APPENDIX 4E

SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 50 pages comprise the year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.3A. This statement includes the preliminary unaudited consolidated results of the South32 Group for the year ended 30 June 2016 compared with the year ended 30 June 2015 on both a statutory and pro forma basis.

	Pro forma[(a)]			Statutory
US$M	**FY16**	**FY15**	**%**	**FY15**
Revenue from continuing operations	5,812	7,743	down 25%	3,843
Revenue from discontinued operations	-	-	N/A	133
Revenue	**5,812**	**7,743**	**down 25%**	**3,976**
Profit/(loss) after tax from continuing operations	(1,615)	28	N/A	(926)
Profit/(loss) after tax from discontinued operations	-	-	N/A	7
Profit/ (loss) after taxation	**(1,615)**	**28**	**N/A**	**(919)**
Underlying earnings from continuing operations	**138**	**575**	**down 76%**	**79**

(a) Refer to note at the bottom of page 3 for the basis of preparation of pro forma financial information.

Net tangible assets per share

Net tangible assets per ordinary share were US$1.72 as at 30 June 2016 (US$2.02 as at 30 June 2015).

Dividends

The Board has resolved to pay a final dividend of US 1 cent per share (unfranked) for the year ended 30 June 2016 (record date 16 September 2016; payment date 6 October 2016).

Annual General Meeting

South32's 2016 Annual General Meeting will be held on Thursday, 24 November 2016 at 2.00pm Australian Western Standard Time (AWST), at the Golden Ballroom, Pan Pacific Hotel, 207 Adelaide Terrace, Perth, Western Australia 6000, Australia.

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FINANCIAL RESULTS AND OUTLOOK
YEAR ENDED 30 JUNE 2016

SOUTH32

25 August 2016 **ASX / LSE / JSE: S32**

South32 significantly reduces costs, further strengthens its balance sheet and announces inaugural dividend

"In our first full year, the successful transition to our regional model, a series of restructuring initiatives and robust operating performance delivered strong results. We set five production records and achieved guidance for the majority of our upstream operations, generated controllable cost savings of US$386M and reduced capital expenditure by US$306M.

"By optimising our operations and maintaining a core focus on value, we generated free cash flow of US$597M and finished the year with net cash of US$312M. We will continue to unlock the potential of our portfolio, identify opportunities and pursue investments where we see value, but will not compromise our strong balance sheet and investment grade credit rating.

"Looking to FY17, we have maintained production guidance for the majority of our upstream operations and will stretch performance to meet cost targets. Our functions are lean, with corporate costs now half the level envisaged at the time of listing.

"12 months on, South32 is a much stronger company with significantly lower costs and a balance sheet that provides flexibility. Against this backdrop, our Board resolved to pay an inaugural dividend of US 1 cent per share."

Graham Kerr, South32 CEO

Financial highlights				
		Pro forma	**Change**	**Statutory**[(1)(2)]
US$M	**FY16**	**FY15**	**%**	**FY15**
Revenue[(3)]	5,812	7,743	(25%)	3,843
Profit/(loss) from continuing operations	(1,441)	519	(378%)	(331)
Profit/(loss) after taxation	(1,615)	28	(5,868%)	(926)
Basic earnings per share (US cents)[(4)]	(30.3)	0.5	(6,160%)	(26.9)
Other financial measures				
Underlying EBITDA[(5)]	1,131	1,849	(39%)	820
Underlying EBITDA margin[(6)]	21.5%	26.2%	(4.7%)	23.4%
Underlying EBIT[(5)]	356	1,001	(64%)	345
Underlying EBIT margin[(7)]	6.7%	14.0%	(7.3%)	9.7%
Underlying earnings[(5)]	138	575	(76%)	79
Basic Underlying earnings per share (US cents)[(4)]	2.6	10.8	(76%)	2.3
ROIC[(8)]	1.7%	6.2%	(4.5%)	N/A

Note: To assist shareholders in their understanding of the South32 Group, pro forma financial information has been prepared for FY15 comparative purposes to reflect the business as it is now structured and as though it was in effect for the period 1 July 2014 to 30 June 2015 (refer to the pro forma income statement and Underlying earnings adjustments on page 45. The pro forma financial information must be read in conjunction with the notes on page 44).

2016 FINANCIAL YEAR SUMMARY

SAFETY

Our vision is to create a safe working environment where everyone goes home safe and well every day. Tragically, we lost four of our colleagues in the 2016 financial year (FY16) and our Total Recordable Injury Frequency (TRIF) increased from 5.8 to 7.7 per million hours worked. Despite our efforts over many years, we have not eliminated significant incidents and require a step change in performance. We are working hard to build an inclusive workplace with a strong culture of care and accountability, where work is well-designed and we continuously improve and learn.

PERFORMANCE HIGHLIGHTS

The Group's strategy is simple, with three core elements designed to deliver sector leading total shareholder returns: the optimisation of our existing operations; the conversion of high quality resources into reserves to unlock their potential; and the identification and pursuit of investment opportunities beyond our portfolio. While volatile macro-economic conditions posed a significant challenge to the industry, strict application of this strategy and an overarching focus on cash flow, value and investment returns delivered strong results in the areas that we control. Specific performance highlights included:

- Free cash flow, excluding equity accounted investments, of US$597M and net cash of US$312M at 30 June 2016;
- Record annual production at Australia Manganese (ore), Worsley Alumina, Brazil Alumina, Mozal Aluminium and Cannington (payable zinc), and robust performance at our other sites;
- The successful restructuring of our operations and implementation of our regional model;
- A US$386M and US$306M reduction in controllable costs[9] and capital expenditure, respectively;
- The creation of lean support functions and a reduction in corporate costs to approximately US$70M per annum from FY17, around half the level envisaged at the time of listing;
- The completion of the Appin Area 9 (Illawarra Metallurgical Coal) and Premium Concentrate Ore (Australia Manganese) projects on or ahead of schedule, and below budget;
- A significant reduction in the estimated capital cost for the development of the higher grade La Esmeralda Mineral Resource[10] at Cerro Matoso;
- The progression of the Klipspruit Life Extension project at South Africa Energy Coal into the feasibility study stage, where the viability of a lower capital cost development option is being assessed;
- Continuing to work with Eskom under the existing (cost plus) Coal Sales Agreement to progress a lower capital cost option to extend the life of the Khutala underground mine at South Africa Energy Coal;
- Reaching agreement to mine the Eastern Leases and explore the Southern Areas at GEMCO, which have the potential to substantially extend the life of one of the world's largest and lowest cost manganese mines; and
- The retention of our investment grade credit rating and the Board's resolution to pay an inaugural US 1 cent per share dividend.

In addition, we entered into an option agreement with Northern Shield Resources to become a partner in the Huckleberry property in Northern Quebec, Canada. This agreement represents a low-cost entry into the Labrador Trough, a province identified as being highly prospective for copper, nickel and platinum group elements.

EARNINGS

The Group's statutory loss of US$1.6B in the 2016 financial year (FY16) was significantly impacted by non-cash impairment related charges recorded in the December 2015 half year totalling US$1.7B (post-tax US$1.7B). Consistent with our accounting policies, various items are excluded from Underlying earnings including the aforementioned impairments, major corporate restructures (US$63M pre-tax), demerger related set-up costs (US$60M pre-tax), exchange rate gains associated with the restatement of monetary items (-US$43M pre-tax), the net benefit of adjustments to closure and rehabilitation provisions for closed sites (-US$59M pre-tax), fair value losses on derivative instruments (US$60M pre-tax), exchange rate gains associated with the Group's non-US dollar denominated debt and cash (-US$30M pre-tax), exchange rate losses on tax balances (US$124M), and the tax benefit on all pre-tax earnings adjustments (-US$178M).

Profit/(loss) from continuing operations to Underlying EBITDA reconciliation		
US$M	**FY16**	**Pro forma FY15**
Profit/(loss) from continuing operations	(1,441)	519
Earnings adjustments to derive Underlying EBIT	1,797	482
Underlying EBIT	**356**	**1,001**
Depreciation and amortisation	775	848
Underlying EBITDA	**1,131**	**1,849**

Profit/(loss) after taxation to Underlying earnings reconciliation		
US$M	**FY16**	**Pro forma FY15**
Profit/(loss) after taxation	(1,615)	28
Earnings adjustments to derive Underlying EBIT	1,797	482
Earnings adjustments to derive Underlying net finance cost	(21)	(134)
Earnings adjustments to derive Underlying income tax expense	(23)	199
Underlying earnings	**138**	**575**

The Group generated Underlying EBITDA of US$1.1B in FY16, for an operating margin of 21.5% and Underlying EBIT and Underlying earnings of US$356M and US$138M, respectively. A deterioration in commodity markets was the primary driver of the significant decline in profitability, reducing revenue by US$1.5B, net of price linked costs. In this context, the Group would have recorded an Underlying EBIT loss if not for the substantial US$386M reduction in controllable costs. Detailed earnings analysis is included on pages 13 through 15.

CASH FLOW

Despite a 21% reduction in the average realised price of our commodities, we generated free cash flow from operations, excluding equity accounted investments, of US$597M.

Capital expenditure, excluding equity accounted investments, was reduced by 39% or US$246M to US$383M. This included:

- Sustaining capital expenditure, comprising Stay-in-business, Minor discretionary and Deferred stripping (including underground development), of US$351M; and
- Major project capital expenditure of US$32M.

The purchase of intangibles and the capitalisation of exploration accounted for a further US$17M of expenditure.

The Appin Area 9 underground extension at Illawarra Metallurgical Coal was the Group's sole Major project in development during FY16. The project was completed in the March 2016 quarter, 33% below its US$845M budget and three months ahead of schedule.

Capital expenditure associated with equity accounted investments of US$79M in FY16 included the Premium Concentrate Ore (PC02) project at GEMCO (Australia Manganese) and the second phase of the Central Block development project at the Wessels underground mine (South Africa Manganese). The PC02 project, which increased Australia Manganese ore production capacity by 0.5Mt to 5.3Mtpa (100% basis), was delivered on schedule and under budget in the June 2016 quarter. The second phase of the Central Block development project will enable underground mining activity to relocate closer to critical infrastructure, thereby reducing cycle times. As a result of the fatality at Wessels in June 2016 and the subsequent reprioritisation of activities, commissioning is now expected in the March 2017 quarter. A further US$1M in capitalised exploration expenditure associated with equity accounted investments was incurred in FY16.

Total capital expenditure[11], including equity accounted investments was US$480M in FY16.

A US$121M reduction in provisions was mostly associated with expenditure on closure and rehabilitation activities and a stronger US dollar, while lower commodity and raw material prices led to a US$244M reduction in payables. In contrast, a reduction in supply chain inventory and receivables benefited cash flow by US$191M and US$163M, respectively, as average days debtors declined to 19 days (from 21 days at 31 December 2015). The resolution of two legacy tax disputes also contributed US$46M to cash flow in the December 2015 half year.

Free cash flow of operations, excluding equity accounted investments	
US$M	**FY16**
Profit/(loss) from continuing operations	(1,441)
Non-cash items	2,190
(Profit)/loss from equity accounted investments	330
Change in working capital	(11)
Cash generated from continuing operations	**1,068**
Total capital expenditure, excluding equity accounted investments, including intangibles and capitalised exploration	(400)
Operating cash flows from continuing operations before financing activities and tax, and after capital expenditure	**668**
Interest (paid)/received	(19)
Income tax (paid)/received	(52)
Free cash flow of operations, excluding equity accounted investments	**597**

We received dividends totalling US$33M during FY16, including US$19M from our equity accounted manganese investments and US$14M from our investment in Mineração Rio do Norte S.A. A further US$38M was received from our equity accounted manganese investments in the June 2016 half year as an overdraft facility owing to South32 was repaid.

BALANCE SHEET

Strong operating cash flow and the sustainable decapitalisation of our business, via more focussed investment, further strengthened the Group's Balance Sheet and established a solid foundation from which to grow return on invested capital (ROIC). As at 30 June 2016, the Group's net cash position was US$312M, a significant improvement on opening net debt of US$402M. The restructuring of a legacy financing arrangement (US$90M) in the December 2015 half year and a US$29M reduction in finance leases primarily associated with the appreciation of the US dollar contributed to the US$714M improvement in net cash. Additional liquidity is available via an undrawn US$1.5B revolving credit facility.

Net cash/ (debt)		
US$M	**FY16**	**Pro forma FY15**
Cash and cash equivalents	1,225	644
Finance leases	(602)	(631)
Other interest bearing liabilities	(311)	(415)
Net cash/ (debt)	**312**	**(402)**

Consistent with our commitment to maintain a strong investment grade credit rating, Standard and Poor's and Moody's retained the Group's BBB+ and Baa1 credit ratings throughout FY16.

DIVIDENDS

The Board has resolved to pay an inaugural final dividend of US 1 cent per share in respect of FY16. The dividend will not be franked for Australian taxation purposes given the current level of profitability and the recognition of additional deductions as part of the demerger related tax reset process.

This dividend is paid in line with South32's policy to distribute a minimum 40% of Underlying earnings as dividends to its shareholders following each six-month reporting period, having regard to South32's first two priorities for cash flow, being a commitment to maintain safe and reliable operations and an investment grade credit rating through the cycle.

Dividend Timetable	Date
Announce currency conversion into Rand	12 September 2016
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	13 September 2016
Ex-dividend date on the JSE	14 September 2016
Ex-dividend date on the ASX and London Stock Exchange (LSE)	15 September 2016
Record Date (including currency election date for ASX)	16 September 2016
Payment Date	**6 October 2016**

South32 Limited shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 14 and 16 September 2016 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 12 and 16 September 2016 (both dates inclusive).

Details of the currency exchange rates applicable for the dividend will be announced to the relevant stock exchanges and will appear on the Company's website.

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.

SHARE SALE FACILITY

South32 announces the establishment of a small shareholding sale facility (Sale Facility) for shareholders on its Australian register with holdings valued at less than A$500 and whose registered address is in Australia or New Zealand. The Sale Facility enables eligible shareholders to sell their shares in South32 without incurring any brokerage or handling costs. Further details are provided in a separate announcement on 25 August 2016. Eligible shareholders will also receive separate correspondence providing details of the Sale Facility.

This initiative is expected to reduce annual administration costs given the large number of shareholders with small holdings. Eligible shareholders will be entitled to the FY16 final dividend.

OUTLOOK

PRODUCTION

Production guidance for FY17 is unchanged for the majority of our upstream operations, although a downward revision is noted for Cannington. FY18 production guidance is provided for the first time.

Worsley Alumina saleable alumina production guidance is largely unchanged with the refinery expected to produce at its nameplate capacity of 4.6Mtpa (100% basis) across FY17 and FY18. Similarly, Brazil Alumina saleable production guidance for FY17 is unchanged at 1.32Mt before a small increase in production is expected in FY18.

At South Africa Energy Coal, total coal production guidance for FY17 is maintained at approximately 31Mt, albeit with a higher proportion of domestic sales. A small decrease in production is expected in FY18. At Illawarra Metallurgical Coal, saleable coal production guidance is unchanged at 9.5Mt for FY17, with an increase in longwall utilisation and cutting rates anticipated following the completion of the Appin Area 9 project in January 2016. Production is expected to remain largely unchanged in FY18.

Payable nickel production guidance for Cerro Matoso remains unchanged at approximately 36kt for FY17. A small decrease in production is expected in FY18. Access to the higher grade La Esmeralda Mineral Resource(10) will be facilitated by the development of a low cost river crossing with payable nickel production expected to rise temporarily to more than 40ktpa in FY19 and FY20.

Consistent with prior guidance and in response to challenging market conditions, Australia Manganese is expected to operate below recently expanded capacity of 5.3Mwmt (100% basis), with ore production of 3.1Mwmt projected for each of FY17 and FY18. Production guidance is not provided for South Africa Manganese as our plans will be adjusted to reflect customer demand given our focus on value over volume.

Following the completion of our first annual planning cycle, we have optimised the longer term mine plan at Cannington, with silver and lead production guidance for FY17 reduced by 2% and 3%, respectively, and zinc production guidance increased by 3%. This plan, which seeks to increase total silver, lead and zinc extraction across the remaining years of the underground operation and reduce geotechnical risk by resequencing stope design, results in a further 10-13% reduction in payable metal production in FY18.

Upstream production guidance (South32 share)(12)			
	FY16	**FY17e(a)**	**FY18e(a)**
Worsley Alumina			
Alumina production (kt)	3,961	3,965	3,965
Brazil Alumina			
Alumina production (kt)	1,335	1,320	1,350
South Africa Energy Coal(13)			
Domestic coal production (kt)	16,825	*Revised ↑ 17,000*	17,000
Export coal production (kt)	14,856	*Revised ↓ 13,850*	12,800
Illawarra Metallurgical Coal			
Metallurgical coal production (kt)	7,059	8,150	8,140
Energy coal production (kt)	1,307	1,380	1,400
Australia Manganese			
Manganese ore production (kwmt)	3,071	3,120	3,125
South Africa Manganese			
Manganese ore production (kwmt)	1,711	Subject to Demand	Subject to Demand
Cerro Matoso			
Payable nickel production (kt)	36.8	36.0	35.0
Cannington			
Payable silver production (koz)	21,393	*Revised ↓ 19,050*	16,550
Payable lead production (kt)	173	*Revised ↓ 163*	147
Payable zinc production (kt)	79	*Revised ↑ 80*	72

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

High rates of current efficiency have been achieved at our African aluminium smelters. The impact of electricity load-shedding events was lower than anticipated in FY16 and production will continue to be influenced by the duration and regularity of these outages. We are yet to restart production in the 22 pots that were taken offline at South Africa Aluminium in September 2015 in response to challenging market conditions (equivalent to 3% of total production).

At Metalloys (South Africa Manganese), saleable manganese alloy production has been adjusted to reflect market demand, with one of four furnaces to remain in operation until market conditions improve. At TEMCO (Australia Manganese), power shortages in FY16 led to the suspension of two of four furnaces. These furnaces returned to full production in July 2016.

Consistent with our focus on value over volume, we will continue to take decisive action should superior value and cash flow be attainable by varying the output of any operation.

COSTS AND CAPITAL EXPENDITURE

We reduced controllable costs by US$386M and capital expenditure, including equity accounted investments, by 40% to US$462M in FY16.

Cost targets

In February 2016, we announced major restructuring initiatives at a number of our operations, including Worsley Alumina, Illawarra Metallurgical Coal, Australia Manganese (GEMCO), South Africa Manganese and Cerro Matoso. These restructuring activities have been completed, while additional cost savings were also embedded within our support functions.

As a result, we are well positioned to achieve the majority of our FY17 operational cost targets, which have been adjusted to reflect revised commodity price and foreign exchange rate assumptions. In this regard, our cost target for South Africa Manganese is unlikely to be achieved before the June 2017 half year following the fatality at Wessels in June 2016 and the subsequent reprioritisation of activities in the underground mine. Cost targets for South Africa Energy Coal and Cannington are provided for the first time. Forecast corporate costs of approximately US$70M per annum from FY17 are almost 50% lower than envisaged at the time of listing.

Operating unit costs, including Sustaining capital expenditure by upstream operation[14]

	Units	FY15	FY16	FY17 Prior guidance[a]	FY17 New guidance[b]
Worsley Alumina	US$/t	266	221	200	**204**
Illawarra Metallurgical Coal	US$/t	104	80	66	**71**
Australia Manganese ore (FOB)	US$/dmtu	2.40	1.88	1.56	**1.66**
South Africa Manganese ore (FOB)	US$/dmtu	2.23	2.01	1.90	***1.71***
Cerro Matoso	US$/lb	5.54	4.30	3.90	**3.87**
South Africa Energy Coal	US$/t	33	27	-	**26**
Cannington[c]	US$/t	182	153	-	**138**

(a) Prior Operating unit cost guidance, including Sustaining capital expenditure, predicated on previously disclosed price and foreign exchange rate assumptions (refer to footnote 15 on page 27).

(b) New FY17 Operating unit cost targets, including Sustaining capital expenditure, are predicated on revised commodity price and foreign exchange rate assumptions (refer to footnote 16 on page 27). The target for South Africa Manganese (in italics) reflects the expected June 2017 half year run-rate as activity has been reprioritised following a fatality at the Wessels underground mine in June 2016. New Operating unit cost targets, including Sustaining capital expenditure, based upon previously disclosed commodity price and foreign exchange rate assumptions would be: Worsley Alumina US$194/t, Illawarra Metallurgical Coal US$66/t, Australia Manganese ore US$1.56/dmtu, South Africa Manganese US$1.93/dmtu and Cerro Matoso US$3.68/lb.

(c) Shows US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact operating unit cost as related marketing costs and treatment and refining charges may change.

Capital expenditure

We expect capital expenditure, including equity accounted investments, to remain largely unchanged in FY17 at approximately US$450M[17]. Major project expenditure is not anticipated, aside from study costs and land acquisitions associated with our South Africa Energy Coal life extension options, primarily Klipspruit. Looking to FY18, sustaining capital expenditure, including equity accounted investments, is expected to remain largely unchanged from FY17, while the rate of expenditure associated with Major projects will remain dependent on the status of our development options. The Klipspruit Life Extension is the sole Major project scheduled for approval before the end of FY18, noting that the low cost La Esmeralda development at Cerro Matoso does not fall into this category.

Exploration expenditure

During the year we signed an option agreement with Northern Shield Resources to become a partner in the Huckleberry property in Northern Quebec, Canada. This agreement represents a low-cost entry into the Labrador Trough, a province identified as being highly prospective for copper, nickel and platinum group elements. We can earn a 50% interest in the property by funding C$2.5M of exploration spend and a further 20% interest by funding an additional C$2.5M. Northern Shield's interest will be free carried to the completion of a Preliminary Economic Assessment (PEA) study on the property.

Modest investment in greenfield exploration is currently planned for FY17, although the rate of expenditure will rise should additional opportunities be identified. Exploration expenditure of approximately US$12M is expected within our existing footprint.

Restructuring charges

Once-off redundancy and restructuring charges of US$51M were recognised in FY16 as previously announced operational initiatives were completed. Following a review of our functional support structures in the June 2016 quarter, a further US$12M of redundancy and restructuring charges were recognised prior to the end of the financial year. The majority of these once-off charges have been paid, with the remaining US$28M to be paid in FY17. US$8M of once-off redundancy and restructuring charges were recognised and paid by Equity Accounted Investments in FY16.

Movement in restructuring provision (excluding EAI)	
US$	
Opening Balance (1 July 2015)	**23**
Profit and loss charge	63
Amounts paid H1 FY16	(17)
Amount paid H2 FY16	(41)
Closing Balance (30 June 2016)	**28**

These once-off charges are excluded from the Group's Underlying measures.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation, excluding equity accounted investments, is expected to decrease by US$55M to US$720M in FY17 following the recognition of non-cash impairment charges in FY16. Similarly, depreciation and amortisation for equity accounted investments is expected to decline by US$55M to US$70M in FY17.

TAX EXPENSE

The Group's Underlying effective tax rate (Underlying ETR) primarily reflects the geographic distribution of the Group's profit. The corporate tax rates applicable to the Group include: Australia 30%; South Africa 28%; Colombia 40%; and Brazil 34%. It should also be recognised that permanent differences have a disproportionate effect on the Group's Underlying ETR(18) when commodity prices and profit margins are compressed. Based on current projections, the Group is not expected to generate franking credits in FY17.

2016 FINANCIAL YEAR RESULTS

To assist shareholders in their understanding of the Group, pro forma FY15 financial information has been included for comparative purposes to reflect the business as it is now structured and as though it was in effect for the period 1 July 2014 to 30 June 2015. To provide further insight into the underlying performance of the South32 Group, we also present internal earnings measures utilised by management. These internal measures include Underlying EBITDA, Underlying EBIT and Underlying earnings.

Income statement		
US$M	**FY16**	**Pro forma FY15**
Revenue	5,812	7,743
Other income	324	261
Expenses excluding net finance cost	(7,247)	(7,479)
Share of profit/(loss) of equity accounted investments	(330)	(6)
Profit/(loss) from continuing operations	**(1,441)**	**519**
Net finance cost	(104)	(60)
Taxation expense	(70)	(431)
Profit/(loss) after taxation	**(1,615)**	**28**
Basic earnings per share (US cents)	**(30.3)**	**0.5**

Other financial information		
Profit/(loss) from continuing operations	(1,441)	519
Earnings adjustments to derive Underlying EBIT	1,797	482
Underlying EBIT	**356**	**1,001**
Depreciation and amortisation	775	848
Underlying EBITDA	**1,131**	**1,849**
Profit/(loss) after taxation	(1,615)	28
Earnings adjustments after taxation	1,753	547
Underlying earnings	**138**	**575**
Basic Underlying earnings per share (US cents)	**2.59**	**10.80**

EARNINGS ADJUSTMENTS

The following table notes the various Earnings adjustments that are excluded from the Group's Underlying measures. A detailed explanation of these adjustments, including Significant items, is included on pages 39 to 42.

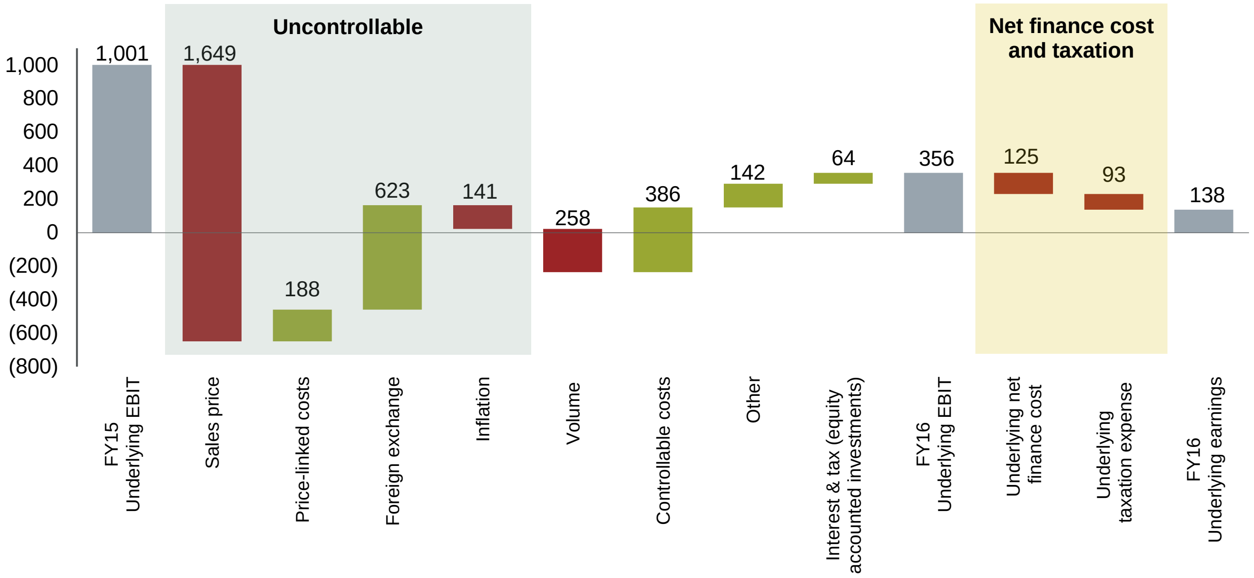
Earnings adjustments		
US$M	**FY16**	**Pro forma FY15**
Adjustments to Underlying EBIT		
Significant items[(a)]	24	-
Exchange rate (gains)/losses on restatement of monetary items[(b)]	(43)	(93)
Impairment losses[(b)]	1,386	594
Fair value (gains)/losses on derivative instruments[(b)]	60	(25)
Major corporate restructures[(b)]	63	-
Impairment losses included in operating profit/(loss) of equity accounted investments[(c)]	291	-
Earnings adjustments included in operating profit/(loss) of equity accounted investments[(c)]	16	6
Total adjustments to Underlying EBIT	**1,797**	**482**
Adjustments to net finance cost		
Significant items[(a)]	9	-
Exchange rate variations on net debt	(30)	(134)
Total adjustments to net finance cost	**(21)**	**(134)**
Adjustments to income tax expense		
Significant items[(a)]	31	96
Tax effect of earnings adjustments to Underlying EBIT	(187)	(134)
Tax effect of earnings adjustments to net finance cost	9	40
Exchange rate variations on tax balances	124	197
Total adjustments to income tax expense	**(23)**	**199**
Total earnings adjustments after taxation	**1,753**	**547**

(a) Refer to Significant items on pages 41 to 42.
(b) Recognised in "expenses excluding net finance cost" in the consolidated income statement.
(c) Recognised in "share of profit/(loss) of equity accounted investments" in the consolidated income statement.

EARNINGS ANALYSIS

The following key factors influenced Underlying earnings in FY16, relative to pro forma FY15.

Reconciliation of movements in Underlying earnings (US$M)[19] [20]



Prices, foreign exchange and inflation

A 21% reduction in the average realised price of our commodities reduced revenue by US$1.6B. Weaker aluminium and alumina prices accounted for US$918M of this impact. Lower manganese ore and alloy, metallurgical and energy coal, and nickel prices reduced revenue by a further US$268M, US$262M, and US$203M, respectively.

The pronounced decline in commodity markets led to a US$188M reduction in price linked costs, although this was largely offset by general inflation which increased costs by US$141M. The inflationary impact was most pronounced at our African operations, which accounted for 65% of the total variance.

The general strengthening of the US dollar against a basket of producer currencies provided some relief, increasing Underlying EBIT by US$623M.

Volume

We delivered record annual production at Australia Manganese (ore), Worsley Alumina, Brazil Alumina, Mozal Aluminium and Cannington (payable zinc), and robust performance at our other sites. In this context, the US$258M volume related decline in revenue reflects the proactive decisions we took to temporarily suspend and then rebase production at South Africa Manganese, optimise production at South Africa Energy Coal for cash flow and margin, and extend the closure of loss making smelting activities at Brazil Alumina.

Controllable cost reduction

We reduced controllable costs by a substantial US$386M in FY16, including equity accounted investments. These savings were achieved by increasing labour productivity, lowering the utilisation of and rates for contractors and consultants, reducing procurement, freight and logistics costs, and optimising our energy footprint. This included a US$65M reduction in controllable costs for our marketing and corporate functions, highlighting the breadth of our efforts.

FY16 controllable costs savings	
US$M	**Total**
Cost initiatives	238
Volume	(12)
Inventory	(68)
Australia region	**158**
Cost initiatives	99
Volume	152
Inventory	(59)
Africa region	**192**
Corporate and other[(a)]	36
Total	**386**

(a) Corporate and other includes Corporate cost savings of approximately US$65M.

The temporary suspension and rebasing of production at South Africa Manganese contributed to the reduction in controllable costs, however this was broadly offset by an increase in costs within the income statement to reflect the associated reduction of inventory.

Other items

Other items increased Underlying EBIT by a net US$142M. Depreciation and amortisation reduced by US$120M primarily due to impairments recorded in the December 2015 half year at Australia Manganese, South Africa Energy Coal, South Africa Manganese and Brazil Alumina.

The suspension of aluminium smelting at Brazil Alumina reduced costs by US$57M, although this was largely offset by a net US$36M reduction in the contribution of power sales. As previously indicated, a US$24M (onerous contract) provision has been recorded in the June 2016 half year to reflect the anticipated future losses associated with the remaining Eletronorte power supply commitments across FY17 and FY18.

Interest and tax associated with equity accounted investments

The Group's manganese operations are jointly controlled by South32 (60% share) and Anglo American (40% share). The Underlying interest and taxation expense associated with these equity accounted investments declined by US$64M in FY16 to US$41M.

Net finance costs

The Group incurred Underlying net finance costs, excluding equity accounted investments, of US$125M in FY16. This largely reflects the unwinding of the discount applied to closure and rehabilitation provisions (US$96M), and finance lease charges (US$37M), primarily at Worsley Alumina.

Underlying net finance cost reconciliation	
US$M	**FY16**
Unwind of discount applied to closure and rehabilitation provisions	(96)
Finance lease charges	(37)
Other	8
Underlying net finance cost	**(125)**
Add back earnings adjustment for exchange rate variations on net debt	30
Add back Significant items	(9)
Net finance cost	**(104)**

Taxation expense

The Group's underlying income tax expense, which excludes taxation associated with equity accounted investments, was US$93M for an Underlying effective tax rate (ETR) of 36.6%. The tax expense for equity accounted investments was US$13M, including royalty related taxation. The GEMCO (Australia Manganese) Northern Territory royalty, as a profits based tax, gives rise to royalty related taxation of US$9M in equity accounted investments.

Underlying income tax expense reconciliation and Underlying ETR	
US$M	**FY16**
Underlying EBIT	356
Include: Underlying net finance cost	(125)
Remove: Share of profit/(loss) of equity accounted investments	23
Underlying Profit/(loss) before taxation	**254**
Income tax expense	**70**
Tax effect of earnings adjustments to Underlying EBIT	187
Tax effect of earnings adjustments to net finance cost	(9)
Exchange rate variations on tax balances	(124)
Tax on significant items	(31)
Underlying income tax expense	**93**
Underlying effective tax rate	**36.6%**

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OPERATIONS ANALYSIS

A summary of the Underlying performance of the Group's operations is presented below.

Operations table				
	Revenue		Underlying EBIT	
US$M	**FY16**	**FY15[c]**	**FY16**	**FY15[c]**
Worsley Alumina	1,011	1,291	42	174
South Africa Aluminium	1,161	1,541	82	250
Mozal Aluminium	431	630	-	112
Brazil Alumina	346	497	78	181
South Africa Energy Coal	1,009	1,315	95	94
Illawarra Metallurgical Coal	642	814	(61)	(30)
Australia Manganese[a]	476	595	65	123
South Africa Manganese[a]	234	420	(47)	(20)
Cerro Matoso	333	593	(88)	58
Cannington	786	902	274	287
Third party products[21]	587	795	6	28
Inter-segment / Group and Unallocated	(492)	(635)	(49)	(151)
Total	**6,524**	**8,758**	**397**	**1,106**
Equity accounting adjustment[b]	(712)	(1,015)	(41)	(105)
South32 Group	**5,812**	**7,743**	**356**	**1,001**

(a) Revenue and Underlying EBIT reflect South32's proportionally consolidated interest in the manganese operations.

(b) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.

(c) Pro forma FY15 information.

Note: Detailed operational analysis is presented on pages 17 to 26. Unless otherwise stated:

- All metrics reflect South32's share;
- FY15 comparative financial information reflects pro forma financial information;
- Operating unit costs, including Sustaining capital expenditure, is Revenue less Underlying EBITDA plus Sustaining capital expenditure. Additional manganese disclosures are included on pages 23 and 24; and
- New operating unit cost targets, including Sustaining capital expenditure, and Sustaining capital expenditure guidance, include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: an alumina price of US$259/t; an average blended coal price of US$83/t for Illawarra Metallurgical Coal; a manganese ore price of US$3.23/dmtu for 44% manganese product; a nickel price of US$3.95/lb; a silver price of US$17.50/troy oz; a lead price of US$1,723/t; a zinc price of US$1,907/t; an AUD:USD exchange rate of 0.72; a USD:ZAR exchange rate of 16.57; and a USD:COP exchange rate of 3,025; all of which reflect forward markets as at May 2016 or our internal expectations.

WORSLEY ALUMINA (86% SHARE)

Volumes

Worsley Alumina saleable production increased by 142kt (or 4%) to 4.0Mt in FY16 as an uplift in calciner availability underpinned record performance. This is the first time that the refinery has operated at its expanded capacity of 4.6Mtpa (100% basis) across a full year and was achieved despite a power outage and associated process instability that was caused by water ingress during a severe storm in April 2016.

Saleable alumina production guidance is largely unchanged with the refinery expected to produce at its nameplate capacity of 4.6Mt (100% basis) across FY17 and FY18.

Costs

Operating unit costs decreased by 16% to US$210/t in FY16 as we benefitted from a stronger US dollar, reduced employee and contractor numbers by 24%, embedded procurement savings, including lower energy input costs, and restructured our teams to create discrete mining and refining operations with greater focus.

Previously announced restructuring initiatives have been completed and we expect operating unit costs, including Sustaining capital expenditure, to decline to US$204/t in FY17 (FY16: US$221/t). This reflects planned Sustaining capital expenditure of US$56M as additional investment is directed towards water infrastructure. Revised exchange rate and price assumptions for our FY17 unit cost targets are detailed on page 27, footnote 16.

Financial performance

Underlying EBIT declined by US$132M in FY16 to US$42M. Lower realised alumina prices (-US$249M, net of price-linked costs), a favourable movement in foreign exchange rate markets (+US$71M) and a US$41M reduction in controllable costs had the most significant influence on financial performance.

Capital expenditure decreased by 29% to US$44M in FY16.

Pre-tax restructuring costs, including redundancies, of approximately US$17M were incurred in FY16 and have been excluded from the Group's Underlying earnings measures.

South32 share	FY16	FY15
Alumina production (kt)	3,961	3,819
Alumina sales (kt)	3,874	3,857
Realised alumina sales price (US$/t)[(a)]	261	335
Operating unit cost (US$/t)[(b)]	210	250

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US$M)	FY16	FY15
Revenue	1,011	1,291
Underlying EBITDA	199	325
Underlying EBIT	42	174
Net operating assets	3,208	3,361
Capital expenditure	44	62
Major projects (>US$100M)	-	-
All other capital expenditure	*44*	*62*
Exploration expenditure	-	-
Exploration expensed	-	-

SOUTH AFRICA ALUMINIUM (100%)

Volumes

South Africa Aluminium saleable production was largely unchanged in FY16 as the impact of electricity load-shedding events was lower than anticipated, particularly in the December 2015 half year. While high rates of current efficiency are being achieved within the potlines, production will continue to be influenced by the duration and regularity of load-shedding events. We are yet to restart production in the 22 pots that were taken offline in September 2015 in response to market conditions.

Costs

Operating unit costs decreased by 19% to US$1,430/t in FY16, reflecting a stronger US dollar, lower aluminium price-linked power costs and weaker raw material prices. Additional cost savings were realised as the smelter continued to improve its energy efficiency. A total of 183 pots were relined across FY16 at a cost of approximately US$191k per pot (FY15: 136 pots at US$245k per pot). 72 pots are scheduled to be relined in FY17.

While additional productivity gains are being pursued, the cost profile of the smelter will be more heavily influenced by power and raw material inputs, given the operation's high variable cost base. Hillside sources power from Eskom under long-term contracts. The price of electricity supplied to potlines 1 and 2 is linked to the LME aluminium price and the South African rand/US dollar exchange rate. The price of electricity supplied to potline 3 is South African rand based and linked to South African and United States producer price indices.

Financial performance

Underlying EBIT decreased by US$168M in FY16 to US$82M. The combination of lower realised aluminium prices and premia reduced Underlying EBIT by US$258M, net of price-linked costs. This impact was partially offset by a favourable movement in foreign exchange rates (+US$66M) and an increase in sales volumes (+US$40M).

Capital expenditure decreased by 46% to US$19M in FY16.

Pre-tax restructuring costs, including redundancies, of approximately US$2M were incurred in FY16 and have been excluded from the Group's Underlying earnings measures.

South32 share	FY16	FY15
Aluminium production (kt)	697	699
Aluminium sales (kt)[(a)]	709	695
Realised sales price (US$/t)[(a)]	1,638	2,217
Operating unit cost (US$/t)[(b)]	1,430	1,761

(a) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US$M)	FY16	FY15
Revenue	1,161	1,541
Underlying EBITDA	147	317
Underlying EBIT	82	250
Net operating assets	1,059	1,151
Capital expenditure	19	35
Major projects (>US$100M)	-	-
All other capital expenditure	*19*	*35*
Exploration expenditure	-	-
Exploration expensed	-	-

MOZAL ALUMINIUM (47.1% SHARE)

Volumes

Mozal Aluminium achieved record annual production of 266kt in FY16 as a reduction in load-shedding events complemented an increase in potline current efficiency. While high rates of current efficiency are being achieved, production will continue to be influenced by the duration and regularity of load-shedding events.

Costs

Operating unit costs declined by 12% to US$1,559/t in FY16, reflecting a stronger US dollar and weaker raw materials prices. Planned relining activity increased in FY16 with 109 pots relined at a cost of US$207k per pot (FY15: 91 pots at US$231k per pot). 118 pots are scheduled to be relined in FY17.

While additional productivity gains are being pursued, the cost profile of the smelter will be more heavily influenced by power and raw material inputs, given the operation's high variable cost base. Mozal Aluminium utilises hydroelectric power under a long-term contract that is generated by Hidroeléctrica de Cahora Bassa (HCB). HCB delivers power into the South African grid to Eskom and Mozal Aluminium sources the power via the Mozambique Transmission Company (Motraco).

Financial performance

Underlying EBIT decreased by US$112M in FY16 to US$0M. The combination of lower realised aluminium prices and premia reduced Underlying EBIT by US$115M, net of price-linked costs, while lower sales volumes reduced Underlying EBIT by a further US$47M. These impacts were partially offset by a favourable movement in foreign exchange rate markets (+US$46M).

Capital expenditure decreased by 50% to US$7M in FY16.

South32 share	FY16	FY15
Aluminium production (kt)	266	265
Aluminium sales (kt)[(a)]	254	273
Realised sales price (US$/t)[(a)]	1,697	2,308
Operating unit cost (US$/t)[(b)]	1,559	1,762

(a) Volumes and prices do not include any third party trading that may be undertaken independently of the equity production. Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US$M)	FY16	FY15
Revenue	431	630
Underlying EBITDA	35	149
Underlying EBIT	-	112
Net operating assets	565	626
Capital expenditure	7	14
Major projects (>US$100M)	*-*	*-*
All other capital expenditure	*7*	*14*
Exploration expenditure	-	-
Exploration expensed	-	-

BRAZIL ALUMINA (ALUMINA 36% SHARE, ALUMINIUM 40% SHARE)

Volumes

Brazil Alumina saleable alumina production increased by 7kt to a record 1,335kt in FY16. Production guidance for FY17 is unchanged at 1,320kt. A small increase in production is expected in FY18 to 1,350kt.

Aluminium production was first curtailed in July 2013 and the suspension of all smelting activity was announced in March 2015. We have forward sold power until the end of CY17 and have terminated our supply contract with Eletronorte.

Costs

Alumina operating unit costs at the non-operated refinery decreased by 12% to US$189/t in FY16 as the US dollar strengthened and raw material costs declined.

Financial performance

Underlying EBIT decreased by US$103M in FY16 to US$78M. A reduction in realised alumina prices (-US$80M, net of price-linked costs) and a declining contribution from power sales (-US$36M) was partially offset by a favourable movement in foreign exchange rate markets (+US$29M).

As a result of our decision to terminate the contract with Eletronorte, power sales are not expected to contribute to Underlying EBIT beyond FY16. In this context, a US$24M (onerous contract) provision has been recorded in the June 2016 half year to reflect anticipated future losses associated with the remaining Eletronorte power supply commitments across FY17 and FY18.

Unhedged power sales, inclusive of this provision, contributed BRL214M to Underlying EBIT in FY16 (FY15: BRL300M). The cumulative cash impact will change by up to BRL40M for every +/-US10c/lb movement in the aluminium price above a floor of US$0.66/lb

Capital expenditure at the refinery increased by 50% to US$12M in FY16.

South32 share	FY16	FY15
Alumina production (kt)	1,335	1,328
Aluminium production (kt)	-	40
Alumina sales (kt)	1,359	1,309
Aluminium sales (kt)	-	41
Realised alumina sales price (US$/t)[a]	255	323
Realised aluminium sales price (US$/t)[a]	N/A	2,366
Alumina operating unit cost (US$/t)[b] [c]	189	215
Aluminium operating unit cost (US$/t)[b] [d]	N/A	2,366

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

(c) Includes cost of acquiring bauxite from Mineração Rio do Norte S.A.

(d) Includes cost of alumina transferred from the Alumar refinery to the Alumar smelter at the alumina contract sales price. Excludes EBITDA from the sale of power.

South32 share (US$M)	FY16	FY15
Revenue	346	497
Alumina	*346*	*423*
Aluminium	-	*97*
Intra-segment elimination	-	*(23)*
Other income[a]	191	229
Underlying EBITDA	140	259
Alumina	*89*	*141*
Aluminium	*51*	*118*
Underlying EBIT	78	181
Alumina	*36*	*83*
Aluminium	*42*	*98*
Net operating assets	707	928
Alumina	*737*	*744*
Aluminium	*(30)*	*184*
Capital expenditure	12	8
Major projects (>US$100M)	-	-
All other capital expenditure	*12*	*8*
Exploration expenditure	-	-
Exploration expensed	-	-

(a) Other income in FY16 includes revenue of US$172M from the sale of surplus electricity.

SOUTH AFRICA ENERGY COAL (92% SHARE)

Volumes

South Africa Energy Coal saleable production decreased by 2.6Mt (or 8%) to 31.7Mt in FY16. Lower production resulted from the planned closure of the opencast mine at Khutala and a reduction in contractor activity at the Wolvekrans Middelburg Complex, consistent with our focus on value over volume.

Total coal production guidance for FY17 is maintained at approximately 30.9Mt, with a higher proportion of domestic sales. In FY18, a small decrease in production is expected to 29.8Mt.

The Klipspruit Life Extension project proceeded into the feasibility study stage in FY16, where the viability of a lower capital cost development option is being assessed. In addition, we continue to work with Eskom under the existing (cost plus) Coal Sales Agreement to progress a lower capital cost option to extend the life of the Khutala underground mine.

Costs

Operating unit costs decreased by 13% to US$26/t in FY16 due to a stronger US dollar and a significant improvement in labour productivity. In this context, the insourcing of activity underpinned a 38% reduction in contractor numbers when compared with the average headcount in FY15, while employee numbers were also reduced by 14%.

Operating unit costs, including Sustaining capital expenditure, are expected to decline only marginally to US$26/t in FY17 (FY16: US$27/t) despite the assumed weakening of the South African Rand given the relatively high proportion of fixed costs and lower production. In this context, Sustaining capital expenditure of US$72M is planned. Exchange rate and price assumptions for our FY17 unit cost targets are detailed on page 27, footnote 16.

Financial performance

Underlying EBIT remained largely unchanged in FY16 at US$95M. A reduction in contractor and labour costs increased Underlying EBIT by US$66M while a stronger US dollar delivered a further US$112M net benefit. Non-cash charges declined by US$95M as depreciation and amortisation was rebased following the recognition of impairments in FY15 and the December 2015 half year. In contrast, lower realised prices reduced Underlying EBIT by US$117M, net of price-linked costs.

Capital expenditure decreased by 36% to US$63M in FY16 following the purchase of mobile equipment in the prior period.

Pre-tax restructuring costs, including redundancies, of approximately US$15M were incurred in FY16 and have been excluded from the Group's Underlying earnings measures.

100 per cent terms[a]	FY16	FY15
Energy coal production (kt)	31,681	34,273
Domestic sales (kt)[b]	17,169	18,416
Export sales (kt)[b]	15,157	16,390
Realised domestic sales price (US$/t)[b]	18	21
Realised export sales price (US$/t)[b]	46	56
Operating unit cost (US$/t)[c]	26	30

(a) South32's interest in South Africa Energy Coal is accounted at 100% until B-BBEE vendor loans are repaid.

(b) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales revenue divided by sales volume.

(c) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

100 per cent terms[a] (US$M)	FY16	FY15
Sales revenue[b]	1,009	1,315
Underlying EBITDA	182	276
Underlying EBIT	95	94
Net operating assets/(liabilities)	(99)	395
Capital expenditure	63	98
Major projects (>US$100M)	*2*	-
All other capital expenditure	*61*	*98*
Exploration expenditure	-	-
Exploration expensed	-	-

(a) South32's interest in South Africa Energy Coal is accounted at 100% until B-BBEE vendor loans are repaid.

(b) Includes domestic and export sales revenue.

ILLAWARRA METALLURGICAL COAL (100%)

Volumes

Illawarra Metallurgical Coal saleable production decreased by 560kt (or 6%) to 8.4Mt in FY16 as challenging geological conditions were encountered at the Appin and Dendrobium mines in the first six months of the reporting period. Three planned longwall moves were also completed during the year.

The Appin Area 9 project was completed in January 2016, ahead of schedule and below budget, significantly increasing longwall utilisation and cutting rates. Saleable coal production guidance is unchanged at 9.5Mt for FY17 and this rate of production is expected to be maintained in FY18. Two longwall moves and one step around are planned for FY17, with the step around scheduled for the September 2016 quarter and the two longwall moves for the March 2017 quarter.

Costs

Operating unit costs decreased by 18% to US$61/t in FY16 as the US dollar strengthened and we reorganised the operation into two teams, surface processing and logistics, and underground mining, thereby removing layers of management and functional support while creating greater focus. Employee and contractor numbers declined by 17%.

Previously announced restructuring initiatives have been completed and we expect operating unit costs, including Sustaining capital expenditure, to decline to US$71/t in FY17 (FY16: US$80/t). This reflects planned Sustaining capital expenditure of US$117M, including underground development of approximately US$66M. Revised exchange rate and price assumptions for our FY17 unit cost targets are detailed on page 27, footnote 16.

Financial performance

Underlying EBIT decreased by US$31M in FY16 to a loss of US$61M. Lower realised coal prices (-US$128M, net of price-linked costs) and a decline in sales volumes (-US$36M) were partially offset by a US$67M reduction in controllable costs and the benefit of a stronger US dollar (+US$71M).

Capital expenditure decreased by 40% to US$185M in FY16 with the completion of the Appin Area 9 project. Underground development of US$106M included US$64M for Appin Area 9.

Pre-tax restructuring costs, including redundancies, of approximately US$12M were incurred in FY16 and have been excluded from the Group's Underlying earnings measures.

South32 share	FY16	FY15
Metallurgical coal production (kt)	7,059	7,455
Energy coal production (kt)	1,307	1,471
Metallurgical coal sales (kt)	6,984	7,324
Energy coal sales (kt)	1,333	1,378
Realised metallurgical coal sales price (US$/t)[(a)]	84	101
Realised energy coal sales price (US$/t)[(a)]	43	54
Operating unit cost (US$/t)[(b)]	61	74

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US$M)	FY16	FY15
Sales revenue[(a)]	642	814
Underlying EBITDA	132	167
Underlying EBIT	(61)	(30)
Net operating assets	1,516	1,518
Capital expenditure	185	308
Major projects (>US$100M)	*30*	*51*
All other capital expenditure[(b)]	*155*	*257*
Exploration expenditure	4	5
Exploration expensed	4	5

(a) Includes metallurgical coal and energy coal sales revenue.

(b) Includes capitalised underground development expenditure and Appin Area 9 project underground development expenditure in FY16 of US$106M (FY15: US$119M).

AUSTRALIA MANGANESE (60% SHARE)

Volumes

Australia Manganese saleable ore production increased by 129kwmt (or 4%) to a record 3.1Mwmt in FY16 as concentrator performance improved and the Premium Concentrate Ore (PCO2) project was completed. The project, which increased GEMCO's production capacity by 500kwmt, was completed 17% under budget and ahead of schedule in the June 2016 quarter.

Consistent with prior guidance and in response to challenging market conditions, Australia Manganese is expected to operate below recently expanded capacity of 5.3Mwmt (100% basis), with ore production of 3.1Mwmt projected for each of FY17 and FY18.

We obtained consent from the Anindilyakwa Land Council to access the Eastern Leases and the Southern Areas at GEMCO in June 2016. The Eastern Leases will enable us to mine new areas within our existing operating footprint. Access to the Southern Areas, adjacent to the existing operations, will substantially increase our exploration footprint at this highly prospective manganese operation.

Saleable manganese alloy production decreased by 34kt (or 20%) to 133kt in FY16 as power shortages led to the suspension of two of four furnaces. The operation returned to full production in July 2016.

Costs

FOB manganese ore operating unit costs decreased by 16% to US$1.41/dmtu in FY16 as the US dollar strengthened and we reduced GEMCO employee and contractor numbers by 4%. Associated costs savings more than offset an increase in the strip ratio from 3.0 to 3.3.

Previously announced restructuring initiatives have been completed and we expect FOB operating unit costs, including Sustaining capital expenditure, to decline to US$1.66/dmtu in FY17 (FY16: US$1.88/dmtu FOB), despite an expected increase in the strip ratio to 3.7. This reflects planned Sustaining capital expenditure of US$31M. Revised exchange rate and price assumptions for our FY17 unit cost targets are detailed on page 27, footnote 16.

Financial performance

Underlying EBIT decreased by US$58M in FY16 to US$65M. Lower manganese ore and alloy prices reduced Underlying EBIT by US$163M, net of price-linked costs, although this was partially offset by a stronger US dollar, which increased Underlying EBIT by US$33M.

Capital expenditure decreased by US$30M to US$68M in FY16 and included a US$28M investment to complete the PC02 project.

Due to natural attrition and the decision not to recruit roles associated with the PC02 project, the reduction in employee and contractor numbers resulted in no redundancy costs at GEMCO in FY16.

South32 share	FY16	FY15
Manganese ore production (kwmt)	3,071	2,942
Manganese alloy production (kt)	133	167
Manganese ore sales (kwmt)[a]	*3,084*	*2,788*
External customers	*2,771*	*2,483*
TEMCO	*313*	*305*
Manganese alloy sales (kt)[a]	150	139
Realised manganese ore sales price (FOB, US$/dmtu)[a][b]	2.48	3.48
Realised manganese alloy sales price (US$/t)[a]	860	1,079
Ore operating unit cost (FOB, US$/dmtu)[b][c]	1.41	1.68
Alloy operating unit cost (US$/t)[c]	833	971

(a) Volumes and realised prices do not include any third party trading that may be undertaken independently of equity production. Realised ore prices are calculated as sales revenue less freight and marketing costs, divided by sales volume. Realised alloy prices are calculated as sales revenue, including sinter revenue, divided by alloy sales volume. Ore converted to sinter and alloy, and sold externally is eliminated as an intracompany transaction. External ore sales in italics have been restated.

(b) FY16 average manganese content of ore sales was 47.3% on a dry basis (FY15: 47.7%). 94% of FY16 manganese ore sales (FY15: 90%) were completed on a CIF basis. FY16 realised FOB ore prices and operating unit costs have been adjusted for freight and marketing costs of US$24M (FY15: US$37M), consistent with our FOB cost guidance.

(c) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume. Alloy operating unit costs is Revenue less Underlying EBITDA divided by alloy sales volumes and includes costs associated with sinter sold externally.

South32 share (US$M)	FY16	FY15
Sales revenue[a]	476	595
Manganese ore	*372*	*479*
Manganese alloy	*129*	*150*
Intra-segment elimination	*(25)*	*(34)*
Underlying EBITDA	154	243
Manganese ore	*150*	*228*
Manganese alloy	*4*	*15*
Underlying EBIT	65	123
Manganese ore	*67*	*116*
Manganese alloy	*(2)*	*7*
Net operating assets	341	1,384
Manganese ore	*322*	*1,365*
Manganese alloy	*19*	*19*
Capital expenditure	68	98
Major projects (>US$100M)	*-*	*-*
All other capital expenditure	*68*	*98*
Exploration expenditure	1	2
Exploration expensed	-	2

(a) Revenues referring to sales from GEMCO to TEMCO are eliminated as part of the consolidation.

SOUTH AFRICA MANGANESE (ORE 44.4% SHARE, ALLOY 60% SHARE)

Volumes

South Africa Manganese saleable ore production decreased by 563kwmt (or 25%) to 1.7Mwmt in FY16 following the decision to initially suspend mining activity in November 2015 and then restructure the operation in response to challenging market conditions. Mining recommenced at both Wessels and Mamatwan in the March 2016 quarter, ramping-up to an optimised 2.9Mwmt pa (100% basis) production rate.

The second phase of the Central Block development project will enable underground mining activity to relocate closer to critical infrastructure, thereby reducing cycle times. As a result of the fatality at the Wessels underground mine in June 2016 and the subsequent reprioritisation of activities, commissioning is now expected in the March 2017 quarter.

Saleable manganese alloy production decreased by 155kt (or 63%) to 91kt in FY16 following the decision to suspend three of the four high-carbon ferromanganese furnaces at Metalloys in May 2015. Metalloys will continue to operate one of four furnaces until market conditions improve.

Costs

FOB manganese ore operating unit costs decreased by 3% to US$1.91/dmtu in FY16 as the US dollar strengthened, production volumes were rebased and employee and contractor numbers were reduced by 41%.

Previously announced restructuring initiatives have been completed and we expect FOB operating unit costs, including Sustaining capital expenditure, to decline to US$1.71/dmtu in the June 2017 half year (FY16: US$2.01/dmtu FOB). This reflects planned Sustaining capital expenditure of US$7M.

The expected six month delay in achieving our cost target reflects the reprioritisation of activities at the Wessels underground mine following the fatality that occurred in June 2016. Revised exchange rate and price assumptions for our FY17 unit cost targets are detailed on page 27, footnote 16.

Financial performance

Underlying EBIT decreased by US$27M in FY16 to a loss of US$47M as lower realised manganese ore and alloy prices reduced Underlying EBIT by US$69M, net of price-linked costs. Lower sales volumes reduced Underlying EBIT by a further US$112M, although this impact was more than offset by a reduction in costs associated with the temporary suspension of operations (+US$111M) and a stronger US dollar (+US$44M).

Capital expenditure decreased significantly to US$11M in FY16.

Pre-tax restructuring costs, including redundancies, of approximately US$8M were incurred in FY16 and have been excluded from the Group's Underlying earnings measures.

South32 share	FY16	FY15
Manganese ore production (kwmt)	1,711	2,274
Manganese alloy production (kt)	91	246
Manganese ore sales (kwmt)[(a)]	1,834	2,210
External customers	*1,736*	*1,685*
Metalloys	*98*	*525*
Manganese alloy sales (kt)[(a)]	110	251
Realised manganese ore sales price (US$/dmtu)[(a)(b)]	2.06	2.53
Realised manganese alloy sales price (US$/t)[(a)]	682	876
Ore operating unit cost (US$/dmtu)[(b)(c)]	1.91	1.97
Alloy operating unit cost (US$/t)[(b)(c)]	882	948

(a) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised ore prices are calculated as sales revenue less freight and marketing costs, divided by sales volume. Realised alloy prices are calculated as sales revenue, divided by alloy sales volume. Ore converted to sinter and alloy, and sold externally is eliminated as an intracompany transaction. Manganese ore sales are grossed-up to reflect a 60% accounting effective interest.

(b) FY16 average manganese content of ore sales was 39.9% on a dry basis (FY15: 41.4%). 57% of FY16 manganese ore sales (FY15: 36%) were completed on a CIF basis. FY16 realised FOB ore prices and operating costs have been adjusted for freight and marketing costs of US$17M (FY15: US$20M), consistent with our FOB cost guidance.

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

South32 share (US$M)	FY16	FY15
Revenue[(a)]	234	420
Manganese ore[(b)]	*166*	*249*
Manganese alloy	*75*	*220*
Intra-segment elimination	*(7)*	*(49)*
Underlying EBITDA	(11)	32
Manganese ore[(b)]	*11*	*50*
Manganese alloy	*(22)*	*(18)*
Underlying EBIT	(47)	(20)
Manganese ore[(b)]	*(13)*	*12*
Manganese alloy	*(34)*	*(32)*
Net operating assets	342	530
Manganese ore[(b)]	*258*	*384*
Manganese alloy	*84*	*146*
Capital expenditure	11	41
Major projects (>US$100M)	*-*	*-*
All other capital expenditure	*11*	*41*
Exploration expenditure	-	-
Exploration expensed	-	-

(a) Revenues referring to sales from Hotazel mines to Metalloys are eliminated as part of the consolidation.

(b) Consistent with the presentation of South32's segment information, South Africa Manganese ore production and sales have been reported at 60%. The group's financial statement will continue to reflect a 54.6% interest in South Africa Manganese ore.

CERRO MATOSO (99.9% SHARE)

Volumes

Cerro Matoso payable nickel production decreased by 3.6kt (or 9%) to 36.8kt in FY16. Lower production resulted from a decline in the average ore grade, consistent with the mine plan.

Payable nickel production guidance remains unchanged at approximately 36.0kt for FY17. A small decrease in production is expected in FY18, however access to the higher grade La Esmeralda Mineral Resource(10) is expected to be facilitated by the development of a low cost river crossing which should see payable nickel production rise temporarily to more than 40kt in FY19 and FY20.

Costs

Operating unit costs decreased by 21% to US$4.08/lb in FY16. This largely reflected the benefit of a stronger US dollar, an 18% reduction in employee and contractor numbers, and a decrease in energy usage and rates.

Previously announced restructuring initiatives have been completed and we expect operating unit costs, including Sustaining capital expenditure, to decline to US$3.87/lb in FY17 (FY16: US$4.30/lb). This reflects planned Sustaining capital expenditure of US$15M and a new collective labour agreement which provides certainty for the next three years. Revised exchange rate and price assumptions for our FY17 unit cost targets are detailed on page 27, footnote 16.

Financial performance

Underlying EBIT decreased by US$146M in FY16 to a loss of US$88M due to weaker realised prices (-US$192M, net of price-linked costs) and a decline in sales volumes (-US$57M). These impacts were partially offset by a reduction in controllable costs (+US$36M) and a stronger US dollar (+US$84M).

Capital expenditure of US$18M was 50% lower than the prior period.

Pre-tax restructuring costs, including redundancies, of approximately US$4M were incurred in FY16 and have been excluded from the Group's Underlying earnings measures.

South32 share	FY16	FY15
Ore mined (kwmt)	6,009	6,321
Ore processed (kdmt)	2,699	2,629
Ore grade processed (%, Ni)	1.54	1.67
Payable nickel production (kt)	36.8	40.4
Payable nickel sales (kt)	36.8	40.6
Realised nickel sales price (US$/lb)[a]	4.10	6.63
Operating unit cost (US$/lb)[b]	4.08	5.14

(a) Inclusive of by-products. Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by Payable nickel sales volume.

South32 share (US$M)	FY16	FY15
Sales revenue	333	593
Underlying EBITDA	2	133
Underlying EBIT	(88)	58
Net operating assets	683	763
Capital expenditure	18	36
Major projects (>US$100M)	-	-
All other capital expenditure	*18*	*36*
Exploration expenditure	5	9
Exploration expensed	2	1

CANNINGTON (100% SHARE)

Volumes

Payable silver and lead production decreased by 5%, to 21.39Moz and 173.2kt respectively, in FY16 due to a temporary reduction in mill throughput. Conversely, an increase in the average zinc ore grade and recoveries resulted in record annual zinc production of 79.0kt (+9%).

Following the completion of our first annual planning cycle, we have optimised the longer term mine plan at Cannington, with silver and lead production guidance for FY17 reduced by 2% and 3%, respectively, and zinc production guidance increased by 3%. This plan, which seeks to increase total silver, lead and zinc extraction across the remaining years of the underground operation and reduce geotechnical risk by resequencing stope design, results in a further 10-13% reduction in payable metal production in FY18 (to 16.55Moz for silver, 147kt for lead and 72kt for zinc).

We have also concluded that an investment decision to potentially extend the life of the Cannington mine will not be required before the end of this decade.

Costs

Operating unit costs declined by 15% to US$145/t of ore processed in FY16 as the US dollar strengthened, employee and contractor numbers were reduced by 17% and procurement savings, including lower contractor rates, were embedded.

We expect operating unit costs, including Sustaining capital expenditure, to decline to US$138/t of ore processed in FY17 (FY16: US$153/t). This reflects planned Sustaining capital expenditure of US$45M. Exchange rate and price assumptions for our FY17 unit cost targets are detailed on page 27, footnote 16.

Financial performance

Underlying EBIT decreased by US$13M in FY16 to US$274M. Lower average realised prices reduced Underlying EBIT by US$89M, net of price-linked costs, although this impact was offset by a US$47M reduction in controllable costs and a US$41M benefit associated with the stronger US dollar.

Finalisation adjustments and the provisional pricing of Cannington concentrates reduced Underlying EBIT by US$11M in FY16 (-US$19M in the December 2015 half year; -US$43M in FY15). Outstanding concentrate sales (containing 3.1Moz of silver, 30.9kt of lead and 6.4kt of zinc) were revalued at 30 June 2016. The final price of these sales will be determined in the first half of FY17.

Capital expenditure of US$27M was 31% lower than the prior period.

South32 share	FY16	FY15
Ore mined (kt)	3,289	3,418
Ore processed (kt)	3,149	3,289
Ore grade processed (g/t, Ag)	255	257
Ore grade processed (%, Pb)	6.6	6.7
Ore grade processed (%, Zn)	3.8	3.4
Payable silver production (koz)	21,393	22,601
Payable lead production (kt)	173.2	183.0
Payable zinc production (kt)	79.0	72.3
Payable silver sales (koz)	20,852	23,831
Payable lead sales (kt)	169.7	188.9
Payable zinc sales (kt)	82.6	66.8
Realised silver sales price (US$/oz)[(a)]	16.2	16.8
Realised lead sales price (US$/t)[(a)]	1,780	1,890
Realised zinc sales price (US$/t)[(a)]	1,780	2,171
Operating unit cost (US$/t ore processed)[(b)]	145	170

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs and treatment and refining charges may change.

South32 share (US$M)	FY16	FY15
Revenue	786	902
Underlying EBITDA	330	342
Underlying EBIT	274	287
Net operating assets	242	280
Capital expenditure	27	39
Major project (>US$100M)	-	-
All other capital expenditure	*27*	*39*
Exploration expenditure	3	5
Exploration expensed	3	5

NOTES

(1) The pro forma and statutory financial information reflects continuing operations and therefore excludes the contribution of the New Mexico Coal asset.

(2) Percentage change has not been disclosed for statutory results on the basis that the variances between FY16 and FY15 are substantially different due to the impact of the Internal Restructure prior to demerger.

(3) Revenue includes revenue from third party products.

(4) FY16 basic earnings per share is calculated as Profit/(loss) after taxation from continuing operations divided by the weighted average number of shares for FY16 (5,324 million). FY16 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY16. Pro forma FY15 basic earnings per share is calculated as pro forma Profit/(loss) after taxation from continuing operations divided by the number of shares on issue at 30 June 2015 (5,324 million). Pro forma FY15 basic Underlying earnings per share is calculated as pro forma Underlying earnings divided by the number of shares on issue at 30 June 2015.

(5) Underlying EBIT is profit from continuing operations before net finance costs, taxation and any earnings adjustment items, including impairments. Underlying EBIT is reported inclusive of South32's share of net finance costs and taxation of equity accounted investments. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. Underlying earnings is Profit/(loss) after taxation 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 are 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 gain/loss on disposal and consolidation of interests in businesses;
- Fair value gain/loss on derivative instruments;
- Major corporate restructures; and
- The income tax impact of the above items.

In addition, items that do not reflect the underlying operations of South32, and are individually significant to the financial statements, are excluded to determine Underlying earnings. Significant items are detailed in the Financial Information.

(6) Comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.

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

(8) Return on invested capital (ROIC) is a key measure that South32 uses to assess performance. ROIC is calculated as Underlying EBIT less the discount on rehabilitation provisions included in net finance cost, tax effected by the Group's Underlying effective tax rate (ETR), divided by the sum of fixed assets (excluding any rehabilitation asset and impairments) and inventories. Manganese is included in the calculation on a proportional consolidation basis.

(9) Controllable costs are measured on a cash basis (including equity accounted investments) and exclude significant items, inter-segment sales, foreign exchange rate movements, country specific inflation, price-linked costs and discontinued/suspended operations. Any controllable cost movement is defined in absolute terms compared to FY15 and is not a measure of unit cost performance.

(10) La Esmeralda comprises 9.4Mt of Mineral Resources of the total reported Mineral Resources for FY16 which is provided in this report. This is made up of 74% Measured Mineral Resources and 26% Indicated Mineral Resources at an average grade of 1.59% Ni. The project is based on a completed Feasibility Study demonstrating the project is economically viable. La Esmeralda has recently been granted regulatory environmental approvals. The information that relates to the FY16 Cerro Matoso Ore Reserves and Mineral Resources (inclusive of Ore Reserves) is reported in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('The JORC Code, 2012 Edition') in this report. The information related to Mineral Resources and Ore Reserves is based on information compiled by Ivan Espitia (MAusIMM) and Nelson Monterroza (MAusIMM) respectively. The above-mentioned persons are full-time employees of South32 Limited and have the required qualifications and experience to qualify as Competent Persons for Mineral Resources and Ore Reserves as defined in the 2012 Edition of the JORC Code. The Competent Persons verify that this report is based on and fairly reflects the Mineral Resources and Ore Reserves information in the report and consent to the inclusion in this report of the matters based on the information in the form and context in which it appears. The Mineral Resources and Ore Reserves breakdown by classification are contained on page 49 for Cerro Matoso. All tonnes and grade information has been rounded, hence small differences may be present in the totals. Tonnages are reported on a dry basis in millions of tonnes (Mt).

(11) Total capital expenditure comprises Capital expenditure, the purchase of intangibles and capitalised exploration expenditure. Capital expenditure comprises Sustaining capital expenditure and Major projects capital expenditure. Sustaining capital expenditure comprises Stay-in-business (SIB), Minor discretionary and Deferred stripping (including underground development) capital expenditure.

(12) South32's ownership share of operations are as follows: Worsley Alumina (86%), South Africa Aluminium (100%), Mozal Aluminium (47.1% share), Brazil Alumina (Alumina 36% share, Aluminium 40% share), South Africa Energy Coal (92% share), Illawarra Metallurgical Coal (100%), Australia Manganese (60% share), South Africa Manganese (60% share), Cerro Matoso (99.9% share), and Cannington (100%).

(13) South32's interest in South Africa Energy Coal is accounted at 100% until employee share ownership plan (ESOP) and broad-based black economic empowerment (B-BBEE) vendor loans are repaid.

(14) Operating unit cost, including Sustaining capital expenditure is operating cost plus Sustaining capital expenditure divided by sales. Operating cost is Revenue less Underlying EBITDA. Additional manganese disclosures are included on pages 23 and 24.

(15) Prior projected Operating unit cost guidance, including Sustaining capital expenditure, and prior Sustaining capital expenditure guidance, include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: an alumina price of US$255/t; an average blended coal price of US$65/t for Illawarra Metallurgical Coal; a manganese ore price of US$2.00/dmtu for 44% manganese product; a nickel price of US$3.75/lb; an AUD:USD exchange rate of 0.68; a USD:ZAR exchange rate of 14.12; and a USD:COP exchange rate of 3,170; all of which reflected forward markets at the end of H1 FY16 or our internal expectations.

(16) New projected Operating unit cost targets, including Sustaining capital expenditure, and Sustaining capital expenditure guidance, include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: an alumina price of US$259/t; an average blended coal price of US$83/t for Illawarra Metallurgical Coal; a manganese ore price of US$3.23/dmtu for 44% manganese product; a nickel price of US$3.95/lb; a thermal coal price of US$54/t (API4) for South Africa Energy Coal; a silver price of US$17.50/troy oz; a lead price of US$1,723/t; a zinc price of US$1,907/t; an AUD:USD exchange rate of 0.72; a USD:ZAR exchange rate of 16.57; and a USD:COP exchange rate of 3,025; all of which reflect forward markets as at May 2016 or our internal expectations.

(17) FY17 Capital expenditure guidance is predicated on: an AUD:USD exchange rate of 0.72; a USD:ZAR exchange rate of 16.57; and a USD:COP exchange rate of 3,025; all of which reflect forward markets as at May 2016 or our internal expectations.

(18) Underlying effective tax rate (ETR) is Underlying income tax expense (pro forma Underlying income tax expense for FY15) excluding royalty related taxation divided by Underlying profit before tax (pro forma Underlying profit before tax for FY15); both the numerator and denominator exclude equity accounted investments.

(19) 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.

(20) Underlying net finance cost and Underlying taxation expense are actual FY16 results, not year-on-year variances.

(21) Third party product sold comprises US$264 million for aluminium (pro forma FY15: US$394 million), US$59 million for alumina (pro forma FY15: US$147 million), US$72 million for coal (pro forma FY15: US$88 million), US$90 million for freight services (pro forma FY15: US$40 million) and US$100 million for aluminium raw materials (pro forma FY15: US$126 million). Underlying EBIT on third party products comprise US$3 million for aluminium (pro forma FY15: US$1 million), (US$3) million for alumina (pro forma FY15: US$22 million), US$5 million for coal (pro forma FY15: US$1 million), US$1 million for freight services (pro forma FY15: US$ nil) and US$ nil for aluminium raw materials (pro forma FY15: US$4 million).

(22) The South32 Group acquired each of the following operations on the respective dates in parentheses: Worsley Alumina (8 May 2015), South Africa Aluminium (2 February 2015), Mozal Aluminium (27 March 2015), Brazil Alumina (3 July 2014), South Africa Energy Coal (2 February 2015), Australia Manganese (8 May 2015), South Africa Manganese (3 February 2015), Cerro Matoso (2 February 2015), and Cannington (31 January 2015).

The following abbreviations may be used throughout this report: US$ million (US$M); US$ billion (US$B); financial year is abbreviated to FY16; financial year (FY), grams per tonne (g/t); tonnes (t); thousand tonnes (kt); thousand tonnes per annum (ktpa); million tonnes (Mt); million tonnes per annum (Mtpa); thousand troy ounces (koz); million troy ounces (Moz); thousand wet metric tonnes (kwmt); thousand dry metric tonnes (kdmt) dry metric tonne unit (dmtu); pound (lb); megawatt (MW); Australian Securities Exchange (ASX); London Stock Exchange (LSE); and Johannesburg Stock Exchange (JSE).

SOUTH32 FINANCIAL INFORMATION

For the year ended 30 June 2016

BASIS OF PREPARATION

The financial information included in this document for the year ended 30 June 2016 is unaudited. The financial information does not constitute the South32 Group's full financial statements for the year ended 30 June 2016, which will be approved by the Board, reported on by the auditors, and filed with the Australian Securities and Investments Commission. The South32 Group's full financial statements will be prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Unless otherwise stated, the comparative figures for the financial year ended 30 June 2015 are from the accounts of South32 Limited.

Effective 15 May 2015, BHP Billiton shares ceased trading with an entitlement to South32 shares. Economic separation and distribution of South32 shares to shareholders became effective from 25 May 2015. Prior to the demerger, the South32 Group and the BHP Billiton Group were required to undertake a number of internal share and asset transfers in connection with the corporate restructure (Internal Restructure)[22]. As required, and unless otherwise stated, comparative statutory financial information for the South32 Group has been presented for the 2015 financial year (FY15). The South32 Group's comparative statutory financial information only includes the results of the current South32 Group operations (also referred to as "operations") from their date of acquisition during the financial year as part of the Internal Restructure. The exception is Illawarra Metallurgical Coal, which was part of the South32 Group at 1 July 2014 and the results of New Mexico Coal for the period 1 July 2014 to 27 October 2014, being the date that it ceased to be part of the South32 Group as a result of the Internal Restructure. Accordingly, as a result of the Internal Restructure, the comparative statutory financial information for FY15 does not reflect the performance of the South32 Group as it is currently structured.

All amounts are expressed in US dollars unless otherwise stated. The South32 Group's presentation currency and the functional currency of the majority of its operations is US dollars as this is the principal currency of the economic environment in which it operates.

Comparative figures have been prepared on the same basis as the current period figures. Amounts in this financial information have, unless otherwise indicated, been rounded to the nearest million dollars (US$M).

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2016

US$M	FY16	FY15
Continuing operations		
Revenue		
Group production	**5,227**	3,480
Third party products	**585**	363
	5,812	3,843
Other income	**324**	1,143
Expenses excluding net finance cost	**(7,247)**	(5,247)
Share of profit/(loss) of equity accounted investments	**(330)**	(70)
Profit/(loss) from continuing operations	**(1,441)**	(331)
Comprising:		
Group production	**(1,447)**	(338)
Third party products	**6**	7
Profit/(loss) from continuing operations	**(1,441)**	(331)
Finance expenses	**(132)**	(89)
Finance income	**28**	22
Net finance cost	**(104)**	(67)
Profit/(loss) before taxation	**(1,545)**	(398)
Income tax (expense)/benefit	**(70)**	(432)
Royalty-related taxation (net of income tax)	**–**	(96)
Total tax (expense)/benefit	**(70)**	(528)
Profit/(loss) after taxation from continuing operations	**(1,615)**	(926)
Discontinued operations		
Profit/(loss) from discontinued operations, net of taxation	**–**	7
Profit/(loss) for the year	**(1,615)**	(919)
Attributable to:		
Ordinary equity holders of South32 Limited	**(1,615)**	(919)
Profit/(loss) from continuing operations attributable to the ordinary equity holders of South32 Limited		
Basic earnings per ordinary share (cents)	**(30.3)**	(26.9)
Diluted earnings per ordinary share (cents)	**(30.3)**	(26.9)
Profit/(loss) for the year attributable to the ordinary equity holders of South32 Limited		
Basic earnings per ordinary share (cents)	**(30.3)**	(26.7)
Diluted earnings per ordinary share (cents)	**(30.3)**	(26.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

US$M	FY16	FY15
Profit/(loss) for the year	**(1,615)**	(919)
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Equity accounted investments – share of other comprehensive income/(loss)	**–**	–
Available for sale investments:		
Net gain/(loss) taken to equity	**(54)**	65
Net (gain)/loss transferred to the income statement	**23**	–
Taxation benefit/(expense) recognised within other comprehensive income	**9**	(33)
Total items that may be reclassified subsequently to the income statement	**(22)**	32
Items not to be reclassified to the income statement:		
Equity accounted investments – share of other comprehensive income/(loss)	**1**	–
Actuarial gain/(loss) on pension and medical schemes	**3**	3
Taxation benefit/(expense) recognised within other comprehensive income	**(1)**	(1)
Total items not to be reclassified to the income statement	**3**	2
Total other comprehensive income/(loss)	**(19)**	34
Total comprehensive income/(loss)	**(1,634)**	(885)
Attributable to:		
Ordinary equity holders of South32 Limited	**(1,634)**	(885)

CONSOLIDATED BALANCE SHEET

as at 30 June 2016

US$M	FY16	FY15
ASSETS		
Current assets		
Cash and cash equivalents	**1,225**	644
Trade and other receivables	**618**	1,162
Other financial assets	**32**	14
Inventories	**747**	953
Current tax assets	**61**	77
Other	**18**	18
Total current assets	**2,701**	2,868
Non-current assets		
Trade and other receivables	**445**	185
Other financial assets	**260**	417
Inventories	**55**	60
Property, plant and equipment	**8,651**	9,550
Intangible assets	**288**	306
Equity accounted investments	**570**	1,707
Deferred tax assets	**382**	376
Other	**22**	20
Total non-current assets	**10,673**	12,621
Total assets	**13,374**	15,489
LIABILITIES		
Current liabilities		
Trade and other payables	**676**	921
Interest bearing liabilities	**282**	364
Other financial liabilities	**1**	4
Current tax payable	**6**	11
Provisions	**408**	398
Deferred income	**4**	6
Total current liabilities	**1,377**	1,704
Non-current liabilities		
Trade and other payables	**5**	30
Interest bearing liabilities	**631**	682
Other financial liabilities	**16**	–
Deferred tax liabilities	**501**	554
Provisions	**1,410**	1,479
Deferred income	**12**	5
Total non-current liabilities	**2,575**	2,750
Total liabilities	**3,952**	4,454
Net assets	**9,422**	11,035
EQUITY		
Share capital	**14,958**	14,958
Treasury shares	**(3)**	–
Reserves	**(3,555)**	(3,557)
Retained earnings/(accumulated losses)	**(1,977)**	(365)
Total equity attributable to ordinary equity holders of South32 Limited	**9,423**	11,036
Non-controlling interests	**(1)**	(1)
Total equity	**9,422**	11,035

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2016

US$M	FY16	FY15
Operating activities		
Profit/(loss) before taxation from continuing operations	**(1,545)**	(398)
Adjustments for:		
Non-cash significant items	**(27)**	(921)
Depreciation and amortisation expense	**775**	477
Impairments of property, plant and equipment, financial assets, intangibles and equity accounted investments	**1,386**	1,389
Employee share awards expense	**23**	1
Net finance cost	**95**	67
Share of (profit)/loss of equity accounted investments	**330**	70
Other non-cash or non-operating items	**42**	90
Changes in assets and liabilities:		
Trade and other receivables	**163**	(327)
Inventories	**191**	85
Trade and other payables	**(244)**	161
Provisions and other liabilities	**(121)**	(29)
Cash generated from continuing operations	**1,068**	665
Interest received	**27**	23
Interest paid	**(46)**	(42)
Income tax (paid)/received	**(52)**	1
Dividends received	**14**	–
Dividends received from equity accounted investments	**19**	–
Net cash flows from continuing operating activities	**1,030**	647
Net cash flows from discontinued operating activities	**–**	23
Net cash flows from operating activities	**1,030**	670
Investing activities		
Purchases of property, plant and equipment	**(383)**	(454)
Exploration expenditure	**(13)**	(10)
Exploration expenditure expensed and included in operating cash flows	**9**	7
Purchase of intangibles	**(13)**	(9)
Investment in financial assets	**(53)**	(400)
Investment in subsidiaries, operations and joint operations, net of their cash as part of the BHP Billiton demerger	**–**	(12,734)
Investment in equity accounted investments	**(1)**	(1,565)
Cash outflows from investing activities	**(454)**	(15,165)
Proceeds from sale of property, plant and equipment, financial assets and intangibles	**112**	8
Proceeds from divestment of subsidiaries, operations and joint operations, net of their cash as part of the BHP Billiton demerger	**–**	171
Net cash flows from continuing investing activities	**(342)**	(14,986)
Net cash flows from discontinued investing activities	**–**	(9)
Net cash flows from investing activities	**(342)**	(14,995)
Financing activities		
Proceeds from interest bearing liabilities	**31**	72
Repayment of interest bearing liabilities	**(127)**	(6)
Proceeds from amounts received from BHP Billiton	**–**	1,224
Repayment of amounts owing to BHP Billiton	**–**	(831)
Purchase of shares by Employee Share Ownership Plan (ESOP) trusts	**(3)**	–
Proceeds from ordinary shares	**–**	14,397
Net cash flows from continuing financing activities	**(99)**	14,856
Net cash flows from financing activities	**(99)**	14,856
Net increase/(decrease) in cash and cash equivalents	**589**	531
Cash and cash equivalents, net of overdrafts, at the beginning of the financial year	**644**	145
Foreign currency exchange rate changes on cash and cash equivalents	**(8)**	(9)
Change in cash and cash equivalents on commencement of equity accounting	**–**	(23)
Cash and cash equivalents, net of overdrafts, at the end of the financial year	**1,225**	644

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

US$M	Share capital	Treasury shares	Reserves	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	Attributable to ordinary equity holders of South32 Limited						
Balance as at 1 July 2015	**14,958**	–	**(3,557)**	**(365)**	**11,036**	**(1)**	**11,035**
Profit/(loss) for the year	–	–	–	**(1,615)**	**(1,615)**	–	**(1,615)**
Other comprehensive income/(loss)	–	–	**(22)**	**3**	**(19)**	–	**(19)**
Total comprehensive income/(loss)	–	–	**(22)**	**(1,612)**	**(1,634)**	–	**(1,634)**
Transactions with owners:							
Accrued employee entitlement for unexercised awards	–	**–**	**24**	**–**	**24**	–	**24**
Purchase of shares by ESOP trusts	–	**(3)**	**–**	**–**	**(3)**	–	**(3)**
Balance as at 30 June 2016	**14,958**	**(3)**	**(3,555)**	**(1,977)**	**9,423**	**(1)**	**9,422**
Balance as at 1 July 2014	561	–	–	552	1,113	–	1,113
Profit/(loss) for the year	–	–	–	(919)	(919)	–	(919)
Other comprehensive income/(loss)	–	–	32	2	34	–	34
Total comprehensive income/(loss)	–	–	32	(917)	(885)	–	(885)
Transactions with owners:							
Proceeds from issue of shares	14,397	–	–	–	14,397	–	14,397
Accrued employee entitlement for unexercised awards	–	–	1	–	1	–	1
Acquisition and divestment of subsidiaries and operations	–	–	(3,569)	–	(3,569)	453	(3,116)
Disposal on change from control to joint control of South Africa Manganese and Samancor AG	–	–	–	–	–	(454)	(454)
Other movements	–	–	(21)	–	(21)	–	(21)
Balance as at 30 June 2015	14,958	–	(3,557)	(365)	11,036	(1)	11,035

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. The members of the executive management team (the "chief operating decision maker") and the Board of Directors monitor the segment results regularly for the purpose of making decisions about resource allocation and performance assessment. The segment information for the manganese operations are presented on a proportional consolidation basis, which is the measure used by South32's management to assess their performance.

The principal activities of each operating segment as the South32 Group is currently structured are summarised as follows:

Operating segment	Principal activities
Worsley Alumina	**Integrated bauxite mine and alumina refinery in Western Australia**
South Africa Aluminium	**Aluminium smelter in Richards Bay**
Brazil Alumina	**Alumina refinery in Brazil**
Mozal Aluminium	**Aluminium smelter in Mozambique**
South Africa Energy Coal	**Open-cut and underground energy coal mines and processing operations in South Africa**
Illawarra Metallurgical Coal	**Underground metallurgical coal mines in New South Wales**
Australia Manganese	**Integrated producer of manganese ore in the Northern Territory and manganese alloys in Tasmania**
South Africa Manganese	**Integrated producer of manganese ore and alloy in South Africa**
Cerro Matoso	**Integrated laterite ferronickel mining and smelting complex in Colombia**
Cannington	**Silver, lead and zinc mine in Queensland**

All operations are operated or jointly operated by South32 except Alumar (which forms part of Brazil Alumina), which is operated by Alcoa.

(b) Segment results

Segment performance is measured on Underlying EBIT and Underlying EBITDA. Underlying EBIT is profit before net finance cost, taxation 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 South32 Group's consolidated profit after taxation from continuing operations is set out below. Segment revenue is measured on the same basis as in the consolidated income statement.

Revenue is not reduced for royalties and other taxes payable from group production.

The South32 Group separately discloses sales of group production from sales of third party products because of the significant difference in profit margin earned on these sales.

It is the South32 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 expense and finance income) and income taxes are managed on a South32 Group basis and are not allocated to operating segments.

Total assets and liabilities for each operating segment represent operating assets and liabilities which predominately exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances. The carrying amount of investments accounted for using the equity method represents the balance of the South32 Group's investment in equity accounted investments, with no adjustment for cash, interest bearing liabilities and tax balances of the equity accounted investment.

FY16 SEGMENT INFORMATION

FY16 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese [(a)]	South Africa Manganese [(a)]	Cerro Matoso	Cannington	Group and unallocated items/ elimination	Statutory adjustment [(a)]	Group
Revenue													
Group production	542	1,161	431	323	1,009	642	476	230	333	786	-	(706)	5,227
Third party products[(b)]	-	-	-	-	-	-	-	-	-	-	587	(2)	585
Inter-segment revenue	469	-	-	23	-	-	-	4	-	-	(492)	(4)	-
Total revenue	**1,011**	**1,161**	**431**	**346**	**1,009**	**642**	**476**	**234**	**333**	**786**	**95**	**(712)**	**5,812**
Underlying EBITDA	**199**	**147**	**35**	**140**	**182**	**132**	**154**	**(11)**	**2**	**330**	**(13)**	**(166)**	**1,131**
Depreciation and amortisation	(157)	(65)	(35)	(62)	(87)	(193)	(89)	(36)	(90)	(56)	(30)	125	(775)
Underlying EBIT	**42**	**82**	**-**	**78**	**95**	**(61)**	**65**	**(47)**	**(88)**	**274**	**(43)**	**(41)**	**356**
Comprising:													
Group production	42	82	-	78	94	(60)	65	(47)	(88)	274	(49)	(18)	373
Third party products[(b)]	-	-	-	-	-	-	-	-	-	-	6	-	6
Share of profit/(loss) of equity accounted investments[(c)]	-	-	-	-	1	(1)	-	-	-	-	-	(23)	(23)
Underlying EBIT from continuing operations	**42**	**82**	**-**	**78**	**95**	**(61)**	**65**	**(47)**	**(88)**	**274**	**(43)**	**(41)**	**356**
Net finance cost													(125)
Income tax (expense)/benefit													(93)
Underlying earnings													**138**
Earnings adjustments[(d)]													(1,753)
Profit/(loss) after taxation from continuing operations													**(1,615)**
Capital expenditure[(e)]	**44**	**19**	**7**	**12**	**63**	**185**	**68**	**11**	**18**	**27**	**8**	**(79)**	**383**
Equity accounted investments	**-**	**-**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**557**	**570**
Total assets[(f)]	**3,647**	**1,334**	**656**	**874**	**728**	**1,745**	**577**	**517**	**889**	**401**	**2,654**	**(648)**	**13,374**
Total liabilities[(f)]	**439**	**275**	**91**	**167**	**827**	**229**	**236**	**175**	**206**	**159**	**1,796**	**(648)**	**3,952**

(a) The segment information reflects South32's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by South32's management to assess their performance. The manganese operations are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to equity accounting position.
(b) Third party product sold comprises US$264 million for aluminium, US$59 million for alumina, US$72 million for coal, US$90 million for freight services and US$100 million for aluminium raw materials. Underlying EBIT on third party products comprise US$3 million for aluminium, (US$3) million for alumina, US$5 million for coal, US$1 million for freight services and US$ nil for aluminium raw materials.
(c) Share of profit/(loss) of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.
(d) Refer to Earnings adjustments.
(e) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.
(f) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominately exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

FY15 SEGMENT INFORMATION[(a)]

FY15 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese [(c)]	South Africa Manganese [(c)]	Cerro Matoso	Cannington	New Mexico Coal[(b)] (discontinued)	Group and unallocated items/ elimination	Statutory adjustment [(c)]	Group
Revenue														
Group production	292	610	250	459	523	803	204	140	197	346	133	-	(344)	3,613
Third party products[(d)]	-	-	-	-	-	-	-	-	-	-	-	363	-	363
Inter-segment revenue	239	-	-	-	-	-	-	-	-	-	-	(239)	-	-
Total revenue	**531**	**610**	**250**	**459**	**523**	**803**	**204**	**140**	**197**	**346**	**133**	**124**	**(344)**	**3,976**
Underlying EBITDA	**67**	**91**	**21**	**240**	**165**	**156**	**60**	**(11)**	**17**	**137**	**22**	**(37)**	**(86)**	**842**
Depreciation and amortisation	(26)	(27)	(10)	(72)	(76)	(197)	(27)	(33)	(40)	(22)	(12)	(5)	60	(487)
Underlying EBIT	**41**	**64**	**11**	**168**	**89**	**(41)**	**33**	**(44)**	**(23)**	**115**	**10**	**(42)**	**(26)**	**355**
Comprising:														
Group production	41	64	11	168	89	(41)	33	(44)	(23)	115	10	(49)	5	379
Third party products[(d)]	-	-	-	-	-	-	-	-	-	-	-	7	-	7
Share of profit/(loss) of equity accounted investments[(e)]	-	-	-	-	-	-	-	-	-	-	-	-	(31)	(31)
Underlying EBIT	**41**	**64**	**11**	**168**	**89**	**(41)**	**33**	**(44)**	**(23)**	**115**	**10**	**(42)**	**(26)**	**355**
Underlying EBIT from discontinued operations														(10)
Underlying EBIT from continuing operations														**345**
Net finance cost														(74)
Income tax (expense)/benefit														(192)
Underlying earnings from continuing operations														**79**
Earnings adjustments[(f)]														(1,005)
Profit/(loss) after taxation from continuing operations														**(926)**
Capital expenditure[(g)]	**15**	**23**	**6**	**7**	**29**	**308**	**22**	**17**	**13**	**23**	**9**	**30**	**(39)**	**463**
Equity accounted investments	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,695**	**1,707**
Total assets[(h)]	**3,720**	**1,475**	**730**	**1,039**	**1,414**	**1,782**	**1,649**	**748**	**997**	**453**	**-**	**2,271**	**(789)**	**15,489**
Total liabilities[(h)]	**359**	**324**	**104**	**111**	**1,019**	**264**	**265**	**218**	**234**	**173**	**-**	**2,202**	**(819)**	**4,454**

(a) Refer to page 47 for the FY15 Pro Forma Segment Information.
(b) The New Mexico Coal segment was transferred from the South32 Group to the BHP Billiton Group as part of the demerger process.
(c) The segment information reflects South32's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by South32's management to assess their performance. The manganese operations are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to equity accounting position.
(d) Third party product sold comprises US$141 million for aluminium, US$89 million for alumina, US$37 million for coal, US$40 million for freight services and US$56 million for aluminium raw materials. Underlying EBIT on third party products comprise (US$16) million for aluminium, US$19 million for alumina, US$4 million for coal, US$ nil for freight services and US$ nil for aluminium raw materials.
(e) Share of profit/(loss) of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.
(f) Refer to Earnings adjustments.
(g) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.
(h) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominately exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

EARNINGS ADJUSTMENTS

The following table shows earnings adjustments in determining Underlying earnings:

Earnings adjustments US$M	FY16	FY15
Adjustments to Underlying EBIT		
Significant items[a]	**24**	(770)
Exchange rate (gains)/losses on restatement of monetary items[b]	**(43)**	(18)
Impairment losses[b]	**1,386**	1,389
Fair value (gains)/losses on derivative instruments[b]	**60**	(12)
Major corporate restructures[b]	**63**	46
Impairment losses included in profit/(loss) of equity accounted investments[c]	**291**	–
Earnings adjustments included in profit/(loss) of equity accounted investments[c]	**16**	41
Total adjustments to Underlying EBIT	**1,797**	676
Adjustments to net finance cost		
Significant items[a]	**9**	–
Exchange rate variations on net debt	**(30)**	(7)
Total adjustments to net finance cost	**(21)**	(7)
Adjustments to income tax expense		
Significant items[a]	**31**	419
Tax effect of earnings adjustments to Underlying EBIT	**(187)**	(179)
Tax effect of earnings adjustments to net finance cost	**9**	2
Exchange rate variations on tax balances	**124**	94
Total adjustments to income tax expense	**(23)**	336
Total earnings adjustments	**1,753**	1,005

(a) Refer to Significant items.
(b) Recognised in “expenses excluding net finance cost” in the consolidated income statement.
(c) Recognised in “share of loss of equity accounted investments” in the consolidated income statement.

Major corporate restructures

In February 2016 the South32 Group announced a number of major restructuring initiatives which included redundancy and related costs associated with a reduction in the number of employees and contractors across several operations. In the second half of the financial year additional major restructuring activities occurred within the functional support areas with further redundancy and related costs incurred.

EARNINGS ADJUSTMENTS (CONTINUED)

Impairments recognised

As a result of significant and continued weakening of commodity markets, the South32 Group recognised the following impairments and associated tax effect in the year ended 30 June 2016. The forecast weakening of commodity prices has also impacted the probability of generating longer term taxable income for certain operations and therefore resulted in the derecognition of specific deferred tax asset balances in the year ended 30 June 2016. An impairment at the Brazil Aluminium Smelter was as a result of the continued and indefinite suspension of smelting operations. The following table shows the categorisation of the amounts within earnings adjustments:

	Adjustments to Underlying EBIT				Adjustments to income tax expense	
30 June 2016 US$M	**Impairments**	**Significant items**	**Earnings adjustments included in share of (profit)/loss of equity accounted investments**	**Total**	**Significant items**	**Tax effect of earnings adjustments to Underlying EBIT**
Australia Manganese equity accounted investment	726	–	190	**916**	–	–
South Africa Manganese equity accounted investment	–	–	97	**97**	–	–
Manganese Marketing equity accounted investment	64	–	–	**64**	–	–
South Africa Energy Coal - Wolvekrans Middelburg Complex	322	–	–	**322**	–	(89)
South Africa Energy Coal - Klipspruit	120	–	–	**120**	–	(33)
Available for sale investments	76	–	–	**76**	–	(18)
South Africa Energy Coal deferred tax asset derecognition	–	–	–	**–**	126	–
Brazil Aluminium Smelter	65	32	–	**97**	(11)	(22)
Other	13	–	4	**17**	–	(2)
Total	**1,386**	**32**	**291**	**1,709**	**115**	**(164)**

Impairments recognised in the year ended 30 June 2015 primarily related to the impairment of South Africa Manganese of US$740 million and the Wolvekrans Middelburg Complex cash generating unit as part of South Africa Energy Coal of US$551 million.

SIGNIFICANT ITEMS

Significant items are those items, not separately identified in Earnings adjustments, where their nature and amount is considered material to the consolidated financial statements. Such items included within the South32 Group's (income)/expense for the year are detailed below:

Year ended 30 June 2016 US$M	Gross	Tax	Net
Set-up costs[(a)]	**60**	**(17)**	**43**
Adjustment to Australian tax balances post-demerger including reset of tax assets	**–**	**(85)**	**(85)**
Derecognition of deferred tax assets	**–**	**126**	**126**
Brazil Aluminium Smelter impairment[(b)]	**32**	**(11)**	**21**
Brazil Alumina tax accounting adjustments	**–**	**20**	**20**
Change in discount rate[(c)]	**9**	**(1)**	**8**
Closure and rehabilitation provisions[(a)]	**(68)**	**(1)**	**(69)**
Total significant items	**33**	**31**	**64**

(a) Recognised in "expenses excluding net finance cost" in the consolidated income statement.
(b) Refer Earnings adjustments "Impairments recognised".
(c) Recognised in "net finance cost" in the consolidated income statement.

Year ended 30 June 2015 US$M	Gross	Tax	Net
Set-up costs[(a)]	59	(17)	42
Adjustment to Australian tax balances post-demerger including reset of tax assets	–	221	221
Repeal of Minerals Resource Rent Tax Legislation	–	96	96
Fair value uplift on equity accounted investments[(b)]	(921)	–	(921)
Brazil Alumina tax accounting adjustments	–	103	103
Demerger related dividend withholding tax paid	–	16	16
Demerger related stamp duty paid[(a)]	92	–	92
Total significant items	(770)	419	(351)

(a) Recognised in "expenses excluding net finance cost" in the consolidated income statement.
(b) Recognised in "other income" in the consolidated income statement.

Set-up costs

Set-up costs related to the ongoing establishment of South32's corporate and regional offices following the demerger. The costs primarily related to transitionary contractor and consultant support, information technology infrastructure and system support. The amount recognised is inclusive of US$30 million (2015: US$12 million) paid to BHP Billiton under an agreement for information technology services. Those costs relate to all operating segments. All remaining set-up costs relate to group and unallocated items.

Adjustment to Australian tax balances post-demerger including reset of tax assets

The tax basis of South32 wholly owned Australian operations was reset on demerger from BHP Billiton. The net increase/ (decrease) to tax assets is charged/ (credited) to income tax expense in the consolidated income statement.

Derecognition of deferred tax assets

As a result of the significant and continued weakening of commodity markets, certain deferred tax assets associated with provisions for closure and rehabilitation were derecognised as utilisation is no longer probable.

Brazil Alumina tax accounting adjustments

South32's cash and profit repatriation practices result in a probable expectation that tax deferrals will ultimately unwind. This has resulted in the recognition of associated deferred tax balances at a rate closely aligned to the country statutory rate and the reassessment of future tax losses as a result of revised interpretation of the applicability of local tax laws.

SIGNIFICANT ITEMS (CONTINUED)

Closure and rehabilitation provisions and Change in discount rate

Following a review of cash flow assumptions and discount rates, South32 recognised a net decrease in closure and rehabilitation provisions of US$59 million. Where this related to closed sites, US$68 million was recognised as a benefit in expenses and US$9 million as a charge in net finance cost in the consolidated income statement. The benefit recognised in expenses included US$18 million related to South Africa Energy Coal and US$50 million related to the closed Bayside operation, formerly part of South Africa Aluminium.

Repeal of Minerals Resource Rent Tax Legislation

On 2 September 2014, legislation to repeal the Minerals Resource Rent Tax ("MRRT") in Australia received the support of both Houses of Parliament. The repeal took effect on 30 September 2014 and as a result, the South32 Group derecognised a MRRT deferred tax asset in relation to Illawarra Metallurgical Coal. The impact of this derecognition and all other MRRT related amounts resulted in an income tax expense of US$96 million.

Fair value uplift on equity accounted investments

South Africa Manganese and Samancor AG were acquired by South32 on 3 February 2015. As a result of the renegotiation of the agreement between BHP Billiton and Anglo American on 2 March 2015, BHP Billiton Group moved from control to joint control of the manganese assets. South32 derecognised the carrying amounts of all assets, liabilities and non-controlling interest attributed to Anglo American and recorded its retained 60 per cent interest at fair value. The uplift in fair value on the commencement of equity accounting was US$749 million for South Africa Manganese and US$172 million for Samancor AG.

Demerger related dividend withholding tax paid

Dividend withholding tax incurred on repatriation of pre-demerger profits.

Demerger related stamp duty paid

Stamp duty paid by the South32 Group on the acquisition of Australia Manganese from the BHP Billiton Group as part of the demerger.

NET FINANCE COST

US$M	FY16	FY15
Finance expenses		
Interest on borrowings	**(10)**	(32)
Finance lease interest	**(37)**	(10)
Discounting on provisions and other liabilities	**(96)**	(47)
Change in discount rate on closure and rehabilitation provisions	**(9)**	–
Net interest expense on post-retirement employee benefits	**(7)**	(5)
Fair value change on financial asset	**(3)**	(2)
Exchange rate variations on net debt	**30**	7
	(132)	(89)
Finance income		
Interest income	**28**	22
Net finance cost	**(104)**	(67)

INCOME TAX EXPENSE

US$M	FY16	FY15
Current tax (expense)/benefit	**(51)**	(156)
Deferred tax (expense)/benefit	**(19)**	(372)
Total tax (expense)/benefit attributable to continuing operations	**(70)**	(528)
Australia	**54**	(338)
Southern Africa	**(99)**	89
Rest of world	**(25)**	(279)
Total tax (expense)/benefit attributed to geographical jurisdiction	**(70)**	(528)

EQUITY ACCOUNTED INVESTMENTS

The South32 Group's interests in equity accounted investments with the most significant contribution to the South32 Group's net profit/(loss) or net assets are as follows:

Significant joint ventures	Country of incorporation / principal place of business	Principal activity	Reporting date	Acquisition date	Ownership interest	
					FY16	FY15
					%	%
Australia Manganese[(a)(b)]	Australia	Integrated producer of manganese ore and alloy	30 Jun 2016	8 May 2015	**60**	60
South Africa Manganese[(a)(c)]	South Africa	Integrated producer of manganese ore and alloy	30 Jun 2016	3 Feb 2015	**60**	60

(a) The joint ventures were acquired under the Internal Restructure. Whilst the South32 Group holds a greater than 50 per cent interest in the joint ventures, joint control is contractually achieved as joint venture parties unanimously consent on decisions over the joint venture's relevant activities.
(b) Australia Manganese consists of an investment in Groote Eylandt Mining Company Pty Limited.
(c) South Africa Manganese consists of an investment in Samancor Holdings (Proprietary) Limited.

The following table summarises the financial information of the South32 Group's significant equity accounted investments.

Share of profit/(loss) of equity accounted investments		
US$M	FY16	FY15
Australia Manganese and South Africa Manganese	**(339)**	(72)
Individually immaterial[(a)]	**9**	2
Total	**(330)**	(70)

(a) Individually immaterial consists of investments in Samancor AG (60 per cent), Samancor Marketing Pte Ltd (60 per cent), Richards Bay Coal Terminal Proprietary Limited (21.1 per cent) and Port Kembla Coal Terminal Limited (16.7 per cent).

INTERESTS IN JOINT OPERATIONS

Significant joint operations of the South32 Group, which are those with the most significant contributions to the South32 Group's net profit/(loss) or net assets, are as follows:

Significant joint operations	Country of operation	Principal activity	Acquisition date	Effective interest	
				FY16	FY15
				%	%
Alumar[(a)]	Brazil	Alumina refining	3 Jul 2014	**36**	36
		Aluminium smelting	3 Jul 2014	**40**	40
Mozal SARL[(a)(b)]	Mozambique	Aluminium smelting	27 Mar 2015	**47.1**	47.1
Worsley[(a)(c)]	Australia	Bauxite mining and alumina refining	8 May 2015	**86**	86

(a) These joint operations were acquired under the Internal Restructure.
(b) This joint arrangement is an incorporated entity. However it is classified as a joint operation as the participants are entitled to receive output, not dividends, from the arrangement.
(c) Whilst the South32 Group holds a greater than 50 per cent interest in Worsley, all the participants approve the operating and capital budgets and therefore the South32 Group is deemed to have joint control over the relevant activities of Worsley.

PRO FORMA RECONCILIATIONS AND INFORMATION

BACKGROUND

Effective 15 May 2015, BHP Billiton shares ceased trading with an entitlement to South32 shares. On 18 May 2015, South32 Limited was listed as a separate standalone entity on the Australian Securities Exchange on a deferred settlement basis, on the London Stock Exchange on a when-issued basis and on the Johannesburg Stock Exchange on a normal settlement basis. Economic separation and distribution of South32 shares to shareholders became effective from 25 May 2015.

Prior to the demerger, the South32 Group and the BHP Billiton Group were required to undertake a number of internal share and asset transfers in connection with the corporate restructure (Internal Restructure).

STATUTORY FINANCIAL INFORMATION

As required, comparative statutory financial information for the South32 Group has been presented for the financial year ended 30 June 2015 (FY15). The South32 Group's FY15 statutory financial information only includes the results of the current South32 Group operations from their date of acquisition during the year as part of the Internal Restructure. The exception is Illawarra Metallurgical Coal, which was part of the South32 Group at 1 July 2014. The South32 Group's FY15 statutory financial information also includes:

- The results of New Mexico Coal for the period 1 July 2014 to 27 October 2014, being the date that it ceased to be part of the South32 Group as a result of the Internal Restructure; and
- Finance charges on internal borrowings from the BHP Billiton Group in the period.

Accordingly, as a result of the Internal Restructure, the statutory financial information for FY15 does not reflect the performance of the South32 Group as it is currently structured.

PRO FORMA FINANCIAL INFORMATION

To assist shareholders in their understanding of the South32 Group, pro forma financial information for FY15 has been prepared to reflect the business as it is now structured and as though it was in effect for the period 1 July 2014 to 30 June 2015. The pro forma financial information is not prepared in accordance with IFRS.

The following pro forma adjustments, including the associated tax effect, have been made on a basis consistent with those contemplated in the South32 Listing Documents:

- Equity accounting of the South32 manganese assets (comprising South Africa Manganese, Australia Manganese and Samancor AG) from 1 July 2014 (refer note 4(c) of the Group's 2015 financial statements); and
- Excluding net finance costs charged by the BHP Billiton Group.

Additional pro forma adjustments, including the associated tax effect, have also been made in the presentation of pro forma financial information. These include:

- Reflecting changes in corporate costs associated with South32 Limited becoming a stand-alone group as if those costs had been incurred from 1 July 2014;
- Excluding demerger related major corporate restructuring costs; and
- Including certain significant tax expense items such as the Brazil Alumina tax accounting adjustments.

A reconciliation between the pro forma financial information and the comparative statutory financial information is included. The statutory financial information was audited by the Group's external auditor. The reconciliations and pro forma financial information were subject to an unmodified review report to the Directors of South32 Limited by the Group's external auditor.

The following table reconciles pro forma and statutory earnings for FY15.

FY15 US$M	Statutory consolidated income statement	Demerger related pro forma adjustments[(a)]	Pro forma consolidated financial information
Revenue	3,843	3,900	7,743
Other income	1,143	(882)	261
Expenses excluding net finance cost	(5,247)	(2,232)	(7,479)
Share of profit/(loss) of equity accounted investments	(70)	64	(6)
Profit/(loss) from continuing operations	**(331)**	**850**	**519**
Net finance cost	(67)	7	(60)
Income tax (expense)/benefit	(528)	97	(431)
Profit/(loss) after taxation from continuing operations	**(926)**	**954**	**28**
Profit/(loss) from discontinued operations, net of taxation	7	(7)	-
Profit/(loss) after taxation	**(919)**	**947**	**28**
Other financial information			
Profit/(loss) from continuing operations	(331)	850	519
Earnings adjustments	676	(194)	482
Underlying EBIT from continuing operations	**345**	**656**	**1,001**
Depreciation and amortisation	475	373	848
Underlying EBITDA from continuing operations	**820**	**1,029**	**1,849**
Profit/(loss) after taxation from continuing operations	(926)	954	28
Earnings adjustments after taxation	1,005	(458)	547
Underlying earnings from continuing operations	**79**	**496**	**575**

(a) The significant items contained in the demerger related pro forma adjustments comprise:

- The results of the current South32 Group operations between 1 July 2014 and their date of acquisition during the financial year as part of the Internal Restructure;
- Exclusion of the results of New Mexico Coal for the period 1 July 2014 to 27 October 2014 being the date that it ceased to be part of the South32 Group as a result of the Internal Restructure;
- Presenting South32 manganese operations (comprising South Africa Manganese, Australia Manganese and Samancor AG) on an equity accounted basis from 1 July 2014 including associated depreciation;
- Additional corporate costs associated with South32 Limited becoming a stand-alone group of US$46M;
- Exclusion of net finance costs charged by the BHP Billiton Group of US$69M;
- Exclusion of demerger related set up costs, stamp duty on the acquisition of assets, and major corporate restructuring costs of US$269M;
- Exclusion of the gain that arises on recording South Africa Manganese and Samancor AG at fair value on adoption of equity accounting of US$921M and their subsequent impairment of US$770M;
- The tax effect of the above items; and
- Excluding certain significant tax expense items such as the impact of the reset of Australian tax balances post demerger and the Brazil Alumina tax accounting adjustments of US$481M.

The following table reconciles pro forma and statutory operating cash flows before financing activities and tax, and after capital expenditure for FY15.

FY15 US$M	South32 statutory consolidated cash flow statement	Demerger related pro forma adjustments[(a)]	South32 pro forma consolidated financial information
Profit/(loss) from continuing operations	(331)	850	519
Non-cash items	1,036	391	1,427
(Profit)/loss from equity accounted investments	70	(64)	6
Change in working capital	(110)	(4)	(114)
Cash generated from continuing operations	**665**	**1,173**	**1,838**
Dividends received (including equity accounted investments)	-	472	472
Capital expenditure	(454)	(175)	(629)
Operating cash flows from continuing operations before financing activities and tax and after capital expenditure	**211**	**1,470**	**1,681**

(a) The significant items contained in the demerger related pro forma adjustments comprise:

- The results of the current South32 Group operations between 1 July 2014 and their date of acquisition during the financial year as part of the Internal Restructure;
- Exclusion of the results of New Mexico Coal for the period 1 July 2014 to 27 October 2014 being the date that it ceased to be part of the South32 Group as a result of the Internal Restructure;
- Presenting South32 manganese operations (comprising South Africa Manganese, Australia Manganese and Samancor AG) on an equity accounted basis from 1 July 2014 including associated depreciation;
- Additional corporate costs associated with South32 Limited becoming a stand-alone group of US$46M; and
- Exclusion of demerger related set up costs, stamp duty on the acquisition of assets, and major corporate restructuring costs of US$269M.

FY15 PRO FORMA SEGMENT INFORMATION

FY15 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese[a]	South Africa Manganese[a]	Cerro Matoso	Cannington	Group and unallocated items/ elimination	Statutory adjustment[a]	Group
Revenue													
Group production	656	1,541	630	497	1,315	814	595	410	593	902	-	(1,005)	6,948
Third party products[b]	-	-	-	-	-	-	-	-	-	-	795	-	795
Inter-segment revenue	635	-	-	-	-	-	-	10	-	-	(635)	(10)	-
Total revenue	**1,291**	**1,541**	**630**	**497**	**1,315**	**814**	**595**	**420**	**593**	**902**	**160**	**(1,015)**	**7,743**
Underlying EBITDA	**325**	**317**	**149**	**259**	**276**	**167**	**243**	**32**	**133**	**342**	**(117)**	**(277)**	**1,849**
Depreciation and amortisation	(151)	(67)	(37)	(78)	(182)	(197)	(120)	(52)	(75)	(55)	(6)	172	(848)
Underlying EBIT	**174**	**250**	**112**	**181**	**94**	**(30)**	**123**	**(20)**	**58**	**287**	**(123)**	**(105)**	**1,001**
Comprising:													
Group production	174	250	112	181	93	(31)	123	(20)	58	287	(151)	(103)	973
Third party products[b]	-	-	-	-	-	-	-	-	-	-	28	-	28
Share of profit/(loss) of equity accounted investments[c]	-	-	-	-	1	1	-	-	-	-	-	(2)	-
Underlying EBIT from continuing operations	**174**	**250**	**112**	**181**	**94**	**(30)**	**123**	**(20)**	**58**	**287**	**(123)**	**(105)**	**1,001**
Net finance cost[d]													(194)
Income tax (expense)/benefit													(232)
Underlying earnings													**575**
Earnings adjustments[e]													(547)
Profit/(loss) after taxation from continuing operations													**28**
Capital expenditure[f]	**62**	**35**	**14**	**8**	**98**	**308**	**98**	**41**	**36**	**39**	**29**	**(139)**	**629**
Equity accounted investments	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**1,695**	**1,707**
Total assets[g]	**3,720**	**1,475**	**730**	**1,039**	**1,414**	**1,782**	**1,649**	**748**	**997**	**453**	**2,271**	**(789)**	**15,489**
Total liabilities[g]	**359**	**324**	**104**	**111**	**1,019**	**264**	**265**	**218**	**234**	**173**	**2,202**	**(819)**	**4,454**

(a) The segment information reflects South32's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by South32's management to assess their performance. The manganese operations are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to equity accounting position.
(b) Third party product sold comprises US$394 million for aluminium, US$147 million for alumina, US$88 million for coal, US$40 million for freight services and US$126 million for aluminium raw materials. Underlying EBIT on third party products comprise US$1 million for aluminium, US$22 million for alumina, US$1 million for coal, US$ nil for freight services and US$4 million for aluminium raw materials.
(c) Share of profit/(loss) of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.
(d) Excludes interest income and interest expense on borrowings with BHP Billiton.
(e) Refer page 45 for details of pro forma earnings adjustments.
(f) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.
(g) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominately exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

DISCLAIMER

FORWARD LOOKING STATEMENTS

This release contains forward-looking statements, including statements about trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; and provisions and contingent liabilities. These forward-looking statements reflect expectations at the date of this release, however they are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this release. Readers are cautioned not to put undue reliance on forward-looking statements. Except as required by applicable laws or regulations, the South32 Group does not undertake to publicly update or review any forward looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance.

NON-IFRS FINANCIAL INFORMATION

This release includes certain non-IFRS financial measures, including Underlying earnings, Underlying EBIT and Underlying EBITDA, Underlying basic 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.

CERRO MATOSO MINERAL RESOURCES AND ORE RESERVES

Nickel

Mineral Resources

As at 30 June 2016											As at 30 June 2015	
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources		South32 Interest	Total Resources	
Deposit	**Ore Type**	**Mt**	**% Ni**	**Mt**	**% Ni**	**Mt**	**% Ni**	**Mt**	**% Ni**	**%**	**Mt**	**% Ni**
Cerro Matoso (1)	Laterite (2)	48	1.2	130	0.9	42	0.8	220	0.9	99.94	280	0.9
	SP (3)	15	1.0	43	0.9	-	-	59	0.9		52	1.1
	MNR - Ore	17	0.2	-	-	-	-	17	0.2		17	0.2

Ore Reserves

As at 30 June 2016										As at 30 June 2015		
		Proved Ore Reserves		Probable Ore Reserves		Total Ore Reserves		Reserve Life	South32 Interest	Total Ore Reserves		Reserve Life
Deposit	**Ore Type**	**Mt**	**% Ni**	**Mt**	**% Ni**	**Mt**	**% Ni**	**Years**	**%**	**Mt**	**% Ni**	**Years**
Cerro Matoso (1)(4)(5)	Laterite	12	1.1	4.9	1.2	17	1.1	13	99.94	20	1.1	14
	SP	9.1	1.1	16	1.1	25	1.1			25	1.3	

(1) Cut-off grade

	Mineral Resources	Ore Reserves
Laterite	0.6% Ni	0.6% Ni
SP	0.6% Ni	0.6% Ni
MNR-Ore	0.12% Ni	

(2) Decrease in Mineral Resources for Laterite due to application of updated metallurgical constraints.

(3) Increase in stockpile Mineral Resources due to additional drilling, density adjustment and application of updated metallurgical constraints.

(4) Ore delivered to process plant.

(5) Metallurgical Recovery: 84% (reserves to metal).

FURTHER INFORMATION

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25 August 2016