APPENDIX 4D
SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 57 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 2022 (H1 FY23) compared with the half year ended 31 December 2021 (H1 FY22).

The half year report should be read in conjunction with the Financial Report for the year ended 30 June 2022. Figures in italics indicate that an adjustment has been made since the financial information was previously reported.

US$M	H1 FY23	H1 FY22	%
Underlying revenue[a]	4,524	*4,505*	up 0.4%
Profit after tax	685	1,032	down 34%
Underlying earnings	560	1,004	down 44%

(a) To align with the current period's presentation, H1 FY22 Underlying revenue has been reclassified to reflect an elimination of revenue (-US$97M) and corresponding expenses (+US$97M) on proportional consolidation, relating to freight services provided by the Group to our joint ventures. The reclassification results in a net nil impact to Underlying EBITDA, Underlying EBIT and Underlying earnings.

NET TANGIBLE ASSETS PER SHARE

Net tangible assets per ordinary share were US$2.25 as at 31 December 2022 (US$2.29 as at 30 June 2022)[1].

DIVIDENDS

The Board has resolved to pay an interim dividend of US 4.9 cents per share (fully-franked) for the half year ended 31 December 2022.

The record date for determining entitlements to dividends is 10 March 2023; payment date is 6 April 2023.

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FINANCIAL RESULTS AND OUTLOOK HALF YEAR ENDED 31 DECEMBER 2022

ASX / LSE / JSE Share Code: S32; ADR: SOUHY

16 February 2023

South32 in a strong position for further growth and returns

"In November 2022, we were devastated by the loss of two of our colleagues, Mr Cristovão Alberto Tonela and Mr Alfredo Francisco Domingos João, in a fatal accident at Mozal Aluminium. We continue to provide support and counselling to the families and friends of the deceased. We have completed an investigation and key learnings are being shared across the Group, and with industry participants. We continue to implement our Group-wide Safety Improvement Program to fundamentally shift our safety performance.

"We delivered another period of strong production results, and while commodity prices retreated from record levels, we recorded one of our largest profit results to date with Underlying EBITDA of US$1.36 billion.

"Our strong financial result was underpinned by production growth of 12%, our recent portfolio improvements, which increased our exposure to the metals critical to a low-carbon future, and continued focus on cost efficiencies. This has enabled us to resolve to pay a fully-franked ordinary dividend of US$224 million (US 4.9 cents per share) in respect of the December 2022 half year.

"This is in addition to our record US$784M fully-franked ordinary and special dividends, returned in October 2022, and US$143 million returned via our on-market share buy-back in the December 2022 half year.

"Looking forward and reflecting our strong financial position and confidence in the business outlook, we have increased our flexible capital management program by US$50 million to US$2.3 billion, leaving US$158 million to be returned by 1 September 2023.

"Commodity markets have strengthened, leaving us well placed to capitalise on planned production growth and lower Operating unit costs expected across the majority of our operations in the second half of the 2023 financial year.

"At our Hermosa project in Arizona, we are on-track to make a final investment decision on the Taylor deposit in the middle of this calendar year. We have also confirmed the opportunity for Hermosa's Clark deposit to supply battery-grade manganese into the growing North American electric vehicle supply chain.

"The long-term outlook for our business is positive as a result of our portfolio investments and high-quality development options in the metals critical for a low-carbon future."

Graham Kerr, South32 CEO

Financial highlights			
US$M	**H1 FY23**	**H1 FY22**	**% Change**
Revenue	3,696	4,006	(8%)
Profit before tax and net finance income/(costs)	871	1,502	(42%)
Profit after tax	685	1,032	(34%)
Basic earnings per share (US cents)(2)	14.9	22.2	(33%)
Ordinary dividends per share (US cents)(3)	4.9	8.7	44%
Other financial measures			
Underlying revenue(4)(5)	4,524	*4,505*	0.4%
Underlying EBITDA(5)	1,364	1,871	(27%)
Underlying EBITDA margin(6)	31.5%	44.0%	(12.5%)
Underlying EBIT(5)	922	1,514	(39%)
Underlying EBIT margin(7)	21.3%	35.5%	(14.2%)
Underlying earnings(5)	560	1,004	(44%)
Basic Underlying earnings per share (US cents)(2)	12.2	21.6	(44%)
ROIC(8)	12.1%	*27.5%*	(15.4%)
Ordinary shares on issue (million)	4,572	4,650	(2%)

SAFETY

In November 2022, we were devastated by the loss of two of our colleagues, Mr Cristovão Alberto Tonela and Mr Alfredo Francisco Domingos João, who were fatally injured in an incident while undertaking maintenance work on a raising girder at Mozal Aluminium. Our deepest sympathies remain with the families and colleagues of the deceased to whom we have provided our support and counselling. An investigation into the incident has been completed and key learnings are being shared across our organisation, and with industry participants.

We are committed to improving our safety performance and we are undertaking a significant amount of work to achieve this. We continue to implement our multi-year Safety Improvement Program, designed to fundamentally shift our safety performance and deliver the culture transformation required for sustained improvement. Earlier this year, we completed a review of our Safety Improvement Program, with input from a leading external safety expert. This review confirmed that our focus is right and we are continuing to embed safe and sustainable business practices, shift mindsets through leadership, and empower our people.

Contractors make up a significant proportion of our workforce. We continued to deploy our Contractor Management System of Work and embed supporting systems across the business during H1 FY23, maintaining our focus on supporting contractors to undertake work safely.

Our Total Recordable Injury Frequency (TRIF)(9)(10) increased to 6.0 per million hours worked in H1 FY23 (FY22 TRIF 5.3) with Worsley Alumina, Illawarra Metallurgical Coal and Australia Manganese largely accounting for the increase, while Cannington, Cerro Matoso and South Africa Manganese saw an overall reduction.

OUR RESPONSE TO COVID-19

COVID-19 continued to affect our people, operations, projects and offices, and we experienced periods of elevated case numbers and restrictions. We support the use of regulatory approved vaccines and actively encourage vaccination for all our employees and contractors. Where possible we have worked with local authorities for our employees and contractors, their families and our communities to access vaccines.

PERFORMANCE SUMMARY

The Group's statutory profit after tax decreased by US$347M to US$685M in H1 FY23 as the combination of a decline in commodity prices from record levels in many markets, and higher inflation and uncontrollable costs, more than offset the benefit of our strong operational performance. Underlying earnings decreased by US$444M to US$560M in H1 FY23. A reconciliation of statutory profit to Underlying earnings is set out on page 6.

Group copper equivalent production(11) increased by 12% in H1 FY23 as we delivered strong production results and realised the benefit of our investments in Sierra Gorda and our expanded low-carbon(12) aluminium capacity. We expect to increase production by a further 6%(13) in H2 FY23 supported by embedded improvement projects and the ramp-up of the Brazil Aluminium smelter to nameplate capacity.

Underlying EBITDA decreased by US$507M to US$1,364M, for a Group operating margin of 32% due to the aforementioned commodity price and uncontrollable cost impacts. Our investments in Sierra Gorda and increased ownership in Mozal Aluminium contributed Underlying EBITDA of US$201M at an operating margin of 42%. Free cash flow from operations (including manganese equity accounted investment (EAI) distributions) was US$127M, reflecting one-off working capital and cash tax impacts. Looking forward, an expected reduction in inventory positions in our aluminium value chain in H2 FY23 and the normalisation of tax payments is expected to add to the Group's cash generation.

We returned a record US$927M to shareholders in H1 FY23, paying US$784M in fully-franked ordinary and special dividends in respect of H2 FY22 and returning US$143M via our on-market share buy-back. We have today announced a fully-franked interim ordinary dividend of US$224M (US 4.9 cents per share), reflective of our continued strong operating performance and disciplined approach to capital management. The Board has also expanded our capital management program by US$50M, leaving US$158M to be returned by 1 September 2023(14).

The balance sheet remains in a strong position with modest net debt of US$298M at the end of the period. Our disciplined approach to capital management and strong balance sheet provides us with the flexibility to continue to return capital to shareholders in the most efficient and value accretive manner, while investing in our high-quality growth and improvement options to create shareholder value and underpin our future supply of metals critical to a low-carbon future.

Specific highlights in H1 FY23 included:

- Increased production by 12%, supported by our recent investments in copper and low-carbon aluminium;
- Delivered strong production results, including record half-year production at Australia Manganese;
- Commissioned the Ore Sorting and Mechanical Ore Concentration (OSMOC) project at Cerro Matoso, unlocking value by underpinning a 15-year extension to the mining contract, and supporting higher future nickel production;
- FY23 production guidance is unchanged and we expect to deliver a further 6% increase in production volumes in H2 FY23;
- FY23 Operating unit cost guidance has been lowered or held largely unchanged for the majority of our operations;
- Invested US$96M at Hermosa on critical path dewatering infrastructure and study work, ahead of a final investment decision for the Taylor zinc-lead-silver deposit expected in mid CY23;
- Completed work on Hermosa's Clark selection phase pre-feasibility study which confirmed the opportunity to produce battery-grade manganese for the growing North American electric vehicle supply chain;
- Completed the sale of four non-core royalties for up to US$200M, unlocking further latent value in our portfolio(15), receiving US$55M of the cash consideration in H1 FY23;
- Expanded our climate change goals(16) to include net zero Scope 3 greenhouse gas (GHG) emissions by 2050;
- Advanced near-term decarbonisation programs to support our target(16) to halve operational GHG emissions by 2035, with Worsley Alumina expected to complete its first onsite boiler conversion in mid CY23; and
- Sierra Gorda secured an agreement for cost efficient, 100% renewable electricity supply from January 2023.

EARNINGS RECONCILIATION

The Group's statutory profit after tax decreased by US$347M to US$685M in H1 FY23, while Underlying earnings decreased by US$444M to US$560M reflecting one-off adjustments in statutory earnings.

Consistent with our accounting policies, various items are excluded from the Group's statutory profit to derive Underlying earnings. Total adjustments to derive Underlying EBIT (US$51M), shown in the table below, include:

- Significant items (-US$138M): gain on disposal on the sale of four non-core base metal royalties to Ecora Resources PLC (formerly known as Anglo Pacific Group PLC) (-US$189M pre-tax) partially offset by a non-cash asset write-off following our decision not to proceed with the Dendrobium Next Domain (DND) project at Illawarra Metallurgical Coal[17] (US$51M pre-tax);
- Sierra Gorda joint venture adjustments (-US$57M): adjustments to reconcile the statutory equity accounting position to a proportional consolidation basis;
- Manganese joint venture adjustments (US$101M): adjustments to reconcile the statutory equity accounting position to a proportional consolidation basis; and
- Net impairment loss of financial assets (US$214M): periodic revaluation of the shareholder loan receivable from Sierra Gorda reflecting copper price and other macroeconomic assumptions as at Q2 FY23. An offsetting amount is recorded in the Sierra Gorda joint venture adjustments noted above.

Further information on these earnings adjustments is included on page 42.

The Group's Underlying EBITDA decreased by US$507M (or 27%) to US$1,364M in H1 FY23, as a decline in commodity prices from record levels (-US$299M) and higher inflation and raw material input prices (-US$361M), most acute in our aluminium value chain, were partly offset by the benefit of weaker producer currencies (+US$185M). Our recent portfolio investments in Sierra Gorda and additional interest in Mozal Aluminium added US$201M to Group Underlying EBITDA with a combined operating margin of 42%. This was partly offset by Brazil Aluminium (-US$66M) as the smelter continued to ramp-up to nameplate capacity.

The Group's Underlying EBIT decreased by US$592M (or 39%) to US$922M, with Underlying depreciation and amortisation increasing by US$85M (or 24%) to US$442M following the acquisition of Sierra Gorda.

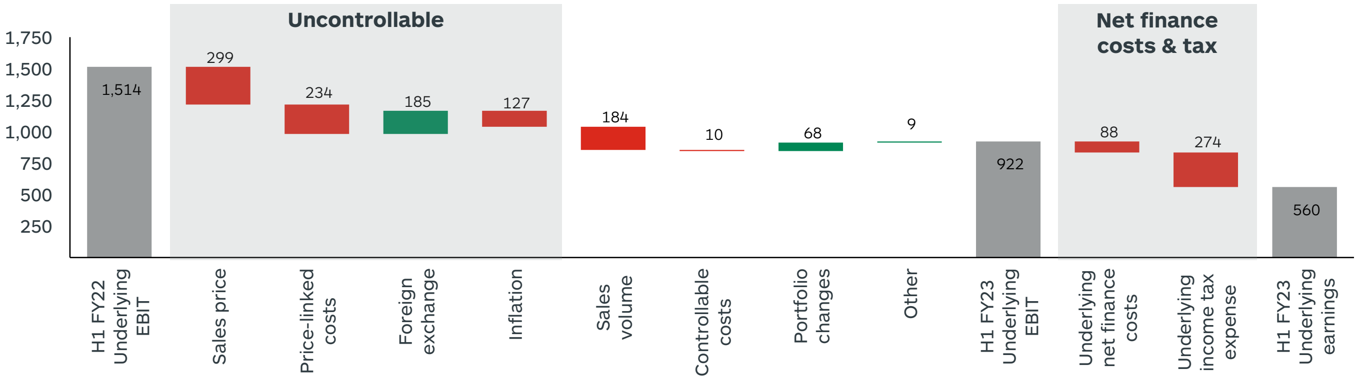
Profit to Underlying EBITDA reconciliation		
$USM	**H1 FY23**	**H1 FY22**
Profit before tax and net finance income/(costs)	871	1,502
Adjustments to derive Underlying EBIT:		
Significant items	(138)	(77)
Sierra Gorda joint venture adjustments	(57)	-
Manganese joint venture adjustments	101	79
Exchange rate (gains)/losses on the restatement of monetary items	(48)	(32)
Net impairment loss/(reversal) of financial assets	214	-
Net impairment loss/(reversal) of non-financial assets	(4)	37
(Gains)/losses on non-trading derivative instruments, contingent consideration and other investments measured at fair value through profit and loss	(17)	5
Total adjustments to derive Underlying EBIT	**51**	**12**
Underlying EBIT	**922**	**1,514**
Underlying depreciation and amortisation	442	357
Underlying EBITDA	**1,364**	**1,871**

Profit to Underlying earnings reconciliation		
US$M	**H1 FY23**	**H1 FY22**
Profit after tax	685	1,032
Total adjustments to derive Underlying EBIT	51	12
Total adjustments to derive Underlying net finance costs	(102)	(22)
Total adjustments to derive Underlying income and royalty related tax expense	(74)	(18)
Underlying earnings	**560**	**1,004**

EARNINGS ANALYSIS

The following key factors influenced Underlying EBIT in H1 FY23, relative to H1 FY22.

Reconciliation of movements in Underlying EBIT (US$M)(5)(18)(19)(20)



Earnings analysis	US$M	Commentary
H1 FY22 Underlying EBIT	**1,514**	
Change in sales price	(299)	Lower average realised prices for our commodities, including: Aluminium (-US$177M) Metallurgical coal (-US$90M) Alumina (-US$44M) Zinc (-US$17M), lead (-US$9M) and silver (-US$3M) Manganese (-US$17M) Partially offset by higher average realised prices for nickel (+US$30M) and energy coal (+US$28M)
Net impact of price-linked costs	(234)	Higher caustic soda prices at Worsley Alumina (-US$50M) and Brazil Alumina (-US$27M) Higher aluminium smelter raw material input prices (-US$81M), including pitch and coke Higher coal, fuel oil and diesel prices (-US$61M) Higher electricity prices (-US$23M) at Cerro Matoso and Illawarra Metallurgical Coal
Change in foreign exchange rates	185	Weaker Australian dollar (+US$89M), South African rand (+US$75M) and Colombian peso (+US$23M)
Change in inflation	(127)	Inflation-linked indexation of our Southern African aluminium smelter electricity prices (-US$36M) General inflation across Australia (-US$57M), Southern Africa (-US$17M) and Colombia (-US$12M)
Change in sales volume	(184)	Lower volumes, mostly at Cannington (-US$77M) and Worsley Alumina (-US$54M) Partially offset by higher volumes at Mozal Aluminium (+US$29M) and Hillside Aluminium (+US$3M)
Controllable costs	(10)	Inventory and volume related movements (+US$60M) including a planned build in stocks at Australia Manganese ahead of the wet season Higher contractor, maintenance and labour costs (-US$48M), including at Worsley Alumina and Cerro Matoso to support maintenance activity and at Australia Manganese to support higher production Project costs (-US$11M) relating to the deployment of our Safety Improvement Program, decarbonisation partnerships and community programs
Portfolio changes	68	Improved profitability following the acquisition of our Sierra Gorda interest and additional shareholding in Mozal Aluminium (+US$124M), partially offset by Brazil Aluminium (-US$69M) as the smelter ramped-up toward nameplate capacity
Other	9	Profit from our equity interest in Mineração Rio do Norte (MRN), partially offset by higher depreciation and amortisation at Illawarra Metallurgical Coal
H1 FY23 Underlying EBIT	**922**	

Net finance costs

The Group's Underlying net finance costs of US$88M in H1 FY23 primarily comprise the unwinding of the discount applied to our closure and rehabilitation provisions (US$51M) and interest on lease liabilities (US$28M) largely for our multi-fuel co-generation facility at Worsley Alumina. We also paid interest on our Senior Unsecured Notes (Notes) (US$15M) following our inaugural US$700M Notes offering in April 2022 (due 2032, 4.35% per annum) to partly fund the Sierra Gorda acquisition.

Underlying net finance income/(costs) reconciliation		
US$M	**H1 FY23**	**H1 FY22**
Unwind of discount applied to closure and rehabilitation provisions	(51)	(39)
Interest on lease liabilities	(28)	(26)
Interest on Senior Unsecured Notes	(15)	-
Other	6	3
Underlying net finance costs	**(88)**	**(62)**
Add back earnings adjustment for exchange rate variations on net debt	4	11
Sierra Gorda joint venture adjustments[21]	85	-
Manganese joint venture adjustments[21]	13	11
Total adjustments to derive net finance income/(costs)	**102**	**22**
Net finance income/(costs)	**14**	**(40)**

Tax expense

The Group's Underlying income tax expense decreased by US$174M to US$274M in H1 FY23, in-line with lower profitability, for an Underlying effective tax rate (ETR)[22] of 33.1%. Our Underlying ETR reflects the corporate tax rates of the jurisdictions in which we operate[23], as well as the inclusion of the manganese business and Sierra Gorda in Underlying earnings on a proportional consolidation basis (including royalty related taxes for Australia Manganese and Sierra Gorda). The Underlying ETR for our manganese business was 55.2% in H1 FY23, including royalty related tax[24] and the derecognition of certain deferred tax assets.

Underlying income tax expense reconciliation and Underlying ETR		
US$M	**H1 FY23**	**H1 FY22**
Underlying EBIT	922	1,514
Include: Underlying net finance costs	(88)	(62)
Remove: Share of (profit)/loss of EAI	(7)	-
Underlying profit before tax	**827**	**1,452**
Income tax expense	**200**	**430**
Tax effect of earnings adjustments to Underlying EBIT	1	2
Tax effect of earnings adjustments to Underlying net finance costs	(1)	(3)
Exchange rate variations on tax balances	(5)	(32)
Significant items	(23)	(26)
Sierra Gorda joint venture adjustment relating to income tax[21]	6	-
Sierra Gorda joint venture adjustment relating to royalty related tax[21]	4	-
Manganese joint venture adjustment relating to income tax[21]	56	51
Manganese joint venture adjustment relating to royalty related tax[21]	36	26
Total adjustments to derive Underlying income tax expense	**74**	**18**
Underlying income tax expense	**274**	**448**
Underlying ETR	**33.1%**	**30.9%**

CASH FLOW

The Group generated free cash flow from operations of US$67M (H1 FY22: US$840M), which reflected higher capital expenditure on productivity, improvement and growth projects (-US$162M), a build in working capital in the period (-US$152M) and higher tax paid (-US$113M). The increase in tax payments reflects the lagged impact of the prior period's record profitability and one-off payments related to the acquisition of Sierra Gorda (US$111M). The Sierra Gorda payments included ~€92M (~US$94M at the payment date) related to pre-closing tax liabilities which we are seeking to recover from the vendors.

We received a further US$60M in (net) distributions[25] from our manganese EAI in H1 FY23 (H1 FY22: US$102M), following the payment of income tax (US$94M, 100% basis), and royalties at Australia Manganese (US$82M, 100% basis). We did not receive a distribution from our Sierra Gorda EAI as the operation invested in higher deferred stripping, tailings infrastructure and the plant de-bottlenecking project to unlock future volumes.

The increase in working capital reflects a permanent increase related to the restart of Brazil Aluminium, as well as higher inventory positions in our aluminium value chain due to temporary shipping delays. We expect aluminium value chain inventory positions to normalise over H2 FY23 as our teams continue to implement logistics solutions focused on mitigating port congestion.

Free cash flow from operations, excluding EAI		
US$M	**H1 FY23**	**H1 FY22**
Profit from operations	871	1,502
Non-cash or non-operating items	377	289
(Profit)/loss from EAI	(241)	(104)
Change in working capital	(152)	(333)
Cash generated from operations	**855**	**1,354**
Total capital expenditure, excluding EAI, including intangibles and capitalised exploration	(416)	(254)
Cash generated from operations after capital expenditure	**439**	**1,100**
Net interest paid	(25)	(26)
Income tax paid	(347)	(234)
Free cash flow from operations	**67**	**840**

Working capital movement		
US$M	**H1 FY23**	**Commentary**
Trade and other receivables	88	Lower commodity prices, partly offset by a temporary increase in debtor days (23 days, FY22: 21 days) and inclusive of an adjustment for the hedged foreign currency loss associated with the H2 FY22 dividend payment (-US$49M) (nil earnings and cash impact to the Group)
Inventories	(134)	Restart of Brazil Aluminium and temporary shipping delays in our aluminium value chain
Trade and other payables	(81)	Timing of payments
Provisions and other liabilities	(25)	Revaluation of non-US dollar provisions
Total working capital movement	**(152)**	

Capital expenditure

The Group's capital expenditure[26], excluding EAI, increased by US$162M to US$416M in H1 FY23 as we increased our investment in productivity, improvement and growth activities across our portfolio:

- Safe and reliable capital expenditure increased by US$61M to US$232M as we invested in Illawarra Metallurgical Coal's transition to a more efficient single longwall configuration at the Appin mine from FY25[17];
- Improvement and life extension capital expenditure was unchanged at US$24M as we progressed productivity and decarbonisation projects across our portfolio;
- We directed US$96M to growth capital at Hermosa as we invested in critical path dewatering infrastructure and advanced studies for both Taylor and Clark; and
- Intangibles and capitalised exploration increased by US$47M to US$64M, with a US$43M payment to the National Mining Agency of Colombia as part of the 15-year extension of Cerro Matoso's mining contract to 2044.

Our share of capital expenditure for our EAIs increased by US$86M to US$131M in H1 FY23:

- Capital expenditure for our manganese EAI was unchanged at US$43M as we invested in additional tailings storage capacity and progressed study work for the Eastern Leases mine life extension project at Australia Manganese; and
- Capital expenditure for our Sierra Gorda EAI was US$86M during the first full half year of our ownership, with the operation investing in deferred stripping, additional tailings storage infrastructure and the plant de-bottlenecking project to unlock future volumes.

Capital expenditure (South32 share)[20][26]		
US$M	**H1 FY23**	**H1 FY22**
Safe and reliable capital expenditure	(232)	(171)
Improvement and life extension capital expenditure	(24)	(24)
Growth capital expenditure	(96)	(42)
Intangibles and the capitalisation of exploration expenditure	(64)	(17)
Total capital expenditure (excluding EAI)	**(416)**	**(254)**
EAI capital expenditure	(131)	(45)
Total capital expenditure (including EAI)	**(547)**	**(299)**

BALANCE SHEET, DIVIDENDS AND CAPITAL MANAGEMENT

The Group finished the period with net debt of US$298M following the payment of our record fully-franked ordinary and special dividends of US$784M in respect of H2 FY22, and a further US$143M returned via our on-market share buy-back during H1 FY23.

Our unchanged capital management framework supports investment in our business and rewards shareholders as our financial performance improves. Consistent with our dividend policy, the Board has resolved to pay a fully-franked interim ordinary dividend of US 4.9 cents per share (US$224M) in respect of H1 FY23, representing 40% of Underlying earnings.

Reflecting the Group's modest net debt position, our confidence in the business outlook and our approved capital return commitments, the Board has today further expanded our capital management program by US$50M, leaving US$158M to be returned by 1 September 2023.

Net cash/(debt)		
US$M	**H1 FY23**	**FY22**
Cash and cash equivalents	1,560	2,365
Lease liabilities	(671)	(650)
Other interest bearing liabilities	(1,187)	(1,177)
Net cash/(debt)	**(298)**	**538**

Reflecting our strong balance sheet and continued disciplined approach to capital allocation, our current BBB+/Baa1 credit ratings were re-affirmed by S&P Global Ratings and Moody's, respectively. We also retain access to significant liquidity, having successfully extended our undrawn sustainability-linked revolving credit facility, with available capacity of US$1.4B to December 2026 and US$1.2B to December 2027.

Dividends announced				
Period	**Dividend per share (US cents)**	**US$M**	**Franking**	**Pay-out ratio**
H1 FY21	1.4	67	100%	49%
H2 FY21	3.5	164	100%	46%
August 2021 special dividend	2.0	93	100%	N/A
H1 FY22	8.7	405	100%	40%
H2 FY22	14.0	648	100%	41%
August 2022 special dividend	3.0	139	100%	N/A
H1 FY23	4.9	224	100%	40%

South32 shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 8 and 10 March 2023 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 2 and 10 March 2023 (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 South African rand	3 March 2023
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	7 March 2023
Ex-dividend date on the JSE	8 March 2023
Ex-dividend date on the ASX and London Stock Exchange (LSE)	9 March 2023
Record date (including currency election date for ASX)	10 March 2023
Payment date	6 April 2023

OUTLOOK

PRODUCTION

We delivered a 12% increase in Group copper equivalent production in H1 FY23, as we achieved strong production results including record half year output at Australia Manganese and realised the benefit of recently completed transactions that have further positioned our portfolio toward metals critical for a low-carbon future.

We expect to deliver an additional 6% increase in Group copper equivalent production in H2 FY23 following the completion of improvement projects in H1 FY23 and the continued ramp-up of the Brazil Aluminium smelter.

FY23 production guidance is unchanged and we have provided FY24 production guidance for Sierra Gorda for the first time.

Production guidance (South32 share)[20]					
	FY22	H1 FY23	FY23e[a]	FY24e[a]	Key guidance assumptions
Worsley Alumina					**Guidance unchanged**
Alumina production (kt)	3,991	1,922	4,000	4,000	Planned calciner maintenance completed in Q1 FY23 and scheduled for Q3 FY23
Brazil Alumina (non-operated)					**Guidance unchanged**
Alumina production (kt)	1,297	691	1,395	1,400	On-track to return to nameplate capacity and increase production by 8% in FY23
Brazil Aluminium (non-operated)					**Guidance unchanged**
Aluminium production (kt)	0.3	23.7	75	148	Expected to complete ramp-up to nameplate capacity (179ktpa, 40% basis) in Q1 FY24
Hillside Aluminium[27]					**Guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	714	362	720	720	Expected to test its maximum technical capacity
Mozal Aluminium[27][28]					**Guidance unchanged (subject to load-shedding)**
Aluminium production (kt)	278	182	370	370	Expected to test its maximum technical capacity
Sierra Gorda (non-operated)					**FY23 copper equivalent guidance unchanged**
Ore processed (Mt)	7.5	10.7	↓ *21.4*	21.8	Higher metal grades expected to offset lower planned throughput
Payable copper equivalent production (kt)[29]	30.6	44.9	89.0	87.5	
Payable copper production (kt)	25.3	37.9	71.8	67.0	
Payable molybdenum production (kt)	0.4	0.4	1.5	2.5	**FY24 guidance provided for the first time**
Payable gold production (koz)	9.6	15.3	29.9	22.5	Higher throughput expected to be offset by lower planned copper grades
Payable silver production (koz)	253	338	582	550	
Cannington					**Guidance unchanged**
Ore processed (kdmt)	2,618	1,142	2,450	2,700	
Payable zinc equivalent production (kt)[30]	224.2	98.8	209.4	233.4	
Payable silver production (koz)	12,946	5,474	12,000	13,500	Labour availability constraints reflected in FY23 guidance
Payable lead production (kt)	120.6	52.4	108.5	124.0	
Payable zinc production (kt)	64.5	30.4	63.5	68.0	
Cerro Matoso					**Guidance unchanged**
Ore to kiln (kdmt)	2,703	1,392	2,850	2,850	Recently completed OSMOC project to support higher volumes
Payable nickel production (kt)	41.7	20.4	43.5	43.5	
Illawarra Metallurgical Coal					**Guidance unchanged**
Total coal production (kt)	6,509	3,331	7,000	5,300	Higher volumes expected in H2 FY23, following finalisation of a new industrial agreement at Appin in Q2 FY23
Metallurgical coal production (kt)	5,712	2,753	6,000	4,600	
Energy coal production (kt)	797	578	1,000	700	Longwall move at Dendrobium scheduled to commence in Q3 FY23
Australia Manganese					**Guidance unchanged**
Manganese ore production (kwmt)	3,363	1,844	3,400	3,400	Tracking ahead of guidance, prior to wet season
South Africa Manganese					**Guidance unchanged (subject to demand)**
Manganese ore production (kwmt)	2,069	1,093	2,000	Subject to demand	Continued use of higher cost trucking in response to market conditions

(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

H1 FY23 Operating unit costs were in-line with or below guidance for the majority of our operations, as our focus on delivering stable operating performance and cost efficiencies, combined with weaker producer currencies, provided partial relief from industry-wide cost pressures. Hillside Aluminium and Mozal Aluminium continued to test their technical capacity and recorded sequentially lower costs in H1 FY23 despite global smelter raw material input prices remaining elevated.

FY23 Operating unit cost guidance has been lowered or held largely unchanged for the majority of our operations, reflecting our planned production growth, as well as updated price and foreign exchange assumptions.

While Operating unit cost guidance is not provided for our aluminium smelters, their cost profile will continue to be influenced by producer currencies, and the price of raw material inputs and energy.

Operating unit cost[31]					
	H2 FY22	**H1 FY23**	**FY23 prior guidance**[a]	**FY23 new guidance**[b]	**H1 FY23 to FY23 prior guidance commentary** **FY23e**[c] **new guidance to FY23 prior guidance commentary**
Worsley Alumina					
(US$/t)	274	288	296	287	**H1 FY23:** 3% below prior guidance as a weaker Australian dollar and lower caustic soda costs, more than offset higher energy prices **FY23e new guidance:** lowered by 3% with lower planned caustic soda consumption and prices, partly offset by higher energy prices
Brazil Alumina (non-operated)					
(US$/t)	312	364	Not provided	Not provided	**H1 FY23 to H2 FY22:** increased by 17% with higher prices for caustic soda, energy and bauxite, together with increased contractor costs **H2 FY23e:** cost profile will continue to be heavily influenced by the price of raw material inputs and energy
Brazil Aluminium (non-operated)					
(US$/t)	–	5,876	Not provided	Not provided	**H2 FY23e:** cost profile will be heavily influenced by the ramp-up of all three potlines, as well as the price of raw material inputs and energy
Hillside Aluminium					
(US$/t)	2,318	2,276	Not provided	Not provided	**H1 FY23 to H2 FY22:** decreased by 2% as a weaker South African rand more than offset elevated prices for smelter raw material inputs and inflation-linked indexation of energy costs **H2 FY23e:** cost profile will continue to be heavily influenced by the South African rand, and the price of raw material inputs
Mozal Aluminium					
(US$/t)	2,429	2,237	Not provided	Not provided	**H1 FY23 to H2 FY22:** decreased by 8% as a weaker South African rand more than offset elevated smelter raw material input prices **H2 FY23e:** cost profile will continue to be heavily influenced by the South African rand, and the price of raw material inputs and energy
Sierra Gorda (non-operated)					
(US$/t)[d]	14.6	16.6	14.8	15.5	**H1 FY23:** 12% above prior guidance with higher coal price-linked energy costs and lower ore processed **FY23e new guidance:** increased by 5% with lower ore processed and higher energy prices in H1 FY23, ahead of the transition to 100% renewable electricity

Operating unit cost[31]	H2 FY22	H1 FY23	FY23 prior guidance[(a)]	FY23 new guidance[(b)]	H1 FY23 to FY23 prior guidance commentary FY23e[(c)] new guidance to FY23 prior guidance commentary
Cannington					
(US$/t)[(d)]	139	136	129	141	**H1 FY23:** 5% above prior guidance with a weaker Australian dollar and lower price-linked royalties, more than offset by lower ore processed **FY23e new guidance:** increased by 9% due to lower ore processed
Cerro Matoso					
(US$/lb)	4.56	4.93	4.97	4.99	**H1 FY23:** 1% below prior guidance as a weaker Colombian peso and lower price-linked royalties, marginally offset lower volumes in H1 FY23 **FY23e new guidance:** largely unchanged with higher price-linked royalties and consumable costs, mostly offset by a weaker Colombian peso
Illawarra Metallurgical Coal					
(US$/t)	129	124	116	119	**H1 FY23:** 7% above prior guidance as a weaker Australian dollar and lower price-linked royalties, were more than offset by lower volumes **FY23e new guidance:** increased by 3% reflecting the impact of lower volumes in H1 FY23
Australia Manganese (FOB)					
(US$/dmtu)	1.94	1.76	2.08	1.97	**H1 FY23:** 15% below prior guidance with higher volumes, a weaker Australian dollar and lower price-linked royalties **FY23e new guidance:** lowered by 5% with lower price-linked royalties, partially offset by higher contractor costs
South Africa Manganese (FOB)					
(US$/dmtu)	2.83	2.67	2.66	2.62	**H1 FY23:** in-line with prior guidance as a weaker South African rand was partially offset by our continued use of higher cost trucking **FY23e new guidance:** lowered by 2% with a weaker South African rand and lower price-linked royalties

(a) FY23 prior guidance included commodity price and foreign exchange rate forward curves or our internal expectations (refer to footnote 32 on page 30).
(b) FY23 new guidance includes commodity price and foreign exchange rate forward curves or our internal expectations as at 2 February 2023 (refer to footnote 33 on page 30).
(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 processed. Periodic movements in finished product inventory may impact Operating unit costs.

Capital expenditure guidance

Group capital expenditure (including EAIs) has been revised down by US$105M (or 8%) to US$1,140M in FY23, reflecting expected activity and timing of vendor payments in H2 FY23 as we deliver our investments to support safe and reliable operations, productivity and future growth in metals critical for a low-carbon future.

FY23 guidance for growth capital expenditure at our Hermosa project has been reduced by US$40M to US$250M as we successfully renegotiated commercial supply agreements for long lead items. We expect to invest US$154M in H2 FY23 as we continue to construct infrastructure to support critical path orebody dewatering and advance study work for the Taylor and Clark deposits. At Clark, we remain on-track for initial pilot plant production in mid CY23 to deliver first qualification samples of battery-grade manganese to potential customers. Regional exploration activity is also expected to increase as we continue exploration programs at our Peake copper-lead-zinc-silver prospect(34) and commence drilling at our Flux prospect(35), following the receipt of approvals.

Group capitalised exploration (including EAIs) has been revised down to US$48M (from US$63M) in FY23, reflecting expected activity in H2 FY23 focused on base metals exploration programs at Hermosa, Sierra Gorda and our broader portfolio.

Capital expenditure excluding exploration and intangibles (South32 share)(20)		
US$M	**H1 FY23**	**FY23e(a)**
Worsley Alumina	24	45
Brazil Alumina	29	50
Brazil Aluminium	6	10
Hillside Aluminium	9	30
Mozal Aluminium	9	17
Cannington	32	60
Cerro Matoso	17	40
Illawarra Metallurgical Coal	106	*248*
Safe and reliable capital expenditure (excluding EAI)	**232**	***500***
Worsley Alumina	10	44
Brazil Alumina	6	19
Cerro Matoso	3	4
Illawarra Metallurgical Coal	2	3
Other operations	3	15
Improvement and life extension capital expenditure (excluding EAI)	**24**	**85**
Hermosa	96	*250*
Growth capital expenditure	**96**	***250***
Total capital expenditure (excluding EAI)	**352**	***835***
Total capital expenditure (including EAI)	**481**	***1,140***

Capital expenditure for EAI excluding exploration and intangibles (South32 share)(20)		
US$M	**H1 FY23**	**FY23e(a)**
Sierra Gorda	65	*165*
Australia Manganese	25	50
South Africa Manganese	7	15
Safe and reliable capital expenditure (EAI)	**97**	***230***
Sierra Gorda	21	43
Australia Manganese	7	14
South Africa Manganese	4	*18*
Improvement and life extension capital expenditure (EAI)	**32**	***75***
Total capital expenditure (EAI)	**129**	***305***

Capitalised exploration (South32 share)(20)		
US$M	**H1 FY23**	**FY23e(a)**
Capitalised exploration (excluding EAI)	18	*40*
EAI capitalised exploration	2	8
Capitalised exploration (including EAI)	**20**	***48***

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

Other expenditure guidance

Our Group Underlying ETR is expected to reflect the corporate tax rates of the jurisdictions in which we operate and our geographical earnings mix, including our manganese and Sierra Gorda EAIs which are proportionally consolidated in our Underlying results. All other expenditure guidance is provided in the table below. All other expenditure items are presented on a proportional consolidation basis including our manganese and Sierra Gorda EAIs.

Other expenditure guidance			
	H1 FY23	**FY23e[(a)]**	**Commentary**
Group and unallocated Underlying EBIT (excluding greenfield exploration and third party product and services EBIT)			**Guidance revised to US$40M (from US$100M)**
(US$M)	(10)	↓ *40*	H1 FY23 reflected the impact of inter-group inventory adjustments in our aluminium value chain Normalised run-rate expected in H2 FY23
Underlying depreciation and amortisation			**Guidance revised to US$900M (from US$935M)**
(US$M)	442	↓ *900*	Reflects asset balances and useful life assumptions, including the Cerro Matoso mining contract extension
Underlying net finance costs			**Guidance revised to US$150M (from US$135M)**
(US$M)	88	↑ *150*	Reflects balance sheet position as at H1 FY23
Greenfield exploration			**Guidance revised to US$40M (from US$44M)**
(US$M)	19	↓ *40*	Greenfield exploration activity targeting base metals in the Americas, Australia and Europe in H2 FY23

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

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 28. Unless otherwise stated: all metrics reflect South32's share; Operating unit cost is Underlying revenue less Underlying EBITDA excluding third party sales divided by sales volumes; Operating cost is Underlying revenue less Underlying EBITDA excluding third party sales; and Realised sales price is calculated as Underlying revenue excluding third party sales divided by sales volume.

Operations table (South32 share)[20]

	Underlying revenue		Underlying EBIT	
US$M	**H1 FY23**	**H1 FY22**	**H1 FY23**	**H1 FY22**
Worsley Alumina	659	757	33	168
Brazil Alumina	247	242	(19)	49
Brazil Aluminium	47	–	(70)	(1)
Hillside Aluminium	861	992	62	311
Mozal Aluminium	482	371	65	110
Sierra Gorda	357	–	107	–
Cannington	272	378	82	162
Hermosa	–	–	(9)	(7)
Cerro Matoso	395	372	154	158
Illawarra Metallurgical Coal	801	912	340	458
Australia Manganese	355	385	149	162
South Africa Manganese	175	191	25	19
Third party products and services[36]	249	*278*	12	13
Inter-segment / Group and unallocated	(376)	(373)	(9)	(88)
South32 Group	**4,524**	***4,505***	**922**	**1,514**

WORSLEY ALUMINA
(86% SHARE)

Volumes

Worsley Alumina saleable production decreased by 3% (or 57kt) to 1,922kt in H1 FY23, with planned calciner maintenance completed in Q1 FY23. The refinery operated above nameplate capacity (4.6Mtpa, 100% basis) in Q2 FY23 with the operation successfully mitigating short-term energy supply challenges. FY23 production guidance remains unchanged at 4,000kt, with the refinery expected to operate at nameplate capacity following scheduled calciner maintenance in Q3 FY23.

Operating costs

Operating unit costs increased by 13%, to US$288/t, 3% below prior FY23 guidance, as the benefit of a weaker Australian dollar was more than offset by higher prices for caustic soda (H1 FY23: US$714/t, H1 FY22: US$474/t) and energy.

We have revised our FY23 Operating unit cost guidance to US$287/t (previously US$296/t) reflecting lower planned caustic soda consumption (101kg/t, previously 106kg/t) and prices (US$709/t, previously US$742/t), partly offset by higher energy prices. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 33.

Financial performance

Underlying EBIT decreased by 80% (or US$135M) to US$33M in H1 FY23, as a 9% decrease in the average realised price of alumina (-US$65M), higher prices for caustic soda (-US$50M) and coal (-US$9M), together with lower sales volumes (-US$33M) as a shipment was delayed to Q3 FY23, more than offset the benefit of a weaker Australian dollar (+US$29M).

Capital expenditure

Safe and reliable capital expenditure increased by US$4M to US$24M in H1 FY23 and is expected to be US$45M in FY23 as we continue our investment in additional bauxite residue disposal capacity.

Improvement and life extension capital expenditure was US$10M in H1 FY23. We expect to spend US$44M in FY23 as we advance decarbonisation projects at the refinery and work to access new bauxite mining areas.

We expect to convert the first onsite boiler from coal to natural gas in mid CY23, at an estimated capital cost of ~US$10M, in-line with the refinery's planned energy transition.

South32 share	H1 FY23	H1 FY22
Alumina production (kt)	1,922	1,979
Alumina sales (kt)	1,861	1,946
Realised sales price (US$/t)	354	389
Operating unit cost (US$/t)	288	256

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	659	757
Underlying EBITDA	123	259
Underlying EBIT	33	168
Net operating assets[a]	2,495	2,571
Capital expenditure	34	24
Safe and reliable	24	20
Improvement and life extension	10	4

(a) H1 FY22 reflects the balance as at 30 June 2022.

BRAZIL ALUMINA

(36% SHARE)

Volumes

Brazil Alumina saleable production increased by 10% (or 60kt) to 691kt in H1 FY23, as the refinery operated at nameplate capacity (3.86Mtpa, 100% basis), following the bauxite ship unloader outage in the prior period. FY23 production guidance remains unchanged at 1,395kt.

Operating costs

Operating unit costs increased by 39%, to US$364/t in H1 FY23, due to a significant rise in uncontrollable costs with caustic soda prices in North American markets (H1 FY23: US$728/t, H1 FY22: US$307/t), coal-linked energy prices and bauxite costs linked to alumina and aluminium prices on a trailing basis.

While Operating unit cost guidance is not provided for this non-operated facility, the refinery will continue to be influenced by energy and raw material input prices, including caustic soda and bauxite.

Financial performance

Underlying EBIT decreased by US$68M to a loss of US$19M in H1 FY23, as higher sales volumes (+US$19M) were more than offset by a 6% reduction in the average realised price of alumina (-US$14M) and higher prices for caustic soda (-US$27M), energy (-US$24M) and bauxite (-US$12M).

Capital expenditure

Safe and reliable capital expenditure decreased by US$2M to US$29M in H1 FY23. We expect to spend US$50M in FY23 as we continue our investment in additional bauxite residue disposal capacity.

Improvement and life extension capital expenditure was US$6M in H1 FY23 and is expected to be US$19M in FY23 as we progress work on the refinery's De-bottlenecking Phase Two project. The project is expected to increase nameplate production capacity by approximately 4% to ~4.0Mt (100% basis) from H1 FY26, with anticipated capital expenditure of ~US$40M (South32 share) between FY23 and FY25.

South32 share	H1 FY23[(a)]	H1 FY22
Alumina production (kt)	691	631
Alumina sales (kt)	678	626
Realised sales price (US$/t)	364	387
Operating unit cost (US$/t)[(b)]	364	262

South32 share (US$M)	H1 FY23[(a)]	H1 FY22
Underlying revenue	247	242
Underlying EBITDA	7	78
Underlying EBIT	(19)	49
Net operating assets[(c)]	702	696
Capital expenditure	35	31
Safe and reliable	29	31
Improvement and life extension	6	–

(a) The increase in ownership in MRN has triggered a change in accounting treatment with the investment accounted for using the equity method (formerly classified as an investment in an equity instrument designated as fair value through other comprehensive income).

(b) Excludes the profit from our equity interest in MRN.

(c) H1 FY22 reflects the balance as at 30 June 2022.

BRAZIL ALUMINIUM

(40% SHARE)

Volumes

Brazil Aluminium saleable production was 23.7kt in H1 FY23, following the successful restart of the smelter in late FY22. Production increased by 86% (or 7.1kt) in Q2 FY23 as potlines one and two continued to ramp-up and potline three was restarted in November 2022.

The smelter is expected to reach nameplate capacity (179ktpa, 40% basis) in Q1 FY24, with guidance for FY23 and FY24 set at 75kt and 148kt, respectively.

Operating costs

Brazil Aluminium recorded gross operating costs of US$114M in H1 FY23 as the smelter continued to ramp-up to nameplate capacity.

While Operating unit cost guidance is not provided for this non-operated facility, the cost profile of the smelter will be influenced by the ramp-up profile for all three potlines and the price of future raw material inputs which remain elevated across the industry.

Once at nameplate capacity we expect the smelter to be in the second quartile of the global aluminium cost curve, with our share of energy requirements secured under long-term, cost efficient, 100% renewable power contracts. Our alumina supply is sourced from the co-located Brazil Alumina refinery with prices linked to the Platts index on a M-1 basis.

Financial performance

Underlying EBIT was a loss of US$70M in H1 FY23, as first sales revenue (+US$47M) was more than offset by costs to support the smelter's restart and the ramp-up of all three potlines (-US$114M).

Capital expenditure

Capital expenditure was US$6M in H1 FY23 and is expected to be US$10M in FY23.

South32 share	H1 FY23	H1 FY22
Aluminium production (kt)	23.7	–
Aluminium sales (kt)	19.4	–
Realised sales price (US$/t)	2,423	–
Operating unit cost (US$/t)	5,876	–

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	47	–
Underlying EBITDA	(67)	(1)
Underlying EBIT	(70)	(1)
Net operating assets[(a)]	65	46
Capital expenditure	6	–
Safe and reliable	6	–
Improvement and life extension	–	–

(a) H1 FY22 reflects the balance as at 30 June 2022.

HILLSIDE ALUMINIUM
(100% SHARE)

Volumes

Hillside Aluminium saleable production increased by 1% (or 4kt) to 362kt in H1 FY23 as the smelter continued to test its maximum technical capacity despite the impact of elevated load-shedding. FY23 production guidance is unchanged at 720kt[27].

Operating costs

H1 FY23 Operating unit costs of US$2,276/t represented an increase of 18% compared to H1 FY22, but were sequentially lower than H2 FY22 (US$2,318/t) as the benefit of a weaker South African rand more than offset elevated raw material input prices and inflation-linked indexation of energy costs.

While Operating unit cost guidance is not provided, the cost profile of the smelter will continue to be heavily influenced by the price of raw material inputs, including alumina supplied by our Worsley Alumina refinery with prices linked to the PAX on a M-1 basis, and other external factors including the South African rand and inflation-linked energy costs.

Financial performance

Underlying EBIT decreased by 80% (or US$249M) to US$62M in H1 FY23, as a 13% reduction in the average realised price of aluminium (-US$134M), the lagged impact of consuming higher priced alumina inventory (-US$26M), higher prices for other smelter raw material inputs (-US$58M) and energy (-US$30M), more than offset the benefit of a weaker South African rand (+US$48M).

64 pots were relined utilising the AP3XLE energy efficiency technology in H1 FY23 at a cost of US$266k per pot (H1 FY22: 70 pots at US$259k per pot), with a total of 94 pots scheduled to be relined during FY23.

Capital expenditure

Capital expenditure was unchanged at US$10M in H1 FY23. We expect to spend US$30M in FY23 with planned investment in a replacement trucking fleet for the transportation of liquid hot metal and the continued roll-out of the AP3XLE technology to improve energy efficiency.

South32 share	H1 FY23	H1 FY22
Aluminium production (kt)	362	358
Aluminium sales (kt)	337	336
Realised sales price (US$/t)	2,555	2,952
Operating unit cost (US$/t)	2,276	1,935

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	861	992
Underlying EBITDA	94	342
Underlying EBIT	62	311
Net operating assets[a]	919	927
Capital expenditure	10	10
Safe and reliable	9	10
Improvement and life extension	1	-

(a) H1 FY22 reflects the balance as at 30 June 2022.

MOZAL ALUMINIUM

(63.7% SHARE)[28]

Volumes

Mozal Aluminium saleable production increased by 34% (or 46kt) to 182kt in H1 FY23, reflecting our increased ownership of the smelter.

FY23 production guidance remains unchanged at 370kt[27], with the smelter having restored full production following a temporary suspension after the fatal incident in November 2022.

Operating costs

H1 FY23 Operating unit costs of US$2,237/t represented an increase of 11% compared to H1 FY22, but were sequentially lower than H2 FY22 (US$2,429/t) as the benefit of a weaker South African rand offset elevated raw material input prices.

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

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 a M-1 basis, with caps and floors embedded within specific contracts that reset each calendar year.

Financial performance

Underlying EBIT decreased by 41% (or US$45M) in H1 FY23 to US$65M, as a 10% decrease in the average realised price for aluminium (-US$44M) and higher raw material input prices (-US$23M), more than offset the benefit of our increased ownership of the smelter (+US$17M).

32[37] pots were relined utilising the AP3XLE energy efficiency technology in H1 FY23, which was below plan due to the temporary suspension of operations following the fatal incident in November 2022 (cost of US$288k per pot, H1 FY22: US$245k per pot). Notwithstanding, we expect to complete the scheduled pot relining activity (106[37] pots) during FY23.

Capital expenditure

Capital expenditure increased by US$3M to US$9M in H1 FY23 and is expected to be US$19M in FY23 as we invest in plant refurbishment and continue the roll-out of the AP3XLE technology, which is on-track to be completed in FY24.

South32 share	H1 FY23[(a)]	H1 FY22
Aluminium production (kt)	182	136
Aluminium sales (kt)	177	122
Realised sales price (US$/t)	2,723	3,041
Operating unit cost (US$/t)	2,237	2,008

South32 share (US$M)	H1 FY23[(a)]	H1 FY22
Underlying revenue	482	371
Underlying EBITDA	86	126
Underlying EBIT	65	110
Net operating assets[(b)]	598	615
Capital expenditure	9	6
Safe and reliable	9	5
Improvement and life extension	-	1

(a) Our underlying results reflect the completion of our acquisition of an additional 16.6% shareholding in the smelter on 31 May 2022, taking our ownership to 63.7%. Prior period numbers have not been restated for this change in ownership (presented on a 47.1% basis).

(b) H1 FY22 reflects the balance as at 30 June 2022.

SIERRA GORDA

(45% SHARE)

Volumes

Sierra Gorda payable copper equivalent production(29) was 44.9kt in H1 FY23. FY23 guidance of 89.0kt payable copper equivalent production(29) (copper 71.8kt, molybdenum 1.5kt, gold 29.9koz and silver 582koz) reflects expected plant throughput of 21.4Mt (45% basis), an average copper grade of ~0.42% (H1 FY23: 0.45%) and higher molybdenum output in H2 FY23.

FY24 guidance of 87.5kt payable copper equivalent production(29) (copper 67.0kt, molybdenum 2.5kt, gold 22.5koz and silver 550koz) reflects an expected increase in plant throughput to 21.8Mt (45% basis), offset by a planned reduction in copper grade to ~0.38% in accordance with the mine plan.

Operating costs

Operating unit costs were US$16.6/t ore processed in H1 FY23, 12% above prior FY23 guidance, due to higher coal price-linked energy costs and lower mill throughput reflecting our previously revised expectations for the plant de-bottlenecking project.

We have revised our FY23 Operating unit cost guidance to US$15.5/t (previously US$14.8/t) reflecting sequentially lower Operating unit costs in H2 FY23, benefitting from the transition to cost efficient, 100% renewable electricity from January 2023. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 33.

Financial performance

Underlying EBIT was US$107M (for an Underlying EBIT margin of 30%) in H1 FY23, as we recorded Underlying revenue of US$357M at an average realised copper price of US$3.41/lb.

Capital expenditure

Safe and reliable capital expenditure was US$65M in H1 FY23. FY23 guidance has been lowered by US$40M to US$165M to reflect expected deferred stripping activity and the timing of investment in additional tailings storage capacity.

Improvement and life extension capital expenditure was US$21M in H1 FY23 as work progressed on the plant de-bottlenecking project. We expect to spend US$43M in FY23 as planned de-bottlenecking work is completed.

Separately, feasibility study work continued on a potential fourth grinding line, designed to sustainably lift plant throughput above 50Mtpa (100% basis). The feasibility study is now expected to be completed in H1 FY24.

South32 share	H1 FY23	H1 FY22
Ore mined (Mt)	15.4	-
Ore processed (Mt)	10.7	-
Ore grade processed (%, Cu)	0.45	-
Payable copper equivalent production (kt)(29)	44.9	-
Payable copper production (kt)	37.9	-
Payable molybdenum production (kt)	0.4	-
Payable gold production (koz)	15.3	-
Payable silver production (koz)	338	-
Payable copper sales (kt)	38.4	-
Payable molybdenum sales (kt)	0.8	-
Payable gold sales (koz)	15.4	-
Payable silver sales (koz)	345	-
Realised copper sales price (US$/lb)	3.41	-
Realised molybdenum sales price (US$/lb)	20.78	-
Realised gold sales price (US$/oz)	1,688	-
Realised silver sales price (US$/oz)	17.4	-
Operating unit cost (US$/t ore processed)(38)	16.6	-

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	357	-
Underlying EBITDA	179	-
Underlying EBIT	107	-
Net operating assets(a)	1,517	1,402
Capital expenditure	86	-
Safe and reliable	65	-
Improvement and life extension	21	-
Exploration expenditure	3	-
Exploration expensed	2	-

(a) H1 FY22 reflects the balance as at 30 June 2022.

CANNINGTON
(100% SHARE)

Volumes

Cannington payable zinc equivalent production[30] decreased by 13% (or 15.2kt) to 98.8kt in H1 FY23 as mill throughput was below plan due to lower than expected performance of temporary mobile crushers deployed to support the operation's transition to 100% truck haulage. Ore mined volumes also declined with lower mining rates due to skilled labour shortages and COVID-19 absenteeism.

Labour availability challenges are expected to impact mining rates over the remainder of FY23, and are reflected in our production guidance of 209.4kt payable zinc equivalent[30] (ore processed 2,450kdmt, silver 12,000koz, lead 108.5kt and zinc 63.5kt).

Operating costs

Operating unit costs increased by 6%, to US$136/t in H1 FY23, 5% above prior FY23 guidance, as a weaker Australian dollar and lower price-linked royalties were more than offset by the impact of fixed costs on the mill's reduced throughput.

We have revised our FY23 Operating unit cost guidance to US$141/t (previously US$129/t) reflecting the volume impact of reduced mill throughput over the year. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 33.

Financial performance

Underlying EBIT decreased by 49% (or US$80M) to US$82M in H1 FY23, as lower prices for zinc, lead and silver (-US$29M) and a decline in sales volumes as a result of reduced throughput (-US$77M), more than offset the benefit of a weaker Australian dollar (+US$12M) and lower price-linked royalties (+US$6M).

Capital expenditure

Capital expenditure increased by US$16M to US$33M in H1 FY23 and is expected to be US$62M in FY23 as we complete planned upgrades to water and ventilation infrastructure and install additional tailings storage capacity.

South32 share	H1 FY23	H1 FY22
Ore mined (kwmt)	1,123	1,475
Ore processed (kdmt)	1,142	1,385
Ore grade processed (g/t, Ag)	175	177
Ore grade processed (%, Pb)	5.5	5.2
Ore grade processed (%, Zn)	3.6	3.4
Payable zinc equivalent production (kt)[30]	98.8	114.0
Payable silver production (koz)	5,474	6,710
Payable lead production (kt)	52.4	60.2
Payable zinc production (kt)	30.4	32.7
Payable silver sales (koz)	5,083	6,718
Payable lead sales (kt)	51.3	63.3
Payable zinc sales (kt)	27.5	32.8
Realised silver sales price (US$/oz)	20.1	21.0
Realised lead sales price (US$/t)	2,008	2,180
Realised zinc sales price (US$/t)	2,436	2,988
Operating unit cost (US$/t ore processed)[38]	136	128

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	272	378
Underlying EBITDA	117	201
Underlying EBIT	82	162
Net operating assets[a]	188	141
Capital expenditure	33	17
Safe and reliable	32	17
Improvement and life extension	1	-
Exploration expenditure	3	2
Exploration expensed	3	1

(a) H1 FY22 reflects the balance as at 30 June 2022.

CERRO MATOSO

(99.9% SHARE)

Volumes

Cerro Matoso payable nickel production was largely unchanged at 20.4kt in H1 FY23. Production improved by 13% (or 1.2kt) in Q2 FY23 as mill throughput returned to normalised rates following the completion of a planned shut, while the OSMOC project was also successfully commissioned.

FY23 production guidance remains unchanged at 43.5kt, with the OSMOC project expected to support higher production volumes in H2 FY23.

Operating costs

Operating unit costs increased by 20%, to US$4.93/lb in H1 FY23, in-line with prior FY23 guidance, as the benefit of a weaker Colombian peso was more than offset by higher price-linked royalties and energy prices.

FY23 Operating unit cost guidance is largely unchanged at US$4.99/t (previously US$4.97/lb) reflecting higher price-linked royalties and consumable costs, partially offset by the benefit of a weaker Colombian peso. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 33.

Financial performance

Underlying EBIT was largely unchanged at US$154M despite the planned shut in H1 FY23 (-US$5M), as an 8% increase in average realised nickel prices (+US$30M) and a weaker Colombian peso (+US$23M), was partially offset by higher price-linked royalties (-US$14M), energy prices (-US$7M) and local inflationary pressures (-US$12M).

Capital expenditure

Safe and reliable capital expenditure increased by US$11M to US$17M in H1 FY23 as we progressed planned furnace upgrades. We expect to spend US$40M in FY23 as we complete this work and invest in a new mobile fleet.

Improvement and life extension capital expenditure was lower, at US$3M in H1 FY23, as we successfully commissioned the OSMOC project which underpinned a 15-year extension to the mining contract to 2044.

South32 share	H1 FY23	H1 FY22
Ore mined (kwmt)	2,752	2,416
Ore processed (kdmt)	1,392	1,335
Ore grade processed (%, Ni)	1.64	1.73
Payable nickel production (kt)	20.4	20.3
Payable nickel sales (kt)	19.8	20.1
Realised sales price (US$/lb)[39]	9.05	8.39
Operating unit cost (US$/lb)	4.93	4.11
Operating unit cost (US$/t)[40]	154	136

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	395	372
Underlying EBITDA	180	190
Underlying EBIT	154	158
Net operating assets[(a)]	432	349
Capital expenditure	20	14
Safe and reliable	17	6
Improvement and life extension	3	8

(a) H1 FY22 reflects the balance as at 30 June 2022.

ILLAWARRA METALLURGICAL COAL

(100% SHARE)

Volumes

Illawarra Metallurgical Coal saleable production increased by 6% (or 186kt) to 3,331kt in H1 FY23. Metallurgical coal production increased by 17% in Q2 FY23, benefitting from improved labour productivity following the conclusion of a new, four-year, industrial employment agreement at our Appin mine.

Volumes are expected to increase further in H2 FY23 and FY23 production guidance remains unchanged at 7.0Mt, with a longwall move at our Dendrobium mine scheduled to commence Q3 FY23.

Operating costs

Operating unit costs increased by 1%, to US$124/t in H1 FY23, 7% above prior FY23 guidance, as the benefit of a weaker Australian dollar and largely unchanged volume was more than offset by higher local energy costs.

We have revised our FY23 Operating unit cost guidance to US$119/t (previously US$116/t), reflecting sequentially lower Operating unit costs in H2 FY23, benefitting from higher planned production volumes. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 33.

Financial performance

Underlying EBIT decreased by 26% (or US$118M) to US$340M in H1 FY23, as a 12% decrease in the average realised price of metallurgical coal (-US$90M) and lower sales volumes (-US$49M) due to the temporary impact of protected industrial action, more than offset higher average realised prices for energy coal (+US$28M) and a weaker Australian dollar (+US$27M).

Capital expenditure

Safe and reliable capital expenditure increased by US$24M to US$106M in H1 FY23. We expect to invest US$248M in FY23 as we continue activity to support the transition to a more efficient single longwall configuration at Appin from FY25, and begin installing additional ventilation capacity to enable mining in the current Area 7 until at least 2039[17].

Improvement and life extension capital expenditure decreased by US$4M to US$2M in H1 FY23 as we ceased work on the DND project, electing to focus on optimising Dendrobium within approved domains.

South32 share	H1 FY23	H1 FY22
Metallurgical coal production (kt)	2,753	2,767
Energy coal production (kt)	578	378
Metallurgical coal sales (kt)[41]	2,678	2,877
Energy coal sales (kt)[41]	507	378
Realised metallurgical coal sales price (US$/t)	268	303
Realised energy coal sales price (US$/t)	164	108
Operating unit cost (US$/t)	124	123

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue[42]	801	912
Underlying EBITDA	407	512
Underlying EBIT	340	458
Net operating assets[a]	722	786
Capital expenditure	108	88
Safe and reliable	106	82
Improvement and life extension	2	6
Exploration expenditure	8	5
Exploration expensed	4	5

(a) H1 FY22 reflects the balance as at 30 June 2022.

AUSTRALIA MANGANESE

(60% SHARE)

Volumes

Australia Manganese saleable production increased by 8% (or 140kwmt) to a record of 1,844kwmt in H1 FY23 as improved yields supported higher primary concentrator output. Separately, our low-cost PC02 circuit continued to operate above its design capacity, delivering approximately 10% of production (FY22: 11%).

FY23 production guidance remains unchanged at 3,400kwmt, with production volumes tracking ahead of guidance prior to the commencement of the wet season.

Operating costs

Operating unit costs decreased by 2%, to US$1.76/dmtu in H1 FY23, 15% below prior FY23 guidance, as the operation built mining stocks ahead of the wet season and the benefit of a weaker Australian dollar, more than offset higher diesel prices and contractor costs.

We have revised our FY23 Operating unit cost guidance to US$1.97/t (previously US$2.08/dmtu) with lower price-linked royalties, partially offset by higher contractor costs. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 33.

Financial performance

Underlying EBIT decreased by 8% (or US$13M) to US$149M in H1 FY23, as lower average realised manganese prices and sales volumes (-US$30M), combined with higher diesel prices (-US$12M), more than offset the benefit of a weaker Australian dollar (+US$12M) and lower freight rates (+US$12M) as global shipping markets normalised.

Capital expenditure

Safe and reliable capital expenditure decreased by US$7M to US$25M in H1 FY23. We expect to spend US$50M in FY23 as we invest in road infrastructure and additional tailings storage capacity.

Improvement and life extension capital expenditure increased by US$5M to US$7M in H1 FY23 and is expected to be US$14M in FY23 as we complete final feasibility study work for the Eastern Leases mine life extension project. A final investment decision for the project is now expected in H2 FY23.

South32 share	H1 FY23	H1 FY22
Manganese ore production (kwmt)	1,844	1,704
Manganese ore sales (kwmt)	1,652	1,737
Realised external manganese ore sales price (US$/dmtu, FOB)[43][44]	4.57	4.59
Ore operating unit cost (US$/dmtu, FOB)[44][45]	1.76	1.79

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	355	385
Underlying EBITDA	197	206
Underlying EBIT	149	162
Net operating assets[a]	258	258
Capital expenditure	32	34
Safe and reliable	25	32
Improvement and life extension	7	2
Exploration expenditure	1	1
Exploration expensed	-	-

(a) H1 FY22 reflects the balance as at 30 June 2022.

SOUTH AFRICA MANGANESE

(ORE 54.6% SHARE, ALLOY 60% SHARE)

Volumes

South Africa Manganese saleable production increased by 4% (or 40kwmt) to 1,093kwmt in H1 FY23, as improved mining performance was partially offset by planned maintenance completed in Q2 FY23.

FY23 production guidance remains unchanged at 2,000kwmt, subject to our continued use of higher cost trucking in responses to market conditions.

Operating costs

Operating unit costs were largely unchanged at US$2.67/dmtu in H1 FY23, in-line with prior FY23 guidance, as a weaker South African rand was more than offset by lower sales volumes due to a temporary reduction in third-party rail and port availability.

We have revised our FY23 Operating unit cost guidance to US$2.62/dmtu (previously US$2.66/dmtu) with the benefit of a weaker South African rand and lower price-linked royalties. Exchange rate and price assumptions for FY23 Operating unit cost guidance are detailed on page 30, footnote 33.

Financial performance

Underlying EBIT increased by 32% (or US$6M) to US$25M in H1 FY23, as a weaker South African rand (+US$15M) and lower freight rates (+US$11M), more than offset the impact of reduced sales volumes (-US$10M) and local inflationary impacts (-US$6M).

Capital expenditure

Safe and reliable capital expenditure decreased by US$1M to US$7M in H1 FY23 and is expected to be US$15M in FY23 as we replace mobile fleet and equipment.

Improvement and life extension capital expenditure was US$4M in H1 FY23. We expect to invest US$18M in FY23 as we unlock value by accessing new mining areas and upgrading our rail infrastructure to maximise flexibility in our logistics.

South32 share	H1 FY23	H1 FY22
Manganese ore production (kwmt)	1,093	1,053
Manganese ore sales (kwmt)	1,032	1,094
Realised external manganese ore sales price (US$/dmtu, FOB)[43][46]	3.57	3.47
Ore operating unit cost (US$/dmtu, FOB) [45][46]	2.67	2.63

South32 share (US$M)	H1 FY23	H1 FY22
Underlying revenue	175	191
Manganese ore	175	191
Manganese alloy	-	-
Underlying EBITDA	35	29
Manganese ore	36	34
Manganese alloy	(1)	(5)
Underlying EBIT	25	19
Manganese ore	26	24
Manganese alloy	(1)	(5)
Net operating assets/(liabilities)[a]	124	135
Manganese ore	197	211
Manganese alloy	(73)	(76)
Capital expenditure	11	10
Safe and reliable	7	8
Improvement and life extension	4	2
Exploration expenditure	1	1
Exploration expensed	1	1

(a) H1 FY22 reflects the balance as at 30 June 2022.

NOTES

(1) Net tangible assets as at 31 December 2022 includes all right-of-use assets and lease liabilities, in accordance with AASB 16 Leases.

(2) H1 FY23 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for H1 FY23 (4,596 million). H1 FY23 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for H1 FY23. 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.

(3) H1 FY23 ordinary dividends per share is calculated as H1 FY23 ordinary dividend announced (US$224M) divided by the number of shares on issue at 31 December 2022 (4,572 million).

(4) Underlying revenue includes revenue from third party products and services. To align with the current period's presentation, H1 FY22 Underlying revenue has been reclassified to reflect an elimination of revenue (-US$97M) and corresponding expenses (+US$97M) on proportional consolidation, relating to freight services provided by the Group to our joint ventures. The reclassification results in a net nil impact to Underlying EBITDA, Underlying EBIT and Underlying earnings.

(5) 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 (income)/costs, tax and any earnings adjustments, including impairments. Underlying EBITDA is Underlying EBIT before underlying depreciation and amortisation. Underlying earnings is Profit 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, contingent consideration and other investments measured at fair value through profit or loss;
- Major corporate restructures;
- Joint venture adjustments;
- Exchange rate variations on net debt;
- Tax effect of earnings adjustments; and
- Exchange rate variations on tax balances

In addition, items that do not reflect the underlying operations of South32, and are individually, or in combination with other related earnings adjustments, significant to the financial statements, are excluded to determine Underlying earnings. When applicable, significant items are detailed in the Financial Information.

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

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

(8) Return on invested capital (ROIC) is a key measure that South32 uses to assess performance. ROIC is calculated as Underlying EBIT less the discount on rehabilitation provisions included in net finance costs, tax effected by the Group's Underlying effective tax rate (ETR) including our material equity accounted investments on a proportional consolidation basis, divided by the sum of fixed assets (excluding any rehabilitation assets, the impairment reversal of Brazil Aluminium, and unproductive capital associated with Growth and Life Extension projects) and inventories.

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

(10) Total Recordable Injury Frequency (TRIF): (The sum of recordable injuries x 1,000,000) ÷ exposure hours. This is stated in units of per million hours worked for employees and contractors.

(11) Group payable copper equivalent production calculated by applying H1 FY23 production volumes and FY22 realised prices for all operations (except for Brazil Aluminium which is based on FY22 average index prices for aluminium). The 12% increase in H1 FY23 Group payable copper equivalent production is calculated relative to H1 FY22 production volumes and FY22 realised prices for all operations (except for Brazil Aluminium which is based on FY22 average index prices for aluminium).

(12) Refers to aluminium produced using renewable power.

(13) Group payable copper equivalent production calculated by applying H2 FY23e production volumes and FY22 realised prices for all operations (except for Brazil Aluminium which is based on FY22 average index prices for aluminium). The 6% increase in H2 FY23e Group payable copper equivalent production is calculated relative to H1 FY23 production volumes and FY22 realised prices for all operations (except for Brazil Aluminium which is based on FY22 average index prices for aluminium).

(14) Since inception, US$1.6B has been allocated to the on-market share buy-back (752M shares at an average price of A$3.00 per share) and US$525M returned in the form of special dividends.

(15) Refer to market release "South32 unlocks up to US$200M in value from non-core royalty sale" dated 12 July 2022.

(16) Goal is defined as an aspiration to deliver an outcome for which we have not identified a pathway for delivery, but for which efforts will be pursued towards achieving that outcome, subject to certain assumptions or conditions. Target is defined as an intended outcome in relation to which we have identified one or more pathways for delivery of that outcome, subject to certain assumptions or conditions.

(17) Refer to market release "Dendrobium Next Domain Update" dated 23 August 2022 (market release). The information in the market release that refers to the Production Target and forecast financial information for the Appin mine at Illawarra Metallurgical Coal is based on Proved (14%) and Probable (86%) Coal Reserves from Bulli. The Coal Reserves estimates underpinning the Production Target have been prepared by M Rose (Competent Person) and reported in accordance with the JORC Code. The Coal Reserves estimates are available to view in South32's FY22 Annual Report (http://www.south32.net) published on 9 September 2022. 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.

(18) 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.

(19) Underlying net finance costs and Underlying income tax expense are actual H1 FY23 results, not half-on-half variances.

(20) South32's ownership shares of operations are presented as follows: Worsley Alumina (86% share), Brazil Alumina (36% share), Brazil Aluminium (40% share), Hillside Aluminium (100%), Mozal Aluminium (63.7% share), Sierra Gorda (45% share), Cannington (100%), Hermosa (100%), Cerro Matoso (99.9% share), Illawarra Metallurgical Coal (100%), Australia Manganese (60% share), South Africa Manganese ore (54.6% share) and South Africa Manganese alloy (60% share).

(21) 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 proportional consolidation to the equity accounting position included in the Group's consolidated financial statements.

(22) Underlying ETR is Underlying income tax expense, including royalty related tax, divided by Underlying profit subject to tax.

(23) The corporate tax rates of the geographies where the Group operates include: Australia 30%, South Africa 27%, Colombia 35%, Mozambique 0%, Brazil 34% and Chile 27%. The South African corporate tax rate reduced from 28% to 27% from 1 July 2022. The Mozambique operations are subject to a royalty on revenues instead of income tax. Sierra Gorda is subject to a royalty related tax based on the amount of copper sold and the mining operating margin, the rate is between 5% and 14% for annual sales over 50kt of refined copper. This royalty is included in tax expense.

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

(25) H1 FY23 net distributions from our material equity accounted joint ventures comprise dividends and capital returns (US$108M), partly offset by a net drawdown of shareholder loans (-US$48M) from our manganese EAI. No distributions were received from our Sierra Gorda EAI.

(26) Total capital expenditure comprises Capital expenditure, evaluation expenditure, the purchase of intangibles and capitalised exploration expenditure. Capital expenditure comprises Safe and reliable capital expenditure, Improvement and life extension capital expenditure, and Growth capital expenditure.

(27) Production guidance for Hillside Aluminium and Mozal Aluminium does not assume any load-shedding impact on production.

(28) Refer to market release "South32 completes acquisition of additional shareholding in Mozal Aluminium" dated 31 May 2022. Historical income statement, production and sales figures have not been restated for our increased ownership of 63.7% (presented on a 47.1% basis to 31 May 2022).

(29) Payable copper equivalent production (kt) was calculated by aggregating revenues from payable copper, molybdenum, gold and silver, and dividing the total Revenue by the price of copper. FY22 realised prices for copper (US$3.50/lb), molybdenum (US$18.48/lb), gold (US$1,934/oz) and silver (US$23.5/oz) have been used for FY22, H1 FY23, FY23e and FY24e.

(30) Payable zinc equivalent production (kt) was calculated by aggregating revenues from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY22 realised prices for zinc (US$3,248/t), lead (US$2,046/t) and silver (US$21.0/oz) have been used for FY22, H1 FY23, FY23e and FY24e.

(31) 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 44 and 46.

(32) FY23 prior Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY23, including: an alumina price of US$364/t; an average blended coal price of US$265/t for Illawarra Metallurgical Coal; a manganese ore price of US$6.40/dmtu for 44% manganese product; a nickel price of US$9.94/lb; a silver price of US$22.1/troy oz; a lead price of US$2,059/t (gross of treatment and refining charges); a zinc price of US$3,480/t (gross of treatment and refining charges); a copper price of US$4.07/lb (gross of treatment and refining charges); a molybdenum price of US$16.95/lb (gross of treatment and refining charges); a gold price of US$1,860/troy oz; an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 16.62; a USD:COP exchange rate of 3,851; USD:CLP exchange rate of 814; and a reference price for caustic soda; which reflect forward markets as at June 2022 or our internal expectations.

(33) FY23 new Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY23, including: an alumina price of US$336/t; an average blended coal price of US$265/t for Illawarra Metallurgical Coal; a manganese ore price of US$5.20/dmtu for 44% manganese product; a nickel price of US$12.07/lb; a silver price of US$22.2/troy oz; a lead price of US$2,091/t (gross of treatment and refining charges); a zinc price of US$3,255/t (gross of treatment and refining charges); a copper price of US$3.84/lb (gross of treatment and refining charges); a molybdenum price of US$20.44/lb (gross of treatment and refining charges); a gold price of US$1,681/troy oz; an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 17.19; a USD:COP exchange rate of 4,601; USD:CLP exchange rate of 854; and a reference price for caustic soda; all of which reflected forward markets as at 2 February 2023 or our internal expectations.

(34) Peake Prospect Exploration Target: The information in this announcement that relates to the Exploration Target for Peake Prospect is extracted from "Hermosa Project Update" published on 17 January 2022 and is available to view on www.south32.net. The information was prepared by D Bertuch (Competent Person) 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 market announcement. South32 confirms that the form and context in which the Competent Person's findings are presented have not been materially changed from the original market announcement.

(35) Flux Exploration Target: The information in this announcement that relates to the Exploration Target for Flux is extracted from "South32 Strategy and Business Update" published on 18 May 2021 and is available to view on www.south32.net. The information was prepared by D Bertuch (Competent Person) 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 market announcement. South32 confirms that the form and context in which the Competent Person's findings are presented have not been materially changed from the original market announcement.

(36) H1 FY23 Third party products and services sold comprise US$30M for aluminium, US$2M for alumina, US$60M for coal, US$63M for freight services, US$78M for raw materials and US$16M for manganese. Underlying EBIT on third party products and services comprise (US$1M) for aluminium, US$8M for alumina, US$6M for coal, (US$1M) for freight services, nil for raw materials and nil for manganese. 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$70M 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.

(37) Presented on a 100% basis.

(38) Sierra Gorda and Cannington Operating unit cost is Underlying revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact Operating unit costs.

(39) Cerro Matoso realised nickel sales price is inclusive of by-products.

(40) Cerro Matoso Operating unit cost per tonne is Underlying revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact Operating unit costs.

(41) Illawarra Metallurgical Coal sales are adjusted for moisture and will not reconcile directly to Illawarra Metallurgical Coal production.

(42) Illawarra Metallurgical Coal revenue includes metallurgical coal and energy coal sales revenue.

(43) 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 Underlying revenue less freight and marketing costs, divided by external sales volume.

(44) Manganese Australia H1 FY23 average manganese content of external ore sales was 44.2% on a dry basis (H1 FY22: 44.2%). 95% of H1 FY23 external manganese ore sales (H1 FY22: 96%) were completed on a CIF basis. H1 FY23 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$36M (H1 FY22: US$49M), consistent with our FOB cost guidance.

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

(46) Manganese South Africa H1 FY23 average manganese content of external ore sales was 39.2% on a dry basis (H1 FY22: 39.4%). 86% of H1 FY23 external manganese ore sales (H1 FY22: *75%*) were completed on a CIF basis. H1 FY23 realised FOB ore prices and Operating unit costs have been adjusted for freight and marketing costs of US$32M (H1 FY22: *US$45M*), consistent with our FOB cost guidance.

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 FY23); financial year 2023 (FY23); financial year (FY); 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); 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 2022

CONSOLIDATED INCOME STATEMENT

for the half year ended 31 December 2022

US$M	Note	H1 FY23	H1 FY22
Revenue:			
Group production		**3,388**	3,651
Third party products and services		**308**	355
	3	**3,696**	4,006
Other income		**242**	113
Expenses excluding net finance income/(costs)		**(3,308)**	(2,721)
Share of profit/(loss) of equity accounted investments	8	**241**	104
Profit from operations		**871**	1,502
Comprising:			
Group production		**859**	1,490
Third party products and services		**12**	12
Profit from operations		**871**	1,502
Finance income		**111**	16
Finance expenses		**(97)**	(56)
Net finance income/(costs)	6	**14**	(40)
Profit before tax		**885**	1,462
Income tax expense		**(200)**	(430)
Profit for the period		**685**	1,032
Attributable to:			
Equity holders of South32 Limited		**685**	1,032
Profit for the period attributable to equity holders of South32 Limited:			
Basic earnings per share (cents)	5	**14.9**	22.2
Diluted earnings per share (cents)	5	**14.8**	22.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2022

US$M	H1 FY23	H1 FY22
Profit for the period	**685**	1,032
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)	**(3)**	(59)
Income tax (expense)/benefit	**1**	18
Equity accounted investments – share of other comprehensive income/(loss), net of tax	**1**	-
Gains/(losses) on pension and medical schemes	**2**	4
Income tax (expense)/benefit recognised within other comprehensive income	**(1)**	(1)
Total items not to be reclassified to the Consolidated Income Statement	**-**	(38)
Total other comprehensive income/(loss)	**-**	(38)
Total comprehensive income/(loss)	**685**	994
Attributable to:		
Equity holders of South32 Limited	**685**	994

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

CONSOLIDATED BALANCE SHEET

as at 31 December 2022

US$M	Note	H1 FY23	FY22
ASSETS			
Current assets			
Cash and cash equivalents		**1,560**	2,365
Trade and other receivables		**794**	844
Other financial assets	7	**1**	1
Inventories		**1,119**	982
Current tax assets		**2**	4
Other		**29**	44
Total current assets		**3,505**	4,240
Non-current assets			
Trade and other receivables		**1,782**	1,903
Other financial assets	7	**158**	64
Inventories		**73**	76
Property, plant and equipment		**9,032**	8,988
Intangible assets		**232**	186
Equity accounted investments		**604**	470
Deferred tax assets		**377**	394
Other		**15**	15
Total non-current assets		**12,273**	12,096
Total assets		**15,778**	16,336
LIABILITIES			
Current liabilities			
Trade and other payables		**905**	989
Interest bearing liabilities		**442**	402
Other financial liabilities	7	**-**	6
Current tax payables		**179**	308
Provisions		**167**	186
Deferred income		**7**	6
Total current liabilities		**1,700**	1,897
Non-current liabilities			
Trade and other payables		**1**	8
Interest bearing liabilities		**1,416**	1,425
Other financial liabilities	7	**16**	84
Deferred tax liabilities		**272**	307
Provisions		**1,839**	1,835
Deferred income		**1**	1
Total non-current liabilities		**3,545**	3,660
Total liabilities		**5,245**	5,557
Net assets		**10,533**	10,779
EQUITY			
Share capital		**13,326**	13,469
Treasury shares		**(32)**	(32)
Reserves		**(3,567)**	(3,558)
Retained earnings		**807**	901
Total equity attributable to equity holders of South32 Limited		**10,534**	10,780
Non-controlling interests		**(1)**	(1)
Total equity		**10,533**	10,779

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

CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 31 December 2022

US$M	Note	H1 FY23	H1 FY22
Operating activities			
Profit before tax		**885**	1,462
Adjustments for:			
Non-cash or non-operating significant items		**(138)**	(77)
Depreciation and amortisation expense		**312**	303
Net impairment loss/(reversal) of financial assets		**214**	-
Net impairment loss/(reversal) of non-financial assets		**(4)**	37
Employee share awards expense		**13**	12
Net finance (income)/costs		**(14)**	40
Share of (profit)/loss of equity accounted investments		**(241)**	(104)
(Gains)/losses on derivative instruments, contingent consideration and other investments measured at fair value through profit or loss (FVTPL)		**(19)**	14
Other non-cash or non-operating items		**(1)**	-
Changes in assets and liabilities:			
Trade and other receivables		**88**	(145)
Inventories		**(134)**	(153)
Trade and other payables		**(81)**	53
Provisions and other liabilities		**(25)**	(88)
Cash generated from operations		**855**	1,354
Interest received		**29**	12
Interest paid		**(54)**	(38)
Income tax paid		**(347)**	(234)
Dividends received		**1**	-
Dividends received from equity accounted investments		**108**	79
Net cash flows from operating activities		**592**	1,173
Investing activities			
Purchases of property, plant and equipment		**(352)**	(237)
Exploration expenditure		**(44)**	(35)
Exploration expenditure expensed and included in operating cash flows		**26**	19
Purchase of intangibles		**(46)**	(1)
Investment in financial assets		**(116)**	(129)
Payment of deferred consideration related to the acquisition of a joint operation		**(25)**	-
Proceeds from sale of intangibles		**55**	-
Proceeds from financial assets		**61**	104
Net cash flows from investing activities		**(441)**	(279)
Financing activities			
Proceeds from interest bearing liabilities		**28**	14
Repayment of interest bearing liabilities		**(42)**	(80)
Purchase of shares by South32 Limited Employee Share Ownership Plan (ESOP) Trusts		**(13)**	(1)
Share buy-back		**(143)**	(60)
Dividends paid	4	**(784)**	(256)
Net cash flows from financing activities		**(954)**	(383)
Net (decrease)/increase in cash and cash equivalents		**(803)**	511
Cash and cash equivalents, net of overdrafts, at the beginning of the period		**2,365**	1,613
Foreign currency exchange rate changes on cash and cash equivalents		**(2)**	(5)
Cash and cash equivalents, net of overdrafts, at the end of the period		**1,560**	2,119

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 2022

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
	Attributable to equity holders of South32 Limited								
Balance as at 1 July 2022	**13,469**	**(32)**	**(6)**	**45**	**(3,597)**	**901**	**10,780**	**(1)**	**10,779**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**685**	**685**	**-**	**685**
Total other comprehensive income/(loss)	**-**	**-**	**(2)**	**-**	**-**	**2**	**-**	**-**	**-**
Total comprehensive income/(loss)	**-**	**-**	**(2)**	**-**	**-**	**687**	**685**	**-**	**685**
Transactions with owners:									
Dividends	**-**	**-**	**-**	**-**	**-**	**(784)**	**(784)**	**-**	**(784)**
Shares bought back and cancelled[4]	**(143)**	**-**	**-**	**-**	**-**	**-**	**(143)**	**-**	**(143)**
Employee share entitlements for unvested awards, net of tax	**-**	**-**	**-**	**14**	**-**	**-**	**14**	**-**	**14**
Employee share awards vested and lapsed, net of tax	**-**	**13**	**-**	**(21)**	**-**	**3**	**(5)**	**-**	**(5)**
Purchase of shares by ESOP Trusts	**-**	**(13)**	**-**	**-**	**-**	**-**	**(13)**	**-**	**(13)**
Balance as at 31 December 2022	**13,326**	**(32)**	**(8)**	**38**	**(3,597)**	**807**	**10,534**	**(1)**	**10,533**
Balance as at 1 July 2021	13,597	(22)	(22)	48	(3,593)	(1,053)	8,955	(1)	8,954
Profit 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
Employee share awards vested and lapsed, net of tax	-	11	-	(29)	-	10	(8)	-	(8)
Purchase of shares by ESOP Trusts	-	(1)	-	-	-	-	(1)	-	(1)
Balance as at 31 December 2021	13,537	(12)	(63)	34	(3,593)	(264)	9,639	(1)	9,638

(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 the disposal of entities as part of the demerger of the Group in 2015.
(4) Represents 56,348,933 (H1 FY22: 24,607,260) 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 half year 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 2022 were authorised for issue in accordance with a resolution of the Directors on 16 February 2023.

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:

- Has been prepared in accordance with AASB 134 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the *Corporations Act 2001*;
- Has been prepared on a historical cost basis, except for post-retirement assets and obligations, derivative financial instruments and certain other financial assets and liabilities which are required to be measured at fair value;
- Is presented in US dollars, which is the functional currency of the majority 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*;
- Presents 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
- Has 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 2022.

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 2022.

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 2022. Consideration should also be given to any public announcements made by the Company in accordance with the continuous disclosure obligations of the ASX Listing Rules.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

3. SEGMENT INFORMATION

(a) Description of segments

The operating segments (also referred to as operations) are organised and managed separately according to the nature of products produced.

Certain members of the Lead Team (the chief operating decision makers) and the Board of Directors monitor the segment results regularly for the purpose of making decisions about resource allocation and performance assessment. Consolidated financial results of the Group are reported on a proportional consolidation basis, including material equity accounted joint ventures, consistent with the reporting of the Group's operating segments and includes non-IFRS measures.

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

Operating segment	Principal activities
Worsley Alumina	Integrated bauxite mine and alumina refinery in Australia
Brazil Alumina	Integrated bauxite mine and alumina refinery in Brazil
Brazil Aluminium	Aluminium smelter in Brazil
Hillside Aluminium	Aluminium smelter in South Africa
Mozal Aluminium	Aluminium smelter in Mozambique
Sierra Gorda	Copper mine in Chile
Cannington	Silver, lead and zinc mine in Australia
Hermosa	Base metals exploration and development option in the United States of America
Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in Colombia
Illawarra Metallurgical Coal	Metallurgical coal mines in Australia
Australia Manganese	Manganese ore mine in Australia
South Africa Manganese	Manganese ore mines South Africa

All operations are operated by the Group except Brazil Alumina, Brazil Aluminium and Sierra Gorda.

(b) Segment results

Segment performance is measured by Underlying EBIT and Underlying EBITDA. Underlying EBIT is profit before net finance income/(costs), tax and other earnings adjustment items including impairments. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. A reconciliation of Underlying EBIT, Underlying EBITDA and the Group's consolidated profit 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 primarily managed on a Group basis and are not allocated to operating segments.

Total assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities, tax balances and certain other financial assets and liabilities.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

H1 FY23

US$M	Worsley Alumina	Brazil Alumina	Brazil Aluminium	Hillside Aluminium	Mozal Aluminium	Sierra Gorda[(1)]	Cannington	Hermosa	Cerro Matoso	Illawarra Metallurgical Coal	Australia Manganese[(1)]	South Africa Manganese[(1)]	Group and unallocated items/ eliminations	Group underlying results[(1)]
Revenue from customers	661	247	47	859	485	349	271	-	356	803	383	190	(127)	4,524
Other[(2)]	(2)	-	-	2	(3)	8	1	-	39	(2)	(28)	(15)	-	-
Total underlying revenue	659	247	47	861	482	357	272	-	395	801	355	175	(127)	4,524
Comprising:														
Group production	302	228	47	861	482	357	272	-	395	801	355	175	-	4,275
Third party products and services[(3)]	-	-	-	-	-	-	-	-	-	-	-	-	249	249
Inter-segment revenue	357	19	-	-	-	-	-	-	-	-	-	-	(376)	-
Total underlying revenue	659	247	47	861	482	357	272	-	395	801	355	175	(127)	4,524
Underlying EBITDA	123	7	(67)	94	86	179	117	(7)	180	407	197	35	13	1,364
Underlying depreciation and amortisation	(90)	(26)	(3)	(32)	(21)	(72)	(35)	(2)	(26)	(67)	(48)	(10)	(10)	(442)
Underlying EBIT	33	(19)	(70)	62	65	107	82	(9)	154	340	149	25	3	922
Comprising:														
Group production	33	(26)	(70)	62	65	109	85	(9)	154	344	149	26	10	932
Exploration expensed	-	-	-	-	-	(2)	(3)	-	-	(4)	-	(1)	(19)	(29)
Third party products and services[(3)]	-	-	-	-	-	-	-	-	-	-	-	-	12	12
Share of profit/(loss) of equity accounted investments	-	7	-	-	-	-	-	-	-	-	-	-	-	7
Underlying EBIT	33	(19)	(70)	62	65	107	82	(9)	154	340	149	25	3	922
Underlying net finance costs														(88)
Underlying income tax expense														(234)
Underlying royalty related tax expense														(40)
Underlying earnings														560
Total adjustments to profit[(4)]														125
Profit for the period														685
Underlying exploration expenditure	-	-	-	-	-	3	3	6	-	8	1	1	27	49
Underlying capital expenditure[(5)]	34	35	6	10	9	86	33	96	20	108	32	11	1	481
Underlying equity accounted investments	-	47	-	-	-	-	-	-	-	2	-	-	-	49
Total underlying assets[(6)]	3,543	836	104	1,240	752	1,747	577	2,216	609	1,175	663	314	2,934	16,710
Total underlying liabilities[(6)]	1,048	134	39	321	154	230	389	84	177	453	405	190	2,553	6,177

(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. This includes the proportional elimination of revenue and corresponding expenses relating to freight services provided by the Group to these joint ventures of US$75 million and third party product revenue of US$16 million included in Group and unallocated items/eliminations. Refer to note 3(b)(i) Underlying results reconciliation for the joint venture adjustments that reconcile the underlying proportional consolidation to the statutory equity accounting positions included in the Group’s half year consolidated financial statements.

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

(3) Underlying revenue on third party products and services sold comprises US$30 million for aluminium, US$2 million for alumina, US$60 million for coal, US$16 million for manganese, US$63 million for freight services and US$78 million for raw materials. Underlying EBIT on third party products and services sold comprises US$(1) million for aluminium, US$8 million for alumina, US$6 million for coal and US$(1) million for freight services.

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

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

(6) Total underlying assets and liabilities for each operating segment represent 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.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

H1 FY22 US$M	Worsley Alumina	Brazil Alumina	Brazil Aluminium	Hillside Aluminium	Mozal Aluminium	Sierra Gorda[1]	Cannington	Hermosa	Cerro Matoso	Illawarra Metallurgical Coal	Australia Manganese[1]	South Africa Manganese[1]	Group and unallocated items/ eliminations	Group underlying results[1]
Revenue from customers	751	241	-	992	373	-	392	-	364	894	379	191	(93)	4,484
Other[2]	6	1	-	-	(2)	-	(14)	-	8	18	6	-	(2)	21
Total underlying revenue[1]	757	242	-	992	371	-	378	-	372	912	385	191	(95)	4,505
Comprising:														
Group production	384	242	-	992	371	-	378	-	372	912	385	191	-	4,227
Third party products and services[3]	-	-	-	-	-	-	-	-	-	-	-	-	278	278
Inter-segment revenue	373	-	-	-	-	-	-	-	-	-	-	-	(373)	-
Total underlying revenue[1]	757	242	-	992	371	-	378	-	372	912	385	191	(95)	4,505
Underlying EBITDA	259	78	(1)	342	126	-	201	(6)	190	512	206	29	(65)	1,871
Underlying depreciation and amortisation	(91)	(29)	-	(31)	(16)	-	(39)	(1)	(32)	(54)	(44)	(10)	(10)	(357)
Underlying EBIT	168	49	(1)	311	110	-	162	(7)	158	458	162	19	(75)	1,514
Comprising:														
Group production	168	49	(1)	311	110	-	163	(7)	158	463	162	20	(75)	1,521
Exploration expensed	-	-	-	-	-	-	(1)	-	-	(5)	-	(1)	(13)	(20)
Third party products and services[3]	-	-	-	-	-	-	-	-	-	-	-	-	13	13
Underlying EBIT	168	49	(1)	311	110	-	162	(7)	158	458	162	19	(75)	1,514
Underlying net finance costs														(62)
Underlying income tax expense														(422)
Underlying royalty related tax expense														(26)
Underlying earnings														1,004
Total adjustments to profit[4]														28
Profit for the period														1,032
Underlying exploration expenditure	-	-	-	-	-	-	2	8	-	5	1	1	20	37
Underlying capital expenditure[5]	24	31	-	10	6	-	17	42	14	88	34	10	5	281
Underlying equity accounted investments[6]	-	40	-	-	-	-	-	-	-	2	-	-	-	42
Total underlying assets[6]	3,571	805	67	1,284	764	1,614	555	2,098	592	1,277	645	331	3,666	17,269
Total underlying liabilities[6]	1,000	109	21	357	149	212	414	67	243	491	387	196	2,844	6,490

(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. This includes the proportional elimination of revenue and corresponding expenses relating to freight services provided by the Group to these joint ventures of US$97 million, which resulted in the reclassification of underlying revenue and expenses for the half year ended 31 December 2021 for consistency with the current period's presentation, and third party product revenue of US$20 million included in Group and unallocated items/eliminations. Refer to note 3(b)(i) Underlying results reconciliation for the joint venture adjustments that reconcile the underlying proportional consolidation to the statutory equity accounting positions included in the Group's half year consolidated financial statements.

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

(3) Underlying revenue on third party products and services sold comprises US$64 million for aluminium, US$22 million for alumina, US$30 million for coal, US$20 million for manganese, US$70 million for freight services and US$72 million for raw materials. Underlying EBIT on third party products and services sold comprises 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) Underlying capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(6) Underlying equity accounted investments, total assets and total liabilities for each operating segment are as at 30 June 2022. Total underlying assets and liabilities 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:

US$M	H1 FY23	H1 FY22
Underlying EBIT	**922**	1,514
Significant items[1]	**138**	77
Sierra Gorda joint venture adjustments[2][3]	**57**	-
Manganese joint venture adjustments[2][4]	**(101)**	(79)
Exchange rate gains/(losses) on restatement of monetary items[5]	**48**	32
Net impairment (loss)/reversal of financial assets[5][6]	**(214)**	-
Net impairment (loss)/reversal of non-financial assets[5]	**4**	(37)
Gains/(losses) on non-trading derivative instruments, contingent consideration and other investments measured at FVTPL[5]	**17**	(5)
Profit from operations	**871**	1,502
Underlying net finance costs	**(88)**	(62)
Sierra Gorda joint venture adjustments[2]	**85**	-
Manganese joint venture adjustments[2]	**13**	11
Exchange rate variations on net debt	**4**	11
Net finance income/(costs)	**14**	(40)
Underlying income tax expense	**(234)**	(422)
Underlying royalty related tax expense	**(40)**	(26)
Significant items[1]	**(23)**	(26)
Sierra Gorda joint venture adjustments relating to income tax expense [2]	**6**	-
Sierra Gorda joint venture adjustments relating to royalty related tax expense [2]	**4**	-
Manganese joint venture adjustments relating to income tax expense [2]	**56**	51
Manganese joint venture adjustments relating to royalty related tax expense [2]	**36**	26
Tax effect of other adjustments to Underlying EBIT	**1**	2
Tax effect of other adjustments to Underlying net finance costs	**(1)**	(3)
Exchange rate variations on tax balances	**(5)**	(32)
Income tax expense	**(200)**	(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 statutory equity accounting positions, recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.

(3) The Group's investment in Sierra Gorda is represented by the carrying value of an equity accounted investment of US$191 million (FY22: US$30 million) and the carrying value of a purchased credit-impaired receivable of US$1,511 million (FY22: US$1,648 million) classified as a loan to an equity accounted investment within trade and other receivables on the Consolidated Balance Sheet. The earnings adjustments include a revaluation gain of US$214 million (US$156 million post-tax) (H1 FY22: nil) relating to the shareholder loan payable that was eliminated from the Group's Underlying EBIT upon proportional consolidation.

(4) Includes earnings adjustments of nil (H1 FY22: US$2 million) included in the Australia Manganese segment and US$4 million (H1 FY22: US$7 million) included in the South Africa Manganese segment.

(5) Recognised in expenses excluding net finance income/(costs) in the Consolidated Income Statement.

(6) Refer to note 3(b)(iii) Impairment of financial assets.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

(i) Underlying results reconciliation (continued)

H1 FY23 US$M	Group underlying results	Sierra Gorda joint venture adjustments[1]	Manganese joint venture adjustments[1]	Group statutory results
Total revenue	**4,524**	**(357)**	**(471)**	**3,696**
Depreciation and amortisation	**442**	**(72)**	**(58)**	**312**
Share of profit/(loss) of equity accounted investments	**7**	**161**	**73**	**241**
Exploration expenditure	**49**	**(3)**	**(2)**	**44**
Capital expenditure	**481**	**(86)**	**(43)**	**352**
Equity accounted investments	**49**	**191**	**364**	**604**
Total assets	**16,710**	**(466)**	**(466)**	**15,778**
Total liabilities	**6,177**	**(466)**	**(466)**	**5,245**

(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 statutory equity accounting positions included in the Group's half year consolidated financial statements.

H1 FY22 US$M	Group underlying results	Sierra Gorda joint venture adjustments[1]	Manganese joint venture adjustments[1]	Group statutory results
Total revenue[1]	4,505	-	(499)	4,006
Depreciation and amortisation	357	-	(54)	303
Share of profit/(loss) of equity accounted investments	-	-	104	104
Exploration expenditure	37	-	(2)	35
Capital expenditure	281	-	(44)	237
Equity accounted investments[2]	42	30	398	470
Total assets[2]	17,269	(452)	(481)	16,336
Total liabilities[2]	6,490	(452)	(481)	5,557

(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. This includes the proportional elimination of revenue and corresponding expenses relating to freight services provided by the Group to these joint ventures of US$97 million, which resulted in the reclassification of underlying revenue and expenses for the half year ended 31 December 2021 for consistency with the current period's presentation. Joint venture adjustments reconcile the proportional consolidation to the statutory equity accounting positions included in the Group's half year consolidated financial statements.

(2) Equity accounted investments, total assets and total liabilities are as at 30 June 2022.

(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 half year consolidated financial statements.

H1 FY23 US$M	Gross	Tax	Net
Disposal of royalties	**189**	**(56)**	**133**
Assets write-off	**(51)**	**16**	**(35)**
Tax adjustments relating to the Sierra Gorda acquisition	**-**	**17**	**17**
Total significant items	**138**	**(23)**	**115**

Disposal of royalties

On 19 July 2022, the Group divested four royalties to Ecora Resources PLC (formerly known as Anglo Pacific Group PLC) in exchange for consideration comprising an upfront cash payment of US$48 million, deferred cash consideration of US$55 million, US$78 million in equity and a variable consideration receivable valued at US$10 million. The equity in Ecora Resources PLC has been recognised as an investment in equity instruments designated at FVOCI. The variable consideration is payable if certain production and price-linked conditions are met prior to 2032, up to a maximum of US$15 million.

The royalties were recognised as intangible assets with a nominal carrying value. On completion the Group recognised other income, net of transaction costs, of US$189 million (US$133 million post-tax) in the Consolidated Income Statement.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

(ii) Significant items (continued)

Assets write-off

On 23 August 2022, the Group announced that it would not proceed with an investment in the Dendrobium Next Domain project at Illawarra Metallurgical Coal following its consideration of recently completed study work and extensive analysis of alternatives considered for the complex. As a result of the decision in August 2022, the Group wrote off US$51 million (US$35 million post-tax) of costs previously capitalised in relation to the project, recognised within expenses excluding net finance income/(costs) in the Consolidated Income Statement. The write-off related to capitalised exploration and evaluation assets previously included in property, plant and equipment on the Consolidated Balance Sheet.

Tax adjustments relating to the Sierra Gorda acquisition

During the period, the Group recognised an income tax benefit of US$31 million relating to tax liabilities recognised on the acquisition of Sierra Gorda during FY22. The US$31 million benefit comprises a reassessment of US$17 million and a foreign exchange gain of US$14 million which is separately reported as part of exchange variations of tax balances. The tax adjustments relating to the Sierra Gorda acquisition have been excluded from the Group's Underlying income tax expense on the basis that they do not relate to assessable income earned during its ownership.

H1 FY22			
US$M	Gross	Tax	Net
Recognition of indirect tax assets	77	(26)	51
Total significant items	77	(26)	51

Recognition of indirect tax assets

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

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment results (continued)

(iii) Impairment of financial assets

The Group recognised the following impairment of financial assets:

US$M	H1 FY23	H1 FY22
Trade and other receivables[1]	**214**	-
Net impairment of financial assets	**214**	-

(1) Relates to the shareholder loan receivable from Sierra Gorda.

Shareholder loan receivable from Sierra Gorda

The loan has a contractual interest rate of 8 per cent and the repayment by Sierra Gorda is dependent on its financial performance. At 31 December 2022, the Group updated its estimated timing of loan repayments from Sierra Gorda and as a result recognised an impairment of US$214 million which is included in expenses excluding net finance income/(costs) in the Consolidated Income Statement. The net present value of the expected future loan repayments was determined as US$1,511 million, using a measurement methodology consistent with a Level 3 fair value based on the inputs in the valuation technique.

The future loan repayments were informed by a production profile based on mineral resources and mineral reserves that are qualifying foreign estimates under the ASX Listing Rules and costs based on the most recent Sierra Gorda budget. An effective interest rate of 9 per cent, as determined on the date of acquisition, was applied to discount the future loan repayments.

For further information on the qualifying foreign estimates and production profile, refer to the market release "South32 to acquire a 45 per cent interest in the Sierra Gorda copper mine" dated 14 October 2021 (Market Announcement). The Group is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimates or our ability to verify the foreign estimates as Mineral Resources or Ore Reserves in accordance with the JORC Code. The Group confirms that the information contained in our 14 October 2021 market announcement in relation to these foreign estimates continues to apply and has not materially changed. Competent Persons have not done sufficient work to classify the foreign estimates as Mineral Resources or Ore Reserves in accordance with JORC Code and it is uncertain that following evaluation and further exploration, the foreign estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code.

The table below shows key assumptions used in the net present value determinations:

H1 FY23	Assumptions used
Copper (US$/lb)	2.70 to 4.08
Foreign exchange rates (US$ to CLP)	659 to 808

The key assumptions for copper prices are comparable to market consensus forecasts and foreign exchange rates are aligned with forward market rates in the short-run and thereafter are within the range published by market commentators. The potential effect of using reasonably possible alternative assumptions in determining the net present value of the loan, based on directionally changing all the significant inputs either favourably or unfavourably by 10 per cent while holding all other variables constant, is shown in the following table:

H1 FY23			Impact on profit after tax	
US$M	Face value	Carrying value	Favourable	Unfavourable
Trade and other receivables				
Loans to equity accounted investments	**2,136**	**1,511**	**154**	**(235)**

4. DIVIDENDS

US$M	H1 FY23	H1 FY22
Prior year final dividend	**646**	163
Prior year special dividend	**138**	93
Total dividends declared and paid during the period[1]	**784**	256

(1) On 25 August 2022, the Directors resolved to pay a fully franked final dividend of US 14.0 cents per share and a fully franked special dividend of US 3.0 cents per share in respect of the 2022 financial year. The dividends were paid on 13 October 2022. In addition to the ESOP Trusts receiving dividends from South32 Limited, a total of 9,665,568 shares were bought back between the declaration and the ex-dividend dates, therefore reducing the dividend paid externally to US$784 million.

NOTES TO FINANCIAL STATEMENTS – RESULTS FOR THE PERIOD

5. EARNINGS PER SHARE

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

Dilutive earnings per share amounts are calculated based on profit 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 and share data used in the basic and diluted earnings per share computations:

Profit for the period attributable to equity holders		
US$M	**H1 FY23**	**H1 FY22**
Profit attributable to equity holders of South32 Limited (basic)	**685**	1,032
Profit attributable to equity holders of South32 Limited (diluted)	**685**	1,032

Weighted average number of shares		
Million	**H1 FY23**	**H1 FY22**
Basic earnings per share denominator[1]	**4,596**	4,657
Shares contingently issuable under employee share ownership plans	**30**	24
Diluted earnings per share denominator	**4,626**	4,681

(1) The basic earnings per share 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 FY23**	**H1 FY22**
Basic earnings per share	**14.9**	22.2
Diluted earnings per share	**14.8**	22.0

NOTES TO FINANCIAL STATEMENTS – CAPITAL STRUCTURE AND FINANCING

6. NET FINANCE INCOME/(COSTS)

US$M	H1 FY23	H1 FY22
Finance income		
Interest on loans to equity accounted investments	**83**	3
Other interest income	**28**	13
	111	16
Finance expenses		
Interest on borrowings	**(31)**	(11)
Interest on lease liabilities	**(26)**	(26)
Discounting on provisions and other liabilities	**(42)**	(28)
Net interest expense on post-retirement employee benefits	**(2)**	(2)
Exchange rate variations on net debt	**4**	11
	(97)	(56)
Net finance income/(costs)	**14**	(40)

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

H1 FY23 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Total
Financial assets				
Cash and cash equivalents	**-**	**-**	**1,560**	**1,560**
Trade and other receivables[1]	**135**	**-**	**474**	**609**
Loans to equity accounted investments[2]	**-**	**-**	**50**	**50**
Other financial assets:				
Derivative contracts	**1**	**-**	**-**	**1**
Total current financial assets	**136**	**-**	**2,084**	**2,220**
Trade and other receivables[1]	**-**	**-**	**19**	**19**
Loans to equity accounted investments[2]	**-**	**-**	**1,656**	**1,656**
Other financial assets:				
Investments in equity instruments designated as FVOCI	**-**	**109**	**-**	**109**
Vendor loan facility	**39**	**-**	**-**	**39**
Contingent consideration receivable	**10**	**-**	**-**	**10**
Total non-current financial assets	**49**	**109**	**1,675**	**1,833**
Total financial assets	**185**	**109**	**3,759**	**4,053**
Financial liabilities				
Trade and other payables[3]	**1**	**-**	**885**	**886**
Lease liabilities[4]	**-**	**-**	**47**	**47**
Unsecured other[4]	**-**	**-**	**395**	**395**
Total current financial liabilities	**1**	**-**	**1,327**	**1,328**
Trade and other payables	**-**	**-**	**1**	**1**
Senior unsecured notes[4]	**-**	**-**	**690**	**690**
Lease liabilities[4]	**-**	**-**	**624**	**624**
Unsecured other[4]	**-**	**-**	**102**	**102**
Other financial liabilities:				
Contingent consideration payable	**16**	**-**	**-**	**16**
Total non-current financial liabilities	**16**	**-**	**1,417**	**1,433**
Total financial liabilities	**17**	**-**	**2,744**	**2,761**

(1) Excludes current input taxes of US$135 million and non-current input and other taxes of US$107 million included in other receivables.
(2) Included in trade and other receivables on the Consolidated Balance Sheet.
(3) Excludes current input taxes of US$19 million included in other creditors.
(4) Included in interest bearing liabilities on the Consolidated Balance Sheet.

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

FY22 US$M	Held at FVTPL	Designated as FVOCI	Amortised cost	Total
Financial assets				
Cash and cash equivalents	-	-	2,365	2,365
Trade and other receivables(1)	143	-	554	697
Loans to equity accounted investments(2)	-	-	7	7
Other financial assets:				
Derivative contracts	1	-	-	1
Total current financial assets	144	-	2,926	3,070
Trade and other receivables(1)	-	-	13	13
Loans to equity accounted investments(2)	-	-	1,793	1,793
Other financial assets:				
Investments in equity instruments designated as FVOCI	-	25	-	25
Vendor loan facility	39	-	-	39
Total non-current financial assets	39	25	1,806	1,870
Total financial assets	183	25	4,732	4,940
Financial liabilities				
Trade and other payables(3)	20	-	929	949
Lease liabilities(4)	-	-	40	40
Unsecured other(4)	-	-	362	362
Other financial liabilities:				
Derivative contracts	6	-	-	6
Total current financial liabilities	26	-	1,331	1,357
Trade and other payables(3)	-	-	7	7
Senior unsecured notes(4)	-	-	689	689
Lease liabilities(4)	-	-	610	610
Unsecured other(4)	-	-	126	126
Other financial liabilities:				
Contingent consideration payable	84	-	-	84
Total non-current financial liabilities	84	-	1,432	1,516
Total financial liabilities	110	-	2,763	2,873

(1) Excludes current input taxes of US$140 million and non-current input and other taxes of US$97 million included in other receivables.
(2) Included in trade and other receivables on the Consolidated Balance Sheet.
(3) Excludes current input taxes of US$40 million and non-current input and other taxes of US$1 million included in other creditors.
(4) Included in interest bearing liabilities on the Consolidated Balance Sheet.

(i) Measurement of fair value

The carrying values of the Group's financial assets and liabilities measured at amortised cost are equal to or approximate their respective fair values, except for senior unsecured notes, which have a fair value of US$629 million (FY22: US$650 million), and lease liabilities, for which a fair value has not been determined. The fair value of the Group's senior unsecured notes is estimated based on quoted market prices at the reporting date and is classified as Level 1 on the fair value hierarchy.

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.

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Measurement of fair value (continued)

H1 FY23 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	**-**	**135**	**-**	**135**
Trade and other payables	**-**	**(1)**	**-**	**(1)**
Derivative contract assets	**1**	**-**	**-**	**1**
Investments in equity instruments designated as FVOCI	**109**	**-**	**-**	**109**
Vendor loan facility	**-**	**39**	**-**	**39**
Contingent consideration receivable	**-**	**-**	**10**	**10**
Contingent consideration payable	**-**	**-**	**(16)**	**(16)**
Total	**110**	**173**	**(6)**	**277**

FY22 US$M	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Trade and other receivables	-	143	-	143
Trade and other payables	-	(20)	-	(20)
Derivative contract assets	1	-	-	1
Derivative contract liabilities	(6)	-	-	(6)
Investments in equity instruments designated as FVOCI	25	-	-	25
Vendor loan facility	-	-	39	39
Contingent consideration payable	-	-	(84)	(84)
Total	20	123	(45)	98

(ii) 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 FY23	H1 FY22
At the beginning of the period	**(45)**	52
Addition of financial assets	**10**	34
Reclassification of financial asset from level 3 to level 2[1]	**(39)**	-
Derecognition of financial liabilities	**-**	14
Unrealised gains/(losses) recognised in the Consolidated Income Statement[2]	**68**	1
Unrealised gains/(losses) recognised in the Consolidated Statement of Comprehensive Income[3]	**-**	(48)
At the end of the period[4]	**(6)**	53

(1) The valuation of the vendor loan facility provided to a subsidiary of Seriti Resources Holdings Pty Ltd as part of the Group's divestment of South Africa Energy Coal no longer includes inputs that are based on unobservable market data.

(2) Recognised in expenses excluding net finance income/(costs) in the Consolidated Income Statement.

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

(4) The carrying amount is valued using inputs other than observable market data and is calculated using appropriate valuation models, including discounted cash flow modelling. The potential effect of using reasonably possible alternative assumptions in these models, based on directionally changing all the significant inputs either favourably or unfavourably by 10 per cent while holding all other variables constant, will result in an increase of US$1 million or a decrease of US$5 million respectively in the Group's profit after tax in the Consolidated Income Statement.

(iii) 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-term and long-term debt. Details of the Group's major standby arrangement are as follows:

H1 FY23 US$M	Available	Used	Unused
Revolving credit facility[1]	**1,400**	**-**	**1,400**

(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 2022 by one year to December 2027 with the size of the facility in the final year reduced to US$1,200 million.

NOTES TO FINANCIAL STATEMENTS – OTHER NOTES

8. EQUITY ACCOUNTED INVESTMENTS

The Group's interest in equity accounted investments with the most significant contribution to the Group's net profit or net assets, are as follows:

Significant joint ventures	Country of incorporation	Principal activity	Reporting date	Acquisition date	Ownership interest %	
					H1 FY23	**FY22**
Australia Manganese(1)	Australia	Manganese ore mine	30 June 2022	8 May 2015	**60**	60
South Africa Manganese(2)	South Africa	Manganese ore mines	30 June 2022	3 February 2015	**60**	60
Sierra Gorda(3)	Chile	Copper mine	31 December 2022(3)	22 February 2022	**45**	45

(1) Australia Manganese consists of an investment in Groote Eylandt Mining Company Pty Ltd (GEMCO).

(2) The Group holds a 60 per cent interest in Samancor Holdings (Pty) Ltd (Samancor). Samancor indirectly owns 74 per cent of Hotazel Manganese Mines (Pty) Ltd (HMM), which gives the Group its indirect ownership interest of 44.4 per cent. The remaining 26 per cent of HMM is owned by B-BBEE entities, of which 17 per cent of the interests 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, the Group's interest in HMM is accounted for at 54.6 per cent.

(3) Sierra Gorda consists of an investment in Sierra Gorda Sociedad Contractual Minera. The reporting date differs to that of the Group and is consistent with common practice in its country of incorporation.

The Group's share of profit/(loss) of equity accounted investments, are as follows:

US$M	H1 FY23	H1 FY22
Australia Manganese	**52**	85
South Africa Manganese	**16**	18
Sierra Gorda	**161**	-
Individually immaterial(1)	**12**	1
Total	**241**	104

(1) Individually immaterial consists of investments in Samancor Marketing Pte Ltd (60 per cent), Mineração Rio do Norte S.A. (33 per cent) and Port Kembla Coal Terminal Ltd (16.7 per cent) in H1 FY23 and Samancor Marketing Pte Ltd (60 per cent) and Port Kembla Coal Terminal Ltd (16.7 per cent) in H1 FY22.

9. SUBSEQUENT EVENTS

Capital management

On 16 February 2023, the Directors resolved to pay a fully-franked interim ordinary dividend of US 4.9 cents per share (US$224 million) in respect of the 2023 financial half year. The dividend will be paid on 6 April 2023. The dividend has not been provided for in the half year consolidated financial statements and will be recognised in the second half of the 2023 financial year.

On 16 February 2023, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$50 million to a total of US$2.3 billion. This leaves US$158 million expected to be returned by 1 September 2023.

No other matters or circumstances have arisen since the end of the period 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 31 to 50 for the half year ended 31 December 2022 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 2022 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: 16 February 2023

DIRECTORS' REPORT

The Directors of the Group present the consolidated financial statements for the half year ended 31 December 2022 and the auditor's review report thereon.

Directors

The Directors of the Company, both during and since the end of the period, are:

Karen Wood

Graham Kerr

Frank Cooper AO

Guy Lansdown

Dr Xiaoling Liu

Dr Ntombifuthi (Futhi) Mtoba

Wayne Osborn

Keith Rumble

The company secretary of the Company, both during and since the end of the period, is Claire Tolcon.

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 30.

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:

- Keeping our people safe and well
- Portfolio reshaping
- Climate change and environment
- Maintaining, realising or enhancing the value of our Mineral Resources and Ore Reserves
- Major external events or natural catastrophes
- Maintaining competitiveness through innovation and technology
- Predictable operational performance
- Delivering our project portfolio
- Security of supply of logistics chains, and critical goods and services
- Shaping our culture and managing diverse talent
- Evolving societal expectations
- Political risks, actions by government and/or authorities
- Global economic uncertainty and liquidity

Further information on these risks and how they are managed can be found on pages 26 to 35 of the Annual Report for the year ended 30 June 2022, a copy of which is available on the Group's website at www.south32.net.

DIRECTORS' REPORT

Events subsequent to the balance sheet date

Capital management

On 16 February 2023, the Directors resolved to pay a fully-franked interim ordinary dividend of US 4.9 cents per share (US$224 million) in respect of the 2023 financial half year. The dividend will be paid on 6 April 2023. The dividend has not been provided for in the half year consolidated financial statements and will be recognised in the second half of the 2023 financial year.

On 16 February 2023, the Group also announced an increase to the existing capital management program, announced on 27 March 2017, of US$50 million to a total of US$2.3 billion. This leaves US$158 million expected to be returned by 1 September 2023.

No other matters or circumstances have arisen since the end of the period 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 30 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 54.

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: 16 February 2023

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 2022 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

KPMG

Graham Hogg

Partner

Perth

16 February 2023

Independent Auditor's Review Report

To the shareholders of South32 Limited

Report on the Half Year Consolidated Financial Statements

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 2022 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*** comprises:

- Consolidated balance sheet as at 31 December 2022;
- 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; and
- 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 Company 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 these requirements.

Responsibilities of the Directors for the Half Year Consolidated Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Half Year Consolidated Financial Statements that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half Year Consolidated Financial Statements that gives a true and fair view and are 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 2022 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 a 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

16 February 2023

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

South32 Limited (ABN 84 093 732 597)
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Approved for release by Graham Kerr, Chief Executive Officer
JSE Sponsor: The Standard Bank of South Africa Limited
16 February 2023