

TAXES AND ROYALTY PAYMENTS ON A COUNTRY-BY-COUNTRY BASIS

The South32 Underlying Effective Tax Rate (ETR) for FY2016 was 36.6 per cent. This reflects the geographic distribution of the Group's profits. The corporate tax rates applicable to South32 include: Australia 30 per cent; South Africa 28 per cent; Colombia 40 per cent; and Brazil 34 per cent. Should current conditions prevail, the Group's Underlying ETR will likely continue to exceed 30 per cent.

As part of our commitment to transparency, South32 will report further detail on the Group's payments to government during the first half of FY2017. These disclosures will comply with the UK's Report on Payments to Governments Regulations 2014 and the Australian Board of Tax Voluntary Tax Transparency Code.

For the period ended 30 June 2016

Country	Taxes borne by South32 US\$million	Taxes collected by South32 US\$million	Asset/Office
Australia	211	160	Global Headquarters Silver, Lead, Zinc - Cannington Coal Illawarra Coal Alumina - Worsley Manganese - Manganese Australia
Brazil	26	-	Alumina - Alumar
Colombia	7	6	Nickel - Cerro Matoso
Mozambique	4	3	Aluminium - Mozal Aluminium
South Africa	64	91	Corporate Office Coal - Energy Coal South Africa Aluminium - South Africa Manganese - Manganese South Africa
Switzerland	2	-	Marketing
United Kingdom	2	1	Marketing
Total	316	261	

Basis of Preparation

- (1) South32 claims refunds of transactional taxes (for example, GST/VAT and fuel tax) paid to suppliers for in-country purchases of goods, services and eligible fuel, and also collects GST/VAT in respect of certain sales. These amounts are not included in taxes borne or taxes collected.
- (2) Taxes borne primarily comprises payments to government for income tax, royalty related taxes and payroll taxes.
- (3) Taxes collected comprises payments to government on behalf of our employees.
- (4) All payments are in relation to the full year ended 30 June 2016.
- (5) Amounts presented are on a net basis (inclusive of refunds received during the year).
- (6) Taxes borne and collected by South32 are reported on 100 per cent basis for subsidiaries and equity share basis for equity accounted and proportionally consolidated operations.
- (7) Amounts do not include taxes paid directly by the operator in respect of the Alumar consortium, where full detail of the payments is not available.