

27 March 2020

South32 Limited
(Incorporated in Australia under the *Corporations Act 2001* (Cth))
(ACN 093 732 597)
ASX / LSE / JSE Share Code: S32 ADR: SOUHY
ISIN: AU000000S320
south32.net

SOUTH32 ACTS IN RESPONSE TO MARKET CONDITIONS

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) advises several steps it is taking in response to market conditions and the restrictions being implemented by governments aimed at containing the spread of COVID-19.

South32 Chief Executive Officer, Graham Kerr, said “As COVID-19 impacts people across the world including the countries in which we operate, we remain focussed on keeping our people safe and well, maintaining safe and reliable operations, and supporting our communities. At the same time, we are taking action to maintain the financial strength of our business in response to a rapidly evolving environment.

“Our business is well positioned to successfully navigate this period of uncertainty. The initiatives announced today are aimed at delivering approximately US\$160M in lower expenditure over the next 15 months to protect our financial position. Our balance sheet remains strong, with reported net cash of US\$277M at 31 December 2019, including cash and cash equivalents of US\$1.4B, no term debt and an undrawn US\$1.5B revolving credit facility.

“The prudent management of our strong balance sheet will continue through our disciplined allocation of capital consistent with our unchanged capital management framework. Since demerger, we have returned US\$2.9B¹ to our shareholders by way of ordinary dividends and our capital management program. The disciplined approach we continue to take to capital allocation and our simple capital management framework ensures our shareholders will be rewarded as financial performance improves.”

Lower expenditure comprises an expected reduction in Sustaining capital expenditure (US\$150M) and exploration activity (US\$10M). Sustaining capital expenditure savings will be realised by a reduction in spend of 10% in FY20 and 18% in FY21². In addition, to prepare for a potentially extended period of low prices, we are reviewing activity across the Group aimed at delivering a meaningful reduction in controllable costs, building on our strong Operating unit cost performance in H1 FY20. We expect to see the benefit of this work and lower producer currencies reflected in our FY21 Operating unit cost guidance.

Further to these initiatives, we have suspended the remaining US\$121M of our current on-market share buy-back with the opportunity to review its extension ahead of its expiry on 4 September 2020.

We will continue to review the evolving environment, to understand the impact on timelines for our development options and will take further action as required to prioritise long term value across the Group. In this regard, the pre-feasibility study at Hermosa is now expected to be concluded in the September 2020 quarter. Separately, given the current market uncertainty, we are working with our joint venture partner to preserve the value of our Eagle Downs Metallurgical Coal investment beyond the investment decision scheduled for the end of this calendar year.

¹ Includes fully franked ordinary dividend (US\$54M) and fully franked special dividend (US\$54M) to be paid on 2 April 2020.

² FY20 Sustaining capital expenditure includes equity accounted investments and South Africa Energy Coal. FY21 Sustaining capital expenditure reduction calculated using top end of current guidance range (US\$450-550M) and excludes South Africa Energy Coal. FY20 and FY21 assumes prior guidance currency assumptions (AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 14.58 and a USD:COP exchange rate of 3,364).

Mr Kerr said “Sustaining capital expenditure to maintain safe and reliable operations remains a priority, however the flexibility of our programs across the Group means that some activity is able to be deferred to future years in response to unexpected market conditions.

“Investing in exploration and our development options to create shareholder value also remains integral to the Group’s strategy. Our financial priorities remain unchanged, and today’s actions, including the suspension of our on-market share buy-back, are a prudent response to the current exceptional circumstances and consistent with our commitment to maintain a strong financial position.”

Update to operations:

The Group previously reported the withdrawal of FY20 guidance for our South African operations as a result of the government’s announcement of a 21 day nationwide lockdown, commencing midnight on Thursday 26 March 2020.

In response to the government’s announcement, our South Africa Manganese operations, along with our export coal production from South Africa Energy Coal, have been placed on care and maintenance for a minimum of 21 days.

Our Hillside Aluminium smelter and domestic coal production from South Africa Energy Coal are considered businesses essential for the maintenance of power generation, given the role they play in the sustainability of Eskom’s generation network and will continue to operate during the lockdown.

In Colombia, because of the threat of COVID-19, the President announced a 19 day nationwide lockdown, commencing midnight on Tuesday 24 March 2020. Our Cerro Matoso operation continues to operate with government approval at a reduced rate. As a result of the uncertain impact of the restrictions to production volumes, which are expected to be more than offset by a change in timing of our scheduled furnace refurbishment in the June 2020 quarter, we are withdrawing guidance and will update the market when further information becomes available.

To-date, we have not yet experienced production interruptions from COVID-19 at any other operations. We continue to monitor the impact of restrictions placed on the movement of people and goods across the world and will continue to update the market as appropriate.

About South32

South32 is a globally diversified mining and metals company. We produce bauxite, alumina, aluminium, energy and metallurgical coal, manganese, nickel, silver, lead and zinc at our operations in Australia, Southern Africa and South America. We are also the owner of a high grade zinc, lead and silver development option in North America and have several partnerships with junior explorers with a focus on base metals. Our purpose is to make a difference by developing natural resources, improving people’s lives now and for generations to come, and to be trusted by our owners and partners to realise the potential of their resources.

Further Information

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

Authorised for release by Nicole Duncan, Company Secretary

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