underlying EBITDA margin[10]	44.0%	*24.3%*	19.7%
Underlying EBIT[9]	1,514	*390*	288%
Underlying EBIT margin[11]	35.5%	*12.0%*	23.5%
Underlying earnings[9]	1,004	136	638%
Basic Underlying earnings per share (US cents)[6]	21.6	2.8	671%
ROIC[12]	24.8%	3.5%	21.3%
Ordinary shares on issue (million)	4,650	4,781	(3%)

SAFETY

On 30 November 2021 we tragically lost one of our colleagues, Mr Desmin Mienies, a contractor with Elektra Mining, who was fatally injured while undertaking electrical work at our Wessels mine at South Africa Manganese. Our deepest sympathies are with Mr Mienies' family and colleagues to whom we have provided our support and counselling. An investigation into the incident has been completed and key learnings from the event are being shared across our organisation.

Our Total Recordable Injury Frequency (TRIF)[13][14] decreased by 18% to 4.9 per million hours worked in H1 FY22 from our adjusted FY21 baseline[15] of 6.0. The improvement in TRIF was largely driven by Illawarra Metallurgical Coal where we are undertaking a targeted program to eliminate injuries. Lower TRIF rates were also observed at Australia Manganese and Cerro Matoso.

In H1 FY22 we initiated the Safety System of Work, a multi-year global program designed to achieve a step-change in our safety performance. In the first phase of the program, we partnered with a leading safety consultant to undertake diagnostic work across the business and identify areas for improvement.

OUR RESPONSE TO COVID-19

The COVID-19 pandemic continues to impact our operations and supply chains across our global portfolio. During H1 FY22, we have seen periods of elevated case numbers and workforce restrictions in most of the jurisdictions in which we operate. Our focus remains on keeping our people well, maintaining safe and reliable operations, and supporting our communities, as we continue to tailor our controls to help protect the health of our employees and contractors.

PERFORMANCE SUMMARY

The Group's statutory profit after tax increased by US$979M to US$1,032M in H1 FY22 as we benefited from portfolio changes completed in FY21, and a broad recovery in commodity prices. Strong production results across a number of operations and our high operating leverage translated into an improved operating margin of 44% (H1 FY21: 24%), as we maintained our cost focus, holding increases in controllable costs to less than 3% of the Group's cost base[16], despite significant external pressure. Underlying earnings increased by US$868M to US$1,004M.

Specific highlights for H1 FY22 included:

- Worsley Alumina continuing to operate above nameplate capacity and Brazil Alumina achieving record production in Q2 FY22;
- Cannington continuing to perform strongly with FY22e production guidance revised higher by 5% as the operation prepares to transition to 100% truck haulage in Q4 FY22;
- Cerro Matoso achieving a 26% uplift in payable nickel production, with plant availability benefitting from completion of the furnace refurbishment in FY21 and higher grades being processed from the Q&P project;
- South Africa Manganese achieving a production record in Q1 FY22 as we delivered more premium material to market; and
- Our corporate and marketing functions delivering a further reduction in costs, as we realise the benefits of simplifying the Group's functional structures and footprint.

We generated a substantial improvement in free cash flow from operations, including distributions from our manganese EAI, of US$942M. This was achieved despite a US$333M build in working capital caused by logistics congestion, and rising commodity prices, predominantly in our aluminium value chain. We finished the period with net cash of US$975M.

This strong improvement in financial performance and the disciplined application of our capital management framework has allowed us to invest in our business, increase our exposure to the metals critical for a low carbon future and substantially increase returns to shareholders.

We will return US$465M to our shareholders in respect of H1 FY22 comprised of:

- A US$405M fully franked interim dividend, which we have resolved to pay in April, representing 40% of H1 FY22 Underlying earnings; and
- US$60M as part of our on-market share buy-back program, purchasing a further 25M shares at an average price of A$3.36 per share.

We have successfully established a strong track record of returning excess cash to shareholders in a timely and efficient manner, buying back 13% of our shares on issue since commencing our capital management program in April 2017. Reflecting our confidence in the outlook for our business, the Board has today further expanded our capital management program by US$110M to US$2.1B, leaving US$302M to be returned by 2 September 2022.

Following the completion of our South Africa Energy Coal divestment in late FY21, we have taken significant steps forward to increase our portfolio's exposure to the metals critical for a low carbon future. Milestones announced since the start of FY22 include:

- Adding exposure to copper through the acquisition of a 45% interest in the Sierra Gorda Joint Venture, which is expected to close in February 2022[1];
- Growing our green aluminium capacity through the agreed acquisition of an additional shareholding in Mozal Aluminium[17] and restart of the Brazil Aluminium smelter[18];
- Reaching an agreement to increase our interest in the Mineração Rio do Norte S.A (MRN) bauxite mine, which is expected to complete in H2 FY22 subject to the satisfaction of conditions;
- Entering into an agreement to divest the Metalloys manganese alloy smelter, which remains subject to the satisfaction of conditions;
- Finalising a pre-feasibility study for the zinc-lead-silver Taylor Deposit, confirming its potential to be the first development option at our Hermosa project[19]; and
- Successfully completing a summer exploration season at our Ambler Metals Joint Venture and progressing activity across our pipeline of greenfield exploration programs.

BASIS OF UNDERLYING FINANCIAL RESULTS

The basis of the Group's underlying financial results has been updated from H1 FY22. Our material EAI are now included in our Underlying financial results on a proportionally consolidated basis, consistent with how their performance is assessed by the Group's Board and management, and reflecting their increased contribution to the Group's financial results with the planned acquisition of a 45% interest in Sierra Gorda[1]. In addition, South Africa Manganese ore has been reported as a 54.6% interest (previously 60%) reflecting the proposed divestment of our 60% interest in the Metalloys manganese alloy smelter and aligning with our interest in Hotazel Manganese Mines[2]. H1 FY21 comparative information has been updated to reflect these changes, which included restating information for Underlying revenue, Underlying EBITDA and Underlying EBIT. There is no change to the Group's statutory reporting.

EARNINGS

The Group's statutory profit after tax increased by US$979M to US$1,032M in H1 FY22. Consistent with our accounting policies, various items are excluded from the Group's statutory profit to derive Underlying earnings including: recognition of indirect tax assets associated with our decision to restart the smelter at Brazil Aluminium (US$77M pre-tax); manganese joint venture adjustments to Underlying EBIT (US$79M pre-tax); exchange rate gains on the restatement of monetary items (US$32M pre-tax); a net non-cash impairment charge (US$37M pre-tax) in relation to Eagle Downs Metallurgical Coal partially offset by an impairment reversal at Brazil Aluminium; losses on non-trading derivative instruments and other investments measured at fair value through profit/(loss) (US$5M pre-tax); manganese joint venture adjustments to Underlying net finance costs (US$11M pre-tax); exchange rate gains associated with the Group's non-US dollar denominated net debt (US$11M pre-tax); and the tax benefit for all pre-tax earnings adjustments, manganese joint venture adjustments and exchange rate variations on tax balances (US$18M). Further information on these earnings adjustments is included on page 41.

The Group's Underlying EBITDA increased by US$1,085M (or 138%) to US$1,871M in H1 FY22. Higher prices for the majority of our commodities gave rise to a 32% increase in Underlying revenue. Our Group operating margin increased to 44% and we delivered a very strong Return on invested capital (ROIC)[12] of 25%, as we minimise the increase to our cost base[16] from controllable costs to 3%. Our total cost base[16] reduced by US$117M (or 5%) in H1 FY22, primarily related to the divestment of South Africa Energy Coal on 1 June 2021. The divestment of lower returning businesses, South Africa Energy Coal, TEMCO and Metalloys is expected to sustainably lift the Group's operating margin into the future.

Underlying EBIT increased by US$1,124M (or 288%) to US$1,514M, further benefitting from a reduction in Underlying depreciation and amortisation of US$39M to US$357M following the recognition of a non-cash impairment charge for Illawarra Metallurgical Coal in FY21. Underlying earnings increased by US$868M (or 638%) to US$1,004M and our Underlying effective tax rate (ETR)[20] normalised (31%) following our divestment of South Africa Energy Coal.

Profit/(loss) to Underlying EBITDA reconciliation[2][4]

$USM	H1 FY22	H1 FY21[5]
Profit/(loss) before tax and net finance costs	1,502	170
Total adjustments to derive Underlying EBIT	12	*220*
Underlying EBIT	**1,514**	***390***
Underlying depreciation and amortisation	357	*396*
Underlying EBITDA	**1,871**	***786***

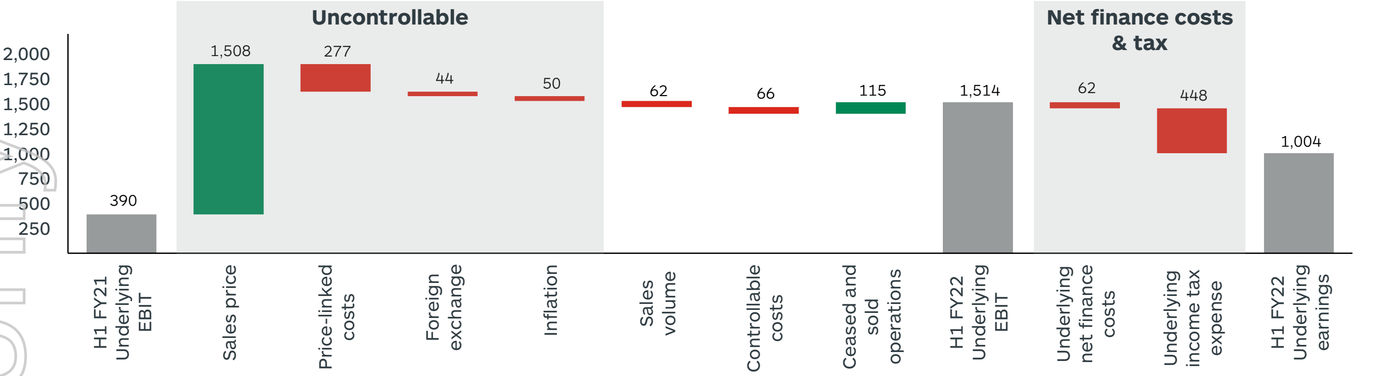
Profit/(loss) to Underlying earnings reconciliation[2][4]

$USM	H1 FY22	H1 FY21[5]
Profit/(loss) after tax	1,032	53
Total adjustments to derive Underlying EBIT	12	*220*
Total adjustments to derive Underlying net finance costs	(22)	*56*
Total adjustments to derive Underlying income tax expense	(18)	*(193)*
Underlying earnings	**1,004**	**136**

EARNINGS ANALYSIS

The following key factors influenced Underlying EBIT in H1 FY22, relative to H1 FY21.

Reconciliation of movements in Underlying EBIT (US$M)(2)(4)(5)(9)(21)(22)(23)



Earnings analysis	US$M	Commentary
H1 FY21 Underlying EBIT	***390***	
Change in sales price	1,508	Higher average realised prices for our commodities, including: Metallurgical coal (+US$562M) Aluminium (+US$494M) Alumina (+US$180M) Manganese ore (+US$126M) Nickel (+US$94M) Energy coal (+US$29M) Lead (+US$27M) Zinc (+US$25M) Partially offset by a lower average realised prices for silver (-US$29M)
Net impact of price-linked costs	(277)	Higher freight and distribution costs (-US$83M) which are partially reflected in Revenue Higher aluminium smelter raw material costs (-US$62M), including pitch and coke Higher price-linked royalties (-US$51M) Higher caustic soda prices at Worsley Alumina (-US$37M) Higher fuel and oil prices (-US$18M), mostly at Brazil Alumina and Australia Manganese
Change in exchange rates	(44)	Stronger South African rand (-US$36M) Stronger Australian dollar (-US$11M) Weaker Colombian peso (+US$6M)
Change in inflation	(50)	Southern Africa (-US$29M) Australia (-US$15M)
Change in sales volume	(62)	Lower volumes at: Illawarra Metallurgical Coal (-US$44M) Australia Manganese (-US$25M) Hillside Aluminium (-US$21M) Worsley Alumina (-US$18M) Mozal Aluminium (-US$17M) Partially offset by higher volumes at: Cerro Matoso (+US$49M) South Africa Manganese (+US$14M)
Controllable costs	(66)	Higher contractor and maintenance activity (-US$61M), including at Illawarra Metallurgical Coal (-US$35M) for longwall changeouts and planned infrastructure upgrades Higher demurrage costs (-US$12M) at Hillside Aluminium, Mozal Aluminium and Brazil Alumina caused by port congestion and tight global freight conditions Higher caustic consumption (-US$11M), mostly at Worsley Alumina Lower corporate costs (+US$15M), as we realise the benefits of simplifying the Group's functional structures and footprint
Ceased and sold operations	115	Improvement in profitability, following removal of loss-making ceased and sold operations (South Africa Energy Coal, TEMCO and Metalloys manganese alloy smelters)
H1 FY22 Underlying EBIT	**1,514**	

Net finance costs

The Group's Underlying net finance costs, including discontinued operations, reduced by US$8M (or 11%) to US$62M in H1 FY22. The successful divestment of South Africa Energy Coal in late FY21 is expected to support a lower unwind of the discount applied to our closure and rehabilitation provisions going forward (H1 FY22: US$39M, H1 FY21 US$63M, including discontinued operations). Interest on our lease liabilities (US$26M), relates primarily to our multi-fuel co-generation facility at Worsley Alumina.

Underlying net finance costs reconciliation[2][4]		
US$M	**H1 FY22**	**H1 FY21[5]**
Unwind of discount applied to closure and rehabilitation provisions	(39)	*(33)*
Interest on lease liabilities	(26)	(27)
Other	3	*3*
Discontinued operations	-	*(13)*
Underlying net finance costs	**(62)**	***(70)***
Add back earnings adjustment for exchange rate variations on net debt	11	(66)
Manganese joint venture adjustments[24]	11	*10*
Net finance costs	**(40)**	**(126)**

Tax expense

The Group's H1 FY22 Underlying income tax expense was US$448M for an Underlying ETR[20] of 30.9%, following the prior period's elevated rate (H1 FY21: *56.1%*) caused by the de-recognition of tax assets associated with the divestment of South Africa Energy Coal. The H1 FY22 Underlying ETR reflects the corporate tax rates of the jurisdictions in which we operate[25], as well as the inclusion of the manganese business in Underlying earnings on a proportionally consolidated basis (including a royalty related tax for Australia Manganese). The Underlying ETR for our manganese business was 42.9% in H1 FY22, including the royalty related tax[26].

Underlying income tax expense reconciliation and Underlying ETR[2][4]		
US$M	**H1 FY22**	**H1 FY21[5]**
Underlying EBIT	1,514	*390*
Include: Underlying net finance costs	(62)	*(70)*
Remove: Share of profit/(loss) of immaterial equity accounted investments	-	*8*
Underlying profit/(loss) before taxation	**1,452**	**328**
Income tax expense/(benefit)	**430**	**(9)**
Tax effect of earnings adjustments to Underlying EBIT	2	31
Tax effect of earnings adjustments to Underlying net finance costs	(3)	9
Exchange rate variations on tax balances	(32)	55
Tax effect of significant items	(26)	-
Manganese joint venture adjustments relating to income tax expense/(benefit)	51	*71*
Manganese joint venture adjustments relating to royalty related tax expense/(benefit)	26	*27*
Underlying income tax expense/(benefit)	**448**	***184***
Underlying effective tax rate (ETR) including royalty related tax	**30.9%**	***56.1%***

CASH FLOW

The Group delivered a US$704M increase in free cash flow from operations, excluding EAI, to US$840M, as a broad recovery in commodity prices and our portfolio's operating leverage combined to more than offset a US$333M build in working capital, primarily caused by higher prices for our products and temporary supply chain impacts, most notably at our aluminium smelters in Southern Africa. Increasing profitability also gave rise to a significant increase in income tax payments during the period (+US$206M to US$234M), excluding tax paid within equity accounted investments.

In addition to free cashflow from operations, the Group also received (net) distributions of US$102M from our manganese EAI[27] (H1 FY21: US$52M) as our operations in Australia and South Africa continued to generate strong cashflow.

Free cash flow from operations, excluding equity accounted investments		
US$M	**H1 FY22**	**H1 FY21**
Profit/(loss) from continuing and discontinued operations	1,502	170
Non-cash items	289	395
(Profit)/loss from equity accounted investments	(104)	(52)
Change in working capital	(333)	(37)
Cash generated	**1,354**	**476**
Total capital expenditure, excluding EAI, including intangibles and capitalised exploration	(254)	(290)
Operating cash flows before financing activities and tax, and after capital expenditure	**1,100**	**186**
Interest (paid)/received	(26)	(22)
Income tax (paid)/received	(234)	(28)
Free cash flow from operations	**840**	**136**

Within working capital, inventory rose by US$153M, most notably at our aluminium smelters in Southern Africa, as port congestion and tight global freight conditions temporarily slowed our ability to move finished goods. While the build in aluminium inventory is expected to persist in the near term, we have and continue to establish alternative shipping solutions and points of dispatch to minimise the impact. Although we expect this inventory build to unwind once we realise the full benefit of our initiatives, and port congestion and general freight tightness is alleviated, our restart of the Brazil Aluminium smelter is expected to require the establishment of working capital.

Trade and other receivables increased by US$145M as a result of higher prices and the timing of receipts at period end, with debtor days at the end of the half unchanged at 21 days (FY21: 21 days). Provisions also reduced by US$88M with a weakening Australian dollar, further contributing to the build in working capital. These movements were partially offset by a modest increase in trade and other payables of US$53M, relating to the timing of payments.

Working capital movement reconciliation	
US$M	**Movement**
Trade and other receivables	(145)
Inventories	(153)
Trade and other payables	53
Provisions and other liabilities	(88)
Working capital movement	**(333)**

The Group's Total capital expenditure, excluding EAI, decreased by US$36M to US$254M in H1 FY22, following the divestment of South Africa Energy Coal (H1 FY21: US$45M) in June 2021. Excluding the impact of divested operations and EAI, Total capital expenditure[28] increased by US$9M (or 4%) to US$254M with:

- Safe and reliable capital expenditure increasing by US$2M (or 1%) to US$171M as we invested to upgrade coal clearance and ventilation infrastructure at Illawarra Metallurgical Coal and tailings storage capacity at Worsley Alumina and Brazil Alumina;
- Improvement and life extension capital expenditure decreasing by US$9M (or 27%) to US$24M as we scaled back activity on the Dendrobium Next Domain (DND) project at Illawarra Metallurgical Coal while we work towards the completion of an alternative mine plan and submission of an environmental impact statement in Q3 FY22;
- Growth capital expenditure increasing by US$13M (or 45%) to US$42M as we invested in water infrastructure and completed a pre-feasibility study for the Taylor Deposit at our Hermosa project; and
- Our spend on intangibles and the capitalisation of exploration expenditure increasing by US$3M (or 21%) to US$17M as we continued exploration programs at Hermosa and Ambler Metals.

Total capital expenditure associated with our manganese EAI, excluding divested operations, increased by US$7M (or 18%) to US$45M as we continued our investment in additional tailings storage facility capacity at Australia Manganese.

Capital expenditure (South32 share)[23][28]		
US$M	**H1 FY22**	**H1 FY21**
Safe and reliable capital expenditure	(171)	*(169)*
Improvement and life extension capital expenditure	(24)	*(33)*
Growth capital expenditure	(42)	*(29)*
Intangibles and the capitalisation of exploration expenditure	(17)	(14)
Divested operation – South Africa Energy Coal	0	*(45)*
Total capital expenditure (excluding EAI)	**(254)**	**(290)**
EAI Capital expenditure	(45)	*(38)*
EAI - Divested Operation - Australia Manganese Alloys	-	*(1)*
Total Capital Expenditure (including EAI)	**(299)**	***(329)***

BALANCE SHEET, DIVIDENDS AND CAPITAL MANAGEMENT

The Group's net cash balance increased by US$569M to finish the period at US$975M after US$316M was returned to shareholders by way of ordinary dividends (US$163M) and our ongoing capital management program. As at 31 December 2021, we had completed US$1.8B of our approved US$2.0B capital management program having paid a US$93M special dividend in October 2021 and bought back a further 25M shares, spending US$60M across H1 FY22.

Net cash/(debt)		
US$M	**H1 FY22**	**FY21**
Cash and cash equivalents	2,119	1,613
Lease liabilities	(657)	(687)
Other interest bearing liabilities	(487)	(520)
Net cash/(debt)	**975**	**406**

Our strong net cash position ensures we are well placed to:

- Invest in our existing portfolio, including the restart of the Brazil Aluminium smelter;
- Fund the US$166M payment to increase our shareholding in Mozal Aluminium to 63.7%; and
- Make the initial US$1.55B payment to complete the acquisition of an interest in the Sierra Gorda Joint Venture[1].

Payment for the Sierra Gorda acquisition is expected to be via a combination of cash on hand and an underwritten US$1B acquisition debt facility that maintains our balance sheet strength and flexibility. We retain access to significant additional liquidity, having refinanced our multicurrency revolving credit facility, securing US$1.4B of commitments for a five-year term to 2026, with options to extend for up to a further two years by mutual agreement. The facility has been established as a sustainability-linked loan with measures linked to our ongoing commitment to emissions reduction and improving energy and water use efficiency.

Consistent with our unchanged capital management framework and commitment to maintain an investment grade credit rating, both Standard and Poor's and Moody's reaffirmed their respective BBB+ and Baa1 credit ratings for the Group during the period.

As well as promoting competition for capital and investment in high returning options, our 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 8.7 cents per share (US$405M), representing 40% of Underlying earnings in respect of H1 FY22.

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 today further expanded our capital management program by US$110M to US$2.1B, leaving US$302M to be returned by 2 September 2022.

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%	NA
H2 FY20	1.0	48	100%	77%
H1 FY21	1.4	67	100%	49%
H2 FY21	3.5	164	100%	46%
August 2021 special dividend	2.0	93	100%	NA
H1 FY22	8.7	405	100%	40%

South32 shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 9 and 11 March 2022 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 3 and 11 March 2022 (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	4 March 2022
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	8 March 2022
Ex-dividend date on the JSE	9 March 2022
Ex-dividend date on the ASX and London Stock Exchange (LSE)	10 March 2022
Record date (including currency election date for ASX)	11 March 2022
Payment date	7 April 2022

OUTLOOK

PRODUCTION

We achieved a number of strong production results across our portfolio in H1 FY22, despite higher COVID-19 case numbers and workforce restrictions in many of the jurisdictions in which we operate. We have, however, revised FY22 guidance lower for Australia Manganese and Illawarra Metallurgical Coal, which reflects ongoing COVID-19 impacts. Separately, FY22 guidance for Cannington has been increased in anticipation of further strong underground mine performance and higher average grades.

New guidance is provided for Brazil Aluminium, following our decision to participate in the restart of the smelter. We expect to update production guidance for Mozal Aluminium following completion of our agreed acquisition of an additional shareholding.

Production guidance (South32 share)[23]

	FY21	H1 FY22	FY22e[a]	FY23e[a]	Key guidance assumptions
Worsley Alumina					**Guidance unchanged**
Alumina production (kt)	3,963	1,979	3,965	4,000	Nameplate capacity in FY22, including calciner maintenance planned for Q3 FY22, ahead of targeted creep in FY23
Brazil Alumina (non-operated)					**Guidance unchanged**
Alumina production (kt)	1,398	631	1,300	1,395	Successfully returned to normalised rates following the bauxite unloader outage in Q1 FY22
Brazil Aluminium (non-operated)					**Guidance provided for the first time**
Aluminium production (kt)	-	-	*5*	*140*	Assumes Q4 FY22 restart with nameplate capacity (179kt, our 40% share) reached in Q3 FY23
Hillside Aluminium					**Guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	717	358	720	720	Smelter continues to test its maximum technical capacity despite higher load-shedding
Mozal Aluminium					**Guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	265	136	273	273	Volume benefits of the AP3XLE energy efficiency project, offsetting higher load-shedding
Illawarra Metallurgical Coal					**FY22 and FY23 guidance revised down by 7% and 1% respectively**
Total coal production (kt)	7,645	3,145	*↓6,800*	*↓7,400*	
Metallurgical coal production (kt)	6,170	2,767	*↓5,900*	*↓6,500*	Extended longwall move in Q2 FY22 and additional COVID-19 restrictions
Energy coal production (kt)	1,475	378	*↓900*	900	
Australia Manganese					**FY22 guidance revised down by 9%**
Manganese ore production (kwmt)	3,529	1,704	*↓3,200*	3,400	Weather disruptions and additional COVID-19 workforce restrictions prevented the re-build of stockpiles ahead of the wet season
South Africa Manganese					**FY22 Guidance restated**
Manganese ore production (kwmt)	*2,060*	*1,053*	*2,000*	Subject to demand	Restated to reflect a 54.6% interest[2]. We continue to monitor market conditions and our use of higher cost trucking
Cerro Matoso					**Guidance unchanged**
Ore to kiln (kdmt)	2,385	1,335	2,850	2,850	Planned increase in throughput and grade from additional higher-grade Q&P ore in H2 FY22
Payable nickel production (kt)	34.1	20.3	43.8	43.5	
Cannington					**FY22 guidance revised up by 5%**
Ore processed (kdmt)	2,746	1,385	2,750	2,850	
Payable zinc equivalent production (kt)[29]	319.0	152.5	*↑292.2*	313.9	Continued strong underground mine performance and higher average grades
Payable silver production (koz)	13,655	6,710	*↑12,283*	13,500	On-track to transition to 100% truck haulage from Q4 FY22
Payable lead production (kt)	131.8	60.2	*↑117.9*	122.0	
Payable zinc production (kt)	67.7	32.7	*↑66.7*	72.0	

(a) The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19.

COSTS AND CAPITAL EXPENDITURE

Operating unit costs performance and guidance

Industry wide raw material input cost inflation, most notably in our aluminium value chain, and a broad based recovery in commodity prices, leading to higher royalties at Illawarra Metallurgical Coal and Cerro Matoso, were the primary drivers of an increase in our H1 FY22 Operating unit costs across the majority of our operations.

While FY22 guidance has been revised higher at the majority of our operations, H2 FY22 Operating unit costs are primarily expected to remain flat or decline. This reflects both the benefit of higher planned volumes and our revised currency and price assumptions. The cost profile of our Southern African aluminium smelters will continue to be heavily influenced by the South African rand, and the price of raw materials and energy.

Operating unit cost[30]	H2 FY21	H1 FY22	FY22 prior guidance[a]	FY22 new guidance[b]	H1 FY22 commentary to H2 FY21 H2 FY22e[c] commentary to H1 FY22
Worsley Alumina					
(US$/t)	224	256	241	257	H1 FY22: higher freight costs, and caustic soda prices and consumption, partially offset by a weaker Australian dollar H2 FY22e: costs expected to be largely unchanged with elevated caustic soda prices, offsetting a weaker Australian dollar
Brazil Alumina (non-operated)					
(US$/t)	201	262	n/a	n/a	H1 FY22: higher raw material input costs and energy costs, combined with lower volumes and the cost to recover from the bauxite unloader damage H2 FY22e: will be influenced by the price of raw materials and an expected improvement in volumes
Hillside Aluminium					
(US$/t)	1,722	1,935	n/a	n/a	H1 FY22: higher raw material input costs and a stronger South African rand H2 FY22e: will continue to be influenced by the South African rand, and the price of raw materials and energy
Mozal Aluminium					
(US$/t)	1,818	2,008	n/a	n/a	H1 FY22: higher raw material input costs and a stronger South African rand H2 FY22e: will continue to be influenced by the South African rand, and the price of raw materials and energy
Illawarra Metallurgical Coal					
(US$/t)	98	123	101	115	H1 FY22: higher price-linked royalties and lower volumes, partially offset by a weaker Australian dollar H2 FY22e: costs expected to decline with higher volumes and a weaker Australian dollar

Operating unit cost[30]	H2 FY21	H1 FY22	FY22 prior guidance[a]	FY22 new guidance[b]	H1 FY22 commentary to H2 FY21 H2 FY22e[C] commentary to H1 FY22
Australia Manganese (FOB)					
(US$/dmtu)	1.66	1.79	1.68	1.81	H1 FY22: lower volumes, partially offset by a weaker Australian dollar H2 FY22e: costs expected to be largely unchanged with a planned reduction in volumes, offset by a weaker Australian dollar
South Africa Manganese (FOB)					
(US$/dmtu)	2.66	2.63	2.57	2.51	H1 FY22: increased volumes of premium material, partially offset by higher transport costs and price-linked royalties H2 FY22e: costs expected to decline with a weaker South African rand
Cerro Matoso					
(US$/t)[d]	128	136	141	145	H1 FY22: increased volumes and a weaker Colombian peso partially offset by higher price-linked royalties H2 FY22e: costs expected to increase with higher contractor rates associated with planned activity to deliver additional, higher-grade Q&P ore, more than offsetting a weaker Colombian peso
(US$/lb)	4.22	4.11	4.12	4.17	
Cannington					
(US$/t)[e]	124	128	121	120	H1 FY22: higher price-linked royalties and inventory movements, partially offset by a weaker Australian dollar H2 FY22e: costs expected to decline with continued strong underground performance and a weaker Australian dollar

(a) FY22 prior guidance includes commodity price and foreign exchange rate forward curves or our internal expectations (refer to footnote 31 on page 29).
(b) FY22 new guidance includes commodity price and foreign exchange rate forward curves or our internal expectations for the remainder of FY22, as at January 2022 (refer to footnote 32 on page 29).
(c) The denotation (e) refers to an estimate or forecast year. All guidance is subject to further potential impacts from COVID-19.
(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

Group and unallocated cost guidance has been revised upwards to US$125M, following the recognition of one-off charges in H1 FY22. Notwithstanding, we remain on-track to deliver US$50M in annualised savings across the Group from FY22 (compared to FY20), as we realise the benefits of simplifying the Group's functional structures and footprint.

Other expenditure items (excluding capitalised exploration) have been updated to include our manganese business on a proportionally consolidated basis.

Other expenditure	H1 FY22	FY22 prior guidance	FY22 new guidance[a]	Commentary
Group and unallocated EBIT (excluding greenfield exploration)				
(US$M)	75	100	125	Recognition of one-off charges in H1 FY22
Underlying depreciation and amortisation				
(US$M)	357	630	738	Guidance updated to include our manganese business (US$108M)
Underlying net finance costs				
(US$M)	62	110	135	Guidance updated to include our manganese business (US$20M)
Underlying ETR				
(%)	31%	n/a	n/a	Expected to reflect the corporate tax rates of the jurisdictions in which we operate, including the Australia Manganese royalty related tax
Greenfield exploration				
(US$M)	13	26	26	Unchanged guidance includes expenditure on greenfield exploration programs targeting base metals in Australia, the Americas and Europe
Capitalised exploration				
(US$M)	17	44	42	Updated guidance includes US$20M at Hermosa and US$15M at our Ambler Metals Joint Venture

(a) All guidance is subject to further potential impacts from COVID-19.

Capital expenditure guidance (excluding exploration and intangibles)

Guidance for our FY22 safe and reliable capital expenditure (excluding EAI) has been revised down by US$10M to US$400M with lower spend at Illawarra Metallurgical Coal as COVID-19 restrictions slow the completion of work. Safe and reliable capital expenditure guidance for our EAI has been revised to US$71M (from US$63M) with additional investment in non-processing infrastructure at Australia Manganese.

Improvement and life extension capital expenditure (excluding EAI) has been revised down by US$2M to US$68M as we scale back activity on the DND project at Illawarra Metallurgical Coal and invest to restart the Brazil Aluminium smelter. Guidance for our EAI has been revised to US$19M (from US$28M) with investment in new mining areas at South Africa Manganese now expected to be completed in FY23.

Guidance for growth capital expenditure has been increased to US$115M (from US$45M) with the first time inclusion of H2 FY22 expenditure at our Hermosa project, following the completion of the Taylor Deposit PFS. This includes approximately US$50M for critical path items including construction and installation of infrastructure to support orebody dewatering in H2 FY22.

Capital expenditure excluding exploration and intangibles (South32 share)(23)(28)		
US$M	**FY22e prior guidance**	**FY22e new guidance**
Worsley Alumina	43	43
Brazil Alumina	54	54
Hillside Aluminium	22	27
Mozal Aluminium	10	10
Illawarra Metallurgical Coal	215	200
Cerro Matoso	23	23
Cannington	43	43
Safe and reliable capital expenditure (excluding EAI)	**410**	**400**
Worsley Alumina	18	18
Brazil Aluminium – smelter restart	-	3
Illawarra Metallurgical Coal – Dendrobium Next Domain	15	10
Cerro Matoso	20	20
Other operations	17	17
Improvement and life extension capital expenditure (excluding EAI)	**70**	**68**
Hermosa	45	115
Growth capital expenditure	**45**	**115**
Total capital expenditure (excluding EAI)	**525**	**583**
Total capital expenditure (including EAI)	***616***	**673**

Capital expenditure for EAI excluding exploration and intangibles (South32 share)(23)(28)		
US$M	**FY22e prior guidance**	**FY22e new guidance**
Australia Manganese	47	55
South Africa Manganese(2)	*16*	16
Safe and reliable capital expenditure (EAI)	***63***	**71**
Australia Manganese	10	10
South Africa Manganese(2)	*18*	9
Improvement and life extension capital expenditure (EAI)	***28***	**19**
Total capital expenditure (EAI)	***91***	**90**

OPERATIONS ANALYSIS

A summary of the underlying performance of the Group's operations is presented below and more detailed analysis is presented on pages 18 to 27. 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)[23]

	Underlying Revenue		Underlying EBIT	
US$M	**H1 FY22**	**H1 FY21**	**H1 FY22**	**H1 FY21**
Worsley Alumina	757	578	168	70
Brazil Alumina	242	187	49	25
Brazil Aluminium	-	-	(1)	(1)
Hillside Aluminium	992	653	311	87
Mozal Aluminium	371	254	110	31
Illawarra Metallurgical Coal	912	365	458	(41)
Australia Manganese	385	368	162	147
South Africa Manganese	191	*162*	19	*28*
Cerro Matoso	372	229	158	50
Cannington	378	342	162	154
Third party products and services[33]	375	*183*	13	2
Inter-segment / Group and unallocated[(a)]	(373)	(293)	(95)	*(61)*
South32 Group (excluding South Africa Energy Coal)	**4,602**	**3,028**	**1,514**	**491**
South Africa Energy Coal	-	*458*	-	*(101)*
South32 Group Underlying	**4,602**	**3,486**	**1,514**	***390***

(a) Group and unallocated Underlying EBIT includes Hermosa -US$7M (H1 FY21 -US$4M).

WORSLEY ALUMINA
(86% SHARE)

Volumes

Worsley Alumina saleable production decreased by 2% (or 31kt) to 1,979kt in H1 FY22. We remain on-track to achieve production guidance at the refinery's nameplate capacity of 3,965kt in FY22 with calciner maintenance scheduled for Q3 FY22. FY23 production guidance is unchanged with creep beyond nameplate to 4,000kt expected as we continue to implement improvement initiatives across the operation.

Operating costs

Operating unit costs increased by 25% (or US$52/t) to US$256/t with higher caustic soda prices (H1 FY22: US$474/t, H1 FY21: US$308/t) and price-linked freight rates adding to increases in caustic consumption (H1 FY22: 112 kg/t, H1 FY21: 97 kg/t).

Our operating margin increased to 34% (H1 FY21: 27%) as a 40% increase in the average realised price of alumina more than offset higher costs. Our average realised alumina price of US$389/t was a circa 8% premium to the Platts Alumina Index[34] (PAX) on a volume weighted M-1 basis, reflecting the impact of higher price-linked freight rates in our prices and the structure of legacy supply contracts to our Mozal Aluminium smelter.

We have revised our FY22 Operating unit cost guidance to US$257/t (previously US$241/t) with H2 FY22 costs expected to be largely unchanged (from H1 FY22). Elevated caustic soda prices and price-linked freight rates are expected to persist, more than offsetting the benefit of a weaker Australian dollar. Exchange rate and price assumptions for FY22 Operating unit cost guidance are detailed on page 29, footnote 32.

Financial performance

Underlying EBIT increased by 140% (or US$98M) to US$168M as higher realised alumina prices (+US$216M) more than offset higher caustic prices and consumption (-US$45M), higher price-linked freight rates (-US$25M) and lower sales volumes (-US$37M).

Capital expenditure

Safe and reliable capital expenditure decreased by US$7M to US$20M in H1 FY22. FY22 guidance of US$43M is unchanged as we continue our investment in additional bauxite residue disposal capacity.

Improvement and life extension capital expenditure increased by US$3M to US$4M in H1 FY22. FY22 guidance of US$18M is unchanged as we progress refinery decarbonisation projects and commence work to access new bauxite mining areas.

South32 share	H1 FY22	H1 FY21
Alumina production (kt)	1,979	2,010
Alumina sales (kt)	1,946	2,078
Realised alumina sales price (US$/t)	389	278
Operating unit cost (US$/t)	256	204

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	757	578
Underlying EBITDA	259	155
Underlying EBIT	168	70
Net operating assets[a]	2,634	2,667
Capital expenditure	24	28
Safe and reliable	20	27
Improvement and life extension	4	1

(a) H1 FY21 reflects balance as at 30 June 2021.

BRAZIL ALUMINA

(36% SHARE)

Volumes

Brazil Alumina saleable production decreased by 11% (or 75kt) to 631kt in H1 FY22, following damage to one of the two bauxite unloaders at the operation in July 2021. Production was restored to nameplate capacity in October 2021 and the refinery achieved record quarterly production in Q2 FY22. Production guidance of 1,300kt for FY22 and 1,395kt for FY23 is unchanged.

Operating costs

Operating unit costs increased by 27% to US$262/t due to higher raw material input and energy prices, lower volumes and one-off costs to recover from the bauxite unloader damage.

Our operating margin increased to 32% (H1 FY21: 26%) as a 40% increase in the average realised price for alumina more than offset higher costs.

While guidance is not provided for this non-operated facility, Operating unit costs will be influenced by the price of raw materials and an expected improvement in volumes in H2 FY22.

Financial performance

Underlying EBIT increased by 96% (or US$24M) to US$49M as higher realised alumina prices (+US$69M) more than offset higher raw material, energy and freight costs (-US$17M), lower sales volumes (-US$13M) and one-off maintenance and demurrage costs related to the bauxite unloader outage (-US$8M).

Capital expenditure

Safe and reliable capital expenditure increased by US$16M to US$31M in H1 FY22. FY22 guidance of US$54M is unchanged as we continue our investment in additional bauxite residue disposal capacity.

During the period, we agreed to acquire an additional 18.2% interest in the MRN bauxite mine, which would take our ownership to 33%. The acquisition is expected to close in H2 FY22, subject to the satisfaction of conditions.

Our increased ownership of MRN will secure and align our Brazilian bauxite supply requirements and is an important step as we work with our partners to complete a pre-feasibility study for the MRN life extension project. The project has the potential to extend the life of the mine by more than 20 years at a relatively low capital cost[35]. The pre-feasibility study is expected to be completed in mid CY22.

South32 share	H1 FY22	H1 FY21
Alumina production (kt)	631	706
Alumina sales (kt)	626	674
Realised alumina sales price (US$/t)	387	277
Alumina operating unit cost (US$/t)	262	206

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	242	187
Underlying EBITDA	78	48
Underlying EBIT	49	25
Net operating assets[(a)]	603	570
Capital expenditure	31	15
Safe and reliable	31	15
Improvement and life extension	-	-

(a) H1 FY21 reflects balance as at 30 June 2021.

BRAZIL ALUMINIUM

(40% SHARE)

Volumes

Following the end of the period, we announced our participation in the restart of the Alumar aluminium smelter (40% South32 share), together with our joint venture partner Alcoa[18].

First production is expected in Q4 FY22, with full capacity of 447ktpa (100% basis) (179ktpa, 40% basis) in Q3 FY23.

We have secured cost efficient renewable power for our share of production, while our alumina supply will be sourced from the co-located Brazil Alumina refinery.

Financial performance

Underlying EBIT was a loss of US$1M in H1 FY22 as we incurred costs to maintain the smelter, ahead of its planned restart.

Restart expenditure

We expect to spend approximately US$70M across FY22 and FY23 to support the smelter's restart, including approximately US$10M in capital expenditure.

South32 share	H1 FY22	H1 FY21
Aluminium production (kt)	-	-
Aluminium sales (kt)	-	-
Realised aluminium sales price (US$/t)	-	-
Aluminium operating unit cost (US$/t)	-	-

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	-	-
Underlying EBITDA	(1)	(1)
Underlying EBIT	(1)	(1)
Net operating assets[a]	119	1
Capital expenditure	-	-
Safe and reliable	-	-
Improvement and life extension	-	-

(a) H1 FY21 reflects balance as at 30 June 2021.

HILLSIDE ALUMINIUM
(100% SHARE)

Volumes

Hillside Aluminium saleable production decreased by 1% (or 3kt) to 358kt in H1 FY22, as the smelter continued to test its maximum technical capacity, despite the impact from higher load-shedding. Production guidance of 720kt for FY22 and FY23 is unchanged, subject to load-shedding.

Operating costs

Operating unit costs increased by 26% to US$1,935/t reflecting the impact of higher raw material input prices, a stronger South African rand and higher power costs.

Our operating margin increased to 34% (H1 FY21: 18%) as a 57% increase in the average realised price of aluminium more than offset higher costs.

While Operating unit cost guidance is not provided, the cost profile of the smelter will continue to be heavily influenced by raw material input prices, including the price of alumina supplied by our Worsley Alumina refinery (with prices linked to the PAX on an M-1 basis), and other external factors including the South African rand and South Africa Producer Price Index (which impacts power costs).

During the period, we made a final investment decision for the AP3XLE energy efficiency project. We expect to roll the technology out as part of the smelter's pot relining program starting in FY23, bringing both volume and efficiency benefits, while reducing carbon intensity. We expect to spend approximately US$18M over 5 years to install AP3XLE at Hillside Aluminium in addition to our normal pot relining activity.

Financial performance

Underlying EBIT increased by 257% (or US$224M) to US$311M as higher aluminium prices (+US$360M) more than offset higher raw material input prices (-US$95M), power costs (-US$19M) and a stronger South African rand (-US$24M).

The cost of pot relining at the smelter increased by US$6M in H1 FY22, with 70 pots relined at a cost of US$259k per pot (H1 FY21: 50 pots at US$238k per pot). Pot relining activity is expected to increase in H2 FY22, with 181 pots scheduled to be relined across FY22.

Capital expenditure

Capital expenditure increased by US$4M to US$10M in H1 FY22. FY22 guidance has been revised to US$31M (from US$29M) as we replace our trucking fleet for the transport of liquid hot metal and commence activity on the AP3XLE project.

South32 share	H1 FY22	H1 FY21
Aluminium production (kt)	358	361
Aluminium sales (kt)	336	347
Realised sales price (US$/t)	2,952	1,882
Operating unit cost (US$/t)	1,935	1,536

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	992	653
Underlying EBITDA	342	120
Underlying EBIT	311	87
Net operating assets[(a)]	857	733
Capital expenditure	10	6
Safe and reliable	10	6
Improvement and life extension	-	-

(a) H1 FY21 reflects balance as at 30 June 2021.

MOZAL ALUMINIUM

(47.1% SHARE)

Volumes

Mozal Aluminium saleable production increased by 1% (or 1kt) to 136kt in H1 FY22 as the volume benefit of our AP3XLE energy efficiency project more than offset the impact from higher load-shedding. Production guidance remains unchanged at 273kt for FY22 and FY23, subject to load-shedding.

We expect to update our production guidance following the completion of our acquisition of an additional shareholding in Mozal Aluminium[17] that is expected to complete in Q3 FY22. At completion our shareholding will increase by a minimum of 16.6% to 63.7%.

Operating costs

Operating unit costs increased by 27% to US$2,008/t, reflecting the impact of higher raw material input prices and a stronger South African rand.

Our operating margin increased to 34% (H1 FY21: 19%) as a 57% increase in the average realised price of aluminium more than offset higher costs.

While Operating unit cost guidance is not provided, the cost profile of the smelter will continue to be heavily influenced by raw material input prices, including the price of alumina supplied by our Worsley Alumina refinery, and other external factors including the South African rand.

Approximately 50% of the alumina supplied to the smelter is priced as a percentage of the LME aluminium index under a legacy contract and the remainder linked to the PAX on an M-1 basis, with caps and floors embedded within specific contracts that reset each calendar year.

Financial performance

Underlying EBIT increased by 255% (or US$79M) to US$110M as higher aluminium prices (+US$135M) more than offset higher raw material input prices (-US$53M) and a stronger South African rand (-US$4M).

The cost of pot relining at the smelter increased by US$1M in H1 FY22, with 75[36] pots relined at a cost of US$245k per pot (H1 FY21: 61[36] pots at US$258k per pot). Pot relining activity is expected to reduce in H2 FY22, with 121[36] pots scheduled to be relined across FY22.

Capital expenditure

Capital expenditure of US$6M in H1 FY22 was unchanged. FY22 guidance of US$11M is unchanged with the smelter continuing to roll out the AP3XLE energy efficiency technology. The project is expected to deliver incremental production from FY22, before realising a circa 5% increase in annual production by FY24 with no associated increase in power consumption.

South32 share	H1 FY22	H1 FY21
Aluminium production (kt)	136	135
Aluminium sales (kt)	122	130
Realised sales price (US$/t)	3,041	1,943
Operating unit cost (US$/t)	2,008	1,585

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	371	254
Underlying EBITDA	126	48
Underlying EBIT	110	31
Net operating assets[(a)]	507	456
Capital expenditure	6	6
Safe and reliable	5	5
Improvement and life extension	1	1

(a) H1 FY21 reflects balance as at 30 June 2021.

ILLAWARRA METALLURGICAL COAL

(100% SHARE)

Volumes

Illawarra Metallurgical Coal saleable production decreased by 23% (or 951kt) to 3.1Mt in H1 FY22 as we completed an extended longwall move at the Dendrobium mine in Q2 FY22. Metallurgical coal production declined 15% to 2.8Mt, while energy coal declined by 55% to 0.4Mt.

FY22 production guidance has been revised lower by 7% to 6.8Mt due to the extended longwall move and the impact of additional COVID-19 restrictions. FY23 production is expected to increase by 9% despite being revised lower by 0.1Mt (or 1%) to 7.4Mt. FY24 production is expected to be ~5.5Mt as the mine plan moves into a new mining area at Dendrobium[37]. Production is expected to increase in FY25, consistent with the plan to transition to a single longwall operation at Appin.

Operating costs

Operating unit costs increased by 60% to US$123/t due to the lower volumes, increased contractor and maintenance activity, and higher price-linked royalties. The average realised prices for metallurgical coal and energy coal increased 183% to US$303/t, and 248% to US$108/t, respectively.

Our operating margin increased to 56% (H1 FY21: 15%) as the significant increase in our average realised prices more than offset higher costs.

We have revised our FY22 Operating unit cost guidance to US$115/t (previously US$101/t) with H2 FY22 costs expected to decline from H1 FY22 as we increase volumes and assume a weaker Australian dollar. Exchange rate and price assumptions for FY22 Operating unit cost guidance are detailed on page 29, footnote 32.

Financial performance

Underlying EBIT increased by US$499M to US$458M, as the operation benefitted from higher realised prices (+US$591M), partially offset by lower sales volumes (-US$44M), higher price-linked royalties (-US$33M) and a drawdown of inventory (-US$35M). Contractor and maintenance costs also increased by US$35M as planned work on longwall changeouts and infrastructure upgrades was undertaken, while depreciation decreased by US$41M to US$54M following a non-cash impairment of the operation's carrying value in H2 FY21.

Capital expenditure

Safe and reliable capital expenditure increased by US$7M in H1 FY22 to US$82M as we lifted our rate of underground development. FY22 guidance has been lowered by US$15M to US$200M with COVID-19 restrictions slowing the completion of work. A range of US$300M-US$360M is expected in FY23, as we maintain higher rates of development and progress upgrades to coal clearance and ventilation infrastructure ahead of Appin's transition to a single longwall. The transition to longer panels is expected to bring capital and operating cost efficiencies beyond FY25.

Improvement and life extension capital expenditure decreased by US$17M to US$6M as we scaled back activity on the DND project. FY22 guidance has been revised to US$10M as we work toward the completion of an alternative mine plan and the submission of an environmental impact statement in Q3 FY22.

South32 share	H1 FY22	H1 FY21
Metallurgical coal production (kt)	2,767	3,262
Energy coal production (kt)	378	834
Metallurgical coal sales (kt)	2,877	3,165
Energy coal sales (kt)	378	862
Realised metallurgical coal sales price (US$/t)	303	107
Realised energy coal sales price (US$/t)	108	31
Operating unit cost (US$/t)	123	77

South32 share (US$M)	H1 FY22	H1 FY21
Revenue[38]	912	365
Underlying EBITDA	512	54
Underlying EBIT	458	(41)
Net operating assets[a]	649	612
Capital expenditure	88	98
Safe and reliable	82	75
Improvement and life extension	6	23
Exploration expenditure	5	8
Exploration expensed	5	2

(a) H1 FY21 reflects balance as at 30 June 2021.

AUSTRALIA MANGANESE

(ORE 60% SHARE, ALLOY 60% SHARE DIVESTED)

Volumes

Australia Manganese saleable ore production decreased by 7% (or 130kwmt) to 1,704kwmt in H1 FY22 with lower planned yield at the primary concentrator. Separately the PC02 circuit continued to operate above its nameplate capacity, contributing 13% of total production (H1 FY21: 10%).

FY22 production guidance has been revised lower by 9% to 3,200kwmt with wet weather disruptions and additional COVID-19 workforce restrictions in the Northern Territory preventing the re-build of stockpiles ahead of the wet season, resulting in sequentially lower production during H2 FY22. FY23 production guidance is unchanged and is expected to increase by 6% to 3,400kwmt with the re-establishment of stockpiles.

The TEMCO manganese alloy smelter was divested during FY21 with an effective completion date of 31 December 2020.

Operating costs

Operating unit costs increased by 29% to US$1.79/dmtu as disruptions from wet weather and COVID-19 added to our expectation for rising costs in FY22 from a planned decline in yield.

Our operating margin increased to 54% (H1 FY21: 50%) benefitting from a 17% increase in the average realised price of manganese ore and the divestment of TEMCO. Our average realised price of US$4.59/dmtu, FOB was in-line with the high grade 44% manganese lump ore index[39] despite the higher contribution to sales from our low-cost PC02 product that has seen a narrowing gap in discounts to the index.

We have revised our FY22 Operating unit cost guidance to US$1.81/dmtu (previously US$1.68/dmtu), with H2 FY22 costs expected to be largely unchanged (from H1 FY22) despite a planned reduction in volumes, as we benefit from a weaker Australian dollar. Exchange rate and price assumptions for FY22 Operating unit cost guidance are detailed on page 29, footnote 32.

Financial performance

Manganese ore Underlying EBIT increased by 7% (or US$11M) to US$162M as higher realised prices (+US$99M) were partially offset by lower sales volumes (-US$25M), higher freight rates (-US$22M) and diesel prices (-US$5M), inventory movements (-US$8M) and costs directly attributable to our COVID-19 response (-US$4M).

Capital expenditure

Safe and reliable capital expenditure increased by US$3M to US$32M in H1 FY22 as we invested in tailings storage facility capacity. FY22 guidance has been revised to US$55M (from US$47M) to reflect additional investment in non-processing infrastructure. Improvement and life extension capital expenditure increased by US$2M in H1 FY22. FY22 guidance of US$10M is unchanged as we progress a feasibility study for the Eastern Leases mine life extension project.

South32 share	H1 FY22	H1 FY21
Manganese ore production (kwmt)	1,704	1,834
Manganese alloy production (kt)	-	51
Manganese ore sales (kwmt)	1,737	1,865
External customers	1,737	1,750
TEMCO	-	115
Manganese alloy sales (kt)	-	59
Realised external manganese ore sales price (US$/dmtu, FOB)[40][41]	4.59	3.93
Ore operating unit cost (US$/dmtu)[41][42]	1.79	1.39

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	385	368
Manganese ore	385	323
Manganese alloy	-	57
Intra-segment elimination	-	(12)
Underlying EBITDA	206	184
Manganese ore	206	188
Manganese alloy	-	(4)
Underlying EBIT	162	147
Manganese ore	162	151
Manganese alloy	-	(4)
Net operating assets[a]	254	243
Manganese ore	254	243
Manganese alloy	-	-
Capital expenditure	34	29
Safe and reliable	32	29
Improvement and life extension	2	-
Exploration expenditure	1	2
Exploration expensed	-	1

(a) H1 FY21 reflects balance as at 30 June 2021.

SOUTH AFRICA MANGANESE

(ORE 54.6% SHARE[2], ALLOY 60% SHARE)

Volumes

South Africa Manganese saleable ore production increased by 7% (or 65kwmt) to 1,053kwmt in H1 FY22 as we delivered higher volumes of premium material from our Mamatwan mine and planned maintenance was completed.

FY22 production guidance has been restated at 2,000kwmt to reflect a 54.6% interest[2]. While we continue to monitor market conditions and our use of higher cost trucking, our expectation for total output (100% share) from the operation is unchanged.

Our Metalloys manganese alloy smelter remained on care and maintenance during H1 FY22. On 29 November 2021 we entered into a binding agreement to sell the smelter, which is subject to the satisfaction of conditions.

Operating costs

Operating unit costs increased by 15% to US$2.63/dmtu as we increased our use of higher cost trucking to lift sales volumes of premium product, and the South African rand strengthened.

Our operating margin declined to 15% (H1 FY21: 22%) as the benefit of our strategy to target additional volumes of premium product was more than offset by a stronger South African rand. Notwithstanding, our average realised price was a premium of 11% to the medium grade 37% manganese lump ore index[43], as we maximised our revenue by optimising our sales mix.

We have revised our FY22 Operating unit cost guidance to US$2.51/dmtu (previously US$2.57/dmtu) with H2 FY22 costs expected to decline (from H1 FY22) with the benefit of a weaker South African rand. Exchange rate and price assumptions for FY22 Operating unit cost guidance are detailed on page 29, footnote 32.

Financial performance

Manganese ore Underlying EBIT decreased by 37% (or US$14M) to US$24M as the benefit of increased trucking activity to deliver higher sales volumes of premium material (+US$9M) was more than offset by volume related distribution and inventory costs (-US$8M) and a stronger South African rand (-US$8M).

Manganese alloy Underlying EBIT was a loss of US$5M while the Metalloys smelter remained on care and maintenance.

Capital expenditure

Safe and reliable capital expenditure decreased by US$1M to US$8M in H1 FY22 as we extracted the boundary pillar at our Mamatwan mine, accessing previously sterilised ore. FY22 guidance is restated at US$16M, reflecting a 54.6% interest[2].

Improvement and life extension capital expenditure was US$2M in H1 FY22. FY22 guidance has been revised lower to US$9M (from US$18M) with investment in new mining areas now expected to be completed in FY23.

South32 share[2]	H1 FY22	H1 FY21
Manganese ore production (kwmt)	*1,053*	*988*
Manganese alloy production (kt)	-	-
Manganese ore sales (kwmt)	*1,094*	*1,004*
External customers	*1,094*	*1,004*
Metalloys	-	-
Manganese alloy sales (kt)	-	11
Realised external manganese ore sales price (US$/dmtu, FOB)[44][45]	3.47	3.49
Ore operating unit cost (US$/dmtu)[42][45]	2.63	2.28

South32 share (US$M)[2]	H1 FY22	H1 FY21
Revenue	191	*162*
Manganese ore	191	*155*
Manganese alloy	-	7
Underlying EBITDA	29	*36*
Manganese ore	34	*45*
Manganese alloy	(5)	(9)
Underlying EBIT	19	*28*
Manganese ore	24	*38*
Manganese alloy	(5)	(10)
Net operating assets/(liabilities)[a]	154	*152*
Manganese ore	216	*212*
Manganese alloy	(62)	*(60)*
Capital expenditure	10	9
Safe and reliable	8	9
Improvement and life extension	2	-
Exploration expenditure	1	-
Exploration expensed	1	-

(a) H1 FY21 reflects balance as at 30 June 2021.

CERRO MATOSO

(99.9% SHARE)

Volumes

Cerro Matoso payable nickel production increased by 26% (or 4.2kt) to 20.3kt in H1 FY22 following the completion of a major plant refurbishment in FY21. Average processed nickel grades improved to 1.73% (H1 FY21: 1.57%) with the inclusion of higher-grade material from the Q&P project.

Production guidance remains unchanged at 43.8kt for FY22 and 43.5kt for FY23 with additional higher-grade volumes expected from the Q&P project.

Operating costs

Operating unit costs increased by 8% to US$4.11/lb as higher nickel prices resulted in higher price-linked royalties. Excluding the impact of royalties, costs were largely unchanged.

Our operating margin increased to 51% (H1 FY21: 40%) as a 33% increase in the average realised price of nickel and higher volumes more than offset our additional costs. Product discounts for our ferronickel sales narrowed to 5% of the LME Nickel index (FY21: 9%) in H1 FY22, reflecting tighter market conditions.

We have revised FY22 Operating unit cost guidance to US$4.17/lb (previously US$4.12/lb) as higher contractor rates in support of planned Q&P volumes more than offset the benefit of a weaker Colombian peso. Exchange rate and price assumptions for FY22 Operating unit cost guidance are detailed on page 29, footnote 32.

Financial performance

Underlying EBIT increased by 216% (or US$108M) to US$158M as higher realised nickel prices (+US$93M) and sales volumes (+US$50M) more than offset higher price-linked royalties (-US$16M), energy costs (-US$12M) associated with the increase in plant availability and the cost of contractors (-US$9M) to support the Q&P project.

Capital expenditure

Safe and reliable capital expenditure decreased by US$7M to US$6M in H1 FY22 following the prior period's major plant refurbishment. FY22 guidance of US$23M is unchanged as we complete planned upgrades to our mobile mining fleet.

Improvement and life extension capital expenditure increased by US$6M to US$8M in H1 FY22. FY22 guidance of US$20M is unchanged as we commence the Ore Sorting and Mechanical Ore Concentration (OSMOC) project. The OSMOC project is expected to maintain payable nickel production by offsetting natural grade decline beyond FY23. This will be achieved through expanded processing capacity and improvements to the upgrading circuit that will lift average ore grades[46]. Mechanical completion of the OSMOC project is expected in Q4 FY22.

South32 share	H1 FY22	H1 FY21
Ore mined (kwmt)	2,416	1,470
Ore processed (kdmt)	1,335	1,155
Ore grade processed (%, Ni)	1.73	1.57
Payable nickel production (kt)	20.3	16.1
Payable nickel sales (kt)	20.1	16.5
Realised nickel sales price (US$/lb)[47]	8.39	6.29
Operating unit cost (US$/lb)	4.11	3.79
Operating unit cost (US$/t)[48]	136	119

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	372	229
Underlying EBITDA	190	91
Underlying EBIT	158	50
Net operating assets[a]	376	405
Capital expenditure	14	15
Safe and reliable	6	13
Improvement and life extension	8	2
Exploration expenditure	-	-
Exploration expensed	-	-

(a) H1 FY21 reflects balance as at 30 June 2021.

CANNINGTON

(100% SHARE)

Volumes

Cannington payable zinc equivalent production increased by 9% (or 12kt) to 152.5kt in H1 FY22 as higher grades and continued strong underground performance lifted metal output.

Reflecting the strong start to the year, FY22 production guidance has been revised higher by 5% (silver 12,283koz, lead 117.9kt and zinc 66.7kt, for 292.2kt of payable zinc equivalent production) with the operation on-track to transition to 100% truck haulage from Q4 FY22. FY23 guidance is unchanged with payable zinc equivalent production expected to increase a further 7% to 313.9kt (silver 13,500koz, lead 122.0kt and zinc 72.0kt).

Operating costs

Operating unit costs increased by 3% to US$128/t as the benefit of higher throughput was more than offset by an increase in the cost of freight and higher price-linked royalties.

Our operating margin was unchanged at 53%.

We have revised FY22 Operating unit cost guidance to US$120/t (previously US$121/t) with the operation expected to benefit from continued strong underground mine performance and a weaker Australian dollar. Exchange rate and price assumptions for FY22 Operating unit cost guidance are detailed on page 29, footnote 32.

Financial performance

Underlying EBIT increased by 5% (or US$8M) to US$162M as higher average realised prices (+US$23M) and sales volumes (+US$13M) more than offset an increase in freight rates (-US$6M) and higher price-linked royalties (-US$3M). Depreciation increased by US$13M in H1 FY22 to US$39M with accelerated depreciation of the hoist infrastructure, ahead of the operation's transition to 100% truck haulage.

Capital expenditure

Safe and reliable capital expenditure decreased by US$11M to US$17M in H1 FY22 with lower planned rates of underground development. FY22 guidance of US$43M is unchanged with an increase in activity to execute the transition to 100% truck haulage.

South32 share	H1 FY22	H1 FY21
Ore mined (kwmt)	1,475	1,409
Ore processed (kdmt)	1,385	1,302
Ore grade processed (g/t, Ag)	177	174
Ore grade processed (%, Pb)	5.2	5.1
Ore grade processed (%, Zn)	3.4	3.3
Payable zinc equivalent production (kt)[29]	152.5	140.5
Payable silver production (koz)	6,710	5,993
Payable lead production (kt)	60.2	57.6
Payable zinc production (kt)	32.7	30.4
Payable silver sales (koz)	6,718	6,326
Payable lead sales (kt)	63.3	61.4
Payable zinc sales (kt)	32.8	31.8
Realised silver sales price (US$/oz)	21.0	26.0
Realised lead sales price (US$/t)	2,180	1,744
Realised zinc sales price (US$/t)	2,988	2,228
Operating unit cost (US$/t ore processed)[49]	128	124

South32 share (US$M)	H1 FY22	H1 FY21
Revenue	378	342
Underlying EBITDA	201	180
Underlying EBIT	162	154
Net operating assets[a]	170	195
Capital expenditure	17	29
Safe and reliable	17	28
Improvement and life extension	-	1
Exploration expenditure	2	1
Exploration expensed	1	1

(a) H1 FY21 reflects balance as at 30 June 2021.

NOTES

(1) Refer to market release "South32 to acquire a 45% interest in the Sierra Gorda copper mine" dated 14 October 2021. The acquisition is expected to close in February 2022. The estimates indicated in the original announcement are qualifying foreign estimates and are not reported in accordance with the JORC Code. A Competent Person has not done sufficient work to classify foreign estimates as Mineral Resources or Ore Reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further work that the foreign estimates will be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code.

(2) South Africa Manganese ore has been reported as a 54.6% interest (previously 60%) reflecting the proposed divestment of our 60% interest in the Metalloys manganese alloy smelter and aligning with our interest in Hotazel Manganese Mines (HMM). 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 interests 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%.

(3) Net tangible assets as at 31 December 2021 includes all right-of-use assets and lease liabilities, in accordance with AASB 16 Leases.

(4) During the current financial reporting period the internal reporting of the Group's consolidated financial results was changed. The underlying information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's Board and management to assess their performance. H1 FY21 comparative information has been restated to reflect this change.

(5) H1 FY21 includes TEMCO and discontinued operation South Africa Energy Coal.

(6) H1 FY22 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for H1 FY22 (4,657 million). H1 FY22 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for H1 FY22. 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.

(7) H1 FY22 ordinary dividends per share is calculated as H1 FY22 ordinary dividend announced (US$405M) divided by the number of shares on issue at 31 December 2021 (4,650 million).

(8) Underlying revenue includes revenue from third party products and services.

(9) The underlying information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis. Underlying EBIT is profit before net finance costs, tax and any earnings adjustments, including impairments. Underlying EBITDA is Underlying EBIT before underlying 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 through profit or loss;
- Major corporate restructures;
- Manganese joint venture adjustments;
- Exchange rate variations on net debt; and the
- Tax effect of earnings adjustments.

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.

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

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

(12) 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 EAI on a proportional consolidated basis, divided by the sum of fixed assets (excluding any rehabilitation asset, the impairment of Eagle Downs Metallurgical Coal and Illawarra Metallurgical Coal, the impairment reversal of Brazil Aluminium, and unproductive capital associated with Growth and Life Extension projects) and inventories. Our manganese EAI are included in the calculation on a proportional consolidation basis.

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

(14) 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.

(15) Our FY21 TRIF baseline has been adjusted to remove divested operations South Africa Energy Coal and TEMCO.

(16) Cost base excluding third party product cost and ceased and sold operations.

(17) Refer to market release "South32 to acquire up to an additional 25% of Mozal Aluminium" dated 30 September 2021.

(18) Refer to market release "Restart of Brazil Aluminium using renewable power" dated 6 January 2022.

(19) Refer to market release "Hermosa project update" dated 17 January 2022.

(20) Underlying ETR is Underlying income tax expense, including royalty related tax, divided by Underlying profit before tax.

(21) 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.

(22) Underlying net finance costs and Underlying income tax expense are actual H1 FY22 results, not half-on-half variances.

(23) South32's ownership shares of operations are presented as follows: Worsley Alumina (86% share), Hillside Aluminium (100%), Mozal Aluminium (47.1% share), Brazil Alumina (36% share), Brazil Aluminium (40% share), Illawarra Metallurgical Coal (100%), Australia Manganese (60% share), South Africa Manganese ore (54.6% share), South Africa Manganese alloy (60% share), Cerro Matoso (99.9% share), Cannington (100%), Hermosa (100%) and Eagle Downs Metallurgical Coal (50% share).

(24) The underlying information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. The joint venture adjustments reconcile the underlying proportional consolidation to the equity accounting position included in the Group's half year consolidated financial statements.

(25) The corporate tax rates of the geographies where the Group operates include: Australia 30%, South Africa 28%, Colombia 31%, Mozambique 0% and Brazil 34%. The Colombian corporate tax rate increased to 35% from 1 January 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax.

(26) Australia Manganese is subject to a royalty related tax equal to 20% of adjusted EBIT which is included in Underlying tax expense.

(27) H1 FY22 net distributions from our manganese EAI comprise dividends and capital returns (US$79M) and a net repayment of shareholder loans (US$23M).

(28) Total capital expenditure comprises Capital expenditure, evaluation expenditure, the purchase of intangibles and capitalised exploration expenditure. Capital expenditure comprises Safe and reliable capital expenditure (Deferred stripping, Regulatory compliance, Risk reduction and Sustained performance), Improvement (Decarbonisation) and Life extension capital expenditure, and Growth (development of our current and future greenfield growth) capital expenditure.

(29) 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. FY21 realised prices for zinc (US$2,357/t), lead (US$1,862/t) and silver (US$25.4/oz) have been used for FY21, H1 FY22, FY22e and FY23e.

(30) 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 41 and 45.

(31) FY22 prior Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY22, including: an alumina price of US$289/t; an average blended coal price of US$140/t for Illawarra Metallurgical Coal; a manganese ore price of US$4.79/dmtu for 44% manganese product; a nickel price of US$7.93/lb; a silver price of US$25.84/troy oz; a lead price of US$2,165/t (gross of treatment and refining charges); a zinc price of US$2,846/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.75; a USD:ZAR exchange rate of 15.00; a USD:COP exchange rate of 3,650; and a reference price for caustic soda; all of which reflected forward markets as at June 2021 or our internal expectations.

(32) FY22 new Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY22, including: an alumina price of US$378/t; an average blended coal price of US$244/t for Illawarra Metallurgical Coal; a manganese ore price of US$5.42/dmtu for 44% manganese product; a nickel price of US$8.83/lb; a silver price of US$24.57/troy oz; a lead price of US$2,329/t (gross of treatment and refining charges); a zinc price of US$3,179/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.72; a USD:ZAR exchange rate of 15.47; a USD:COP exchange rate of 3,930; and a reference price for caustic soda; all of which reflected forward markets as at January 2022 or our internal expectations.

(33) H1 FY22 Third party products and services sold comprise US$64M for aluminium, US$22M for alumina, US$30M for coal, US$20M for manganese, US$167M for freight services and US$72M for raw materials. Underlying EBIT on third party products and services comprise US$6M for aluminium, US$2M for alumina, US$1M for manganese and US$4M for freight services. H1 FY21 Third party products and services sold comprise US$18M for aluminium, US$15M for alumina, US$14M for coal, US$18M for manganese, US$83M for freight services and US$35M for raw materials. Underlying EBIT on third party products and services comprise US$2M for aluminium, (US$1M) for alumina, US$1M for coal, nil for manganese, nil for freight services and raw materials.

(34) The quarterly sales volume weighted average of the Platts Alumina Index (FOB Australia) on the basis of a one month lag to published pricing (Month minus one or “M-1”) for Worsley Alumina was US$360/t in H1 FY22.

(35) Production Target Cautionary Statement: The information in this announcement that refers to the Production Target and forecast financial information for MRN is based on Measured (63%), Indicated (9%) and Inferred (28%) Mineral Resources. The Mineral Resources underpinning the Production Target have been prepared by a Competent Person in accordance with the JORC Code and is available to view in South32’s FY21 annual report (www.south32.net) published on 3 September 2021. There is low level of geological confidence associated with the Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target will be realised. The stated Production Target is based on South32's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met. South32 confirms that inclusion of 28% Inferred Mineral Resource tonnage is not the determining factor of the project viability and the project forecasts a positive financial performance when using 72% tonnage (63% Measured and 9% Indicated Mineral Resources). South32 is satisfied, therefore, that the use of Inferred Mineral Resources in the Production Target and forecast financial information reporting is reasonable.

(36) Presented on a 100% basis.

(37) Production Target Cautionary Statement: The information in this announcement that refers to the Production Target and forecast financial information for Illawarra Metallurgical Coal is based on Proved (4%) and Probable (93%) Coal Reserves, and Inferred (3%) Coal Resources. The Coal Reserves and Coal Resources underpinning the Production Target have been prepared by a Competent Person in accordance with the JORC Code and is available to view in South32’s FY21 annual report (www.south32.net) published on 3 September 2021. There is low level of geological confidence associated with the Inferred Coal Resources and there is no certainty that further exploration work will result in the determination of Indicated Coal Resources or that the Production Target will be realised. The stated Production Target is based on South32's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met. South32 confirms that inclusion of 3% Inferred Coal Resource tonnage is not the determining factor of the project viability and the project forecasts a positive financial performance when using 97% tonnage (4% Proved and 93% Probable Coal Reserves). South32 is satisfied, therefore, that the use of Inferred Coal Resources in the Production Target and forecast financial information reporting is reasonable.

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

(39) The quarterly sales volume weighted average of the Metal Bulletin 44.4% manganese lump ore index (CIF Tianjin, China) on the basis of a one month lag to published pricing (Month minus one or “M-1”) was US$5.33/dmtu in H1 FY22.

(40) Realised ore prices are calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction.

(41) Manganese Australia H1 FY22 average manganese content of external ore sales was 44.2% on a dry basis (H1 FY21: 44.4%). 96% of H1 FY22 external manganese ore sales (H1 FY21: 96%) were completed on a CIF basis. H1 FY22 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$49M (H1 FY21: US$25M), consistent with our FOB cost guidance.

(42) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume.

(43) 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$3.12/dmtu in H1 FY22.

(44) 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.

(45) Manganese South Africa H1 FY22 average manganese content of external ore sales was 39.4% on a dry basis (H1 FY21: 39.9%). 78% of H1 FY22 external manganese ore sales (H1 FY21: 74%) were completed on a CIF basis. H1 FY22 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$49M (H1 FY21: US$20M), consistent with our FOB cost guidance.

(46) The information in this report that relates to the production target is based on Proved and Probable Ore Reserves (87%), Measured (12%) and Indicated (1%) Mineral Resources for Cerro Matoso. Mineral Resources and Ore Reserve estimates for Cerro Matoso was declared as part of South32's Annual Resource and Reserve declaration in the Annual Report 2021 (www.south32.net) issued on 3 September 2021 and prepared by I Espitia (MAusIMM) and N Monterroza (MAusIMM) 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. Payable nickel is calculated using long term consensus metal prices and relative metallurgical recoveries.

(47) Cerro Matoso realised nickel sales price is inclusive of by-products. Realised sales price is calculated as sales Revenue divided by sales volume.

(48) 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.

(49) 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 FY22); financial year (FY22); calendar year (CY); copper equivalent (CuEq); 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 2021

CONSOLIDATED INCOME STATEMENT

for the half year ended 31 December 2021

US$M	Note	H1 FY22	H1 FY21 Restated[1]
Continuing operations			
Revenue:			
Group production		**3,651**	2,320
Third party products and services		**355**	165
	3	**4,006**	2,485
Other income		**113**	54
Expenses excluding net finance costs		**(2,721)**	(2,328)
Share of profit/(loss) of equity accounted investments		**104**	58
Profit/(loss) from continuing operations		**1,502**	269
Comprising:			
Group production		**1,490**	267
Third party products and services		**12**	2
Profit/(loss) from continuing operations		**1,502**	269
Finance expenses		**(56)**	(123)
Finance income		**16**	9
Net finance costs	6	**(40)**	(114)
Profit/(loss) before tax from continuing operations		**1,462**	155
Income tax (expense)/benefit		**(430)**	5
Profit/(loss) after tax from continuing operations		**1,032**	160
Discontinued operation			
Profit/(loss) after tax from a discontinued operation	8	**-**	(107)
Profit/(loss) for the period		**1,032**	53
Attributable to:			
Equity holders of South32 Limited		**1,032**	53
Profit/(loss) from continuing operations for the period attributable to equity holders of South32 Limited:			
Basic earnings per share (cents)	5	**22.2**	3.3
Diluted earnings per share (cents)	5	**22.0**	3.3
Profit/(loss) for the period attributable to equity holders of South32 Limited:			
Basic earnings per share (cents)	5	**22.2**	1.1
Diluted earnings per share (cents)	5	**22.0**	1.1

(1) Refer to note 8 Discontinued operation.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2021

US$M	H1 FY22	H1 FY21
Profit/(loss) for the period	**1,032**	53
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)	**(59)**	(26)
Income tax (expense)/benefit	**18**	9
Gains/(losses) on pension and medical schemes	**4**	(2)
Income tax (expense)/benefit recognised within other comprehensive income	**(1)**	1
Total items not to be reclassified to the Consolidated Income Statement	**(38)**	(18)
Total other comprehensive income/(loss)	**(38)**	(18)
Total comprehensive income/(loss)	**994**	35
Attributable to:		
Equity holders of South32 Limited	**994**	35

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

CONSOLIDATED BALANCE SHEET

as at 31 December 2021

US$M	Note	H1 FY22	FY21
ASSETS			
Current assets			
Cash and cash equivalents		**2,119**	1,613
Trade and other receivables		**703**	527
Other financial assets	7	**5**	15
Inventories		**871**	716
Current tax assets		**4**	13
Other		**18**	38
Total current assets		**3,720**	2,922
Non-current assets			
Trade and other receivables		**328**	259
Other financial assets	7	**62**	121
Inventories		**73**	74
Property, plant and equipment		**8,835**	8,938
Intangible assets		**187**	189
Equity accounted investments		**405**	380
Deferred tax assets		**354**	348
Other		**14**	11
Total non-current assets		**10,258**	10,320
Total assets		**13,978**	13,242
LIABILITIES			
Current liabilities			
Trade and other payables		**781**	777
Interest bearing liabilities		**397**	408
Other financial liabilities	7	**5**	11
Current tax payables		**144**	27
Provisions		**189**	239
Total current liabilities		**1,516**	1,462
Non-current liabilities			
Trade and other payables		**25**	2
Interest bearing liabilities		**747**	799
Deferred tax liabilities		**326**	265
Provisions		**1,725**	1,759
Deferred income		**1**	1
Total non-current liabilities		**2,824**	2,826
Total liabilities		**4,340**	4,288
Net assets		**9,638**	8,954
EQUITY			
Share capital		**13,537**	13,597
Treasury shares		**(12)**	(22)
Reserves		**(3,622)**	(3,567)
Retained earnings/(accumulated losses)		**(264)**	(1,053)
Total equity attributable to equity holders of South32 Limited		**9,639**	8,955
Non-controlling interests		**(1)**	(1)
Total equity		**9,638**	8,954

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

CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 31 December 2021

US$M	H1 FY22	H1 FY21 Restated[1]
Operating activities		
Profit/(loss) before tax from continuing operations	**1,462**	155
Profit/(loss) before tax from a discontinued operation	**-**	(111)
Adjustments for:		
Non-cash significant items	**(77)**	-
Depreciation and amortisation expense	**303**	351
Net impairment losses	**37**	43
Employee share awards expense	**12**	19
Net finance costs	**40**	126
Share of (profit)/loss of equity accounted investments	**(104)**	(52)
(Gains)/losses on derivative instruments and other investments measured at fair value through profit or loss (FVTPL)	**14**	(16)
Other non-cash or non-operating items	**-**	(2)
Changes in assets and liabilities:		
Trade and other receivables	**(145)**	(66)
Inventories	**(153)**	(96)
Trade and other payables	**53**	62
Provisions and other liabilities	**(88)**	63
Cash generated from operations	**1,354**	476
Interest received	**12**	13
Interest paid	**(38)**	(35)
Income tax paid	**(234)**	(28)
Dividends received	**-**	1
Dividends received from equity accounted investments	**79**	92
Net cash flows from operating activities	**1,173**	519
Investing activities		
Purchases of property, plant and equipment	**(237)**	(276)
Exploration expenditure	**(35)**	(25)
Exploration expenditure expensed and included in operating cash flows	**19**	11
Purchase of intangibles	**(1)**	-
Investment in financial assets	**(129)**	(96)
Cash outflows from investing activities	**(383)**	(386)
Proceeds from financial assets	**104**	56
Net cash flows from investing activities	**(279)**	(330)
Financing activities		
Proceeds from interest bearing liabilities	**14**	59
Repayment of interest bearing liabilities	**(80)**	(23)
Purchase of shares by South32 Limited Employee Incentive Plan Trusts (ESOP Trusts)	**(1)**	(1)
Share buy-back	**(60)**	(112)
Dividends paid	**(256)**	(48)
Net cash flows from financing activities	**(383)**	(125)
Net increase in cash and cash equivalents	**511**	64
Cash and cash equivalents, net of overdrafts, at the beginning of the period	**1,613**	1,315
Foreign currency exchange rate changes on cash and cash equivalents	**(5)**	4
Cash and cash equivalents, net of overdrafts, at the end of the period	**2,119**	1,383

(1) Refer to note 8 Discontinued operation.

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 2021

	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 2021	**13,597**	**(22)**	**(22)**	**48**	**(3,593)**	**(1,053)**	**8,955**	**(1)**	**8,954**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**1,032**	**1,032**	**-**	**1,032**
Total other comprehensive income/(loss)	**-**	**-**	**(41)**	**-**	**-**	**3**	**(38)**	**-**	**(38)**
Total comprehensive income/(loss)	**-**	**-**	**(41)**	**-**	**-**	**1,035**	**994**	**-**	**994**
Transactions with owners:									
Dividends	**-**	**-**	**-**	**-**	**-**	**(256)**	**(256)**	**-**	**(256)**
Shares bought back and cancelled(4)	**(60)**	**-**	**-**	**-**	**-**	**-**	**(60)**	**-**	**(60)**
Employee share entitlements for unvested awards, net of tax	**-**	**-**	**-**	**15**	**-**	**-**	**15**	**-**	**15**
Purchase of shares by ESOP Trusts	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Employee share awards vested and lapsed, net of tax	**-**	**11**	**-**	**(29)**	**-**	**10**	**(8)**	**-**	**(8)**
Balance as at 31 December 2021	**13,537**	**(12)**	**(63)**	**34**	**(3,593)**	**(264)**	**9,639**	**(1)**	**9,638**
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
Total 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)
Employee share 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, net of tax	-	21	-	(53)	-	21	(11)	-	(11)
Balance as at 31 December 2020	13,831	(29)	(71)	52	(3,593)	(740)	9,450	(1)	9,449

(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 24,607,260 (H1 FY21: 65,508,132) 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.

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 2021 were authorised for issue in accordance with a resolution of the Directors on 17 February 2022.

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 2001*;
- 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, including changes in the presentation of the segment note as outlined in note 3 Segment information; and
- Have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the consolidated financial statements for the year ended 30 June 2021.

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 expenses. 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 for the year ended 30 June 2021.

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 consolidated financial statements for the year ended 30 June 2021. 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.

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. During the current financial reporting period the internal reporting of the Group's consolidated financial results and performance to the chief operating decision makers was changed. Consolidated financial results of the Group are reported on a proportionally consolidated basis, including material equity accounted joint ventures, consistent with the reporting of the Group's operating segments. Due to the change in reporting and presentation of the Group's consolidated results, the prior half year comparative disclosures, together with required reconciliations, have been restated.

The principal activities of each operating segment are summarised as follows:

Operating segment[(1)]	Principal activities
Worsley Alumina	Integrated bauxite mine and alumina refinery in Australia
Brazil Alumina	Alumina refinery in Brazil
Brazil Aluminium[(2)]	Aluminium smelter in Brazil
Hillside Aluminium	Aluminium smelter in South Africa
Mozal Aluminium	Aluminium smelter in Mozambique
Illawarra Metallurgical Coal	Underground metallurgical coal mines in Australia
Australia Manganese	Integrated producer of manganese ore and alloy[(3)] in Australia
South Africa Manganese	Integrated producer of manganese ore and alloy[(4)] in South Africa
Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in Colombia
Cannington	Silver, lead and zinc mine in Australia
Hermosa	Base metals exploration and development option in the United States
South Africa Energy Coal (SAEC)[(5)]	Open-cut and underground energy coal mines and processing operations in South Africa

(1) The Eagle Downs metallurgical coal exploration and development option is no longer considered a material operating segment and has been reclassified to be included as part of Group and unallocated items/eliminations.

(2) On 6 January 2022, the Group announced its decision to participate in a restart of the Alumar aluminium smelter (Brazil Aluminium), together with our joint venture partner Alcoa Corporation (Alcoa). First production is expected in the June 2022 quarter and Brazil Aluminium is considered a material operating segment.

(3) 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.

(4) 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. The Group has entered into an agreement to divest the Metalloys manganese smelter which remains subject to the satisfaction of conditions.

(5) On 1 June 2021, the Group completed the sale of its shareholding in SAEC to a wholly-owned subsidiary of Seriti Resources Holdings Pty Ltd (Seriti) and two trusts for the benefit of employees and communities. Refer to note 8 Discontinued operation.

All operations are operated by the Group except Brazil Alumina and Brazil Aluminium, which are 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 Underlying 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.

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 continuing operating segments.

Total assets and liabilities for each continuing 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 2021	Continuing operations												
US$M	Worsley Alumina	Brazil Alumina	Brazil Aluminium	Hillside Aluminium	Mozal Aluminium	Illawarra Metallurgical Coal	Australia Manganese[1]	South Africa Manganese[1]	Cerro Matoso	Cannington	Hermosa	Group and unallocated items/ eliminations	Group underlying results[1]
Revenue from customers	751	241	-	992	373	894	379	191	364	392	-	4	4,581
Other[2]	6	1	-	-	(2)	18	6	-	8	(14)	-	(2)	21
Total revenue	757	242	-	992	371	912	385	191	372	378	-	2	4,602
Group production	384	242	-	992	371	912	385	191	372	378	-	-	4,227
Third party products and services[3]	-	-	-	-	-	-	-	-	-	-	-	375	375
Inter-segment revenue	373	-	-	-	-	-	-	-	-	-	-	(373)	-
Total revenue	757	242	-	992	371	912	385	191	372	378	-	2	4,602
Underlying EBITDA	259	78	(1)	342	126	512	206	29	190	201	(6)	(65)	1,871
Depreciation and amortisation	(91)	(29)	-	(31)	(16)	(54)	(44)	(10)	(32)	(39)	(1)	(10)	(357)
Underlying EBIT	168	49	(1)	311	110	458	162	19	158	162	(7)	(75)	1,514
Comprising:													
Group production excluding exploration expensed	168	49	(1)	311	110	463	162	20	158	163	(7)	(75)	1,521
Exploration expensed	-	-	-	-	-	(5)	-	(1)	-	(1)	-	(13)	(20)
Third party products and services[3]	-	-	-	-	-	-	-	-	-	-	-	13	13
Underlying EBIT	168	49	(1)	311	110	458	162	19	158	162	(7)	(75)	1,514
Underlying net finance costs													(62)
Underlying income tax (expense)/benefit													(422)
Underlying royalty related tax (expense)/benefit													(26)
Underlying earnings after tax													1,004
Total adjustments to profit/(loss)[4]													28
Profit/(loss) for the period													1,032
Exploration expenditure	-	-	-	-	-	5	1	1	-	2	8	20	37
Capital expenditure[5]	24	31	-	10	6	88	34	10	14	17	42	5	281
Total assets[6]	3,654	701	127	1,227	600	1,075	597	332	595	473	2,021	2,987	14,389
Total liabilities[6]	1,020	98	8	370	93	426	343	178	219	303	48	1,645	4,751

(1) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Refer to note 3(b)(i) Underlying results reconciliation for the joint venture adjustments that reconcile the underlying proportional consolidation to the equity accounting positions included in the Group's half year consolidated financial statements.

(2) Other revenue predominantly relates to fair value movements on provisionally priced contracts.

(3) Revenue on third party products and services sold comprised of US$64 million for aluminium, US$22 million for alumina, US$30 million for coal, US$20 million for manganese, US$167 million for freight services and US$72 million for raw materials. Underlying EBIT on third party products and services sold comprised of US$6 million for aluminium, US$2 million for alumina, US$1 million for manganese and US$4 million for freight services.

(4) Refer to note 3(b)(i) Underlying results reconciliation for further details.

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

(6) 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 2020 Restated[1][2][3][4][5]	Continuing operations													Discontinued operation	
US$M	Worsley Alumina	Brazil Alumina	Brazil Aluminium	Hillside Aluminium	Mozal Aluminium	Illawarra Metallurgical Coal	Australia Manganese[2]	South Africa Manganese[2]	Cerro Matoso	Cannington	Hermosa	Group and unallocated items/ eliminations	Group underlying results from continuing operations	South Africa Energy Coal	Group underlying results[2]
Revenue from customers	578	187	-	653	252	369	369	162	219	323	-	(108)	3,004	457	3,461
Other[6]	-	-	-	-	2	(4)	(1)	-	10	19	-	(2)	24	1	25
Total revenue	578	187	-	653	254	365	368	162	229	342	-	(110)	3,028	458	3,486
Group production	290	187	-	653	254	365	368	157	229	342	-	-	2,845	386	3,231
Third party products and services[7]	-	-	-	-	-	-	-	-	-	-	-	183	183	72	255
Inter-segment revenue	288	-	-	-	-	-	-	5	-	-	-	(293)	-	-	-
Total revenue	578	187	-	653	254	365	368	162	229	342	-	(110)	3,028	458	3,486
Underlying EBITDA	155	48	(1)	120	48	54	184	36	91	180	(3)	(39)	873	(87)	786
Depreciation and amortisation	(85)	(23)	-	(33)	(17)	(95)	(37)	(8)	(41)	(26)	(1)	(16)	(382)	(14)	(396)
Underlying EBIT	70	25	(1)	87	31	(41)	147	28	50	154	(4)	(55)	491	(101)	390
Comprising:															
Group production excluding exploration expensed[8]	70	25	(1)	87	31	(39)	148	28	50	155	(4)	(49)	501	(101)	400
Exploration expensed	-	-	-	-	-	(2)	(1)	-	-	(1)	-	(8)	(12)	-	(12)
Third party products and services[7]	-	-	-	-	-	-	-	-	-	-	-	2	2	-	2
Underlying EBIT	70	25	(1)	87	31	(41)	147	28	50	154	(4)	(55)	491	(101)	390
Underlying net finance costs													(57)	(13)	(70)
Underlying income tax (expense)/benefit													(157)	-	(157)
Underlying royalty related tax (expense)/benefit													(27)	-	(27)
Underlying earnings after tax													250	(114)	136
Total adjustments to profit/(loss)[9]													(90)	7	(83)
Profit/(loss) for the period													160	(107)	53
Exploration expenditure	-	-	-	-	-	8	2	-	-	1	7	9	27	-	27
Capital expenditure[10]	28	15	-	6	6	98	29	9	15	29	29	5	269	45	314
Total assets[11]	3,674	639	8	1,156	579	997	604	337	629	510	1,972	2,549	13,654	-	13,654
Total liabilities[11]	1,007	69	7	423	123	385	361	185	224	315	47	1,554	4,700	-	4,700

(1) The Brazil Alumina operating segment has been reclassified to separate Brazil Aluminium for consistency with the current period's presentation.

(2) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Refer to note 3(b)(i) Underlying results reconciliation for the joint venture adjustments that reconcile the underlying proportional consolidation to the equity accounting positions included in the Group's half year consolidated financial statements.

(3) The Eagle Downs operating segment has been reclassified to be included as part of Group and unallocated items/eliminations for consistency with the current period's presentation.

(4) The SAEC operating segment has been reclassified as a discontinued operation. Refer to note 8 Discontinued operation.

(5) Underlying income tax (expense)/benefit has been reclassified to separate underlying royalty related tax (expense)/benefit for consistency with the current period's presentation.

(6) Other revenue predominantly relates to fair value movements on provisionally priced contracts.

(7) Revenue on third party products and services sold from continuing operations comprised of US$18 million for aluminium, US$15 million for alumina, US$14 million for coal, US$18 million for manganese, US$83 million for freight services and US$35 million for raw materials. Underlying EBIT on third party products and services sold from continuing operations comprised of US$2 million for aluminium, (US$1) million for alumina and US$1 million for coal.

(8) Includes share of profit/(loss) of equity accounted investments of (US$8) million.

(9) Refer to note 3(b)(i) Underlying results reconciliation for further details.

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

(11) Total assets and total liabilities for each operating segment are as at 30 June 2021. 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) Underlying results reconciliation

The following tables reconcile the Underlying segment information to the statutory information included in the Group's half year consolidated financial statements:

31 December 2021 US$M	Continuing operations
Underlying EBIT	**1,514**
Significant items[1]	**77**
Manganese joint venture adjustments[2][3]	**(79)**
Exchange rate gains/(losses) on restatement of monetary items[4]	**32**
Net impairment losses[4][5]	**(37)**
Gains/(losses) on non-trading derivative instruments and other investments measured at FVTPL[4]	**(5)**
Profit/(loss) from operations	**1,502**
Underlying net finance costs	**(62)**
Manganese joint venture adjustments[2]	**11**
Exchange rate variations on net debt	**11**
Net finance costs	**(40)**
Underlying income tax (expense)/benefit	**(422)**
Underlying royalty related tax (expense)/benefit	**(26)**
Tax effect of significant items[1]	**(26)**
Manganese joint venture adjustments relating to income tax (expense)/benefit[2]	**51**
Manganese joint venture adjustments relating to royalty related tax (expense)/benefit[2]	**26**
Tax effect of other adjustments to Underlying EBIT	**2**
Tax effect of other adjustments to Underlying net finance costs	**(3)**
Exchange rate variations on tax balances	**(32)**
Income tax (expense)/benefit	**(430)**

(1) Refer to note 3(b)(ii) Significant items.
(2) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the equity accounting positions included in the Group's half year consolidated financial statements.
(3) Includes earnings adjustments of US$2 million included in the Australia Manganese segment and US$7 million included in the South Africa Manganese segment. Recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.
(4) Recognised in expenses excluding net finance costs in the Consolidated Income Statement.
(5) Refer to note 3(b)(iii) Impairment of non-financial assets.

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

(i) Underlying results reconciliation (continued)

31 December 2020 US$M	Continuing operations	Discontinued operation[1]	Total
Underlying EBIT	491	(101)	390
Manganese joint venture adjustments[2][3]	(115)	-	(115)
Exchange rate gains/(losses) on restatement of monetary items[4]	(46)	(25)	(71)
Net impairment losses[4][5]	(36)	-	(36)
Gains/(losses) on non-trading derivative instruments and other investments measured at FVTPL[4][6]	(8)	27	19
Major corporate restructures[4][7]	(17)	-	(17)
Profit/(loss) from operations	269	(99)	170
Underlying net finance costs	(57)	(13)	(70)
Manganese joint venture adjustments[2]	10	-	10
Exchange rate variations on net debt	(67)	1	(66)
Net finance costs	(114)	(12)	(126)
Underlying income tax (expense)/benefit	(157)	-	(157)
Underlying royalty related tax (expense)/benefit	(27)	-	(27)
Manganese joint venture adjustments relating to income tax (expense)/benefit[2]	71	-	71
Manganese joint venture adjustments relating to royalty related tax (expense)/benefit[2]	27	-	27
Tax effect of other earnings adjustments to Underlying EBIT	31	-	31
Tax effect of other earnings adjustments to Underlying net finance costs	9	-	9
Exchange rate variations on tax balances	51	4	55
Income tax (expense)/benefit	5	4	9

(1) The SAEC operating segment has been reclassified as a discontinued operation. Refer to note 8 Discontinued operation.
(2) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the equity accounting positions included in the Group's half year consolidated financial statements.
(3) Includes earnings adjustments of (US$5) million included in the Australia Manganese segment and (US$2) million included in the South Africa Manganese segment. Recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.
(4) Recognised in expenses excluding net finance costs in the Consolidated Income Statement.
(5) Refer to note 3(b)(iii) Impairment of non-financial assets.
(6) Relates to (US$8) million included in the Hillside Aluminium segment.
(7) 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. Includes impairment losses of US$7 million relating to right-of-use assets.

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

(i) Underlying results reconciliation (continued)

31 December 2021 US$M	Group underlying results from continuing operations	Manganese joint venture adjustments[1]	Group statutory results from continuing operations
Total revenue	**4,602**	**(596)**	**4,006**
Depreciation and amortisation	**357**	**(54)**	**303**
Exploration expenditure	**37**	**(2)**	**35**
Capital expenditure	**281**	**(44)**	**237**
Total assets	**14,389**	**(411)**	**13,978**
Total liabilities	**4,751**	**(411)**	**4,340**

(1) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the equity accounting positions included in the Group's half year consolidated financial statements.

31 December 2020 US$M	Group underlying results from continuing operations	Manganese joint venture adjustments[1]	Group statutory results from continuing operations
Total revenue	3,028	(543)	2,485
Depreciation and amortisation	382	(45)	337
Exploration expenditure	27	(2)	25
Capital expenditure	269	(38)	231
Total assets[2]	13,654	(412)	13,242
Total liabilities[2]	4,700	(412)	4,288

(1) The segment information reflects the Group's interest in material equity accounted joint ventures and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. Joint venture adjustments reconcile the proportional consolidation to the equity accounting positions included in the Group's half year consolidated financial statements.

(2) Total assets and total liabilities are as at 30 June 2021.

(ii) Significant items

Significant items are those items, not separately identified in note 3(b)(i) Underlying results reconciliation, where their nature and amount are considered material to the consolidated financial statements. There were no such items included within the Group's profit/(loss) for the period ended 31 December 2020.

31 December 2021 US$M	Gross	Tax	Net
Recognition of indirect tax assets	**77**	**(26)**	**51**
Total significant items	**77**	**(26)**	**51**

<u>*Recognition of indirect tax assets*</u>

Following the Group's decision to participate with our joint venture partner Alcoa in a restart of the Alumar aluminium smelter, the Group recognised indirect tax assets of US$77 million that were expensed subsequent to the smelter being placed on care and maintenance in 2015. The recognition of the indirect tax assets has resulted in a significant one-off amount recorded as other income of US$77 million (US$51 million post tax) in the Consolidated Income Statement and was included in the Brazil Aluminium segment.

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

(iii) Impairment of non-financial assets

The Group recognised the following impairments and impairment reversals in the half year ended 31 December 2021:

US$M	H1 FY22	H1 FY21
Impairment		
Property, plant and equipment[(1)]	**(79)**	-
Intangible assets[(2)]	**-**	(36)
Right-of-use lease assets[(3)]	**-**	(7)
Impairment reversal		
Property, plant and equipment[(4)]	**42**	-
Net impairment	**(37)**	(43)

(1) Relates to a US$79 million impairment included in Group and unallocated items/eliminations in respect of Eagle Downs.
(2) Relates to a US$36 million impairment included in Group and unallocated items/eliminations.
(3) Included in the major corporate restructures earnings adjustment. Refer to note 3(b)(i) Underlying results reconciliation.
(4) Relates to a US$42 million impairment reversal included in the Brazil Aluminium segment.

Eagle Downs

As part of the negotiation for sale, in December 2021, the Group received offers from external parties for the Eagle Downs Metallurgical Coal development option which, in combination with its long-term market outlook for metallurgical coal demand and prices, informed the Group's assessment of the recoverable amount for Eagle Downs as a cash generating unit (CGU).

The recoverable amount of the Eagle Downs CGU was determined at US$80 million based on its fair value less cost of disposal (FVLCD) which included an assessment of the external offers received. The long-run metallurgical coal prices and exchange rates used as part of the Group's FVLCD determinations are within the following ranges as published by market commentators:

	Assumptions used in FVLCD
Metallurgical coal (US$/t)	112 to 160
Foreign exchange rates (AU$ to US$)	0.75 to 0.77

The impairment of US$79 million includes US$1 million recognised in land and buildings, US$6 million recognised in plant and equipment, US$56 million recognised in other mineral assets, US$15 million recognised in assets under construction, and US$1 million recognised in exploration and evaluation within property, plant and equipment of Eagle Downs.

Brazil Aluminium

On 6 January 2022, the Group announced its decision to participate in a restart of the Alumar aluminium smelter, together with our joint venture partner Alcoa. The Group has assessed the implications of the restart decision and reviewed the impact on the carrying value of the Brazil Aluminium CGU as at 31 December 2021.

The Group reversed the full impairment that was recognised when the smelter was placed on care and maintenance in 2015, limited to the carrying amount that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised at such time. The recoverable amount remains significantly higher than the carrying amount recorded.

The recoverable amount was based on the smelter's FVLCD and was informed by the Group's production profile and cost profile which are consistent with the Group's commitments to long-term power agreements. The key assumptions used for commodity prices are comparable to market consensus forecasts, and foreign exchange rates are aligned with forward market rates.

The impairment reversal of US$42 million includes US$18 million recognised in land and buildings and US$24 million recognised in plant and equipment, both within property, plant and equipment.

In addition, the Group recognised indirect tax assets of US$77 million that had been expensed since the smelter was placed on care and maintenance in 2015. Refer to note 3(b)(ii) Significant items.

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

(iii) Impairment of non-financial assets (continued)

Basis of fair value measurements

The above fair value measurements are categorised as Level 3 fair values based on the inputs in the discounted cashflow valuation models in combination with the use of the market approach for Eagle Downs. In determining the FVLCD, a real post tax discount rate range of between 6 and 8 per cent, and a country risk premium of up to 2 per cent were applied to the post tax forecast cash flows expressed in real terms.

4. DIVIDENDS

US$M	H1 FY22	H1 FY21
Prior year final dividend(1)	**163**	48
Prior year special dividend(1)	**93**	-
Total dividends declared and paid during the period	**256**	48

(1) On 19 August 2021, the Directors resolved to pay a fully franked final dividend of US 3.5 cents per share (US$164 million) and a fully franked special dividend of US 2.0 cents (US$93 million) per share in respect of the 2021 financial year. The dividends were paid on 7 October 2021. In addition to the ESOP Trusts receiving dividends from South32 Limited, a total of 9,736,166 shares were bought back between the declaration and the ex-dividend dates, therefore reducing the dividend paid externally to US$256 million.

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 FY22**	**H1 FY21 Restated(1)**
Continuing operations	**1,032**	160
Discontinued operation(1)	-	(107)
Profit/(loss) attributable to equity holders of South32 Limited (basic)	**1,032**	53
Profit/(loss) attributable to equity holders of South32 Limited (diluted)	**1,032**	53

(1) Refer to note 8 Discontinued operation.

Weighted average number of shares		
Million	**H1 FY22**	**H1 FY21**
Basic EPS denominator(1)	**4,657**	4,815
Shares contingently issuable under employee share ownership plans	**24**	12
Diluted EPS denominator	**4,681**	4,827

(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.

Earnings per share		
US cents	**H1 FY22**	**H1 FY21 Restated(1)**
Continuing operations		
Basic EPS	**22.2**	3.3
Diluted EPS	**22.0**	3.3
Attributable to ordinary equity holders of South32 Limited		
Basic EPS	**22.2**	1.1
Diluted EPS	**22.0**	1.1

(1) Refer to note 8 Discontinued operation.

6. NET FINANCE COSTS

US$M	H1 FY22	H1 FY21 Restated[1]
Finance expenses		
Interest on borrowings	**11**	8
Interest on lease liabilities	**26**	27
Discounting on provisions and other liabilities	**28**	26
Change in discount rate on closure and rehabilitation provisions	**-**	(6)
Net interest expense on post-retirement employee benefits	**2**	1
Exchange rate variations on net debt	**(11)**	67
	56	123
Finance income		
Interest income	**16**	9
Net finance costs	**40**	114

(1) Refer to note 8 Discontinued operation.

7. 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 2021 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Financial guarantee contracts	Total
Financial assets					
Cash and cash equivalents	**-**	**-**	**2,119**	**-**	**2,119**
Trade and other receivables[1]	**120**	**-**	**511**	**-**	**631**
Loans to equity accounted investments[2]	**-**	**-**	**9**	**-**	**9**
Other financial assets:					
Other investments – held at FVTPL[3]	**5**	**-**	**-**	**-**	**5**
Total current financial assets	**125**	**-**	**2,639**	**-**	**2,764**
Trade and other receivables[1]	**35**	**-**	**10**	**-**	**45**
Loans to equity accounted investments[2]	**-**	**-**	**158**	**-**	**158**
Other financial assets:					
Investments in equity instruments – designated as FVOCI	**-**	**62**	**-**	**-**	**62**
Total non-current financial assets	**35**	**62**	**168**	**-**	**265**
Total financial assets	**160**	**62**	**2,807**	**-**	**3,029**
Financial liabilities					
Trade and other payables[4]	**2**	**-**	**752**	**13**	**767**
Lease liabilities[5]	**-**	**-**	**34**	**-**	**34**
Unsecured other[5]	**-**	**-**	**363**	**-**	**363**
Other financial liabilities:					
Derivative contracts	**5**	**-**	**-**	**-**	**5**
Total current financial liabilities	**7**	**-**	**1,149**	**13**	**1,169**
Trade and other payables	**-**	**-**	**25**	**-**	**25**
Lease liabilities[5]	**-**	**-**	**623**	**-**	**623**
Unsecured other[5]	**-**	**-**	**124**	**-**	**124**
Total non-current financial liabilities	**-**	**-**	**772**	**-**	**772**
Total financial liabilities	**7**	**-**	**1,921**	**13**	**1,941**

(1) Excludes current input taxes of US$63 million and non-current input and other taxes of US$125 million included in trade and other receivables.
(2) Included in trade and other receivables on the Consolidated Balance Sheet.
(3) Other investments - held at FVTPL include US$5 million which are restricted by legal or contractual arrangements.
(4) Excludes current input taxes of US$14 million included in trade and other payables.
(5) Included in interest bearing liabilities on the Consolidated Balance Sheet.

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

30 June 2021 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Financial guarantee contracts	Total
Financial assets					
Cash and cash equivalents	-	-	1,613	-	1,613
Trade and other receivables[1]	120	-	365	-	485
Loans to equity accounted investments[2]	-	-	10	-	10
Other financial assets:					
Derivative contracts	9	-	-	-	9
Other investments – held at FVTPL[3]	6	-	-	-	6
Total current financial assets	135	-	1,988	-	2,123
Trade and other receivables[1]	-	-	10	-	10
Loans to equity accounted investments[2]	-	-	187	-	187
Other financial assets:					
Investments in equity instruments – designated as FVOCI	-	121	-	-	121
Total non-current financial assets	-	121	197	-	318
Total financial assets	135	121	2,185	-	2,441
Financial liabilities					
Trade and other payables[4]	18	-	734	15	767
Lease liabilities[5]	-	-	37	-	37
Unsecured other[5]	-	-	371	-	371
Other financial liabilities:					
Derivative contracts	11	-	-	-	11
Total current financial liabilities	29	-	1,142	15	1,186
Trade and other payables	-	-	2	-	2
Lease liabilities[5]	-	-	650	-	650
Unsecured other[5]	-	-	149	-	149
Total non-current financial liabilities	-	-	801	-	801
Total financial liabilities	29	-	1,943	15	1,987

(1) Excludes current input taxes of US$32 million and non-current input and other taxes of US$62 million included in trade and other receivables.
(2) Included in trade and other receivables on the Consolidated Balance Sheet.
(3) Other investments - held at FVTPL include US$6 million which are restricted by legal or contractual arrangements.
(4) Excludes current input taxes of US$10 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 2021 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	**-**	**120**	**35**	**155**
Trade and other payables	**-**	**(2)**	**-**	**(2)**
Derivative contract liabilities	**(5)**	**-**	**-**	**(5)**
Investments in equity instruments – designated as FVOCI	**44**	**-**	**18**	**62**
Other investments – held at FVTPL	**-**	**5**	**-**	**5**
Total	**39**	**123**	**53**	**215**

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

30 June 2021 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	-	120	-	120
Trade and other payables	-	(4)	(14)	(18)
Derivative contract assets	9	-	-	9
Derivative contract liabilities	(11)	-	-	(11)
Investments in equity instruments – designated as FVOCI	55	-	66	121
Other investments – held at FVTPL	-	6	-	6
Total	53	122	52	227

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 FY22	H1 FY21
At the beginning of the period	**52**	35
Addition of financial assets	**34**	-
Derecognition of financial liabilities	**14**	-
Realised gains/(losses) recognised in the Consolidated Income Statement(1)	**-**	(8)
Unrealised gains/(losses) recognised in the Consolidated Income Statement(1)	**1**	-
Unrealised gains/(losses) recognised in the Consolidated Statement of Comprehensive Income(2)	**(48)**	(27)
At the end of the period	**53**	**-**

(1) Recognised in expenses excluding net finance costs in the Consolidated Income Statement.
(2) Recognised in the financial assets reserve in the Consolidated Statement of Comprehensive Income.

Sensitivity analysis

The carrying amount of financial assets and liabilities that are valued using inputs other than observable market data are calculated using appropriate valuation models, including discounted cash flow modelling, with inputs such as commodity prices, foreign exchange rates and inflation. The potential effect of using reasonably possible alternative assumptions in these models, based on changes in the most significant inputs by 10 per cent while holding all other variables constant, is shown in the following table:

31 December 2021			Profit/(loss) after tax		Other comprehensive income, net of tax	
US$M	Carrying amount	Significant inputs	10% increase in input	10% decrease in input	10% increase in input	10% decrease in input
Financial assets and liabilities						
Investments in equity instruments – designated as FVOCI(1)	**18**	Alumina price(2) Aluminium price(2) Foreign exchange rate(2)	**-**	**-**	**34**	**(42)**
Trade and other receivables(1)	**35**	Coal price(3) Export volumes(3)	**11**	**(7)**	**-**	**-**
Total	**53**		**11**	**(7)**	**34**	**(42)**

(1) Sensitivity analysis is performed assuming all inputs are either directionally moving favourably or unfavourably.
(2) Aluminium and alumina prices are comparable to market consensus forecasts and foreign exchange rates are aligned with forward market rates.
(3) Coal prices are comparable to market consensus forecasts and export volumes are based on future production estimates.

30 June 2021			Profit/(loss) after tax		Other comprehensive income, net of tax	
US$M	Carrying amount	Significant inputs	10% increase in input	10% decrease in input	10% increase in input	10% decrease in input
Financial assets and liabilities						
Investments in equity instruments – designated as FVOCI(1)	66	Alumina price(2) Aluminium price(2) Foreign exchange rate(2)	-	-	35	(39)
Trade and other payables(1)	(14)	Coal price(3) Export volumes(3)	12	(8)	-	-
Total	52		12	(8)	35	(39)

(1) Sensitivity analysis is performed assuming all inputs are either directionally moving favourably or unfavourably.
(2) Aluminium and alumina prices are comparable to market consensus forecasts and foreign exchange rates are aligned with forward market rates.
(3) Coal prices are comparable to market consensus forecasts and export volumes are based on future production estimates.

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Standby arrangements and credit facilities

The entities in the Group are funded by a combination of cash generated by the Group's operations, working capital facilities and intercompany loans provided by the Group. Intercompany loans may be funded by a combination of cash, short and long-term debt and equity market raisings. Details of the Group's major standby arrangement and credit facilities are as follows:

31 December 2021 US$M	Available	Used	Unused
Revolving credit facility(1)	**1,400**	**-**	**1,400**
Acquisition debt facility(2)	**1,000**	**-**	**1,000**

(1) The Group has an undrawn revolving credit facility which is a standby arrangement to the US commercial paper program. This facility was extended in December 2021 by three years and ten months to December 2026, with options to extend for up to a further two years by mutual agreement. The size of the facility was reduced by US$50 million to US$1,400 million.

(2) On 14 October 2021, the Group executed a US$1,000 million acquisition debt facility, exclusively for the purpose of funding the acquisition of a 45 per cent interest in Sierra Gorda. The facility remains undrawn at 31 December 2021 subject to completion of the transaction. This facility is available for an initial period of 12 months, with two six-month extension options that can be exercised at the sole discretion of the Group.

8. DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

South Africa Energy Coal

During the 2018 financial year, the Group established SAEC as a standalone business and managed it separately from the rest of the Group with tailored functional support, systems and governance processes. On 6 November 2019, the Group announced a binding conditional agreement for the sale of its shareholding in SAEC to a wholly-owned subsidiary of Seriti and two trusts which will acquire and hold equity on behalf of employees and communities.

The transaction was subject to a number of material conditions which precluded the classification of SAEC as held for sale until the conditions were satisfied on 15 May 2021. On 1 June 2021, the Group completed the sale of its shareholding in SAEC to Seriti and two trusts for the benefit of employees and communities.

The discontinued operation represents the entire SAEC operating segment which consists of the Khutala colliery, the Klipspruit colliery, the Wolvekrans Middelburg Complex and other SAEC corporate assets.

(a) Results of the discontinued operation

US$M	H1 FY21
Revenue	
Group production	386
Third party products and services	72
	458
Other income	25
Expenses excluding net finance costs	(576)
Share of profit/(loss) of equity accounted investments	(6)
Profit/(loss) from the discontinued operation	(99)
Finance expenses	(16)
Finance income	4
Net finance costs	(12)
Profit/(loss) before tax from the discontinued operation	(111)
Income tax (expense)/benefit	4
Profit/(loss) after tax from the discontinued operation	(107)
Other comprehensive income:	
Total other comprehensive income/(loss)	-
Total comprehensive income/(loss) from the discontinued operation attributable to the equity holders of South32 Limited	(107)
Basic EPS (cents)	(2.2)
Diluted EPS (cents)	(2.2)

(b) Cash flows from the discontinued operation

US$M	H1 FY21
Net cash flows from operating activities	(116)
Net cash flows from investment activities	(49)
Net cash flows from financing activities	(1)
Net decrease in cash and cash equivalents	(166)

9. SUBSEQUENT EVENTS

On 17 February 2022, the Directors resolved to pay a fully franked interim dividend of US 8.7 cents per share (US$405 million) in respect of the 2022 financial half year. The dividend will be paid on 7 April 2022. The dividend has not been provided for in the half year consolidated financial statements and will be recognised in the second half of the 2022 financial year.

On 17 February 2022, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$110 million to a total of US$2.1 billion. This leaves US$302 million expected to be returned by 2 September 2022.

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 30 to 51 for the half year ended 31 December 2021 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 2021 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: 17 February 2022

DIRECTORS' REPORT

The Directors of the Group present the consolidated financial statements for the half year ended 31 December 2021 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:

Kelly O'Rourke (Appointed 1 July 2021, resigned 29 October 2021)

Claire Tolcon

Nicole Duncan (Resigned 1 July 2021)

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 29.

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
- Climate change
- Actions by governments, tax authorities and political risks
- Portfolio reshaping
- Global economic uncertainty and liquidity
- Major events or natural catastrophes
- Predictable operational performance
- Shaping our culture and managing diverse talent
- Maintain competitiveness through innovation and technology
- Security of supply of logistics chains, and critical goods and services
- Maintain, realise or enhance the value of our Mineral Resources and Ore Reserves
- Evolving societal expectations
- Delivering our project portfolio

Further information on these risks and how they are managed can be found on pages 24 to 33 of the Annual Report for the year ended 30 June 2021, a copy of which is available on the Group's website at www.south32.net. "Delivering our project portfolio" was previously incorporated within "Portfolio reshaping" and was not separately reported in the Annual Report for the year ended 30 June 2021. It has since been listed separately given the growing strategic importance of our project portfolio.

Events subsequent to the balance sheet date

On 17 February 2022, the Directors resolved to pay a fully franked interim dividend of US 8.7 cents per share (US$405 million) in respect of the 2022 financial half year. The dividend will be paid on 7 April 2022. The dividend has not been provided for in the half year consolidated financial statements and will be recognised in the second half of the 2022 financial year.

On 17 February 2022, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$110 million to a total of US$2.1 billion. This leaves US$302 million expected to be returned by 2 September 2022.

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 29 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 an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial 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 enterprise during that period, and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

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 56.

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: 17 February 2022

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 2021 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

17 February 2022

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 2021 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 2021
- 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 give 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 2021 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

17 February 2022

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, Underlying revenue, Underlying net finance costs, Underlying depreciation and amortisation, Underlying operating costs, Underlying income tax expense, Underlying royalty related tax expense, 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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Approved for release by Graham Kerr, Chief Executive Officer
JSE Sponsor: UBS South Africa (Pty) Ltd
17 February 2022