FINANCIAL RESULTS AND OUTLOOK YEAR ENDED 30 JUNE 2015

24 August 2015 ASX / LSE / JSE: S32

To assist shareholders in their understanding of the South32 Group, pro forma financial information has been prepared to reflect the business as it is now structured and as though it was in effect for the period 1 July 2013 to 30 June 2015 (refer to the pro forma income statement and Underlying earnings adjustments on pages 4 and 5). The pro forma financial information must be read in conjunction with the notes on page 2. The statutory financial results do not reflect the complete 12 months of performance of the South32 Group. Selected statutory financial information is also included in this document.

"The implementation of our regional operating model and broader cost saving initiatives are already delivering strong results. Over the next three years, we are seeking to reduce controllable costs by at least US$350M per annum."

Graham Kerr, South32 CEO

FINANCIAL RESULTS

- Successfully demerged from BHP Billiton on 25 May 2015.
- Pro forma FY15 Profit after taxation of US$28M (FY14 US$64M).
- Pro forma FY15 Underlying earnings of US$575M (FY14 US$407M).
- Pro forma FY15 Underlying EBIT of US$1.00B (FY14 US$642M).
- Pro forma FY15 Underlying EBITDA margin of 26% (FY14 20%).
- Pro forma FY15 Free cash flow before interest and tax(1) of US$1.68B (FY14 US$974M).
- Pro forma productivity-led cost efficiencies(2) totalling US$282M embedded in FY15.
- Closing net debt of US$402M underpins BBB+/Baa1 credit ratings.
- Pro forma FY15 Underlying return on invested capital (ROIC)(12) of 6.2% (FY14 4.0%).

OUTLOOK

- Fast-tracking the implementation of our regional operating model and redesigning the way we work.
- Seeking to reduce controllable costs(3) by a further US$350M per annum (including equity accounted investments) or more by the end of FY18.
- Reducing sustaining capital expenditure(4) by 9% to US$650M (including equity accounted investments) in FY16.
- Intending to distribute a minimum 40% of Underlying earnings as dividends in each six month reporting period.
- A simple strategy designed to realise the potential of our assets and deliver long-term growth in ROIC.

Financial highlights

	Pro forma(5)		Change	Statutory(5)(6)	
US$M	**FY15**	**FY14**	**%**	**FY15**	**FY14**
Revenue(7)	7,743	8,344	(7%)	3,843	853
Profit/(loss) from continuing operations	519	319	63%	(331)	(59)
Profit/(loss) after taxation	28	64	(56%)	(926)	0
Basic earnings per share (US cents)(8)	0.5	1.2	(58%)	(26.9)	-
Other financial measures					
Underlying EBITDA(9)	1,849	1,465	26%	820	114
Underlying EBITDA margin(10)	26.2%	20.2%	6.0%	23.4%	13.4%
Underlying EBIT(9)	1,001	642	56%	345	(56)
Underlying EBIT margin(11)	14.0%	8.6%	5.4%	9.7%	(6.6%)
Underlying earnings(9)	575	407	41%	79	4
ROIC(12)	6.2%	4.0%	2.2%	N/A	N/A

IMPORTANT NOTICE – PLEASE READ

FORMAT OF THIS ANNOUNCEMENT

The information contained in this announcement is as follows:

- Results for announcement to the market (page 3);
- Pro forma financial results and outlook (page 4);
- Pro forma financial results highlights and overview (page 11);
- Reconciliation of pro forma and statutory financial information (page 27);
- Pro forma segment information (page 30); and
- Financial information (page 35).

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, statutory financial information for the South32 Group has been presented for the 2015 financial year (FY15) and 2014 financial year (FY14). The South32 Group's statutory financial information only includes the results of the current South32 Group operations (also referred to as "assets") from their date of acquisition during the financial year as part of the Internal Restructure[13]. The exception is Illawarra Metallurgical Coal, which was part of the South32 Group at 1 July 2013. The South32 Group's 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;
- Finance charges on internal borrowings from the BHP Billiton Group in the period from 1 July 2014 to the point immediately prior to the demerger, that were settled as part of the demerger; and
- Certain corporate costs required for the South32 Group to operate as a stand-alone group.

Accordingly, as a result of the Internal Restructure, the statutory financial information for FY15 and FY14 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 and FY14 has been prepared to reflect the business as it is now structured and as though it was in effect for the period 1 July 2013 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 2013 (refer note 1(c) of the notes to the Financial Information); 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 2013;
- Excluding demerger related set up costs, stamp duty on the acquisition of assets, and major corporate restructuring costs;
- Excluding the gain that arises on recording South Africa Manganese and Samancor AG at fair value on adoption of equity accounting and their subsequent impairment; and
- Excluding certain significant tax items such as the impact of the reset of Australian tax balances post demerger and the Brazil Aluminium tax accounting adjustments (refer note 2(b)(ii) to the Financial Information).

A reconciliation between the pro forma financial information and the statutory financial information is included. The statutory financial information, reconciliations and pro forma financial information have not been audited or reviewed by the Group's external auditor.

APPENDIX 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 54 pages comprise the year end information given to the Australian Securities Exchange (ASX) under Listing Rule 4.3A. This statement includes the consolidated results of the South32 Group for the year ended 30 June 2015 compared with the year ended 30 June 2014 on both a statutory and pro forma basis.

	Pro forma			Statutory	
US$M	**FY15**	**FY14**	**%**	**FY15**	**FY14**
Revenue from continuing operations	7,743	8,344	down 7%	3,843	853
Revenue from discontinued operations	-	-		133	520
Revenue	**7,743**	**8,344**	**down 7%**	**3,976**	**1,373**
Profit/(loss) after tax from continuing operations	28	64	down 56%	(926)	-
Profit/(loss) after tax from discontinued operations	-	-		7	46
Profit/ (loss) after taxation	**28**	**64**	**down 56%**	**(919)**	**46**
Underlying earnings from continuing operations	**575**	**407**	**up 41%**	**79**	**4**

Net tangible assets per share

Net tangible assets per ordinary share were US$2.02 as at 30 June 2015 (US$2.47 as at 30 June 2014).

Dividends

South32 does not intend to pay a dividend for the year ended 30 June 2015.

Annual General Meeting

South32's inaugural Annual General Meeting will be held on Wednesday, 18 November 2015 at 2.00pm Australian Western Standard Time (AWST), at the Grand Ballroom, Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia 6000, Australia.

PRO FORMA FINANCIAL RESULTS AND OUTLOOK

To assist shareholders in their understanding of the South32 Group, pro forma financial information for FY15 and FY14 has been prepared to reflect the business as it is now structured and as though it was in effect for the period 1 July 2013 to 30 June 2015. To provide further insight into the underlying performance of the South32 Group, we also present internal earnings measures utilised by South32 management. These internal measures include Underlying EBITDA, Underlying EBIT and Underlying earnings.

Pro forma income statement		
US$M	**FY15**	**FY14**
Revenue	7,743	8,344
Other income	261	269
Expenses excluding net finance costs	(7,479)	(8,399)
Share of (loss)/profit of equity accounted investments	(6)	105
Profit from operations	**519**	**319**
Net finance costs	(60)	(187)
Taxation expense	(431)	(68)
Profit after taxation	**28**	**64**
Basic earnings per share (US cents)	**0.5**	**1.2**
Other financial information		
Profit from operations	519	319
Earnings adjustments to derive Underlying EBIT	482	323
Underlying EBIT	**1,001**	**642**
Depreciation and amortisation	848	823
Underlying EBITDA	**1,849**	**1,465**
Profit after taxation	28	64
Earnings adjustments after taxation	547	343
Underlying earnings	**575**	**407**
Basic Underlying earnings per share (US cents)	**10.8**	**7.6**

A pro forma reconciliation of consolidated operating cash flows from continuing operations, before financing activities and tax, and after capital expenditure (defined as “Free cash flow before interest and tax” for these pro forma results) has also been provided.

Pro forma FY15 operating cash flow from continuing operations before financing activities and tax, and after capex		
US$M	**FY15**	**FY14**
Profit from continuing operations	519	319
Non-cash items	1,427	1,129
Profit/(loss) from equity accounted investments	6	(105)
Change in working capital	(114)	15
Cash generated from continuing operations	**1,838**	**1,358**
Dividends received (including equity accounted investments)	472	206
Capital expenditure	(629)	(590)
Operating cash flows from continuing operations before financing activities and tax, and after capital expenditure	**1,681**	**974**

The following table notes the relevant significant items excluded from the Group's Underlying measures.

Earnings adjustments		
	Pro forma	
US$M	**FY15**	**FY14**
Earnings adjustments to Underlying EBIT		
Exchange rate (gains)/losses on restatement of monetary items	(93)	(53)
Impairment	594	327
Impairment reversals	-	(8)
Fair value (gains)/losses on derivative instruments	(25)	2
Earnings adjustment included in operating loss of equity accounted investments	6	1
Other:		
Bayside closure costs (excluding impairments)	-	138
Gain on sale of Optimum coal rights	-	(84)
Total earnings adjustments to Underlying EBIT	**482**	**323**
Earnings adjustments to net finance costs		
Exchange rate variations on net debt	(134)	40
Total earnings adjustments to net finance costs	**(134)**	**40**
Earnings adjustments to income tax expense		
Tax effect of earnings adjustments to Underlying EBIT	(134)	(25)
Tax effect of earnings adjustments to net finance costs	40	(13)
Exchange rate variations on tax balances	197	(9)
Non-recognition of tax benefits	-	27
Other:		
Repeal of Minerals Resource Rent Tax legislation	96	-
Total earnings adjustments to income tax expense	**199**	**(20)**
Total earnings adjustments after taxation	**547**	**343**

Impairments for FY15 include an adjustment to the carrying value of the Wolvekrans Middelburg Complex at South Africa Energy Coal (-US$551M pre-tax) and the write-off of the Metallic Nickel Recovery project at Cerro Matoso (-US$41M pre-tax).

SAFETY

The health and safety of our people is paramount. Tragically, there were two fatalities (at Worsley Alumina and South Africa Manganese) during FY15 and another (at South Africa Aluminium) in July 2015. The loss of our colleagues is a stark reminder that our focus on safety must permeate everything we do to ensure every person goes home safely, every day. The Group's pro forma FY15 Total Recordable Injury Frequency (TRIF) was 5.8 per million hours worked (FY14 4.7 per million hours worked).

EARNINGS

South32 took operational control of its assets on 1 February 2015 and was successfully demerged from BHP Billiton on 25 May 2015. The Group's inaugural financial results highlight the importance of our continued focus on costs and the optimisation of capital expenditure as we seek to deliver long-term growth in return on invested capital (ROIC).

Pro forma Underlying EBITDA increased by 26% to US$1.85B in FY15 (FY14 US$1.47B) as production records were achieved at four assets, namely Illawarra Metallurgical Coal, Australia Manganese, South Africa Manganese and Brazil Aluminium.

Pro forma FY15 segment earnings[14]

US$M	Total revenue	Underlying EBITDA	Depreciation & amortisation	Underlying EBIT	Capex	Net assets[15]
Worsley Alumina	1,291	325	(151)	174	62	3,361
South Africa Aluminium	1,541	317	(67)	250	35	1,151
Mozal Aluminium	630	149	(37)	112	14	626
Brazil Aluminium	497	259	(78)	181	8	928
South Africa Energy Coal	1,315	276	(182)	94	98	395
Illawarra Metallurgical Coal	814	167	(197)	(30)	308	1,518
Australia Manganese	595	243	(120)	123	98	1,384
South Africa Manganese	420	32	(52)	(20)	41	530
Cerro Matoso	593	133	(75)	58	36	763
Cannington	902	342	(55)	287	39	280
Third party products[16]	795	28	-	28	-	-
Group and unallocated items / eliminations	(635)	(145)	(6)	(151)	29	69
Equity accounted adjustments	(1,015)	(277)	172	(105)	(139)	30
Total South32	**7,743**	**1,849**	**(848)**	**1,001**	**629**	**11,035**
Underlying net finance costs				(194)		
Underlying income tax expense				(232)		
Underlying earnings				**575**		
Earnings adjustments				(547)		
Profit after taxation				**28**		

Pro forma depreciation and amortisation remained largely unchanged from FY14 at US$848M.

Pro forma Underlying EBIT increased by 56% to US$1.00B (FY14 US$642M). A US$282M increase in productivity-led cost efficiencies was the key driver of this year-on-year improvement, while contracted power sales in Brazil increased Underlying EBIT by a further US$53M. Notably, the combined impact of weaker commodity prices (-US$268M) and inflation (-US$197M) was largely offset by the resurgence of the US dollar against a basket of producer currencies (+US$435M).

Pro forma Underlying net finance costs of US$194M largely reflects the unwinding of the discount applied to restoration and rehabilitation provisions (US$120M), and finance lease charges (US$60M) primarily at Worsley Alumina.

Pro forma Underlying income tax expense was US$232M in FY15, excluding taxation associated with equity accounted investments. This equates to an Underlying effective tax rate (ETR)[17] of 28.7%. Pro forma tax expense for equity accounted investments was US$47M, excluding royalty related taxation. The recognition of the GEMCO (Australia Manganese) Northern Territory royalty as a profits based tax gives rise to a royalty related taxation expense of US$30M in equity accounted investments in FY15.

Pro forma Underlying earnings increased by 41% to US$575M in FY15 (FY14 US$407M). Consistent with our accounting policy, various adjustments have been made in arriving at Underlying earnings, including: impairment losses (-US$594M pre-tax); exchange rate gains associated with the restatement of monetary items (+US$93M pre-tax); fair value gains on derivative instruments (+US$25M pre-tax); and exchange rate gains associated with the Group's non US dollar denominated net debt (+US$134M pre-tax). The tax impact of earnings adjustments (-US$199M) includes tax on the aforementioned items, exchange rate losses on tax balances and a charge associated with the repeal of the Mineral Resources Rent Tax (MRRT). Pro forma Profit after taxation was US$28M in FY15 (FY14 US$64M).

CASH FLOW

On a pro forma basis, cash generated from continuing operations increased by 35% to US$1.84B in FY15 (FY14 US$1.36B). This included an increase in working capital of US$114M, primarily driven by payments from provisions in excess of amounts charged (-US$167M), partly offset by a decrease in inventories (+US$98M).

Pro forma capital expenditure (including equity accounted investments) was US$768M in FY15 (FY14 US$697M), comprising:

- Stay-in-business (SIB), Minor discretionary and Deferred stripping (including underground development) capital expenditure of US$578M;
- Major project capital expenditure of US$51M; and
- South32's share of capital expenditure associated with equity accounted investments of US$139M.

The Appin Area 9 underground extension at Illawarra Metallurgical Coal is the Group's sole Major project in development. This project, which is now expected to be completed ahead of schedule and approximately 20% under budget, also accounted for the majority of Deferred stripping in FY15.

Capital expenditure associated with the Premium Concentrate Ore (PC02) project at GEMCO (Australia Manganese) and the second phase of the Central Block project at the Wessels mine (South Africa Manganese) is included in South32's share of capital expenditure associated with equity accounted investments.

BALANCE SHEET

South32's strong balance sheet represents a key point of differentiation in the currently volatile operating environment. At 30 June 2015, net debt (including finance leases of US$631M) was US$402M. The Group's liquidity and flexibility is underpinned by an undrawn US$1.5B revolving credit facility (RCF).

Consistent with our commitment to maintain an investment grade credit rating, Standard and Poor's and Moody's assigned BBB+ and Baa1 credit ratings, respectively, to South32 on 22 May 2015.

DIVIDEND

As indicated in the South32 Listing Documents, the Board has not declared a final dividend for FY15.

The Group's simple capital management framework prioritises investment in safe and reliable operations, and an investment grade credit rating through the cycle. Once those core priorities have been satisfied, South32 intends to distribute a minimum 40% of Underlying earnings as dividends to its shareholders in each six month reporting period.

> **"South32's strong balance sheet is a key point of differentiation and we value it highly. Our simple capital management framework and dividend policy ensures our shareholders will be rewarded as financial performance improves."**
>
> **Brendan Harris, South32 CFO**

OUTLOOK

PRODUCTION

The South32 asset base is well capitalised, having received significant investment over many years.

Our strategy includes a deliberate focus on the Group's existing assets as we seek to optimise their performance. Given the geographic, commodity and technical diversity of our portfolio, a flexible and entrepreneurial approach is required.

The majority of South32's assets occupy the first and second quartiles of their respective industry cost or margin curves. For those assets, we typically endeavour to maximise production, safely and sustainably. For example, at Worsley Alumina, incremental production growth is being pursued given the potential to realise additional economies of scale. Similarly, at Cannington, by stretching the performance of the paste plant and underground mine we are seeking to minimise the impact of grade decline. Conversely, the decision to temporarily suspend cash flow negative downstream processing capacity at Metalloys (South Africa Manganese) and Brazil Aluminium reflects our commitment to maximise financial performance per share, rather than volume.

We will continue to take decisive action where appropriate. For example, a review of South Africa Manganese is currently underway to ensure it is appropriately structured for the current environment. While a final decision is yet to be taken, this may lead to a further reduction in planned alloy and ore production.

Production guidance for FY16 and FY17 reflects the targets that have been set for our operations in the current environment. We will deviate from this guidance should superior long-term returns be attainable by varying the output of any asset.

FY16/17 attributable upstream production guidance	FY15	FY16e	FY17e
Worsley Alumina			
Alumina production (kt)	3,819	3,950	3,955
Brazil Aluminium			
Alumina production (kt)	1,328	1,320	1,320
South Africa Energy Coal(18)			
Domestic coal production (kt)	18,127	16,650	15,300
Export coal production (kt)	16,150	15,300	15,700
Illawarra Metallurgical Coal			
Metallurgical coal production (kt)	7,455	7,200	7,500
Energy coal production (kt)	1,471	1,700	1,500
Australia Manganese			
Manganese ore production (kt)	2,942	3,050	3,250
South Africa Manganese			
Manganese ore production (kt)	1,682	1,650	1,650
Cerro Matoso			
Payable nickel production (kt)	40.4	36.5	36.0
Cannington			
Payable silver production (koz)	22,601	21,650	19,500
Payable lead production (kt)	183	175	168
Payable zinc production (kt)	72	80	78

The plans for our downstream assets differ depending on their unique circumstances.

Efficiency gains at our South Africa Aluminium and Mozal Aluminium smelters have continued to mitigate the increasing prevalence of electricity load-shedding events. Metal production is expected to remain broadly unchanged at both smelters in FY16 and FY17. That being said, electricity grid stability and the frequency of load-shedding events remains an ever present risk to these targets, notwithstanding the fact that load-shedding has remained within the permissible limits defined by our electricity supply agreements.

At Brazil Aluminium, all three potlines remain temporarily suspended and contracted electricity has been forward sold until the end of December 2016. This temporary curtailment of smelting capacity will be the subject of ongoing review.

Based on current plans, alloy production at TEMCO (Australia Manganese) is expected to remain broadly unchanged from FY15. In contrast, Metalloys (South Africa Manganese) remains under review and is currently operating only one of its four furnaces in response to challenging market conditions.

COSTS AND CAPITAL EXPENDITURE

Controllable costs

US$282M of productivity-led and other cost efficiencies (hereinafter productivity-led cost efficiencies) were embedded during FY15 as we fast-tracked the implementation of our regional operating model. This included the decision to close offices in Wollongong, Brisbane, Townsville and Australind (all Australia). As the next phase of the regional model is implemented we expect a further reduction in functional support and fewer layers of operational management. Significant savings are also being achieved in procurement and logistics following the aggregation and elevation of these commercial activities.

We are seeking to reduce controllable costs by at least US$350M per annum (including equity accounted investment) over the three years to the end of FY18. This represents approximately 7.5% of our controllable cost base and excludes the influence of foreign exchange rate movements, inflation, price-linked costs, non-recurring set-up related activities and cost variances associated with discontinued or suspended operations. If the current environment persists, these factors would provide a significant additional net benefit to costs.

At an asset level, the mines and refineries offer the greatest potential. Critical enablers include:

- A reduction in contractor usage and rates;
- The optimisation of energy fuels (particularly at Worsley Alumina) and broader consumables usage;
- Equipment and labour productivity; and
- Numerous procurement initiatives.

Greenfield exploration opportunities are currently being assessed and a modest investment in this category is incorporated in our plans. Exploration activity focussed on our existing assets of approximately US$20M is anticipated in FY16 (FY15 US$21M; including US$13M exploration expense).

Non-recurring set up costs associated with the establishment of South32 (pre-funded by BHP Billiton) of approximately US$130M are expected in FY16. These costs, primarily related to the establishment of the Group's IT infrastructure and broader restructuring activities, will be excluded from our Underlying measures.

Capital expenditure

Capital expenditure continues to be scrutinised in every location as we seek to sustainably de-capitalise the business and grow ROIC.

Sustaining capital expenditure, comprising Stay-in-business (SIB), Minor discretionary and Deferred stripping capital expenditure, accounts for a significant component of South32 cash flow. In FY16, this category of expenditure is expected to decline by 9% (or US$67M) to US$650M (including equity accounted investments). While rarely linear from year to year, this rate of expenditure is expected to be sustainable, on average, across our planning horizon in real terms, barring any significant movement in exchange rates or the closure of operations.

Capital expenditure associated with the Premium Concentrate (PC02) project at GEMCO (Australia Manganese) and the Central Block project at Wessels (South Africa Manganese) is included in the Group's share of capital expenditure associated with equity accounted investments. This category, which is included in the sustaining capital expenditure guidance noted above, is expected to account for approximately US$100M of capital expenditure in FY16 (FY15 US$139M).

Total capital expenditure (including equity accounted investments) of approximately US$700M is anticipated in FY16, including approximately US$50M for Major projects. The Appin Area 9 project (Illawarra Metallurgical Coal) is the Group's sole Major project in the execution phase. It is expected to be commissioned ahead of schedule in the second half of FY16, approximately 20% below the original budget of US$845M. Major project capital expenditure guidance includes approximately US$10M for feasibility studies, primarily associated with the Klipspruit Life Extension project (South Africa Energy Coal).

Depreciation and amortisation

Group depreciation and amortisation for FY16 is forecast to remain broadly unchanged. Additional depreciation associated with our annual capital expenditure program is expected to be largely offset by lower depreciation at South Africa Energy Coal following the impairment of the Wolvekrans Middelburg Complex at 30 June 2015.

Tax expense

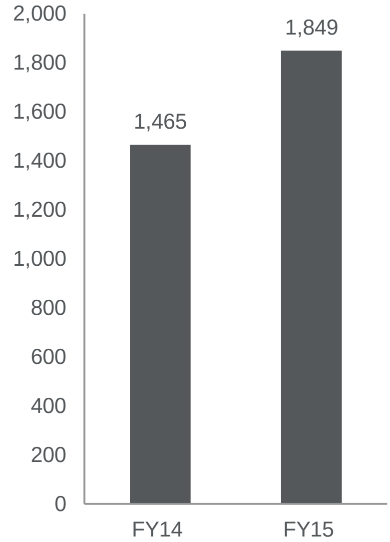
The South32 Underlying ETR for FY16 will again reflect the geographic distribution of the Group's profits. The corporate tax rates applicable to South32 include: Australia 30%; South Africa 28%; Colombia 39%; and Brazil 34%. Should current conditions prevail, the Group's Underlying ETR would likely exceed 30%.

SOUTH32 PRO FORMA FINANCIAL RESULTS HIGHLIGHTS AND OVERVIEW

For the year ended 30 June 2015

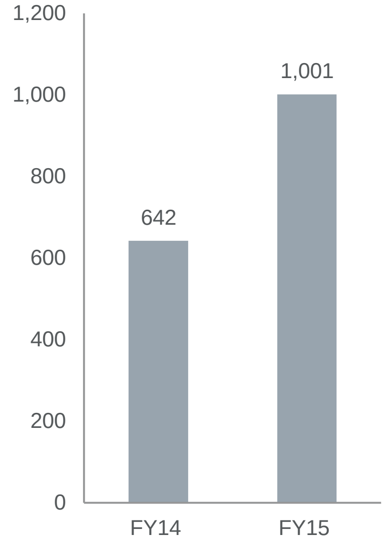
PRO FORMA FINANCIAL RESULTS HIGHLIGHTS

Underlying EBITDA (US$M)



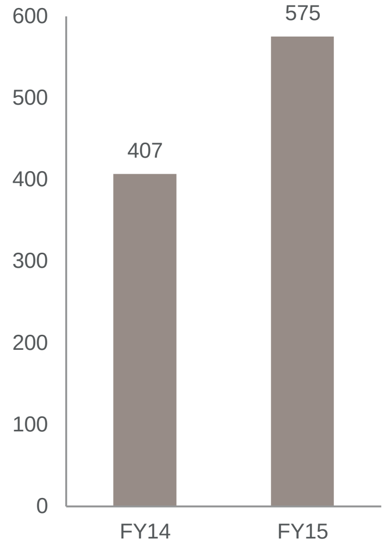
US$282M of productivity-led cost efficiencies were the major contributor to a 26% increase in Underlying EBITDA.

Underlying EBIT (US$M)



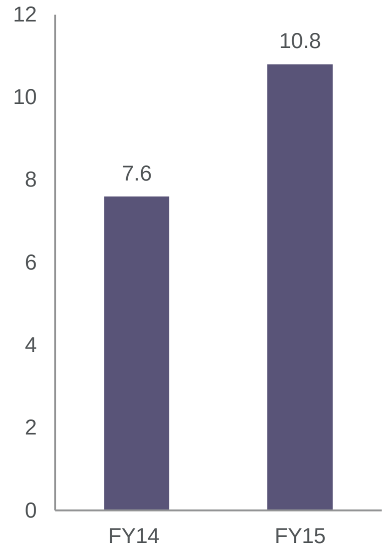
Our large and low-cost Worsley Alumina refinery led the way, delivering a US$150M increase in Underlying EBIT.

Underlying earnings (US$M)



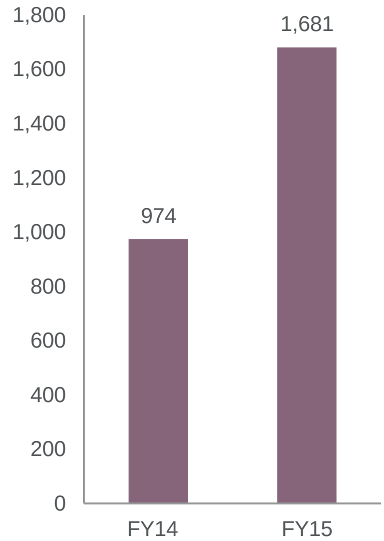
Despite volatile commodity markets, our high-quality portfolio generated a 41% increase in Underlying earnings.

Basic Underlying EPS (US cents)



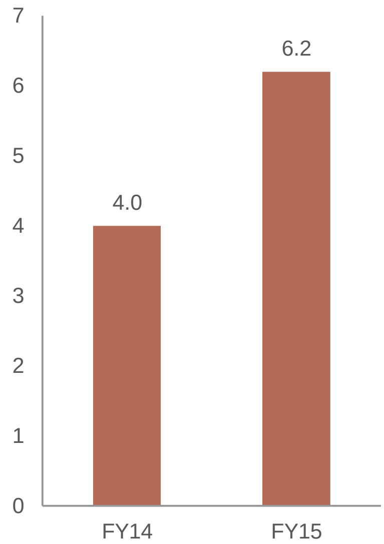
We have bold aspirations, including the pursuit of sector leading TSR by focusing on per share financial performance.

Free cash flow before interest and tax (US$M)



Our strong balance sheet and cash generating capacity is a powerful combination.

Return on invested capital (ROIC) (%)



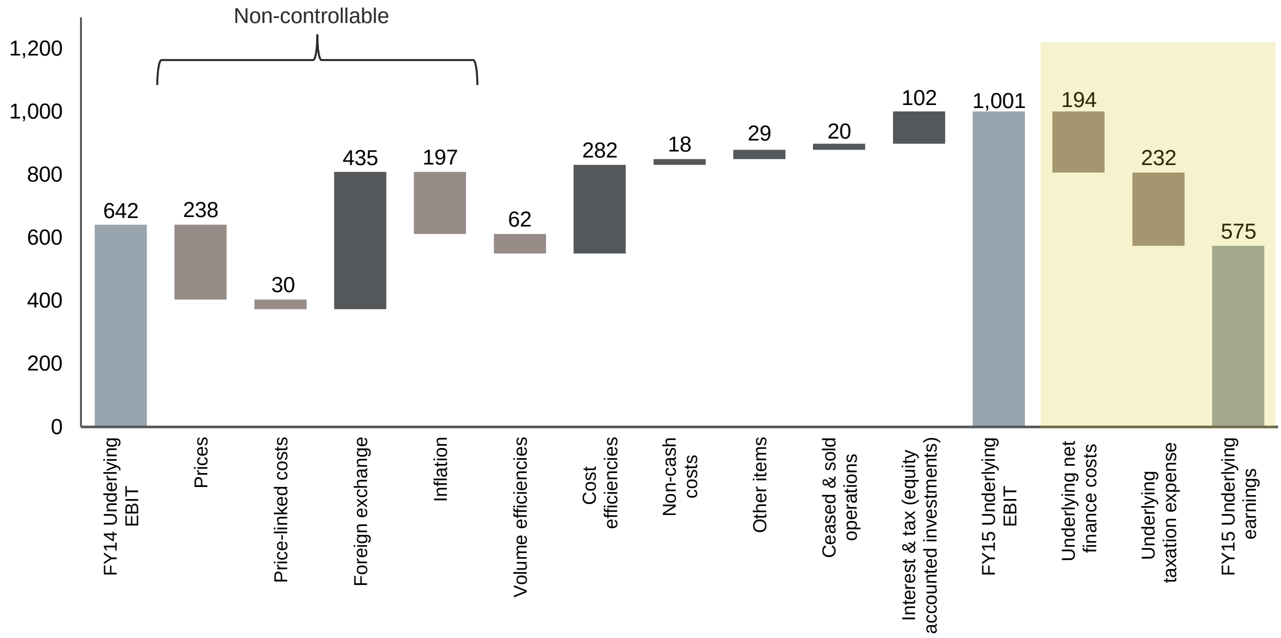
Every investment decision will be closely scrutinised as we seek to grow ROIC to an acceptable level.

FINANCIAL OVERVIEW

PRO FORMA EARNINGS ANALYSIS

The following waterfall chart highlights the key factors that have influenced pro forma Underlying earnings in FY15, relative to FY14.

Reconciliation of movements in pro forma Underlying Earnings (US$M)[19]



Prices, foreign exchange rates and inflation

FY15 was characterised by volatile commodity markets and a sharp contraction in prices towards the end of the period. Weaker commodity prices and inflationary pressures were, however, largely offset by a stronger US dollar.

Lower metallurgical and energy coal prices reduced Underlying EBIT by US$273M, while significantly weaker manganese alloy and ore prices reduced Underlying EBIT by US$166M. In contrast, stronger average realised prices for alumina and aluminium, and elevated aluminium premiums, increased Underlying EBIT by US$278M. In aggregate, lower average realised prices reduced Underlying EBIT by US$238M, while price-linked costs reduced Underlying EBIT by a further US$30M.

Inflation reduced Underlying EBIT by US$197M in FY15. This was most pronounced at Brazil Aluminium and in our African operations, which collectively accounted for approximately 70% of the total impact.

The resurgence of the US dollar against a basket of producer currencies, including the Australian dollar, South African rand, Colombian peso and Brazilian real, increased Underlying EBIT by US$435M in the period.

Volume efficiencies

During FY15, annual production records were achieved for alumina at Brazil Aluminium, coal at Illawarra Metallurgical Coal, alloy at Australia Manganese and ore at South Africa Manganese. Despite robust operating performance, sales volumes declined overall as manganese stockpiles were replenished and ore grades declined at Cannington and Cerro Matoso. In aggregate, lower sales volumes reduced Underlying EBIT by US$62M.

Cost efficiencies

The implementation of the Group's regional operating model and several initiatives designed to improve the competitiveness of our assets delivered another significant reduction in operating costs. This included a broad based approach focused on labour productivity, contractor usage and rates, maintenance planning and the more efficient use of various consumables, including fuel and energy. In total, productivity-led cost efficiencies increased Underlying EBIT by US$282M in FY15. We are seeking to reduce controllable costs by at least US$350M per annum (including equity accounted investment) over the three years to the end of FY18.

Non-cash costs

A modest reduction in non-cash charges increased Underlying EBIT by US$18M in the period. This reflected a reduction in other non-cash charges, which was only partially offset by an increase in depreciation and amortisation expense associated with continued investment in the business.

Other items

Other items increased Underlying EBIT by a net US$29M as the last of three potlines at Brazil Aluminium was temporarily suspended and contracted power was preferentially sold into the grid. The combination of higher realised power prices and volumes increased Underlying EBIT by US$53M.

Ceased and sold operations

Ceased and sold operations increased Underlying EBIT by US$20M in the period. This variance reflects the closure of the higher-cost Bayside smelter in FY14.

Interest and tax (equity accounted investments)

The Group's manganese assets are jointly controlled by South32 and Anglo American. The Underlying interest and taxation expense associated with these equity accounted investments declined by US$102M in FY15 as profitability declined with lower prices.

Net finance costs

Pro forma Underlying net finance costs totalled US$194M (excluding equity accounted investments) in FY15. The unwinding of the discount applied to the Group's restoration and rehabilitation provisions accounted for US$120M of the annual charge, while finance lease charges accounted for a further US$60M. Pro forma net interest associated with equity accounted investments was US$28M in the period.

The following table reconciles the pro forma FY15 Underlying net finance costs to pro forma net finance costs.

Pro forma Underlying net finance costs reconciliation

US$M	FY15
Unwind of discount applied to restoration and rehabilitation provisions	120
Finance lease charges	60
Other	14
Pro forma Underlying net finance costs	**194**
Add back earnings adjustment for exchange rate variations on net debt	(134)
Pro forma net finance costs	**60**

Taxation expense

Pro forma Underlying income tax expense was US$232M (excluding equity accounted investments) in FY15. The Group's Underlying ETR (excluding equity accounted investments) was 28.7%. The pro forma tax expense for the Group's equity accounted investments was US$47M. This excluded royalty related taxation at GEMCO (Australia Manganese) which totalled US$30M in the period.

The following table reconciles the Group's pro forma Underlying income tax expense and Underlying ETR for FY15.

Pro forma Underlying income tax expense reconciliation and Underlying ETR	
US$M	**FY15**
Underlying EBIT	1,001
Include: Underlying net finance revenue/(costs)	(194)
Remove: Share of loss of equity accounted investments	-
Underlying profit/(loss) before taxation	**807**
Pro forma income tax expense	**431**
Tax effect of earnings adjustments to Underlying EBIT	134
Tax effect of earnings adjustments to net finance costs	(40)
Exchange rate movements	(197)
Repeal of Minerals Resource Rent Tax (MRRT) legislation	(96)
Underlying income tax expense	**232**
Underlying effective tax rate (ETR)	**28.7%**

ASSET ANALYSIS

A pro forma summary of the Underlying performance of the South32 assets for FY15 and FY14 is presented below.

Pro forma asset tables				
	Revenue		Underlying EBIT	
US$M	**FY15**	**FY14**	**FY15**	**FY14**
Worsley Alumina	1,291	1,229	174	24
South Africa Aluminium	1,541	1,614	250	132
Mozal Aluminium	630	574	112	29
Brazil Aluminium	497	529	181	44
South Africa Energy Coal	1,315	1,247	94	31
Illawarra Metallurgical Coal	814	878	(30)	(28)
Australia Manganese[(a)]	595	785	123	276
South Africa Manganese[(a)]	420	473	(20)	29
Cerro Matoso	593	595	58	5
Cannington	902	1,079	287	418
Third party products	795	1,260	28	30
Inter-segment	(635)	(659)	(151)	(141)
Total	**8,758**	**9,604**	**1,106**	**849**
Equity accounting adjustment[(b)]	(1,015)	(1,260)	(105)	(207)
South32 Group	**7,743**	**8,344**	**1,001**	**642**

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

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

WORSLEY ALUMINA (86% SHARE)

South32 share	FY15	FY14
Alumina production (kt)	3,819	3,916
Alumina sales (kt)	3,857	3,864
Realised alumina sales price (US$/t)[(a)]	335	318
Operating unit cost (US$/t)[(b)]	250	276

(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.

South32 share (US$M)	FY15	FY14
Revenue	1,291	1,229
Underlying EBITDA	325	162
Underlying EBIT	174	24
Net operating assets	3,361	N/A
Capital expenditure	62	56
Major projects (>US$100M)	-	-
Deferred stripping	-	-
All other capital expenditure	*62*	*56*
Exploration expenditure	-	-
Exploration expensed	-	-

Volumes

Worsley Alumina saleable production declined by 2% (or 97 kt) to 3.8 Mt in FY15 as planned maintenance reduced calciner availability. Record quarterly alumina hydrate production was, however, achieved in the June 2015 quarter as the input circuit operated at expanded capacity of 4.6 Mtpa (100% basis).

Saleable production is expected to increase by 3% to 3.95 Mt in FY16, with a further lift to 3.96 Mt anticipated in FY17. An increase in calciner availability and flow rates, and broader efficiency gains, are expected to deliver the incremental production growth.

Costs

Operating unit costs declined by 9% to US$250/t as labour productivity improved and the US dollar strengthened.

Energy costs are expected to decline in FY16 as coal progressively replaces gas in the cogeneration fuel mix and the closure of the Australind office reduces overhead costs. Additional insourcing of contractor related maintenance activity is also planned.

Financial performance

Underlying EBIT increased by US$150M in FY15 to US$174M. Higher average realised alumina prices (+US$91M, net of price-linked costs) and a favourable movement in foreign exchange rate markets (+US$61M) had the most significant influence on financial performance. Productivity-led cost efficiencies increased Underlying EBIT by US$19M.

Capital expenditure of US$62M was broadly unchanged from the prior period.

SOUTH AFRICA ALUMINIUM (100% SHARE)

Volumes

South Africa Aluminium saleable production declined by 13% (or 105 kt) to 699 kt in FY15. The closure of the higher-cost Bayside smelter in June 2014 accounted for the majority (89 kt) of the decline. Efficiency gains underpinned largely unchanged annual production at Hillside (-2%) despite a 104% increase in load-shedding events and an increase in pot relining activity (136 pots FY15 versus 58 FY14).

Saleable production is expected to remain broadly unchanged across FY16 and FY17. The ability to maintain production will be contingent upon the frequency and intensity of electricity load-shedding events. South Africa Aluminium retains a strong working relationship with Eskom and load-shedding has remained within the allowable limits defined in our electricity supply contracts.

Costs

Operating unit costs remained largely unchanged at US$1,761/t. A favourable movement in foreign exchange rate markets and the closure of the higher-cost Bayside smelter was largely offset by higher costs associated with an increase in pot relining activity and general cost inflation.

Controllable costs are expected to be impacted by another increase in pot relining activity in FY16 that forms part of the natural relining cycle. 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. A separate and fully utilised 75 MW power supply arrangement not covered by a long-term contract is priced at the same tariff as other South African industrial power users.

Financial performance

Underlying EBIT increased by US$118M in FY15 to US$250M. The major contributors to the increase in profitability were higher average realised aluminium prices and premiums (+US$90M, net of price-linked costs), and a favourable movement in foreign exchange rate markets (+US$34M). The transfer of ownership of the Bayside aluminium cast house to Isizinda Aluminium occurred on 30 June 2015.

Capital expenditure of US$35M was broadly unchanged from the prior period.

South32 share	FY15	FY14
Aluminium production (kt)	699	804
Aluminium sales (kt)[(a)]	695	804
Realised sales price (US$/t)[(a)]	2,217	2,007
Operating unit cost (US$/t)[(b)]	1,761	1,757

(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) Total cost per tonne of aluminium sold. Operating unit cost is Revenue less Underlying EBITDA divided by sales.

South32 share (US$M)	FY15	FY14
Revenue	1,541	1,614
Underlying EBITDA	317	201
Underlying EBIT	250	132
Net operating assets	1,151	N/A
Capital expenditure	35	28
Major projects (>US$100M)	-	-
Deferred stripping	-	-
All other capital expenditure	*35*	*28*
Exploration expenditure	-	-
Exploration expensed	-	-

MOZAL ALUMINIUM (47.1% SHARE)

Volumes

Mozal Aluminium saleable production was effectively unchanged at 265 kt in FY15, despite a 50% increase in load-shedding events reported during the period. This included a strong finish to the year (June 2015 quarterly production unchanged at 65 kt) even though load-shedding was skewed to the fourth quarter.

Saleable production is expected to remain broadly unchanged across FY16 and FY17. The ability to maintain production levels will be contingent upon the frequency and intensity of electricity load shedding events. Load-shedding has remained within the allowable limits defined in Mozal Aluminium's electricity supply contracts. The smelter utilises hydroelectric power under long-term contract that is generated by Hidroeléctric 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).

Costs

Operating unit costs declined by 4% to US$1,762/t. Lower coke and pitch prices, higher labour productivity, a reduction in the level of pot relining activity and a favourable movement in foreign exchange rate markets all contributed.

Cost reduction and efficiency initiatives are expected to be broadly offset by an increase in pot relining activity in FY16 that forms part of the natural relining cycle.

Financial performance

Underlying EBIT increased by US$83M in FY15 to US$112M. Higher realised aluminium prices and premiums increased Underlying EBIT by US$48M (net of price-linked costs). Productivity-led cost efficiencies, including lower input and contractor costs, increased Underlying EBIT by US$21M. A favourable movement in foreign exchange rate markets increased Underlying EBIT by a further US$20M.

Capital expenditure of US$14M was broadly unchanged from the prior period.

South32 share	FY15	FY14
Aluminium production (kt)	265	266
Aluminium sales (kt)[a]	273	276
Realised sales price (US$/t)[a]	2,308	2,080
Operating unit cost (US$/t)[b]	1,762	1,844

(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) Total cost per tonne of aluminium sold. Operating unit cost is Revenue less Underlying EBITDA divided by sales.

South32 share (US$M)	FY15	FY14
Revenue	630	574
Underlying EBITDA	149	65
Underlying EBIT	112	29
Net operating assets	626	N/A
Capital expenditure	14	8
Major projects (>US$100M)	-	-
Deferred stripping	-	-
All other capital expenditure	*14*	*8*
Exploration expenditure	-	-
Exploration expensed	-	-

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

Volumes

Brazil Aluminium saleable alumina production increased by 5% (or 66 kt) to a record 1.3 Mt in FY15 as the refinery exceeded nameplate capacity. Conversely, saleable aluminium production declined by 62% (or 64 kt) to 40 kt following the decision to suspend production in the last of three potlines from April 2015.

Saleable alumina production is expected to be broadly unchanged across FY16 and FY17. All three potlines at the smelter remain temporarily suspended and contracted electricity has been forward sold until the end of the December 2016 half year. This temporary curtailment of smelting capacity will be the subject of ongoing review.

Costs

Alumina operating unit costs declined by 16% to US$215/t as incremental production growth delivered additional economies of scale. Greater stability in the refinery also led to a reduction in maintenance costs, while the US dollar strengthened against the Brazilian real.

Financial performance

Underlying EBIT increased by US$137M in FY15 to US$181M. The major contributors to the significant increase in profitability were higher realised alumina and aluminium prices, and premiums (+US$49M, net of price-linked costs), and a favourable movement in foreign exchange rate markets (+US$64M). The combination of higher realised power prices and an increase in the volume of contracted power sales increased Underlying EBIT by US$53M. Conversely, inflationary pressures in Brazil reduced Underlying EBIT by US$25M.

While the volume of contracted power forward sold in FY16 will increase, the average margin achieved is expected to be significantly lower than that achieved in FY15. Underlying EBIT generated from the unhedged forward sale of power will be approximately BRL255M in FY16 (FY15 BRL300M).

Capital expenditure of US$8M was broadly unchanged from the prior period.

South32 share	FY15	FY14
Alumina production (kt)	1,328	1,262
Aluminium production (kt)	40	104
Alumina sales (kt)	1,309	1,248
Aluminium sales (kt)	41	104
Realised alumina sales price (US$/t)[a]	323	300
Realised aluminium sales price (US$/t)[a]	2,366	2,000
Alumina operating unit cost (US$/t)[b][c]	215	256
Aluminium operating unit cost (US$/t)[b][d]	2,366	1,923

(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.

(c) Includes cost of acquiring bauxite from MRN.

(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)	FY15	FY14
Revenue	497	529
Alumina	*423*	*374*
Aluminium	*97*	*208*
Intra-segment elimination	*(23)*	*(53)*
Other income[a]	229	121
Underlying EBITDA	259	127
Alumina	*141*	*54*
Aluminium	*118*	*73*
Underlying EBIT	181	44
Alumina	*83*	*(10)*
Aluminium	*98*	*54*
Net operating assets	928	N/A
Alumina	*744*	*N/A*
Aluminium	*184*	*N/A*
Capital expenditure	8	9
Major projects (>US$100M)	*-*	*-*
Deferred stripping	*-*	*-*
All other capital expenditure	*8*	*9*
Exploration expenditure	-	-
Exploration expensed	-	-

(a) Other income primarily comprises revenue generated from the sale of surplus electricity into the transmission grid.

SOUTH AFRICA ENERGY COAL (90% SHARE)

Volumes

South Africa Energy Coal saleable production increased by 13% (or 3.9 Mt) to 34.3 Mt in FY15. The continued optimisation of equipment availability and mine planning also underpinned a 23% and 13% increase in export and domestic sales, respectively. Saleable coal production in the June 2015 quarter declined by 8% (or 728 kt) following the curtailment of mining activity at the Khutala open cut mine. The Khutala open cut mine contributed 1.4 Mt of domestic coal production in FY15.

Saleable coal production is expected to decline to approximately 32.0 Mt in FY16 and 31.0 Mt in FY17 largely as a result of the curtailment of mining activity at the Khutala open cut mine and the sequencing of pits in the Wolvekrans Middelburg Complex. The majority of the impact will be reflected in domestic coal sales, which are forecast to be approximately 1.5 Mt lower in FY16.

Costs

Operating unit costs declined by 14% to US$30/t as additional economies of scale were realised with stronger volumes, the US dollar strengthened against the rand and the strip ratio fell.

The insourcing of key activities currently performed by contractors, associated labour productivity and the renegotiation of contracts on more favourable terms is expected to deliver another reduction in controllable costs in FY16.

Financial performance

Underlying EBIT increased by US$63M in FY15 to US$94M. Productivity-led cost efficiencies increased Underlying EBIT by US$84M while lower depreciation associated with prior impairments increased Underlying EBIT by another US$39M. The combination of lower product prices (-US$78M, net of price-linked costs) and inflation (-US$63M) more than offset the benefit associated with a stronger US dollar (+US$65M).

A US$33M increase in capital expenditure to US$98M reflected an increase in dewatering activities and the purchase of mobile equipment as we continued to insource contractor activities.

100 per cent terms[a]	FY15	FY14
Energy coal production (kt)	34,277	30,384
Domestic sales (kt)[b]	18,416	16,330
Export sales (kt)[b]	16,390	13,298
Realised domestic sales price (US$/t)[b]	21	22
Realised export sales price (US$/t)[b]	56	66
Operating unit cost (US$/t)[c]	30	35

(a) South32's interest in South Africa Energy Coal is accounted at 100 per cent until ESOP and 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.

100 per cent terms[a] (US$M)	FY15	FY14
Revenue[b]	1,315	1,247
Underlying EBITDA	276	224
Underlying EBIT	94	31
Net operating assets	395	N/A
Capital expenditure	98	65
Major projects (>US$100M)	*-*	*-*
Deferred stripping	*13*	*8*
All other capital expenditure	*85*	*57*
Exploration expenditure	-	-
Exploration expensed	-	-

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

(b) Includes domestic and export sales revenue.

ILLAWARRA METALLURGICAL COAL (100% SHARE)

Volumes

Illawarra Metallurgical Coal saleable production increased by 19% (or 1.4 Mt) to a record 8.9 Mt in FY15. An improvement in longwall availability and utilisation, and a 22% increase in washed tonnes from the West Cliff coal processing plant, underpinned record metallurgical coal production.

Total saleable coal production is expected to be broadly unchanged at approximately 8.9 Mt in FY16, although three longwall moves are planned (compared to two in FY15), including one in the December 2015 half year. The ramp-up of the Appin Area 9 project from FY16 is expected to see Illawarra volumes maintained at capacity of approximately 9.0 Mt as the West Cliff operation is depleted.

The product mix at Illawarra is set to change in FY16 as the mine plan moves through seams that will alter average product yields. In this regard, marginally lower metallurgical coal production is expected to be offset by a modest increase in energy coal output. This trend reverses in FY17, when the mine plan favours metallurgical coal production.

Costs

Operating unit costs declined by 24% in FY15 to US$74/t. This significant reduction in costs was driven by a favourable movement in foreign exchange rate markets and broader cost savings initiatives. For example, a significant reduction in contractor rates has been achieved and is reflected in our forward plans.

The continual improvement in the planning and execution of maintenance activity, and a broader increase in labour productivity is expected to contribute to a reduction in controllable operating costs in FY16. Illawarra Metallurgical Coal is currently negotiating the Dendrobium mine Enterprise Agreement.

Financial performance

Underlying EBIT decreased by US$2M in FY15 to a loss of US$30M. Lower realised coal prices (-US$164M) were offset by an equivalent improvement in cost related efficiencies (+US$165M).

Capital expenditure was unchanged from the prior period. The Appin Area 9 project is 86% complete and is now expected to be commissioned ahead of schedule in the second half of FY16, approximately 20% below the original budget of US$845M. Total capital expenditure for FY15 was US$308M.

South32 share	FY15	FY14
Metallurgical coal production (kt)	7,455	5,974
Energy coal production (kt)	1,471	1,539
Metallurgical coal sales (kt)	7,324	5,921
Energy coal sales (kt)	1,378	1,623
Realised metallurgical coal sales price (US$/t)[(a)]	101	130
Realised energy coal sales price (US$/t)[(a)]	54	67
Operating unit cost (US$/t)[(b)]	74	98

(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.

South32 share (US$M)	FY15	FY14
Revenue[(a)]	814	878
Underlying EBITDA	167	142
Underlying EBIT	(30)	(28)
Net operating assets	1,518	N/A
Capital expenditure	308	309
Major projects (>US$100M)	*51*	*93*
Deferred stripping[(b)]	*119*	*137*
All other capital expenditure	*138*	*79*
Exploration expenditure	5	5
Exploration expensed	5	5

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

(b) Includes capitalised underground development expenditure.

AUSTRALIA MANGANESE (60% SHARE)

Volumes

Australia Manganese saleable ore production increased by 3% (or 76 kt) to 2.9 Mt in FY15 as plant throughput and concentrator yields improved. Near record production at GEMCO was supported by an increase in total material movement as the waste-to-ore strip ratio increased to 3.0:1 (2.6:1 FY14). An increase in ore inventories was recorded over the course of the year as stockpiles returned to normalised levels. Record annual alloy production was achieved at TEMCO.

Manganese ore production is expected to increase to approximately 3.05 Mt in FY16 as mining rates are increased to match plant capacity. Another rise in ore production to 3.25 Mt is expected in FY17 as the Premium Concentrate Ore (PC02) project is completed. TEMCO manganese alloy production is expected to remain broadly unchanged, subject to market conditions.

Costs

Manganese ore operating unit costs declined by 3% to US$94/t. The waste to ore strip ratio is expected to increase to 3.2:1 and then 3.7:1 in FY16 and FY17, respectively. A rise in labour productivity and broader cost saving initiatives are expected to largely offset this impact.

Financial performance

Underlying EBIT declined by US$153M in FY15 to US$123M. Lower manganese ore and alloy prices reduced Underlying EBIT by US$105M (net of price-linked costs), while a decline in sales volumes reduced Underlying EBIT by a further US$30M. In contrast, a favourable movement in foreign exchange rate markets increased Underlying EBIT by US$28M. A rise in non-cash charges reduced Underlying EBIT by US$36M, largely reflecting the ramp-up of the Groote Eylandt Expansion Project (GEEP) 2.

Capital expenditure increased by US$33M to US$98M. This included a US$41M investment in the Premium Concentrate Ore (PC02) project. The PC02 project increases manganese ore production capacity by 0.5 Mt. The project is 48% complete and remains on schedule for completion in the second half of FY16. The original budget of US$139M (100% basis) remains unchanged.

South32 share	FY15	FY14
Manganese ore production (kt)	2,942	2,866
Manganese alloy production (kt)	167	161
Manganese ore sales (kt)[(a)]	2,845	3,038
External customers	2,540	2,755
TEMCO	305	283
Manganese alloy sales (kt)[(a)]	139	166
Realised manganese ore sales price (US$/t)[(a)]	174	219
Realised manganese alloy sales price (US$/t)[(a)]	964	1,024
Ore operating unit cost (US$/t)[(b)]	94	97
Alloy operating unit cost (US$/t)[(b)(c)]	849	946

(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.

(c) Includes the cost of manganese ore acquired by TEMCO from GEMCO at market prices.

South32 share (US$M)	FY15	FY14
Revenue[(a)]	595	785
Manganese Ore	*494*	*664*
Manganese Alloy	*134*	*170*
Intra-segment elimination	*(33)*	*(49)*
Underlying EBITDA	243	383
Manganese Ore	*227*	*370*
Manganese Alloy	*16*	*13*
Underlying EBIT	123	276
Manganese Ore	*115*	*270*
Manganese Alloy	*8*	*6*
Net operating assets	1,384	N/A
Manganese Ore	*1,365*	*N/A*
Manganese Alloy	*19*	*N/A*
Capital expenditure	98	65
Major projects (>US$100M)	-	-
Deferred stripping	-	-
All other capital expenditure	*98*	*65*
Exploration expenditure	2	3
Exploration expensed	2	3

(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 increased by 7% (or 116 kt) to a record of 1.7 Mt in FY15 as equipment availability and recoveries continued to improve. Manganese alloy production increased by 9% (or 20 kt) to 246 kt in FY15. Metalloys production declined substantially in the June 2015 quarter as a fatality led to the initial suspension of operations, before a decision was taken to restart only one of the four furnaces in response to challenging market conditions.

Subject to market demand and the continuing review of our manganese assets, saleable ore production is expected to decline marginally to approximately 1.65 Mt for both FY16 and FY17. Only one of the four furnaces at Metalloys is currently in operation.

Costs

Manganese ore operating unit costs increased by 13% to US$90/t as broader inflationary pressure more than offset the benefit associated with a stronger US dollar. Conversely, alloy operating unit costs declined by 13% to US$948/t, despite the temporary suspension of production in three of the four furnaces at Metalloys towards the end of the period.

Financial performance

Underlying EBIT declined by US$49M to a loss of US$20M. Lower realised manganese ore and alloy prices reduced Underlying EBIT by US$61M (net of price-linked costs), although this was partially offset by a favourable movement in foreign exchange rate markets (+US$17M) and productivity-led cost efficiencies (+US$20M).

Capital expenditure of US$41M was broadly unchanged from the prior period and included a US$9M investment in the second phase of the Central Block project at Wessels. This project increases ROM production capacity at Wessels to 1.5 Mtpa (100% basis). The US$31M (100% basis) project is 44% complete and remains on schedule and budget with first production expected in the first quarter of FY17.

South32 share	FY15	FY14
Manganese ore production (kt)	1,682	1,566
Manganese alloy production (kt)	246	226
Manganese ore sales (kt)[(a)]	1,636	1,545
External customers	1,208	1,185
Metalloys	428	360
Manganese alloy sales (kt)[(a)]	251	240
Realised manganese ore sales price (US$/t)[(a)]	112	130
Realised manganese alloy sales price (US$/t)[(a)]	876	992
Ore operating unit cost (US$/t)[(b)]	90	80
Alloy operating unit cost (US$/t)[(b)(c)]	948	1,096

(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 (Manganese Ore sales gross-up to reflect 60% accounting effective interest).

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales (Manganese Ore sales gross-up to reflect 60% accounting effective interest).

(c) Includes the cost of the manganese ore acquired by Metalloys from Hotazel mines at market prices.

South32 share (US$M)	FY15	FY14
Revenue[(a)]	420	473
Manganese Ore[(b)]	*249*	*273*
Manganese Alloy	*220*	*238*
Intra-segment elimination	*(49)*	*(38)*
Underlying EBITDA	32	82
Manganese Ore[(b)]	*50*	*107*
Manganese Alloy	*(18)*	*(25)*
Underlying EBIT	(20)	29
Manganese Ore[(b)]	*12*	*68*
Manganese Alloy	*(32)*	*(39)*
Net operating assets	530	N/A
Manganese Ore[(b)]	*384*	*N/A*
Manganese Alloy	*146*	*N/A*
Capital expenditure	41	42
Major projects (>US$100M)	-	-
Deferred stripping	-	-
All other capital expenditure	*41*	*42*
Exploration expenditure	-	-
Exploration expensed	-	-

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

(b) For accounting purposes South32 reported a 60% effective interest in Manganese Ore until the B-BBEE vendor loans are repaid.

CERRO MATOSO (99.9% SHARE)

Volumes

Cerro Matoso payable nickel production declined by 9% (or 3.9 kt) to 40 kt in FY15 as a result of an 11% reduction in the average ore grade and a 17 day strike in April 2015.

Payable nickel production is expected to decline to approximately 36.5 kt in FY16, with a similar rate of production anticipated in FY17. The associated reduction in ore grades is consistent with the life-of-mine plan.

If developed, the higher grade La Esmeralda deposit has the potential to deliver an uplift in ore grades between FY18 and FY22. The application process for a new Social and Environmental licence to allow access to La Esmeralda has commenced.

Costs

Operating unit costs declined by 13% to US$175/t, largely as a result of the stronger US dollar. Various cost savings initiatives, including the rebasing of contractor usage and rates, are expected to deliver a significant reduction in controllable costs in FY16.

Financial performance

Underlying EBIT increased by US$53M in FY15 to US$58M. The strength of the US dollar was the major contributor (+US$63M), although this was partially offset by inflationary pressures (-US$16M) and weaker realised prices (-US$8M, net of price-linked costs). While underlying costs benefitted from an increase in labour productivity and an improvement in maintenance planning, this was offset by the impact of the April 2015 strike. A reduction in non-cash charges increased Underlying EBIT by US$28M.

Capital expenditure declined considerably in FY15 to US$36M.

South32 share	FY15	FY14
Ore mined (kwmt)	6,321	8,490
Ore processed (kdmt)	2,629	2,493
Ore grade processed (per cent, Ni)	1.7	1.9
Payable nickel production (kt)	40.4	44.3
Payable nickel sales (kt)	40.6	45.1
Realised nickel sales price (US$/t)[(a)]	14,606	13,193
Operating unit cost (US$/t processed)[(b)]	175	201

(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 ore processed.

South32 share (US$M)	FY15	FY14
Revenue	593	595
Underlying EBITDA	133	93
Underlying EBIT	58	5
Net operating assets	763	N/A
Capital expenditure	36	56
Major projects (>US$100M)	*-*	*-*
Deferred stripping	*-*	*-*
All other capital expenditure	*36*	*56*
Exploration expenditure	9	8
Exploration expensed	1	2

CANNINGTON (100% SHARE)

Volumes

Payable silver production declined by 10% (or 2.6 Moz) to 22.6 Moz in FY15 as an increase in milling rates mitigated the impact of a 13% decline in the average silver ore grade. With declining ore grades the paste plant will play a critical role in increasing mining rates. Annual paste fill production increased by 3% during the period.

Payable lead production declined by a lesser 2% (or 4 kt) in FY15, while a significant increase in the average zinc ore grade and processing recoveries led to a 24% (or 14 kt) increase in payable zinc production.

Silver and lead production is expected to decline over the next two years as ore grades decline, although this will be partially offset by an increase in zinc ore grades and production.

Costs

Operating unit costs declined by 11% in FY15 to US$170/t. This largely reflected a favourable movement in foreign exchange rate markets and a reduction in both the cost and volume of consumables used and reduction in labour costs.

Another reduction in controllable costs is anticipated in FY16. This is expected to be achieved by further improving maintenance planning and reducing contractor and consumable costs.

Financial performance

Underlying EBIT declined by US$131M in FY15 to US$287M. Lower average realised prices reduced Underlying EBIT by US$114M (net of price-linked costs). Finalisation adjustments and the provisional pricing of Cannington concentrates reduced Underlying EBIT by US$43M (+US$29M 2014 financial year; -US$40M December 2014 half year).

The outstanding concentrate sales (containing 8.6 Moz of silver, 7.0 kt of lead and 1.5 kt of zinc) were revalued at 30 June 2015. The final price of these sales will be determined in FY16. The impact of lower sales volumes (-US$59M) was offset by productivity-led cost efficiencies (+US$29M) and a favourable movement in foreign exchange rate markets (+US$35M).

Capital expenditure declined by 35% to US$39M.

South32 share	FY15	FY14
Ore mined (kt)	3,418	3,446
Ore processed (kt)	3,289	3,202
Ore grade processed (g/t, Ag)	257	296
Ore grade processed (%, Pb)	6.7%	7.1%
Ore grade processed (%, Zn)	3.4%	3.0%
Payable Silver production (koz)	22,601	25,161
Payable Lead production (kt)	183	187
Payable Zinc production (kt)	72	58
Payable Silver sales (koz)	23,831	26,160
Payable Lead sales (kt)	189	189
Payable Zinc sales (kt)	66	62
Realised Silver sales price (US$/oz)[a]	17	20
Realised Lead sales price (US$/t)[a]	1,889	2,344
Realised Zinc sales price (US$/t)[a]	2,197	2,000
Operating unit cost (US$/t ore processed)[b]	170	192

(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.

South32 share (US$M)	FY15	FY14
Revenue	902	1,079
Underlying EBITDA	342	465
Underlying EBIT	287	418
Net operating assets	280	N/A
Capital expenditure	39	60
Major project (>US$100M)	-	-
Deferred stripping	-	-
All other capital expenditure	*39*	*60*
Exploration expenditure	5	5
Exploration expensed	5	5

PRO FORMA RECONCILIATIONS

The following tables reconcile pro forma and statutory earnings for FY15 and FY14.

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 costs	(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 costs	(67)	7	(60)
Taxation expense	(528)	97	(431)
Profit/(loss) after taxation from continuing operations	**(926)**	**954**	**28**
Profit from discontinued operations, net of tax	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 2013 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 2013 to 27 October 2014 being the date that it ceased to be part of the South32 Group as a result of the Internal Restructure (refer note 1(b) of the notes to the Financial Information).
- Presenting South32 manganese assets (comprising South Africa Manganese, Australia Manganese and Samancor AG) on an equity accounted basis from 1 July 2013 including associated depreciation (refer note 1(c) of the notes to the Financial Information);
- Additional corporate costs associated with South32 Limited becoming a stand-alone group US$46M (FY14 US$53M);
- Exclusion of net finance costs charged by the BHP Billiton Group of US$69M (FY14 US$84M);
- Exclusion of demerger related set up costs, stamp duty on the acquisition of assets, and major corporate restructuring costs of US$269M (FY14 US$ nil);
- Exclusion of the gain that arises on recording South Africa Manganese and Samancor AG at fair value on adoption of equity accounting of US$921M (FY14 US$ nil) and their subsequent impairment of US$770M (FY14 US$ nil);
- 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 Aluminium tax accounting adjustments of US$481M (FY14 US$44M).

FY14 US$M	Statutory consolidated income statement	Demerger related pro forma adjustments[(a)]	Pro forma consolidated financial information
Revenue	853	7,491	8,344
Other income	30	239	269
Expenses excluding net finance costs	(942)	(7,457)	(8,399)
Share of profit/(loss) of equity accounted investments	-	105	105
Profit/(loss) from continuing operations	**(59)**	**378**	**319**
Net finance costs	(15)	(172)	(187)
Taxation benefit/ (expense)	74	(142)	(68)
Profit/(loss) after taxation from continuing operations	**-**	**64**	**64**
Profit from discontinued operations, net of tax	46	(46)	-
Profit/(loss) after taxation	**46**	**18**	**64**
Other financial information			
Profit/(loss) from continuing operations	(59)	378	319
Earnings adjustments	3	320	323
Underlying EBIT from continuing operations	**(56)**	**698**	**642**
Depreciation and amortisation	170	653	823
Underlying EBITDA from continuing operations	**114**	**1,351**	**1,465**
Profit/ (loss) after taxation from continuing operations	-	64	64
Earnings adjustments after taxation	**4**	**339**	**343**
Underlying earnings from continuing operations	**4**	**403**	**407**

(a) Refer to footnote (a) on page 26.

The following tables reconcile pro forma and statutory operating cash flows before financing activities and tax, and after capital expenditure for FY15 and FY14.

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)	0	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

FY14 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	(59)	378	319
Non-cash items	175	954	1,129
(Profit)/loss from equity accounted investments	-	(105)	(105)
Change in working capital	12	3	15
Cash generated from continuing operations	128	1,230	1,358
Dividends received (including equity accounted investments)	-	206	206
Capital expenditure	(309)	(281)	(590)
Operating cash flows from continuing operations before financing activities and tax and after capital expenditure	(181)	1,155	974

(a) The significant items contained in the demerger related pro forma adjustments comprise:
- The results of the current South32 Group operations between 1 July 2013 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 2013 to 27 October 2014 being the date that it ceased to be part of the South32 Group as a result of the Internal Restructure (refer note 1(b) of the notes to the Financial Information).
- Presenting South32 manganese assets (comprising South Africa Manganese, Australia Manganese and Samancor AG) on an equity accounted basis from 1 July 2013 including associated depreciation (refer note 1(c) of the notes to the Financial Information);
- Additional corporate costs associated with South32 Limited becoming a stand-alone group US$46M (FY14 US$53M); and
- Exclusion of demerger related set up costs, stamp duty on the acquisition of assets, and major corporate restructuring costs of US$269M (FY14 US$ nil).

The pro forma segment reporting information for the South32 assets for FY15 and FY14 is set out below. The segment information reflects South32's interest in its manganese assets on a proportional consolidation basis, which is the measure that is used by South32 management to assess the performance of the manganese assets. The equity accounting adjustment column reconciles the proportional consolidation of the manganese assets to the treatment of the manganese assets on an equity accounted basis.

FY15 PRO FORMA SEGMENT INFORMATION

FY15 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Aluminium	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese	South Africa Manganese	Cerro Matoso	Cannington	Group and unallocated items/ elimination	Equity accounting adjustment	Total South32
Revenue													
Group production	656	1,541	630	497	1,315	814	595	410	593	902	-	(1,005)	6,948
Third party products[a]	-	-	-	-	-	-	-	-	-	-	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[a]	-	-	-	-	-	-	-	-	-	-	28	-	28
Share of profit of equity accounted investments[b]	-	-	-	-	1	1	-	-	-	-	-	(2)	-
Underlying EBIT	**174**	**250**	**112**	**181**	**94**	**(30)**	**123**	**(20)**	**58**	**287**	**(123)**	**(105)**	**1,001**
Net finance costs													(194)
Income tax expense													(232)
Underlying Earnings													**575**
Earnings adjustments													(547)
Profit after taxation													**28**
Capital expenditure	62	35	14	8	98	308	98	41	36	39	29	(139)	629
Investments accounted for using the equity method	-	-	-	-	12	-	-	-	-	-	-	1,695	1,707
Total assets[c]	**3,720**	**1,475**	**730**	**1,039**	**1,414**	**1,782**	**1,649**	**748**	**997**	**453**	**2,271**	**(789)**	**15,489**
Total liabilities[c]	**359**	**324**	**104**	**111**	**1,019**	**264**	**265**	**218**	**234**	**173**	**2,202**	**(819)**	**4,454**

(a) Third party product sold comprises US$667M for aluminium (FY14: US$802M), US$88M for coal (FY14: US$456M) and US$40M for others (FY14: US$2M). Underlying EBIT on third party products comprises US$27M for aluminium (FY14: US$14M), US$1M for coal (FY14: US$18M) and US$ nil for others (FY14: -US$2M).

(b) Share of profit of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.

(c) Total segment assets and liabilities represent operating assets and liabilities which predominately exclude the carrying amount of cash, interest bearing liabilities and tax balances.

FY14 PRO FORMA SEGMENT INFORMATION

FY14 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Aluminium	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese	South Africa Manganese	Cerro Matoso	Cannington	Group and unallocated items/ elimination	Equity accounting adjustment	Total South32
Revenue													
Group production	570	1,614	574	529	1,247	878	785	473	595	1,079	-	(1,258)	7,086
Third party products[a]	-	-	-	-	-	-	-	-	-	-	1,260	(2)	1,258
Inter-segment revenue	659	-	-	-	-	-	-	-	-	-	(659)		-
Total revenue	**1,229**	**1,614**	**574**	**529**	**1,247**	**878**	**785**	**473**	**595**	**1,079**	**601**	**(1,260)**	**8,344**
Underlying EBITDA	**162**	**201**	**65**	**127**	**224**	**142**	**383**	**82**	**93**	**465**	**(112)**	**(367)**	**1,465**
Depreciation and amortisation	(138)	(69)	(36)	(83)	(193)	(170)	(107)	(53)	(88)	(47)	1	160	(823)
Underlying EBIT	**24**	**132**	**29**	**44**	**31**	**(28)**	**276**	**29**	**5**	**418**	**(111)**	**(207)**	**642**
Comprising:													
Group production	24	132	29	44	21	(28)	276	29	5	418	(141)	(305)	504
Third party products[a]	-	-	-	-	-	-	-	-	-	-	30	2	32
Share of profit of equity accounted investments[b]	-	-	-	-	10	-	-	-	-	-	-	96	106
Underlying EBIT	**24**	**132**	**29**	**44**	**31**	**(28)**	**276**	**29**	**5**	**418**	**(111)**	**(207)**	**642**
Net finance costs													(147)
Income tax expense													(88)
Underlying Earnings													**407**
Earnings adjustments													(343)
Profit after taxation													**64**
Capital expenditure	56	28	8	9	65	309	65	42	56	60	(1)	(107)	590

(a) Third party product sold comprises US$667M for aluminium (FY14: US$802M), US$101M for coal (FY14: US$456M) and US$40M for others (FY14: US$2M). Underlying EBIT on third party products comprises US$27M for aluminium (FY14: US$14M), US$1M for coal (FY14: US$18M) and US$ nil for others (FY14: -US$2M).

(b) Share of profit of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.

NOTES

(1) Free cash flow before interest and tax represents operating cash flows from continuing operations including dividends received from equity accounted investments, before financing activities and tax, and after capital expenditure.

(2) Productivity-led and other cost efficiencies refer to the reduction in costs, excluding price-linked costs, exchange rate movements, inflation, non-cash costs, one-off items, ceased and sold operations, and other items.

(3) 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 and is not a measure of unit cost performance.

(4) Sustaining capital expenditure comprises Stay-in-business (SIB), Minor discretionary and Deferred stripping (including underground development) capital expenditure. It equates to total capital expenditure (including equity accounted investments) excluding Major projects capital expenditure.

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

(6) Percentage change has not been disclosed for statutory results on the basis that the variances between FY15 and FY14 are substantially different due to the impact of the Internal Restructure prior to demerger. Information in respect of the demerger is detailed in note 1 to the Financial Information.

(7) Revenue includes revenue from third party products.

(8) Pro forma FY15 and FY14 basic earnings per share is calculated as pro forma profit after taxation from continuing operations divided by the number of shares on issue at 30 June 2015. Pro forma FY15 and FY14 basic Underlying earnings per share is calculated as pro forma Underlying earnings divided by the number of shares on issue at 30 June 2015

(9) 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 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 assets 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 note 2(b)(ii) to the Financial Information.

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

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

(12) Return on invested capital (ROIC) is a key measure that South32 uses to assess performance. ROIC is calculated as pro forma Underlying EBIT less the discount on rehabilitation provisions included in net finance costs, tax effected by the Group's Underlying ETR, divided by the sum of fixed assets (excluding any rehabilitation asset and other non-cash adjustments) and inventories. Manganese is included in the calculation on a proportional consolidation basis.

(13) The South32 Group acquired each of the following assets on the respective dates in parentheses: Worsley Alumina (8 May 2015), South Africa Aluminium (2 February 2015), Mozal Aluminium (27 March 2015), Brazil Aluminium (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).

(14) The segment information reflects South32's interest in its manganese assets on a proportional consolidation basis, which is the measure that is used by South32's management to assess the performance of its manganese assets. The equity accounting adjustment is shown to reconcile to the treatment of its manganese assets on an equity accounted basis per the statutory financial information.

(15) Net assets is equal to total segment assets minus total segment liabilities. Total segment assets and liabilities represent operating assets and liabilities which predominately exclude the carrying amount of cash, interest bearing liabilities and tax balances.

(16) Third party product sold comprises US$667M for aluminium (FY14: US$802M), US$88M for coal (FY14: US$456M) and US$40M for others (FY14: US$2M). Underlying EBIT on third party products comprises US$27M for aluminium (FY14: US$14M), US$1M for coal (FY14: US$18M) and US$ nil for others (2014: -US$2M).

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

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

(19) Underlying net finance costs and Underlying taxation expense are actual FY15 results, not year-on-year variances.

(20) The following abbreviations may be used throughout this report: US$ million (US$M); US$ billion (US$B); financial year (FY), for example financial year 2015 is abbreviated to FY15; grams per tonne (g/t); tonnes (t); thousand tonnes (kt); thousand tonnes per annum (ktpa); million tonnes (Mt); million tonnes per annum (Mtpa); thousand ounces (koz); million ounces (Moz); thousand wet metric tonnes (kwmt); thousand dry metric tonnes (kdmt); megawatt (MW); Australian Securities Exchange (ASX); London Stock Exchange (LSE); and Johannesburg Stock Exchange (JSE).

DISCLAIMER

FORWARD LOOKING STATEMENTS

Certain statements in this document relate to the future, and may include forward looking statements relating to South32's financial position; strategy; dividends; trends in commodity prices and currency exchange rates; demand for commodities; closure or divestment of certain operations or facilities (including associated costs); anticipated production or construction commencement dates; capital costs and scheduling; operating costs and shortages of materials and skilled employees; anticipated productive lives of projects, mines and facilities; provisions and contingent liabilities; tax and regulatory developments.

Forward looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or other similar words. These forward looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond South32's control, and which may cause the actual results to differ materially from those expressed in the statements contained in this document. Readers are cautioned not to put undue reliance on forward looking statements.

Other than as required by law, none of South32, its officers or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statement in this document will actually occur, in part or in whole.

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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 South32's business, make decisions on the allocation of its 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 construed as either an offer to sell or a solicitation of an offer 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.

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SOUTH32 FINANCIAL INFORMATION

For the year ended 30 June 2015

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The financial information included in this document for the year ended 30 June 2015 is unaudited. The financial information does not constitute the South32 Group's full financial statements for the year ended 30 June 2015, 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. The comparative figures for the financial year ended 30 June 2014 are from the accounts of BHP Coal Holdings Pty Ltd which became South32 Limited upon demerger from the BHP Billiton Group.

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). As required, statutory financial information for the South32 Group has been presented for the 2015 financial year (FY15) and 2014 financial year (FY14). The South32 Group's statutory financial information only includes the results of the current South32 Group operations (also referred to as "assets") 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 2013 and the results of New Mexico Coal for the period 1 July 2013 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 statutory financial information for FY15 and FY14 does not reflect the performance of the South32 Group as it is currently structured.

The impact of new accounting standards and interpretations which became effective from 1 July 2014 and the effects of other voluntary changes in accounting policy are described in note 9 New standards and interpretations to the financial information.

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 ($M).

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2015

US$M	Notes	2015	2014
Continuing operations			
Revenue			
Group production		**3,480**	853
Third party products		**363**	–
		3,843	853
Other income		**1,143**	30
Expenses excluding net finance cost		**(5,247)**	(942)
Share of profit/(loss) of equity accounted investments		**(70)**	–
Profit/(loss) from continuing operations		**(331)**	(59)
Comprising:			
Group production		**(338)**	(59)
Third party products		**7**	–
		(331)	(59)
Finance expenses		**(89)**	(15)
Finance income		**22**	–
Net finance cost	3	**(67)**	(15)
Profit/(loss) before taxation		**(398)**	(74)
Income tax (expense)/benefit		**(432)**	34
Royalty-related taxation (net of income tax)		**(96)**	40
Total tax (expense)/benefit	4	**(528)**	74
Profit/(loss) after taxation from continuing operations		**(926)**	–
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax		**7**	46
Profit/(loss) for the year		**(919)**	46
Attributable to:			
Equity holders of South32 Limited		**(919)**	46
Non-controlling interests		**–**	–
Profit/(loss) from continuing operations attributable to the ordinary equity holders of South32 Limited			
Basic earnings per ordinary share (cents)	5	**(26.9)**	–
Diluted earnings per ordinary share (cents)	5	**(26.9)**	–
Profit/(loss) for the year attributable to the ordinary equity holders of South32 Limited			
Basic earnings per ordinary share (cents)	5	**(26.7)**	1.4
Diluted earnings per ordinary share (cents)	5	**(26.7)**	1.4

The accompanying notes form part of this financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

US$M	2015	2014
Profit/(loss) for the year	**(919)**	46
Other comprehensive income/(loss)		
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	**65**	–
Tax benefit/(expense) recognised within other comprehensive income	**(33)**	–
Total items that may be reclassified subsequently to the income statement	**32**	–
Items not to be reclassified to the income statement:		
Equity accounted investments – share of other comprehensive income/(loss)	**–**	–
Actuarial gain/(loss) on pension and medical schemes	**3**	6
Tax benefit/(expense) recognised within other comprehensive income	**(1)**	(2)
Total items not to be reclassified to the income statement	**2**	4
Total other comprehensive income/(loss)	**34**	4
Total comprehensive income/(loss)	**(885)**	50
Attributable to:		
Equity holders of South32 Limited	**(885)**	50
Non-controlling interests	**–**	–

The accompanying notes form part of this financial information.

CONSOLIDATED BALANCE SHEET

as at 30 June 2015

US$M	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	**644**	145
Trade and other receivables	**1,162**	208
Other financial assets	**14**	–
Inventories	**953**	135
Current tax assets	**77**	156
Other	**18**	6
Total current assets	**2,868**	650
Non-current assets		
Trade and other receivables	**185**	160
Other financial assets	**417**	–
Inventories	**60**	–
Property, plant and equipment	**9,550**	1,941
Intangible assets	**306**	–
Investments accounted for using the equity method	**1,707**	–
Deferred tax assets	**376**	185
Other	**20**	5
Total non-current assets	**12,621**	2,291
Total assets	**15,489**	2,941
LIABILITIES		
Current liabilities		
Trade and other payables	**921**	316
Interest bearing liabilities	**364**	832
Other financial liabilities	**4**	–
Current tax payable	**11**	15
Provisions	**398**	102
Deferred income	**6**	7
Total current liabilities	**1,704**	1,272
Non-current liabilities		
Trade and other payables	**30**	23
Interest bearing liabilities	**682**	1
Deferred tax liabilities	**554**	153
Provisions	**1,479**	367
Deferred income	**5**	12
Total non-current liabilities	**2,750**	556
Total liabilities	**4,454**	1,828
Net assets	**11,035**	1,113
EQUITY		
Share capital	**14,958**	561
Reserves	**(3,557)**	–
Retained earnings/(accumulated losses)	**(365)**	552
Total equity attributable to:		
Equity holders of South32 Limited	**11,036**	1,113
Non-controlling interests	**(1)**	–
Total equity	**11,035**	1,113

The accompanying notes form part of this financial information.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2015

US$M	2015	2014
Operating activities		
Profit/(loss) before taxation from continuing operations	**(398)**	(74)
Adjustments for:		
Non-cash significant items	**(921)**	–
Depreciation and amortisation expense	**477**	170
Net loss/(gain) on sale of non-current assets	**10**	(4)
Impairments of property, plant and equipment, financial assets and intangibles	**1,389**	–
Employee share awards expense	**1**	–
Net finance cost	**67**	15
Share of (profit)/loss of equity accounted investments	**70**	–
Other non-cash or non-operating items	**80**	9
Changes in assets and liabilities:		
Trade and other receivables	**(327)**	(7)
Inventories	**85**	1
Trade and other payables	**161**	15
Provisions and other liabilities	**(29)**	3
Cash generated from continuing operations	**665**	128
Interest received	**23**	–
Interest paid	**(42)**	(27)
Income tax received	**1**	34
Net cash flows from continuing operating activities	**647**	135
Net cash flows from discontinued operating activities	**23**	25
Net cash flows from operating activities	**670**	160
Investing activities		
Purchases of property, plant and equipment	**(454)**	(309)
Exploration expenditure	**(10)**	(5)
Exploration expenditure expensed and included in operating cash flows	**7**	5
Purchase of intangibles	**(9)**	–
Investment in financial assets	**(400)**	(10)
Investment in subsidiaries, operations and joint operations, net of their cash, as part of the Internal Restructure	**(12,734)**	–
Investment in equity accounted investments	**(1,565)**	–
Cash outflows from investing activities	**(15,165)**	(319)
Proceeds from sale of property, plant and equipment	**2**	4
Proceeds from sale of financial assets	**1**	–
Proceeds from sale of intangible assets	**5**	–
Proceeds from divestment of subsidiaries, operations and joint operations, net of their cash, as part of the Internal Restructure	**171**	–
Net cash flows from continuing investing activities	**(14,986)**	(315)
Net cash flows from discontinued investing activities	**(9)**	(26)
Net cash flows from investing activities	**(14,995)**	(341)
Financing activities		
Proceeds from interest bearing liabilities	**338**	180
Repayment of interest bearing liabilities	**(272)**	–
Proceeds from amounts received from BHP Billiton	**1,224**	–
Repayment of amounts owing to BHP Billiton	**(831)**	–
Proceeds from ordinary shares	**14,397**	–
Net cash flows from continuing financing activities	**14,856**	180
Net cash flows from discontinued financing activities	**–**	–
Net cash flows from financing activities	**14,856**	180
Net increase/(decrease) in cash and cash equivalents	**531**	(1)
Cash and cash equivalents, net of overdrafts, at the beginning of the financial year	**145**	146
Foreign currency exchange rate changes on cash and cash equivalents	**(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	**644**	145

The accompanying notes form part of this financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2015

	Attributable to equity holders of South32 Limited					
US$M	Share Capital	Reserves	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
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	**–**	**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**
Balance as at 1 July 2013	561	–	502	1,063	–	1,063
Profit for the year	–	–	46	46	–	46
Other comprehensive income/(loss)	–	–	4	4	–	4
Total comprehensive income	–	–	50	50	–	50
Balance as at 30 June 2014	561	–	552	1,113	–	1,113

The accompanying notes form part of this financial information.

NOTES TO THE FINANCIAL INFORMATION

1. South32 Limited demerger

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. The demerger resulted in economic separation at the close of business London time on 22 May 2015 (being 23 May 2015 Melbourne time) with the settlement of intercompany balances between the South32 Group and the BHP Billiton Group. South32 shares were transferred to eligible BHP Billiton Limited and BHP Billiton Plc shareholders on 24 May 2015 and 25 May 2015, respectively. 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). As a result of the Internal Restructure, several entities, assets and liabilities were transferred to the South32 Group and entities and assets and liabilities relating to the BHP Billiton Group were transferred out of the South32 Group during the year ended 30 June 2015. Under the Internal Restructure, the acquisition of the entities and net assets was for cash, which was funded through a share issue to BHP Billiton Limited.

The South32 Group has elected to account for the acquisition of the entities and net assets as common control transactions. As a consequence no acquisition accounting in the form of a purchase price allocation was undertaken and therefore the assets and liabilities have not been remeasured to fair value nor has any goodwill arisen. All the assets and liabilities acquired by the South32 Group as a result of the Internal Restructure were recognised at values consistent with the carrying value of those assets and liabilities in the BHP Billiton Group accounts immediately prior to the Internal Restructure. Certain deferred tax balances have been subsequently adjusted in respect of those assets and liabilities acquired. The difference between the deemed consideration established under the Internal Restructure and the adjusted carrying value of the assets and liabilities acquired totalling US$3,569M has been recognised in the Common Control Transaction Reserve.

As required for statutory reporting purposes, the statutory financial information for the South32 Group has been presented for the financial year ended 30 June 2015 and for the comparative financial year ended 30 June 2014. In this regard, the South32 Group statutory financial information only includes the results of the current South32 Group operations (also referred to as “assets”) from the date of acquisition during the financial year under the Internal Restructure. The exception is Illawarra Metallurgical Coal which was part of the South32 Group at 1 July 2013. The South32 Group statutory financial information also includes:

- The results of New Mexico Coal for the period from 1 July 2013 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 from 1 July 2013 and up to immediately prior to the demerger, that were settled as part of the demerger.

In addition, the South32 Group statutory financial results reflect certain corporate costs associated with the South32 Group becoming a standalone entity.

Accordingly, as a result of the Internal Restructure, the statutory financial information for the years ended 30 June 2015 and 30 June 2014 does not reflect the performance of the South32 Group as it is currently structured.

NOTES TO THE FINANCIAL INFORMATION

1. South32 Limited demerger (continued)

(a) Businesses acquired

As part of the Internal Restructure undertaken by the South32 Group pursuant to the Separation Deed with the BHP Billiton Group, several entities, assets and liabilities have been acquired and divested by the South32 Group. Details of the businesses acquired and disposed are included in note 6 Subsidiaries, note 7 Investments accounted for using the equity method, and note 8 Interests in joint operations.

The total carrying value of the assets and liabilities that were acquired by the South32 Group as part of the Internal Restructure that occurred prior to the demerger were as follows:

Carrying value of net assets acquired	
US$M	**2015**
Cash and cash equivalents	269
Trade and other receivables	1,851
Other financial assets	522
Inventories	1,229
Current tax assets	52
Other	33
Property, plant and equipment	9,535
Intangible assets	404
Investments accounted for using the equity method	1,005
Deferred tax assets	707
Total assets	**15,607**
Trade and other payables	671
Interest bearing liabilities	961
Other financial liabilities	18
Current tax payable	32
Deferred tax liabilities	488
Provisions	2,011
Other liabilities	12
Total liabilities	**4,193**
Net assets acquired	**11,414**
Less net assets attributable to non-controlling interests	454
Net assets attributable to equity holders of South32 Limited	**10,960**

(b) Businesses disposed

The business disposed of under the Internal Restructure, which occurred prior to the demerger, have been treated as a discontinued operation within this financial report. As a result of the Internal Restructure the New Mexico Coal asset was transferred to the BHP Billiton Group and resulted in the recognition of a loss on sale of US$42M (tax impact: US$ nil) which was recorded directly in the Common Control Transaction Reserve.

Results of New Mexico Coal		
US$M	**2015**	**2014**
Revenue - Group production	**133**	520
Other income	**5**	17
Expenses excluding net finance cost	**(128)**	(486)
Profit from operations	**10**	51
Finance expenses	**–**	(10)
Finance income	**2**	15
Net finance cost	**2**	5
Profit before taxation	**12**	56
Income tax expense	**(5)**	(10)
Total tax expense	**(5)**	(10)
Profit after taxation from discontinued operations attributable to equity holders of South32 Limited	**7**	46
Profit per share from discontinued operations attributable to the ordinary equity holders of South32 Limited		
Basic earnings per ordinary share (US cents)	**0.2**	1.4
Diluted earnings per ordinary share (US cents)	**0.2**	1.4

Cash flows from/(used) by New Mexico Coal		
US$M	**2015**	**2014**
Operating	**23**	25
Investing	**(9)**	(26)
Financing	**–**	–
Net cash inflow/(outflow)	**14**	(1)

NOTES TO THE FINANCIAL INFORMATION

1. South32 Limited demerger (continued)

(b) Businesses disposed (continued)

Carrying value of net assets derecognised	
US$M	**2015**
Cash and cash equivalents	29
Trade and other receivables	268
Inventories	69
Current tax assets	1
Property, plant and equipment	323
Deferred tax assets	72
Other assets	9
Trade and other payables	(98)
Interest bearing liabilities	(1)
Deferred tax liabilities	(63)
Provisions	(351)
Deferred income	(16)
Net assets derecognised	**242**
Consideration received, satisfied in cash	200
Cash and cash equivalents disposed of	(29)
Net cash inflow	**171**

(c) Manganese assets

In contemplation of the demerger, BHP Billiton and Anglo American agreed to make certain changes to the agreement that governed their interests in the manganese assets (including South Africa Manganese, Australia Manganese and Samancor AG). The last of the approvals required for the new agreement was received on 2 March 2015. From that date BHP Billiton moved from control to joint control of the manganese assets. BHP Billiton discontinued consolidation of the manganese assets and accounted for its interest as an equity accounted joint venture.

The manganese assets were acquired by South32 in two stages. South Africa Manganese and Samancor AG were acquired by South32 on 3 February 2015. Australia Manganese was acquired on 8 May 2015. For accounting purposes South32 commenced equity accounting of South Africa Manganese and Samancor AG from 2 March 2015. South32 derecognised the carrying amounts of all assets, liabilities and the non-controlling interest attributed to Anglo American and initially recorded its retained 60 per cent interest at fair value. At the date of acquisition of Australia Manganese, the Group's investment was recorded at carrying value.

NOTES TO THE FINANCIAL INFORMATION

2. Segment information

(a) Description of segments

The operating segments (also referred to as "assets"), 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 assets are presented on a proportional consolidation basis, which is the measure used by South32's management to assess the performance of the manganese assets.

The principal activities of each reporting 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 Aluminium	**Alumina refinery and aluminium smelter 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	**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 located in Queensland**

All assets are operated or jointly operated by South32 except Alumar (which forms part of Brazil Aluminium), 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, tax and any 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 before taxation from continuing operations is set out below. Segment revenue is measured on the same basis as in the income statement.

Revenue from the sale of goods and the disposal of other assets is recognised when persuasive evidence (usually in the form of an executed sales agreement) of an arrangement exists; and:

- There has been a transfer of risks and rewards to the customer;
- No further work or processing is required by the South32 Group;
- The quantity and quality of the goods has been determined with reasonable accuracy;
- The price is fixed or determinable; and,
- Collectability is reasonably assured.

Revenue is therefore generally recognised when title passes. In the majority of sales for most commodities, sales agreements specify that title passes on the bill of lading date, which is the date the commodity is delivered to the shipping agent. For these sales, revenue is recognised on the bill of lading date. For certain sales (principally coal sales to adjoining power stations), title passes and revenue is recognised when the goods have been delivered.

In cases where the terms of the executed sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of the sales revenue is based on the most recently determined estimate of product specifications.

NOTES TO THE FINANCIAL INFORMATION

2. Segment information (continued)

(b) Segment results (continued)

For certain commodities, the sales price is determined on a provisional basis at the date of sale and adjustments to the sales price subsequently occurs based on movements in quoted market or contractual prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between 60 and 120 days. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Revenue is not reduced for royalties and other taxes payable from the 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 costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Total segment assets and liabilities 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.

NOTES TO THE FINANCIAL INFORMATION

2. Segment information (continued)

Year ended 30 June 2015 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Aluminium	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese	South Africa Manganese	Cerro Matoso	Cannington	New Mexico Coal[(a)] (discontinued)	Group and unallocated items/ elimination	Statutory adjustment [(b)]	Group
Revenue														
Group production	292	610	250	459	523	803	278	256	197	346	133	–	(534)	3,613
Third party products[(c)]	–	–	–	–	–	–	–	–	–	–	–	363	–	363
Inter-segment revenue	239	–	–	–	–	–	–	–	–	–	–	(239)	–	–
Total revenue	**531**	**610**	**250**	**459**	**523**	**803**	**278**	**256**	**197**	**346**	**133**	**124**	**(534)**	**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	–	–	–	–	–	–	–	–	–	–	–	7	–	7
Share of loss of equity accounted investments[(d)]	–	–	–	–	–	–	–	–	–	–	–	–	(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														(192)
Underlying earnings from continuing operations														**79**
Earnings adjustments[(e)]														(1,005)
Profit/(loss) after taxation from continuing operations														**(926)**
Capital expenditure	**15**	**23**	**6**	**7**	**29**	**308**	**22**	**17**	**13**	**23**	**9**	**30**	**(39)**	**463**
Investments accounted for using the equity method	**–**	**–**	**–**	**–**	**12**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,695**	**1,707**
Total assets[(f)]	**3,720**	**1,475**	**730**	**1,039**	**1,414**	**1,782**	**1,649**	**748**	**997**	**453**	–	**2,271**	**(789)**	**15,489**
Total liabilities[(f)]	**359**	**324**	**104**	**111**	**1,019**	**264**	**265**	**218**	**234**	**173**	–	**2,202**	**(819)**	**4,454**

(a) The New Mexico Coal segment was transferred from the South32 Group to the BHP Billiton Group as part of the demerger process. Refer to note 1 South32 Limited demerger for more details.
(b) The segment information reflects South32's interest in the manganese assets and is presented on a proportional consolidation basis, which is the measure used by South32's management to assess the performance of the manganese assets. The manganese assets are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to equity accounting position.
(c) Third party product sold comprises US$286M for aluminium, US$37M for coal and US$40M for other. Underlying EBIT on third party products comprise US$3M for aluminium, US$4M for coal and US$ nil for other.
(d) Share of profit/(loss) of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.
(e) Refer to note 2(b)(i) Earnings adjustments.
(f) Total segment assets and liabilities represent operating assets and liabilities which predominately exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

NOTES TO THE FINANCIAL INFORMATION

2. Segment information (continued)

Year ended 30 June 2014 US$M	Worsley Alumina	South Africa Aluminium	Brazil Aluminium	Mozal Aluminium	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese	South Africa Manganese	Cerro Matoso	Cannington	New Mexico Coal[a]	Group and unallocated items / elimination	Group
Revenue													
Group production	–	–	–	–	–	853	–	–	–	–	520	–	1,373
Third party products	–	–	–	–	–	–	–	–	–	–	–	–	–
Inter-segment revenue	–	–	–	–	–	–	–	–	–	–	–	–	–
Total revenue	**–**	**–**	**–**	**–**	**–**	**853**	**–**	**–**	**–**	**–**	**520**	**–**	**1,373**
Underlying EBITDA	**–**	**–**	**–**	**–**	**–**	**114**	**–**	**–**	**–**	**–**	**98**	**–**	**212**
Depreciation and amortisation	–	–	–	–	–	(170)	–	–	–	–	(47)	–	(217)
Underlying EBIT	**–**	**–**	**–**	**–**	**–**	**(56)**	**–**	**–**	**–**	**–**	**51**	**–**	**(5)**
Comprising:													
Group production	–	–	–	–	–	(56)	–	–	–	–	51	–	(5)
Third party products	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of profit of equity accounted investments	–	–	–	–	–	–	–	–	–	–	–	–	–
Underlying EBIT	**–**	**–**	**–**	**–**	**–**	**(56)**	**–**	**–**	**–**	**–**	**51**	**–**	**(5)**
Underlying EBIT from discontinued operations													(51)
Underlying EBIT from continuing operations													**(56)**
Net finance cost													(21)
Income tax (expense)/benefit													81
Underlying earnings from continuing operations													**4**
Earnings adjustments[b]													(4)
Profit/(loss) after taxation from continuing operations													–
Capital expenditure	**–**	**–**	**–**	**–**	**–**	**309**	**–**	**–**	**–**	**–**	**26**	**–**	**335**
Investments accounted for using the equity method	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total assets[c]	**–**	**–**	**–**	**–**	**–**	**1,722**	**–**	**–**	**–**	**–**	**646**	**573**	**2,941**
Total liabilities[c]	**–**	**–**	**–**	**–**	**–**	**384**	**–**	**–**	**–**	**–**	**444**	**1,000**	**1,828**

(a) The New Mexico Coal segment was transferred from the South32 Group to the BHP Billiton Group as part of the demerger process. Refer to note 1 South32 Limited demerger for more details.
(b) Refer to note 2(b)(i) Earnings adjustments.
(c) Total segment assets and liabilities represent operating assets and liabilities which predominately exclude the carrying amount of cash, interest bearing liabilities and tax balances

NOTES TO THE FINANCIAL INFORMATION

2. Segment information (continued)

(b) Segment results (continued)

(i) Earnings adjustments

The following table shows earnings adjustments in arriving at Underlying earnings:

Underlying earnings		
US$M	**2015**	**2014**
Adjustments to Underlying EBIT		
Significant items[(a)]	**(770)**	–
Exchange rate (gain)/loss on restatement of monetary items[(c)]	**(18)**	3
Impairment losses[(b)(c)]	**1,389**	–
Fair value gain on derivative instruments[(c)]	**(12)**	–
Major corporate restructures[(c)]	**46**	–
Earnings adjustment included in loss of equity accounted investments[(d)]	**41**	–
Total adjustments to Underlying EBIT	**676**	3
Adjustments to net finance cost		
Exchange rate variations on net debt	**(7)**	(6)
Total adjustments to net finance cost	**(7)**	(6)
Adjustments to income tax expense		
Significant items[(a)]	**419**	–
Tax effect of earnings adjustments to Underlying EBIT	**(179)**	(1)
Tax effect of earnings adjustments to net finance cost	**2**	2
Exchange rate variations on tax balances	**94**	6
Total adjustments to income tax expense	**336**	7
Total earnings adjustments	**1,005**	4

(a) Refer to note 2(b)(ii) Significant items.
(b) Impairment losses primarily relate to the impairment of South Africa Manganese of US$740M and Wolvekrans Middelburg Complex cash generating unit as part of South Africa Energy Coal of US$551M.
(c) The amount was recognised in "expenses excluding net finance cost" in the consolidated income statement.
(d) The amount was recognised in "share of loss of equity accounted investments" in the consolidated income statement.

(ii) Significant items

Significant items are those items, not separately identified in note 2(b)(i) 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 2015			
US$M	**Gross**	**Tax**	**Net**
Repeal of Minerals Resource Rent Tax Legislation	–	96	96
Fair value uplift on equity accounted investments[(a)]	(921)	–	(921)
Set up costs[(b)]	59	(17)	42
Reset of Australian tax balances post demerger	–	221	221
Brazil Aluminium tax accounting adjustments	–	103	103
Demerger related dividend withholding tax paid	–	16	16
Demerger related stamp duty paid[(b)]	92	–	92
Total significant items	**(770)**	**419**	**(351)**

(a) The amount was recognised in "other income" in the consolidated income statement.
(b) The amount was recognised in "expenses excluding net finance cost" in the consolidated income statement.

<u>Repeal of Minerals Resource Rent Tax Legislation</u>

On 2 September 2014, legislation to repeal the Mineral 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$96M.

<u>Fair value uplift on equity accounted investments</u>

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$749M for South Africa Manganese and US$172M for Samancor AG (refer to note 1(c) Manganese assets).

NOTES TO THE FINANCIAL INFORMATION

2. Segment information (continued)

(b) Segment results (continued)

(ii) Significant items (continued)

Set up costs

Set up costs relate to the set up of South32's corporate office in Australia including information technology and relocation costs. Set up costs are included in group and unallocated items within the segment note.

Reset of Australian tax balances post demerger

The tax base of South32 wholly owned Australian operations was reset on demerger from BHP Billiton. The net reduction to tax assets is charged to income tax expense.

Brazil Aluminium 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.

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 (refer note 1 South32 Limited demerger).

(c) Geographical information

The geographical information below analyses the South32 Group revenue and non-current assets by country. Revenue is presented by the geographical location of customers and non-current assets are presented by the geographical location of the assets.

Revenue from external customers		
US$M	**2015**	**2014**
Australia	**379**	351
Belgium	**204**	–
China	**241**	76
India	**321**	138
Japan	**312**	47
Middle East	**298**	–
Netherlands	**184**	–
North America	**268**	520
Other Asia	**137**	77
Rest of Europe	**257**	24
Singapore	**352**	32
South America	**97**	–
South Korea	**140**	22
Southern Africa	**394**	–
Switzerland	**392**	86
Discontinued operations	**(133)**	(520)
Total revenue	**3,843**	853

Non-current assets		
US$M	**2015**	**2014**
Australia	**6,596**	1,616
Southern Africa	**3,313**	–
North America	**–**	490
South America	**1,682**	–
Rest of world	**237**	–
Unallocated assets[(a)]	**793**	185
Total non-current assets	**12,621**	2,291

(a) Unallocated assets primarily comprise deferred tax assets and other financial assets.

NOTES TO THE FINANCIAL INFORMATION

3. Net finance cost

Net finance cost		
US$M	**2015**	**2014**
Finance expenses		
Interest on bank loans and overdrafts	**(3)**	–
Interest on all other borrowings	**(29)**	(20)
Finance lease interest	**(10)**	–
Discounting on provisions and other liabilities	**(47)**	(1)
Net interest expense on post-retirement employee benefits	**(5)**	–
Fair value change on loans to equity accounted investments	**(2)**	–
Exchange rate variations on net debt	**7**	6
	(89)	(15)
Finance income		
Interest income	**22**	–
Net finance cost	**(67)**	(15)

4. Taxation

Taxation		
US$M	**2015**	**2014**
Current tax (expense)/benefit	**(156)**	40
Deferred tax (expense)/benefit	**(372)**	34
Total tax (expense)/benefit attributable to continuing operations	**(528)**	74
Total tax (expense)/benefit attributed to geographical jurisdiction:		
Australia	**(338)**	73
Southern Africa	**89**	–
Rest of world	**(279)**	1
	(528)	74

5. Earnings per share

Basic earnings per share ("EPS") amounts are calculated based on profit attributable to ordinary equity holders of South32 Limited and the weighted average number of ordinary shares outstanding during the year.

Dilutive EPS amounts are calculated based on profit attributable to ordinary equity holders of South32 Limited and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

Profit/(loss) attributable to ordinary shareholders		
US$M	**2015**	**2014**
Profit/(loss) attributable to ordinary shareholders of South32 Limited:		
Continuing operations	**(926)**	–
Discontinued operations	**7**	46
Profit/(loss) attributable to ordinary shareholders of South32 Limited (basic)	**(919)**	46
Profit/(loss) attributable to ordinary shareholders of South32 Limited (diluted)	**(919)**	46

Weighted average number of shares		
Million	**2015**	**2014**[c]
Basic earnings per ordinary share denominator [a]	**3,437**	3,212
Shares and options contingently issuable under employee share ownership plans[b]	**–**	–
Diluted earnings per ordinary share denominator	**3,437**	3,212

(a) The calculation of the number of ordinary shares used in the computation of basic earnings per share is the aggregate of the weighted average number of ordinary shares of South32 Limited outstanding during the period.
(b) Included in the calculation of fully diluted earnings per share are shares contingently issuable under Employee Share Ownership Plans.
(c) Due to the share split in the current financial year, the number of ordinary shares outstanding during the year ended 30 June 2014 was retrospectively adjusted.

Earnings per share		
US cents	**2015**	**2014**
Earnings per share – Continuing operations		
Basic earnings per ordinary share	**(26.9)**	–
Diluted earnings per ordinary share	**(26.9)**	–
Earnings per share – attributable to ordinary equity holders of South32 Limited		
Basic earnings per ordinary share	**(26.7)**	1.4
Diluted earnings per ordinary share	**(26.7)**	1.4

NOTES TO THE FINANCIAL INFORMATION

6. Subsidiaries

Significant subsidiaries of the South32 Group, which are those with the most significant contribution to the South32 Group's net profit/loss or net assets, are as follows:

Significant subsidiaries	Country of incorporation	Principal activity	Acquisition date	Effective interest 2015 %	Effective interest 2014 %
Cerro Matoso SA[(a)]	Colombia	Nickel mining and ferronickel smelting	2 Feb 2015	**99.9**	–
Dendrobium Coal Pty Ltd	Australia	Coal mining	Not applicable[(d)]	**100**	100
Endeavour Coal Pty Ltd	Australia	Coal mining	Not applicable[(d)]	**100**	100
Hillside Aluminium Proprietary Limited[(a)]	South Africa	Aluminium smelting	28 Jan 2015	**100**	–
Illawarra Coal Holdings Pty Ltd	Australia	Investment holding company	Not applicable[(d)]	**100**	100
Illawarra Services Pty Ltd	Australia	Coal preparation plant	Not applicable[(d)]	**100**	100
South32 Aluminium (Holdings) Pty Ltd	Australia	Holding company	Not applicable[(d)]	**100**	100
South32 Aluminium (RAA) Pty Ltd[(a)]	Australia	Bauxite mining and alumina refining	8 May 2015	**100**	–
South32 Aluminium (Worsley) Pty Ltd[(a)]	Australia	Bauxite mining and alumina refining	8 May 2015	**100**	–
South32 (BMSA) Pty Ltd (formerly BHP Billiton Energy Coal Operations Pty Ltd)	Australia	Investment holding company	Not applicable[(d)]	**100**	100
South32 Cannington Pty Ltd (formerly BHP Billiton Energy Coal Investment Pty Ltd)	Australia	Silver, lead and zinc mining	Not applicable[(d)]	**100**	100
South32 Group Operations Pty Ltd	Australia	Administrative services	Not applicable[(e)]	**100**	–
South32 International Investment Holdings Pty Ltd	Australia	Holding company	Not applicable[(f)]	**100**	–
South32 International Investment Pty Ltd	Australia	Holding company	Not applicable[(g)]	**100**	–
South32 Jersey Limited[(a)]	Jersey	Holding company	2 Feb 2015	**100**	–
South32 Marketing Pte Ltd	Singapore	Commodity marketing and trading	Not applicable[(h)]	**100**	–
South32 Metais SA[(a)]	Brazil	Alumina refining and aluminium smelting	3 Jul 2014	**100**	–
South32 SA Coal Holdings Proprietary Limited[(a)(b)]	South Africa	Coal mining	2 Feb 2015	**100**	–
South32 SA Holdings Limited[(a)]	South Africa	Holding company	2 Feb 2015	**100**	–
South32 SA Investments Limited[(a)]	United Kingdom	Investment holding company	2 Feb 2015	**100**	–
South32 SA Limited[(a)]	South Africa	Service company	2 Feb 2015	**100**	–
South32 Treasury Limited	Australia	Financing company	Not applicable[(i)]	**100**	–
BHP Billiton New Mexico Coal Inc[(c)]	US	Holding company	Not applicable[(c)]	**–**	100
San Juan Coal Company[(c)]	US	Coal mining	Not applicable[(c)]	**–**	100

(a) The subsidiaries were acquired under the Internal Restructure. Refer to note 1 South32 Limited demerger.
(b) The South32 Group's effective interest in South32 SA Coal Holdings Proprietary Limited will reduce to 90 per cent pursuant to Broad-Based Black Economic Empowerment transactions in South Africa.
(c) The South32 Group's interest in BHP Billiton New Mexico Coal Inc and San Juan Coal Company were disposed of as part of the Internal Restructure within BHP Billiton prior to demerger. Refer to note 1 South32 Limited demerger.
(d) The entities were subsidiaries of South32 Limited (formerly BHP Billiton Coal Holdings Pty Ltd) as at 30 June 2014.
(e) South32 Group Operations Pty Ltd was incorporated on 20 August 2014.
(f) South32 International Investment Holdings Pty Ltd was incorporated on 26 August 2014.
(g) South32 International Investment Pty Ltd was incorporated on 26 August 2014.
(h) South32 Marketing Pte Ltd was incorporated on 27 August 2014.
(i) South32 Treasury Limited was incorporated on 20 August 2014.

NOTES TO THE FINANCIAL INFORMATION

7. Investments accounted for using the equity method

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

Significant joint ventures	Country of incorporation/ principal place of business	Principal activity	Reporting date	Acquisition date	Ownership interest 2015 %	Ownership interest 2014 %
Australia Manganese[(a)(b)]	Australia	Producer of manganese ore and alloy	30 Jun 2015	8 May 2015[(d)]	**60**	–
South Africa Manganese[(a)(c)]	South Africa	Producer of manganese ore and alloy	30 Jun 2015	3 Feb 2015[(d)]	**60**	–

(a) The joint ventures were acquired under the Internal Restructure. Refer to note 1 South32 Limited demerger.
(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.
(d) Refer to note 1(c) Manganese assets.

Reconciliation of equity accounted investment	
US$M	**2015**
At the beginning of the financial year	–
Acquisitions	1,626
Fair value uplift on change to joint control[(e)]	921
Share of profit/(loss)	(70)
Share of other comprehensive income	–
Impairments	(770)
At the end of the financial year	**1,707**

(e) Refer to note 2(b)(ii) Significant items.

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

US$M Year ended 30 June 2015	Joint ventures: Australia Manganese	Joint ventures: South Africa Manganese	Individually immaterial [(f)]	Total
Share of profit/(loss) of equity accounted investments	(4)	(68)	2	**(70)**

(f) Individually immaterial consists of investments in Samancor AG, Richards Bay Coal Terminal Proprietary Limited and Port Kembla Coal Terminal Limited.

The South32 Group's equity accounted investments as at 30 June 2014 consisted of its investment in Port Kembla Coal Terminal Limited.

8. Interest 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 2015 %	Effective interest 2014 %
Alumar[(a)]	Brazil	Alumina refining	3 Jul 2014	**36**	–
		Aluminium smelting	3 Jul 2014	**40**	–
Mozal SARL[(a)(b)]	Mozambique	Aluminium smelting	27 Mar 2015	**47.1**	–
Worsley[(a)(c)]	Australia	Bauxite mining and alumina refining	8 May 2015	**86**	–

(a) These joint operations were acquired under the Internal Restructure. Refer to note 1 South32 Limited demerger.
(b) This joint arrangement is an incorporated entity. However it is classified as a joint operation as the participants to the arrangement 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 has joint control over the relevant activities of Worsley.

NOTES TO THE FINANCIAL INFORMATION

9. New standards and interpretations

(a) New accounting standards and interpretations effective from 1 July 2014

The South32 Group has changed some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2014. The affected policies and standards are:

- AASB Interpretation 21 Levies
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2014-1 Amendments to Australian Accounting Standards – Part B: Defined Benefit Plans - Employee Contributions (Amendments to AASB 119 Employee Benefits)
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2014-1 Amendments to Australian Accounting Standards – Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles

<u>Interpretation 21 Levies</u>

This interpretation clarifies when to recognise a liability to pay a levy. The adoption of this interpretation did not have an impact on the South32 Group.

<u>AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</u>

This revised standard includes application guidance to address inconsistencies identified in applying some of the criteria for offsetting financial assets and financial liabilities in the balance sheet. The adoption of the revised standard did not have a material impact on the South32 Group.

<u>AASB 2014-1 Amendments to Australian Accounting Standards - Part B: Defined Benefit Plans - Employee Contributions (Amendments to AASB 119 Employee Benefits)</u>

The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The adoption of the standard did not have a material impact on the South32 Group.

<u>AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</u>

The changes to this standard relate only to disclosure, including the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The adoption of the standard did not have a material impact on the South32 Group.

<u>AASB 2014-1 Amendments to Australian Accounting Standards – Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles</u>

The standard makes amendments to existing accounting standards, particularly in relation to:

- Clarifying share-based payment vesting and non-vesting conditions
- Operating segment asset disclosures
- Clarification of key management personnel when an entity has a management entity/responsible entity (such as a trustee)
- Exemptions for joint ventures from business combination requirements
- Clarification of the scope exception for measuring the fair value of financial assets and liabilities on a portfolio basis

The adoption of the standard did not have a material impact on the South32 Group.

(b) Early adoption of AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The South32 Group has early adopted AASB 2015-2 which is effective for annual reporting periods beginning on or after 1 January 2016. The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the International Accounting Standards Board's Disclosure Initiative project. The amendments are designed to facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies. The adoption of the Standard affects the presentation of the South32 Group's financial statements.

NOTES TO THE FINANCIAL INFORMATION

9. New standards and interpretations (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The South32 Group's assessment of the impact of those new standards and interpretations considered relevant to the South32 Group is set out below. The South32 Group does not intend to early adopt any of the new standards or interpretations.

AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 Financial Instruments includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements. The South32 Group has not yet determined the extent of the impact of this standard.

AASB 15 Revenue from Contracts with Customers (effective from 1 July 2018)

AASB 15 establishes a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The South32 Group has not yet determined the extent of the impact of this standard.

10. Subsequent events

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the South32 Group in subsequent accounting periods.