BHP BILLITON LTD
Form 20-F
October 20, 2004
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED 30 JUNE 2004

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

Commission file number: 001-09526

BHP BILLITON LIMITED

(ABN 49 004 028 077)

(Exact name of Registrant as specified in its charter)

Commission file number: 001-31714

BHP BILLITON PLC

(REG NO. 3106209)

(Exact name of Registrant as specified in its charter)

VICTORIA, AUSTRALIA
(Jurisdiction of incorporation or organisation)

180 LONSDALE STREET, MELBOURNE, VICTORIA 3000 AUSTRALIA
(Address of principal executive offices)

ENGLAND AND WALES
(Jurisdiction of incorporation or organisation)

NEATHOUSE PLACE, VICTORIA, LONDON, UNITED KINGDOM
(Address of principal executive offices)

Securities registered or to be registered

pursuant to section 12 (b) of the Act.

Title of each class	Name of each exchange on which registered	Title of each class	Name of each exchange on which registered
American Depositary Shares*	New York Stock Exchange	American Depositary Shares*	New York Stock Exchange
Ordinary Shares**	New York Stock Exchange	Ordinary Shares, nominal value US$0.50 each**	New York Stock Exchange

* Evidenced by American Depositary Receipts. Each American Depositary Receipt represents two ordinary shares of BHP Billiton Limited or BHP Billiton Plc, as the case may be.

** Not for trading, but only in connection with the listing of the applicable American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

	BHP Billiton Limited	BHP Billiton Plc
Fully Paid Ordinary Shares	3,759,487,555	2,468,147,002

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

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In this annual report, the terms we, our, us, BHP Billiton, BHP Billiton Group and Group refer to BHP Billiton Limited and BHP Billiton Plc, together with their respective subsidiaries. BHP Billiton Plc Group refers to the group that is BHP Billiton Plc and its subsidiary companies. BHP Billiton Limited Group refers to the group that is BHP Billiton Limited and its subsidiary companies. BHP Billiton Plc refers to the parent entity that was formerly Billiton Plc before the implementation of the DLC structure and BHP Billiton Limited refers to the parent entity that was formerly BHP Limited before the DLC structure.

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FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements, including statements regarding:

- estimated reserves;
- plans, strategies and objectives of management;
- closure or divestment of certain operations or facilities (including associated costs);
- anticipated production or construction commencement dates;
- expected costs or production output;
- the anticipated productive lives of projects, mines and facilities; and
- provisions and contingent liabilities.

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 our control, and which may cause actual results to differ materially from those expressed in the statements contained in this annual report.

For example, our future revenues from our operations, projects or mines described in this annual report will be based, in part, upon the market price of the minerals, metals or petroleum produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing of the feasibility of the development of a particular project, or the expansion of certain facilities or mines. Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of operations, mines or facilities include our ability to profitably produce and transport the minerals, petroleum and/or metals extracted to applicable markets, the impact of foreign currency exchange rates on the market prices of the minerals, petroleum or metals we produce, activities of government authorities in certain of the countries where we are exploring or developing these projects, facilities or mines, including increases in taxes, changes in environmental and other regulations and political uncertainty and other factors identified in the description of the risk factors in Item 3D. We cannot assure you that our estimated economically recoverable reserve figures, closure or divestment of such operations or facilities, including associated costs, actual production or commencement dates, cost or production output, or anticipated lives of the projects, mines and facilities discussed in this annual report will not differ materially from the statements contained in this annual report.

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GLOSSARY OF TERMS

Technical Terms

In the context of ADSs and listed investments, the term quoted means traded on the relevant exchange.

We refer in this annual report to tonnes, each of which equals 1,000 kilograms, approximately 2,205 pounds or 1.102 short tons. Measures of distance referred to in this annual report are stated in kilometres, each of which equals approximately 0.62 miles, or in metres, each of which equals approximately 3.28 feet.

ADS means American Depositary Share.

Brownfield project means the expansion of an existing operation.

Coal Reserves has the same meaning as ore reserves, but specifically concern coal.

Coking Coal, by virtue of its carbonisation properties, is used in the manufacture of coke, which is used in the steelmaking process.

Crude oil is a mixture of hydrocarbons that exist in liquid form in natural underground reservoirs, and remain liquid at atmospheric pressure after being produced at the well head and passing through surface separating facilities.

Condensate is a mixture of hydrocarbons which exist in gaseous form in natural underground reservoirs, but which condense to form a liquid at atmospheric conditions.

Direct reduced iron (DRI) is metallic iron formed by removing oxygen from iron ore without the formation of, or passage through, a smelting phase. DRI can be used as feedstock for steel production.

DLC merger means the dual listed companies merger between BHP Billiton Limited and BHP Billiton Plc, on 29 June 2001.

DLC structure means the corporate structure resulting from the DLC merger.

Dry gas is a mixture of hydrocarbon gases, inerts and other gases that are in the gaseous phase at pipeline conditions with no free liquids at operating conditions. It is principally composed of methane, ethane and low levels of propanes and butanes depending upon processing and pipeline specifications.

Energy coal is used as a fuel source in electrical power generation, cement manufacture and various industrial applications. Energy coal may also be referred to as steam or thermal coal.

Ethane, where sold separately, is largely ethane gas that has been liquefied through pressurisation. One tonne of ethane is approximately equivalent to 26.8 thousand cubic feet of gas.

Federal unit is a combination of two or more US Minerals Management Service (MMS) defined blocks approved by MMS in circumstances where it can be demonstrated that the blocks are part of the same geological formation.

Greenfield project means the development of a new project.

Gigajoules = 1,000,000,000 joules (where joules is a measure of energy).

Heap leaching is the process by which a soluble mineral can be economically recovered by dissolution from ore piled in a heap.

Hot briquetted iron (HBI) is densified direct reduced iron where the densification is carried out at a temperature greater than 650 degrees Celsius. The resultant product has density greater than $5g/cm^3$. HBI can be used as feedstock for steel production.

Leaching is the process by which a soluble mineral can be economically recovered from ore by dissolution.

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Liquefied natural gas (LNG) consists largely of methane that has been liquefied through chilling and pressurisation. One tonne of LNG is approximately equivalent to 45.9 thousand cubic feet of natural gas.

Liquified petroleum gas (LPG) consists of propane and butane and a small amount (less than 2%) of ethane that has been liquefied through pressurisation. One tonne of LPG is approximately equivalent to 11.6 barrels.

Marketable Coal Reserves represents beneficiated or otherwise enhanced coal product and should be read in conjunction with, but not instead of, reports of coal reserves.

Megajoules = 1,000,000 joules (where joules is a measure of energy).

Metallurgical coal is a broader term than coking coal which includes all coals used in steelmaking, such as coal used for the Pulverised Coal Injection process.

Oil and gas reserves mean those quantities of oil and gas that are anticipated to be legally and commercially recoverable from known accumulations as of the date of the reserve estimate.

Ore reserves are that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Petajoules = 1,000,000,000,000,000 joules (where joules is a measure of energy).

Petroleum coke is a residue from the refining of heavy fraction oil into light fraction oil.

Probable ore reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assure continuity between points of observation.

Proved or proven ore reserves are the reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings on drill holes; grade and/or quality are computed from the results of detailed samplings and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions i.e. prices and costs as of the date the estimate is made.

Recoverable coal reserves are the combination of the proved and probable ore reserves which specifically concern coal.

Total ore reserves represent proved ore reserves plus probable ore reserves.

Reserve life is current stated ore reserves divided by current rate of production.

Take or pay means an obligation on a customer to pay for an agreed minimum quantity of a commodity even if it fails to take that agreed minimum quantity.

Terajoules = 1,000,000,000,000 joules (where joules is a measure of energy).

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Financial Terms

UK terminology	US equivalent
Shareholders Funds	Stockholders Equity
Called up share capital	Subscribed Capital Stock
Ordinary Shares	Common Stock
Profit and Loss Account	Income Statement
Profit and Loss Account Reserve	Retained Earnings
	Appropriated Surplus
Share Premium Account	Paid-in Surplus
Provision accrued liability, i.e., not part of Total Equity	Reserve can represent either part of Stockholders Equity, accrued liability or estimated depletion in the cost of an asset
Tangible Fixed Assets	Property, Plant and Equipment
Bonus Issue	Stock Dividend
Subsidiary	Subsidiary
Turnover	Sales Revenue
Depreciation	Depreciation and depletion
Profit for the financial year (attributable profit)	Net income
Income-generating unit	Cash-generating unit

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IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

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OFFER STATISTICS AND EXPECTED TIMETABLE

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

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KEY INFORMATION

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Set forth below is selected consolidated financial information for the BHP Billiton Group, which reflects the combined operations of both the BHP Billiton Limited Group and the BHP Billiton Plc Group. BHP Billiton Limited and BHP Billiton Plc each reports, as its primary financial statements under the requirements of the US Securities and Exchange Commission, the BHP Billiton Group s consolidated financial statements prepared in accordance with generally accepted accounting principles in the United Kingdom and presented in US dollars. These financial statements account for the dual listed company structure as a business combination and accordingly consolidate BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries. Under UK GAAP, the DLC structure has been accounted for under the pooling-of-interests method in accordance with UK Financial Reporting Standard 6: Acquisitions and Mergers as though the DLC structure had been effective and the two groups had operated as one enterprise throughout the periods presented.

Under US GAAP, the DLC structure is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group on 29 June 2001. Under the pooling-of-interests method, the assets, liabilities and equity of the BHP Billiton Plc Group and the BHP Billiton Limited Group are combined at their respective book values as determined under UK GAAP. Under US GAAP, the reconciliation of shareholders equity includes the purchase adjustments required to recognise the BHP Billiton Plc Group assets and liabilities at their fair values, at the date of combination, and to record goodwill.

The selected consolidated financial information for the BHP Billiton Group set forth below as at and for the fiscal years ended 30 June 2004, 2003 and 2002 should be read in conjunction with, and is qualified in its entirety by reference to, the audited BHP Billiton Group Annual Financial Statements and the accompanying notes included in this annual report.

	Year ended 30 June				
Consolidated Profit and Loss Account	**2004**	**2003**	**2002**	**2001**	**2000**
	(US$ millions except per share data)				
Amounts in accordance with UK GAAP					
Group turnover total	22,887	15,608	15,906	17,789	17,415
Group turnover from continuing operations	22,887	15,608	13,562	14,771	12,744
Operating profit (including share of profit of joint ventures and associates)					
- including exceptional items total	5,418	3,412	2,943	2,825	2,182
- excluding exceptional items from continuing operations	5,352	3,412	2,984	3,284	2,485
- including exceptional items from continuing operations	5,418	3,412	2,873	2,612	1,790
Net profit before minority interests					
- including exceptional items	3,476	1,941	1,737	1,252	1,527
Net profit attributable to members					
- including exceptional items	3,379	1,901	1,690	1,529	1,506

Dividends provided for or paid	1,617	900	784	754	788
Number of Ordinary Shares (millions) [a]					
- at period end	6,228	6,216	6,044	6,023	5,817
- weighted average	6,218	6,207	6,029	5,944	5,725
- weighted average diluted	6,246	6,222	6,042	5,973	5,736
Per Ordinary Share: [a]					
- Net profit attributable to members including exceptional items					
- Basic	US$ 0.54	US$ 0.31	US$ 0.28	US$ 0.26	US$ 0.26
- Diluted	US$ 0.54	US$ 0.31	US$ 0.28	US$ 0.26	US$ 0.26
-Dividends provided for or paid BHP Billiton Plc [b]	US$ 0.26	US$ 0.145	US$ 0.130	US$ 0.120	US$ 0.113
-Dividends provided for or paid BHP Billiton Limited [b]	US$ 0.26	US$ 0.145	US$ 0.130	A$ 0.247	A$ 0.247

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Consolidated Profit and Loss Account	Year ended 30 June 2004	2003	2002	2001	2000
	(US$ millions except per share data)				
Amounts in accordance with US GAAP[c]					
Sales revenue from continuing operations	22,887	15,608	13,552	8,100	7,467
Other income from continuing operations	385	223	321	516	268
Operating income from continuing operations	3,489	2,780	1,698	629	14
Net income total	2,716	1,581	1,249	882	400
Net income from continuing operations	2,716	1,576	1,513	718	257
Net (loss)/income from discontinued operations		5	(264)	136	143
Per Ordinary Share[a]:					
Net income attributable to members					
Basic from continuing operations	US$ 0.44	US$ 0.25	US$ 0.25	US$ 0.20	US$ 0.07
Diluted from continuing operations	US$ 0.43	US$ 0.25	US$ 0.25	US$ 0.20	US$ 0.07
Basic from discontinued operations			US$ (0.04)	US$ 0.04	US$ 0.04
Diluted from discontinued operations			US$ (0.04)	US$ 0.04	US$ 0.04
Basic total	US$ 0.44	US$ 0.25	US$ 0.21	US$ 0.24	US$ 0.11
Diluted total	US$ 0.43	US$ 0.25	US$ 0.21	US$ 0.24	US$ 0.11
Per ADS:					
Net income attributable to members					
Basic total	US$ 0.88	US$ 0.50	US$ 0.42	US$ 0.48	US$ 0.22
Diluted total	US$ 0.86	US$ 0.50	US$ 0.42	US$ 0.48	US$ 0.22

Balance Sheet	At 30 June 2004	2003	2002	2001	2000
	(US$ millions)				
Amounts in accordance with UK GAAP					
Total assets [d]	30,861	28,363	29,549	28,028	27,314
Total non-current portion of interest bearing liabilities[e]	5,453	6,288	5,534	6,521	5,040
Contributed equity	3,603	3,537	4,895	4,791	5,356
Equity attributable to members[d]	14,038	12,091	12,370	11,340	11,015
Amounts in accordance with US GAAP[c]					
Total assets total	36,675	35,001	35,795	35,232	17,698
Total assets of continuing operations	36,675	35,001	33,023	32,562	13,046
Total non-current portion of interest bearing liabilities total	5,452	6,414	6,350	6,607	3,501
Total non-current portion of interest bearing liabilities of continuing operations	5,452	6,414	6,296	6,544	3,412
Equity attributable to members	18,802	16,832	17,147	16,602	6,333

(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 outstanding during the period of BHP Billiton Plc and BHP Billiton Limited after deduction of the number of shares held by the Billiton share repurchase scheme and the Billiton Employee Share Ownership Trust, the BHP Performance Share Plan Trust and the BHP Bonus Equity Plan Trust and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are shares and options contingently issuable under employee share ownership plans.

(b) Three dividends were declared for the year ended 30 June 2004, compared to two dividends declared in previous years, as a result of the Group s decision to realign dividend declaration dates to coincide with the announcements of our interim and full year results.

(c) As discussed in note 34 US Generally Accepted Accounting Principles disclosures in the 2004 BHP Billiton Group Annual Financial Statements, the Group changed its methods of accounting for goodwill and employee stock-based compensation, refer footnotes (A) and

(B) respectively, under US GAAP in the year ended 30 June 2003.

(d) As discussed in Accounting Policies in the 2004 BHP Billiton Group Annual Financial Statements, the Group changed its method of accounting for employee share awards under UKGAAP in the year ended 30 June 2004. Prior period numbers are stated accordingly.

(e) Includes limited recourse finance and finance leases not repayable within 12 months.

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Currency of presentation

The BHP Billiton Group publishes its consolidated financial statements in US dollars in both the United Kingdom and Australia.

B. Capitalisation and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

We believe that, because of the international scope of our operations and the industries in which we are engaged, numerous factors have an effect on our results and operations. The following describes the material risks that could affect us.

Fluctuations in commodity prices may negatively impact the BHP Billiton Group s results

The prices we obtain for our oil, gas, minerals and other commodities are determined by, or linked to, prices in world markets, which have historically been subject to substantial variations because of fluctuations in supply and demand. We expect that volatility in prices for most of our commodities will continue for the foreseeable future. This volatility creates the risk that our operating results will be materially and adversely affected by unforeseen declines in the prevailing prices of our products.

Our profits may be negatively affected by currency exchange rate fluctuations

Our assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which we operate. Fluctuations in the exchange rate of those currencies may have a significant impact on our financial results. The US dollar is the currency in which the majority of our sales are denominated. Operating costs are influenced by the currencies of those countries where our mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian dollar, South African rand and US dollar are the most important currencies influencing our operating costs. Given the dominant role of the US currency in our affairs, the US dollar is the currency in which the BHP Billiton Group measures its financial performance. It is also the natural currency for borrowing and for holding surplus cash. An exception to this is our net borrowings denominated in South African rand, which at 30 June 2004 were approximately 4% of our net debt on a UK GAAP basis. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. We may consider currency protection measures appropriate in specific commercial circumstances, subject to strict limits established by our Boards. Therefore, in any particular year, currency fluctuations may have a significant

impact on our financial results.

Our gains or losses due to legacy foreign currency hedging amounted to gains of US$39 million, losses of US$86 million, and losses of US$305 million in the years ended 30 June 2004, 2003 and 2002, respectively. These legacy hedge contracts expired during the year. Our gains and losses on restatement of non US dollar net monetary liabilities were losses of US$278 million, losses of US$380 million and gains of US$180 million in the years ended 30 June 2004, 2003 and 2002, respectively.

Failure to discover new reserves or enhance existing reserves could negatively affect the BHP Billiton Group s results and financial condition

Because a substantial portion of our revenues and profits are related to our oil and gas and minerals operations, our results and financial conditions are directly related to the success of our exploration efforts and our ability to replace existing reserves. A failure in our ability to discover new reserves or enhance existing reserves in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects.

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We may have fewer mineral, oil or gas reserves than our estimates indicate

Our reserves estimations may change substantially if new information subsequently becomes available. Fluctuations in the price of commodities, variation in production costs or different recovery rates may ultimately result in our estimated reserves being revised. If such a revision was to indicate a substantial reduction in proven or probable reserves at one or more of our major projects, it could negatively affect our results, financial condition and prospects.

Compliance with health, safety and environment regulations may impose burdensome costs and if compliance is not achieved our reputation may be detrimentally impacted

The nature of the industries in which we operate means that our activities are highly regulated by health, safety and environmental laws. As regulatory standards and expectations are constantly developing, we may be exposed to increased litigation, compliance costs and unforeseen environmental remediation expenses.

The December 1997 Kyoto Protocol established a set of emission targets for developed countries that have ratified the Protocol. It is uncertain at this stage how the Kyoto Protocol will affect our operations and our customers. There is a risk that the Kyoto Protocol may negatively impact our operations and our financial results.

We may also be exposed to increased operational costs due to the costs and lost worker s time associated with the HIV/AIDS infection rate of our Southern African workforce.

The European Registration, Evaluation and Authorisation of Chemicals (REACH)-system is anticipated to commence operation in 2006. REACH will require manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be used without negatively affecting health or the environment. The extent to which our operations and customers are impacted by these changes is not yet clear. These compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs could negatively affect our financial results.

Given the nature of our operations and some of the harsh and difficult conditions in which we operate there remains a risk that, despite our best efforts and best intentions, health, safety and/or environmental incidents or accidents may occur which may negatively impact our reputation and freedom or licence to operate.

Land tenure disputes may negatively impact the BHP Billiton Group s operations

We operate in several countries where ownership of land is uncertain, and where disputes may arise in relation to ownership. These disputes cannot always be predicted, and hence there is a risk that this may cause disruption to some of our mining projects and prevent our development of new projects.

In Australia, the *Native Title Act (1993)* provides for the establishment and recognition of native title under certain circumstances. Like land ownership disputes, native title could negatively affect our new or existing projects.

In South Africa, the Extension of Security of Tenure Act (1997) prevents evictions from taking place in the absence of a court order. Occupiers who reside on the owner s land, with the requisite consent of the owner, have rights to remain in occupation unless they breach their statutory obligations as occupiers. A process exists for long-term occupiers to enjoy life long tenure. However, the legislation provides for the option of provision of suitable alternative land for occupation. Furthermore, the Restitution of Land Rights Act (1994) permits dispossessed communities to reclaim land but only where such dispossession occurred after 1913 and as a consequence of a discriminatory practice or law. Both these Acts could negatively affect new or existing projects of the BHP Billiton Group.

Actions by governments in the countries in which we operate could have a negative impact on our operations and results

Our operations could be adversely affected by government actions such as controls on imports, exports and prices, new forms or rates of taxation and royalties, and increased government regulation in the countries in which we operate or service customers.

In South Africa, the Mineral and Petroleum Resources Development Act, 2002 (MPRDA) came into effect on 1 May 2004. The law provides for the conversion of existing mining rights (so called old order rights) to rights under the new regime (new order rights) subject to certain undertakings to be made by the company applying for such conversion. These new rights will also be subject to revised State royalties in the case of certain minerals but this is only expected to be introduced in 2009. The MPRDA also required the development of a Broad Based Socio Economic Empowerment Charter, known as the Mining Charter, for the mining industry with the objectives of expanding opportunities, skills, ownership and employment by historically disadvantaged South Africans. The Mining Charter requires that mining companies achieve 15% ownership by historically disadvantaged South Africans of South African mining assets within five years and 26% ownership within ten years. If we are unable to convert our South African mining rights in accordance with the MPRDA and the Mining Charter, we could lose some of those rights.

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We also could be adversely affected by regulatory inquiries into our business practices, such as the ongoing investigation of the copper concentrate market by the European Commission and the US and Canadian authorities.

Additional risks associated with emerging markets may negatively impact some of the BHP Billiton Group s operations

We operate in emerging markets which may involve additional risks that could have an adverse impact upon the profitability of an operation. These risks could include civil unrest, nationalisation, re-negotiation or nullification of existing contracts, leases, permits or other agreements, and changes in laws and policy as well as other unforeseeable risks. If one or more of these risks occurs at one of our major projects, it could have a negative effect on our operating results or financial condition.

We may not be able to integrate successfully our acquired businesses

We have grown our business in part through acquisitions and expect that some of our future growth will stem from acquisitions. There are numerous risks encountered in business combinations and we may not be able to successfully integrate acquired businesses or generate the cost savings and synergies anticipated, which could negatively affect our financial condition and results of operations.

We may not recover our investments in exploration and new mining and oil and gas projects

There is a risk that we will not be able to recover the funds we spend identifying new mining and oil and gas properties through our exploration program. Increasing requirements relating to regulatory, environmental and social approvals can potentially result in significant delays in construction and may adversely impact upon the economics of new mining and oil and gas properties, the expansion of existing operations and our results of operations.

Increased reliance upon the Chinese market may negatively impact our results in the event of a slowdown in consumption

The Chinese market has become a significant source of global growth for basic commodities. China now represents in excess of 29% of global seaborne iron ore demand, 20% of copper and alumina, 12% of nickel and 7% of oil demand. Chinese demand for these commodities on average approximately doubled from 7% of global demand to 15% between 1990 and 2000 and has continued to grow.

Whilst this increase represents a significant business opportunity, our exposure to China s economic fortunes and economic policies has increased.

In recent times we have seen a synchronised upward movement in commodity prices driven largely by Chinese demand. This synchronisation has introduced increased volatility in BHP Billiton s commodity portfolio. Whilst this synchronisation has, in recent periods, resulted in higher prices for the commodities we produce, if Chinese economic growth slows, it could result in lower prices for our products, and therefore reduce

our revenues.

Shortages of skilled labour could negatively impact our operations and expansion plans

The strong commodity cycle and large numbers of projects being developed in the industry has increased demand for skilled workers. If sufficient skills cannot be developed or acquired this may adversely affect the development of new projects, the expansion of existing operations or the results of those operations.

Our costs may increase due to inflationary pressures

Shortages of skilled labour, contractors, materials and supplies and increased demands of unions and governments in the context of high growth levels in the resources industry could potentially lead to increases in costs. Such cost increases could negatively impact our results, financial condition and prospects.

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INFORMATION ON THE COMPANY

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of BHP Billiton

Background

We are the world s largest diversified resources groups with a combined market capitalisation of approximately US$54 billion as of 30 June 2004 and we generated combined turnover (including share of joint ventures and associates) and attributable profit (including exceptional items) of US$24.9 billion and US$3.4 billion, respectively, for the year ended 30 June 2004. We hold industry leader or near-leader positions in a range of products, including being the:

- world s largest exporter of metallurgical coal for the steel industry;
- world s second largest exporter of energy coal;
- world s third largest producer of iron ore;
- world s third largest producer of copper;
- world s fourth largest producer of nickel metal;
- world s largest producer of manganese ore;
- world s fifth largest producer of primary aluminium; and
- world s largest producer of manganese and chrome ferroalloys.

We also have substantial interests in oil, gas, liquefied natural gas, diamonds, silver and titanium minerals.

BHP Billiton Limited is incorporated under the name BHP Billiton Limited and is registered in Australia with ABN 49 004 028 077. BHP Billiton Limited was incorporated on 13 August 1885 under the name of The Broken Hill Proprietary Company Limited.

BHP Billiton Plc is incorporated under the name BHP Billiton Plc and is registered in the United Kingdom with Company number 3196209. BHP Billiton Plc was incorporated on 9 May 1996.

On 19 March 2001, we announced that the Directors of BHP Limited and Billiton Plc had agreed to form a Dual Listed Companies structure to establish a diversified global resource group to be called BHP Billiton. The implementation of the DLC structure was completed on 29 June 2001. BHP Limited changed its name to BHP Billiton Limited and Billiton Plc changed its name to BHP Billiton Plc.

BHP Billiton Limited and BHP Billiton Plc are run by a unified Board and management team, with headquarters in Melbourne, Australia, and with a significant corporate management centre in London. The existing primary listings on the London and Australian stock exchanges continue to be maintained, as is the secondary listing of BHP Billiton Plc on the Johannesburg stock exchange. BHP Billiton Plc and BHP Billiton Limited each maintain an American Depositary Receipt listing on the New York Stock Exchange.

The shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions on matters affecting the combined group through a procedure in which the shareholders of both companies have equal voting rights per share. Accordingly, shareholders of BHP Billiton Limited and BHP Billiton Plc effectively have an interest in a single group combining the assets of both companies with a unified Board of Directors and management. Should any future corporate action benefit shareholders in only one of the two companies, an appropriate action will be taken to ensure parity between BHP Billiton Limited and BHP Billiton Plc shares.

Further information on the DLC structure is included in Item 4C of this annual report.

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We have grouped our major operating assets into the following Customer Sector Groups:

Petroleum (oil, natural gas and liquefied natural gas);

Aluminium (aluminium and alumina);

Base Metals (copper, silver, zinc and lead);

Carbon Steel Materials (metallurgical coal, iron ore and manganese);

Diamonds and Specialty Products (diamonds, titanium minerals and metals distribution);

Energy Coal (energy coal); and

Stainless Steel Materials (nickel metal, and chrome and nickel ferroalloys).

On 16 March 2004, we modified our organisational structure to group the Customer Sector Groups into three broadly related business areas of Non-Ferrous Materials, Energy and Carbon Steel Materials. The Aluminium, Base Metals and Stainless Steel Materials Customer Sector Groups form the Non-Ferrous Materials Group. The Petroleum and Energy Coal Customer Sector Groups form the Energy Group. The Carbon Steel Materials Customer Sector Group forms the Carbon Steel Materials Group. The Presidents of the relevant Customer Sector Groups report to the Group Presidents of the Non-Ferrous Materials, Energy and Carbon Steel Materials Groups respectively. The President of Diamonds and Specialty Products reports to the Chief Commercial Officer of BHP Billiton. The individual Customer Sector Groups identified above continue to operate within the structure. The re-structure does not impact on the way in which BHP Billiton s financial results are reported.

The table below sets forth the contribution to combined turnover and profit (before tax) of each of these customer sector groups for the three years ended 30 June 2004.

	Turnover		
	Year ended 30 June		
	2004	2003	2002
	(US$ millions)		
Group including share of joint ventures and associates			
Petroleum	5,558	3,264	2,815
Aluminium	4,432	3,386	2,857
Base Metals	3,422	1,954	1,821
Carbon Steel Materials	4,857	3,714	3,306
Diamonds and Specialty Products	1,710	1,485	1,480
Energy Coal	2,569	2,089	1,919
Stainless Steel Materials	1,749	1,106	868

Steel (discontinued operations)[1]			2,550
Group and unallocated items	1,796	1,014	730
Intersegment	(1,150)	(506)	(568)
Total	24,943	17,506	17,778

	Profit before tax		
	Year ended 30 June		
	2004	2003	2002
	(US$ millions)		
Group including share of joint ventures and associates			
Petroleum	1,391	1,178	1,073
Aluminium	776	581	492
Base Metals	1,156	286	192
Carbon Steel Materials	1,137	1,045	1,084
Diamonds and Specialty Products	410	299	272
Energy Coal	234	198	536
Stainless Steel Materials	571	150	3
Steel (discontinued operations)[1]			86
Group and unallocated items	(187)	(256)	(550)
Exceptional items[2]	(468)	(19)	(212)
Net interest	(502)	(537)	(249)
Total	4,518	2,925	2,727

(1) The Group s Steel business was demerged in July 2002 and is disclosed as discontinued operations.
(2) Refer note 2 Exceptional items in the 2004 BHP Billiton Group Annual Financial Statements.

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The table below sets forth the contribution to combined turnover and net profit (before tax and net interest) by geographic origin for the three years ended 30 June 2004.

	Turnover		
	Year ended 30 June		
	2004	2003	2002
	(US$ millions)		
Geographic origin			
Australia	7,270	6,527	5,842
Europe	6,750	2,798	2,049
North America	2,503	2,186	2,143
South America	4,130	2,727	2,255
Southern Africa	3,882	3,147	2,696
Rest of World	408	121	243
Discontinued operations[1]			2,550
Total	24,943	17,506	17,778

	Profit before tax and net interest		
	Year ended 30 June		
	2004	2003	2002
	(US$ millions)		
Geographic origin			
Australia	2,104	1,890	1,549
Europe	756	259	233
North America	(188)	188	22
South America	1,719	576	301
Southern Africa	537	558	712
Rest of World	92	10	73
Discontinued operations[1]		(19)	86
Total	5,020	3,462	2,976

(1) The Group s Steel business was demerged in July 2002 and is disclosed as discontinued operations.

The table below sets forth the analysis of combined turnover by geographic market for the three years ended 30 June 2004.

	Turnover

	Year ended 30 June		
	2004	2003	2002
	(US$ millions)		
Geographic market			
Australia	1,874	1,775	1,442
Europe	8,941	5,582	4,430
Japan	2,807	2,393	2,078
South Korea	1,598	1,203	1,068
China	2,432	1,216	741
Other Asia	1,583	1,172	1,257
North America	2,782	2,389	2,344
Southern Africa	1,363	944	936
Rest of World	1,563	832	932
Discontinued operations[1]			2,550
Total	24,943	17,506	17,778

(1) The Group s Steel business was demerged in July 2002 and is disclosed as discontinued operations.

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Ore Reserves

The ore reserves tabulated are all held within existing, fully permitted mining tenements. The BHP Billiton Group s minerals leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules. Ore reserves are presented in the accompanying tables subdivided for each of the Customer Sector Groups.

All of the ore reserve figures presented are reported in 100% terms, and represent estimates at 30 June 2004. All tonnes and grade information has been estimated more precisely than the rounded numbers that are reported, hence small differences may be present in the totals.

As the reported reserves contained in this annual report have been reported based on historical average commodity prices in accordance with Industry Guide 7, they differ in some respects from the reserves we report in our home jurisdictions of Australia and the UK. Those jurisdictions require the use of the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the JORC Code), which contemplates the use of reasonable investment assumptions in calculating reserve estimates.

Reserves are estimated based on prices reflecting current economic conditions determined by reference to the three year historical average for each commodity. The prices used to estimate, or test for impairment of, the reserves contained in this annual report are as follows:

	Price
Commodity	**US$**
Aluminium (used for Alumina)	1,423/t
Alumina (12.75% of Aluminium)	181/t
Copper	0.71-0.823/lb(1)
Gold	336/oz
Lead	0.22/lb
Nickel	3.38/lb
Silver	4.64/oz
Zinc	0.38/lb

(1) All our copper operations have used a three year historical average copper price to estimate, or test for impairment of, the copper reserves disclosed in this report. However, different copper operations have used different cut-off dates to calculate the three year average, which has resulted in different prices being used. The price used for each operation is disclosed in the footnotes to the reserves table on page 46.

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B. Business Overview

Petroleum

Our Petroleum Customer Sector Group s principal activities are oil and natural gas exploration, production and development in Australia, the United Kingdom, the United States, Algeria, Trinidad and Tobago, and Pakistan; and exploration interests in the United States, Australia, Trinidad and Tobago, Pakistan, Algeria, Brunei Darussalam, South Africa, Brazil and the Philippines.

Operating Assets

Australia/Asia

In Australia, we produce oil and gas from Bass Strait, the North West Shelf, the Laminaria and Corallina oil fields and the Griffin Project. In Pakistan, we produce gas and a small volume of condensate from the Zamzama gas field.

Bass Strait

The Bass Strait oil and gas fields are located in the Gippsland Basin, offshore southern Australia. First production commenced in 1968. There are 20 producing fields with 21 offshore structures (18 platforms and three subsea developments). Onshore infrastructure includes the Longford Gas Plant, which includes three gas processing trains and crude processing facilities, the Barry Beach Marine Terminal and the Long Island Point facility, which has LPG fractionation as well as LPG and crude storage facilities.

We have a 50% interest in the Bass Strait fields. Esso Australia Resources Pty Ltd (Esso Australia) has the other 50% and acts as operator. Production from most of the fields is subject to an overriding 2.5% royalty payable to Oil Basins Limited.

Gross oil production during 2003-2004 averaged 118,000 barrels per day. Approximately 65% of crude oil and condensate is dispatched from the fields to refineries in the State of Victoria, while the balance is sold elsewhere in Australia or overseas.

During 2003-2004, total gas production averaged approximately 650 million cubic feet per day (gross). Most of the natural gas produced was sold to Gascor for on-sale to retailers to meet Victoria s residential and commercial gas requirements. The contract is due to expire on the earlier of 31 December 2009 or upon delivery of the outstanding contractual volumes. LPG and ethane extracted from the natural gas are sold in Australia and overseas. During 2003 2004, LPG production averaged 2,970 tonnes per day (gross) and ethane production averaged 530 tonnes per day (gross).

In addition to the Gascor volumes, during 2002 we signed Memoranda of Understanding with TXU Australia and AGL Wholesale for long-term gas sales from 2004 to 2017. These were converted into long term gas supply agreements totalling over 0.8 trillion cubic feet (our share) in December 2003.

We continue to pursue a strategy of seeking additional reserves in the Bass Strait in order to enhance existing production levels with high value incremental developments.

A total of three infill wells were drilled in the Flounder field (of which one was later plugged and abandoned) and two infill wells were drilled in the Halibut field during 2003-2004. The combined initial rate from these four wells was 9,000 barrels per day.

In December 2003, we started delineation and development drilling in the Turrum oil and gas field, in deep horizons beneath the existing Marlin field. Incremental oil production from the Turrum field is estimated to be approximately 4,000 barrels per day. Work is in progress to install oil production equipment on the Marlin gas production platform with a view to starting oil production from Turrum in mid-calendar 2005.

North West Shelf

We are a participant in the North West Shelf project, an unincorporated joint venture of six participants, operated by Woodside Energy Ltd. The project was developed in two major phases: the domestic gas phase, which supplies gas to the Western Australian domestic market; and the LNG phase, which supplies LNG (liquefied natural gas) primarily to Japan. The project also produces crude oil, condensate and LPG, primarily for export.

The current domestic gas joint venture participants are Woodside Petroleum (50%), BP Developments Australia Pty Ltd (16.67%), Chevron Texaco Australia Pty Ltd (16.67%), our wholly-owned subsidiary BHP Billiton Petroleum (North West Shelf) Pty Ltd (8.33%) and Shell Development (Australia) Pty Ltd (8.33%). Our share of domestic gas production will progressively increase from an 8.33% share to a 16.67% share over the period 2005 to approximately 2017. From 2018 all current domestic gas joint venture partners, and Japan Australia LNG (MIMI) Pty Ltd (jointly owned by Mitsubishi Corporation and Mitsui & Co.) will have equal

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16.67% interests. Participants in the existing LNG joint venture include the domestic gas participants and Japan Australia LNG (MIMI), each with a 16.67% interest.

The onshore gas treatment plant is located at Withnell Bay on the Burrup Peninsula, 1,200 kilometres north of Perth, Western Australia and is supplied by the offshore North Rankin, Goodwyn, Perseus and Echo-Yodel gas and condensate fields. Production from the North Rankin and Perseus fields is through the North Rankin A platform, which has the capacity to produce 1,800 million cubic feet per day of gas and 40,000 barrels per day of condensate. Production from the Goodwyn and Echo-Yodel fields is through the Goodwyn A platform, which has the capacity to produce 1,400 million cubic feet per day of gas and 110,000 barrels per day of condensate (not concurrently). Production from these fields meets current contractual requirements for the domestic gas and LNG phases of the project. Plans are in place to further develop existing fields as well as the currently undeveloped Angel field, and a group of smaller static resources, to meet future market requirements.

The North West Shelf domestic gas plant has a capacity of 600 million cubic feet per day. The gas is delivered via pipeline to customers in Western Australia under long-term agreements. Production of domestic gas in 2003 2004 averaged 510 million cubic feet per day (gross).

The existing three-train LNG plant can produce at an average rate of 21,750 tonnes of LNG per day, or 8 million tonnes per annum. The project sells approximately 7 million tonnes of LNG per year under long-term contracts to Japanese buyers. These contracts are due to expire in 2009. Additional spot sales are also made to the US and Asia, depending on plant and shipping availability. Production for 2003-2004 averaged 21,800 tonnes per day (gross).

An integrated expansion of the LNG business commenced in calendar year 2001 including construction of a 4.2 million tonnes per year liquefaction processing train, a second 42-inch gas trunkline over a distance of 135 kilometres from the existing production platforms to the onshore processing plant and an additional LNG carrier. The trunkline, train and LNG carrier are now in service.

Sales arrangements underpinning the expansion are in place with six Japanese gas and power companies for the supply of up to 3.9 million tonnes per year of LNG, for contracted periods of between 20 years and 30 years.

In October 2002, the North West Shelf joint venture participants signed agreements with the Guangdong LNG Project for the purchase and supply of LNG from the North West Shelf. This is China s first LNG project and involves the construction of an LNG import terminal and high-pressure gas pipeline in two phases. The agreements were signed by each of the six North West Shelf LNG Sellers and cover the supply of approximately 3.3 million tonnes of LNG per year to Phase One of the Guangdong LNG Project for a period of 25 years expected to start in 2006. The agreements are subject to satisfaction of certain conditions precedent, including Chinese government approvals, buyer financing arrangements and arrangements between the LNG buyer and natural gas end-buyers.

Following execution of the Guangdong LNG sales and purchase agreements, further agreements were signed in May 2003 with a subsidiary company of the China National Offshore Oil Corporation (CNOOC) in regard to equity participation by CNOOC in the North West Shelf joint venture. Under these agreements CNOOC will pay each of the existing North West Shelf joint venture participants approximately US$58 million to take up a 5.3% interest in titles to North West Shelf joint venture raw gas reserves. CNOOC will also have a 25% interest in a new joint venture (our share 12.5%) to be set up under the North West Shelf Project Agreement to supply LNG to Guangdong and will have rights to process its gas and associated products through North West Shelf joint venture offshore and onshore infrastructure on payment of a tariff. Completion of this transaction is subject to satisfaction of a number of conditions precedent. The North West Shelf joint venture participants and various Chinese shipping companies are currently finalising arrangements for the establishment of ship owning and ship management companies for the construction and management of two LNG ships for LNG transport to China.

In recent years, the NWS joint venture participants concluded the following LNG sales contracts (100% terms) with new customers in Japan and Korea:

- a binding sales and purchase agreement with Shizuoka Gas for a total of 3 million tonnes of LNG to be delivered over the full term of a 24 year agreement commencing in 2005;

- a sales and purchase agreement with Korea Gas Corporation for the sale of approximately 480,000 tonnnes of LNG per year for a term of 7 years commencing in late 2003; and

- a binding sales and purchase agreement with The Kansai Electric Power Company Inc for long-term LNG supply of 500,000 tonnes of LNG a year between 2009 and 2014 and 925,000 tonnes of LNG a year between 2015 and 2023.

Condensate is separated from the natural gas in the onshore plant. Condensate production during 2003-2004 averaged 101,000 barrels per day (gross) and our average share of condensate production was approximately 14.6% over the period. Our share

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of condensate varies in proportion to our relative interests in condensate production attributable to the domestic gas and LNG joint ventures.

LPG production began in November 1995 and production in 2003 2004 was 2,040 tonnes per day (gross). We have a 16.67% interest in the LPG production.

The project s crude oil production is from the Wanaea, Cossack, Lambert and Hermes oil fields which are located about 30 kilometres north east of the North Rankin field. The oil is produced to a floating production storage and offloading unit, the Cossack Pioneer, and production averaged 101,000 barrels of oil per day (gross) in 2003 2004. We have a 16.67% working interest in oil production.

Laminaria and Corallina

We are a participant in the Laminaria and Corallina joint venture with Woodside Energy Ltd and Shell Development (Australia) Pty Ltd. Woodside Energy Ltd is the operator of the venture. The Laminaria and Corallina fields are located in the Timor Sea, about 550 kilometres north-west of Darwin and 160 kilometres south of Timor. The Laminaria field was discovered in 1994 and the Corallina field in 1995. We have a 32.6125% working interest in the Laminaria oil field, with Woodside holding a 44.925% interest and Shell holding a 22.4625% interest. We have a 25% interest in the Corallina oil field. Woodside has a 50% interest and Shell has a 25% interest.

A floating production storage and offloading unit, the Northern Endeavour, produces the oil from these fields. In 2003 2004, production averaged 38,000 barrels of oil per day (gross).

Carnarvon Basin

We are the operator of the Griffin oil and gas project, which includes the Griffin, Chinook and Scindian fields in the Carnarvon Basin, offshore Western Australia. We hold a 45% interest in the project, Mobil Exploration and Producing Australia Pty Ltd holds a 35% interest and Inpex Alpha Ltd holds the remaining 20% interest.

The Griffin project first produced oil through its floating production storage and offloading facility, the Griffin Venture, in January 1994. Production for 2003 2004 averaged 14,000 barrels per day of oil (gross).

We pipe natural gas to shore, where it is exported directly into a pipeline and sold under contracts. Gas production in 2003 2004 averaged 18 million standard cubic feet per day (gross).

Pakistan

We are the operator of the Zamzama onshore gas project in the Dadu Block in the Sindh Province of Pakistan. We hold a 38.5% working interest in the project, ENI Pakistan (M) Ltd holds 17.75%, PKP Exploration Ltd (a jointly owned company between Kufpec and Premier Oil) holds 18.75% and the government of Pakistan holds the remaining 25% interest.

In 1998, we discovered gas in the Zamzama-1 well under the Dadu exploration permit. After a single well appraisal program identified commercial reserves we commenced production in March 2001 from Zamzama 1 and 2 wells through an extended well test (EWT) phase.

In March 2002, we and our partners approved the Phase 1 development of the Zamzama gas field. This followed the Dadu joint venture signing the two gas sales and purchase agreements with the government of Pakistan, Sui Southern Gas Company and Sui Northern Gas Pipelines Company Limited. The agreements cover the supply of up to 320 million cubic feet per day of gas over the expected field life of 20 years. In April 2002, the government of Pakistan granted the Dadu joint venture a 20-year development and production licence (with an option extend beyond the 20-year term) for the full field development of the Zamzama discovery.

The Phase 1 development consists of two additional processing trains, which are located on the existing EWT plant site, and three additional development wells. First gas from the Phase 1 development commenced in July 2003 and our share of capital expenditure for this phase was US$32 million.

For 2003 2004 production averaged 250 million cubic feet per day of gas (gross) and 1,700 barrels per day of condensate (gross).

Two high-risk development wells, Zamzama-East and Zamzama-North, were successfully completed during the year for US$8 million (our share) and proved-up additional reserves. These reserves will be produced over the remaining field life of 20-22 years, and are planned to form the basis of our Zamzama Phase 2 development.

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Americas

In the Americas, we produce oil and gas from the Gulf of Mexico, US, and during the year we sold our interests in Bolivia.

Gulf of Mexico

Our Gulf of Mexico production is sourced from six producing assets: Typhoon, Boris, West Cameron 76, Genesis, Green Canyon 18/Ewing Bank 988, and Green Canyon 60.

We have a 50% working interest in the Typhoon oil and gas development, located in Green Canyon Blocks 236 and 237. Chevron Texaco has the other 50% working interest and is the operator. The field is located in 600 metres of water approximately 100 kilometres off the coast of Louisiana, and was our first deepwater Gulf of Mexico development. The field consists of four subsea wells tied back to a local host mini tension leg platform. First production was in July 2001.

We also have a 50% working interest in and operate the Boris oil discovery in Green Canyon Block 282 adjacent to the Typhoon field. Boris was developed as a tie-back to the Typhoon production facility. Production commenced from the first well, Boris-1, in February 2003 and from the second well, Boris-2, in September 2003.

In 2003 2004, production from Typhoon and Boris fields averaged 31,000 barrels of oil and 45 million cubic feet of gas per day (gross).

We have a 33.8-78.8% working interest (depending on the location of the producing well) in and operate West Cameron 76. The gas field, which is located in shallow water about 20 kilometres offshore, was discovered in 1991 and production commenced in 1992. The field architecture consists of two conventional platforms. In 2003-2004, production from West Cameron 76 averaged 81 million cubic feet of gas per day (gross) and 550 barrels per day of condensate (gross).

We have a 25% working interest in the Green Canyon 18/Ewing Bank 988 oil field and a 45% working interest in the Green Canyon 60 oil field, both operated by ExxonMobil. In 2003-2004 these fields produced 4,200 barrels of oil per day and 4.2 million cubic feet of gas per day (gross) of which approximately 98% came from Green Canyon 18/Ewing Bank 988.

We also have a 4.95% working interest in the Chevron Texaco operated Genesis oil field, located in Green Canyon blocks 160, 161 and 205. In 2003-2004, this field produced 28,000 barrels of oil per day and 34 million cubic feet per day of gas (gross).

Bolivia

We sold our interest in all Bolivian exploration and production assets effective February 2004. This included a 50% working interest in the Mamore exploration block including the Surubi oil field, the Paloma field, and the Bloque Bajo field. Gross production from these fields averaged 9,000 barrels of oil and 15 million cubic feet of gas per day from July 2003 to January 2004.

Europe/Africa/Middle East

We produce oil and gas from the Liverpool Bay development and the Bruce/Keith fields in the United Kingdom, and LPG and condensate from the Ohanet development in Algeria.

United Kingdom

Liverpool Bay

The Liverpool Bay oil and gas development is located in the Irish Sea, off the north-west coast of England. We are the operator, and have a 46.1% working interest. Other participants in the joint venture are Eni ULX Limited, which has a 45% interest, and Eni AEP Limited, which has an 8.9% interest. The venture began first production of oil and gas in 1996.

The Liverpool Bay asset comprises the integrated development of the following six offshore oil and gas fields in the Irish Sea: Douglas oil field; Douglas West oil field; Hamilton gas field; Hamilton North gas field; Hamilton East gas field; and Lennox oil and gas field. We produce oil from the Lennox and Douglas fields, which is then treated at the Douglas Complex and piped 17 km to an oil storage barge ready for export by tankers.

We produce gas from the Hamilton, Hamilton North, Hamilton East, and Lennox fields. After initial processing at the Douglas Complex the gas is piped by subsea pipeline to the Point of Ayr gas terminal for further processing. It is then sent by onshore pipeline to E.ON s combined cycle gas turbine power station at Connah s Quay. E.ON is the sole purchaser of gas from the Liverpool Bay development.

The venture completed its fourth infill drilling campaign in 2004 with the completion of two oil development wells.

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Production during 2003 2004 averaged 48,000 barrels per day of oil and 250 million cubic feet per day of gas (gross).

Bruce / Keith

The Bruce field is located approximately 380 kilometres north-east of Aberdeen in the northern North Sea. We have a 16% interest in the field, which is operated by BP.

Gross production from the Bruce field during 2003 2004 averaged 23,000 barrels per day of oil, 600 million cubic feet per day of gas and 1,200 tonnes per day of LPG.

We also have a 31.83% interest in the Keith field, which we operate, lying adjacent to the Bruce field in block 9/8a. The Keith field was developed by a tieback to the Bruce platform facilities. In 2003 2004, production from Keith averaged 2,500 barrels per day of oil and 5 million cubic feet per day of gas (gross).

Algeria

Ohanet

The Ohanet wet gas (LPG and condensate) development is located in the Illizi province of Algeria, approximately 1,300 kilometres southeast of Algiers and 100 kilometres west of Libya. We have an effective 45% working interest in the venture. The other participants are Japan Ohanet Oil & Gas Co Ltd (30%), Woodside Energy (Algeria) Pty Ltd (15%) and Petrofac Resources (Ohanet) LLC (10%).

We signed a Risk Service Contract (RSC) with Sonatrach for the development of four gas and condensate reservoirs in the Ohanet region of Algeria in 2000.

The total budgeted costs for the development of the Ohanet reservoirs were US$1,030 million, our share being US$464 million. Actual costs remain subject to finalisation.

Production began in October 2003 with gross liquids production from October 2003 to June 2004 averaging 20,000 barrels per day of condensate and 1,400 tonnes per day of LPG.

The terms of the RSC specify that the total production from the fields is the property of Sonatrach. The foreign participants in the venture bear the total cost of developing the Ohanet reservoirs, and in return, will recover their investment, together with an agreed fixed profit consideration

from liquids production, over a target eight-year period from the start of production. This eight-year period can be extended for up to four years under certain conditions.

The monetary entitlement is translated into volumes of condensate, butane and propane that are currently sold to Sonatrach under a marketing agreement with the Ohanet joint venture partners.

Exploration and Development

We have exploration interests in Australia, Asia, the Americas and Europe/Africa/Middle East. We are participating in developments in Australia, Algeria, the US, and Trinidad and Tobago.

Australia/Asia

In Australia we are developing the Minerva gas field, we are a participant in the North West Shelf fourth train expansion, and in the Moranbah Coal Bed Methane development in Queensland. We have exploration interests in Australia, Brunei Darussalam, the Philippines and Pakistan.

Minerva Development

The Minerva gas field is located offshore southern Victoria. We have a 90% working interest in and act as the operator of the development that is currently being constructed. Santos (BOL) Pty Ltd owns a 10% share of the Joint Venture.

In 1993, we discovered the Minerva gas field in the Otway Basin and in March 2002 signed a take or pay Sales Agreement with Pelican Point Power Limited (a wholly owned subsidiary of International Power plc) to provide gas into South Australia via a new pipeline. We approved the development of the Minerva field in May 2002. Our share of approved capital expenditure is approximately US$150 million.

Minerva is a natural gas field with a small amount of condensate. A single flowline will transport the gas to the coast, through a subterranean shore crossing to an onshore gas processing facility where liquids will be removed prior to exporting the gas to

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South Australia. The gas plant, when completed, will have a gross design capacity of 139 million cubic feet of gas per day and 600 barrels of condensate per day. First production is scheduled for the fourth quarter of calendar year 2004.

Coal Bed Methane Development

We have a 50% interest in the Moranbah Gas Project situated within the Queensland Bowen Basin coalfields.

The project is operated by CH4 Pty Ltd. It comprises the extraction of coal bed methane from surface-to-seam wells using drilling techniques developed by BHP Billiton and CH4.

We and CH4 have signed a Gas Supply Agreement with the Queensland Power Trading Corporation (trading under the name Enertrade), owned by the Queensland Government, for delivery of up to a maximum of 290 billion cubic feet (gross) over 15 years, with a take-or-pay quantity of 8 billion cubic feet per annum (gross) for the first 10 years. Gas deliveries under the Gas Supply Agreement are due to commence in February 2005.

Under the May 2000 Project Agreement with CH4, we will receive a revenue royalty on any gas sales plus an option to invest up to 50% in any project developed by CH4. This option has been exercised for the Moranbah Gas Project. Our share of the capital cost of this project is expected to be approximately US$38 million.

We have recently signed an agreement for coal bed methane exploration interests in China, with Chevron Texaco and the Chinese Government.

Australian Exploration

In Australia we have exploration interests in 14 permits offshore Western Australia and 1 permit offshore Victoria.

Stybarrow WA-255-P Exploration

We drilled and completed, as operator, an exploration well on the Stybarrow prospect in February 2003. The well encountered hydrocarbons. A Stybarrow-2 appraisal well was drilled and also encountered hydrocarbons. A further two wells, Stybarrow-3 and 4, further confirmed the oil/water contact and encountered hydrocarbons. Based upon the results of these wells, development concepts are currently being planned.

We own a 50% operated working interest in this permit with the remaining interest held by Woodside Energy Ltd.

Pyrenees WA-155-P / WA-12-R Exploration

We drilled and completed, as operator, an exploration well on the Ravensworth prospect in July 2003 which encountered hydrocarbons. A Ravensworth-2 appraisal well was drilled in June 2004 and also encountered hydrocarbons.

We own 40% of the WA-155-P permit and operate, with Apache Energy Ltd owning 31.5% and Inpex owning the remaining 28.5%.

In addition to the Ravensworth discovery wells, we drilled, as operator, three wells in the adjoining block WA-12-R. The wells, Stickle-1, Stickle-2 and Crosby, encountered hydrocarbons. We own 71.43% of the WA-12-R permit and act as operator, with Apache owning the remaining 28.57%.

Additional evaluation of the drilling and resource data is required in order to more accurately understand the significance of the discoveries. Currently a joint development plan is underway encompassing all three Ravensworth, Crosby and Stickle discoveries.

Other Significant Australia Exploration Activity

Egret discovery WA-10-R We participated in a hydrocarbon discovery on the Egret prospect in 1998 and again in 2003. The first discovery was made by the Egret-2 well which encountered hydrocarbons. Another well, Egret-3, was drilled in May 2003 and also encountered hydrocarbons. To assist in the understanding of the significance of these discoveries, a 3D seismic survey was obtained in early calendar 2004. This data is currently being processed. We own a 16.67% non-operated working interest in this permit with the remaining equal interests owned by Woodside Energy, BP, Chevron Texaco, Shell and Japan Australia LNG (Mimi).

Scarborough Gas WA-1-R - During the first half of calendar year 2004, we obtained 912 square kilometres of 3D seismic data over the Scarborough gas field in WA-1-R and its extension into the WA-346-P permit. We have a 50% non-operated interest in WA-1-R and hold 100% interest in WA-346-P. The purpose of this survey is to better define the size of the Scarborough gas field and to provide a basis for future appraisal activities.

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VIC/P45 - We own a 50% operated interest in VIC/P45 in the Gippsland Basin, offshore of the state of Victoria. During 2003-2004, we completed interpretation of a permit-wide 3D seismic survey. We are in the process of reducing our equity in this block.

Philippines Exploration

In March 2004, we farmed-in to SC-41, an offshore permit in the Sulu Sea. Two wells have been drilled, Zebra-1 & Rhino-1. Both wells did not encounter hydrocarbons and were subsequently plugged and abandoned.

We are currently planning the next exploration phase. We own a 28.2% working interest with the remaining interests held by Unocal 28.6% (operator), Occidental 28.2%, and local Philippines companies 15%.

Brunei Exploration

We have a 25% working interests in Block J, offshore Brunei Darussalam. The remaining interests are held by Total (60% and operator), and Amerada Hess Corporation (15%). The joint venture executed a production sharing contract with the government of Brunei Darussalam in March 2003. The Government of Malaysia has claimed that this block forms part of their territorial waters and has awarded the same acreage to a competing joint venture. The dispute is unresolved.

Americas

In the Americas, we are currently involved in three major development projects. In the Gulf of Mexico we are developing the Atlantis and Mad Dog oil and gas fields. These developments include the construction of the Caesar and Cleopatra pipelines which will provide access to oil and gas trunklines in the Gulf of Mexico. In Trinidad and Tobago, we are developing the offshore Angostura oil and gas field. In addition to these developments, we have extensive exploration interests in the Gulf of Mexico, exploration interests in Trinidad, and exploration acreage in Brazil.

Gulf of Mexico

We have been expanding our interests in the deepwater Gulf of Mexico since the early-mid 1990s. At 13 October 2004, our offshore portfolio consisted of 444 leases, 329 of which are in deepwater, making us one of the largest lease-holders in water depths greater than 1,500 feet. Additionally, we now own 115 leases on the shelf in the Gulf of Mexico covering various prospects within this area.

As part of our strategy to efficiently allocate exploration expenditure and to increase our prospect inventory, we have entered into several joint venture arrangements with other companies active in the deepwater of the Gulf of Mexico.

Mad Dog Development

We hold a 23.9% working interest in Mad Dog with partners BP (60.5%), the designated operator, and Unocal (15.6%).

The initial Mad Dog discovery well, in the Green Canyon area of the Atwater Foldbelt, was drilled in December 1998, followed by three appraisal wells drilled between 1999 and 2001. In February 2002, we and our partners sanctioned Mad Dog for development. Our Board has approved our share of capital expenditure up to US$335 million. The final expenditure will depend on the number of development wells needed to optimise the production of reserves.

The development plan includes the utilisation of a truss SPAR facility with an integrated drilling rig, which will be capable of operating in water depths of 4,500 feet. First production is expected by the end of calendar year 2004, with production at full design capacity expected to occur within 12 months. Nameplate capacity will be 80,000 barrels of oil per day and 40 million cubic feet of gas per day (gross).

Atlantis Development

We have a 44% working interest in Atlantis. BP is the operator of the field and holds the remaining 56% interest.

The initial Atlantis discovery in the Green Canyon area was drilled in 1998. As of June 2004, a total of five appraisal wells, three with major sidetracks, have been drilled on the Atlantis structure. All five wells encountered oil bearing sands.

In February 2003, our Board approved a total of US$1.1 billion as full funding for the development of the Atlantis oil and gas reserves. The final expenditure will depend on the number of development wells needed to optimise the production of reserves. Located in 4,400-7,100 feet of water, Atlantis will be developed using a moored semi-submersible production facility with up to 20 subsea wells. Nameplate capacity will be 150,000 barrels of oil per day and 180 million cubic feet of gas per day (gross). First oil is expected from the field in the third quarter of calendar year 2006.

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Caesar and Cleopatra Pipelines

In February 2002, we took equity ownership in two limited liability companies that will transport hydrocarbons from Mad Dog, Atlantis and, possibly, future discoveries in the proximity. The pipelines are part of a new system being built in the Southern Green Canyon area.

We acquired a 25% interest in the Caesar oil pipeline and a 22% interest in the Cleopatra gas pipeline. Our share of capital costs approved by the Board for this project is US$132 million.

The Caesar pipeline will have a design capacity of at least 450,000 barrels of oil per day and Cleopatra will have a capacity of 500 million cubic feet of gas per day. These pipelines will link with other pipelines already existing, or to be constructed, to transport product to the United States mainland.

Cascade Walker Ridge Exploration

As the operator, in June 2002, we drilled and completed an exploration well on the ultra deepwater Cascade prospect and encountered hydrocarbons. The well was drilled in waters approximately 8,200 feet deep to a total depth of 27,979 feet. Further drilling will be necessary to determine the size of the find. We expect to drill a second Cascade well in the first half of calendar year 2005. We own a 50% working interest in Cascade, with Petrobras and Devon Energy Corporation each holding a 25% interest.

Shenzi Green Canyon Exploration

We drilled and completed an exploration well on the deepwater Shenzi prospect as the operator, in December 2002. The well was drilled in 4,400 feet of water and encountered hydrocarbons. A Shenzi-2 appraisal well was drilled to a total depth of 25,500 feet and completed in November 2003. It also encountered hydrocarbons, and was followed up by several successful sidetrack activities. The Shenzi-3 appraisal well was drilled and completed in July 2004. A Shenzi-3 sidetrack is currently drilling ahead, which will be followed by a Shenzi-4 well. A small quantity of reserves was booked in 2003-2004 with an associated development plan of tie-back to an existing facility in a neighbouring block. This development plan was based upon Shenzi-1 and Shenzi-2 wells only. With the completion of and future plans for additional appraisal, other development options are being investigated.

We own a 44% working interest in Shenzi, with Amerada Hess and BP each owning a 28% working interest.

Puma Green Canyon/Western Atwater Foldbelt Exploration

The Puma-1 exploration well was drilled and completed on the Puma prospect in January 2004. The well was drilled in 4,130 feet of water and encountered hydrocarbons. Two subsequent sidetrack bores also encountered oil in reservoir intervals of similar age. The operator (BP) plans to

drill an appraisal well in the first half of calendar year 2005.

We own a 33.3% working interest in Puma with operator BP owning 51.7% and Unocal owning the remaining 15%.

Chinook Walker Ridge Exploration

As the operator, we drilled our second exploration well on the Chinook prospect in the ultra-deepwater Gulf of Mexico in June 2003. The well was drilled in water depths of approximately 8,830 feet and encountered hydrocarbons. Further evaluation will be necessary and more appraisals will be required to evaluate the resource.

We own a 40% working interest in Chinook, with Petrobras America owning a 30% interest with Amerada Hess and Total each owning a 15% interest.

Neptune Exploration

In 1995, we farmed into the Neptune prospect, operated by BP, and drilled the discovery well, Neptune-1. A subsequent appraisal well, Neptune-2, was drilled in 1998 and abandoned after recovering hydrocarbon samples.

Subsequent to acquiring BP s interest in April 2002 with partners Woodside and Marathon, we, as operator, drilled and completed the Neptune-3 appraisal well and encountered hydrocarbons. The fourth appraisal well on the prospect was drilled in December 2002. It was non-commercial and has been temporarily plugged and abandoned.

In May 2003, we farmed-out a portion of our interest in the Neptune prospect to Maxus (US) Exploration Company, whose ultimate parent is Repsol of Spain. As a result of this arrangement, our working interest has decreased from 50% to 35%. Other partners working interests are Marathon Oil Company (30%), Woodside Petroleum Ltd (20%) and Maxus (15%).

In July 2003, we drilled the Neptune-5 well and encountered hydrocarbons. In January 2004, an integrated project team was formed to further define the range of reservoir uncertainty, evaluate development alternatives and select a preferred concept. In April 2004, the Neptune-7 appraisal well was drilled and encountered hydrocarbons (Neptune-6 was drilled but due to drilling complications was abandoned and Neptune-7 was drilled in its place). Development planning activities are continuing.

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Starlifter Exploration

In April 2004, we participated in the drilling of a successful exploration well in the nearfield West Cameron 77/76 area with Newfield Exploration Company (operator). The well spud in April 2004 and encountered hydrocarbons (gas). Development plans for the Starlifter lease are currently being evaluated. We own a 30.95% interest in the project with Newfield Exploration (operator) owning 45%, Houston Exploration 13.75% and Ridgewood Energy Corp. 10.3%.

Other Significant Gulf of Mexico Exploration Joint Venture Agreements

Other significant agreements in the Gulf of Mexico include:

Vortex (Atwater Valley) We participated in a gas discovery with the Vortex well in 8,344 feet of water in the Atwater Valley area during 2002-2003. The well was drilled to a total depth of 21,140 feet and sidetracked to a depth of 19,330 feet. We operate this lease with a 50% working interest. The remaining interest is owned by Kerr-McGee. Vortex was included in an area-wide study to evaluate development opportunities jointly with other operators in the Eastern Atwater Foldbelt area. The study supported the viability of a third party gas processing hub platform and export pipeline.

Deep gas exploration (West Cameron, East Cameron, Vermillion Areas) In 2002-2003, we entered into a joint venture agreement with Newfield Exploration to explore deep gas on the shelf of the Gulf of Mexico. We own a 55% working interest in these jointly owned leases and act as operator. Newfield owns the remaining 45% working interest. We are acquiring additional seismic data and will be maturing these leads in the near term while monitoring planned industry drilling activity in this trend.

Joseph Prospect We have acquired a 20% working interest in this prospect that is located in the High Island Area, offshore the State of Texas. Shell as operator (30%) has spudded an exploration well in late September 2004 to test this prospect. The other participants are Devon (20%) and Total (30%).

Makalu Prospect, Mississippi Canyon - We will participate in a proposed 30,000 feet deep exploratory test on this prospect in the second quarter of 2004-2005. Chevron will operate the initial exploratory well with a 37.5% working interest. We have farmed out a 10% working interest in this prospect to Murphy Oil and will retain a 40% working interest. We will operate all appraisal and development beyond the initial well. The other partner is Devon (12.5%).

Trinidad and Tobago

Angostura Development

We began exploring in Trinidad and Tobago in Block 2(c) in April 1996, signing the country s first production sharing contract (PSC) under a new fiscal regime. During the six-year exploration phase of the PSC, we drilled four exploration and three appraisal wells, encounting hydrocarbons within a large faulted structure known as the Greater Angostura Structure.

In February 2003, we committed to the development of the first phase of the Angostura integrated oil and gas development located in Block 2(c), approximately 24 miles (38.5 kilometres) east of the island of Trinidad. In the first phase of the development, oil will be produced from three wellhead protector platforms via flowlines to a central production platform. Associated gas will be reinjected. Water depths are approximately 40 metres and the development utilises proven shallow-water technology. First oil production is scheduled for December 2004. Gas commercialisation (Phase 2) will commence approximately four to nine years after first oil, depending on reservoir performance.

Our share of capital expenditure for the first phase of the Angostura integrated development is expected to be around US$327 million.

We are the operator of the Greater Angostura development and own a 45% working interest. Other participants are Total (30% working interest); and Talisman Energy (25% working interest).

First oil production from the development is on schedule for end of calendar year 2004.

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Trinidad and Tobago Exploration

- Block 2(c) Exploration

In April 2002, we retained approximately 16,120 hectares in the southern portion of Block 2(c), offshore Trinidad. The retained area is a subset of the broader Block 2(c) PSC which was signed on 22 April 1996 and which comprised 51,766 hectares. As the operator we drilled the Howler-1 well in June 2003 and encountered hydrocarbons. The well was drilled in waters approximately 190 feet deep to a total depth of 10,170 feet. Initial signs appear encouraging but further evaluation of the drilling and resource data will be necessary to more accurately determine the significance of the discovery. We own a 64.28% working interest with Talisman Energy holding the remaining 35.72%.

- Block 3(a) Exploration

Block 3(a) is located 40 km off the east coast of Trinidad in water depths ranging from 30 to 91 metres and comprises 612 square kilometres adjacent to east of Block 2(c). The Block 3(a) PSC was signed on 22 April 2002. As the operator we drilled two exploration wells in block 3(a) in September and October 2003. The wells were on the Bimurraburra and Delaware prospects. Both wells encountered hydrocarbons but further evaluation of the wells and resource data will be necessary to more accurately determine the significance of the discovery. We own a 30% working interest in block 3(a) with British Gas International and Talisman Energy each holding 30% and Total holding 10%.

Brazil Exploration

In June 2002, we were successful in bidding for the offshore block BM-C-24 that covers 603 square kilometres. We have a 100% interest in the block. The concession contract was signed in September 2002.

Europe/Africa/Middle East

We are a participant in the ROD integrated oil field development in Algeria. We have exploration interests in Algeria and South Africa.

Algeria

ROD Integrated Development

In Algeria, we hold a 45% working interest in Blocks 401a and 402a under a production sharing contract with the Algerian state oil company Sonatrach. Under the terms of the contract, the Algerian government has contracted the development and extraction of the resources whilst

retaining title to these resources. The blocks are located 900 kilometres southeast of Algiers, near the Tunisian border.

The development of the ROD Integrated Development consists of six satellite oil-fields in the Berkine Basin in eastern Algeria. The largest two of the fields, ROD and SFNE, extend into the neighbouring Blocks 403a and 403d respectively operated by ENI and Sonatrach. An agreement has been put in place to govern unitisation of the ROD and SFNE fields, the sharing of specified costs, operatorship and commercial arrangements for the development. This agreement leaves us with a 38.75% share of costs in the unit. We have subsequently agreed with ENI to amend this agreement with the result that, formally, we shall have a 36.04% share of costs when such an amendment is officially sanctioned by all the Parties to the unitisation agreement. We, together with ENI, have implemented this revised cost sharing arrangement under the understanding that formal sanction will follow.

The fields are being developed through a new dedicated processing train, which will be built at the existing BRN production facility on Block 403 operated by ENI and Sonatrach. From there, the venture will export oil through the established pipeline infrastructure to terminals located on the Algerian coast. The associated gas will be re-injected underground. We estimate that our share of the US$500 million development costs will be approximately US$190 million.

We and Sonatrach are the members of the joint operating entity which is undertaking the development.

Production operations will be conducted by the existing BRN joint operating entity comprising Sonatrach and ENI. First production from the fields is expected in the fourth quarter of calendar year 2004, with an estimated gross peak production rate of 80,000 barrels of oil per day.

Algeria Exploration

In August 2004, we were the successful bidder on blocks 408a and 409 in Algeria. We are operator and hold a 50% interest with our partner, Woodside Energy, holding the remaining 50% interest.

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Gabon Exploration

As at 30 September 2003 all our operations in Gabon ceased and the local office was closed. The Otiti and Tolo blocks were relinquished and we no longer hold right to tenure.

South Africa

In May 2002, we entered into a farm-in agreement with Global Energy Holdings to acquire a 90% operated working interest in deepwater exploration Block 3B/4B, offshore South Africa.

Marketing

Oil and Condensate

Our global trading and marketing teams based in Houston and Singapore manage the marketing and risk associated with our crude oil, condensate, LPG and petroleum products. We use a combination of floating price short term and long term contracts in both domestic and export markets. The global crude oil and products trading and marketing team forms part of the wider BHP Billiton Group marketing function.

LNG

As part of our expansion plans, we participate with the other North West Shelf joint venture partners in a marketing organisation, NWS Australia LNG, established to market LNG produced from Australian gas resources to overseas buyers. Along with our joint venture partners, we are actively pursuing opportunities in Japan, China, Taiwan and Korea.

BHP Billiton is seeking approval to construct and operate the Cabrillo Deepwater Port, a Floating Storage and Re-gasification Unit (FSRU) approximately 21 miles off the California coast. This deepwater port would be the receiving point for shipments of LNG bound for the west coast markets of the US.

LPG

We market our entitlements of LPG produced from the Bass Strait and North West Shelf projects mainly through term contracts with domestic Australian wholesalers of LPG and international LPG end users. We make some spot sales when LPG produced exceeds our term commitments.

Energy Marketing and Trading

Energy Marketing and Trading (EMT) was set up in July 2002, with the responsibility of co-ordinating our marketing activities in the energy commodity markets, namely coal, gas and electricity. The group is based in The Hague, Netherlands and is part of our Marketing function.

EMT is currently active in purchasing and selling physical gas and small amounts of electricity in the UK. Where required, EMT also buys or sells pipeline capacity to transport gas onto the UK gas grid called the National Transmission System. Most products are transacted over the counter and are principal-to-principal transactions in the wholesale market.

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Reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions i.e. prices and costs as of the date the estimate is made. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, the assessment of impairments and other less direct impacts such as the assessment of the need for provisions against deferred tax assets) that are based on reserve estimates are also subject to change.

Proved reserves are estimated by reference to available seismic, well and reservoir information, including production and pressure trends for producing reservoirs and, in some cases, to similar data from other producing reservoirs in the immediate area. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In certain deepwater Gulf of Mexico fields we have claimed proved reserves before production flow tests are conducted, in part because of the significant safety, cost and environmental implications of conducting those tests. In these fields we have used other industry-accepted technologies, which we consider provide reasonably certain estimates of productivity.

The table below details our oil, condensate, LPG and gas reserves, estimated at 30 June 2004, 30 June 2003 and 30 June 2002, with a reconciliation of the changes in each year. Our reserves have been calculated using the economic interest method and represent our net interest volumes after deduction of applicable royalty, fuel and flare volumes. Our reserves include quantities of oil, condensate and LPG which will be produced under several production and risk sharing arrangements that involve us in upstream risks and rewards but do not transfer ownership of the products to us. At 30 June 2004, approximately 17 per cent (2003: 19 per cent; 2002: 17 per cent) of proved developed and undeveloped oil, condensate and LPG reserves and nil (2003: nil; 2002: nil) of natural gas reserves are attributable to those arrangements. Our reserves also include volumes calculated by probabilistic aggregation of certain fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes, which may not be realised upon divestment on an individual property basis.

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Proved developed and undeveloped oil, condensate and LPG reserves [a]	Australia / Asia	Americas	UK/Middle East	Total
		(millions of barrels)		
Reserves at 30 June 2001	376.8	96.3	134.2	607.3
Improved recovery				
Revisions of previous estimates	12.1	3.2	(11.0)	4.3
Extensions and discoveries	3.4	70.2		73.6
Purchase/sales of reserves				
Production [b]	(63.3)	(9.0)	(14.3)	(86.6)
Total changes	(47.8)	64.4	(25.3)	(8.7)
Reserves at 30 June 2002	329.0	160.7	108.9	598.6
Improved recovery			0.1	0.1
Revisions of previous estimates	52.2	(12.2)	12.2	52.2
Extensions and discoveries	0.5	10.1	3.9	14.5
Purchase/sales of reserves				
Production [b]	(55.1)	(6.6)	(11.7)	(73.4)
Total changes	(2.4)	(8.7)	4.5	(6.6)
Reserves at 30 June 2003	326.6	152.0	113.4	592.0
Improved recovery				
Revisions of previous estimates	20.2	(2.6)	(9.5)	8.1
Extensions and discoveries	0.4	11.0	1.1	12.5
Purchase/sales of reserves		(4.0)		(4.0)
Production [b]	(46.3)	(7.6)	(14.1)	(68.0)
Total changes	(25.7)	(3.2)	(22.5)	(51.4)
Reserves at 30 June 2004 [c]	300.9	148.8	90.9	540.6
Proved developed oil, condensate and LPG reserves [a]				
Reserves at 30 June 2001	268.6	9.4	40.9	318.9
Reserves at 30 June 2002	233.1	15.9	30.2	279.2
Reserves at 30 June 2003	227.8	9.9	24.5	262.2
Reserves at 30 June 2004	201.9	5.4	54.8	262.1

(a) In Bass Strait, the North West Shelf and the North Sea, LPG is extracted separately from crude oil and natural gas.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved oil, condensate and LPG reserves include 12.6 million barrels derived from probabilistic aggregation procedures.

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Proved developed and undeveloped natural gas reserves	Australia /Asia [a]	Americas	UK / Middle East	Total
	(billions of cubic feet)			
Reserves at 30 June 2001	4,078.4	139.1	594.0	4,811.5
Improved recovery				
Revisions of previous estimates	3.9	2.7	(35.8)	(29.2)
Extensions and discoveries	605.9	37.3		643.2
Purchases/sales of reserves				
Production [b]	(187.4)	(25.1)	(69.0)	(281.5)
Total changes	422.4	14.9	(104.8)	332.5
Reserves at 30 June 2002	4,500.8	154.0	489.2	5,144.0
Improved recovery			16.7	16.7
Revisions of previous estimates	404.1	4.9	(7.0)	402.0
Extensions and discoveries	188.9	10.2		199.1
Purchases/sales of reserves				
Production [b]	(189.2)	(21.8)	(79.9)	(290.9)
Total changes	403.8	(6.7)	(70.2)	326.9
Reserves at 30 June 2003	4,904.6	147.3	419.0	5,470.9
Improved recovery				
Revisions of previous estimates	114.6	2.2	(10.0)	106.8
Extensions and discoveries	51.6	4.6		56.2
Purchases/sales of reserves		(32.8)		(32.8)
Production [b]	(222.9)	(20.5)	(77.0)	(320.4)
Total changes	(56.7)	(46.5)	(87.0)	(190.2)
Reserves at 30 June 2004 [c]	4,847.9	100.8	332.0	5,280.7
Proved developed natural gas reserves				
Reserves at 30 June 2001	2,303.2	84.6	550.2	2,938.0
Reserves at 30 June 2002	2,455.1	79.9	481.9	3,016.9
Reserves at 30 June 2003	2,560.4	64.8	397.1	3,022.3
Reserves at 30 June 2004	2,539.7	20.1	310.0	2,869.8

(a) Production for Australia includes gas sold as LNG.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved natural gas reserves include 233.2 billion cubic feet derived from probabilistic aggregation procedures.

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Production

The table below details our Petroleum business historical net crude oil and condensate, natural gas, LNG, LPG and ethane production by region for the three years ended 30 June 2004, 2003 and 2002. We have shown volumes and tonnages of marketable production, after deduction of applicable royalties, fuel and flare. We have included in the table average production costs per unit of production and average sales prices for oil and condensate and natural gas for each of those periods.

	Year ended 30 June		
	2004	**2003**	**2002**
Crude Oil and Condensate Production			
(millions of barrels)			
Australia/Asia	38.9	48.0	56.2
Americas	7.5	7.1	9.0
Europe/Africa/Middle East	11.6	10.8	13.3
Total	58.0	65.9	78.5
Natural Gas Production			
(billions of cubic feet)			
Australia/Asia (Domestic)	165.3	126.4	126.0
Australia/Asia (LNG) (leasehold production)[1]	60.8	62.0	59.6
Americas	20.6	20.6	25.2
Europe/Africa/Middle East	77.6	72.2	72.7
Total	324.3	281.2	283.5
Liquefied Petroleum Gas (LPG) Production[2]			
(thousand tonnes)			
Australia/Asia (leasehold production)	652.8	644.2	612.0
Europe/Africa/Middle East (leasehold production)	200.7	98.9	85.6
Total	853.5	743.1	697.6
Ethane Production			
(thousand tonnes)			
Australia/Asia (leasehold production)	94.3	94.9	87.1
Total Petroleum Products Production			
(millions of barrels of oil equivalent) [3]	122.5	121.8	134.2
Average Sales Price			
Oil and Condensate (US$ per barrel)[4]	32.24	28.14	22.58
Natural gas (US$ per thousand cubic feet)	2.62	2.21	1.84
Average Production Cost[5]			
US$ per barrel of oil equivalent (including resource rent tax and other indirect taxes)	7.78	8.01	5.83
US$ per barrel of oil equivalent (excluding resource rent tax and other indirect taxes)	3.27	3.55	2.38

(1) LNG consists primarily of liquefied methane.
(2) LPG consists primarily of liquefied propane and butane.
(3) Total barrels of oil equivalent (boe) conversions based on the following:

6,000 scf of natural gas equals 1 boe; 1 tonne of LPG equals 11.6 boe; 1 tonne of ethane equals 4.4667 boe.

(4) No commodity hedging of oil and condensate prices occurred during the periods presented.
(5) Average production costs include direct and indirect production costs relating to the production and transportation of hydrocarbons to the point of sale. This includes shipping where applicable. Average production costs have been shown including and excluding resource rent tax and other indirect taxes and duties. Average production costs also include the foreign exchange effect of translating local currency denominated costs and indirect taxes into US$.

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Regulatory and Fiscal Terms

Australia

Oil and natural gas belong to the government, and rights to explore and produce oil and natural gas are granted by the relevant State, Territory or Commonwealth Government of Australia. The Commonwealth Government has legislative responsibility for Australian offshore petroleum exploration and production beyond the three-mile territorial sea limit, which encompasses the area of most relevance to us in Australia. Our operations in this area are governed by the Petroleum (Submerged Lands) Act 1967 (PSLA). Within the three-mile limit, petroleum operations are governed by the adjacent State or Northern Territory legislation that is similar to the PSLA. Most production licences we hold in the North West Shelf, Bass Strait and Timor Sea regions have been issued under the PSLA.

An exploration permit authorises the holder to explore for, but not produce, petroleum in the area that is the subject of the permit. Offshore exploration permits are awarded based on either cash bidding or work program bidding for an initial period of six years. The holder of a permit granted under the work program bidding system is required to complete a minimum guaranteed dry-hole work program for the first three years of the permit and secondary work program for the subsequent three years. Under the cash bidding system, permits are awarded to the highest cash bidder and applicants are not required to submit exploration programs.

Exploration permits may be renewed for five-year periods in respect of half the number of blocks contained within the existing permit. A production licence may be applied for after a discovery is made. Production licences granted prior to 30 July 1998 authorise the licensee to recover petroleum and explore for petroleum in the licence area for a term of 21 years with a further term of 21 years upon the first renewal. All production licences granted after 30 July 1998 and the second renewal of production licences granted prior to that date remain in force indefinitely. Such production licences will expire if no production operations are carried on for a continuous period of 5 years.

The expiry dates of our existing production licences in Australia are as follows:

Licence Name	Field	Expiry Date
VIC/L1-2	Barracouta, Whiptail, Tarwhine and Whiting	24 August 2009
VIC/L3-4	Marlin, Batfish and Turrum	24 August 2009
VIC/L5-6	Halibut, Mackerel, Yellowtail and Gudgeon	19 September 2010
VIC/L7-8	Kingfish	19 September 2010
VIC/L9	Tuna	12 July 2016
VIC/L10	Snapper, Moonfish and Sweetlips	28 May 2018
VIC/L11	Flounder	28 May 2018
VIC/L13-14	Bream	15 December 2006
VIC/L15-16	Dolphin	13 June 2010
VIC/L17	Perch	13 June 2010
VIC/L18	Seahorse	13 June 2010
VIC/L19	West Fortescue	12 July 2016
VIC/L20	Blackback/Terakihi	1 January 2019
VIC/L22	Minerva	31 October 2023
WA-1-L to WA-6-L	North Rankin, Goodwyn and Angel	29 September 2022
WA-9-L	Wanaea and Cossack	11 April 2012
WA-11-L	Wanaea	30 September 2014

WA-16-L	Hermes and Lambert	11 September 2018
AC/L5	Laminaria and Corallina	5 February 2018
WA-18-L	Laminaria East	5 years after the end of production
WA-10-L	Griffin, Chinook and Scindian	18 February 2014
WA-23-L	Echo Yodel	5 years after the end of production
WA-24-L	Echo Yodel	5 years after the end of production

Secondary taxes Australia

A petroleum resource rent tax applies to offshore areas, with the exception of the North West Shelf project. The petroleum resource rent tax, which applies at a 40% rate, is calculated on the excess of assessable receipts over certain deductible expenditures as outlined in the Petroleum Resource Rent Tax Act 1987. The North West Shelf project is subject to excise and royalty on oil production and royalty on LNG, domestic gas, LPG and condensate production.

The petroleum resource rent tax is assessed before company income tax. The amount of petroleum resource rent tax paid is a deduction for the purpose of calculating company income tax.

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The petroleum resource rent tax is payable when project cash flows become positive, after taking into account all allowable exploration, development and operating costs, and after a stipulated return on the project has been achieved. Exploration expenditure has a stipulated return of 15% plus the Australian government long-term bond rate, and project expenditure has a stipulated return of 5% plus the long-term bond rate. The long-term bond rate for this purpose for the year ended 30 June 2004 was 5.68%.

Americas

Our current operations in the Americas principally fall under two separate fiscal regimes, namely, the United States, and Trinidad and Tobago. In the United States, operations are predominantly in Federal offshore waters in the Gulf of Mexico. Revenues from this area carry royalty interests of 16.67% in water depths up to 400 metres and 12.5% in water depths greater than 400 metres. In addition, a 35% tax rate is also levied on taxable income. The United States Outer Continental Shelf Deep Water Royalty Relief Act of 1995 authorises the US Secretary of the Interior to offer certain deepwater outer continental shelf tracts in the central and western Gulf of Mexico for lease with automatic suspension of the royalty payment obligation as to certain volumes of production, depending on the water depth of the wells. In addition to automatic royalty relief, the government can also grant discretionary royalty relief where prospect development would be otherwise uneconomic.

The lease conditions for our existing production in the Gulf of Mexico are such that each lease shall continue from the effective date, for the initial period, and for so long thereafter as oil or gas is produced from the leased area.

In December 2000, the US Minerals Management Service granted discretionary royalty relief for up to 87.5 million barrels of oil equivalent on production from the Typhoon field, subject to commodity price thresholds which, when reached, trigger royalty payment obligations. The Boris field qualifies for automatic royalty relief, but MMS has, arguably incorrectly, imposed price thresholds, which trigger the royalty payment obligation.

In Trinidad and Tobago, the production sharing contracts allow the contractor to recover its cost from 35%, in the case of oil, or 50%, in the case of gas, of the revenue from production in Block 2(c) and Block 3(a). The remaining production is deemed to be profit crude oil or profit natural gas which is split between the Government and contractor according to a formula based on daily production levels and the respective oil or natural gas prices. The Government s share of profit crude oil ranges from 50% to 80% for Block2(c) and from 53% to 83% for Block 3(a) from which Trinidadian taxes are paid on behalf of the contractor. The Government s share of profit natural gas ranges from 50% to 65% for both Blocks from which the Trinidadian taxes are paid on behalf of the contractor.

United Kingdom

In the United Kingdom, the Crown owns all petroleum under land, the territorial sea and the UK continental shelf. A licence is required for exploration or production. The Secretary of State for Trade and Industry is empowered to grant licences, on conditions approved by the Secretary, and has wide powers of regulation of all aspects of exploration and production. The UK corporate tax rate, applicable to offshore Petroleum production, is 40% (30% primary tax plus a surcharge of 10%).

The present expiry dates of our existing production licences (which are capable of extension in accordance with their individual licence terms) in the United Kingdom are as follows:

Licence Name	Block	Field (s)	Expiry date
P.710	110/13a and 110/13b	Douglas, Douglas West, Hamilton, Hamilton North and Hamilton East	18 July 2007
P.791	110/15b	Lennox	12 June 2009
P.099	110/14b	Lennox and Hamilton East	8 June 2016
P.276	9/9b	Bruce	11 April 2015
P.209	9/8a	Bruce and Keith	15 March 2018
P.090	9/9a	Bruce	24 November 2011

Algeria

Oil and gas are owned by the Algerian state. Mining licences are granted to Sonatrach, the state-owned oil company. Sonatrach, in turn, is empowered by Algerian legislation to enter into contractual arrangements with non-Algerian enterprises covering the exploration and/or exploitation of oil and gas fields. Where the contractual form is either that of a production sharing or risk service contract, then the non-Algerian enterprise is liable to Algerian tax, but Sonatrach pays this on their behalf. The ROD Integrated Development partly located in Blocks 401a/402a is under a production sharing contract, and the Ohanet development is under a risk service contract.

The ROD production sharing contract allows the contractor to recover its costs out of a maximum of 72.5% of the annual production of crude oil and natural gas liquids from the fields that are covered by the production sharing contract. The remaining production is split as between Sonatrach and the contractor according to a formula based upon daily production levels. Sonatrach s

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share of such production ranges from 56% to 78%, out of which Algerian taxes and royalty are paid on behalf of the contractor, provided that the contractor is not entitled to more than 49%, in aggregate, of the annual production of crude oil and natural gas liquids, except in the first and second calendar years of production. This may be adjusted in the sixth calendar year of production.

With regard to Ohanet, the risk service contract provides that the Ohanet field shall be developed by the contractor, the cost reimbursement of which is capped at approximately $US928 million (excluding payments made for Algerian taxes and duties). The contractor is entitled to the reimbursement of the cost of development, Algerian taxes and duties paid, and operating costs. A level of remuneration set at 106.9% is applied to the recoverable development costs and Algerian taxes and duties incurred. Total recoveries and remuneration is from the production of LPG and condensate. The recoverable and remunerable volumes cannot exceed 49% of the combined annual production of LPG, condensate, and dry gas from the Ohanet field. Sonatrach is entitled to the remainder of the production, from which Algerian royalty and taxes are paid on behalf of the contractor.

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Aluminium

Our Aluminium Customer Sector Group is principally involved in the production of aluminium and alumina. The principal raw materials required for our aluminium production are alumina, petroleum coke, liquid pitch and electricity.

Hillside

We own the Hillside aluminium smelter, which we commissioned between July 1995 and June 1996. Hillside is located in Richards Bay, 200 kilometres north of Durban, KwaZulu-Natal, South Africa. In fiscal year 2004 Hillside produced approximately 622,000 tonnes of aluminium using the Aluminium Pechiney AP30 technology. During the year, Hillside s production capacity increased as a result of the commissioning of a third (half-size) potline, which has added 132,000 tonnes per annum of primary aluminium capacity. First metal production from the new potline facilities was achieved in the beginning of the fourth quarter of 2003 with full production reached on 7 December 2003. Expenditure for the project was US$411 million. Fiscal year 2005 production is expected to increase above 2004 levels mainly due to a full year s production expected from the newly commissioned potline.

Hillside mostly produces primary aluminium. We sell most of our primary aluminium in standard ingot form, principally to export markets in the Far East, Northern Europe and the United States. Hillside also sells aluminium in liquid metal form to our Bayside operations, which casts it into products for the manufacture of aluminium value-added products such as alloy wheels.

We own all of Hillside s property, plant and equipment, including the land on which it is located. In addition, we own silos, buildings and overland conveyors at Richards Bay Port which sit on leased land. Our lease is for ten years, which expires in 2009 and we have extension options. We have to reline the pots we use in our reduction process every five to six years and are currently in our second relining cycle for potline 1 and 2.

Hillside s alumina requirements are sourced 50% from our Worsley business and 50% from Alcoa. Hillside imports approximately 230,000 tonnes per year of calcined petroleum coke from American suppliers and approximately 50,000 tonnes of liquid pitch each year. Hillside purchases electricity from Eskom, the local state-owned power generation company under a long-term contract with pricing linked to the aluminium price on the London Metal Exchange.

Bayside

We own the Bayside aluminium smelter, which was commissioned in 1971. Bayside is located at Richards Bay, KwaZulu Natal, South Africa. Bayside currently produces approximately 180,000 tonnes of aluminium per year. The smelter uses Alusuisse pre-bake and Soderberg self-bake technologies.

Bayside purchases liquid aluminium from Hillside, which is utilised in addition to the liquid metal produced by Bayside in the manufacture of value added products.

Bayside generates approximately 80% of its sales revenue from the domestic market, which consists of South Africa and the surrounding countries. The main products produced at Bayside include wheel rim alloy, for use in the manufacturing of vehicle rims, extrusion billets, for use in the building industry, rods, for use mainly as electrical cables, and rolling ingot, for use mainly in the production of aluminium sheeting.

Bayside s alumina is sourced approximately 50% from Worsley and 50% from Alcoa. Bayside purchases approximately 70,000 tonnes per year of calcined petroleum coke from American suppliers and approximately 24,000 tonnes of liquid pitch each year from primarily a locally based manufacturer. Bayside purchases electricity from Eskom under a power supply agreement which links the cost of electricity to the aluminium price on the London Metal Exchange.

Mozal

We own a 47.1% interest in the Mozal aluminium smelter, which was commissioned in June 2000. The remaining interest in Mozal is owned by Mitsubishi, which owns a 25% interest, Industrial Development Company of South Africa Limited, which owns a 24% interest, and the government of Mozambique, which owns a 3.9% interest. The smelter is located in southern Mozambique, on the east coast of Southern Africa, 17 kilometres from Maputo. It is located approximately 5 kilometres from the nearest port facilities. The smelter uses the Aluminium Pechiney AP30 technology.

Mozal produced its first metal from Phase 1 in June 2000 and from Phase 2 in April 2003. The nameplate capacity of the smelter is 506,000 tonnes per year. Our share of production for 2003-2004 was 250,000 tonnes. Phase 2 was fully commissioned in August 2003, seven months ahead of schedule. Final expansion costs were US$660 million (US$311 million BHP Billiton share), well below the budget of US$860 million (US$405 million BHP Billiton share). The joint venture produces standard ingots. We export most of our share of Mozal s production to Europe.

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We furnish approximately 1,000,000 tonnes of alumina per year to Mozal, which represents its entire alumina requirements. Mozal purchases most of its petroleum coke requirements from American suppliers. The joint venture purchases its electricity from the South African grid from Motraco, a joint venture between Elecricidade de Mozambique, Eskom and the Swaziland Electricity Board, under a power supply agreement which in the first 12 years is at a fixed tariff and thereafter is linked to the aluminium price on the London Metal Exchange.

Worsley

We own an 86% interest in the Worsley joint venture, an integrated bauxite mining and alumina refining operation located in Western Australia. The other participants in the venture are Sojitz Alumina Pty Ltd, which owns a 4% interest, and Japan Alumina Associates (Australia) Pty Ltd, which owns a 10% interest. The refinery is located approximately 55 kilometres northeast of Bunbury and the bauxite mining operation is linked to the refinery via a 51 kilometre overland conveyor.

The mine produces approximately 12 million tonnes of bauxite per year from extensive near surface deposits. The venture operates its mine on a 2,600 square kilometre mining lease. At the end of the initial 21-year lease granted by the Government of Western Australia, the joint venture renewed the lease for a further 21 years in 2004. There is a further 21-year renewal option available and a possibility that the joint venture may benefit from a third 21-year renewal under renegotiated terms. At current production rates, the venture expects the mining life of the reserves at Worsley to be approximately 27 years.

The refinery, utilising the Bayer process, currently produces approximately 3.25 million tonnes of alumina per year. The joint venture produces metallurgical grade alumina, which is used as feedstock for aluminium smelting. Our share of alumina production at the refinery is approximately 2.8 million tonnes per year. Our alumina is railed to a shared berth facility at the port of Bunbury, and dispatched from there by ship directly to end-use customers.

On 4 May 2004 we announced the approval of the US$192 million (US$165 million BHP Billiton share) Worsley Alumina Development Capital Projects (DCP). The DCP is designed to take advantage of latent capacity in the plant through a series of 28 packages of work. The result will be an increase in alumina production of 250,000 tonnes per annum (215,000 tonnes per annum BHP Billiton share) to a capacity of 3.5 million tonnes per annum (3.01 million tonnes per annum BHP Billiton share). Commissioning and completion of DCP is expected by the first quarter of calendar year 2006 with the resulting production ramp-up to be achieved by the end of the second quarter of calendar year 2006.

The principal raw materials required for alumina production at Worsley, apart from bauxite, are caustic soda, natural gas used for calcination and steam generation and coal for the power station. The power and steam needed by the refinery are provided by a venture owned onsite coal fired power station and a non-venture owned onsite gas fired power station.

Suriname

On 4 August 2003 we announced the restructuring of our joint venture arrangements with Suriname Aluminium Company, L.L.C (Suralco). Under the new arrangement, BHP Billiton Maatschappij Suriname manages all mining operations while Suralco continues to manage the alumina refining in the restructured 45% (BHP Billiton) 55% (AWAC) venture. The mining joint venture exploits the Lelydorp and Coermotibo deposits, carries out exploration work and new mine development for future bauxite supply. The mining joint venture produces metallurgical grade bauxite, which is processed by the refining joint venture s alumina plant at Paranam.

The Lelydorp III mine, an open pit mine located in the coastal plain of Suriname, is situated approximately 25 kilometres south of Paramaribo and 17 kilometres west of the Paranam Refinery. The mine has a nominal production capacity of 2.25 million tonnes per annum.

The Coermotibo operations, a surface strip mine located 150 kilometres east of the Paranam refinery produces 1.9 million tonnes of metallurgical grade bauxite ore per annum. The ore is hauled to the Coermotibo crushing and loading facility and subsequently barged to the Paranam refinery.

Exploration and Exploitation rights

We hold exploitation licences with respect to the Para and Kankantrie deposits, which were recently extended to 2026. Suralco holds exploitation licences over the current Lelydorp III deposit as well as over the bauxite deposits in the Coermotibo operations. Suralco also holds exploitation licences over a number of deposits in eastern and central Suriname. These licences expire in 2032. Furthermore, BHP Billiton and Suralco jointly hold the exploration licence over the Bakhuis region in western Suriname. The rights over this 2,780 km^2 terrain were granted in August 2003 for a period of 2 years with options for extension. Currently a feasibility study is being completed for exploitation of the Kaaimangrasie and Klaverblad deposits across the Suriname River. It is expected that mining of these deposits will commence in 2006 on depletion of the reserves at the current operations.

All the above mentioned bauxite rights were made available to the new mining joint venture.

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Refining joint venture

The refining joint venture operates an alumina refinery and port facilities located at Paranam, at the Suriname River. Alumina exports take place from the Paranam port.

The refining joint venture s alumina plant is a low temperature plant which uses standard Bayer plant technology. The refinery produces approximately 1.95 million tonnes of alumina per year. Our share was 918,000 tonnes in 2003-2004.

In August 2003, we, along with Suralco, approved the expansion of the refinery by 250,000 metric tonnes per year to a capacity upon completion of approximately 2.2 million metric tonnes per year. The US$65 million (100% terms) expansion is currently targeted to be completed in early calendar 2005, ahead of schedule.

All alumina produced is exported to Europe. The refinery has three thermal generators, which provide the steam and electricity necessary for the process.

Alumar

The Alumar Consortium (Alumar) is an unincorporated joint venture comprised of an alumina refinery, an aluminium smelter and support facilities. We own a 46.3% interest in the aluminium smelter and Alcoa Aluminio S.A. (Alcoa) owns the remaining 53.7%. We own a 36% interest in the alumina refinery, an affiliate of Alcan Aluminium Limited (Alcan) owns 10%, Alcoa owns 35.1%, and Abalco S.A. (owned 60% by Alcoa and 40% by Alumina Limited) owns the remaining 18.9%. The alumina and aluminium plants are integrated, located in the industrial district of São Luís, the capital of the state of Maranhão, in northern Brazil.

Total annual smelter production, using Alcoa technology, is approximately 380,000 tonnes of aluminium per year. Alumina arrives by conveyor from the adjoining refinery and electricity generated at the Tucuruí hydroelectric dam arrives via two transmission lines. We purchase our electric power requirements from Central Elétricas do Norte (Eletronorte) under a long-term contract that was renewed in June 2004 and will expire in December 2024. Most of the production is standard ingots, and we sell 40% of our share of the ingots to domestic customers with the balance sold on the export market.

The refinery began production in 1984. Subsequently it has been expanded several times. Total production has now reached approximately 1.4 million tonnes per year. The required raw materials, caustic soda, coal, and bauxite, are delivered by ship to the Alumar port. The bulk of our share of the alumina is allocated to the Alumar smelter and to the Valesul smelter.

We own 14.8% of Mineraçao Rio do Norte S.A. (MRN), a Brazilian mining company jointly owned by affiliates of Alcoa, Alcan, Companhia Brasileira de Alumínio (CBA), Companhia Vale do Rio Doce (CVRD) and Norsk Hydro. MRN extracts, processes and supplies bauxite. We have long-term contracts with MRN to supply the Alumar refinery. MRN has bauxite production capacity of 16.3 million tonnes per annum. Currently, MRN has total ore reserves that would allow it to produce 16.3 million tonnes of bauxite per annum for approximately 6 years. The

mine is actively pursuing an evaluation program of bauxite plateaus within the remaining lease area to establish the overall life of the project. MRN holds valid mining rights to all its reserves until exhaustion of the reserves.

During 2001-2002, we joined two consortia with the objective of participating in auctions being held by the Brazilian Electricity Regulatory Agency (ANEEL) for concessions to build and operate proposed Hydropower Plants. The first is made up of affiliates of Alcoa, CVRD, Votorantim and Camargo Correa Energia S.A. We own a 20.6% interest in this consortium. In 2001 the consortium won the auction for the Santa Isabel Baixa concession and later signed the concession contract. The Federal Environmental Agency (IBAMA) has declared the project not viable as presented, therefore the consortium has requested ANEEL to return the concession guarantees and to revoke the concession agreement.

Our partners in the second consortium are affiliates of Alcoa, CVRD, Tractebel and Camargo Correa Energia S.A. We own a 16.5% interest in this consortium. This consortium won the auction for the Estreito concession in July 2002 and the Estreito concession contract was signed in December 2002. We are awaiting further definition of requirements from IBAMA regarding environmental issues before the project can be progressed further. No further auctions are currently planned.

Valesul Aluminio SA

We own a 45.5% joint venture interest in Valesul Aluminio SA, an aluminium smelter located in Rio de Janeiro, Brazil. The balance is held by CVRD. The port of Sepetiba is less than 40 kilometres away and the Port of Rio de Janeiro is less than 60 kilometres away. Valesul began production in 1981 and currently produces approximately 93,000 tonnes of aluminium per year based on P19 Reynolds technology.

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Reserves and Production

The table below details our bauxite-ore reserves in metric tonnes, and are presented in 100% terms as estimated at 30 June 2004.

		Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve		BHP Billiton
Bauxite Deposit[1][3]	Ore Type	Tonnes (millions)	$A.Al_2O_3$[2] %	Tonnes (millions)	$A.Al_2O_3$[2] %	Tonnes (millions)	$A.Al_2O_3$[2] %	Interest %
Australia								
Worsley[4]	Laterite	312	30.8	8.0	29.3	320	30.8	86
Brazil								
MRN[5]	MRN Crude	144				144		14.8
	MRN Washed	104	50.6			104	50.6	14.8
Suriname								
Coermotibo[6]	Laterite	5.8	45.7	0.5	40.6	6.3	45.4	45
Onverdacht[6]	Laterite	6.9	52.5			6.9	52.5	45

(1) Mining dilution and recovery are included in the ore reserve statements for each deposit except Coermotibo.
(2) Alumina as available alumina.
(3) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Worsley	maximum 100m	maximum 200m
MRN	A minimum bauxite intersection grid of 200 metres. Mining and metallurgical characterisation (test pit/bulk sample), plus a reliable suite of chemical and size distribution data.	No reserve quoted in this category.
Coermotibo	61m x 61 m	122m x 122m
Onverdacht	61m x 61 m	No reserve quoted in this category.

(4) Worsley reserve tonnages are quoted on a dry basis.
(5) Mineração Rio do Norte (MRN) washed reserve tonnages and grades are quoted on a nominal 5 per cent moisture content basis;
(6) Coermotibo and Onverdacht reserve tonnages are quoted on a dry basis. The restructuring of the Suriname mining joint venture in August 2003 placed the Eastern and Central Suriname bauxite deposits under a single mining and reporting entity. The Onverdacht deposits incorporate Lelydorp, while the Coermotibo deposit is a deposit in Eastern Suriname in which BHP Billiton now has a 45 per cent interest. Prior to this date the Lelydorp mine was BHP Billiton s only reserve reporting responsibility.

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The table below details our alumina and aluminium production for the three years ended 30 June 2004, 2003 and 2002. Production data shown is our share unless otherwise stated.

		BHP Billiton Group Share of Production		
		Year ended 30 June		
	BHP Billiton Group Interest	2004	2003	2002
		(thousands of tonnes)		
Alumina				
- Worsley	86%	2,799	2,742	2,696
- Suriname	45%	918	879	850
- Alumar	36%	507	471	396
Total		4,224	4,092	3,942
Aluminium				
- Hillside[1]	100%	622	534	502
- Bayside	100%	184	185	174
- Mozal[2]	47.1%	250	134	127
- Alumar	46.3%	156	178	152
- Valesul	45.5%	44	43	37
Total		1,256	1,074	992

(1) Full commissioning of the Hillside 3 expansion project was achieved in December 2003. The expansion project has added 132,000 tonnes per annum of capacity.

(2) Full commissioning of the Mozal 2 expansion project was achieved in August 2003 bringing on an additional 253,000 tonnes per annum capacity (100% terms).

Regulatory and Fiscal Terms

Australia - Western Australia

In Western Australia, minerals in the ground belong to the government, and rights to mine are granted by the state. The Worsley joint venture operates under a State Agreement made under the Alumina Refinery (Worsley) Agreement Act 1973 (as amended). The Worsley joint venturers are permitted, under the State Agreement, to explore for and mine bauxite and to refine it into alumina.

Market Conditions

The aluminium market strengthened throughout fiscal year 2004, moving from surplus in calendar year 2003 to deficit in calendar year 2004. Chinese demand remained strong, although government led economic measures might see a moderation in its future growth. Demand also improved due to the synchronised global economic recovery, with strong demand growth in the US, Japan and other Asian countries. The aluminium supply side has substantially benefited from constraints upon Chinese production growth, mainly due to strong power and alumina prices. In reflection of these factors, reported aluminium stocks have declined throughout calendar year 2004.

The smelter grade alumina market remained strong. The spot alumina price increased from about US$300 per tonne at the start of fiscal year 2004 to more than US$500 per tonne in early calendar year 2004 before falling back again to about US$300 per tonne. The underlying strength in the alumina market had been catalysed and sustained by Chinese demand. However, demand outside China has been supportive as well.

The outlook for the aluminium and alumina markets is sound, supported in both cases by solid demand and high effective industry utilisation rates at present.

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Base Metals

Our Base Metals Customer Sector Group is comprised of our assets and interests in copper, silver, lead, zinc and gold. We provide base metals concentrates to smelters worldwide and copper cathodes to rod and brass mills and casting plants.

Copper

We are the world s third largest producer of copper. The Escondida copper mine in northern Chile is the world s largest source and a low cost producer of copper. Our other key Base Metals assets include the Cerro Colorado copper mine in northern Chile, the Tintaya copper mine and Antamina copper and zinc operations in Peru, and the Cannington silver, lead and zinc mine in Australia. We also have a number of greenfield and brownfield expansion opportunities.

In January 2002, sulphide production at Tintaya was suspended, and production at Escondida was reduced due to reduced demand for copper cathode. The improved copper market allowed Tintaya sulphide operations to resume in August 2003 and Escondida, from December 2003, to ramp up towards full capacity.

Escondida

We hold a 57.5% interest in Escondida, a copper mine consisting of two open-pits accessible by road and located in northern Chile s Atacama Desert, at an altitude of approximately 3,100 metres, 160 kilometres southeast of the port city of Antofagasta. The other owners are affiliates of Rio Tinto plc, which hold a 30% interest, JECO, which holds a 10% interest, (Mitsubishi Corporation, 7%, Mitsubishi Materials Corporation, 1%, Nippon Mining and Metals Company Limited, 2%), and the International Finance Corporation, which holds a 2.5% interest.

Escondida has committed its forecast annual copper concentrate production under long-term sales contracts ranging in duration from 5 to 10 years. Expiration of these contracts varies, with the earliest being at the end of calendar year 2004 and the latest in 2011. Forecast production is fully committed (though not 100% priced) through to the end of calendar year 2005, under these long-term sales contracts. Also, approximately 85% of annual cathode production is sold under annual contracts to end-users and traders located primarily in Europe, Asia and Brazil and the remainder of production is sold on a spot basis.

Escondida is a large porphyry copper deposit with current mine dimensions of 2.2 kilometres in an east-west direction, 3.2 kilometres in a north-south direction and a depth of 464 metres. The ultimate pit limits are estimated to be 3.5 kilometres by 4.8 kilometres, with a depth of 750 metres.

Original construction of the operation was completed in 1990 at a cost of US$836 million (100% terms) and the project has since undergone four phases of expansions at an additional cost of US$2,125 million (100% terms) plus US$451 million (100% terms) for the construction of an oxide plant. The operation has two conventional processing streams, with high quality copper concentrate being extracted from sulphide ore through a flotation extraction process and pure copper cathode obtained in a plant applying leaching and subsequent solvent extraction and electro-winning

to oxide ores. An open pit mine services both operations, with a current total movement of approximately 350 million tonnes of material each year, while dedicated pipeline and port facilities as well as a private railway are used to transport output.

The Escondida Norte expansion was approved in June 2003, with an investment of US$400 million (100% terms) required to bring Escondida Norte mine into production. In April 2004, the US$870 million (100% terms) Escondida Sulphide Leach copper project was approved. The project has the capacity to produce up to 180,000 tonnes of copper cathode per annum and is scheduled to begin production during the second half of 2006. The project will utilise a bacterially assisted leaching process on low-grade run-of-mine sulphide ore from the existing Escondida pit and the currently in-development Escondida Norte pit. The resulting solutions from the leaching will then be treated in solvent extraction and electro-winning plants to produce copper cathode.

Escondida has the right of indefinite exploitation (mining) concessions for the mining of the Escondida ore body as well as exploration rights for some territory surrounding the existing operation. Exploitation concessions allow the concession holder to mine the area indefinitely contingent upon the annual payment of corresponding licence fees.

Separate transmission circuits provide power for the Escondida mine complex. These transmission lines, which are connected to Chile s northern power grid, are company-owned and are sufficient to supply Escondida post Phase IV. Electricity is purchased under three contracts with local generating companies, Norgener and Nopel.

Between November 2001 and December 2003, Escondida operated at reduced capacity due to a significant fall in demand for copper. Throughout calendar 2003, Escondida was operated at approximately 200,000 tonnes (100% terms) below its installed production capacity of 1.25 million tonnes.

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Tintaya

Tintaya is an open-pit copper mine located in the Southern Peruvian Andes at an altitude of approximately 4,000 metres. We hold a 99.95% interest in Tintaya with the remainder held by Peruvian shareholders. The deposit is a copper gold skarn system associated with a low-grade porphyry copper body and is approximately 3 kilometres long by 2.5 kilometres wide. We hold mining rights over 3,600 hectares and surface rights over 4,097 hectares on which the Tintaya mine and operations are located. These rights can be held indefinitely. Mine operations consist of conventional truck and shovel operations from multiple pit locations. Electricity for the Tintaya operations is sourced from the Peruvian power grid and supplied under contract with two Peruvian power companies.

Production commenced in 1984 and currently consists of a conventional flotation extraction process producing copper in concentrate from sulphide ore. Tintaya s total annual production capacity is 90,000 tonnes of copper contained in concentrate along with gold and silver credits. An acid leach plant for oxide ore commenced commercial operation in June 2002 and is designed to produce 34,000 tonnes of copper cathode per year. We expect annual production to remain stable until 2010 and then decrease as sulphide ore mining ceases and low grade stockpiles are processed to the end of the life of the mine, which we estimate will be between 2012-2014.

After a suspension of operations from January 2002 which had been induced by the low copper demand an orderly restart of the mine and concentrator plant commenced in August 2003 with a return to full production by September 2003. Normal operation of the oxide leach plant continued through the suspension period, fed from oxide ore stockpile.

Approximately 65% of Tintaya s cathode production is fully committed under annual contracts with rod mills in Peru and North America with the balance allocated to the spot market. For calendar 2004, approximately 60% of Tintaya s anticipated copper concentrate output is committed against long-term contracts with the balance allocated to a variety of spot sales.

Cerro Colorado

Cerro Colorado is a wholly owned open-pit copper mine located in the Atacama Desert at an altitude of 2,600 metres, approximately 125 kilometres by road, east of Iquique, Chile. Cerro Colorado holds mineral rights over 16,582 hectares and surface rights over approximately 1,305 hectares on which the plant is located. These rights can be held indefinitely.

The Cerro Colorado deposit is approximately 2 kilometres long east-west and 1.5 kilometres wide north-south. Two main zones are present. Mineralisation is from 50 metres to 250 metres thick and is covered with 50 metres to 150 metres of leached cap and post-mineral rocks. The east deposit contains multiple layers of oxide and sulphide mineralisation with complex shapes. The west deposit generally consists of one oxide layer overlying one sulphide layer, but locally exhibits some of the complexities present in the east deposit.

At Cerro Colorado, we produce finished cathode copper by crushing, agglomeration and heap leaching followed by a solvent extraction-electrowinning process.

We source water requirements from an underground aquifer at Pampa Lagunillas, the rights to which we hold by grant from the state. Two suppliers under long-term contracts supply power to the facilities through the northern Chile power grid.

Construction of the facilities was completed in 1994 at a total cost of US$287 million and commercial production at Cerro Colorado commenced in June 1994. An expansion of annual production capacity to 60,000 tonnes was completed in 1995 at a cost of US$49 million and in 1998, a second expansion of Cerro Colorado was completed, at a cost of US$214 million increasing the mine s annual production to a nominal 100,000 tonnes of refined copper. Plant modifications were completed during calendar 2004, at a cost of US$62 million, which included increases in the mine s crushing capacity, leach pad area and mine fleet in order to maintain annual production capacity at a level of 120,000 tonnes per year for the next five years. With these modifications, we estimate that the remaining mine life will be 12 years.

The majority of Cerro Colorado production of cathode copper is committed for sale under annual contracts to customers in Europe and Asia.

Highland Valley Copper

On 3 December 2003 we announced the sale of our 33.6% of the partnership units of Highland Valley Copper, a British Columbia partnership to Quadra Mining Ltd. for a purchase price of US$73 million. Subsequently, on 28 January 2004, Teck Cominco exercised its right of first refusal to purchase our partnership units on the same terms. The purchase and sale agreement was executed on 20 February 2004 and the sale closed on 2 March 2004.

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Spence

In January 1997, we announced the discovery of the Spence copper deposit in northern Chile. We hold 100% of the mineral rights in approximately 49,000 hectares and surface rights in approximately 50,000 hectares.

We conducted a feasibility study to develop a project for an open pit mine with facilities capable of processing approximately 50,000 tonnes per day of ore through a combination of chemical and bio-leaching processes to produce 200,000 tonnes per year of electrowon copper cathode. A feasibility study independent peer review was conducted during August 2002. This review focused on the technical core of the Spence project. Further study work has been completed to ensure that recent advances that have proven successful in other operations are incorporated in the project. A revised feasibility study has been produced and will be reviewed during financial year 2005, prior to submission to our Board for approval. During the review and approval process engineering definition will continue.

Southwest Copper

In 1999, the Group announced the cessation of Southwest Copper operations, and the facilities were effectively placed on a care and maintenance basis, pending evaluation of various alternative strategies to realise maximum value from the respective assets. The assets comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the Group acquiring the Southwest Copper operation in 1996. In January 2002, the Group announced the closure of the San Manuel mining facilities, and in October 2003 the closure of the San Manuel plant facilities was announced. The closure of these facilities, together with certain other reclamation and decommissioning activities, were progressed during the years ended 30 June 2003 and 2004. For certain sites, the development of closure plans is well progressed, however, at other sites the necessary site characterisation and engineering work is at an early stage.

A comprehensive review of the closure plans for Southwest Copper was undertaken following the refocusing of the Group s direction during the period towards an accelerated closure strategy. This followed exhaustion of the alternative strategies referred to above, and resulted in a shortened timeframe to closure for some of the facilities. Actions during the year resulting from the review included the announcement of the closure of the San Manuel plant facilities in October 2003, and the divestment and farm-out of certain assets and liabilities during the period, such as the Robinson copper/gold mining operation and the Resolution copper exploration prospect. As a consequence of detailed site-specific risk assessments conducted during the period, the review also indicated (a) higher short-term closure costs, due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and, (c) an increase in the residual value of certain assets (refer note 2 Exceptional items in the 2004 BHP Billiton Group Annual Financial Statements).

Despite the work carried out during the current period, uncertainty remains over the extent and costs of the required short-term closure activities, the extent, cost and timing of post-closure monitoring and longer-term water management. The Group anticipates that future changes in the closure provisions for Southwest Copper may be required as the necessary site characterisation and engineering work is progressed.

Copper-Zinc

Antamina

The Antamina copper-zinc deposit is owned by Compania Minera Antamina S.A. (CMA), in which BHP Billiton holds a 33.75% interest. Noranda Inc. holds a 33.75% interest, Teck Cominco Limited holds a 22.5% interest and Mitsubishi Corporation holds the remaining 10% interest. The deposit is located in the Peruvian Andes at an altitude of 4,300 metres, approximately 270 kilometres north of Lima, Peru.

The Antamina project achieved mechanical completion in May 2001 and commercial production began in October 2001. The total development cost, including financing costs, working capital and sunk costs was US$2,228 million. The principal project facilities include a 115-kilometre access road, a truck-shovel pit operation, a nominal 70,000 tonnes per day concentrator, a 300-kilometre concentrate pipeline with a single stage pumping station to transport concentrates in slurry form from the mine to the de-watering, drying, and port facilities at Huarmey, and housing for operating employees and their families in the City of Huaraz, located approximately 200 kilometres by road from the mine.

The property comprising the Antamina mine area consists of mining concessions, mining claims and surface rights covering an area of approximately 14,000 hectares. The project company also owns sufficient surface rights for mining infrastructure, the port facility at Huarmey and an electrical substation located at Huallanca. In addition, the project company holds title to all easements and rights of way required for the concentrate pipeline from the mine to the project company s port at Huarmey. All of the rights can be held indefinitely.

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Power to the mine site is being supplied under long-term contracts with individual power producers through a 58-kilometre, 220 kilovolt transmission line constructed by the project company, which is connected to the Peru national energy grid. In late 2002, an additional third party owned transmission line was connected to the project s substation, significantly increasing power supply reliability.

CMA entered into 19 long-term copper and zinc concentrate sales contracts with 16 smelting companies, which, in aggregate, cover approximately 75% of the project s expected annual production. All but two of the contracts are for terms extending to 2012 or 2013.

The Antamina deposit is a large copper skarn with zinc, silver, molybdenum, lead and bismuth mineralisation. It has a southwest to northeast strike length of more than 2,500 metres and a width of up to 1,000 metres. The deposit sits at the bottom of a U-shaped glacial valley surrounded by limestone ridges. Mineralisation is associated with pervasive replacement by calcium silicate minerals of both a centralised intrusive body and a thick limestone formation that hosts the intrusive. A well-defined zonation consists of high-grade copper sulphides occurring in the centralised intrusive and in limestone immediately adjacent to the intrusive. High-grade copper-zinc sulphides overprint the copper-only style of mineralisation in a narrow doughnut-shaped zone at the outer margin of skarn formation. Like other skarn deposits, the Antamina deposit is highly erratic in form and grade.

A reconciliation of production results during 2002 and 2003 against the pre-production reserve model has shown some discrepancies in the quantities and grades of ore. Following this, further drilling (30,000 metres) occurred and an interim resource model was completed. A reconciliation of this interim model has also indicated some discrepancies in its ability to predict accurately the quantities and grades of ore. In addition, while mining of the Antamina ore body has demonstrated continuity of the economically mineralised zones, the erratic nature of the ore types and grades within these zones has led to a proposal to tighten the criteria for proved and probable reserve classification. The final decision on classification criteria is still under review as part of the drilling, resource modelling and validation work program currently in progress. As part of this program, some 114,000 metres of core drilling has commenced and is expected to be completed by calendar year end. Drilling results received to date support the reported reserves and until the updated resource and reserve model is completed, probably in calendar 2005, the pre-production reserve model continues to provide the best reserve estimate for Antamina.

Selbaie

The now closed wholly-owned Selbaie open-pit zinc and copper mine is situated 250 kilometres north of Rouyn-Noranda in northwestern Quebec, Canada. Open pit mining ceased operation in October 2002 and mill production since then was based primarily on stockpiled ore, which ceased on 21 January 2004. Shipments from product stockpiles ceased in May 2004. At the end of January 2004, the mine entered into a decommissioning phase followed by demolition and rehabilitation, which will be largely completed by December 2004. A long-term care and maintenance plan is in place to ensure performance of the reclamation measures and water management to meet regulatory requirements.

Silver, Lead and Zinc

Cannington

Cannington is a mining and concentrating facility that is 100% owned and operated by us, and is the world s largest single mine producer of both silver and lead. The Cannington silver, lead and zinc deposit is located in northwest Queensland, Australia, and is accessible by sealed road 300 kilometres southeast of Mount Isa. The Cannington deposit is entirely contained within mining leases granted to us in 1994 and which expire in

2029. The deposit consists of a shallow, low grade northern zone and a deeper, higher grade and more extensive southern zone. The southern zone contains a broadly zoned and faulted sequence of silver-lead-zinc, zinc and silver-lead lodes.

We use transverse, long hole open stoping for the extraction of the main, thicker, hanging wall orebodies of the deposit. Production commenced in October 1997. Underground mine production for the year ended 30 June 2004 was 2.75 million tonnes. Work on the Cannington Growth Project which was approved in February 2003 also continued during the year to improve mill throughput and increase metal recovery, and we are continuing an ongoing program of mill improvement. Nominal capacity is now 2.4 million tonnes per annum. A power station, comprising 18 x 1.03MW, 6 x 1.915MW gas fired engines and 4 x 1.4MW diesel-fired engines located at Cannington is operated under contract to supply power solely to Cannington.

Approximately 80% of Cannington s lead and zinc concentrate production for the year ending June 30, 2005, is fully committed under long-term contracts with smelters in Australia, Korea, Japan and Europe with the balance being allocated to the spot market. The reserve life as currently stated is approximately 8 years.

Surface exploration is continuing on a number of geophysical and geochemical anomalies in the mine lease area.

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Zinc-Lead

Pering

The wholly-owned Pering mine was an open-pit zinc mine producing lead as a by-product. Mining ceased on 30 November 2002; the mill was stopped in February 2003. There was no production in financial year 2004. The mine property is situated in the Northwest Province of South Africa. Plant demolition and site reclamation is underway with the majority of work planned for completion by June 2005.

Uranium

Rio Algom Mining LLC, our wholly owned subsidiary, owns two former (non-operating) uranium mining sites, the Ambrosia Lake site near Grants, New Mexico, and the Lisbon site near Moab, Utah. Reclamation and remediation activities at both sites are significantly advanced, and are currently ongoing.

Reserves and Production

The table below details our copper, zinc, silver, gold, molybdenum and lead reserves in metric tonnes, and are presented in 100% terms as estimated at 30 June 2004.

		Proved Ore Reserve [1]					Probable Ore Reserve [1]					Total Ore Reserve					
			Grade					Grade					Grade				
Commodity / Deposit [2] [3]	Ore Type	Tonnes (dmt millions)	% TCu[4]	% SCu[4]	g/t Au	g/t Ag	Tonnes (dmt millions)	% TCu[4]	% SCu[4]	g/t Au	g/t Ag	Tonnes (dmt millions)	% TCu[4]	% SCu[4]	g/t Au	g/t Ag	BHP Billiton Interest %
Copper																	
Escondida[5]	Oxide	141		0.72			23		0.63			164		0.71			57.5
	Sulphide	656	1.40				570	1.05				1,225	1.24				57.5
	Sulphide leach	426	0.59				386	0.54				812	0.56				57.5
Escondida Norte[6]	Oxide						123		0.78			123		0.78			57.5
	Sulphide	187	1.65				348	1.28				535	1.41				57.5
	Sulphide leach	29	0.57				130	0.65				159	0.63				57.5
Tintaya[7]	Oxide	7	1.37	0.97			27	1.78	1.34			34	1.69	1.26			99.95
	Sulphide	28	1.32		0.24	5.65	28	1.46		0.18	6.14	56	1.39		0.21	5.90	99.95
Cerro Colorado[8]	Oxide	71	0.70	0.54			75	0.76	0.59			145	0.73	0.57			100
	Sulphide	30	0.94	0.14			30	0.80	0.14			60	0.87	0.14			100

		Tonnes (dmt millions)	% Cu	% Zn	g/t Ag	% Mo	Tonnes (dmt millions)	% Cu	% Zn	g/t Ag	% Mo	Tonnes (dmt millions)	% Cu	% Zn	g/t Ag	% Mo	
Copper Zinc																	
Antamina[9]	Sulphide	264	1.27	1.01	14.2	0.031	221	1.17	0.89	13.2	0.029	485	1.22	0.96	13.7	0.030	33.75

		Tonnes (dmt millions)	g/t Ag	% Pb	% Zn	Tonnes (dmt millions)	g/t Ag	% Pb	% Zn	Tonnes (dmt millions)	g/t Ag	% Pb	% Zn	
Silver Lead Zinc														
Cannington[10]	Sulphide	15	507	11.00	3.82	7	408	9.62	4.01	22	476	10.57	3.88	100

(1) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Escondida	Oxide: 55x55m, Sulphide: 60x60m, Sulphide leach: 60x60m	Oxide: 60x60m, Sulphide: 100x100m, Sulphide leach: 110x110m
Escondida Norte	Oxide: 48x48m, Sulphide: 54x54m, Sulphide leach: 60x60m	Oxide: 60x60m, Sulphide: 90x90m, Sulphide leach: 125x125m
Tintaya	Drill grid of 25m or less, except in the Chabuca area, where a maximum grid of 18m is used.	Maximum drill grid of 50m, except for the Chabuca and Chabuca Sur areas, where a maximum spacing of 37m is used.
Cerro Colorado	First kriging pass (50m spacing)	Second kriging pass (70m spacing)
Antamina	High-Grade Cu/Zn : 3 holes within 55m, closest hole within 40m	Variable between domains, 3 holes within 55m to 120m and closest within 40m to 75m
Cannington	12.5m sectional x 15m vertical	25m sectional x 25m vertical

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(2) Metallurgical recoveries for the operations are:

	% Metallurgical Recovery				
	TCu	SCu	Zn	Ag	Pb
Escondida Oxide		80			
Escondida Sulphide	84				
Escondida Sulphide Leach	37				
Escondida Norte Oxide		54			
Escondida Norte Sulphide	88				
Escondida Norte Sulphide Leach	29				
Tintaya Oxide		78			
Tintaya Sulphide	89				
Cerro Colorado Oxide		80			
Cerro Colorado Sulphide	80				
Antamina	88 - 95		0 (Cu-only) 86 (Cu-Zn)	65 -90	
Cannington			72	88	89

(3) Copper prices used for reserve calculation are:

	US$/lb
Escondida	0.823
Escondida Norte	0.743
Tintaya	0.71
Cerro Colorado	0.743
Antamina	The mining plan was developed at US$0.90/lb, however we have successfully tested for impairment at US$0.743/lb, which is the 3 year average.

See table on page 17.

(4) %SCu - per cent soluble copper,%TCu - per cent total copper

(5) Differences between the 2004 and 2003 ore reserve statements are from depletion through production, updated mineral resource block model, revised cut-off grades, and the declaration of a new reserve ore type named Sulphide Leach which includes the previously-declared Low Grade Float and Mixed ore types. Economic pit shells and their cut-off grades have been recalculated after updates to the mineral resource model. There is a significant increase in declared tonnes compared to prior statements due to all low-grade sulphides (0.3%≤TCu<0.5%) now converted to reserves as a consequence of the Sulphide Leach Project approval. Measured mineral resource of mixed mineralisation is converted into Probable Sulphide Leach ore reserve to reflect uncertainty in some of the modifying factors. Stockpiled material is included in the appropriate ore type as Proved Reserve (with the exception of the mixed mineralisation). Ore reserves quoted are based on a pit which valued Measured and Indicated resources for Sulphide and Oxide material types only. Reported Proved and Probable reserves are derived from Measured and Indicated resources only within the Pit, after modifying factors have been applied.

(6) Differences between the 2004 and 2003 ore reserve statements are due to an updated mineral resource block model, revised cut-off grades, and the declaration of a new reserve ore type, named Sulphide Leach which includes the previous Low Grade Float ore type. Economic pit shells and their associated cut-off grades have been recalculated after updates to the mineral resource model. There is a significant increase

in declared tonnes compared to the previous statement due to the low-grade sulphides within the range 0.3%≤TCu<0.5% being quoted for the first time. As a consequence of the Sulphide Leach Project approval, all low-grade sulphides and mixed mineral resources are now converted to ore reserves. Ore reserves herein quoted are based on a pit which values Measured and Indicated resources for Sulphide and Oxide material types only. Reported Proved and Probable reserves are derived from Measured and Indicated resources only within the pit, after modifying factors have been applied.

(7) The Tintaya mine and concentrator resumed operations in October 2003 due to improved market conditions. Changes to the total Ore Reserves are due to depletion through production adjusted by reconciliation. Oxide stockpiles characterised by a post-stockpile drilling program comprise Oxide Proved Reserves, while Oxide Probable Reserves include all in-situ oxide ore combined with 8 million dmt of oxide stockpiles in which TCu and SCu grades are estimated from production data.

(8) Changes in the Cerro Colorado Reserves reflect changes in the Resource base based on drilling and updated interpretation, and include depletion through mining, adjusted by reconciliation.

(9) The 2004 Reserves are based on the 2003 report depleted by production that is adjusted by reconciliation. As in the previous reports, Sulphide ore combines both Cu-only and Cu-Zn ore types. Some zinc metal is contained in Cu-only ores that will not be processed through the zinc flotation circuit.

(10) Increased Proved Reserves are due to upgrading of material from Probable as a result of ongoing diamond drilling program. (Mainly North Block and R4 Block). Changes from 2003 include depletion through production, adjusted by reconciliation and ore produced from development workings not carried as Reserves.

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The table below sets forth the BHP Billiton Group copper, gold, silver, lead, molybdenum, uranium and zinc production for the three years ended 30 June 2004, 2003 and 2002. Production data shown is the BHP Billiton Group share unless otherwise stated.

	30 June 2004 BHP Billiton Group interest	BHP Billiton Group Share of Production[1] Year ended 30 June		
	%	2004	2003	2002
Copper (000 tonnes)				
Escondida (Chile)[2]	57.5	601.6	497.6	425.6
Tintaya (Peru)[3]	99.95	93.5	35.4	46.2
Cerro Colorado (Chile)	100	125.5	131.1	130.8
Alumbrera (Argentina)			34.4	48.5
Highland Valley (Canada)		28.3	56.2	62.1
Antamina (Peru)	33.75	91.9	96.9	81.9
Selbaie (Canada)[5]	100	4.1	8.3	10.2
North American Copper[6]	100	9.5	10.6	19.1
Total		954.4	870.5	824.4
Gold (000 ounces)				
Escondida (Chile)	57.5	103.4	64.1	52.3
Tintaya (Peru)[3]	99.95	11.7	0.0	22.3
Alumbrera (Argentina)			121.3	185.4
Selbaie (Canada)[5]	100	8.0	17.8	22.2
Highland Valley (Canada)	33.6	2.2	4.7	4.8
Total		125.3	207.9	287.0
Silver (000 ounces)				
Cannington (Australia)	100	37,420	34,872	35,963
Antamina (Peru)	33.75	2,179	2,227	1,719
Tintaya (Peru)[3]	99.95	608		
Alumbrera (Argentina)			200	237
Highland Valley (Canada)		323	604	709
Escondida (Chile)	57.5	2,445	1,700	1,257
Selbaie (Canada)[5]	100	717	1,525	2,073
Total		43,692	41,128	41,958
Lead (000 tonnes)				
Cannington (Australia)	100	249.9	237.4	231.8
Pering (South Africa)	100		2.6	4.3
Total		249.9	240.0	236.1
Zinc (000 tonnes)				
Cannington (Australia)	100	53.6	63.9	58.9
Antamina (Peru)	33.75	89.6	82.7	48.3

Selbaie (Canada)[5]	100	16.0	30.2	34.2
Pering (South Africa)	100		17.1	21.1
Total		159.2	193.9	162.5
Molybdenum (000 tonnes)				
Highland Valley (Canada)		0.6	1.0	0.7
Antamina (Peru)	33.75	0.3	0.3	
Total		0.9	1.3	0.7
Uranium (000 pounds)				
Rio Algom Mining[4]	100		54	974

(1) Mine production figures for minerals refer to the total quantity of payable metal produced.

(2) Includes production from the Escondida Phase IV expansion which commissioned in October 2002.

(3) Sulphide production at Tintaya was temporarily suspended in January 2002 due to weak market conditions. Sulphide mining operations recommenced during August 2003.

(4) In July 2002, we completed the sale of our Smith Ranch uranium mine, which resulted in the cessation of uranium production.

(5) Production ceased in February 2004, in accordance with mine plan. Shipments ceased in May 2004.

(6) In 1999, the Group announced the cessation of Southwest Copper operations, and the facilities were effectively placed on a care and maintenance basis, pending evaluation of various alternative strategies to realise maximum value from the respective assets. The assets comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the Group acquiring the Southwest Copper operation in 1996. In January 2002, the Group announced the closure of the San Manuel mining facilities, and in October 2003 the closure of the San Manuel plant facilities was announced.

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Regulatory and Fiscal Terms

Chile

Minerals in Chile are legally owned by the State. The exclusive right to exploit mineral deposits is granted to individuals and private sector companies through mining concessions. The Mining Code of Chile provides for two kinds of mining concessions, namely the exploration concession and the exploitation concession. A concession is defined as an immovable real right that grants the holder the exclusive authority to explore, or explore and exploit, mineral substances within the concession, and become the owner of any extracted substances, in the case of an exploitation concession. As provided by the Mining Code and the Constitution of Chile, mining concessions are established by court ruling. An exploitation concession is of indefinite duration, provided that yearly licence fees are paid. An exploration concession is granted for two years and may be renewed for another two-year period, provided that at least half of the concession area is surrendered. Licence fees are also applicable. Mining concessions are distinct from surface rights and the legislation provides for the ability to request mining easements in the case where the owner of the mining concession is not the same owner as that of the land surface. Mining easements may be established by mutual consent of the owners or by court ruling.

In February 2004, the Ministry of Mining passed and published a new regulation, amending Decree Number 72 from 1985, the Mining Safety Ordinance. Pursuant to such amendment, in addition to generally refreshing the safety requirements and duties of the governmental agency in charge, a new section regarding mining closure requirements was added to the Ordinance. Mine closure plans are required to be documented during the life of the operation, with the purpose of preventing, minimising and/or controlling the risks and negative effects that can be produced or may continue causing effects after finalising mining activities.

The environmental regulatory legal framework is established pursuant to Decree Law 19,300 and its ordinances and regulations. Mining activities are subject to the approval by CONAMA (the national environmental corporation) and require Environmental Impact Studies and/or Environmental Impact Declarations depending on the nature of the proposed project.

The Decree Law 600 provides the main legal framework for foreign investment in Chile. This law covers types of capital contributions, taxes, foreign exchange, repatriation of profits and capital and administrative procedures. It is based on economic and legal principles found in the Constitution of Chile, with economic equality between foreign investors and nationals being the most important. It offers all foreign investors on a most favoured nation basis the same treatment as nationals and guarantees a stable framework by means of an investment contract between foreign investors and the State of Chile. Such contracts cannot be modified unilaterally and are not affected by the passage of new laws. Investment can be made through convertible currencies, tangible assets, technologies that can be capitalised and loans tied to foreign investment projects. Repatriation of capital and profits is guaranteed through the formal currency exchange market.

During 2004 the Chilean government tried to pass legislation to impose a Mining Royalty, amounting to 3% of the proceeds from the sales of metallic mining activity or 1% in the case of non-metallic activity, net of certain specific costs. However, in July and August 2004 respectively, the Chamber of Representatives and the Senate, failed to pass the law by the 4/7ths and 2/3rds margins required respectively, and therefore did not approve the initiative. According to the Constitution, the government would need to wait at least one year to submit again to the legislature another similar initiative. There was substantial discussion in Chile with respect to the nature of the proposed charge (in particular whether or not it is a tax). The nature would determine whether the proposed charge would affect all mining companies or if those holding foreign investment contracts would be shielded from it.

Peru

Minerals in Peru are legally owned by the State. The exclusive right to exploit mineral deposits is granted to individuals and private sector companies through mining concessions. Three types of concessions that have been established under the General Mining Law are mining, processing and transportation concessions. Mining concessions give rights to explore and extract minerals, but are distinct from property rights over the land surface. Miners must obtain the necessary rights of way to access mineral deposits from surface rights holders. The processing concession grants the holder the exclusive right to construct and operate the facilities necessary to transform minerals into a marketable product. A transportation concession would, for example, cover the construction and operation of a copper concentrate pipeline. Concessions under the General Mining Law are irrevocable provided that the nominal mining good standing fees are paid.

The General Mining Law provides qualifying mining companies with a stability regime covering taxation, foreign exchange and trade regulations. Companies that invest at least US$20 million in the development of an operation of not less than 5,000 tonnes per day, or expand an existing operation by such amount, can enter into a contract with the State that guarantees the stability of the tax laws for a period of 15 years. Free disposition of foreign currency and repatriation of capital and profits are also guaranteed, as is conversion of foreign exchange at the most favourable rate of exchange available at the time of conversion. We also obtain the benefit of accelerated tax depreciation for machinery, equipment and all other fixed assets.

Law 28090, known as the Mine Closure Law, was enacted and published on 14 October 2003. It regulates the obligations to be followed by mine owners to prepare, file and implement a mine closure plan. The Mine Closure Law is an environmental

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management instrument that requires a mine owner to describe its reclamation measures, anticipate those costs and establish a mechanism for funding those costs. Implementation is to be made on a gradual basis during the life cycle of the mining operation.

The Mining Royalty Law was enacted and published on 24 June 2004. In summary, this new law obliges mining operations to pay an economic consideration to the State of Peru, for the mineral resources under exploitation. The actual amount shall be determined monthly by the mineral value, according to its current quotation in the international market. The amount effectively paid as mining royalty, shall be considered as an expense in the corresponding fiscal year. The Mining Royalty Law will not apply to operations that are subject to mining stability agreements. Both the Tintaya and the Antamina operations are subject to such mining stability agreements.

Market Conditions

We produce four primary products, namely copper concentrates, copper cathodes (metal), lead concentrates and zinc concentrates. In addition, since they are contained within these concentrates, we also receive payment credits for silver and gold recovered during the smelting and refining process.

We sell most of our copper, lead and zinc concentrates to third party smelters. The remainder of our production is mostly sold to merchants. We sell most of our copper cathodes to rod and brass mills and casting plants. Our customers are located around the world.

We compete against other mining companies producing copper, lead and zinc concentrates and other producers of copper cathode. Merchants can also provide short-term competition, but will not fundamentally affect supply and demand.

According to the International Copper Study Group (ICSG), during calendar year 2003 total refined copper supplies reached 15.18 million tonnes down 0.7% compared with 2002. Refined copper demand reached 15.58 million tonnes, up 2.8% from the previous year.

In the second half of 2003, LME cash copper prices rose from an average of US$0.776 per pound in July to US$0.999 per pound in December. Improving demand, due to a recovery in the US and Japanese economies along with continued rapid growth in China, started the rise in prices, but the main cause was a slope failure at the second largest copper mine in the world, Grasberg in Indonesia. Production was severely affected with mining in the open pit suspended from the end of 2003 until April 2004, and as a result production of copper-in-concentrates at the mine was down by 63.2% for the period quarter-four- 2003 to quarter-two- 2004 year-on-year. The ICSG reported refined copper consumption growth of 8.7% year-on-year in the first four months of calendar 2004.

LME cash copper prices continued to rise at the start of calendar 2004 reaching a peak of US$1.386 per pound in early March, before falling back in April as concerns grew over a slowdown in the Chinese economy because of credit terms being tightened by the Chinese government. However, with the refined market in deficit and stocks falling, prices remained firm with LME cash prices averaging US$1.239 per pound in quarter-one- 2004 and US$1.265 per pound in quarter-two- 2004.

Combined exchange stocks at LME/Comex/Shanghai continued to decline during the second half of calendar 2003 and the first half of calendar 2004. From the end of June 2003 to the end of June 2004, total exchange stocks fell by 780,000 tonnes from 1.04 million tonnes to 258,000 tonnes. Stocks fell in all regions and by the end of June 2004 less than 2,000 tonnes of cathode remained in LME warehouses in Europe. In contrast, Codelco did build a stockpile of 200,000 tonnes of cathode in Chile by the end of 2003, but is now in the process of delivering this material, having sold it all in the first quarter of 2004.

Copper Concentrate Matters

In May 2003, the European Commission, the US Department of Justice and the Canadian Competition Bureau commenced an investigation to ascertain whether there is evidence of illegal practices in the copper concentrate sector. BHP Billiton, which was served with notice to submit to this investigation, is co-operating with regulatory authorities and has produced documents and other requested material. This investigation, which involves a number of industry participants, is in its preliminary stages, and accordingly BHP Billiton cannot predict its outcome.

BHP Billiton Plc was one of nine defendants in National Metals, Inc. v. BHP Billiton Plc et. al., case no. cv 1179L LSp in the United States district court for the Southern District of California. The complaint, which was filed in May 2003, sought damages and restitution on behalf of indirect purchasers of copper concentrate in California and 25 other states. The complaint alleged a conspiracy to fix prices in violation of the states antitrust/consumer protection statutes. The case was settled and dismissed in its very early stages in December 2003.

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Carbon Steel Materials

Our Carbon Steel Materials Customer Sector Group is a leading supplier of core raw materials and services to the global steel industry. The key raw materials that we supply for steel making are iron ore in various forms, metallurgical coal and manganese.

Iron Ore

Mount Newman Joint Venture

We hold an 85% joint venture interest in the Mount Newman project, located in the Pilbara region of Western Australia. We manage the project. Other participants in this venture are Mitsui-Itochu Iron Pty Ltd, which holds a 10% interest, and Itochu Minerals & Energy Australia Pty Ltd (formerly C I Minerals Australia Pty Ltd), which holds a 5% interest in the joint venture. The joint venture was granted a mineral lease in April 1967 under the Iron Ore (Mount Newman) Agreement Act 1964. This lease expires in 2009 with the right for successive renewals of 21 years.

The venture began production in 1969 at the Mount Whaleback orebody. Today, production continues to be sourced from the major Mount Whaleback orebody and is complemented by production from other ore bodies, namely Orebody 25, 29 and 30. At current price assumptions, blend grades and production rates (based on the current projected sales profile), reserves from Mount Whaleback are expected to contribute to the Mount Newman Joint Venture for at least 23 years.

The facilities at Mount Whaleback include primary and secondary crushing plants with a nominal capacity of 35 million tonnes of product per year, a heavy media beneficiation plant with a capacity of eight million tonnes of product per year and a train-loading facility. An additional primary and secondary crushing plant is present at Orebody 25 with a nominal capacity of eight million tonnes of product per year.

All of the joint venture s production is transported 426 kilometres on its own railway to the Nelson Point shipping facility at Port Hedland, Western Australia. Facilities at the port include three car dumpers, crushing and screening plants, stockpile reclaimers and ship loading equipment. We can load vessels of 250,000 deadweight tonnes in the sheltered harbour.

In 1998, an under-harbour tunnel between the Nelson Point and Finucane Island facilities was commissioned by the joint venture. The tunnel allows us to transport ore to our Boodarie Iron plant and to ship ore directly by using the Finucane Island ship loading facilities.

In February 2004, a Products and Capacity Expansion Program was officially completed, increasing the overall capacity of the Port Hedland facilities to 100 million tonnes per annum. This included establishing new Stockyard facilities and a second shiploading berth at Finucane Island, an upgrade of the under-harbour tunnel conveyor, and the addition and expansion of rail sidings to accommodate longer trains.

The venture mainly sells iron ore into Asia with minor sales to Australia and Europe. During 2003-2004, 42% of the project s total dispatches were to China, with 23% of sales to Japan. Approximately 11% of shipments from Mount Newman were to our hot briquetted iron operations.

Yandi Joint Venture

We hold an 85% joint venture interest in the Yandi project located 92 kilometres north of Newman in the Pilbara region of Western Australia. We manage the Yandi project. The other participants in the joint venture are Itochu Minerals & Energy Australia Pty Ltd, which holds an 8% interest, and Mitsui Iron Ore Corporation Pty Ltd, which holds a 7% interest in the venture.

The Yandi mine was granted a mining lease in September 1991 under the Iron Ore (Marillana Creek) Agreement Act 1991. This lease expires in 2012 with the right to extend for a further 42 years if required.

Development of the orebody began in 1991 with a capacity of 10 million tonnes per annum and the project s first shipment of iron ore was in March 1992. Capacity was progressively expanded between 1994 and 2003 and the current capacity is 42 million tonnes per annum.

At this production rate, it is expected that the reserves will be sufficient for at least 20 years.

During 2003-2004, 59% of the venture s shipments by volume went to Japan and 23% went to Korea. China accounted for 5% of the venture s shipments. The Yandi deposits are mined by an independent contract mining company on behalf of the joint venture.

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Jimblebar

We own 100% of the Jimblebar lease, which is located approximately 40 kilometres east of Newman and is mined by an independent contract mining company on our behalf. We were granted a mining lease at Jimblebar in October 1988 under the Iron Ore (McCamey s Monster) Agreement Authorisation Act 1972. Our lease expires in 2009 with the right of renewal for successive 21-year periods.

In March 2004, we announced our intention to enter into a commercial agreement with four Chinese steel mills with iron ore sales expected to total US$9 billion over the next 25 years. Subsequently agreement documentation was executed on 28 September 2004. The agreements will take effect when the conditions precedent have been satisfied and/or waived.

The ore currently being produced at Jimblebar is from the Wheelarra Hill 4 (W4) deposit. This ore is blended with ore produced from Mount Whaleback and satellite orebodies (OB25, 29 and 30) to create the Mount Newman blend. The primary and secondary crushing plant at Jimblebar has a nominal capacity of eight million tonnes of product per year. At current price assumptions, blend grades and production rates, reserves from the W4 deposit will continue to support the Mount Newman blend for approximately 14 years.

Mount Goldsworthy Joint Venture

We hold an 85% joint venture interest in the Mount Goldsworthy Mining Associates project, located at Nimingarra/Yarrie, 210 kilometres east of Port Hedland in the Pilbara region of Western Australia. While we manage the project, mining operations are carried out by an independent contractor on the Joint Venture s behalf. The other participants in the joint venture are Itochu Minerals & Energy Australia Pty Ltd, which holds an 8% interest, and Mitsui Iron Ore Corporation Pty Ltd, which holds a 7% interest in the project. Mount Goldsworthy was commissioned in 1966. The original Goldsworthy mine was closed in 1982 and mining operations ceased at Shay Gap in 1993. Since then, mining has continued from the adjacent Nimingarra and Yarrie areas, 30 kilometres to the southeast.

The Mount Goldsworthy mines are covered by four separate mineral leases under the Iron Ore (Mount Goldsworthy) Agreement Act 1964 and the Iron Ore (Goldsworthy Nimingarra) Agreement Act 1972. These leases were granted between 1965 and 1974 and the last one expires in 2014. We have the right of renewal over these leases for successive 21-year periods.

In October 2003, we officially opened the new Area C mine, 120 kilometres north-west of Newman, a Marra Mamba ore deposit which will be sold under the trademark MAC.

Initial mining has commenced at the C Deposit under the POSMAC arrangement, to which we, POS-Ore Pty Ltd (Korea), Itochu Minerals & Energy Australia Pty Ltd and Mitsui Iron Ore Corporation Pty Ltd are parties. Under this arrangement, POSCO have committed to purchase 3 million tonnes per annum.

All production from the Mount Goldsworthy Yarrie/Nimingarra mine is transported on a separate railway to Port Hedland. Ore from Area C is transported via a 39 kilometre new section of railway to the Yandi mine which then connects to the main Newman to Port Hedland railway.

From there, the venture ships the ore through the Nelson Point and Finucane Island facilities. During 2003 2004, 39% of the venture s sales by volume were to Japan, 25% were to China, 18% and 13% to Australian and Korean steelworks respectively. At current price assumptions, blend grades and production rates, reserves at the Mount Goldsworthy Nimingarra/Yarrie mines are sufficient to support mining activities for one year, although strategies are in place for an extension of this time with other known deposits. Reserves at Mining Area C are sufficient for an estimated life of 21 years.

Rapid Growth Projects & Feasibility Study

In July 2003, we announced the acceleration of the development of our iron ore operations at an additional cost of US$42.5 million (US$50 million 100% basis) for additional rail infrastructure, ore handling capacity at Area C and accelerated pre-stripping at Mount Whaleback. The capacity expansion will be complete in calendar 2004.

We are also currently undertaking a feasibility study to determine the best, long term, development path for all our mining, railing and shipping tonnages in the order of over 145 million tonnes per annum. This involves liaising closely with State, local governments and communities regarding the potential social, environment and financial aspects of future growth, including the establishment of an accommodation village at Newman for up to 1,000 contract workers during construction of additional facilities at Mount Whaleback and the satellite mines.

Samarco

We own 50% of Samarco Mineração S.A., a Brazilian company. The remaining 50% interest in Samarco is held by Companhia Vale do Rio Doce (CVRD).

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Utilising long-term mining concessions from the Brazilian Government, Samarco operates a complex of open-pit iron ore mines called the Samarco Alegria Complex, in the state of Minas Gerais, a concentrator at a site called Germano and pelletising operations and a port at Ponta Ubu in the state of Espirito Santo, Brazil. Mining concessions were granted to Samarco for so long as it mines the Alegria Complex. Alegria and Germano are both located approximately 100 kilometres by road from Belo Horizonte. Samarco began production at the Germano mine in 1977. The vast majority of sales are under multi-year contracts.

Samarco commenced production at the Alegria Complex in 1992. The Alegria Complex has now replaced the depleted Germano mine. Ore is transported from the Alegria mine to the Germano concentrator plant via a five-kilometre conveyer belt. The concentrator plant has a capacity of 15.5 million tonnes per annum of iron ore concentrates. From Germano, the concentrates are transported to Ponta Ubu through a 396-kilometre slurry pipeline. At Ponta Ubu, Samarco s two pelletising plants have a production capacity of approximately 14 million tonnes per annum of pellets and under two million tonnes per annum of concentrate and screens product. At current price assumptions and production rates, reserves at the Alegria mine are sufficient for approximately 20 years.

Queensland Coal

Together with Mitsubishi Development Pty. Ltd., we own six open-pit coal mines, one underground coal mine and a port in the Bowen Basin, Queensland, Australia. These coal mining operations are managed through a jointly owned entity, BM Alliance Coal Operations Pty Ltd (BMA), and the coal produced is marketed through a jointly owned entity BM Alliance Coal Marketing Pty Ltd. Adjacent to one of the open-pit coal mines, a new underground mine is currently being developed. These mines are separated into two joint venture structures, in which we have a 50% interest, namely the Central Queensland Coal Associates (CQCA) joint venture and the Gregory joint venture. Mitsubishi Development Pty Ltd has the remaining 50% interest in these two joint venture structures. In addition, BMA operates two other Bowen Basin mines for BHP Mitsui Coal Pty Ltd in which we own an 80% interest. The majority of our production is high quality metallurgical coal used for steel making. Some energy coal is also produced from three of these mines.

Most of the coal from the CQCA northern area mines and some coal from the Gregory mine is shipped through the venture s owned and operated Hay Point coal terminal. The CQCA joint venture participants and the Gregory joint venture participants have entered into rail transport agreements with Queensland Rail providing for the transportation of coal from their mines until June 30, 2015 and 2016. Hay Point port, located at Mackay, handles around 34 million tonnes per annum of coal and can accommodate bulk carriers of up to 230,000 deadweight tonnes. Most of the coal from the Blackwater mine and Gregory joint venture mines is shipped through the R.G. Tanna Coal Terminal at Gladstone. All of the coal from the CQCA and the Gregory joint venture mines is transported to ports on railroads owned and operated by the State of Queensland.

The ventures sell most of their metallurgical coal to the global steel industry. In 2003-2004, approximately 41% of the metallurgical coal sales were to north Asia, 12% to south Asia, 33% to western Europe and approximately 14% elsewhere. Virtually all of the sales are under annually priced term contracts with minimal spot sales.

Queensland Coal has announced that it will increase coal production capacity to 59 million tonnes per annum by the second half of 2006 in response to strong customer demand. This includes the expansion of capacity at the Hay Point Coal Terminal to 40 million tonnes per annum. A new mine is also being developed adjacent to the Goonyella open cut operation and additional port and rail capacity has been secured with third party providers. Further capacity expansion options are currently under review.

Central Queensland Coal Associates Joint Venture

Through our 50% interest in the CQCA joint venture, we operate five open-pit mines, namely Blackwater, Goonyella, Peak Downs, Saraji and Norwich Park and the Hay Point coal terminal. The adjacent South Blackwater and Blackwater mines were integrated into a single 14 million tonnes per annum operation in mid-2002. These mines are all located in Queensland, Australia.

Goonyella mine commenced operations in 1971 and has a capacity to produce nine million saleable tonnes of coal per annum. Goonyella merged operationally with the adjoining Riverside mine in 1989 and is operated as the Goonyella Riverside mine. At current price assumptions and production rates, reserves from the Goonyella open-pit mine can support operations for approximately 49 years. A new underground mine Broadmeadow currently is being developed on the Goonyella mining lease for production of up to 3.6 million tonnes per annum, commencing mid-2005 estimated mine life is 31 years. Peak Downs mine produced its first coal in 1972 and has a capacity to produce in excess of eight million tonnes per annum. At current price assumptions and production rates, reserves from the Peak Downs mine can support operations for approximately 46 years.

Saraji mine commenced production in 1974 and has a capacity of six million tonnes per annum. At current price assumptions and production rates, reserves from the Saraji mine are expected to be depleted in approximately 55 years**.** First coal was mined from the Norwich Park mine in 1979 and it has a production capacity of more than five million tonnes per annum. At current price assumptions and production rates, reserves from the Norwich Park mine are expected to be depleted in approximately 12 years. Blackwater mine commenced production in 1967 and has a production capacity of more than 14 million tonnes each year. At current price assumptions and production rates, reserves from the Blackwater and South Blackwater mines are expected to be depleted in approximately 19 years.

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The leases for the CQCA and South Blackwater mines expire in 2004, 2008, 2009, 2010, 2011, 2012, 2015, 2017, 2020, 2021, 2023, and 2024 and are renewable for such further periods as the Queensland Governor-in-Council allows in each particular case.

Gregory Joint Venture

Through our 50% interest in the Gregory joint venture, we operate an open-pit mine called Gregory and an underground mine called Crinum.

The Gregory mine became operational in 1979. At current price assumptions and production rates, reserves from the Gregory mine are expected to be depleted in approximately 2016. Crinum mine commenced longwall production in 1997. At current price assumptions and production rates, reserves from the Crinum mine are expected to be depleted in approximately 2014. The combined capacity of the mines is in excess of five million tonnes of product coal per year. All coals are beneficiated, using heavy media processes, to marketable specifications.

The venture s leases for the Gregory and Crinum mines expire in 2006, 2014, 2018 and 2019 and are renewable for such further periods as the Queensland Governor-in-Council allows in each particular case.

BHP Mitsui Coal

We have an 80% interest in BHP Mitsui Coal Pty Ltd. Mitsui & Co. Ltd Group owns the remaining 20% interest in BHP Mitsui Coal. BHP Mitsui Coal s coal mines are managed by the BHP Billiton Mitsubishi Alliance (BMA).

The joint venture commissioned Riverside, an open-pit mine producing metallurgical coal, in 1983. Riverside has a production capacity of three million tonnes per year. At current price assumptions and production rates, reserves from Riverside are expected to be depleted in 2005. South Walker Creek became operational in 1998. It is an open-pit mining operation, producing pulverised coal injection fuel and minor quantities of by-product energy coal. South Walker Creek has a production capacity of four million tonnes per year. At current price assumptions and production rates, the current reserve base for South Walker Creek is expected to be depleted in 23 years. The venture contracted substantially all of the operations at South Walker Creek to Thiess Contractors for two years from 30 November 2000. This contract has been renewed for three years, commencing July 2003. BHP Mitsui Coal has entered into a rail transport agreement with Queensland Rail providing for the transportation of coal from the Riverside and South Walker Creek mines until 30 June 2016. The principal markets for the coal are Europe, Japan, Korea and Brazil.

BHP Mitsui Coal s mining leases expire in 2005, 2020 and 2024 and are renewable for such further periods as the Queensland Governor-in-Council allows in each particular case.

BHP Mitsui Coal holds significant undeveloped leases in the Bowen Basin (principally, Wards Well, Poitrel, Kemmis-Walker and Nebo West).

Illawarra Coal

We wholly-own and operate four underground coal mines, namely Appin, Elouera, West Cliff and Dendrobium, in the Illawarra region of New South Wales, Australia. These mines produce coking coal primarily used for steelmaking. We produce coal under leases expiring in 2010, 2011, 2012, 2013, 2016, 2017, 2021 and 2023. These leases have renewal rights under the New South Wales Mining Act 1992 for periods of 21 years. Our current production capacity is 7.9 million tonnes of clean wet coal per year.

Appin commenced production in 1962 with longwall mining starting in 1969. Appin currently produces approximately three million tonnes of clean wet coal each year and, at current price assumptions and production rates, its reserves are expected to support production for at least another 23 years.

Elouera officially opened in 1993 with the amalgamation of the Nebo, Kemira and Wongawilli coal mining leases. Elouera currently produces approximately 1.5 million tonnes of clean wet coal per year and, at current price assumptions and production rates, its reserves are expected to be depleted towards the end of calendar year 2005. West Cliff was commissioned in 1976 and currently produces approximately 2.3 million tonnes of clean wet coal per year. At current price assumptions and production rates, reserves from West Cliff are expected to be depleted in approximately 27 years.

Our Board approved construction of the new Dendrobium mine in the Illawarra in December 2001. This mine will replace the Elouera mine when its reserves are depleted. The Dendrobium mine will be a modern longwall mine with production capacity initially targeted at 5.2 million tonnes of raw coal per annum (3.6 million tonnes of clean coal per annum). Opportunities are currently being examined to increase capacity by a further 1.0 million tonnes of raw coal per annum. During the 2004 year the Dendrobium mine development passed through zones where difficult mining conditions were experienced. As a result of these conditions the project cost is now expected to reach approximately $US 200 million (The Board approved capital expenditure requirement was approximately US$170 million.) Reserves at the Dendrobium mine are expected to support production for approximately 20 years.

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We also own a 16.7% shareholding interest in the lease of the Port Kembla Coal Terminal Limited, which operates a coal loading facility at Port Kembla in New South Wales, Australia. We manage the terminal under contract, on behalf of the shareholding companies.

Over 50% of the metallurgical coal we produce at Illawarra Coal is sent to BlueScope Steel Limited s Port Kembla Steelworks in New South Wales under a long term supply contract, and One Steel Limited s Steelworks at Whyalla, South Australia. We export the remainder of our production and also sell a middlings by-product into the export energy market. Capacity expansion options for Illawarra are currently under review.

Manganese

Our 60% owned global manganese ore and alloy business comprises operations in South Africa and Australia and is the world s largest integrated producer of manganese units. Our South African operations are held through Samancor Limited, while the Australian assets are owned through a local subsidiary. Anglo American Corporation holds the remaining 40% in both entities.

Manganese ore is produced by Hotazel Manganese Mines, located in the Kalahari Basin in South Africa, and the Groote Eylandt Mining Company Pty Ltd (GEMCO) in Australia s Northern Territory. Approximately 70% of the ore production is sold to alloyers across the world, while the remaining 30% is converted into alloys at two plants: Metalloys in Meyerton, South Africa and the Tasmanian Electro Metallurgical Co. (TEMCO) in Tasmania, Australia. Through Samancor, we also hold a 50% interest in Advalloy, a refined manganese alloy joint venture, and a 51% interest in the Manganese Metal Company. With a production capacity of 44,000 tonnes per annum through its Nelspruit and Krugersdorp facilities, the Manganese Metal Company is the world s leading producer of electrolytic manganese metal. Through Samancor, located on the Metalloys site in Meyerton, we also own and operate the DMS Powders plant, the world s largest dedicated producer of milled and atomised ferrosilicon. Ferrosilicon is primarily used in the dense medium separation of minerals and scrap metals and the plant has a production capacity of 32,000 tonnes of milled and 7,000 tonnes of atomised product.

Hotazel Manganese Mines encompasses two mines in South Africa s Northern Cape Province. Mamatwan, first commissioned in the mid 1960s, is an open-cut, medium grade ore producer, while Wessels, commissioned in the early 1970s, is a high-grade underground mechanised mine. The mines at Hotazel have a combined annual production capacity of 3.54 million tonnes of ore, which includes one million tonnes used for sinter production. All of the mineral leases will be affected by the new South African Mining Charter. Refer to Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter for more information.

At GEMCO, a high-grade manganese ore is extracted using open-cut, strip mining methods. The mine was first commissioned in 1965 and has a current production capacity of 3.0 million tonnes per annum. All of the GEMCO mineral leases are situated on Aboriginal land held under the Aboriginal Land Rights (Northern Territory) Act 1976. The current mineral leases, other than MLN 2 and MLN 3, are renewal leases of the original mineral leases granted for a term of 21 years. GEMCO leases are subject to renegotiations in 2006 and 2010. At current price assumptions and production rates, GEMCO s reserves are expected to be depleted in approximately 31 years.

Our two manganese alloy plants, Metalloys in Gauteng, South Africa and TEMCO in Tasmania, Australia have a combined annual production capacity of some 700,000 tonnes of alloy, which is exported to steelmakers across the globe.

Manganese production for 2003 2004 was 5.0 million tonnes of manganese ore and 712,000 tonnes of manganese alloy. Our products include manganese ore, high and medium carbon ferro manganese, silico manganese and electrolytical manganese metal. In 2003 2004, sales to Asia were 41% for manganese ore and 31% for alloy. Europe accounted for 13% of manganese ore sales and 18% of alloy sales. Approximately 4% of ore sales and 25% of manganese alloy sales were to Northern America. The remainder of sales were mainly to Australia, the Middle East, South Africa and South America. Prices are determined through periodic client negotiations.

Hot Briquetted Iron

Boodarie Iron Western Australia

Our wholly-owned Boodarie Iron plant in Western Australia undertakes secondary processing of raw iron ore, purchased from the Mount Newman joint venture. We use Finmet technology to convert iron ore into hot iron briquettes for use in electric-arc furnace and integrated steelmaking operations. The North West Shelf Joint Venture supplies gas to the plant under a take-or-pay contract expiring in October 2013. We mainly export our briquettes to China, South Korea and Taiwan. We also provide briquettes to Bluescope Steel Limited s operations at Port Kembla.

The Boodarie Iron plant produced 1.7 million tonnes of briquettes in both 2003-2004 and 2002-2003.

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A fatal accident on 19 May 2004, has led to a suspension of operations at Boodarie Iron. A study of the incident, requested by the West Australian Department of Industry and Resources is expected to be completed by November 2004. The safety and viability of Boodarie Iron will be key determinants in deciding the future of the plant s operations.

HBI Venezuela

In 1997, we entered into a joint venture agreement with International Briquettes Holding (IBH), a subsidiary of Siderurgica Venezolana SACA, pursuant to which we became a 50% shareholder in Orinoco Iron.

Orinoco Iron constructed a new hot briquetted iron facility in Peurto Ordaz, Venezuela using Finmet technology at a cost of approximately US$915 million. The plant commenced operations in May 2000 and is continuing its production ramp-up. Production was initially constrained by commissioning difficulties and, in more recent times, a shortage of operating funds to allow multiple train operation.

In March 2001, Orinoco Iron defaulted on an interest payment and in April 2001, the lenders to Orinoco Iron accelerated the maturity of the principal and interest outstanding under the bank credit facility and made demands on the guarantors. As one of Orinoco Iron s guarantors, we paid 50% of the amounts due. We are working with the bank syndicates, the Venezuelan government and IBH to secure a financial restructuring package to enable the operation to continue. Negotiations are ongoing.

Reserves and Production

The tables below detail our iron ore, manganese and metallurgical coal reserves in metric tonnes, and are presented in 100% terms as estimated at 30 June 2004.

Iron Ore Reserves

		Proved Ore Reserve[5]			Probable Ore Reserve[5]			Total Ore Reserve			
		Tonnes			Tonnes			Tonnes			BHP
Ownership Deposit	Ore Type[6]	(wmt millions)	% Fe	% P	(wmt millions)	% Fe	% P	(wmt millions)	% Fe	% P	Billiton Interest %
Iron Ore[1][2][3][4]											
Mt Newman JV[7]	BKM	569	62.9	0.06	320	62.1	0.09	889	62.6	0.07	85
	MM	52	62.3	0.07	14	61.7	0.05	66	62.2	0.07	85
Jimblebar[7]	BKM	154	62.3	0.07	56	62.2	0.08	210	62.3	0.07	100
Mt Goldsworthy JV Northern Areas	NIM	9	61.9	0.07	3	61.9	0.03	13	61.9	0.06	85
Mt Goldsworthy JV Area C[7][8]	MM	343	62.0	0.06	156	62.5	0.06	499	62.2	0.06	85

Yandi JV[7]	CID	555	57.9	0.04	346	57.1	0.04	901	57.6	0.04	85

		Tonnes (dmt millions)	% Fe	% P	Tonnes (dmt millions)	% Fe	% P	Tonnes dmt millions)	% Fe	% P	
Samarco JV[9]	ROM	328	45.8	0.04	208	45.1	0.04	536	45.6	0.04	50

(1) The Reserves listed for each joint venture include a combination of High Grade (direct crusher feed) and Low Grade (usually requiring beneficiation). All tonnages are in wet metric tonnes, except for Samarco, which is in dry metric tonnes

(2) The Reserve grades listed refer to head grades for iron (Fe) and phosphorus (P), on a dry weight basis. Moisture content for BKM = 3%, MM = 4%, CID = 8%, NIM = 3.5%. Iron Ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed). Samarco is marketed predominantly as direct reduction and blast furnace pellets.

(3) Mining dilution and mining recovery (in general around 95 per cent) has been taken into account in the estimation of reserves for all Western Australian Iron Ore operations. For Samarco the mine recovery is 96.5 per cent (not included in the reserve estimate) of the stated diluted reserve.

(4) Metallurgical recovery is 100 per cent for all of the West Australian Iron Ores except for the low-grade part of the Whaleback deposit (181 million tonnes) where the beneficiation plant recovery is 59 per cent. For Samarco the beneficiation plant recovery is 57 to 59 per cent.

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(5) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Mt Newman JV	100 x 50m	300 x 50m
Jimblebar	50 x 50m	100 x 50m
Mt Goldsworthy JV Northern Areas	25m x 25m generally	50m x 50m generally
Mt Goldsworthy JV Area C	240 x 60m	600 x 60m
Yandi JV	100 x 100m Main ore zone, 75 x 75m weathered, marginal and basal zones	150 x 150m
Samarco JV	ALE 126: 180m x 159m x 16m; ALE 345: 150m x 114m x 16m;	ALE 126: 360m x 318m x 16m; ALE 345: 300m x 228m x 16m;
	ALE 7: 150m x 150m x 16m; ALE 8; 250m x 250m x 16m;	ALE 7: 300m x 300m x 16m; ALE 8: 500m x 500m x 16m;,
	ALE 9: 150m x 150m x 24m	ALE 9: 300m x 300m x 24m.

(6) Ore types are BKM Brockman, MM Marra Mamba, NIM Nimingarra, CID Channel Iron Deposit, and ROM Run of Mine.

(7) Changes to the Reserves for Mt Newman JV and Jimblebar are due to changes to Fe cut-off grades used for reporting and changes to reconciliation factors. For Newman satellite mines and Jimblebar, low-grade screen material is no longer included in the Reserve due to the change in cut-off grade. Changes to Reserves for Area C and Yandi are due to completion of a new life of mine plan that incorporates deposits not previously reported, as well as changes to the Fe cut-off grade used for reporting. Changes to Yandi are also due to the inclusion of Lower CID, which has previously not been considered as a Reserve.

(8) Whilst 85 per cent is shown as the BHP Billiton Interest for Area C, POSCO (a Korean steelmaker) has a 20 per cent legal interest in the C Deposit of Area C. In substance, the Group retains virtually all of this interest and this disclosure and the financial statements are prepared on this basis.

(9) Changes in the Samarco Reserve from that reported in 2003 are due to conversion of resource to reserve based on exploratory drilling results, the use of updated density parameters and depletion due to production.

Manganese Ore Reserves

	Proved Ore Reserve			Probable Ore Reserve			Total Ore Reserve			BHP
Deposit	Tonnes (dmt millions)	% Mn	% Yield	Tonnes (dmt millions)	% Mn	% Yield	Tonnes (dmt millions)	% Mn	% Yield	Billiton Interest %
Manganese[1] [2] [4]										
GEMCO [5]	61	48.7	47	33	47.4	46	95	48.2	47	60
Wessels	2.5	48.0		10	48.0		13	48.0		60
	Tonnes (wmt millions)	% Mn	% Fe	Tonnes (wmt millions)	% Mn	% Fe	Tonnes (wmt millions)	% Mn	% Fe	
Mamatwan [3]	33	37.7	4.6	19	37.2	4.7	52	37.5	4.6	60

(1) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
GEMCO	60m x 120m and 60m x 60m	120m x 120m
Wessels	Underground sampling within a 50m to 75m radius and incorporating 180m on average spaced surface holes	Based predominately on 180m spaced drill holes supplemented by some underground drilling.
Mamatwan	40m x 40m	80m x 80m

(2) Metallurgical recoveries for the operations are:

	% Metallurgical recovery
GEMCO	See above % Yield
Wessels	75%
Mamatwan	96%

(3) Mamatwan cut-off grade was revised from 37.5 per cent to 35 per cent
(4) Tonnages are on a dry basis, except for Mamatwan. Mining dilution and recovery is included in the reserve estimate.
(5) GEMCO Mn grades are reported as washed sample grades and as such reflect a recovered mineral product grade.

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Metallurgical Coal Reserves [4]

Ownership Deposit		Mining method [1]	Coal type [2]	Recoverable Reserve[4] Tonnes (millions)	Marketable [4] Tonnes (millions)	Calorific[3] Value (Kcal/kg)	Volatile[3] Matter (%)	Total[3] Sulphur (%)	BHP Billiton Interest (%)
Queensland Coal Reserves at operating mines									
CQCA JV									
	Goonyella[5]	OC/UG	Met	865	**556**		**23.6**	0.53	50
	Peak Downs	OC	Met	918	**493**		**20.4**		50
	Saraji	OC	Met	575	**331**		**18.4**		50
	Norwich Park	OC	Met	90	**63**		**16.8**		50
	Blackwater	OC	Met	268	**221**		**25.5**		50
	South Blackwater	OC	Met/Th	47	**48**		**29.1**		50
	Sub-total			2,763	**1,712**				
GREGORY JV									
	Gregory	OC	Met	15	**13**		**34.1**		50
	Crinum	UG	Met	50	**42**		**31.6**		50
	Sub-total			65	**55**				
BHP Mitsui									
	Riverside	OC	Met	4.4	**3.1**				80
	South Walker Ck	OC	Met/Th	129	**92**		**13.0**		80
	Sub-total			133	**95**				
Total Queensland Reserves at operating mines				2,961	**1,862**				
Queensland Coal Undeveloped Reserves									
BHP Mitsui									
	Poitrel/Winchester	OC	Met/Th	79	**62**		**22.8**		80
Total Queensland Undeveloped Reserves				79	**62**				
Total Queensland Reserves				3,040	**1,924**				
Illawarra Coal Reserves at operating mines [6]									
	Appin	UG	Met/Th	88	**76**	8,123	**22.7**	0.33	100
	West Cliff	UG	Met/Th	73	**62**	8,240	**20.8**	0.36	100
	Elouera	UG	Met/Th	3	**2.1**	8,261	**23.9**	0.57	100
	Dendrobium	UG	Met/Th	106	**73**	8,266	**22.9**	0.53	100
Total Illawarra Coal Reserves				270	**213**				

(1) Mining method: OC = open cut, UG = underground
(2) Coal type: Met = metallurgical coal, Th = thermal coal

(3) Coal quality is for a potential product rather than the in situ quality and is on air dried basis
(4) Proved Ore Reserves: max. 1000m spacing of geophysically logged, analysed, coreholes with >=95% recovery, Probable Ore Reserves: 1000m to 2000m spacing of geophysically logged, analysed, coreholes with >=95% recovery. Recoverable Coal Reserves (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which includes allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined.

Marketable Coal Reserve (tonnes) is the tonnage of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes, with moisture adjustment where applicable.

(5) Change due to depletion, additional data, remodelling, reclassification and amendment of OC and UG limits due to approval of Broadmeadow UG.
(6) Following year-end, a review of the Illawarra Coal Reserve and in particular the criteria used for classification commenced. It is anticipated that upon completion of this review there will be a reduction to the Illawarra Coal Reserve as well as some reclassification of Proven Reserve to the Probable classification. The focus of this review is on the certainty of our ability to gain mining authority from the state government and also the required geological data to support each Reserve classification. The final decision on the classification criteria is still under review and until this review is completed the Reserve is stated on the same basis as was reported last year.

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The table below details our coking coal, iron ore, manganese and hot briquetted iron production for the years ended 30 June 2004, 30 June 2003 and 30 June 2002. Production data shown is our share unless otherwise stated.

		BHP Billiton Group Share of Production			
		Year ended 30 June			BHP Billiton Group Interest
	Coal Type[1]	2004	2003	2002	%
		(thousands of tonnes)			
Iron Ore[2][3]					
Mt. Newman (Australia)		24,461	21,958	23,374	85
Jimblebar (Australia)		6,355	5,418	5,201	100
Mt. Goldsworthy (Australia)		5,844	6,693	6,447	85
Area C[4]		5,676	19		85
Yandi (Australia)		34,159	31,788	27,256	85
Samarco (Brazil)[5]		7,725	7,856	5,629	50
Total Iron Ore		84,220	73,732	67,907	
Queensland coal production CQCA joint venture					
Goonyella	Met	3,777	3,812	3,776	50
Peak Downs	Met	4,112	3,631	3,828	50
Saraji	Met	2,911	2,321	2,547	50
Norwich Park	Met	2,344	2,161	2,073	50
Blackwater	Met/Th	6,531	6,841	7,037	50
Total CQCA JV		19,675	18,766	19,261	
Total Gregory JV		2,859	2,525	2,440	50
BHP Mitsui Coal[6]					
Riverside	Met	3,323	2,641	3,402	80
South Walker Creek	Met/Th	3,658	3,927	3,341	80
Total BHP Mitsui Coal		6,981	6,568	6,743	
Total Queensland Coal		29,515	27,859	28,444	
Illawarra coal production					
Illawarra Collieries	Met/Th	5,845	6,763	7,088	100
Manganese Ore[7]					
(Australia)		2,451	1,853	1,668	60
(South Africa)		2,502	2,249	1,867	60
Total Manganese Ore		4,953	4,102	3,535	
Manganese Alloys[7]					
(Australia)		250	234	212	60
(South Africa)		462	503	406	60

Total Manganese Alloys	712	737	618	
Hot Briquetted Iron				
HBI Western Australia[8]	1,716	1,670	1,047	100
Total HBI	1,716	1,670	1,047	

(1) Coal Type: Met metallurgical, Th thermal.
(2) All figures for Australian iron ore are reported in wet tonnes.
(3) Australian iron ore production was higher than 2003 due to continued strong demand for all products in Asian markets, particularly China.
(4) Commenced production in May 2003.
(5) Production statistics relate to pellet production and concentrate and screens product.

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(6) BHP Mitsui Coal production shown on a 100% basis before 20% outside equity interest.
(7) Saleable production shown on a 100% basis. BHP Billiton interest in saleable production is 60%. These were operations of the BHP Billiton Plc Group prior to the DLC merger with the BHP Billiton Limited Group on 29 June 2001.
(8) Boodarie Iron commenced operations in February 1999. Following rectification of initial technical difficulties production has progressively ramped up since late in 2000. Production was suspended in May 2004 following a gas explosion.

Regulatory and Fiscal Terms

Western Australia

The Newman, Yandi and Goldsworthy mining, rail and port operations are conducted under agreements with the Government of Western Australia. The agreements have been ratified by Acts of Parliament.

In Western Australia, minerals belong to the Crown, and rights to mine are granted by the State Government. Royalty payments, based on the value of the iron ore that we sell, are made to the State Government for the right to extract the mineral.

Brazil

Exploitation concessions are granted by the Federal Government. A licence is valid until the depletion of the reserve, subject to mining operations being performed in accordance with an approved plan. Financial compensation for the exploitation of mineral resources is payable at a rate of 3% of net turnover from the sale proceeds. In addition to financial compensation for the exploitation of mineral resources, Samarco pays royalties for ore extracted from reserves belonging to CVRD. Samarco blends the ore from its own reserves with that from CVRD s reserves. The amount of royalties due to CVRD has been agreed at 4% of the total amount of dividends declared by Samarco per year.

There are no material restrictions on distribution and remittance of profits abroad. Payment of dividends and remittance of dividends are not subject to withholding tax.

Queensland

In the State of Queensland, the Government generally owns coal until it is mined (except at Crinum where coal is privately owned). At that point it becomes the property of the holder of the mining lease subject to payment of a royalty to the Government of Queensland. Matters of ownership of the coal and payment of the royalties are regulated under the Queensland Mineral Resources Act 1989 and the regulations made under this Act. The current royalty rate is 7% of the coal s invoiced selling price adjusted for the deduction of certain allowable charges as determined by the Minister.

New South Wales

All our Illawarra coal holdings in the State of New South Wales belong to the Government. Coal can only be mined by the holder of a Mining Lease under the Mining Act of 1992. From 1 July 2004, an ad valorem royalty scheme (based on the revenue value of product mined) was introduced, replacing the previous regime where a flat rate royalty of A$1.70 per clean tonne was paid on all coal mined.

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South Africa

South African Mining Charter

The Mineral and Petroleum Resources Development Act, 2002 took effect on 1 May 2004. It provides for State custodianship of all mineral resources and abolishes the prior system of privately held mineral rights provided for in the Minerals Act, 1991.

Where we have privately held mining rights, which are capable of conversion into the new form of mining rights provided for in the transition provisions of the Act, we will be eligible to lodge such conversion applications for a period of five years commencing on 1 May 2004. Applications for conversion of unused old order rights must be made by 30 April 2005. Each successful conversion will allow up to 30 years of mining rights with an additional 30 years granted if the terms of the original conversion remain intact.

In order for our old order rights to be converted into new order rights, we will be required to comply with the terms of the Broad Based Socio Economic Empowerment Charter which has been published under the Act. The Charter requires holders of mining rights to achieve 26% ownership participation by historically disadvantaged South Africans in their mining operations by 30 April 2014, of which 15% needs to be achieved by 30 April 2009.

The Act and the Mining Charter are not specific as to how the 26% will be measured (for example, value or tonnage or a combination of both). As a result, the South African government published a scorecard that provides guidelines for measuring the progress of mining companies towards meeting the requirements of the Mining Charter. Under the scorecard approach, the requirements for conversion deal not only with ownership, but also with such aspects as management, procurement and social development.

In addition to the ownership requirements, we will also need to satisfy other requirements of the Mining Charter in relation to:

- human resource development;
- employment equity (40% of management to be filled by historically disadvantaged South Africans);
- mine community and rural development;
- housing and living conditions; and
- procurement.

The conversion process also requires lodgement of a prescribed Social and Labour Plan, which aims to promote employment and advance social and economic welfare in order to contribute to transformation of the mining industry and to ensure contribution to the socio-economic development of the areas in which mines are located.

We support the broad objectives of the Mining Charter, most of which accord with long established programs that we have under way. We are already a prominent participant in the South African empowerment processes, including various empowerment transactions, corporate social investment through the BHP Billiton Development Trust and the Samancor Foundation, and in employment and procurement equity across our operations.

State-Owned Rights

Some of our more strategic mineral rights in respect of manganese were not privately owned mineral rights as described above, but were over alienated State land, the mineral rights over which were held by the South African government. Existing mineral rights over this land were abolished under the new legislation, save in respect of pending applications for mineral leases that had not been processed by the date on which the Act came into force.

The rights which Samancor previously held in respect of contemplated extension areas on alienated State land in the vicinity of its Wessels and Mamatwan manganese mines terminated on 30 April 2004, when the Department of Minerals and Energy refused a pending application for mineral leases over these areas under the Minerals Act, 1991.

In the meantime, Samancor has explored various options with an empowerment company with a view to consolidating Samancor s position with regard to its mineral rights. We are also conducting discussions regarding Samancor s manganese mineral rights with senior officials in the Department of Minerals and Energy.

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The Beneficiation Bill

A draft Beneficiation Bill, dealing with local beneficiation is currently in the process of preparation by the Department of Minerals and Energy. The purpose of this Bill is to incentivise local companies to do more beneficiation locally in exchange for some form of credits under the scorecard attached to the Mining Charter. According to an announcement in July 2004, the Bill will not compel local beneficiation but rather will ensure that local companies that want to beneficiate have sufficient access to raw materials.

The Royalty Bill

Royalties are currently payable to the State on profits in respect of State-owned minerals. The State is considering imposing royalties based on a percentage of revenue derived from the mining operation. Introduction of the Bill has been postponed and it is currently not known when the new legislation will become operative.

The draft Bill, released in March 2003 for public comment, suggests that holders of the new forms of mining right provided for in the above new Act will be required to pay a royalty to the State of disposals or exports of minerals, which royalty will be based on published tradable value or in the absence thereof on gross sales value. Proposed coal royalty rates were 2% on exported coal and 1% on domestically sold coal, 2% on manganese and 3% on chromite. A revised draft of the Bill is expected to be released towards the end of 2004 or the beginning of 2005, and, according to statements made by the National Treasury, may provide for lower royalty rates in the case of some minerals. The government has promised industry that no royalties would be payable before 2009.

Other Fiscal Issues

Relief from other fiscal impositions such as transfer duty, value-added tax and capital gains tax has been provided in the Revenue Laws Amendment Act, 2003 in relation to the transition from old rights to new order rights.

The National Treasury announced during 2004 that it intends to review the system of mining taxation, which may eliminate the current provision in terms of sections 15 and 36 of the Income Tax Act, 1962 for deductions of capital expenditure of mining companies in the determination of their taxable income.

Market Conditions

Global steel demand saw strong growth during the period July 2003 to June 2004, primarily due to buoyant Chinese consumption. China s very strong domestic consumption could not be met by domestic producers, so consequently steel imports rose strongly benefiting other steel producing countries. Global crude steel production rose strongly in 2003-2004 to a record level of around 983 million tonnes representing an increase of over 65 million tonnes. All regions exhibited growth, with the developing world led by China being responsible for most of the increase. Chinese production increased 22% in the 12 months to July 2004 continuing growth rates of over 20% for the past 3 years. China currently accounts for approximately 25% of global steel production. High Chinese steel demand has underpinned strong Japanese steel exports

resulting in sustained steel production of well over 110 millions tonnes, with high operating rates. China s high demand for steel saw production growth in other exporting counties including Russia, Ukraine, Brazil, and other Asian producers such as Korea, India and Taiwan. As a result the Asian share of global production has increased by 3% to approximately 46%.

Strong steel demand was one of the three major factors driving steel prices up in 2003-2004. Strong demand in Asia and a strengthening global economy recovery in 2004 saw the world steel industry operate at very high rates estimated to be over 92% of capacity. Consequently, steel prices rose from mid 2003 to early 2004. Recent Chinese measures to moderate economic growth resulted in a selected drop in regional steel prices but prices quickly rebounded by mid 2004. Secondly, rising production costs due to very rapidly increased freight costs and raw materials costs, scrap and metallics, and coke cost all contributed to rising prices both in base prices and the introduction of surcharges late in 2003. Thirdly, selected local raw materials shortages, e.g. merchant coke, have forced some steelmakers to reduce and or slow production further contributing to the generally tight market for steel products.

Global pig iron production followed the trends of crude steel production, reaching 676 million tonnes in 2003-2004, an increase of approximately 46 million tonnes. China maintained very strong production growth coincident with steel production. Currently, China accounts for over 33% of total global output. High production drove strong demand for all steelmaking raw materials including iron ores and metallurgical coals including pulverised coal injection coals.

High pig iron production in all key Asian economies during 2003-2004, coupled with modest increase in domestic ore production in China, resulted in seaborne iron ore shipments of approximately 530 million tonnes. The iron ore fines market was very strong, driven by higher imports from China on the back of strong pig iron production. The outlook for fines supply remains tight as Chinese seaborne demand is forecast to continue to increase strongly in 2004-2005, as domestic supply rises will be significantly below requirements. Strong demand for pig iron has also led to an increase in the demand for lump iron ore. Rising direct reduced

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iron production together with Chinese demand saw pellet demand pick up strongly in 2003 in line with all other iron ore products and is likely to remain in high demand in the near term.

Metallurgical coal demand has been very strong across all segments. Strong global demand for coke on the back of higher pig iron production, the redirection of Chinese merchant production to domestic markets, closure of non mechanical production, saw global shortages develop. This led to export prices rising to levels in excess of US$450 per tonne. The shortage of coke together with high prices has resulted in increased use of hard coking coals in coke blends at the expense of semi-soft coking coal. Supply for hard coking coal in China continues to lag demand resulting in a growing market for hard coking coal imports. The global coke shortage has seen demand for coking coal rise markedly as coke production increased in countries with additional capacity such as India. Growth in exports has been offset by a series of supply disruptions in major producing countries, Australia, Canada and the US, resulting in shortages which have impacted pig iron production in some producers. Even with new coking coal capacity coming on-stream in the short term, coking coal demand is expected to increase steadily with a number of new coke batteries under construction and consideration, thus the outlook is for a continuation of positive market conditions.

The strong steel market, together with production problems with direct reduced iron producers and tight scrap supplies have seen Asian scrap and metallics import prices rise to over US$350 per tonne. Hot briquetted iron prices have followed the same trend rising strongly in North American and Asia. Chinese steel growth has been a major factor in boosting global scrap demand and also resulted in higher hot briquetted iron demand, with China remaining our main market for Boodarie Iron. The market outlook is for sustained growth in Chinese demand for scrap and metallics, including hot briquetted iron, and with strong global economic and steel growth should see an increase in scrap and hot briquetted iron demand.

The strong global steel industry also resulted in an increase in demand for ferroalloys. Production problems and closures from western producers during the financial year saw high carbon ferro manganese experience a sustained strong price rise. Seasonal shortages of power as well as tight availability of coke and manganese ore resulted in Chinese exports being temporarily withdrawn from the Asian market, resulting in a surge in silico manganese prices globally during quarters three and four of fiscal year 2004. As with other steelmaking materials strong steel production in China saw a significant rise in alloy demand and strong growth in manganese ore imports as domestic manganese ore production was unable to respond to the demand increase. The increase of Chinese import ore requirements has resulted in demand outstripping supply in the short term. Sustained steel production due to the upturn in the global steel industry will likely lead to increased manganese ore and alloy demand.

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Diamonds and Specialty Products

The Diamonds and Specialty Products Customer Sector Group encompasses the existing businesses of diamonds, titanium minerals, Integris Metals and Minerals Exploration and Technology. Our EKATI Diamond Mine, of which we own 80%, is located in the Canadian Northwest Territories and is expected to produce, over the longer term, at an annual rate of approximately four million carats of gem-quality rough diamonds per year. EKATI Diamond Mine s current annual production represents approximately 5% of current world diamond production by weight and 8% by value. Richards Bay Minerals, of which we own 50%, is a heavy mineral sands mine and smelter based in South Africa. Integris Metals is a 50% owned metals distributor with branches throughout the US and Canada. Minerals Exploration is tasked with growing BHP Billiton s mineral resources through both greenfield and brownfield discovery as well as early-stage acquisitions. Technology is tasked with ensuring the use of optimal technology across BHP Billiton s operations, technical marketing of our products as well as generating growth opportunities through the development of new technologies.

EKATI Diamond Mine

The EKATI Diamond Mine is located in the Northwest Territories in Canada approximately 300 kilometres northeast of Yellowknife. Normal access to the site is provided by aircraft. Road access is available for about 10 weeks by ice road from late January to early April. Major facilities at the mine include camp accommodations, a truck maintenance shop with office complex, an equipment-warming shed, the process plant, a powerhouse, an all weather road access from the main complex to each pit and the Panda underground operation, which is under development.

The mine plan is based on multiple kimberlite pipe development. These deposits are located within a 30 km radius of the main development facilities. The Panda open-pit was initiated in 1997 and mining was completed in 2003 when the pit reached its ultimate mining limit. The BHP Billiton Board has approved the development of the Panda Underground operations to access the Panda ore reserve below the pit bottom. In calendar 2004, operating pits scheduled for ore production include Koala and Misery. Pre-production development of the Fox pipe was started in 2002 and it will begin producing ore in 2006. Predevelopment activities commenced in 2003 on the Beartooth pipe, located just north of the Panda pit; this pipe should also contribute ore in the 2004 calendar year. The processing plant began operation in mid-1998 at a designed rate of 9,000 tonnes per day. Production is currently averaging around 12,200 tonnes per day.

We own an 80% interest in the Core Zone joint venture that manages the property on which the mine is located. The other participants in the Core Zone joint venture are Charles E. Fipke and Stewart L. Blusson, each of whom holds a 10% interest. We also hold a 58.8% interest in property managed by the Buffer Zone joint venture. The other participants in the Buffer Zone joint venture are Archon Minerals Limited, which holds a 31.2% interest, and Charles E. Fipke, who holds a 10% interest. Tenure is secured through ownership of 370 mineral claims or mining leases. Mining leases have been granted for reserves until 2017, a period sufficient to cover production from current proved and probable reserves. At 30 June 2004, the joint venture had converted all except three of its claims, totaling 856,453 acres, to lease status. The three outstanding claims are in good standing and may be converted to lease status in the future.

The joint venture has continued surface exploration activities throughout the mine property area. Exploration core drilling of geophysical and geochemical targets during summer 2003 confirmed two additional kimberlite pipes bringing the total number of known kimberlite occurrences on the property to 152. Further evaluation work and engineering studies may bring some of these pipes into the mine plan.

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Reserves and Production

The table below details our diamond reserves (in dry metric tonnes and 100% terms), estimated at 30 June 2004.

Commodity		Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve		BHP Billiton
Ownership	Deposit	Tonnes	cpt Diamonds	Tonnes	cpt Diamonds	Tonnes	cpt Diamonds	Interest
		(dmt millions)		(dmt millions)		(dmt millions)		%
Diamonds[1][2][3]								
EKATI Core Zone	Beartooth	1.1	0.8	0.1	0.8	1.2	0.8	80
	Fox(4)	3.0	0.4	6.3	0.4	9.3	0.4	80
	Koala (oc)	1.2	0.6	2.0	0.7	3.2	0.7	80
	Koala (ug)			4.7	1.3	4.7	1.3	80
	Koala North (ug)			1.7	0.4	1.7	0.4	80
	Misery	3.4	2.2	0.7	1.7	4.1	2.1	80
	Panda (ug)	3.4	1.0	1.2	1.0	4.5	1.0	80
	Sable	9.1	0.6	1.2	0.6	10.3	0.6	80

(1) An equivalent drill spacing of approximately 30m and 60m are used to classify Proved and Probable Reserves, respectively. Diamond recoveries are variable per ore type, based on an effective 2.0mm square screen size cut-off and are included in the estimates of reserve grade.
(2) Diamond prices used for Ore Reserves reflect marketing assumptions in our current business plan.
(3) Mining method: oc = open-cut; ug = underground.
(4) Study of the Fox deposit economics in the previous year resulted in the first reporting of a reserve for this deposit.

The table below details our share of diamond production for the years ended 30 June 2004, 2003, and 2002. Our interest in EKATI Diamond Mine increased from 51% to 80% effective 3 July 2001, when we acquired a controlling interest in Dia Met Minerals Limited, which corporation was subsequently wholly acquired on 30 October 2001.

	Year ended 30 June		
	2004	2003	2002
	(000 s carats)		
Diamonds			
EKATI Diamond Mine (Canada)	5,482	4,340	3,650

Regulatory and Fiscal Terms

In Canada, title to land is divided into (a) surface rights, which can be acquired from the government (or the current owner thereof) and registered in Land Title or Registry offices within each Province or Territory, and (b) mineral rights which are reserved to the Government in most land grants and are granted by licence or lease to permitted miners or prospectors for a fixed term, subject to compliance with specified

annual rental and performance obligations. The government s title both to the land and the mineral rights has primacy, subject only to the burden of proven aboriginal title and treaties that may accord subsurface rights to the aboriginal party. Under the Constitution Act, 1867, the title to all mines, minerals and royalties was passed to the Provinces, which regulate the acquisition and development of mineral claims through provincial mining or mineral tenure legislation. The Northwest Territories is one of the few jurisdictions in Canada where, subject to aboriginal Land Claim Agreements, the bulk of government lands remain under federal control, with the acquisition and maintenance of title being governed by the Territorial Lands Act and the Canada Mining Regulations, the administration of which is handled by the federal Department of Indian and Northern Affairs Canada. Development of pipes at the EKATI Diamond Mine is regulated by the Mackenzie Valley Land and Water Board under the auspices of the Mackenzie Valley Resource Management Act of the Northwest Territories.

Market Conditions

Production from the EKATI Diamond Mine represents approximately 8% of the world supply by value. The principal supplier, controlling over 40% of global production, is De Beers, which, combined with global marketing contracts, gives them a market share of approximately 47%. Alrosa, which accounts for 98% of Russian production, produces about 17% of world supply. The other main independent sources are various mines in Angola and Rio Tinto s Argyle Mine in Australia and Diavik Mine near EKATI.

BHP Billiton Diamonds Inc. has marketed 100% of EKATI s rough diamond production since January 2003 (previously 35% was sold to De Beers under contract). Approximately 60-70% of sales are made to regular customers, 10-20% in smaller allocations by auction or negotiation to a much larger number of window customers, up to 7% under contract to three Northwest Territories

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manufacturers and the remainder sold as both polished diamonds and rough diamonds directly to jewellery retailers or polishers. Rough diamond sales are made in 10 cycles per year, approximately at five-weekly intervals, which is standard industry practice. In November 2002, the EKATI brand of polished diamonds was merged with the Aurias™ brand and programs are being instituted to expand the market for this product globally under the Aurias™ brand. Newly introduced in May 2003 was CanadaMark™, a hallmark program, which identifies the polished stones as being of Canadian origin. Polished diamonds for the branding operations are obtained through contract polishing programs or through buy-back arrangements with customers for rough diamonds.

Titanium minerals

Our interest in titanium minerals consists of our effective 50% interest in Richards Bay Minerals and a 100% interest in the TiGen minerals sands project in Mozambique. Richards Bay Minerals is jointly owned with Rio Tinto and our share was part of the Billiton Plc Group prior to the DLC merger with the BHP Limited Group effective 29 June 2001. Richards Bay Minerals was formed in 1976 to mine and beneficiate the sands in the coastal dunes north of Richards Bay in the province of KwaZulu-Natal, South Africa. These operations involve the mining of heavy mineral sands to produce ilmenite, natural rutile and zircon. Richards Bay Minerals processes the ilmenite to produce titanium dioxide slag and high purity iron.

Richards Bay Minerals mining leases are valid for the remainder of the mine life, although this may be affected by legislative changes flowing from the South African Mining Charter. Refer to Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter for further information.

Richards Bay Minerals mines heavy mineral sands using a dredging process in five ponds located in coastal dunes. In the concentrator, the heavy minerals are separated from the lighter sand particles by using a gravity separation process, and stockpiled as heavy mineral concentrate for transportation to the mineral separation plant. The sand residue is used for dune reshaping and rehabilitation.

The heavy mineral concentrate is transported from the mining plants to the mineral separation plant where the material is passed over a series of magnets that remove the ilmenite which is set aside to be fed into the smelter. The remaining material is further processed to produce zircon and rutile. The ilmenite, containing approximately 50% titanium dioxide, is transferred by conveyor for further beneficiation, which involves smelting to produce titanium dioxide slag, with a titanium dioxide grade of approximately 85%, and high purity iron.

Approximately 90% of the titanium dioxide slag produced by Richards Bay Minerals is suitable for the chloride process of titanium dioxide pigment manufacture and is sold internationally under medium-term contracts. The zircon, rutile and pig iron are sold as end products both internationally and locally.

We have a 100% interest in TiGen, a heavy mineral sands resource located at Moebase in Mozambique, 500 kilometres north of Beira. A preliminary feasibility study has been completed. Test work and analysis are ongoing.

Reserves and Production

The table below details our titanium minerals reserves (in metric tonnes and 100% terms) as estimated at 31 December 2003.

Commodity Ownership	Ore Type	Proved Ore Reserve Tonnes	Probable Ore Reserve Tonnes	Total Ore Reserve Tonnes	BHP Billiton Interest
		(million)	(million)	(million)	%
Titanium					
Richards Bay Minerals	TiO_2 slag	6.9	21.5	28.4	50

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The table below shows Richards Bay Minerals titanium minerals production for the years ended 31 December 2003, 2002 and 2001, in which we have a 50% interest. The data shown below is sourced from TZMI Mineral Sands Annual Review 2004.

	Year ended 31 December		
	2003	2002	2001
	(thousands of tonnes)		
Titanium slag[1]	700	810	875
Rutile[2]	70	90	90
Zircon[2]	235	260	245

(1) TZ Minerals International Pty. Ltd. estimates Richard Bay Minerals slag production from data reported by Rio Tinto.
(2) TZ Minerals International Pty. Ltd. estimates Richards Bay Minerals rutile and zircon production from a variety of industry sources.

Market Conditions

Over 90% of the world s titanium is used in the form of titanium dioxide pigment in the paint, paper and plastics industries.

Titanium dioxide pigment consumption has historically grown largely in line with global GDP. Overall, demand for titanium dioxide feedstock should grow in line with titanium dioxide pigment consumption, although demand for chlorinatable feedstock is expected to grow at a higher rate. The bulk of demand for titanium dioxide feedstocks, such as the titanium dioxide produced by Richards Bay Minerals, comes from a few major consumers, including Du Pont, Huntsman Tioxide, Kerr McGee Chemicals, Millennium Chemicals and Kronos. The bulk of supply comes from a number of major producers, including Richards Bay Minerals, QIT, a subsidiary of Rio Tinto, and Iluka Resources. Richards Bay Minerals is the second largest producer of titanium dioxide slag with approximately 12% of global titanium dioxide feedstock output in terms of contained titanium dioxide units. Supplies of titanium dioxide slag feedstocks are increasing and may increase further in the future as a result of increased production by recent entrants to the industry, such as Anglo-American and Ticor South Africa.

Co-products of heavy mineral sands mining and titanium dioxide slag production at Richards Bay Minerals include zircon and high purity iron. The major applications of zircon are as an opacifier in ceramic glazes, in the production of steel and glass and as a moulding sand in foundries. In producing titanium dioxide slag, ilmenite smelters can recover iron in the form of high purity pig iron from which low manganese pig iron is produced. This is a niche product at the upper end of the iron market and is used mainly in ductile iron castings in the automobile industry.

Integris Metals

Integris is the fourth largest metals service centre in North America, specialising in aluminium and stainless steel, although it also carries carbon steel, nickel, brass and copper products. These materials are sourced globally, further processed to customer specifications and delivered to customers across North America. The company has three dedicated processing centres and 59 branches throughout Canada and the United States.

Integris acts as an intermediary between high volume, bulk producers of metals and low volume customers seeking to use these materials to produce end-products. With a customer-base of more than 20,000, Integris is a leading supplier of products across many industries, including fabricated metal products, industrial machinery, commercial transportation, electrical equipment and appliances and building and construction.

Integris is headquartered in Minneapolis, Minnesota, US. We own the business equally with Alcoa and the business employed approximately 2,400 people as at 30 June 2004.

On 23 August 2004, BHP Billiton and Alcoa Inc announced that Integris Metals Corporation has filed a registration statement on Form S-1 with the US Securities and Exchange Commission for an initial public offering (IPO) of its common stock. The registration statement has not yet become effective.

Technology

We operate three industrial research and development laboratories, in Melbourne and Newcastle, both in Australia, and Johannesburg, South Africa, which serve the needs of our Customer Sector Groups. The tasks of the laboratories are to:

Develop and implement technologies that can provide significant competitive advantage and growth options;

Support our marketing programs, especially in carbon steel, with predictive modelling of various material sources when used by our customers in their products; and

Reduce technical risk in new capital projects.

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To ensure alignment with the Customer Sector Groups, these activities are paid for by the business groups. Our proprietary FALCON gravity gradiometry (an airborne geophysical technology that measures earth density variations from an aircraft which is a competitive advantage in the exploration for new mineral deposits) is a good example of the type of new technology development we are seeking. The number of staff directly employed on these activities is approximately 170.

The three research laboratories have as their main activities:

Newcastle mining, ferrous and non-ferrous minerals processing, hydrometallurgy, pyrometallurgy, mineralogy, process control, product performance, and sustainability:

Melbourne gravity gradiometry technology and mine optimisation:

Johannesburg non-ferrous minerals processing, bio-mining, remediation, process engineering, chemistry, microbiology and mineralogy.

Minerals Exploration

Our Minerals Exploration group seeks to expand our mineral inventory at new and existing sites. Targets for this group are generally large, low-cost mining projects. Minerals targeted include diamonds, copper, nickel, silver, coal and iron ore. The process of discovery runs the full range from early stage mapping through drilling. The program is global and prioritises targets, consistent with our assessment of the relative attractiveness of each mineral. The operating team for our FALCON™ exploration technology is also part of this team.

Our exploration activities are organised from four principal offices in Brisbane, Australia; Vancouver, Canada; Santiago, Chile; and Johannesburg, South Africa. The headquarters for the exploration group is in Melbourne, Australia. The group currently has approximately 170 employees.

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Energy Coal

Our Energy Coal group is the world s second largest producer and marketer of export thermal coal.

South Africa

Witbank Region

In the Witbank coalfield region of the Mpumalanga Province in South Africa, we operate five coal mines through our wholly-owned subsidiary, Ingwe Collieries Limited. The five coal mines are Douglas, Khutala, Koornfontein, Middelburg and Optimum. The Douglas and Middelburg mines are joint ventures with Xstrata Plc, in which we hold an 84% interest and Xstrata holds the remaining 16% interest. Ingwe wholly owns the remaining operations, Optimum, Khutala and Koornfontein, together with Klipspruit, a development opportunity currently being evaluated.

Douglas was commissioned in 1979. In 2003-2004, we produced 5.4 million tonnes of saleable coal (our share). The Reserve life at the Douglas Mine is approximately 9 years at the nominal capacity of 8.1 million saleable tonnes per year (of which our share is 84%). The reduction in the life of mine from FY2003 is due to the transfer of 70 million tonnes of marketable coal to Middelburg mine.

Khutala was commissioned in 1984. In 2003-2004, we produced 14.7 million tonnes of saleable coal. Reserves at the Khutala mine are expected to be sufficient for at least another 25 years at the nominal capacity of 12.8 million saleable tonnes per year. Koornfontein was commissioned in 1964. In 2003-2004, we produced 5.5 million tonnes of saleable coal. Reserves are expected to be depleted at the Koornfontein mine by 2007, based on the nominal capacity of 4.0 million saleable tonnes per year.

Middelburg was commissioned in 1982. In 2003-2004, we produced 14.1 million tonnes of saleable coal (our share). Reserves are expected to be depleted at the Middelburg mine in approximately 16 years based on the nominal mine capacity of 17.1 million saleable tonnes per year (of which our share is 84%). Optimum was commissioned in 1970. In 2003-2004, we produced 13.3 million tonnes of saleable coal. Reserves are expected to be sufficient at the Optimum mine for approximately 20 years at the nominal mine capacity of 13.8 million saleable tonnes per year.

During the year evaluation of the Klipspruit project continued, with the development of an associated mini-pit which produced 560,000 saleable tonnes. The mini-pit is providing information that will be utilised in assessing the feasibility of an expansion of this operation.

With respect to the above mentioned coal mines, the mineral rights are held by Ingwe Collieries Ltd and they may be mined until the reserves are depleted.

The mining method used depends upon the mine type. The open-cut mines utilise draglines together with truck and shovel operations, while the underground mines adopt board and pillar methods using continuous miners with Douglas also using continuous haulage. Koornfontein is an

underground mine, Optimum and Middelburg are open-cut, while Douglas and Khutala are both underground and open-cut.

We have entered into three coal supply agreements with Eskom, a public electricity service company in South Africa. The price of two of the contracts is a base price with escalation based on certain costs and inflation indices, while the third contract involves a cost plus arrangement based on a formula that includes a return on invested capital and inflation price escalation. The total energy coal supplied to Eskom in 2003 2004 was 31.9 million tonnes. In addition, 22.3 million tonnes were sold to other parties in 2003 2004.

In 2003-2004, we signed a Memorandum of Understanding with Anglo Coal to consider joint development of our resources in the Western Complex in South Africa s Mpumalanga Province, which will include Ingwe s Khutala and Klipspruit Operations. The investigation will include a review of the parties coal assets in the Ogies area (some 100 kilometres east of Johannesburg), in particular Ingwe s mines at Khutala and Klipspruit and the Weltevreden coal resources and Anglo Coal s coal resources at Zondagsfontein, Smaldeel and Beesting.

Anthracite Mine

The Zululand Anthracite Colliery (ZAC), which is located in the province of KwaZulu-Natal, South Africa, 48 kilometres northeast of Ulundi, was commissioned in 1984 to supply anthracite to both local and export markets. We own and operate the colliery. We mine a low ash prime product (8% to 9% ash) and a higher ash middlings product (15% ash). From these products, we screen a number of sized products to customers specifications. Total production in 2003 2004 of anthracite was 0.6 million tonnes. The mine has sufficient reserves for approximately another four years of mining and the mineral lease expires in August 2009.

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Richards Bay Coal Terminal

The Richards Bay Coal Terminal is located in the province of KwaZula-Natal in the northeast of South Africa. It has a capacity of 72 million tonnes per annum with the ability to handle 34 grades of product. It is owned and managed by its users. We own 37.4% of Richards Bay Coal Terminal and are the largest single shareholder. Anglo American is the second largest shareholder, holding a 27.5% interest, and Xstrata is the third largest shareholder, holding a 20.9% interest.

Australia

Mt Arthur Coal

Mt Arthur Coal is located in the Upper Hunter Valley area of New South Wales, some 100km by rail from the port of Newcastle. Our Mt Arthur Coal operation consists of the Bayswater mining area and the Mt Arthur North mining area. We signed a 21-year mining lease with the New South Wales Government in June 2001. Coal production from the Mt Arthur North area commenced in April 2002.

At Mt Arthur Coal, we produce thermal products for electricity generation and general industry use. In 2003-2004, we produced 8.7 million tonnes of saleable coal, which was sold to export and local markets. We have a supply contract of 15 million tonnes of coal to Macquarie Generation from 1 January 2003 to 31 December 2007. We export predominantly to Japan, Korea and Taiwan. Reserves from the Mt Arthur North coal deposit are expected to support production for in excess of 20 years. We are continuing to conduct mining studies to assess the viability of the adjacent Bayswater mining area which is likely to be extractable by predominately underground mining methods.

Mt Arthur Coal is an open-cut mine. Our current plan is to produce approximately 12 million saleable tonnes of coal per annum at full production, two thirds of which is currently designated for export markets. We conduct the operations on land to which we have title and access from public roads.

We load domestic coal onto a 10-kilometre overland conveyor system that connects the mine directly with the local power stations. We load export coal onto trains from the on-site train load out facility, commissioned November 2001, for delivery to Newcastle Port.

Other Australia - Wyong Areas Coal Joint Venture and Togara South

We are the manager and agent for the Wyong Areas Coal Joint Venture, which is assessing development potential for an area of more than 250 square kilometres in New South Wales, Australia.

We explored the Togara South deposit in central Queensland pursuant to an exploration permit that expired on 13 February 2002. We subsequently obtained a development licence which expires 30 September 2007.

During 2003-2004, a review of developments in Australia resulted in us re-evaluating our interests in the Wyong Areas Coal Joint Venture and Togara South deposit, and consequently expensing expenditure capitalised to date of US$37 million. We are currently evaluating exit options for these properties.

New Mexico

Navajo Mine

We own the Navajo surface coal mine, which is located in the Navajo Nation, New Mexico, US. The mine has been in operation since 1963 under a long-term lease from the Navajo Nation. The lease continues for as long as coal can be economically produced and sold in paying quantities. Navajo mine is an open-cut mine, has the capacity to produce 8 to 9 million tonnes of coal per year and is the sole supplier of coal to the Four Corners Power Plant operated by the Arizona Public Service Company. We transport coal 25 kilometres from the production areas via our railroad to the Four Corners Power Plant. We sell our coal under two contracts, each continuing until 6 July 2016. The customer has an option to extend these contracts for up to an additional 15 years. The price is a stated amount plus escalation based on certain cost indices for minimum annual quantities and an incremental price that is escalated annually for quantities in excess of these minimums, plus reimbursement of certain regulatory costs. Contractual deliveries have varied annually, principally because of generating plant shutdown schedules for maintenance and general market conditions. The bulk of the power generated at the Four Corners Power Plant is sold in California and Arizona. Reserves at the Navajo Mine will not be depleted under the current sale contracts mentioned above as these reserves are in excess of foreseeable Four Corners Power Plant requirements.

San Juan/La Plata Mines

We own the San Juan mine located in New Mexico. The mine began operating in 1974 as a surface mine. In October 2000, we approved the development of the San Juan underground mine to replace production from the existing San Juan and La Plata

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surface mines. Underground long wall mining commenced February 2001 and the San Juan Underground Mine reached full production in early 2004. The annual production will meet expected customer requirements, which is forecast to be 5.9 million tonnes/year. San Juan Mine has coal leases and is permitted, as required, to meet coal sales obligations.

We have entered into a long-term coal sales contract as the sole supplier of coal to the San Juan Generating Station operated by the Public Service Company of New Mexico. Under this fuel supply contract, we are obligated to supply coal to the San Juan Generating Station until the end of calendar year 2017. The price payable under the contract is determined by a formula that includes reimbursement of operating costs (including coal taxes and royalties), escalation for inflation and a return on invested capital. The bulk of the power generated at the San Juan Generating Station is sold in New Mexico, Arizona and California.

We also own the La Plata Mine, located northeast of the San Juan Mine. La Plata Mine began production in August 1986 and due to the development of the San Juan underground mine, the last deliveries were in early 2003. The mine-site is now undergoing reclamation.

Colombia

In September 2000, we acquired a one-third interest in Carbones del Cerrejon SA, in the Guajira Peninsula in northeastern Colombia. Each of Anglo American and Glencore International also own a one-third interest in Carbones del Cerrejon SA. Carbones del Cerrejon SA owned and operated the Cerrejon Central mine, which was commissioned in 1992 and had a capacity of approximately 3 million tonnes per annum of high quality export energy coal utilising a traditional truck and shovel operation. Reserves within the Carbones mining leases are sufficient to maintain production at least until the mining leases expire in 2022.

In November 2000, CZN SA, a consortium owned equally by Anglo American, Glencore and us acquired the Colombian government s 50% share of Cerrejon Zona Norte, an open-pit coal mine in the northeastern part of Colombia. Cerrejon Zona Norte was commissioned in 1986 and has a nominal capacity of 19 million tonnes per year. In February 2002, the consortium acquired Intercor, a wholly owned subsidiary of ExxonMobil Corporation, which owned the other 50% and operated the mine. Reserves within the Cerrejon Zona Norte partnership mining lease are expected to be sufficient to maintain production at least until the mining lease expires in 2034.

Following the Intercor acquisition the Cerrejon Central and Cerrejon Zona Norte mines have been integrated and the combined operation is now managed independently by the consortium. This combined operation is now called Cerrejon Coal Company.

In October 2002, the consortium approved the progressive expansion of Cerrejon Coal Company to 28 million tonnes per annum by 2007 to meet the growing demand in Europe and the Americas.

Cerrejon Coal Company utilises a dedicated 150-kilometre rail line and port infrastructure at Puerto Bolivar to deliver coal to the ultimate consumer.

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Reserves and Production

The table below details our energy coal reserves in metric tonnes, and is presented in 100% terms as estimated at 30 June 2004.

				Marketable Coal Reserve[4]					
Deposit [3]	Mining Method[1]	Coal Type[2]	Recoverable Coal Reserve[4] Tonnes	Tonnes	Calorific Value	Volatile Matter	S	Total Moisture [5]	BHP Billiton Interest
			(millions)	(millions)	KCal/kg	%	%		%
New Mexico - Operating mines									
San Juan	UG	Th	80	80	5,300	34.0	0.73	9.7	100
Navajo	OC	Th	224	224	4,800		0.84	13.0	100
South Africa - Operating mines									
Douglas	OC & UG	Th	96	69	6,640	23.8	0.70	8.0	84
Khutala	OC & UG	Th	317	317	4,470	21.0	1.00	8.0	100
Koornfontein	UG	Th	11	7	6,560	25.0	0.80	7.5	100
Middelburg	OC	Th	326	269	6,630	25.0	0.60	6.7	84
Optimum	OC	Th	345	269	6,640	24.0	0.50	8.2	100
ZAC	UG	Anth	3	2	7,400	5.4	0.80	6.2	100
Australia - Operating mine and project									
Mt Arthur Coal [6]	OC	Th	268	231	6,274	30.0	0.62	9.7	100
Colombia - Operating mine									
Cerrejon Coal Company	OC	Th	747	702	6,200		0.64	13.7	33.3

(1) OC = open-cut, UG = underground
(2) Th = thermal coal, Anth = anthracite.
(3) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
San Juan	0 - 500m	500m - 1km
Navajo	1100m maximum nearest hole spacing, 180m average	NA
Douglas	>6 Boreholes per 100ha	4-6 Boreholes per 100ha
Khutala	>16 Boreholes per 100ha	5-16 Boreholes per 100ha
Koornfontein	>8 Boreholes per 100ha	4-8 Boreholes per 100ha
Middelburg	>16 Boreholes per 100ha	5-16 Boreholes per 100ha
Optimum	>16 Boreholes per 100ha	5-16 Boreholes per 100ha
ZAC	>16 Boreholes per 100ha	5-16 Boreholes per 100ha
Mt Arthur Coal	<500m	500-1000m
Cerrejon Coal Company	> 6 boreholes per 100ha	2-6 boreholes per 100ha

(4) Recoverable Coal Reserves (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which includes allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined.
Marketable Coal Reserve (tonnes) is the tonnage of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes, with moisture adjustment where applicable.

(5) Coal moisture content is on an as received basis.
(6) The Mt Arthur coal reserves have reduced from that reported in 2003 due mainly to the reclassification of reserves back to resources based on our reporting policy that requires reserves to be within fully permitted areas only.

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The table below sets forth our energy coal production for the three years ended 30 June 2004, 2003 and 2002. Production data shown is our share unless otherwise stated.

	BHP Billiton Group Interest	BHP Billiton Group Share of Production Year ended 30 June		
		2004	2003	2002
	(%)	(millions of tonnes)		
Energy Coal				
New Mexico	100	13.23	14.16	13.25
Ingwe				
Optimum	100	13.34	13.79	12.49
Middelburg	84	14.13	14.22	14.15
Douglas	84	5.43	6.75	7.07
Koornfontein	100	5.49	6.11	6.08
Khutala	100	14.74	12.83	12.31
Klipspruit	100	0.56		
Riestpruit	50			1.44
Delmas	100			1.64
Zululand Anthracite Colliery	100	0.56	0.54	0.53
Sub total		54.25	54.24	55.71
Mount Arthur Coal	100	8.72	6.44	4.56
Colombia [1]	33	7.69	6.59	4.70
Indonesia[2]	80		0.27	4.62
Total		83.89	81.70	82.84

(1) We acquired our Colombian energy coal interests in September and November 2000. In addition, on 21 February 2002, we acquired another one-sixth interest in Cerrejon Zona Norte, increasing our interest to one-third of Cerrejon Zona Norte.

(2) The BHP Billiton Group historical energy coal production from Indonesia has been sourced from PT Arutmin mine and Kendilo mine. We sold our 80% share of PT Arutmin on 30 November 2001 and now only provide marketing services to the operation. Production at the Kendilo mine ceased in September 2002.

Regulatory and Fiscal Terms

South Africa

For a discussion of the Minerals and Petroleum Resources Development Act, 2002 and the South African Mining Charter, please refer to the discussion contained within the business description for the Carbon Steel Materials Customer Sector Group under the subheading Regulatory and Fiscal terms South Africa .

Ingwe is confident that the credits gained from previous transactions involving Historically Disadvantaged South Africans (Eyesizwe and Kuyasa) will entitle it to convert all the old order rights of its existing operations into new form mining rights in terms of the Act. To this end, Ingwe has already lodged applications in respect of its Khutala and Klipspruit operations in the prescribed form and will in due course lodge similar applications for its remaining operations.

Colombia

Please refer to the discussion contained within the business description for the Stainless Steel Materials Customer Sector Group subsection under the subheading Regulatory and Fiscal terms Colombia . Different royalty rates apply to the various energy coal contracts to which the entities in which we own a share are a party. The standard 38.5% income tax rate and the 7% remittance tax rate described apply to our Colombian energy coal interests, as these assets do not have a tax stability agreement. The 38.5% tax rate includes a 3.5% tax levy, which is expected to cease after 2006.

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Market Conditions

Coal is one of the world s most extensive, affordable and geographically diverse natural sources of energy. Energy coal, also referred to as steaming coal and thermal coal , is used in combustion processes by electricity producers and industrial users to produce steam for electricity and heat. Demand for energy coal arises principally from its use as a fuel, with approximately 93% of energy coal used for electricity generation and heating.

The global export energy coal market is largely a seaborne market, with land traded coal accounting for typically 9% of exports. Key coal exporting nations, like Australia, China, Indonesia, Colombia and South Africa, ship coal into the Pacific market and Europe.

The export energy coal market is the most rapidly growing segment of the global coal industry, having expanded from 275 million tonnes in calendar 1996 to 445 million tonnes in calendar 2003.

Growth in energy coal demand is closely related to growth in electricity consumption. The Energy Information Administration reports that net worldwide electricity consumption increased at an average rate of 2.6% per annum between 1990 and 2002, and is projected to double between 2001 and 2025, with the highest growth rates expected for the countries of the developing world. The demand for electricity will continue to be driven by population growth and increases in per capita income.

The cost of fuel is typically the largest variable cost involved in electricity generation. Energy coal, natural gas, oil, nuclear energy and hydropower compete as sources of energy. On an energy basis, coal is currently the cheapest fossil fuel for electricity generation.

Energy coal prices were volatile during 2003-2004. European reference prices were US$37.82 per tonne in June 2003, increasing to US$73.29 per tonne in June 2004. A comparable increase can be seen in South Africa reference prices, which increased from US$27.22 per tonne in June 2003 to US$63.72 per tonne in June 2004. Newcastle (Australia) reference prices increased from US$23.56 per tonne in June 2003 to $61.42 per tonne in June 2004. The increased prices reflect higher demand from North Asia, driven by new installed power generation capacity, and increased demand in Europe as the result of record high summer temperatures. Supply disruption was seen from Indonesia due to heavy rain, compounded by tight supply from China.

Most of the growth in energy coal exports in recent years has come from Australia, China, Colombia, Indonesia and South Africa. Over the forecast period increased demand is expected to be met primarily by supply growth from China, Colombia, Australia and Indonesia.

Australia is the largest exporter of energy coal. It benefits from a particularly strong position in the Japanese market where it accounted for approximately 52% of all energy coal imports in calendar 2003. Australia s leading position is a result of its high quality reserves, competitive production costs, history of reliable supply and relative proximity to key Asian markets. Indonesia was the second largest exporter of energy coal in calendar 2003, followed by China third, South Africa fourth and Colombia fifth.

Energy Marketing and Trading

For a description of the activities of the Energy Marketing and Trading group refer to Petroleum Energy Marketing and Trading in Item 4B.

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Stainless Steel Materials

Our Stainless Steel Materials Customer Sector Group is the world s fourth-largest nickel metal producer and the second-largest producer of ferrochrome.

Nickel

Cerro Matoso

We own 99.82% of the shares in Cerro Matoso S.A., a company incorporated under the laws of Colombia. Current and former employees hold the remaining interest in Cerro Matoso.

Through Cerro Matoso, we own an integrated open-pit mine and ferronickel smelter. The mine is located in northern Colombia, 400 kilometres south of the Caribbean port of Cartagena. We access the site from a national highway. The orebody is geologically similar to other lateritic nickel deposits but has the advantage of a relatively high nickel grade and a concentrated mining area, which lends itself to simple and efficient open pit mining. The smelter at the mine produces ferronickel granules with an average chemical composition of approximately 35% nickel and the balance iron. Low levels of carbon, phosphorous and sulphur make it a preferred product for stainless steel producers.

Cerro Matoso commenced production at the mine in 1982 when Royal Dutch Shell was the 47% owner of the mine and the Colombian government held the remaining interest. In 1996, the Colombian government elected to sell its interest in the mine to us in return for amendments to the mining rights relating to the mine. In 1999, we increased our interest in Cerro Matoso to 99.82%.

Cerro Matoso operates under Colombian government mining concessions expiring in 2012 and an Aporte Minero, which is a contractual mining right granted from the Colombian government. The Aporte Minero extends Cerro Matoso s mining rights through to 2026 and provides Cerro Matoso with an option to extend the mining rights to 2041.

Our processing operations smelt and refine ore. We feed the ore into a rotary drier and then to a rotary kiln or calciner. Following smelting, we refine the molten ferronickel in a ladle refining system and cast it into ferronickel granules for sale. We transport ferronickel product to the Port of Cartagena through a local contractor. The state of Colombia provides gas and electricity to the site.

In January 2001, Cerro Matoso commissioned a second production line at the mine at a cost of US$298 million. The development was a duplication of the existing ferronickel plant and which has resulted in an increase in total nickel production at the mine from approximately 28,000 tonnes per year to approximately 50,000 tonnes per year. We achieved a record production in 2003-2004 of 49,098 tonnes of nickel in ferronickel. Our currently planned project life is through to 2020.

QNI

Through our wholly owned subsidiary QNI Pty Ltd, we own and operate the Yabulu nickel and cobalt refinery located 25 kilometres northwest of Townsville, Queensland, Australia.

We access the Yabulu refinery from a public highway and the Queensland Rail railway network. At the railway s connection in the Port of Townsville, we own and operate an ore receival berth and unloading, storage and rail transfer system. We transport production from Yabulu by road to the Port of Townsville and other Australian ports for overseas shipment. We purchase approximately 3.5 million wet tonnes per year of nickel and cobalt-bearing laterite ore from third party mining enterprises in New Caledonia, Indonesia and the Philippines under short and medium term supply agreements. The ore price is linked to the nickel and cobalt metal content and the then-current metal prices. We process lateritic nickel ore using the reduction roast ammonia-ammonium carbonate leaching process in combination with a solvent extraction process that was developed and patented at the refinery. Our cobalt purification plant produces a high purity cobalt oxide hydroxide product. The Yabulu refinery is a major laterite nickel refinery with an annual production capacity of approximately 32,000 tonnes of nickel and 2,000 tonnes of cobalt. Record production was achieved in 2003-2004 of 32,582 tonnes of nickel and 1,890 tonnes of cobalt, with an increase in the purchased ore grade and higher operating efficiency contributing to this result.

We sell the nickel products with varying metal content in the range 78% to 99% nickel. We sell the cobalt in oxide-hydroxide form.

We source power and steam used in production principally from an on-site, coal-fired power station with coal supplied under long-term contract with MIM Holdings from the Collinsville mine near Mackay, Queensland. We obtain additional electrical power under a long-term electricity supply agreement with Ergon Energy.

In March 2004, we approved the expansion of the refinery (in conjunction with the development of the Ravensthorpe project described below). At an estimated cost of US$350 million, the expansion will increase nickel production capacity of the existing

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solvent extraction and cobalt processing facilities to an estimated 76,000 tonnes per annum and with the life of the refinery being extended by approximately 25 years.

Exploration and Development

Through QNI, we own the Ravensthorpe nickel project in Western Australia under mining tenements expiring in 2019, with an option to extend to 2040. The Ravensthorpe project comprises a proposed laterite nickel mine and acid leaching plant and an associated expansion at Yabulu to refine the intermediate product produced. In March 2004, we approved the development of the mine, treatment plant and associated infrastructure near Ravensthorpe, Western Australia. At an estimated cost of US$1,050 million, we expect it to take us approximately three years to construct the project, which will provide up to 45,000 tonnes per annum of nickel in a concentrated intermediate product for refining at the expanded Yabulu refinery. Once implemented, we anticipate that the project, together with the expansion of the refinery, will result in a reduction in Yabulu s unit costs.

We are continuing other worldwide exploration in both laterite and sulphide nickel regimes. We hold a 75% managing interest in the Gag Island project in Indonesia with Aneka Tambang holding the remaining 25% interest. In February 2002, work was suspended on the project because of the introduction of Indonesia Law 41/1999, prohibiting open cast mining in Protection Forest areas.

Chrome

Samancor, in which we have a 60% interest and Anglo American has the remaining 40% interest, operates seven chrome ore mines, comprising two open pit and five underground operations, as well as three fully integrated chrome alloy plants located in the Mpumalanga and Northwest Provinces of South Africa. The mines and alloy plants are all linked to South Africa s rail and road networks, including access to South Africa s shipping ports of Durban and Richards Bay. Samancor also has a 50% share in a joint venture with Xstrata Ltd, comprising two electric furnaces operated by Xstrata Ltd at its Wonderkop site, North West Province. Power is supplied to the Samancor operations from the South African national grid under contract with Eskom, the local power utility.

Samancor s chromite operations are organised under two mining centres: Eastern Chrome Mines based at Steelpoort and Western Chrome Mines at Mooinooi.

Eastern Chrome has four mines operating currently: Steelpoort, which was commissioned in 1929 and has a nominal capacity of 280,000 saleable tonnes per year; Lannex, which was commissioned in 1956 and has a nominal capacity of 400,000 saleable tonnes per year; Lannex Open Cast, which was commissioned in 2002 and has a nominal capacity of 120,000 saleable tonnes per year; and Tweefontein, which was commissioned in 1932 and has a nominal capacity of 600,000 saleable tonnes per year. Reserves are expected to be depleted from the Eastern Chrome mines in 2013.

Western Chrome has three mines operating currently: Millsell, which was commissioned in 1957 and has a nominal capacity of 428,000 saleable tonnes per year; Moinooi, which was commissioned in 1976 and has a capacity of 700,000 saleable tonnes per year; and Buffelsfontein East, which has a nominal capacity of 240,000 saleable tonnes per year. Reserves are expected to be depleted from the Western Chrome mines in 2014.

Mining methods are a mixture of underground and open-cut operations which vary across the group in line with the nature of the orebodies mined. Ore processing comprises beneficiation using screening and gravity separation equipment producing varying specification concentrates. Samancor sells some of the ores and concentrates, but it converts the majority of the concentrates into ferrochrome using submerged and direct-current arc furnace technologies.

Samancor produces three grades of ferrochrome called charge chrome, medium-carbon ferrochrome and low-carbon ferrochrome. Each of these products is used in different areas of the stainless steel and specialty steel smelting process.

Samancor s production has remained constrained by market demand for its ferrochrome products. This constraint has been partially overcome by the strategic alliances that Samancor has established with its major customers, including through its production joint ventures.

We are in the process of evaluating offers received, for the purchase of Samancor Chrome, which could possibly lead to the sale of the business.

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Reserves and Production

The table below details our stainless steel materials ore reserves in metric tonnes, and are presented in 100% terms as estimated at 30 June 2004.

Commodity Deposit [2][3][4]	Ore Type	Proved Ore Reserve Tonnes (dmt millions)	Proved Ore Reserve %Ni	Probable Ore Reserve Tonnes (dmt millions)	Probable Ore Reserve %Ni	Total Ore Reserve[1] Tonnes (dmt millions)	Total Ore Reserve[1] %Ni	BHP Billiton Interest %
Nickel Australia - Projects								
Ravensthorpe[5]	Laterite	125	0.73	138	0.57	263	0.65	100
Nickel - Colombia								
Cerro Matoso[6]	Laterite	38.7	1.89	11.7	1.59	50.4	1.82	99.8
		Tonnes (dmt millions)	**% Cr_2O_3**	**Tonnes (dmt millions)**	**% Cr_2O_3**	**Tonnes (dmt millions)**	**% Cr_2O_3**	
Chrome - South Africa Operating mines								
Western Chrome	Oxide	10	36.1	14	35.9	24	36.0	60
Eastern Chrome	Oxide	6.8	37.9	10.7	41.2	17.5	39.9	60

(1) Mining dilution and mining recovery are accounted for in the reserve estimates.
(2) Reserves for Cerro Matoso nickel are estimated on the basis of a 1.0 per cent nickel cut-off, reserves for Ravensthorpe nickel are estimated on the basis of a diluted/contaminated resource model grade of 0.3 per cent nickel cut-off, chrome is based on a 38 per cent Cr_2O_3 in situ cut-off.
(3) Metallurgical recoveries for the operations are: Cerro Matoso 86 per cent nickel; Western Chrome 73.6 per cent saleable from ROM; and Eastern Chrome 60-85 per cent saleable from ROM.
(4) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Ravensthorpe	40m by 50m	80m by 100m
Cerro Matoso	< 17m	> 17m and < 33m
Western Chrome	300m by 300m	600m by 600m
Eastern Chrome	300m by 300m	600m by 600m

(5) Ravensthorpe is being reported for the first time, following BHP Billiton Board approval for development in March 2004.
(6) Changes to the Cerro Matoso ore reserve are due to a reduction for tonnage mined and a change in cut-off grade from 1.1% to 1.0% Ni.

The table below details our stainless steel materials production for the three years ended 30 June 2004, 2003 and 2002. Production data is shown on 100% basis.

Year ended 30 June

		BHP Billiton Group Interest	2004	2003	2002
		(%)			
			Tonnes (thousands)		
Nickel[1]	- Cerro Matoso	99.8	49.1	46.9	40.4
	- QNI Yabulu	100	32.6	31.2	28.5
	Total		81.7	78.1	68.9
Steel and Ferroalloys[1]	Chrome alloys	60	1,026	990	837

(1) These were operations of the BHP Billiton Plc Group prior to the DLC merger with the BHP Billiton Limited Group on 29 June 2001.

Regulatory and Fiscal Terms

Colombia

In Colombia, except for a few exceptions, the subsoil is owned by the State. The State may authorise private parties to explore and develop mineral deposits under concession contracts. Until 2001, they could also be developed under Exploration and

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Exploitation Contracts executed with specialised agencies of the Colombian State. However, as of 2001, Colombia s New Mining Code permits only concession contracts, which are awarded by a single entity and are subject to a standard set of conditions.

During the period of exploitation of the Mining Concessions, Cerro Matoso must pay to the government a royalty of 8% of the minehead value of nickel extracted, determined by reference to the international market price for the nickel contained in the ferronickel (from which price the costs of transport, processing and other costs accruing after the exploitation of the mineral are deducted). During the five years of extension of Concession 866, which is from 1 October 2007 through 30 September 2012, this royalty will be calculated in the form prescribed in Law 141 of 1994: the royalty increases from 8% to 12% and deductible costs decrease from 100% to 75% of furnace processing costs, handling costs, costs of transport and port costs .

In 1998, Cerro Matoso signed a contract of tax stability with the National Tax Administration, which specifies that CMSA agrees to pay 2% in addition to the general corporate income tax rate of 35%. In return, for a period of 10 years (1998 to 2007), Cerro Matoso is not subject to increases of the income tax rate or to new national taxes or contributions that may be established after that date.

Exchange regulations in force permit the remittance of dividends to foreign shareholders without limitation. Dividends paid or credited on account to domicile foreign shareholders are subject to remittance tax that must be withheld at the source, at the rate of 7%.

South Africa and South African Mining Charter

Please refer to Business Description Carbon Steel Materials Regulatory and Fiscal Terms South Africa . For a discussion of the South African Mining Charter refer to Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter for further information.

Market Conditions

We supply the stainless steel industry, which accounts for approximately 86% of our sales of nickel and ferrochrome. Our principal customers are ten stainless steel producer groups. The other 14% of our sales of nickel and ferrochrome is sold to the specialty alloy, chemical and refractory material industries. In 2003 2004 approximately 49% of our shipments of nickel and ferrochrome were to Asia, 31% to Europe, and the balance to other areas. We base our prices for nickel and cobalt on market prices, while we generally determine chrome product prices through quarterly negotiation.

Nickel, chrome and cobalt prices remain volatile, driven by both supply and demand factors. Producers continue to be largely price takers, with active terminal or near-terminal markets defining prices. Factors influencing our stainless steel materials product market in recent years include:

- the ready availability of stainless steel scrap, which is generally a cheaper source of nickel and chrome, however, global scrap availability is expected to be constrained over the next decade, such that on average the ratio of scrap in new stainless steels will remain steady or decrease;

the expectation that the laterite processing pressure acid leach technology would lead to an oversupply of nickel and cobalt depressed prices in the late 1990s;

the low cost of establishing ferrochrome production led to an oversupply in primary chrome, which, in combination with the availability of chrome in stainless steel scrap, has significantly depressed prices. While the inventory oversupply has now been reduced, the low cost of entry to the chrome industry remains an issue facing producers, which is further complicated by the strength of the South African Rand; and

falling world economic activity and particularly industrial production with which nickel and chrome is closely correlated. Recently the improvements in global economic activity and in particular the commodity intensive growth occurring in China have had a positive impact on both demand and prices.

Nickel prices historically have demonstrated greater price volatility than most other metals and the recent past has been no exception. The nickel price briefly decreased to US$2.00 per pound during the 2001 economic slowdown. By June 2004, nickel was trading above US$5.00 per pound. Both nickel supply and demand are price inelastic within the above range and thus low prices tend to take a considerable time to induce plant closures and the price recovery is likely to be sustained only by recovery in the macroeconomic cycle. The recent rapid increase in the nickel price is believed to have been driven by a combination of strong Chinese demand and investment fund buying; the latter on an expectation of a future nickel supply deficit. The view of most market analysts is that production is currently less than demand and that this will prevail for at least the next two years.

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Freight Trading and Logistics

We have a centralised ocean freight group, which manages our in-house freight requirements.

The primary purpose of the group is to create competitive advantages for us through the procurement and operation of quality and cost effective shipping, and to contribute to group profitability by trading freight and carrying external cargoes.

The group participates primarily in the dry bulk sector aligned with our major trades and handles approximately 80 million tonnes of cargo. At any one time we have approximately 90 ships employed making the group one of the world s largest users of dry bulk shipping. The majority of vessels are chartered, although the group retains an equity interest in six vessels. Combined with external freight, the total turnover of the group is approximately US$1.7 billion per year.

The group is based in the Hague, Netherlands where it is an integral part of our marketing function. A smaller Melbourne-based group is in place to directly support Australian and Pacific-based shipping activities.

In addition to its freight management and trading activities, the group incorporates a skill base to manage its marine risk and provide technical support for the equity vessels.

We hold a number of marine related investments, including a shareholding in shipping risk manager Rightships of Melbourne, and at 30 June 2004 we held an investment in an Australia-based ship manager contracted to undertake technical management of owned vessels, however, we sold this investment on 2 July 2004.

Steel

The spin-off by BHP Billiton Limited of its entire steel flat and coated products business was completed on 22 July 2002 and BHP Steel Limited (now known as BlueScope Steel Limited), the company that owned directly or indirectly the steel flat and coated products business, ceased to be a subsidiary of BHP Billiton on that date. Under UK GAAP, as the spin-off became unconditional on 1 July 2002, the spin-off was consummated on that date. Under US GAAP, a measurement date was reached on 26 June 2002 when shareholders approved the demerger. For both UK and US GAAP, the Steel operations are treated as discontinued in the BHP Billiton Group Annual Financial Statements.

The following table sets forth our production of steel and nominal operating capacity for the year ended 30 June 2002.

	Year ended 30 June 2002

	Actual Production	Nominal Capacity
	(tonnes)	
Raw Steel		
Australia	4,754,000	5,000,000
New Zealand	552,000	600,000
US (50% share)	800,000	770,000

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Health, Safety and Environment

Our facilities and operations are subject to extensive general and industry-specific, health, safety and environmental regulations in countries where we operate. These regulations include those relating to mine rehabilitation, the handling and disposal of hazardous and non-hazardous materials and occupational health and safety.

We employ health, safety and environmental experts to advise us on technical and regulatory matters relevant to the management of our facilities and operations and we continually invest in plant and equipment to ensure that we comply with our obligations under health, safety and environmental laws and regulations.

The costs of future compliance or further investments required to meet health, safety and environment laws and regulations are difficult to estimate but we consider it unlikely that these costs would have a material adverse effect on our financial position or results of operations.

Our approach to health, safety and the environment is incorporated in our Charter (our Charter is a statement that outlines the Group s purpose, values and overall mission), which states that we have an overriding commitment to health, safety, environmental responsibility and sustainable development. This is further codified in our Health, Safety, Environment and Community Policy, which states that we will:

meet and, where appropriate, exceed applicable legal requirements;

set and achieve targets that include reducing and preventing pollution; and

strive to achieve leading industry practice.

In addition, we follow management standards that form the basis for the implementation of our Health, Safety, Environment and Community policy and associated management systems at all levels. They cover the entire life cycle of operations including decommissioning, closure and rehabilitation.

To complement the management standards, we require our sites to assess their potential exposure to Human Rights issues using a self-assessment tool. This is consistent with our target of ensuring that we are involved in no transgressions of the Principles contained in the United Nations Universal Declaration of Human Rights.

Closure related activities have the potential to impact cash flow, accounting provisions, residual liabilities and access to future resources. We have adopted a Closure Standard in response to these issues. The Standard comprises a number of requirements including estimating expected cost and financial provisioning for closure. We make provision for the rehabilitation and closure of the Group s mining and processing facilities along with the decommissioning of offshore oil platforms and infrastructure associated with petroleum activities.

At 30 June 2004, our provision for site rehabilitation, decommissioning and remediation was US$2,783 million. The more significant sites covered by this provision and the type of rehabilitation and/or remediation work contemplated are described under the section Decommissioning, Site Rehabilitation and Environmental Costs .

There is a serious problem with HIV/AIDS infection among our Southern African workforce, as there is in Southern Africa generally. The World Health Organisation estimates that a representative percentage of the Southern African population is living with HIV/AIDS. The HIV/AIDS infection rate of our Southern African workforce is expected to increase over the next decade. The costs and lost worker s time associated with HIV/AIDS may adversely affect our Southern African operations. We have set up universal health insurance for all employees as a condition of employment. Funding provided by the company for all employees ensures that appropriate affordable insurance is available including provision of relevant treatment for HIV/AIDS, and in some cases this is associated with a managed care program to ensure that HIV/AIDS is properly coordinated and funding provided is used in an optimal manner. Entry into HIV/AIDS treatment programs provided through the medical insurers is fully confidential to the employee.

We recognise the potential implications of the December 1997 Kyoto Protocol, which established a binding set of emission targets for developed countries ratifying the Kyoto Protocol. Despite the United States, Australia and certain other countries not ratifying the Protocol, the Governments of these countries have agreed that they would continue negotiations to implement the Kyoto Protocol. Subsequent negotiations have advanced the flexibility of the proposals with the intention of lessening the economic costs to participating countries meeting their emission limitation obligations. It is uncertain, at this stage, how the Kyoto Protocol will affect our operations and our customers.

The European Registration, Evaluation and Authorisation of Chemicals (REACH) -system is anticipated to commence operation in 2006. REACH will require manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be used without negatively affecting health or the environment. The extent to which our

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operations and customers are impacted by these changes is not yet clear. Additional compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs may eventuate.

Petroleum

Certain health, safety and environment issues and developments currently relevant to our petroleum operations are summarised below.

In May 1998, we divested our petroleum businesses in Hawaii. We indemnified the buyers for certain past liabilities and capped this indemnification at US$10 million, much of which has now been spent. Following the divestment, we retained some environmental liabilities for which we have indemnified the buyer and which are uncapped, as described below.

We operated a petroleum terminal, now decommissioned, at a site that is within an area that has since been declared a Hawaii State Superfund Site. We are currently participating in a voluntary effort with a number of other parties to undertake site assessment, to be followed by a risk assessment, and ultimately risk-based corrective actions.

Also within the Superfund area is land owned by us, which previously contained a manufactured gas plant. Litigation over a claim brought by a neighbor, Castle & Cooke, asserting that contamination on its property arose from this land, was settled in December 2000. We have engaged a contractor to remediate the former gas plant site to the satisfaction of the Hawaii Department of Health and to meet conditions of the Settlement Agreement. The State of Hawaii has previously requested information from us with respect to contaminated material unearthed in the vicinity of another former manufactured gas plant site in Hilo.

In the UK and Australia, operators of offshore petroleum facilities are required by law to develop and submit a safety case to the regulator for review and acceptance before they can operate. Under the regulations, the operator is required to demonstrate, through a formal process of safety studies, risk assessment and cost-benefit analysis measured against specific performance standards and acceptance criteria, that the risks to the safety of workers on the facility have been reduced to a level which is as low as reasonably practicable .

Our safety cases have been accepted for all our operated offshore facilities in the United Kingdom and Australia. We are also ensuring safety cases are developed and implemented for new petroleum projects, including where it is not a requirement of local legislation. We are continuing to improve the safety cases by conducting regular reviews in consultation with our workforce.

Aluminium

We are actively involved within the Aluminium industry to develop protocols for measurement and management of greenhouse gas as a consequence of Aluminium production. Our operations focus is on the reduction of greenhouse gas intensity and fluoride emissions through the implementation of technology and management of ongoing operational practices to improve performance.

We have contributed to a life cycle analysis of aluminium end-products through our participation in the industry association. This study will continue as we develop a strategy to reduce potential impacts from the use of our products

Base Metals

The European REACH system would in its current form affect products imported to Europe after 2007. Base Metals products (concentrates and metals) would be affected by the Policy. BHP Billiton is actively working with industry to ensure metals in various intermediate stages of processing receive fair treatment under the proposed new regime.

Our operating, inactive and closed mine properties must maintain and annually review closure plans and provisions according to company policies and guidelines. At all of our sites, developments in government policy or legislation can affect operating mines and requirements for other health, safety and environment matters. In all jurisdictions where we operate, we work proactively with industry associations, government bodies and affected stakeholders to ensure policies and regulations are based on sound principles and to plan effectively for changes as they arise.

BHP Copper Superior is an inactive underground mine, mill and smelter complex. Smelting activity at the site ceased in 1971 and mine and mill operations ceased in 1996. Under a joint-venture agreement, Resolution Copper Company, a Rio Tinto Company, now manages the site. BHP Copper, however, has retained management of certain activities associated with prior operations. This includes a Voluntary Remediation Program (VRP). A component of the VRP is a Voluntary Risk Program work plan which has been filed with the Arizona Department of Environment Quality to determine whether there are any health risks associated with possible elevated metal levels on private property adjacent to the site. Sampling, called for in the plan, has been completed and a formal risk assessment process has commenced.

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At the closed Elliot Lake uranium properties, licences for long-term care were issued in September 2002 by the Canadian Nuclear Safety Commission for 5 of 8 historic properties. The remaining 3 properties were added to the licence after public hearings held in April 2004. The licence is subject to renewals at a time period set by the Commission currently at 3-5 years. The next renewal is set for December 2005 and renewals may result in more stringent environmental limits and a longer active treatment period for some sites.

Carbon Steel Materials

In January 1998, we sold our electrolytic manganese dioxide business at Newcastle, Australia. As part of the transaction we issued a guarantee to the benefit of the purchaser, Delta Electrical Industries Ltd, covering certain of our obligations under the sale agreement. The transaction was an asset sale and the guarantee is not limited in amount but is limited in duration. Our guarantee to Delta Electrical Industries Ltd expires on 28 December 2027. Our obligations under the guarantee relate to any prior contamination of the ground both at the former facility site and Kooragang Island at Newcastle, the former waste disposal site. We built our facility on land reclaimed from our former steel business. We cannot accurately determine our potential liability at any point in time during the term of the guarantee. However, we do not consider that the cost, if any, will have a material adverse effect on our financial position or results of operations.

We have completed a life cycle analysis of our major products. This study will continue as we develop a strategy to reduce potential impacts from the use of our products

A fatal accident on 19 May 2004, has led to a suspension of operations at Boodarie Iron pending the outcome of investigations by the Western Australian Department of Industry and Resources. The safety and viability of Boodarie Iron will be key determinants in deciding the future of the plant s operations.

Diamonds and Specialty Products

We are in the process of renewing the main water licence for the EKATI Diamond Mine which expires 31 December 2004. This is the operating licence for the mine that was issued in January 1997. Since then, the regulatory regime has changed significantly and regulatory requirements have tightened, as evidenced by other water licences being issued. We expect the renewal water licence to be issued, however additional costs may be incurred to maintain compliance with the more stringent regulatory requirements.

Energy Coal

We recognise that climate change is a challenge for Energy Coal and we are seeking to respond to this through targeted research aimed at reducing greenhouse gas emissions and through active participation in the development of industry sustainability positions. Climate change issues are also considered in all relevant business decisions.

We have made significant progress in the implementation of health, safety, environment and community management standards, with all of our sites having the relevant management plans in place which are focussed on achieving the Company s reduction targets and ensuring we meet our

financial obligations with respect to provisioning for future closure.

We have conducted a life cycle analysis of our products. This study will continue as we develop a strategy to reduce potential impacts from the use of our products

Stainless Steel Materials

Our operations have made significant progress in the implementation of environmental, quality and occupational health and safety management systems. During the reporting period, we had no significant environmental incidents.

The EU is undertaking a comprehensive risk assessment of five nickel substances (nickel metal, and the soluble nickel compounds of nickel sulphate, carbonate, chloride and nitrate). The risk assessment has concluded that under the EU rules of classification, soluble nickel compounds are category 1 carcinogens, category 3 mutagens and category 2 reproductive toxicants. Nickel metal remains a category 3 carcinogen. The new classifications will likely result in more stringent exposure standards. We are currently assessing the impact and effect that the more stringent EU exposure limits could have on our operations in Colombia and Australia. We avoid supplying products to businesses that use soluble nickel compounds to manufacture consumer goods. The risk of exposure to soluble nickel salts at our operations is low. We continued to provide our employees and contractors with information on health, safety and environmental issues associated with our products. We also provide advice on the responsible use of our products to customers, users of our products and other interested parties.

We are also participating in the EU voluntary risk assessments with cobalt and chrome metals and compounds. Our health programs are continuously reviewed and updated as new information becomes available as a result of the risk assessment.

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Hexavalent chrome is monitored at our southern African smelter sites. Management plans and systems are in place to continually monitor and conduct hydrology assessment to determine potential groundwater contamination. Unauthorised wells used by local people in the area remain a concern.

Decommissioning, Site Rehabilitation and Environmental Costs

Our operations are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, we have a policy of ensuring that rehabilitation is planned and financed from the early stages of any operation. Provision is made for the rehabilitation of our mining and processing facilities along with the decommissioning of oil platforms and infrastructure associated with petroleum activities. The estimation of the cost of future rehabilitation and decommissioning activities is subject to uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination, and the timing and extent of rehabilitation and decommissioning activities required. Whilst the provisions at 30 June 2004 represent the best estimate of the future costs required, these uncertainties might result in future actual expenditure differing from the amounts provided at this time.

These rehabilitation and decommissioning expenditures are mostly expected to be paid over the next 30 years. The provisions for rehabilitation and decommissioning are derived by discounting the expected expenditures to their net present value. The estimated total site rehabilitation cost (undiscounted and in today s dollars) to be incurred in the future arising from operations to date, and including amounts already provided for, is US$5,402 million (2003: US$3,391 million).

At 30 June 2004, US$1,702 million (2003: US$1,622 million) was provided for reclamation and decommissioning costs relating to current operations in the provision for site rehabilitation. In addition, we have certain obligations associated with maintaining and or remediating several closed sites. At 30 June 2004, US$1,081 million (2003: US$403 million, excluding US$10 million held in the restructuring provision) was provided for closed sites. Adjustments to the provisions in relation to these closed sites are recognised in the profit and loss account during the period in which the adjustments are made. In addition to the uncertainties noted above, certain of these activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability for these matters could vary. The amounts provided in relation to closed sites for these matters are reviewed periodically based upon the facts and circumstances available at the time and the provisions are updated accordingly. We believe that it is reasonably possible that, due to the nature of the closed site liabilities and the degree of uncertainty which surrounds them, these liabilities could be in the order of 35 per cent (2003: 50 per cent) greater or in the order of 20 per cent lower than the US$1,081 million provided at year end. The main closed site to which this total amount relates is Southwest Copper in the US and this is described in further detail below, together with a brief description of other closed sites.

Southwest Copper, Arizona, US

In 1999, the Group announced the cessation of Southwest Copper operations, and the facilities were effectively placed on a care and maintenance basis, pending evaluation of various alternative strategies to realise maximum value from the respective assets. The assets comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the Group acquiring the Southwest Copper operation in 1996. In January 2002, the Group announced the closure of the San Manuel mining facilities, and in October 2003 the closure of the San Manuel plant facilities was announced. The closure of these facilities, together with certain other reclamation and decommissioning activities, were progressed during the years ended 30 June 2003 and 2004. For certain sites, the development of closure plans is well progressed, however, at other sites the necessary site characterisation and engineering work is at an early stage.

A comprehensive review of the closure plans for Southwest Copper was undertaken following the refocusing of the Group s direction during the period towards an accelerated closure strategy. This followed exhaustion of the alternative strategies referred to above, and resulted in a shortened timeframe to closure for some of the facilities. Actions during the year resulting from the review included the announcement of the closure of the San Manuel plant facilities in October 2003, and the divestment and farm-out of certain assets and liabilities during the period, such as the Robinson copper/gold mining operation and the Resolution Copper exploration prospect. As a consequence of detailed site-specific risk assessments conducted during the period, the review also indicated (a) higher short-term closure costs, due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and (c) an increase in the residual value of certain assets (refer note 2 Exceptional items in the 2004 BHP Billiton Group Annual Financial Statements).

Despite the work carried out during the current period, uncertainty remains over the extent and costs of the required short-term closure activities, the extent, cost and timing of post-closure monitoring and longer-term water management. We anticipate that future changes in the closure provisions for Southwest Copper may be required as the necessary site characterisation and engineering work is progressed. The closure provisions for Southwest Copper (including amounts in relation to Pinal Creek, which is described in more detail below) total US$771 million at 30 June 2004 (2003: US$297 million).

In relation to Pinal Creek, BHP Copper Inc is involved in litigation concerning groundwater contamination resulting from historic mining operations near the Pinal Creek/Miami Wash area located in the State of Arizona.

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On 2 April 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. On 22 September 2000, the Court-approved settlement reached between the parties for a non-material amount, and the terms of the settlement are now being implemented as a monitoring program.

A State consent decree was approved by the Federal District Court for the District of Arizona in August 1998. The Decree authorises and requires groundwater remediation and facility-specific source control activities, and the members of the Pinal Creek Group (which consists of BHP Copper Inc, Phelps Dodge Miami Inc and Inspiration Consolidated Copper Co) are jointly liable for performing the non-facility specific source control activities. Such activities are currently ongoing. As of 30 June 2004, we have provided US$102 million (2003: US$22 million), which is our best estimate of our anticipated share of the planned remediation work, based on a range reasonably foreseeable up to US$138 million (2003: US$43 million), and we have paid out US$38 million up to 30 June 2004. These amounts are based on the provisional equal allocation of these costs among the three members of the Pinal Creek Group. BHP Copper Inc is seeking a judicial restatement of the allocation formula to reduce its share, based upon its belief, supported by relevant external legal and technical advice, that its property has contributed a smaller share of the contamination than the other parties properties. BHP Copper Inc is contingently liable for the whole of these costs in the event that the other parties are unable to pay.

BHP Copper Inc and the other members of the Pinal Creek Group filed a contribution action in November 1991 in the Federal District Court for the District of Arizona against former owners and operators of the properties alleged to have caused the contamination. The claim is for an undetermined amount but under current state and federal laws applicable to the case, BHP Copper Inc should recover a significant percentage of the total remediation costs from the Defendants, based upon their operations proportionate contributions to the total contamination in the Pinal Creek drainage basin. Such action seeks recovery from these historical owners and operators for remediation and source control costs. BHP Copper Inc s predecessors in interest have asserted a counterclaim in this action seeking indemnity from BHP Copper Inc based upon their interpretation of the historical transaction documents relating to the succession in interest of the parties. BHP Copper Inc has also filed suit against a number of insurance carriers seeking to recover under various insurance policies for remediation, response, source control, and other costs noted above incurred by BHP Copper Inc. The reasonable assessment of recovery in the various insurances cases has a range from US$4 million to approximately US$15 million, depending on many factors. Neither insurance recoveries nor other claims or offsets have been recognised in the financial statements and will not be recognised until such offsets are considered virtually certain of realisation.

Other Closed Sites

The closure provisions for other closed sites total US$310 million at 30 June 2004 (2003: US$106 million). The key sites covered by this amount are described briefly below:

Newcastle Steelworks the Group closed its Newcastle Steelworks in 1999 and retains responsibility for certain sediment in the Hunter River adjacent the former steelworks site, together with certain other site remediation activities in the Newcastle area.

Island Copper mine the Group ceased operations at its Island Copper mine in December 1995 and has responsibility for various site reclamation activities, including the long-term treatment of the pit lake and water management.

Selbaie copper mine the Group closed its Selbaie Copper mine in January 2004 and has responsibility for site reclamation and remediation activities.

Rio Algom the Group has responsibility for long-term remediation costs for various mines and processing facilities in Canada and the US operated by Rio Algom Ltd prior to its acquisition by the former Billiton Plc in October 2000.

Closure provisions for other closed sites have been increased in the current period mainly due to refinements of closure plans at the Island Copper mine, Newcastle Steelworks, the Selbaie copper mine and several other smaller sites (refer note 2 Exceptional items in the 2004 BHP Billiton Group Annual Financial Statements), and also the classification of Selbaie as a closed site (classified as operating at 30 June 2003). These increases resulted from a number of causes, including: (a) a reassessment during the period of an original pit lake water treatment process which requires additional treatment for a longer period; (b) a comprehensive environmental assessment completed during the period, as a consequence of a change in approach relating to the remediation of river sediment; and, (c) development of detailed closure plans, including site characterisation, in relation to sites which closed during the last two years where closure activities have now commenced.

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C. Organisational Structure

General

The BHP Billiton Group consists of the BHP Billiton Limited Group and the BHP Billiton Plc Group as a combined enterprise following the completion of the DLC merger in June 2001. You should refer to exhibit 8.1 of this annual report for a list of BHP Billiton Limited and BHP Billiton Plc subsidiaries.

DLC Structure

On 29 June 2001, BHP Limited and Billiton Plc merged by way of a Dual Listed Companies structure, or DLC. To effect the DLC, BHP Limited and Billiton Plc entered into certain contractual arrangements which are designed to place the shareholders of both companies in a position where they effectively have an interest in a single group that combines the assets and is subject to all the liabilities of both companies. BHP Billiton Limited and BHP Billiton Plc have each retained their separate corporate identities and maintained their separate stock exchange listings. BHP Billiton Limited has a primary listing on the Australian Stock Exchange (ASX) and secondary listings in London, Frankfurt, and Zurich. BHP Billiton Plc has a primary listing in London on the London Stock Exchange (LSE) and a secondary listing in Johannesburg. BHP Billiton also maintains an American Depositary Receipt listing of both BHP Billiton Plc and BHP Billiton Limited on the New York Stock Exchange.

The contractual agreements that BHP Billiton Limited and BHP Billiton Plc entered into to effect the DLC consist of the:

- Implementation Agreement;
- Sharing Agreement;
- Special Voting Shares Deed;
- BHP Deed Poll Guarantee; and
- Billiton Deed Poll Guarantee.

In addition, BHP Billiton Limited adopted a new corporate Constitution, and BHP Billiton Plc adopted a new Memorandum and Articles of Association.

The principles embodied in the Sharing Agreement are that:

the two companies are to operate as if they were a single unified economic entity, through Boards of Directors which comprise the same individuals and a unified senior executive management;

the Directors of the two companies will, in addition to their duties to the company concerned, have regard to the interests of holders of shares in BHP Billiton Limited and holders of shares in BHP Billiton Plc as if the two companies were a single unified economic entity and for that purpose the Directors of each company shall take into account in the exercise of their powers the interests of the shareholders of the other; and

the DLC equalisation principles (discussed below) must be observed.

Australian Foreign Investment Review Board (FIRB) Conditions

The Treasurer of Australia approved the DLC merger of BHP Limited and Billiton Plc subject to the following conditions:

BHP Limited remains an Australian resident company, incorporated under the Corporations Law, that is listed on the Australian Stock Exchange under the name BHP Limited and trades under that name;

BHP Limited remains the ultimate holding company of, and continues to ultimately manage and control the companies conducting the businesses which are presently conducted by the subsidiaries of BHP Limited, including: the Minerals, Petroleum, Steel and Services businesses for so long as those businesses form part of the combined BHP Billiton Group (the Group);

the headquarters of BHP Limited and the global headquarters of the Group are to be in Australia;

the headquarters of BHP Limited and the global headquarters of the Group is publicly acknowledged as being in Australia in significant public announcements and in all public documents (as that term is defined in section 88A(1)(a) of the Corporations Law);

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that both the Chief Executive Officer of the Group and Chief Financial Officer of BHP Limited have their principal place of residence in Australia;

the majority of all regularly scheduled Board meetings and Executive Committee meetings of BHP Limited in any calendar year occurs in Australia;

the Board of directors of BHP Limited is elected in accordance with the procedures notified in the proposal or in accordance with procedures approved by the Treasurer (for further information refer Item 6 Directors, Senior Management and Employees Directors and Senior Management Directors and Officers of BHP Billiton Group); and

that if BHP Limited wishes to act differently to these conditions, it seeks and obtains the prior approval of the Treasurer.

For the purposes of these conditions a reference to:

(i) BHP Limited means BHP Limited, ACN 004 028 077, and includes BHP Billiton Limited or other name adopted by that corporation;

(ii) Corporations Law (or a provision of that law) includes any re-enactment or substitution of that law (or provision); and,

(iii) global headquarters includes the requirement that both the Chief Executive Officer and the Chief Financial Officer of the dual listed entities, namely BHP Limited and Billiton Plc, will be based in Australia and have their principal offices and key supporting functions in Australia. In addition, the centre of administrative and practice management of BHP Limited shall be in Australia and BHP Limited s corporate head office activities, of the kind presently carried on in Australia, will continue to be carried on in Australia.

The conditions will have effect indefinitely subject to amendment of the Act or any revocation or amendment by the Treasurer.

Pursuant to section 25(1A) of the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth), the Government considers that compliance with these conditions is necessary to avoid the proposal being in conflict with the national interest. Failure to comply attracts substantial penalties under Section 25(1C) of the Act.

Management

Each of BHP Billiton Limited and BHP Billiton Plc has a Board of Directors, and each Board is comprised of the same individuals. The Board of Directors is responsible for the overall direction of the businesses of both companies, including major policy and strategic decisions. The role of the Boards is discussed in Item 6A Board Practices .

The following management committees have been established:

The Office of the Chief Executive

The Office of the Chief Executive, or the OCE, is the principal executive decision-making body in BHP Billiton. The OCE has three principal functions to make recommendations to the Board in respect of certain matters on which the Board must make decisions, to oversee the preparation of corporate strategy and to review performance, and to exercise the authority delegated to it by the Board including, amongst other matters, the approval of capital projects between US$50 million and US$100 million. The Chief Executive Officer, Mr. Charles Goodyear, chairs the OCE.

The Executive Committee

The Executive Committee has a communications and influencing role across the Group and has responsibility for approving the Group s Health, Safety, Environment and Community standards. The Committee is chaired by the Chief Executive Officer.

The Operating Committee

The Operating Committee is responsible for guiding the Group s strategies in regard to continuous improvement (operating excellence, and knowledge-sharing networks), supply, minerals exploration, technology, project development services and operations talent management. The Operating Committee is chaired by the Group President Non-Ferrous Materials, Mr. Mike Salamon.

Financial Risk Management Committee

Under powers delegated by the Office of the Chief Executive, the Financial Risk Management Committee monitors the Group s financial risk management policies and exposures, approves financial transactions within the scope of its authority and makes

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recommendations to the Office of the Chief Executive. The Chief Financial Officer, Mr. Chris Lynch, chairs the Financial Risk Management Committee.

Investment Risk Committee

The Investment Risk Committee operates under powers delegated by the Office of the Chief Executive and makes recommendations to that Committee. It oversees the management approval processes for major investments. Those processes are designed to ensure that:

- investments are aligned to the Group s agreed strategies and values;
- risks are identified and evaluated;
- investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework; and
- appropriate risk management strategies are pursued.

The Chief Financial Officer chairs the Committee.

Equalisation of Economic and Voting Rights

BHP Billiton Limited shareholders and BHP Billiton Plc shareholders have economic and voting interests in the combined group. The economic and voting interests represented by a share in one company relative to the economic and voting interests of a share in the other company is determined by reference to a ratio known as the Equalisation Ratio . Initially, the economic and voting interests attached to each BHP Billiton Limited share and each BHP Billiton Plc share will be the same, which is based on an Equalisation Ratio of 1:1.

This equalisation principle ensures that there is equitable treatment as regards the holder of one BHP Billiton Limited ordinary share and the holder of one BHP Billiton Plc ordinary share. However, the principle does not of itself establish a legal right in favour of a shareholder of one company over the assets of the other company. The principle provides that the Equalisation Ratio shall govern the economic rights of one BHP Billiton Limited ordinary share relative to one BHP Billiton Plc ordinary share (and vice versa). Where the Equalisation Ratio is 1:1, a holder of one BHP Billiton Limited ordinary share and a holder of one BHP Billiton Plc ordinary share shall, so far as practicable, receive equivalent economic returns and enjoy equivalent rights as to voting in relation to matters affecting the shareholders in similar ways.

Where an action by BHP Billiton Limited or BHP Billiton Plc is proposed such that the action would result in the ratio of the economic returns on, or voting rights of, a BHP Billiton Limited ordinary share to a BHP Billiton Plc ordinary share not being the same as the then prevailing Equalisation Ratio, or which would benefit the holders of ordinary shares in one company relative to the holders of ordinary shares in the other company, then:

unless the Board of Directors determines that it is not practicable, a matching action, as described below under Matching Actions will be undertaken; or

if no matching action is to be undertaken, an appropriate adjustment to the Equalisation Ratio shall be made,

in order to ensure that there is equitable treatment, having regard to the then prevailing Equalisation Ratio, as between the holder of one BHP Billiton Limited ordinary share and the holder of one BHP Billiton Plc ordinary share. Where the Board of Directors determines that an adjustment to the Equalisation Ratio would not be appropriate or practicable in relation to an action, then the action may be undertaken provided that the action has been approved by the shareholders who are not receiving the benefit.

Rights to assets on insolvency

Under the terms of the Sharing Agreement, if one of the companies that is a party to the DLC is or is likely to become insolvent, it must immediately give notice to the other company. The solvent company must take steps to ensure that as soon as practicable, economic equivalence is restored as between the shareholders of the solvent company relative to the insolvent company, having regard to the Equalisation Ratio.

If the solvent company has not acted within 12 months of receipt of the notice as set out above, the solvent company must pay in full all creditors of the insolvent company and pay to the insolvent company an amount equal to that proportion of the solvent company s total market capitalisation on the date that creditors of the insolvent company were paid, such that the amount paid and the balance remaining ensure that economic equivalence is achieved. These payments would only be made to the extent that the amount paid and the balance remaining ensure that economic equivalence is achieved and to the extent that the solvent party would retain sufficient assets to pay all amounts due in respect of statutory entitlements ranking ahead of shareholders on a liquidation and to return capital to holders of shares that rank in priority to the ordinary shares.

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If both companies are insolvent and, after payment of the creditors of both companies, there is a surplus in one or both of the companies, the residual surplus is shared by shareholders of both companies so as to ensure that the return on one ordinary share in each company is in proportion to the Equalisation Ratio.

Dividends

The amount of any cash dividend paid by BHP Billiton Limited in respect of each BHP Billiton Limited share will normally be matched by an equivalent cash dividend by BHP Billiton Plc in respect of each BHP Billiton Plc share, and vice versa. If one company has insufficient profits or is otherwise unable to pay the agreed dividend, the other company will, as far as practicable, enter into such transactions as are necessary so as to enable both companies to pay the equivalent quantum of dividends. The matching dividend will be calculated before deduction of any withholding taxes or tax payable by or on behalf of, or any tax benefit arising to, a shareholder.

BHP Billiton Limited s constitution allows for the issue of an equalisation share to a member of the BHP Billiton Plc Group and BHP Billiton Plc s Articles of Association allows for the issue of an equalisation share to a member of the BHP Billiton Limited Group. If issued, distributions may be made on the equalisation shares. The amount of any such distribution would be such as the relevant Board determines to be necessary, for example, to assist or enable the other company to pay matching dividends on its shares. Whether or not equalisation shares are issued, the Boards retain the flexibility to decide from case to case whether to make contractual payments from one company to the other, or to take any other action considered appropriate by the Boards to ensure the DLC equalisation principals are observed. The shareholders of both companies will not have any interest in any equalisation shares issued and the equalisation shares will carry no voting rights.

BHP Billiton Limited will declare its dividends and other distributions in US dollars but will continue to pay its dividends in Australian dollars or other currencies as its shareholders may elect in cases determined by the BHP Billiton Limited Board. BHP Billiton Plc will continue to declare its dividends and other distributions in US dollars and make payments in pounds sterling to its shareholders registered in the United Kingdom and South African rand to its shareholders registered in South Africa.

Voting

Under the terms of the DLC Agreements, the BHP Billiton Limited Constitution and the BHP Billiton Plc Articles of Association, special voting arrangements have been implemented so that the shareholders of both companies vote together as a single decision-making body on matters affecting the shareholders of each company in similar ways. Matters to be decided by the shareholders of both companies on a combined basis are referred to as Joint Electorate Actions . For so long as the Equalisation Ratio remains 1:1, each BHP Billiton Limited share will effectively have the same voting rights as each BHP Billiton Plc share on Joint Electorate Actions.

The voting arrangements are secured through the constituent documents of the two companies, the Sharing Agreement, the Special Voting Shares Deed and rights attaching to a specially created Special Voting Share issued by each company and held in each case by a Special Voting Company. The shares in the Special Voting Companies are held legally and beneficially by Law Debenture Trust Corporation Plc.

In the case of certain actions in relation to which the two bodies of shareholders may have divergent interests, which are referred to as Class Rights Actions , the company wishing to carry out the Class Rights Action would require the prior approval of the shareholders in the other company voting separately and, where appropriate, the approval of its own shareholders voting separately.

There are four categories of matters or actions requiring shareholder decisions consisting of:

Joint Electorate Actions;

Class Rights Actions;

Any action which is neither a Class Rights Action nor a Joint Electorate Action but which, under applicable law or regulation, or under the BHP Billiton Limited Constitution or the BHP Billiton Plc Articles of Association, requires shareholder approval. Such matters require only the approval of holders of shares of the company proposing to take the relevant action, unless the Board of Directors decide that such action should be treated as a Joint Electorate Action or a Class Rights Action; and

Procedural resolutions, when considered at a shareholders meeting at which the holder of a Special Voting Share is entitled to vote, may be voted on by the relevant Special Voting Company either in person or by proxy given to the chairman of the meeting, as it (or the chairman) thinks fit.

Matters which will require approval as a Joint Electorate Action are as follows:

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the appointment, removal or re-election of any Director of BHP Billiton Limited or BHP Billiton Plc;

the receipt or adoption of the annual accounts of each company and any accounts prepared on a combined basis;

a change of name by BHP Billiton Limited or BHP Billiton Plc;

the appointment or removal of the auditors of each company;

any proposed acquisition, disposal or other transaction of the kinds referred to in Chapters 10 and 11 of the ASX Listing Rules or Chapters 10 and 11 of the UK Listing Rules which, in any case, is required under applicable laws and regulations to be authorised by shareholders;

any proposed acceptance of a third-party takeover offer by a member of BHP Billiton Plc in respect of any BHP Billiton Limited shares held by that member;

any proposed acceptance of a third-party takeover offer by a member of BHP Billiton Limited in respect of any BHP Billiton Plc shares held by that member;

any matter considered at an annual or extraordinary general meeting of either company; and

any other matter which the Boards decide should be approved as a Joint Electorate Action.

Joint Electorate Actions must be submitted to both companies for approval by shareholders voting at separate meetings but acting as a joint electorate. Parallel shareholders meetings will be held on the same date or as close together in time as practicable. A Joint Electorate Action will be taken to have been approved if it is approved by ordinary or special resolution of the holders of shares of one company and the holder of the Special Voting Share, voting as a single class.

At the BHP Billiton Limited shareholders meeting, voting in respect of Joint Electorate Actions will be on a poll which will, as regards the Special Voting Share, remain open for sufficient time to allow the parallel BHP Billiton Plc shareholders meeting to be held and for the votes attaching to the Special Voting Share to be ascertained and cast on the poll. On the poll, each fully paid share will have one vote, each partly paid share will have a fraction of a vote which is equivalent to the proportion which the amounts bears to the issue price of the share, and provided that the Equalisation Ratio is 1:1, the BHP Billiton Limited Special Voting Company will have the same number of votes as were validly cast for and against on the equivalent resolution at the parallel BHP Billiton Plc shareholders meeting. Through this mechanism, the votes of the shareholders at the BHP Billiton Plc meeting will be reflected at the BHP Billiton Limited meeting by the Special Voting Company casting the votes on the Special Voting Share precisely to reflect voting at the parallel BHP Billiton Plc shareholders meeting. Voting at the BHP Billiton Plc shareholders meeting with respect to Joint Electorate Actions will be conducted in the same manner as voting at the BHP Billiton Limited shareholders meeting is conducted with respect to Joint Electorate Actions.

Class Rights Actions are normally those matters on which shareholders of each company may have divergent interests and which require the approval of the holders of shares of the company not proposing to take the action and, in some cases, the approval of the holders of shares of the company proposing to take the action. Matters which require approval as a Class Rights Action include:

the voluntary liquidation of either company;

certain amendments to the terms of, or termination of, the Sharing Agreement, the Special Voting Shares Deed, either of the Deed Poll Guarantees;

amendment, removal or alteration of the effect of (including the ratification of any breach of) any existing provision in the BHP Billiton Limited Constitution or the BHP Billiton Plc Articles of Association;

any action by one company in respect of which a matching action is not taken by the other, and in respect of which the Boards of Directors agree that an adjustment to the Equalisation Ratio would not provide an adequate or appropriate adjustment;

a change of the corporate status of BHP Billiton Limited from a public company limited by shares registered under the Corporations Act 2001 with its primary listing on the ASX or of BHP Billiton Plc from a public listed company incorporated in England and Wales with its primary listing on the LSE; and

any actions or matters which the Boards agree should be treated as a Class Rights Action.

If a particular matter falls both within the list of matters which constitute Joint Electorate Actions and the list of matters which constitute Class Rights Actions, such matter will be treated as a Class Rights Action.

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Where a Class Rights Action that benefits the shareholders of one company is proposed, and such company is not, under applicable law and regulations or under its corporate Constitution or Memorandum and Articles of Association, required to seek approval of its shareholders, it need not convene a meeting of its shareholders, but can only undertake the action if the holder of the Special Voting Share in the company gives its written consent to the proposed action. The holder of the Special Voting Share will only give its written consent if the shareholders of the other company have passed a resolution by the requisite majority approving the action. Otherwise, the holder of the Special Voting Share must refuse to provide its consent.

At a BHP Billiton Limited shareholders meeting, voting in respect of Class Rights Actions will be on a poll with each fully paid share having one vote and each partly paid share having a fraction of a vote which is equivalent to the proportion which the amounts bears to the issue price of the share. BHP Billiton Limited Special Voting Company will not vote unless the proposed action to which the resolution relates is required to be approved by an equivalent resolution at a BHP Billiton Plc shareholders meeting and the proposed action has not been approved at the parallel BHP Billiton Plc shareholders meeting. In any such case, the Special Voting Company will vote to defeat the resolution at the BHP Billiton Limited shareholders meeting and the Special Voting Share will carry sufficient votes to effect such defeat. Voting at the BHP Billiton Plc shareholders meeting with respect to Class Rights Actions will be conducted in the same manner as voting at the BHP Billiton Limited shareholders meeting is conducted with respect to Class Rights Actions.

Matching Actions

In the case where an action by either BHP Billiton Limited or BHP Billiton Plc is proposed such that the ratio of the economic returns or voting rights in relation to Joint Electorate Actions of a BHP Billiton Limited share relative to a BHP Billiton Plc share would no longer be in proportion to the then existing Equalisation Ratio or which would benefit the holders of shares in one company relative to the holders of shares in the other company, then either a matching action shall be undertaken by such other company unless the Boards determine that it is not appropriate or practicable or if no matching action is to be undertaken, an appropriate adjustment to the Equalisation Ratio shall be made, in order to ensure that there is equitable treatment as regards the holder of one BHP Billiton Limited share and the holder of one BHP Billiton Plc share. However, if the Boards determine that it is not appropriate or practicable to undertake either a matching action or adjust the Equalisation Ratio in relation to an action, then the action may be undertaken after it has been approved as a Class Rights Action. In any event, no matching action is required for:

- any action which would not result in the ratio of the economic returns on, or the voting rights in relation to Joint Electorate Actions of, a holder of shares in one company to a holder of shares in the other company not being the same as the then prevailing Equalisation Ratio, or which would not benefit the holders of shares in one company relative to the holders of shares in the other company;
- the issue of securities or the granting of rights over securities by either company pursuant to an employee share scheme;
- an issue of any securities in either company other than an offer by way of rights; or
- a buy-back, repurchase or redemption of any shares, including a share cancellation in connection with a reduction of capital, on market in compliance with the rules of the relevant stock exchange and listing rules, at or below market value or pursuant to a general offer to shareholders in both companies which, applying the Equalisation Ratio, is made on equivalent terms.

In addition, there is no requirement for a matching action, an adjustment to the Equalisation Ratio or approval as a Class Rights Action where an action is taken in circumstances where the Boards consider that the effect of such action upon the holder of a share in one company relative to its effect on the holder of a share in the other company is not material. For this purpose, an effect is taken to be not material if:

the costs to the companies of taking a matching action or seeking approval as a Class Rights Action would be, in the opinion of the Boards of Directors, disproportionate to the effect of such action upon the holders of shares in the company for whose benefit a matching action would otherwise, in the absence of an adjustment to the Equalisation Ratio or approval as a Class Rights Action, be required; and

the adjustment that would be required to be made to the Equalisation Ratio would result in an adjustment to the relevant element of the Equalisation Ratio of less than 0.1%.

However, in considering the application of the DLC equalisation principles to any subsequent actions, the Boards will take into account the effect of all prior unadjusted actions in deciding whether a matching action, an adjustment to the Equalisation Ratio or approval as a Class Rights Action is appropriate.

In relation to any action, when calculating any economic return to the holders of shares in either company, any tax payable by or on behalf of or tax benefit arising to, such holders will be disregarded. The Boards of Directors are not required to take into account fluctuations in exchange rates or in the market value of any securities or any other changes in circumstances arising after the

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date on which they make a determination as to the form and value of any matching action or the calculation of any adjustment to the Equalisation Ratio.

Cross Guarantees

Each of BHP Billiton Limited and BHP Billiton Plc has executed a Deed Poll Guarantee, pursuant to which creditors entitled to the benefit of the Deed Poll Guarantees will, to the extent possible, be placed in the same position as if the relevant debts were owed by both BHP Billiton Limited and BHP Billiton Plc combined. Each of BHP Billiton Limited and BHP Billiton Plc will in respect of obligations subject to its Deed Poll Guarantee, unconditionally and irrevocably guarantee those obligations to creditors of the other company, subject to certain exceptions, and will undertake to each of them that, if for any reason the obligation is not met on its due date, such company will pay the amount due and unpaid to the creditor upon written demand by the creditor. A demand may not be made under the guarantee without a demand first having been made on the other company or the relevant principal debtor and/or, if such recourse is required under the terms of the relevant obligation, to any other person. BHP Billiton Limited and BHP Billiton Plc may at any time agree to exclude obligations of a particular type or a particular obligation or obligations, incurred after a future time from the scope of a Deed Poll Guarantee. The Deed Poll Guarantees may be terminated at any time after the Sharing Agreement is terminated or by agreement of the parties.

Takeover Provisions

Amendments have been made to the BHP Billiton Limited Constitution and the BHP Billiton Plc Articles of Association to ensure that a person cannot gain control of one company without having made an equivalent offer to the shareholders of both companies on equivalent terms. Sanctions for breach of these provisions would include withholding of dividends, voting restrictions and the compulsory divestment of shares to the extent a shareholder and its associates exceed the relevant threshold.

BHP Billiton Limited and BHP Billiton Plc, as separate listed companies, will remain subject to the takeovers laws and rules in Australia and the United Kingdom respectively, subject to modifications to those laws in Australia and provisions in the corporate Constitutions of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc, which are intended to have the effect of:

- recognising the substantive effect of the DLC, that the two companies should be regarded as a single combined group;
- allowing the two regulatory systems to work together harmoniously and sensibly;
- respecting the acquisition limits of 20% and 30% under Australian takeovers law and the United Kingdom takeovers rules respectively; and
- avoiding any unintended impediment to any takeover of the combined group.

Under Australian takeovers law and under the BHP Billiton Limited Constitution there is a limit which prevents a person and its associates from exceeding a voting power threshold of 20% in relation to BHP Billiton Limited on a stand alone basis as if there were no Special Voting Share and only counting BHP Billiton Limited s ordinary shares and there is a separate limit which prevents a person and its associates from exceeding a voting power threshold of 20% in relation to BHP Billiton Plc, calculated having regard to all the voting power on a joint electorate basis.

Under the BHP Billiton Plc Articles of Association there is a limit that prevents a person and its concert parties from exceeding a voting power threshold of 30% in relation to BHP Billiton Plc on a stand alone basis as if there were no Special Voting Share and only counting BHP Billiton Plc s ordinary shares. There is also a separate limit which prevents a person and its associates from exceeding a voting power threshold of 20% in relation to BHP Billiton Plc, calculated having regard to all the voting power on a joint electorate basis. Under the United Kingdom City Code a compulsory offer will be required where a person and persons acting in concert with it acquires 30% of the voting rights of a company and this requirement applies to the voting rights of BHP Billiton Plc on the joint electorate basis.

The principal requirement for exceeding a limit is for all shareholders in both companies to be treated in an equivalent manner and sanctions may be imposed for breaches of these provisions. The BHP Billiton Limited Constitution has been amended to provide in effect that a person may only exceed any of these limits if an equivalent opportunity is provided to both BHP Billiton Limited shareholders and BHP Billiton Plc shareholders. In summary, this would require:

an equivalent procedure for the shares of both companies, such as an off market takeover offer;

that each procedure comply with the takeover laws and rules in Australia as regards the offer for the BHP Billiton Limited shares and in the United Kingdom as regards the offer for the BHP Billiton Plc shares; and

equivalent consideration, terms, information and time to consider being offered to the two groups of shareholders, both in relation to an initial offer and any increases or extensions.

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With equivalent treatment in terms of the opportunities afforded to each group of shareholders, each group of shareholders will make its own decision as to whether the relevant offer is to be accepted. It is possible that one offer will become unconditional because the minimum acceptance condition is satisfied but that the other offer does not become unconditional because the equivalent minimum acceptance condition is not satisfied. Under the BHP Billiton Limited Constitution and the BHP Billiton Plc Articles of Association, if a person breaches a shareholding limit without providing equivalent opportunities to both groups of shareholders, then each company has the power to deny voting and dividend rights in respect of that number of shares which results in the threshold being exceeded, and powers to dispose of that same number of shares. The powers only extend to that number of shares which exceed the threshold.

Bonus Issue

Under the terms of the DLC Implementation Agreement one existing BHP Billiton Plc share had an economic interest equivalent to 0.4842 existing BHP Billiton Limited shares. In order to ensure that the economic and voting interest of each BHP Billiton Limited and BHP Billiton Plc share was equivalent following implementation of the DLC, there was a bonus issue to BHP Billiton Limited shareholders at a ratio of 1.0651 additional BHP Billiton Limited shares for each existing share held. The bonus share issue was effective 5 July 2001.

D. Property, Plant and Equipment

All material assets are 100% owned, either directly or through subsidiary companies, unless otherwise stated.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

This Operating and Financial Review and Prospects section is intended to convey to readers management s perspective of the BHP Billiton Group and its operational and financial performance. We intend this disclosure to assist readers to understand and interpret the BHP Billiton Group Annual Financial Statements included in this report. This section should be read in conjunction with those financial statements, together with the accompanying notes.

This Operating and Financial Review and Prospects section is divided into the following parts:

Our Business a general description of our business; the main drivers of value; the economic factors affecting our business; the key measurements we use to assess our performance; and the trends and uncertainties we have identified that significantly affect our business.

Application of Critical Accounting Policies and Estimates a discussion of our accounting policies that require critical judgements and estimates.

Results of Operations an analysis of consolidated results of operations of the BHP Billiton Group for the three years presented in our financial statements.

Liquidity, and Capital Resources an analysis of cash flows and sources and uses of cash.

Off-Balance Sheet Arrangements an analysis of financial arrangements that are not reflected on the Group s balance sheet.

Tabular Disclosure of Contractual Obligations an analysis of our debts and contractual obligations.

Our Business

DLC Structure and Basis of Presentation

The BHP Billiton Group combines BHP Billiton Limited and BHP Billiton Plc in a dual listed companies (DLC), structure. BHP Billiton Limited and BHP Billiton Plc remain separate publicly listed companies, but are run by a unified Board and management team. Through a series of contractual and constitutional arrangements, shares in each company effectively represent equivalent interests in a single group combining the assets of both companies, carrying equal voting rights per share and receiving equal dividends.

BHP Billiton Limited and BHP Billiton Plc each reports, as its primary financial statements under the requirements of the US Securities and Exchange Commission, the BHP Billiton Group s consolidated financial statements prepared in accordance with generally accepted accounting principles in the United Kingdom and presented in US dollars. These consolidated financial statements account for the DLC structure on a pooling-of-interests basis as though the two companies had been operating as a single enterprise from the beginning of the periods presented.

Description of the BHP Billiton Group

The BHP Billiton Group is the world s largest diversified resources group by market capitalisation, turnover and profit. We had a combined market capitalisation of approximately US$54 billion as of 30 June 2004 and we generated combined turnover and attributable profit (including exceptional items) of US$24.9 billion and US$3.4 billion, respectively, for the year ended 30 June 2004. We generate turnover, profit and cash flows by discovering mineral resources, extracting them through mining, drilling and processing operations, and selling them to our customers. We divide our business into seven business units, or Customer Sector Groups (CSGs):

Petroleum, which produces crude oil, natural gas and liquefied natural gas;

Aluminium, which produces aluminium and alumina;

Base Metals, which produces copper, silver, zinc and lead;

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Carbon Steel Materials, which does not produce carbon steel, but produces the metallurgical coal, iron ore and manganese used in the production of carbon steel;

Diamonds and Specialty Products, which encompasses our diamonds, titanium minerals and metals distribution businesses, and minerals exploration and technology;

Energy Coal, which produces energy coal for use in electricity generation; and

Stainless Steel Materials, which does not produce stainless steel, but produces the nickel metal, and chrome and nickel ferroalloys used in the production of stainless steel.

In addition, we previously operated a steel business which we spun-off in July 2002 and report in our financial statements as a discontinued operation.

We generally produce products in the southern hemisphere and sell into the northern hemisphere. Our major production operations are in Australia, Latin America and Southern Africa. Our turnover is geographically diversified. About a third of our turnover is generated in Asia (in particular, China, South Korea and Japan), about a third in Europe and the balance in the rest of the world, mainly Australia, North America and Southern Africa.

Key Value Drivers of Our Business

Our strategy is based around discovering and developing large, low-cost, high reserve assets to produce stable cash flows that support an ongoing program of exploration and development of new assets, as well as providing consistent returns to shareholders. In executing this strategy, we focus on 7 key drivers of value:

Outstanding assets our strategy is built around consistently focusing on maximising the operating performance of our large, low-cost, high-reserve assets by reducing costs and improving efficiencies within our businesses to produce good margins and consistent cash flows, while minimising environmental damage and achieving high levels of safety.

Growth from deep inventory of projects we aim to use our strong cash flows to invest in our pipeline of value accretive organic projects, which will provide growth in our business in future years. Our execution of this strategy depends largely on the success of our project management skills, which are reflected in measures such as adherence to budgets and schedules in commissioning new projects.

Customer-centric marketing we have focused our marketing activities on better understanding and meeting the needs of our customers, improving our market share and customer base by developing close relationships with our key customers, improving our ability to anticipate demand, and understanding and reducing our operational and logistical risk, all of which assists us to sell more product at higher margins.

The portfolio effect by operating a portfolio of assets that are diversified across product segments and geographical regions, we benefit from a number of natural hedges that have historically resulted in relatively stable cash flows despite significant recent world

events, and volatility in commodity and currency markets over time.

The Petroleum CSG our Petroleum CSG aims to drive value through meeting the growing demand for energy. The current goal of the Petroleum CSG is to increase production profitably through the commissioning of new projects, while at the same time maintaining or increasing our oil and gas reserves at low discovery costs.

Innovation we strive for innovation across our operations, including developing and applying new mining and exploration technologies, such as the FALCON™ airborne gravity gradiometer, improved mining and production processes, such as our patented bio-leaching technology to extract copper from low-grade sulphide ores, and leading business practices. Innovative technology allows us to decrease production costs.

Employees we devote considerable effort towards securing the right people and getting the best out of them in four key ways:

Organisation effectiveness, which means effectively aligning our organisational structure with our goals and operations;

Resourcing, in particular, ensuring that we have the right people in the right roles;

Succession planning and development; and

Performance management, in particular our management review and incentive programs.

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Key Measures

We use a number of measures to assess how well we have performed in the areas we have identified as key drivers. The key financial measure of our overall strategy is the amount of attributable profit after tax that we earn over time. In 2003-2004, attributable profit after tax (including exceptional items) was approximately US$3.4 billion, an increase of US$1.5 billion, or 77.7% from 2002-2003. The following measures assist us to track various aspects of the business that contribute to the overall result:

Health, safety, environment and community Our principal measure of our health and safety performance is our Classified Injury Frequency Rate , which is the number of classified injuries per million work-hours. Classified injury is defined as any workplace injury that has resulted in the person not returning to their unrestricted normal duties after the day on which the injury was received. Our performance in health and safety during the period was mixed, with seventeen fatalities which is extremely concerning. On a positive note, there was an 8% reduction in our Classified Injury Frequency Rate and a 13% reduction in work related illnesses. In relation to our effect on the environment, our disposal of hazardous waste was down by 26% in 2003-2004. Community donations (on a three-year rolling average) totalled 1.3% of pre-tax profits, against a target of 1%.

Growth projects We completed 7 major projects (major being over US$100 million our share) during the period with forecast final capital expenditure totalling US$1,857 million, against total approved capital expenditure of US$1,937 million, a 4.1% reduction from the overall approved amount. All of these 7 major projects were completed on or ahead of schedule. Additionally, we approved 5 further major projects during the period with total approved capital expenditure of US$2,211 million. Another 9 major projects are under development with approved capital expenditure totalling US$2,851 million. Of these 14 projects that were under construction, 11 are within approved expenditure limits and tracking on or ahead of schedule. The exceptions are Minerva, ROD Integrated Development, and Dendrobium mine development.

Operational efficiency In order to assess whether we are operating our assets well across the Group, we look primarily at profit before tax and interest. Profit before tax and interest is a good measure of the performance of particular Customer Sector Groups because substantial components of our tax and interest charges are levied at a Group, rather than CSG, level. Profit before taxation and interest will continue to be a key management focus in 2004-2005 and beyond.

Stable cash flow If we are successful in diversifying our portfolio of assets across commodities and geographical regions, we would expect that, although results in individual Customer Sector Groups may be volatile, our aggregate cash flows across the Group will be relatively stable. In this respect, our available cash flow (net operating cash flow after paying tax and interest, but before capital expenditure, acquisitions or dividends) was US$5.2 billion in 2003-2004, compared to US$3.6 billion in 2002-2003.

Liquidity and capital management We monitor our overall net debt level both in absolute terms and as a percentage of our net debt plus net assets, which we refer to as our gearing level. At 30 June 2004, our net debt was US$4.8 billion, and our gearing level was 24.9%. Assuming all else were equal, a higher gearing level would result in a higher return on equity, but increase the risk that we would be unable to meet our debt repayments. We also monitor our ability to meet our interest payments from our profit before depreciation, amortisation, interest and tax, which we term our interest cover ratio. For this purpose we use net interest, which includes capitalised interest and excludes the effect of discounting on provisions and other liabilities, and exchange differences arising from net debt. For 2003-2004, we had an interest cover ratio of 21.1 times. Our ratio of earnings to fixed charges, which is calculated on earnings after depreciation and amortisation, was 10.9. These factors, combined with our stable cash flows referred to previously, have resulted in us being assigned credit ratings of A+ by Standard & Poors and A2 (+ve) by Moody s credit rating agencies. Our target is to maintain an A credit rating.

External Factors Affecting Our Results

The following section describes some of the external factors that have a material impact on our financial condition and results of operations. We manage the risks discussed in this section under our portfolio management approach, which relies on the effects of diversification, rather than individual price risk management programs. You should refer to note 29 Financial instruments in the 2004 BHP Billiton Group Annual Financial Statements for details of our hedge transactions outstanding at 30 June 2004.

Commodity prices

The prices we obtain for our commodities are determined by, or linked to, prices in world commodity markets which have historically been subject to substantial variations because of fluctuations in supply and demand, particularly in the petroleum industry and certain sectors of the minerals industry. We expect that volatility in prices for most of our commodities will continue for the foreseeable future. This volatility has an impact on our revenues and profits from period to period.

Our main commodities are aluminium, alumina, copper, iron ore, chrome, nickel, ferroalloys, metallurgical and energy coal, oil, gas and liquefied petroleum gas. Metals such as aluminium and copper are generally sold under contract, often long-term, at prices determined by reference to prevailing market prices on terminal markets, such as the London Metals Exchange, usually at the time of delivery. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

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Aluminium The aluminium market strengthened throughout fiscal 2004, moving from surplus in 2003 to deficit in 2004. Chinese demand remained strong, although government-led economic measures might see a moderation in its future growth. Demand also improved due to the synchronised global economic recovery, with strong demand growth in the US, Japan and other Asian countries. The aluminium supply side has substantially benefited from constraints upon Chinese production growth, mainly due to strong power and alumina prices. In reflection of these factors, reported aluminium stocks have declined throughout calendar 2004.

Alumina - The smelter grade alumina market remained strong. The spot alumina price increased from about US$300 per tonne at the start of fiscal 2004 to more than US$500 per tonne in early calendar 2004 before falling back again to about US$300 per tonne. The underlying strength in the alumina market had been catalysed and sustained by Chinese demand. However, demand outside China has been supportive as well. The outlook for the alumina and aluminium markets is sound, supported in both cases by solid demand and high effective industry utilisation rates at present.

Copper - Over the last five years to mid calendar 2003, copper prices had declined steadily, primarily reflecting the economic slowdown. Since that time, copper prices have rebounded strongly reflecting improving demand, due to a recovery in the US and Japanese economies along with continued rapid growth in China.

Nickel - Historically, nickel prices have been more volatile than most other metals. During the 1990s the nickel price weakened from the collapse of nickel consumption in the former Soviet Union and the redirection of its production to world markets. This excess production has been fully absorbed and world nickel producers are operating close to full capacity, with a consequent increase in the nickel price during the past year.

Ferrochrome - Ferrochrome prices have been depressed in recent years because of oversupply and a significant producer stock build-up, mainly in South Africa. The excess stocks have now been reduced and the market appears to be roughly in balance. While the inventory oversupply has now been reduced, the low cost of entry to the chrome industry remains an issue facing producers and this is further complicated by the volatility of the South African rand.

Coal - Metallurgical and energy coal prices generally are also driven by supply and demand. Short-term, metallurgical coal demand is expected to remain positive, with medium term demand rising, linked to strong growth in Asia. Demand for energy coal continues to grow in absolute terms as world electricity fuel demand increases, with prices fluctuating in the short term based on supply-demand fundamentals but continuing to be consistently below oil and gas prices on an energy equivalent basis.

Iron Ore - The short-term outlook for iron ore prices is for continued strong growth due to ongoing high demand from China and sustained Japanese demand on the back of strong steel production and close to record exports. The improving financial health of the world s steel industry and stronger raw materials demand suggests positive price outlooks.

Oil and Gas - Oil and gas prices are dominated by global supply and demand conditions, linked to industrial production and political factors with the Organisation of Petroleum Exporting Countries (OPEC).

The prices of several of our main commodities, including our oil and gas prices, may also be affected by changes in economic and political conditions around the world as a result of acts of terrorism or hostilities or war.

Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases. For example, our products are predominantly priced in US dollars. As a result, fluctuations in the Australian dollar or South African rand, which account for a substantial portion of our operating expenses, relative to the US dollar could have a material impact (positive or negative) on our financial condition and results of operations.

We are also exposed to exchange rate translation risk in relation to our foreign currency denominated monetary assets and liabilities including debt and long-term liabilities (other than site restoration provisions). This includes our net borrowings denominated in South African rand, which at 30 June 2004, were approximately 4% of our net debt on a UK GAAP basis.

Our gains and losses due to legacy foreign currency hedging in effect prior to the merger of BHP Limited and Billiton Plc amounted to gains of US$39 million, losses of US$86 million and losses of US$305 million in the years ended 30 June 2004, 2003 and 2002, respectively. These hedges expired during the 2003-2004 financial year. Our gains and losses on restatement of non US dollar net monetary liabilities were losses of US$278 million, losses of US$380 million and gains of US$180 million in the years ended 30 June 2004, 2003 and 2002, respectively.

Interest rates

We are exposed to interest rate risk on our outstanding borrowings and investments. Our policy on interest rate exposure is for interest on our borrowings to be on a US$ floating interest rate basis. Deviation from our policy would require the approval of our

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Financial Risk Management Committee. We have some borrowings that are on a fixed interest rate basis which are primarily legacy positions in existence prior to the merger.

Trends and Uncertainties

We operate our business in a dynamic and changing environment, and with information that is rarely complete and exact. In this section, we discuss the most important areas where management sees trends occurring that may materially affect our future financial condition and results of operations, risks that could have a material adverse effect on our business and areas where we make decisions on the basis of information that is incomplete or uncertain.

Commodity price, currency exchange rate and interest rate volatility our business is exposed to the volatility of each of these market-based variables. Our current position and approach for each of these is outlined above under External Factors Affecting Our Results .

Growth in product demand the Chinese market has become a significant source of global growth for the basic commodities we sell. China now represents in excess of 29% of global seaborne iron ore demand, 20% of copper and alumina, 12% of nickel and 7% of oil demand. Global demand for these commodities on average approximately doubled from 7% of global demand to 15% between 1990 and 2000 and has continued to grow. While this increase represents a significant business opportunity for us, our exposure to China s economic fortunes and economic policies has increased. In recent times, we have seen a synchronised upward movement in commodity prices driven largely by Chinese demand. This synchronisation has introduced increased volatility in our commodity portfolio. The upward synchronisation of prices, while currently a positive impact, raises the potential of downward synchronisation in the event China growth stalls.

Exploration and development of resources because a substantial portion of our revenues and profits are related to our oil and gas and minerals operations, our results and financial condition are directly related to the success of our exploration efforts and our ability to replace existing reserves. However, there are no guarantees our exploration programs will be successful. When we identify an economic deposit there are often significant challenges and hurdles entailed in its development, such as negotiating rights to extract ore with governments and landowners, design and construction of required infrastructure, utilisation of new technologies in processing and building customer support.

Reserves estimation The reserves we report in this annual report are our estimates of the amount of product that we can economically and legally extract from our properties. In order to calculate our reserves, we must make estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires us to determine the size, shape, and depth of orebodies or fields by analyzing geological data such as drilling samples. This process may require us to make complex and difficult geological judgements and calculations in order to interpret the data. Our reserves estimations may change substantially if new information subsequently becomes available.

Health, safety and environment Central to our business is a commitment to health, safety, environmental responsibility and sustainable development. Our aims are to achieve zero harm in our health and safety performance, to embed a systematic approach to environmental risk management and to increase our engagement with host communities. Quite often these aims will lead to implementation of standards that exceed applicable legal and regulatory requirements. Apart from our belief that applying best industry practice in health, safety and environment management is part of being a good corporate citizen, we believe establishing a track record of minimising health, safety and environmental impacts leads to higher levels of trust in the communities in which we operate, and among the governments that regulate us and the organisations that monitor our conduct.

Given the nature of our operations, there remains a risk that, despite our best efforts, health, safety or environmental incidents may occur that could result in fines or remediation expenditures and damage our reputation, making it harder for us to do business in the future. Our activities are also highly regulated by health, safety and environmental laws in a number of jurisdictions. As regulatory standards and expectations are constantly developing and generally becoming more onerous, we may be exposed to increased litigation, compliance costs and unforeseen environmental remediation expenses.

Three examples of material uncertainties identified by management as key risks to our business are first: the regulation of greenhouse gas emissions and potential reductions in fossil fuel consumption per capita and general consumption associated with such regulation; secondly the impact upon workers in our South African business of the HIV/AIDS infection rate; and thirdly compliance with European regulations requiring proof that mineral resources can be used without affecting health or the environment.

Application of Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the

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reported turnover and costs during the period. On an ongoing basis, our management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, turnover and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

We have identified the following critical accounting polices under which we are required to make estimates and assumptions and where actual results may differ from these estimates under different assumptions and conditions and may materially affect our financial results or financial position reported in future periods.

Reserve estimates

The reserves we report in this annual report are our estimates of the amount of product that we can economically and legally extract from our properties. In order to calculate our reserves, we must make estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires us to determine the size, shape, and depth of orebodies or fields by analysing geological data such as drilling samples. This process may require us to make complex and difficult geological judgements and calculations in order to interpret the data.

Industry Guide 7, issued by the US Securities and Exchange Commission (SEC), sets out the requirements in relation to reserve reporting of minerals in SEC filings. It requires us to base our economic assumptions on current economic conditions. With respect to the prices at which we assume that we will be able to sell our products, we use the three-year historical average for each commodity. We are also required to report our ore reserves in our home jurisdictions, Australia and the UK, under the Australasian Code for reporting of Mineral Resources and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires us to use reasonable investment assumptions to calculate our reserves, which may differ from assumptions based on current economic conditions. For this reason, we sometimes report different reserves under Industry Guide 7 to those we report under the JORC Code.

We report our oil and gas reserves in this annual report, and also in our home jurisdictions, Australia and the UK, based on prices prevailing at the time of the estimates and Industry Guide 2, issued by the SEC.

Because the economic assumptions we use to estimate reserves change from period to period, and because we generate additional geological data as we undertake operations, our estimates of economically recoverable reserves may change from period to period. Changes in reported reserves may affect us in a number of ways, including the following:

- Our asset carrying values may be affected due to changes in estimated future cash flows;

Our depreciation, depletion and amortisation charged against the profit and loss account may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change;

Our deferred overburden removal costs recorded in the balance sheet or charged against the profit and loss account may change due to changes in stripping ratios or where such charges are determined by the units of production basis;

Our decommissioning, site restoration and environmental provisions may change where changes in our estimated reserves affect our expectations in respect of the timing or cost of these activities; or,

Our provisions against deferred tax assets may change due to changes in the estimated certainty of realising the tax benefits.

Exploration, evaluation & development expenditure

We capitalise certain exploration, evaluation and development expenditure where we consider it likely that we will be able to recover the expenditure by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires our management to make certain estimates and assumptions as to future events and circumstances, in particular, whether we can establish an economically viable extraction operation. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written-off to the profit and loss account. An amount of US$378 million has been carried forward in net tangible fixed assets as capitalised exploration and evaluation expenditure at 30 June 2004.

Tangible assets valuation

We review the carrying value of each income-generating unit at least annually to evaluate whether the carrying amount is recoverable. We may review assets more regularly if an event or change in circumstances indicates that the carrying amount of an

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asset may not be recoverable. We determine if an asset is impaired by comparing the carrying value with the higher of net realisable value and value in use. We generally determine value in use by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. We estimate future cash flows based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves (see Reserve estimates above), operating costs, reclamation costs and capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets. In such circumstances, some or all of the carrying value of these assets may be impaired and we would charge the impairment against the profit and loss account.

Defined benefit pension costs and other post-retirement benefits

We operate or participate in a number of post-retirement schemes (including pensions and medical benefits plans) throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes, where applicable, are generally held separately from ours and are administered by trustees or management boards.

We use Statement of Standard Accounting Practice (SSAP) 24 Accounting for Pension Costs under UK GAAP to record our assets, liabilities and costs in our balance sheet and profit and loss account in respect of these schemes. This basis of measurement takes into account the performance of scheme assets, where applicable, and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation to our employees and that surpluses are recoverable by us, over the expected remaining periods of service of our employees. We consequently recognise a liability or asset in the balance sheet to the extent that the contributions payable either lag or precede expense recognition.

The process necessarily requires management annually to make certain estimates and assumptions as to future returns on various classes of assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of our employees. In making these estimates and assumptions, management considers advice provided by external advisors, such as actuaries.

In addition, an alternative policy acceptable under UK GAAP would be the application of FRS 17 Retirement Benefits . Under FRS 17, all surpluses would be recognised to the extent they are considered recoverable and all deficits would be recognised in full. For disclosures under the transitionary provisions of FRS 17, which is not yet mandatory, you should refer to note 27 Pensions and post-retirement medical benefits in the 2004 BHP Billiton Group Annual Financial Statements. If we had applied FRS 17 in preparing our financial statements for the year ended 30 June 2004, our shareholders funds would have been approximately US$430 million lower, mainly reflecting the impacts on our schemes of movements in global equity markets, and our profit after tax would have been approximately US$40 million lower.

Decommissioning, site restoration and environmental costs

Our activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, we have a policy of ensuring that reclamation is planned and financed from the early stages of any operation. We make provision for the cost of reclamation of our mining and processing facilities along with the decommissioning of our oil platforms and infrastructure associated with petroleum activities. Our estimation of the cost of future reclamation and decommissioning activities is subject to uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination and the timing and extent of reclamation and decommissioning activities required. While the provisions at 30 June 2004 represent our best estimate of the future costs required, these uncertainties might result in future actual expenditure differing from the amounts provided at this time.

At 30 June 2004, we had provided US$2,783 million for reclamation and decommissioning costs in the provision for site rehabilitation. Of this amount, US$1,081 million was provided for closed sites. Adjustments to the provisions in relation to these closed sites are recognised in the profit and loss account during the period in which the adjustments are made. In addition to the uncertainties noted above, certain of these activities are subject to legal disputes and depending on the ultimate resolution of these issues the final liability for these matters could vary. We review the amounts provided in relation to closed sites periodically based upon the facts and circumstances available at the time and our provisions are updated accordingly. Refer Results of Operations in relation to the charge in the 2003-2004 year of US$534 million. We believe that it is reasonably possible that, due to the nature of the closed site liabilities and the degree of uncertainty which surrounds them, our liabilities in relation to closed sites could be in the order of 35% greater or in the order of 20% lower than the US$1,081 million we have provided at year-end.

Deferred taxation

We recognise deferred tax assets in our balance sheet only where it is more likely than not that they will be recovered. A proportion of our deferred tax assets recorded in our balance sheet relate to current or prior period tax losses and capital losses where management considers that it is more likely than not that we will recover the benefit of those tax losses and capital losses in future periods through the generation of sufficient future taxable profits. Our assumptions in relation to the generation of sufficient future taxable profits depend on our estimates of future cash flows, which are estimated based on production and sales plans, commodity prices, recoverable reserves, operating costs, reclamation costs and planned capital costs. These estimates are subject to risk and

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uncertainty, hence there is a possibility that changes in circumstances will alter the projections, which may impact the recoverability of the assets recorded in our balance sheet and those tax losses and timing differences excluded. In such circumstances, some or all of the carrying value of these deferred tax assets may require provisioning and we would charge the expense to the profit and loss account, and conversely, some or all of the provisions against the tax losses and timing differences excluded may be reversed and we would credit the benefit to the profit and loss account. During the year, certain provisions previously established were determined to be no longer necessary, and US$238 million has been recorded as an exceptional tax benefit.

At 30 June 2004, our deferred tax assets included US$526 million in relation to current or prior period tax losses and capital losses, and our deferred tax assets exclude US$738 million in relation to current or prior period tax losses and capital losses and US$557 million in relation to timing differences where management has concluded that it is more likely than not that we will not generate sufficient future relevant income to recover these losses and timing differences in future periods.

A. Operating Results

Year ended 30 June 2004 compared with year ended 30 June 2003

The following discussion and analysis is based on the BHP Billiton Group s Annual Financial Statements, which reflect the combined operations of the BHP Billiton Plc Group and the BHP Billiton Limited Group for the two years ended 30 June 2004 and 30 June 2003 as prepared in conformity with UK GAAP.

In this analysis, all references to 2003-2004 or the current period are to the year ended 30 June 2004 and all references to 2002-2003 or the corresponding period are to the year ended 30 June 2003.

Results of operations

Consolidated

Global economic conditions improved during the year ended 30 June 2004. As product demand and commodity prices both improved, we generated higher cash flows from operating activities, increased our profit after tax and our returns to shareholders, while still continuing our investment in value accretive growth projects.

Profit after tax (before equity minority interests) for the year ended 30 June 2004 was US$3.5 billion compared with US$1.9 billion for the corresponding period. Excluding exceptional items and discontinued operations, profit after taxation (before equity minority interests) was US$3.6 billion compared with US$2.0 billion for the year ended 30 June 2003.

Turnover (including share of joint ventures and associates and turnover from third party products) was US$24.9 billion for 2003-2004 compared with US$17.5 billion for the corresponding period. Turnover from third party products increased from US$3.4 billion in 2002-2003 to US$6.7 billion in 2003-2004.

Record production volumes were achieved at a number of our businesses as seven new projects came on stream and other projects ramped up to full production. Our Operating Excellence efficiency improvement initiatives also contributed to the increased production, allowing us to take full advantage of strong market demand. Western Australian iron ore, Queensland coal and Groote Eylandt manganese (all Australia) operations produced record volumes of iron ore, coking coal and manganese ore, respectively. Escondida (Chile) produced record copper volumes, Cannington (Australia) produced record silver volumes and Ekati (Canada) achieved record diamond volumes. Record alumina, aluminium, nickel and natural gas volumes were also achieved during the current year.

Available cash flow (after interest and tax) for 2003-2004 was a record US$5.2 billion. This strength in cash flow enabled the continuing development of our project pipeline. The seven projects successfully commissioned during the year required a capital investment of approximately US$1.9 billion. Our Board also approved five major projects during the year: the Worsley Development Capital Projects, Escondida Sulphide Leach, Panda Underground, Ravensthorpe Nickel and the Yabulu Extension projects, representing a combined forecast capital expenditure of US$2.2 billion. In total, we currently have 14 major growth projects under development, 11 of which are tracking within our Board s approved budget and schedule. The Minerva gas project in Australia has a rescheduled completion date and a re-estimated cost emanating from a review of contractual arrangements relating to design and construction, the ROD oil project in Algeria has a rescheduled completion date due to delays in procurement of some equipment and materials, and below expected construction productivity, and the Dendrobium mine development project has a re-estimated cost arising from more difficult than expected mining conditions.

We have consistently stated that the priorities for our cash flow are (1) to finance growth opportunities with attractive rates of return, (2) to maintain a capital structure in line with an A credit rating, and (3) to return cash to shareholders, either through our progressive dividend policy or by other means.

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Our Board remains committed to demonstrating strong capital discipline whilst ensuring that we are able to finance our strong and growing organic growth pipeline. Following a review of our current and anticipated cash flows, our Board approved a number of actions associated with capital management activities. On 18 August 2004, we declared a final dividend of 9.5 US cents per share for 2003-2004, an increase of 26.7% over last year s final dividend. This brings the total dividends for 2003-2004 to 26.0 US cents per share (see Dividends below). Additionally, our Board approved plans to pursue additional capital management initiatives with a target amount of up to US$2 billion (see Capital Management in section B Liquidity and Capital Resources below).

Profit before interest and taxation was US$5.0 billion for 2003-2004 compared with a profit of US$3.5 billion for 2002-2003. Excluding exceptional items and discontinued operations, profit before interest and taxation was US$5.5 billion for 2003-2004 compared with a profit of US$3.5 billion for 2002-2003. The 2003-2004 profit before tax was reduced by exceptional items totalling US$468 million (US$131 million after tax) as follows:

We refined our plans in relation to certain closed operations. This resulted in a charge of US$534 million (US$512 million after tax) comprising:

At Southwest Copper (US), a charge of US$425 million (nil tax benefit) resulting from a comprehensive review of closure plans that was undertaken following the refocusing of the Group s direction during the period towards an accelerated closure strategy. This followed exhaustion of previous alternative strategies, and resulted in a shortened timeframe to closure for some of the facilities. Actions during the year resulting from the review included the announcement of the closure of the San Manuel plant facilities in October 2003, and the divestment and farm-out of certain assets and liabilities during the period, such as the Robinson copper/gold mining operation and the Resolution copper exploration prospect. The review also indicated (a) higher short-term closure costs, due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and, (c) an increase in the residual value of certain assets; and,

At other closed sites, a charge of US$109 million (before a tax benefit of US$22 million), in relation to the Island Copper mine (Canada), the Newcastle steelworks (Australia), the Selbaie copper mine (Canada), and several other smaller sites. These increases resulted from a number of causes, including (a) a reassessment during the period of an original pit lake water treatment process which requires additional treatment for a longer period; (b) a comprehensive environmental assessment completed during the period as a consequence of a change in approach relating to the remediation of river sediment; and, (c) development of detailed closure plans, including site characterisation, in relation to sites which closed during the last two years where closure activities have now commenced.

We announced we were part of a consortium that had reached a settlement with Dalmine SpA with respect to a claim brought against Dalmine in April 1998. The claim followed the failure of an underwater pipeline installed in 1994 in the Liverpool Bay area of the UK continental shelf. As a result of the settlement, we have recorded an exceptional gain of US$66 million (US$48 million after tax);

We elected to consolidate our Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, we have chosen to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of the assets. This resulted in the restatement of deferred tax balances and an exceptional tax benefit of US$95 million being recorded in accordance with UK GAAP; and

The level of certainty regarding potential benefits arising from prior period taxation deductions and foreign tax credits available in the US and Canada has increased to the extent that some of the provisions against deferred tax assets established in prior years are no longer necessary. This is a result of higher income generation, changes in legislation and effective utilisation of tax credits during the year, along with increasing confidence regarding the ability to realise benefits in the future. Accordingly, we have recorded an exceptional tax benefit of US$238 million.

The exceptional item in 2002-2003 was a loss of US$19 million on the 6% of BHP Steel retained by BHP Billiton following its demerger, which became effective on 1 July 2002. BHP Steel has been disclosed as a discontinued business for prior periods.

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Apart from the exceptional items, the principal factors that affected profit before interest and taxation for 2003-2004 compared with 2002-2003 were:

Higher sales volumes of copper, iron ore, aluminium, natural gas, LPG, manganese ore, metallurgical coal and diamonds were partially offset by lower oil and titanium feedstock product volumes. This resulted in a net positive impact on profit before interest and taxation of approximately US$180 million;

Higher commodity prices increased profit before interest and taxation by approximately US$3,145 million with copper, nickel, petroleum products, aluminium, export energy coal, ferrochrome and iron ore prices having significant contributions;

New operations increased profit before interest and taxation by approximately US$55 million mainly due to the commencement of commercial production from the Ohanet wet gas development in Algeria from October 2003;

Ceased and sold operations had a favourable impact on profit before interest and taxation of approximately US$75 million. This mainly reflects the impact of divested assets including our petroleum assets in Bolivia, the Alumbrera copper/gold mine in Argentina, and our 33.6% interest in the Highland Valley Copper mine; and,

Asset sales favourably impacted profit before interest and taxation by approximately US$60 million mainly due to the sale of non-core assets in the current period, including a non-core royalty interest in December 2003 and sales of non-core mineral rights.

The favourable impact of these items was partially offset by the following:

Net costs increased by US$555 million, as a result of:

Higher price-linked costs decreased profit before interest and taxation by approximately US$325 million, mainly due to increased taxes on petroleum products, and higher LME-linked costs;

Inflationary and other input cost pressures, principally in South Africa and Australia, increased costs by approximately US$300 million; and

These factors were partially offset by favourable operating cost performance of approximately US$70 million.

The unfavourable exchange rate impact on profit before interest and taxation of US$775 million was primarily due to stronger A$/US$ and rand/US$ average exchange rates on operating costs, which had an unfavourable impact on profit before interest and taxation of approximately US$915 million. The conversion of rand and Australian dollar denominated net monetary liabilities at 30 June 2004 date had a favourable impact of approximately US$65 million on profit before interest and taxation, which was mainly due to the closing A$/US$ exchange rate appreciating 3.4% during the current period compared with an appreciation of 17.7% in the corresponding period. Gains on legacy A$/US$ currency hedging of US$39 million in the current period had a favourable impact of US$125 million compared to losses of US$86 million in the corresponding period; and,

Exploration expense was approximately US$85 million higher than in the prior period. Gross exploration expenditure was US$454 million, comprising petroleum exploration of US$340 million and minerals exploration of US$114 million, compared with US$348

million in the corresponding period. Exploration expenditure amounting to US$170 million was capitalised during 2003-2004, and exploration charged against profit in 2003-2004 was US$336 million, including US$52 million of exploration expenditure previously capitalised, which was written off as impaired.

Variations in stripping ratios have not had a material impact on the reported results of 2003-2004 as compared to the corresponding period.

Depreciation and amortisation expense increased US$103 million to US$1,751 million in 2003-2004. This mainly reflected increased depreciation charges from newly commissioned operations at Ohanet, Western Australian iron ore operations, Escondida, Mozal and Hillside.

Net interest fell from US$537 million to US$502 million, principally driven by lower average debt levels and active management of our debt portfolio which has resulted in lower average interest rates. Included in net interest were exchange losses on net debt, mainly relating to the translation of rand denominated debt, of US$133 million compared with losses of US$140 million in the corresponding period.

Including exceptional items, the tax charge for 2003-2004 was US$1,042 million compared with US$984 million for 2002-2003, representing an effective taxation rate for 2003-2004 of 23.1% compared with 33.6% in 2002-2003. The net tax effects of exceptional items in 2003-2004 were a benefit of US$337 million, comprising mainly the introduction of the tax consolidation regime

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in Australia (benefit of US$95 million) and the recognition of certain US and Canadian taxation deductions (benefit of US$238 million). The tax effects of other exceptional items in 2003-2004 were a benefit of US$4 million. There were no tax effects of exceptional items in 2002-2003.

The tax charge on earnings, excluding exceptional items, was US$1,379 million, representing an effective rate of 27.7%. Excluding the impacts of non tax-effected foreign currency adjustments, translation of tax balances and other functional currency translation adjustments, mainly attributable to the strengthening of both the rand and Australian dollar against the US dollar during the period, the effective rate was 26.4%. When compared to the UK and Australian statutory tax rate (30%, excluding a surcharge of 10% for petroleum operations in the UK), the underlying effective tax rate benefited 2% due to the recognition of tax losses (US$100 million) in the US. In addition, investment incentives, development entitlements and other unbenefited tax losses and tax credits were recognised during the year which further reduced the effective rate by 2.4%. These benefits were offset by non-deductible accounting depreciation and amortisation, non-tax effected losses and other items which increased the effective tax rate, before foreign exchange impacts, by 0.8%.

The share of net profit attributable to outside equity interests share of profit after taxation increased from US$40 million in 2002-2003 to US$97 million in 2003-2004.

Customer Sector Group Summary

The following table provides a summary of the Customer Sector Group results for the year ended 30 June 2004 and the corresponding period.

	Turnover			Profit before interest and taxation		
Year ended 30 June (US$ Million)	**2004**	**2003**	**Change%**	**2004**	**2003**	**Change%**
Petroleum	5,558	3,264	70.3%	1,457	1,178	23.7%
Aluminium	4,432	3,386	30.9%	776	581	33.6%
Base Metals	3,422	1,954	75.1%	674	286	135.7%
Carbon Steel Materials	4,857	3,714	30.8%	1,137	1,045	8.8%
Diamonds and Specialty Products	1,710	1,485	15.2%	410	299	37.1%
Energy Coal	2,569	2,089	23.0%	234	198	18.2%
Stainless Steel Materials	1,749	1,106	58.1%	561	150	274.0%
Group and unallocated items	1,796	1,014	77.1%	(229)	(256)	N/A
Discontinued Operations			N/A		(19)	N/A
Less: inter-segment turnover	(1,150)	(506)				
BHP Billiton Group	**24,943**	**17,506**	**42.5%**	**5,020**	**3,462**	**45.0%**

Petroleum

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$5.6 billion during 2003-2004, an increase of US$2.3 billion, or 70.3%, over 2002-2003. Turnover includes sales of third party product, which increased by US$2,035 million to US$2,331 million in the current year. Turnover was favourably affected in 2003-2004 by higher average realised prices for all petroleum products compared with the corresponding period, including higher average realised oil prices of US$32.24 per barrel compared to US$28.14 per barrel,

and higher average realised natural gas prices of US$2.62 per thousand standard cubic feet compared with US$2.21 per thousand standard cubic feet. Additionally, there was a 1% increase in total production of petroleum products. Total production in 2003-2004 was 122.5 million barrels of oil equivalent, compared with total production in 2002-2003 of 121.8 million barrels of oil equivalent.

You should refer to the Glossary of terms section of this annual report for conversions between tonnes and barrels or cubic feet.

Profit before interest and taxation for 2003-2004 was US$1,457 million compared with a profit of US$1,178 million in the corresponding period. The 2003-2004 result included an exceptional gain of US$66 million before taxation in relation to the settlement with Dalmine SpA. No exceptional items were included in 2002-2003.

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Excluding exceptional items, Petroleum s profit before interest and taxation was US$1,391 million in 2003-2004, an increase of US$213 million or 18.1% compared with 2002-2003. The increase was primarily driven by the favourable higher average price factors mentioned above, together with new production from Ohanet (Algeria) and Boris (US), a write down of the Group s Bolivian assets in 2002-2003, due to a government driven change to fiscal arrangements, and a smaller loss on foreign exchange than in 2002-2003. These factors were partly offset by the unfavourable effect of higher price-linked costs, increased exploration expenditure, and losses on sale of third party products.

Exploration expenditure incurred in 2003-2004 was US$340 million. The amount charged to profit was US$181 million (including US$6 million of exploration expenditure previously capitalised, now written off as impaired) and expenditure of US$165 million was capitalised. In 2002-2003, exploration expenditure incurred was US$243 million and the amount charged to profit was US$154 million (reflecting capitalised expenditure of US$97 million and US$8 million exploration expenditure previously capitalised, which was written off as impaired). The increase of US $97 million reflected increased exploration activity in the Gulf of Mexico, Trinidad and Tobago and Western Australia.

Aluminium

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$4.4 billion during 2003-2004, an increase of US$1.0 billion, or 30.9%, compared with the corresponding period.

Turnover was favourably affected by higher realised prices for aluminium and alumina. Average LME aluminium prices increased to US$1,570 per tonne in 2003-2004, compared with US$1,360 per tonne in the corresponding period. Higher sales volumes from Mozal 2 (Mozambique) and Hillside 3 (South Africa) following full commissioning in August 2003 and December 2003 respectively, also had a favourable impact. In addition, there were increased sales of third party product in 2003-2004, which increased by US$490 million to US$1,823 million in the current year.

Aluminium smelter production was 1,256,000 tonnes in 2003-2004 compared with 1,074,000 tonnes in the corresponding period and alumina production increased from 4.1 million tonnes in 2002-2003 to 4.2 million tonnes in 2003-2004.

Profit before interest and taxation for 2003-2004 was US$776 million compared with a profit of US$581 million in the corresponding period. The 2002-2003 and 2003-2004 results included no exceptional items. The increase was mainly attributable to the price and volume increases mentioned above. These factors were partially offset by the unfavourable impact on operating costs of strengthening A$/US$, rand/US$ and Brazilian real/US$ average exchange rates, higher LME price-linked costs, increased transportation costs and inflationary pressure in Brazil.

Base Metals

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$3.4 billion during 2003-2004, an increase of US$1.5 billion, or 75.1%, compared with the corresponding period. This increase was mainly attributable to higher average realised prices for copper of US$1.14/lb in 2003-2004, compared with US$0.73/lb in 2002-2003, and also for silver, lead and zinc. Record production was achieved at Escondida where de-bottlenecking continues as the operation moves towards full capacity. The improvement in the copper market allowed sulphide operations at Tintaya (Peru) to resume in August 2003, returning to full capacity during the current calendar year. Record production was also achieved at Cannington, and production of zinc at Antamina (Peru) was significantly higher. In addition, there were increased sales of third party product in 2003-2004, which increased by US$297 million to US$335 million in the current year.

Production of payable copper increased by 13% to 696,700 tonnes in 2003-2004 compared with 614,900 tonnes in the corresponding period. Zinc production was 159,200 tonnes in 2003-2004, a decrease of 18% compared with 193,800 tonnes in the corresponding period. Silver production was 43,700,000 ounces in 2003-2004, an increase of 6% compared with 41,128,000 ounces in 2002-2003 and lead production was 249,885 tonnes in 2003-2004 an increase of 4% compared with 240,042 tonnes in the corresponding period.

Profit before interest and taxation for 2003-2004 was US$674 million compared with a profit of US$286 million in the corresponding period. The 2003-2004 result included an exceptional charge of US$482 million before taxation, including a net charge to profit of US$425 million at Southwest Copper (US) resulting from a re-estimation of short-term closure costs and the inclusion of residual risks, longer-term water management and other costs, and partly offset by an increase in the residual value of certain assets. The 2002-2003 result included no exceptional items.

Excluding exceptional items, Base Metals profit before interest and taxation was US$1,156 million in 2003-2004, an increase of US$870 million compared with 2002-2003. The increase was mainly attributable to the price and volume increases mentioned above. These factors were partially offset by the unfavourable impact on operating costs of stronger A$/US$ and Chilean peso/US$ average exchange rates, higher operating and maintenance costs at Escondida, and higher production costs at Antamina. The prior year included a profit of US$40 million relating to the Alumbrera mine, which was sold effective April 2003.

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Exploration expenditure incurred and expensed was US$10 million in 2003-2004 and US$12 million in 2002-2003.

Carbon Steel Materials

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$4.9 billion during 2003-2004, an increase of US$1.1 billion, or 30.8%, compared with 2002-2003. This increase was mainly attributable to stronger commodity prices, record production and sales volumes at Western Australian iron ore operations, and higher sales at both Queensland coal and Australian manganese ore operations.

Attributable Western Australian iron ore production was 76.5 million wet tonnes, an increase of 16% compared with the corresponding period. This increase reflects strong customer demand for iron ore products along with additional capacity following the completion of the Area C and Products and Capacity Expansion projects.

Production of Samarco pellets, pellet feed and sinter fines was 7.7 million tonnes in 2003-2004, a decrease of 0.2 million tonnes compared with the corresponding period.

Queensland coal production was 29.5 million tonnes in 2003-2004, an increase of 6% compared with the corresponding period. This reflects stronger market demand. Illawarra Coal production was 5.8 million tonnes in 2003-2004, a decrease of 14% compared with 2002-2003, largely reflecting difficult mining conditions.

Manganese alloy production was 712,000 tonnes in 2003-2004, a decrease of 3% compared with 2002-2003. Manganese ore production was 5.0 million tonnes, an increase of 21% compared with 2002-2003 which was due to strong customer demand.

Boodarie Iron production was 1,716,000 tonnes in 2003-2004, an increase of 3% compared with 2002-2003.

Profit before interest and taxation for 2003-2004 was US$1,137 million compared with a profit of US$1,045 million in the corresponding period. The 2002-2003 and 2003-2004 results included no exceptional items. The increase was mainly attributable to the price and volume increases mentioned above. In addition, local currency unit cost performance improved at Western Australian iron ore, as a result of ongoing cost efficiency programs and increased production. These improvements were partially offset by the unfavourable impact of stronger A$/US$ and rand/US$ average exchange rates and inflationary pressure on Australian and South African operations compared with the corresponding period. Depreciation charges increased at Western Australian iron ore operations following the completion of the Area C and Products and Capacity Expansion projects, and stripping and demurrage costs were higher at Queensland coal and Western Australian iron ore operations.

Exploration expenditure incurred and charged to profit was US$8 million in 2003-2004 and US$9 million in 2002-2003.

Diamonds and Specialty Products

Turnover, including share of joint ventures and associates and including inter-segment turnover, was US$1.7 billion during 2003-2004, an increase of US$0.2 billion, or 15.2%, compared with 2002-2003. The increase was mainly attributable to higher realised prices for diamonds and Integris metal products (a reflection of strong market conditions), and higher diamond sales volumes.

EKATI (Canada) diamond production was 5,482,000 carats in 2003 2004, an increase of 1,142,000 carats or 26% compared with 4,340,000 carats in the corresponding period, mainly reflecting record plant throughput in 2003-2004. Sales volumes were up 8% and the average per carat value sold was up 27%.

Diamonds and Specialty Products profit before interest and taxation for 2003-2004 was US$410 million compared with a profit of US$299 million in the corresponding period. No exceptional items were included in 2002-2003 or 2003-2004. The increase was mainly attributable to the price and volume factors mentioned above. In addition, the 2003-2004 result was favourably affected by profits realised on the sale of a non-core royalty interest (US$37 million). These factors were partially offset by higher price-linked costs at Integris Metals (US), lower titanium feedstock volumes, higher depreciation charges at EKATI and the unfavourable impact of stronger rand/US$ average exchange rates on operating costs.

Exploration expenditure incurred in 2003-2004 was US$87 million. The amount charged to profit was US$96 million in 2003-2004, including US$9 million exploration expenditure previously capitalised, now written off as impaired. Exploration expenditure incurred and expensed in 2002-2003 was US$78 million.

Energy Coal

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$2.6 billion during 2003-2004, an increase of US$0.5 billion, or 23.0%, over 2002-2003. The increase in turnover was mainly due to higher export prices resulting from strong demand in both the Atlantic and Pacific markets, and increased sales volumes from Australian and Colombian operations.

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Production was 83.9 million tonnes, an increase of 2.7% compared with 81.7 million tonnes in the prior period. This reflects increased production at the Australian and Colombian operations.

Profit before interest and taxation for 2003-2004 was US$234 million compared with US$198 million in the corresponding period. The 2002-2003 and 2003-2004 results included no exceptional items. The increase was mainly attributable to the price and volume factors mentioned above, together with cost savings driven by integration synergies and business improvement programs at Cerrejon Coal (Colombia). This was partially offset by the unfavourable impact on net operating costs of stronger rand/US$ and A$/US$ average exchange rates, and higher unit costs at Ingwe (South Africa) reflecting lower export sales volumes, higher contractor costs, and South African inflationary pressures. Increased demurrage costs at Ingwe and Hunter Valley (Australia) also had an unfavourable impact.

Exploration expenditure incurred and capitalised in 2003-2004 was US$3 million. The amount charged to profit was US$37 million, reflecting exploration expenditure previously capitalised, which was written off as impaired.

Stainless Steel Materials

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$1.7 billion in 2003-2004, an increase of US$0.6 billion, or 58.1%, over 2002-2003. The increase was mainly driven by higher realised prices for nickel (2004 US$5.49 lb; 2003 US$3.46 lb), and also for ferrochrome products, together with record production at nickel operations achieved through ongoing improvement programs at both Cerro Matoso (Colombia) and the QNI Yabulu refinery (Australia).

Nickel production was 81,700 tonnes in 2003-2004, an increase of 5% compared with 78,100 tonnes in the corresponding period. Ferrochrome production was 1,026,000 tonnes in 2003-2004, an increase of 4% compared with 990,000 tonnes in the corresponding period. These increases were driven by strong market demand, operating efficiency gains and higher capacity utilisation.

Profit before interest and taxation for 2003-2004 was US$561 million compared with US$150 million in the corresponding period. The 2003-2004 result included an exceptional charge of US$10 million before taxation for reassessment of closure plans for closed sites. The 2002-2003 result included no exceptional items.

Excluding exceptional items, Stainless Steel Material s profit before interest and taxation was US$571 million in 2003-2004, an increase of US$421 million compared with 2002-2003. The increase is mainly due to the favourable impact of price and volume factors on the 2003-2004 result mentioned above, together with profits from the sale of mineral rights in South Africa (US$30 million). These factors were partially offset by the unfavourable impact on operating costs of stronger rand/US$ and A$/US$ average exchange rates, higher price-linked ore supply costs at the QNI Yabulu refinery and higher royalties at Cerro Matoso. In addition, increased shipping costs, higher oil and coking coal prices, and inflationary pressures in South Africa had an unfavourable impact.

Exploration expenditure incurred in 2003-2004 was US$4 million. The amount charged to profit in 2003-2004 was US$2 million. Exploration expenditure incurred and charged to profit in 2002-2003 was US$3 million.

Group and Unallocated Items

This category represents corporate activities, including Group Treasury and Freight, Transport and Logistics operations, and certain comparative data for divested assets and investments including HBI Venezuela and Ok Tedi.

Group and Unallocated Items result before interest and taxation for 2003-2004 was a loss of US$229 million compared with a loss of US$256 million in the corresponding period. The 2003-2004 result included an exceptional charge of US$42 million before taxation for reassessment of closure plans for closed sites. No exceptional items were included in 2002-2003.

Excluding exceptional items, Group and Unallocated Items result before interest and taxation was a loss of US$187 million in 2003-2004, a decrease of US$69 million or 27% compared with 2002-2003.

Group and Unallocated Items result includes gains on legacy A$/US$ currency hedging of approximately US$39 million during the current period, compared with losses of approximately US$86 million in the corresponding period. These gains or losses mainly reflect the higher or lower value of hedge settlement rates compared with hedge contract rates for currency hedging contracts settled during the year. Net corporate operating costs, excluding gains and losses from legacy A$/US$ currency hedging and other exchange impacts, were US$258 million, a decrease of US$9 million compared to US$267 million in the corresponding period. The underlying decrease in costs was partially offset by the impact of asset sales and other one-off items in the corresponding period.

Dividends

We paid a first interim dividend of 8.0 US cents per fully paid ordinary share in December 2003, a second interim dividend of 8.5 US cents per fully paid ordinary share in May 2004 and a final dividend of 9.5 US cents per fully paid ordinary share in

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September 2004, bringing the declared total for 2003-2004 to 26.0 US cents. This compares to total dividends declared in 2002-2003 of 14.5 US cents per share. We declared three dividends for the year ended 30 June 2004 as a result of our decision to realign dividend declaration dates to coincide with the announcements of our interim and full year results. In future years, we intend to declare an interim dividend at the time of our interim results announcement, and a final dividend at the time of our full year results announcement.

The BHP Billiton Limited dividends in both periods were fully franked for Australian taxation purposes. Franked dividends are those paid out of profits that have borne Australian corporate tax (i.e. to which franking credits have been allocated) while unfranked dividends are paid out of untaxed profits. Generally, franking credits are generated by income tax paid by the company. Shareholders who receive franked dividends are generally entitled to some form of relief from Australian tax in respect of those dividends. Dividends paid to non-Australian resident shareholders are exempt from Australian dividend withholding tax to the extent the dividends are franked. Dividends paid to Australian resident shareholders would entitle those shareholders to an Australian tax credit to the extent the dividends are franked.

Dividends for the BHP Billiton Group are determined and declared in US dollars. However, BHP Billiton Limited dividends are mainly paid in Australian dollars and BHP Billiton Plc dividends are mainly paid in pounds sterling to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register. The rates of exchange applicable two business days before the declaration dates were used for conversion of currencies.

Comparison to results under US Generally Accepted Accounting Principles

A number of differences between the results under UK GAAP and US GAAP arise from the fact that, whilst the DLC Merger was treated as a pooling-of-interests under UK GAAP, it is treated as a purchase of the BHP Billiton Plc Group by the BHP Billiton Limited Group under US GAAP.

Under UK GAAP, attributable profit for 2003-2004 was US$3.4 billion compared to US$2.7 billion under US GAAP, a difference of US$0.7 billion. The difference includes estimated adjustments of US$491 million (after tax) for impairment of goodwill recorded on acquisition of the BHP Billiton Plc Group, US$88 million (after tax) for increased depreciation and amortisation of the fair value adjustment on acquisition of the BHP Billiton Plc Group and a US$214 million (after tax) loss for fair value accounting for derivatives. Other taxation adjustments, which increased US GAAP net income by US$150 million, mainly relate to the introduction of the tax consolidation regime in Australia, whereby the benefit is recognised over the lives of affected assets for UK GAAP, but is recognised immediately in 2003-2004 for US GAAP.

Under UK GAAP, attributable profit for 2002-2003 was US$1.9 billion compared to US$1.6 billion under US GAAP, a difference of US$0.3 billion. The difference includes estimated adjustments of US$85 million (after tax) for increased depreciation and amortisation of the fair value adjustment on acquisition of the BHP Billiton Plc Group. Other taxation adjustments mainly relate to the tax impact of net unrealised foreign exchange gains on US dollar net debt held by subsidiaries, which retain local currency records for tax purposes, of US$193 million, which has been recognised in the 2002-2003 year for US GAAP. Additionally, the US$61 million charge for UK petroleum tax has been reflected in 2002-2003 for US GAAP.

For a detailed description of significant differences between UK GAAP and the estimated result under US GAAP see note 34 US Generally Accepted Accounting Principles disclosures in the 2004 BHP Billiton Group Annual Financial Statements.

As discussed in note 34 US Generally Accepted Accounting Principles disclosures in the 2004 BHP Billiton Group Annual Financial Statements, the Group changed its methods of accounting for goodwill and employee stock-based compensation under US GAAP in 2002-2003, (refer to footnotes (A) and (B) respectively)

Year ended 30 June 2003 compared with year ended 30 June 2002

The following discussion and analysis is based on BHP Billiton Group s Annual Financial Statements, which reflect the combined operations of the BHP Billiton Plc Group and the BHP Billiton Limited Group for the two years ended 30 June 2003 and 30 June 2002 as prepared in conformity with UK GAAP.

In this analysis, all references to 2002-2003 or the current period are to the year ended 30 June 2003 and all references to 2001-2002 or the corresponding period are to the year ended 30 June 2002.

Results of operations

Consolidated

Global economic conditions remained weak during the year ended 30 June 2003. Despite the challenging climate, we generated stable cash flow, increased our profit after tax and our returns to shareholders while still continuing our investment in value accretive growth projects.

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Profit after tax (before equity minority interests) for the year ended 30 June 2003 was US$1.9 billion compared with US$1.7 billion for the corresponding period. Excluding exceptional items and discontinued operations, profit after taxation (before equity minority interests) was US$2.0 billion compared with US$1.9 billion for the year ended 30 June 2002.

Turnover (including share of joint ventures and associates and turnover from third party products) was US$17.5 billion for 2002-2003 compared with US$17.8 billion for the corresponding period. Turnover from third party products increased from US$2.2 billion in 2001-2002 to US$3.4 billion in 2002-2003.

Production of all major minerals commodities was higher than, or in line with production during the corresponding period and a number of production records were achieved during the year. Record Western Australian iron ore production of 76.5 million tonnes (100 per cent terms) and shipments of 80.3 million tonnes (100 per cent terms) reflected strong demand in all Asian markets, particularly China. Record nickel production at both QNI Yabulu refinery and Cerro Matoso, and record plant throughput at EKATI all reflect the benefits of Operating Excellence efficiency programs. It is significant to note that a general improvement in our safety results during 2002-2003 accompanied the solid production performance.

Profit before interest and taxation was US$2.9 billion for 2002-2003 compared with a profit of US$2.7 billion for 2001-2002. Excluding exceptional items and discontinued operations, profit before interest and taxation was US$2.9 billion for 2002-2003 compared with a profit of US$2.9 billion for 2001-2002. The exceptional item in 2002-2003 was a loss of US$19 million on the 6% of BHP Steel retained by BHP Billiton following its demerger, which became effective on 1 July 2002. BHP Steel has been disclosed as a discontinued business for prior periods.

The 2001-2002 profit before tax included the following exceptional items:

- DLC merger related restructuring costs (organisational restructuring costs) of US$80 million (comprising redundancies and costs associated with the restructuring, the closure of world-wide offices and systems and processes alignment and improvement); and

- In Base Metals, losses of US$132 million (excluding US$13 million recognised for merger related restructuring costs). The loss included a charge to profit of US$101 million, following a reassessment of the Group s asset disposal and closure plans relating to its Southwest Copper business in the US (where the Group ceased operations in 1999).

Apart from the exceptional items and discontinued operations, the principal factors that affected profit before interest and taxation for 2002-2003 were:

- Higher realised prices for petroleum products, nickel, ferrochrome, copper, hot briquetted iron and manganese alloy increased turnover by approximately US$785 million. This increase was partly offset by lower prices for export energy coal and iron ore that decreased turnover by approximately US$240 million.

- Higher sales volumes of iron ore, energy coal, copper, aluminium, diamonds and manganese were partly offset by lower sales volumes of petroleum products, resulting in a positive net volume impact on profit before tax of approximately US$235 million.

These factors were partly offset by the following factors:

Net costs increased by US$75 million, as a result of:

inflationary pressures principally in South Africa, and to a lesser extent in Australia, increasing costs by approximately US$275 million; and

increases in price linked costs, mainly higher royalties and taxes for petroleum production and higher nickel oresupply costs to the QNI Yabulu refinery of approximately US$160 million, partially offset by:

savings of approximately US$360 million from favourable unit operating cost performance.

The impact of stronger A$/US$, rand/US$ and Canadian$/US$ exchange rates on operating costs had an unfavourable impact on profit before tax of approximately US$390 million. The conversion of rand and Australian dollar denominated net monetary liabilities at balance sheet date also had an unfavourable impact (approximately US$60 million) on profit before tax. This was partly offset by reduced losses on legacy A$/US$ currency hedging of approximately US$220 million compared with the corresponding period. In addition, the lower average Colombian peso/US$ and Brazilian real/US$ exchange rates had a favourable impact (approximately US$40 million) on operating costs.

Profit before tax was impacted unfavourably by approximately US$95 million from ceased/sold operations mainly due to the disposal of PT Arutmin (Indonesia), divested in November 2001, and the Rietspruit energy coal mine (South Africa), which was closed in May 2002, together with higher pension and medical plan costs at Southwest Copper (US).

The impact of asset sales is a reduction in profit before tax of approximately US$30 million mainly from the profit on divestment of PT Arutmin in the corresponding period, partly offset by profits on sale of BHP Billiton s interests in Alumbrera and Agua Rica in Argentina, during the year ended 30 June 2003.

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Variations in stripping ratios did not have a material impact on the reported results of 2002-2003 as compared to the corresponding period.

Depreciation and amortisation expense decreased US$79 million to US$1,648 million in 2002-2003. This mainly reflected reduced depreciation charges from ceased, sold and discontinued operations, including the BHP Steel business which was demerged on 1 July 2002 and lower petroleum production mainly due to natural decline in production from the Group s oil and gas fields. These factors were partly offset by increased depreciation from Escondida with Phase IV commencing production in October 2002.

Net interest expense (before exchange gains and losses on net debt) fell to US$397 million in 2002-2003 from US$429 million in the corresponding period. Net interest including capitalised interest and excluding discounting on provisions, fell from US$445 million in 2001-2002 to US$403 million in 2002-2003. That reduction of US$42 million (9.4%) was principally driven by lower market interest rates and lower average debt levels.

Exchange losses on net debt were US$140 million in 2002-2003 compared with gains of US$180 million in the corresponding period, arising mainly in relation to the year-end translation of rand-denominated debt of companies which account in US dollars as their functional currency. The rand appreciated by 27% during the current period compared with depreciation of 27% in the corresponding period.

Including exceptional items, the tax charge for 2002-2003 was US$984 million compared with US$990 million for 2001-2002, representing an effective taxation rate for 2002-2003 of 33.6% compared with 36.3% in 2001-2002. There were no tax effects of exceptional items in 2002-2003. In June 2002, a change in legislation increased the corporation taxation rate for oil and gas companies in the United Kingdom from 30% to 40% (30% primary tax plus a surcharge of 10%), resulting in deferred taxation balances being restated, with an adverse impact of US$56 million on the 2001-2002 results. This item was disclosed as an exceptional item. The tax effects of other exceptional items were a benefit of US$24 million in 2001-2002.

Excluding exceptional items and discontinued operations, the tax charge for 2002-2003 was US$984 million, representing an effective rate of 33.4%. Excluding the impact on tax of foreign currency translation adjustments, the effective rate was 26.3%. The Group recognises tax losses to the extent that it can reasonably foresee future profits which can absorb those losses. Following promising progress in the Group s Gulf of Mexico (projects, previously unrecognised tax losses in the US have been recouped and have been recognised resulting in a reduction in the effective tax rate of approximately 3%. If and when the projects reach appropriate milestones that provide greater certainty over projected future profits, further benefits in respect of past losses may be recognised.

The share of net profit attributable to outside equity interests share of profit after taxation decreased from US$47 million in 2001-2002 to US$40 million in 2002-2003.

Petroleum

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$3.3 billion during 2002-2003, an increase of US$0.5 billion over 2001-2002. Turnover was favourably affected in 2002-2003 by a higher average realised prices for all petroleum products compared with the corresponding period including higher average realised oil prices of US$28.14 per barrel compared to US$22.58 per barrel, higher average realised LPG prices of US$283.48 per tonne compared to US$232.87 per tonne, and higher average realised natural gas prices of US$2.21 per thousand standard cubic feet compared with US$1.84 per thousand standard cubic feet.

You should refer to the Glossary of terms section of this annual report for conversions between tonnes and barrels or cubic feet. These factors were partly offset by a 9% reduction in total production of petroleum products.

Total production in 2002-2003 was 122 million barrels of oil equivalent, comprising 61% liquids (crude oil, condensate and LPG) and 39% gas, a 9% decrease from total production in 2001-2002 of 134 million barrels of oil equivalent. The decline was mainly due to natural field decline at Bass Strait, Griffin, Laminaria and Liverpool Bay.

Profit before interest and taxation for 2002-2003 was US$1,178 million compared with a profit of US$1,069 million in the corresponding period. No exceptional items were included in 2002-2003. The 2001-2002 result included an exceptional item of US$4 million before taxation for merger related restructuring costs.

Excluding exceptional items, Petroleum s profit before interest and taxation was US$1,178 million in 2002-2003, an increase of US$105 million or 10% compared with 2001-2002. The increase was primarily driven by the favourable higher average price factors mentioned above, partly offset by the production decreases mentioned above. In addition, the 2002-2003 result was unfavourably affected by a write-down of the Group s Bolivian assets in the third quarter due to a government driven change to fiscal arrangements announced in January 2003. The effect of the stronger A$/US$ exchange rate on translation of Australian dollar denominated resource rent tax liabilities also reduced profits.

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Exploration expenditure incurred in 2002-2003 was US$243 million. The amount charged to profit was US$154 million (including US$8 million of exploration expenditure previously capitalised, which was written off) and expenditure of US$97 million was capitalised. In 2001-2002, exploration expenditure incurred was US$288 million and the amount charged to profit was US$151 million, reflecting capitalised expenditure of US$137 million.

Aluminium

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$3.4 billion during 2002-2003, an increase of US$0.5 billion or 19% compared with the corresponding period.

Turnover was favourably affected by increased production from the Hillside aluminium smelter in South Africa following its capacity improvement program and completion of the pot relining program in June 2002, an increase in aluminium production from Alumar and Valesul in Brazil due to the end of power curtailments in Brazil, together with higher alumina production from Worsley in Australia and at our operations in Suriname.

Aluminium smelter production was 1,074,000 tonnes in 2002-2003 compared with 992,000 tonnes in the corresponding period and alumina production increased from 3.9 million tonnes in 2001-2002 to 4.1 million tonnes in 2002-2003.

Profit before interest and taxation for 2002-2003 was US$581 million compared with a profit of US$488 million in the corresponding period. The 2002-2003 result included no exceptional items. The 2001-2002 result included an exceptional item of US$4 million before taxation for merger related restructuring costs.

Excluding exceptional items, Aluminium s profit before interest and taxation was US$581 million in 2002-2003, an increase of US$89 million or 18% compared with 2001-2002. The increase was mainly attributable to improved operational cost performance from reduced maintenance costs, lower costs of consumables and increased production. Lower maintenance costs at Hillside were mainly a result of a lower number of pots being relined in 2002-2003, combined with the absence of the net costs associated with a power outage in September 2001. Lower costs at Worsley were due to reduced costs of consumables. The weakening of the Brazilian real/US$ average exchange rate also had a favourable impact on operating costs. These factors were partly offset by the unfavourable impact of the strengthening of the rand/US$ and A$/US$ average exchange rates on operating costs and the effect of inflationary pressure on costs in South Africa.

Base Metals

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$1.9 billion during 2002-2003, an increase of US$0.1 billion or 7% compared with the corresponding period. This increase was mainly attributable to an increase in the average realised copper price to US$0.73 per pound compared to US$0.69 per pound in the corresponding period, together with increased copper production from Escondida as a result of the Escondida Phase IV expansion, which was completed in October 2002, and increased zinc production mainly as a result of a full year of operations from Antamina, which commenced commercial production in October 2001. These factors were partly offset by the voluntary production cutbacks at Escondida and Tintaya in response to a global deterioration of base metals markets.

Production of payable copper increased by 5% to 614,900 tonnes in 2002-2003 compared with 586,600 tonnes in the corresponding period. Zinc production was 193,800 tonnes in 2002-2003, an increase of 19% compared with 162,490 tonnes in the corresponding period. This increase was mainly due to the commencement of commercial production at Antamina. Silver production was 41,128,000 ounces in 2002-2003, a decrease of 2% compared with 41,958,000 ounces in 2001-2002 and lead production was 240,042 tonnes in 2002-2003 an increase of 2% compared with the 236,066 tonnes produced in the corresponding period.

Profit before interest and taxation for 2002-2003 was US$286 million compared with a profit of US$47 million in the corresponding period. The 2002-2003 result included no exceptional items. The 2001-2002 result included an exceptional loss of US$145 million, including a charge to profit of US$101 million following a reassessment of the Group s asset disposal and closure plans relating to its Southwest Copper business in the US (where the Group ceased operations in 1999).

Excluding exceptional items, Base Metals profit before interest and taxation was US$286 million in 2002-2003, an increase of US$94 million or 49% compared with 2001-2002. The increase was mainly attributable to the price and volume increases mentioned above. In addition, the 2002-2003 result was favourably impacted by lower exploration expense with US$38 million relating principally to the write-off of the La Granja exploration activities in Peru included in the corresponding period and the gain on sale of US$23 million of BHP Billiton s interests in Alumbrera and Agua Rica, realised in June 2003. These factors were partly offset by increased unit costs at Escondida due to the mining of lower grade ore (due to the voluntary cut-backs), costs associated with the start-up of Phase IV production and higher depreciation charges associated with the Phase IV expansion project. Higher pension and medical plan costs at Southwest Copper, together with costs incurred in the current year associated with the development of the Alliance copper prototype plant also had an unfavourable impact on profits.

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Exploration expenditure incurred and expensed in 2002-2003 was US$12 million. Exploration expenditure incurred in 2001-2002 was US$20 million. The amount capitalised was US$2 million. The amount charged to profit was US$53 million, mainly reflecting the write-off of previously capitalised expenditure of US$35 million relating to the La Granja project in Peru.

Carbon Steel Materials

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$3.7 billion during 2002-2003, an increase of 12% compared with 2001-2002. This increase was mainly due to record production and shipments of Western Australian iron ore in response to continued strong demand from all Asian markets, particularly China, as well as higher production of Samarco pellets and manganese products, which also reflected increased customer demand.

Attributable Western Australian iron ore production was 65.9 million wet tonnes, an increase of 6% compared with the corresponding period. This increase was due mainly to increased demand in all Asian markets, particularly China. Production of Samarco pellets, pellet feed and sinter fines was 7.9 million tonnes in 2002-2003, an increase of 40% compared with the corresponding period. This was a reflection of strong customer demand, which resulted in the restart of previously idled pelletising capacity.

Queensland coal production was 27.9 million tonnes in 2002-2003, a decrease of 2% compared with the corresponding period. This reflects adverse mining conditions at the Crinum mine in Australia, offset by stronger customer demand. Illawarra Coal production was 6.8 million tonnes in 2002-2003, a decrease of 5% compared with 2001-2002. This decrease in production reflects the closure of the Tower Colliery situated in Australia, during December 2002.

Manganese alloy production was 737,000 tonnes in 2002-2003, an increase of 19% compared with 2001-2002. This increase was in response to strong customer demand, particularly from China. Manganese ore production was 4.1 million tonnes, an increase of 16% compared with 2001-2002 which was also due to increased customer demand.

Boodarie Iron production was 1,670,000 tonnes in 2002-2003, an increase of 60% compared with 2001-2002. Production at the Boodarie Iron plant was suspended in March 2002 and was progressively recommenced between July and October 2002.

Profit before interest and taxation for 2002-2003 was US$1,045 million compared with a profit of US$1,078 million in the corresponding period. The 2002-2003 result included no exceptional items. The 2001-2002 result included an exceptional item of US$6 million before taxation, for merger related restructuring costs

Excluding exceptional items, Carbon Steel Materials profit before interest and taxation was US$1,045 million in 2002-2003, a decrease of US$39 million or 4% compared with 2001-2002. The decrease was mainly attributable to the impact of higher A$/US$ average exchange rates on operating costs compared to the corresponding period and inflationary pressures on costs in Australia and South Africa. Partly offsetting these items was the favourable impact of the production increases and the net favourable impact of the price factors referred to above.

Exploration expenditure incurred and charged to profit was US$9 million in 2002-2003 and US$8 million in 2001-2002.

Diamonds and Specialty Products

Turnover, including share of joint ventures and associates and including inter-segment turnover, was US$1.5 billion during 2002-2003, in line with turnover for 2001-2002. Turnover was impacted by increased diamond production from EKATI, partly offset by lower sales volumes at Integris Metals, due to adverse market conditions in North America.

EKATI diamond production was 4,340,000 carats in 2002 2003 an increase of 690,000 carats or 19% compared with 3,650,000 carats in the corresponding period. This increase mainly reflected record plant throughput in 2002-2003, reflecting benefits of a processing plant optimisation program combined with improved ore grade.

Diamonds and Specialty Products profit before interest and taxation for 2002-2003 was US$299 million compared with a profit of US$266 million in the corresponding period. No exceptional items were included in 2002-2003. The 2001-2002 result included an exceptional item of US$6 million before taxation for merger related restructuring costs.

Excluding exceptional items, Diamonds and Specialty Products profit before interest and taxation was US$299 million in 2002-2003, an increase of US$27 million or 10% compared with 2001-2002. The increase was mainly attributable to the volume factors mentioned above. In addition, the 2002-2003 result was favourably affected by an increase in titanium shipments in the current period, despite the titanium market being oversupplied. Cost efficiencies were also achieved by Integris Metals subsequent to the merger of BHP Billiton s and Alcoa Metals metals distribution businesses on 1 November 2001. These factors were partly offset by the unfavourable impact of the strengthening of the rand/US$ and Canadian$/US$ average exchange rates on operating costs.

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Exploration expenditure incurred in 2002-2003 was US$78 million. The amount charged to profit was US$78 million in 2002-2003. Exploration expenditure incurred in 2001-2002 was US$62 million. The amount charged to profit was US$59 million in 2001-2002, reflecting capitalised expenditure of US$3 million.

Energy Coal

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$2.1 billion during 2002-2003, an increase of US$0.2 billion over 2001-2002.

The increase in turnover was mainly due to increased sales of third party product in 2002-2003, which increased US$291 million to US$413 million in the current year. Partly offsetting this increase, turnover was unfavourably impacted by a 15% decline in South African export market prices.

Profit before interest and taxation for 2002-2003 was US$198 million compared with US$531 million in the corresponding period. The 2002-2003 result included no exceptional items. The 2001-2002 result included an exceptional item of US$5 million before taxation, for merger related restructuring costs.

Excluding exceptional items, Energy Coal s profit before interest and taxation was US$198 million in 2002-2003, a decrease of US$338 million compared with 2001-2002. The decrease was mainly due to the South African export market price factor mentioned above. In addition, the 2001-2002 result was favourably affected by a US$64 million profit on sale of PT Arutmin. The conversion of rand denominated net monetary liabilities at balance sheet date, in addition to the impact of stronger rand/US$ average exchange rates on operating costs, also had an unfavourable impact on profits. Furthermore, costs in South Africa have been affected unfavourably by inflationary pressures. These factors were partly offset by the net favourable impact of the volume factors mentioned above, lower costs across all Energy Coal operations as a result of cost improvement initiatives, the favourable impact of the weaker Colombian peso/US$ average exchange rates on operating costs and improved results at New Mexico Coal (US), generated by increased customer demand.

Exploration expenditure incurred in 2002-2003 was US$3 million. The amount charged to profit was US$nil, reflecting capitalised expenditure of US$3 million. Exploration expenditure incurred in 2001-2002 was US$5 million. The amount charged to profit was US$nil, reflecting capitalised expenditure of US$5 million.

Stainless Steel Materials

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$1.1 billion in 2002-2003, an increase of US$238 million over 2001-2002. The increase was mainly driven by higher realised prices for nickel, up 29% to US$3.46 per pound, together with higher prices for ferrochrome products, in response to strong demand in a more balanced market, and higher volumes.

Nickel production was 78,100 tonnes in 2002-2003, an increase of 13% compared with 68,900 tonnes in the corresponding period mainly reflecting ore processing enhancements at the QNI Yabulu refinery and increased production at Cerro Matoso reflecting the ramp-up of Line 2 and benefits from ongoing improvement programs.

Ferrochrome production was 990,000 tonnes in 2002-2003, an increase of 18% compared with 837,000 tonnes in the corresponding period, and chrome ore production was 2,826,000 tonnes in 2002-2003, an increase of 15% compared with 2,451,000 tonnes in the corresponding period. These increases were due to the restart of idle furnaces in South Africa in response to increased market demand.

Profit before interest and taxation for 2002-2003 was US$150 million compared with US$nil in the corresponding period. The 2002-2003 result included no exceptional items. The 2001-2002 result included an exceptional item of US$3 million before taxation for merger-related restructuring costs.

Excluding exceptional items, Stainless Steel Material s profit before interest and taxation was US$150 million in 2002-2003, an increase of US$147 million compared with 2001-2002. The increase was mainly due to the favourable impact of price and volume factors on the 2002-2003 result mentioned above, which were partly offset by the unfavourable impact of inflationary pressures on costs in South Africa, higher nickel ore supply costs at the QNI Yabulu refinery and the unfavourable impact of stronger rand/US$ and A$/US$ average exchange rates on operating costs.

Exploration expenditure incurred and charged to profit in 2002-2003 was US$3 million. Exploration expenditure incurred in 2001-2002 was US$7 million. The amount charged to profit in 2001-2002 was US$16 million, mainly reflecting the write-off of previously capitalised expenditure of US$9 million.

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Group and Unallocated Items

This category represents corporate activities, including Group Treasury and Freight, Transport and Logistics operations, and certain comparative data for divested assets and investments including HBI Venezuela, Ok Tedi, Hartley Platinum mine, which was sold in January 2001, and the Beenup Mineral sands operation which was closed in March 2001.

Group and Unallocated Items result before interest and taxation for 2002-2003 was a loss of US$256 million compared with a loss of US$589 million in the corresponding period. No exceptional items were included in 2002-2003. The 2001-2002 result included an exceptional item of US$39 million before taxation for merger related restructuring costs.

Excluding exceptional items, Group and Unallocated Items result before interest and taxation was a loss of US$256 million in 2002-2003, a decrease of US$294 million or 53% compared with 2001-2002.

Group and Unallocated Items includes losses on legacy A$/US$ currency hedging of approximately US$86 million in 2002-2003 compared with losses of US$305 million in the corresponding period. These losses mainly reflect the lower value of hedge settlement rates compared with hedge contract rates for currency hedging contracts settled during the year. Corporate costs of US$220 million for 2002-2003 were US$105 million lower than 2001-2002. These reductions were partly offset by the unfavourable impact of one-off items.

Dividends

We paid an interim dividend of 7.0 US cents per fully paid ordinary share in December 2002 and a final dividend of 7.5 US cents per fully paid ordinary share in July 2003, bringing the declared total for 2002-2003 to 14.5 US cents. This compares to total dividends declared in 2001-2002 of 13.0 US cents per share. The BHP Billiton Limited dividends in both periods were fully franked for Australian taxation purposes. Franked dividends are those paid out of profits that have borne Australian corporate tax (i.e. to which franking credits have been allocated) while unfranked dividends are paid out of untaxed profits. Generally, franking credits are generated by income tax paid by the company. Shareholders who receive franked dividends are generally entitled to some form of relief from Australian tax in respect of those dividends. Dividends paid to non-Australian resident shareholders are exempt from Australian dividend withholding tax to the extent the dividends are franked. Dividends paid to Australian resident shareholders would entitle those shareholders to an Australian tax credit to the extent the dividends are franked.

Dividends for the BHP Billiton Group are determined and declared in US dollars. However, BHP Billiton Limited dividends are mainly paid in Australian dollars and BHP Billiton Plc dividends are mainly paid in pounds sterling to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register. The rates of exchange applicable two business days before the declaration dates were used for conversion of currencies.

Comparison to results under US Generally Accepted Accounting Principles

Under UK GAAP, attributable profit for 2002-2003 was US$1.9 billion compared to US$1.6 billion under US GAAP, a difference of US$0.3 billion. The difference includes estimated adjustments of US$85 million (after tax) for increased depreciation and amortisation of the fair value adjustment on acquisition of the BHP Billiton Plc Group. Other taxation adjustments mainly relate to the tax impact of unrealised foreign exchange gains and losses on US dollar net debt held by subsidiaries, which retain local currency records for tax purposes, of US$193 million, which has been recognised in the 2002-2003 year for US GAAP. Additionally, the US$61 million charge for UK Petroleum tax has been reflected in 2002-2003 for US GAAP.

Under UK GAAP, attributable profit for 2001-2002 was US$1.7 billion compared to US$1.2 billion under US GAAP, a difference of US$0.5 billion. The difference includes estimated adjustments of US$322 million (after tax) for increased depreciation and amortisation of the fair value adjustment on acquisition of the BHP Billiton Plc Group and US$333 million (no tax effect) for losses associated with the BHP Steel demerger, partly offset by US$195 million (after tax) gain for fair value accounting for derivatives.

The following information is provided in respect of the losses associated with the BHP Steel demerger referred to above. Under UK GAAP, the BHP Steel demerger was treated in two components in 2002-2003 a distribution to BHP Billiton Limited shareholders of 94 per cent of BHP Steel shares (accounted for as a capital reduction) and a sale of 6 per cent of BHP Steel shares (accounted for as a sale of assets). Under US GAAP, the BHP Steel demerger is classified as a non pro-rata distribution to shareholders and is required to be accounted for as a 100 per cent sale of assets. The implied consideration for the sale of the additional 94 per cent of BHP Steel shares is based on the market price of BHP Steel shares used in determining the equalisation issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders. The remaining 6 per cent is measured at the respective sale price. The implied consideration, when compared to the book value of the BHP Steel net assets to be demerged, indicates a shortfall, which is required to be recognised in 2001-2002 for US GAAP. The calculation of the book value of the BHP Steel net assets to be demerged included US GAAP net asset adjustments attributable to BHP Steel.

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For a detailed description of significant differences between UK GAAP and the estimated result under US GAAP refer note 34 US Generally Accepted Accounting Principles disclosures in the 2004 BHP Billiton Group Annual Financial Statements.

As discussed in note 34 US Generally Accepted Accounting Principles disclosures in the 2004 BHP Billiton Group Annual Financial Statements, the Group changed its methods of accounting for goodwill and employee stock-based compensation under US GAAP in 2002-2003 (refer footnotes (A) and (B) respectively).

B. Liquidity and Capital Resources

Cash flow analysis

Our statements of cash flows for the three years ended 30 June 2004, 2003 and 2002 are summarised as follows.

	Year ended 30 June		
	2004	2003	2002
US$ millions			
Net cash inflow from Group operating activities	6,701	4,799	4,619
Dividends received from joint ventures and associates	203	197	149
Net cash (outflow) from returns on investments and servicing of finance	(332)	(398)	(357)
Taxation (payments)	(1,337)	(1,002)	(515)
Available cash flow	**5,235**	**3,596**	**3,896**
Net cash (outflow) from capital expenditure and financial investment	(2,832)	(2,355)	(2,621)
Net cash inflow / (outflow) from acquisitions and disposals	179	405	(38)
Net cash flow used in investing activities	**(2,653)**	**(1,950)**	**(2,659)**
Equity dividends (paid)	(1,501)	(830)	(811)
Net cash (outflow) / inflow flow from management of liquid resources	(178)	(665)	157
Net cash (outflow) from debt and finance leases	(970)	(423)	(542)
Net cash inflow from equity financing	51	146	107
Net cash flow from financing, liquid resources and dividends	**(2,598)**	**(1,772)**	**(1,089)**
(Decrease) / increase in cash in the financial year	**(16)**	**(126)**	**148**

Available cash flow increased by 45.6% in 2003-2004 from 2002-2003. The key components of this increase were increased cash generated from operating activities (mainly due to higher profits) in 2003-2004 compared to 2002-2003, partly offset by increased taxation payments in 2003-2004 compared to 2002-2003.

Available cash flow decreased by 7.7% in 2002-2003 from 2001-2002. The key components of this decrease were increased taxation payments in 2002-2003 compared to 2001-2002, partly offset by increased cash generated from operating activities (mainly due to higher profits) in 2002-2003 compared to 2001-2002.

Capital expenditure and financial investment was the key component of our cash flow used in investing activities in 2003-2004. Expenditure on growth projects and investments amounted to US$1,698 million, including US$821 million on petroleum projects and US$877 million on minerals and other corporate projects. Maintenance capital expenditure was US$926 million.

Capital expenditure and financial investment was also the key component of our cash flow used in investing activities in 2002-2003. Expenditure on growth projects and investments amounted to US$1,995 million, including US$814 million on petroleum projects and US$1,181 million on minerals and other corporate projects. Maintenance capital expenditure was US$671 million.

During 2003-2004, we committed approximately US$2.2 billion to new growth projects, including: US$1,050 million for the development of the Ravensthorpe Nickel project, in Australia; US$350 million for the associated extension of the Yabulu nickel refinery in Australia; US$500 million for the Escondida Sulphide Leach copper project in Chile; US$165 million for development capital projects at Worsley alumina in Australia; and US$146 million for the Panda Underground development at our EKATI diamond operations in Canada.

During 2002-2003, we committed approximately US$1.7 billion to new growth projects, including: US$1,100 million for the development of the Atlantis oil and gas reserves in the Gulf of Mexico; US$327 million for the first development phase of the Greater Angostura oil and gas field located in shallow waters approximately 40 kilometres off the northeast coast of Trinidad; and US$230 million on the development of the Escondida Norte copper project in northern Chile to maintain copper production capacity in future years.

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Net debt and sources of liquidity

Net debt at 30 June 2004 was US$4.8 billion, a decrease of US$1.0 billion for the year. Net debt at 30 June 2003 was US$5.8 billion, a decrease of US$1.0 billion for that year. Gearing, which is the ratio of net debt to net debt plus net assets, was 24.9% at 30 June 2004, compared with 31.7% at 30 June 2003 and 35.0% at 30 June 2002.

The ratio of current assets (excluding debtors due after one year) to creditors, which represents amounts falling due within one year, was 135% at 30 June 2004 compared with 126% at 30 June 2003 and 90% at 30 June 2002.

Closing cash at bank and in hand and overdrafts at 30 June 2004 were US$541 million compared with US$566 million at 30 June 2003 and US$690 million at 30 June 2002. In addition, we had money market deposits at 30 June 2004 of US$1,144 million compared with US$965 million at 30 June 2003 and US$300 million at 30 June 2002.

The following table sets forth the maturity profile of the BHP Billiton Group s undrawn committed facilities as at 30 June 2004 and 2003:

	Undrawn committed facilities as at 30 June	
	2004	**2003**
	(US$ millions)	**(US$ millions)**
Expiring in one year or less	1,250	1,250
Expiring in more than one year	1,250	2,112
	2,500	3,362

We currently have a US$2.0 billion revolving credit facility where finance subsidiaries of the BHP Billiton Group are borrowers and BHP Billiton Limited and BHP Billiton Plc are guarantors. This facility (which was established in September 2004) is a five-year revolving credit facility with a termination date of September 2009 replacing the US$2.5 billion revolving credit facility that was in place. The pricing of the revolving credit facility is in-line with what would be expected of a credit facility to a company with our credit rating. A negative pledge applies to the credit facility and there are no financial covenants.

In November 2003, Standard & Poor s upgraded our long term credit rating from A to A+, and in May 2004, Moody s Investors Service changed the Group s outlook from A2 (stable) to A2 (positive).

The following details recent activities in relation to our funding facilities:

In October 2001, we increased our Australian dollar Commercial Paper Program limit from A$1 billion to A$2 billion;

During November 2001, we issued A$1 billion in debt securities in two tranches: A$750 million of 7-year, 6.25% notes maturing August 2008, and A$250 million of 3-year, floating rate notes maturing November 2004;

We established a US$1.5 billion EMTN program during June 2002;

We issued our inaugural Eurobond under the EMTN program in October 2002. The issue of Euro750 million five-year notes was swapped back to US dollars;

In April 2003, we issued our inaugural Global Bond of US$850 million with a ten-year maturity ;

We increased the maximum amount of our Euro Medium Term Note (EMTN) program to US$2.0 billion in May 2003;

In February 2003, we established a US$2 billion US commercial paper program and in June 2003 carried out the first issue from the program ;

In September 2004, we replaced the previous US$2.5 billion revolving credit facility with a new US$2 billion, five-year revolving credit facility.

None of the BHP Billiton Group s general borrowing facilities are subject to financial covenants. Certain specific financing facilities in relation to specific businesses are the subject of financial covenants which vary from facility to facility but which would be considered normal for such facilities.

During 2002-2003, a non-cash reduction of US$1,456 million in the capital resources resulted from the demerger of BHP Steel.

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Capital management

On 18 August 2004, we announced our intention to return up to US$2 billion of capital to shareholders. On 5 October 2004, we announced that the first phase of the programme would consist of an off-market repurchase of between A$1.0 billion and A$1.5 billion of BHP Billiton Limited ordinary shares. Under the terms of the buy-back, eligible shareholders will be able to tender any number of their BHP Billiton Limited shares at discounts of between 5% and 14% to the market price of the shares. We expect that certain Australian tax advantages, which are generally available only to Australian residents, will make it attractive to some investors to tender their shares at a discount to the market price. US and Canadian shareholders and ADR holders will not be eligible to participate in the buy-back. Following completion of the buy-back, we will consider alternatives for returning the balance of the US$2 billion to shareholders within the next 12 months through further share repurchases in BHP Billiton Plc or BHP Billiton Limited and/or enhanced dividends. The form that the balance of the return of capital will take will depend on our assessment of market conditions at the time.

C. Research and Development, Patents and Licences, etc

Relevant information regarding research and development, patents and licences, etc is discussed for the BHP Billiton Group in Item 4B Information on the Company Diamonds and Specialty Products Technology .

D. Trend Information

Relevant industry and market trends are discussed for the BHP Billiton Group as a whole and for each business segment in Item 5A Operating Results .

E. Off-balance Sheet Arrangements

Relevant information in relation to off-balance sheet arrangements, principally contingent liabilities, commitments for capital expenditure and other expenditure, commitments under leases and financial instruments is provided below.

The following discussion describes our material off-balance sheet arrangements at 30 June 2004.

Contingent Liabilities

The following table sets forth our contingent liabilities (not otherwise provided for in the accounts) as of 30 June 2004.

	Contingent liabilities

	(US$ millions)
Joint ventures (unsecured) Other[b]	93
Subsidiary undertakings (unsecured, including guarantees)	
Bank guarantees [a]	
Performance guarantees [a]	1
Other [b]	144
Total contingent liabilities [a]	238

(a) The BHP Billiton Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance in the normal course of business.

(b) Other contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts in these accounts. The amounts relate to a number of actions against the Group, none of which are individually significant. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included in the table above. Details of the principal legal claims are set out in note 32 Contingent liabilities and in note 21 Provisions for liabilities and charges in the 2004 BHP Billiton Group Annual Financial Statements.

(c) For US GAAP reporting purposes, the Group is required to include as contingent liabilities amounts where (1) provisions have been made in the accounts but further amounts are reasonably possible, and (2) additional amounts to the guarantees included above where the probability of a transfer of economic benefits is considered to be remote. Not included in the table above are Group guarantees of borrowings of joint ventures and associates of US$nil (2003: US$47 million), US$30 million (2003: US$45 million) in performance guarantees and US$388 million (2003: US$198 million) in other for which provisions have been included in the Group accounts.

Refer to note 32 Contingent liabilities and note 21 Provisions for liabilities and charges in the 2004 BHP Billiton Group Annual Financial Statements.

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Commitments for Capital Expenditure

Contractual commitments for capital expenditure outstanding at 30 June 2004 amounted to US$1.6 billion. These commitments relate mainly to Petroleum in connection with developments in the Gulf of Mexico (US$0.3 billion), Trinidad (US$0.1 billion), and Algeria (US$0.1 billion); Aluminium in connection with Worsley (US$0.1 billion); Base Metals in relation to Escondida (US$0.1 billion); Carbon Steel Materials in relation to Queensland Coal operations (US$0.1 billion) and Western Australian iron ore operations (US$0.1 billion); Energy Coal in relation to Mt. Arthur North (US$0.1 million); and Stainless Steel Materials in relation to Ravensthorpe and the Yabulu Expansion (US$0.3 billion). Of the total of US$1.6 billion, US$1.3 billion is expected to be expended in the year ending 30 June 2005. We expect that these contractual commitments for expenditure, together with other expenditure and liquidity requirements, will be met from internal cash flow and, to the extent necessary, from external sources.

Refer to note 26 Commitments in the 2004 BHP Billiton Group Annual Financial Statements.

Commitments for Other Expenditure

Contractual commitments for other expenditure outstanding at 30 June 2004 amounted to US$3.3 billion. These commitments relate mainly to supply of goods and services (US$2.9 billion), royalty payments (US$0.1 billion), exploration expenditure (US$0.1 billion) and chartering costs (US$0.2 billion). We expect that these contractual commitments for expenditure, together with other expenditure and liquidity requirements, will be met from internal cash flow and, to the extent necessary, from external sources.

Refer to note 26 Commitments in the 2004 BHP Billiton Group Annual Financial Statements.

Commitments Under Leases

We enter into operating leases as a means of acquiring access to various property, plant and equipment, and we have finance leases which predominantly relate to the dry bulk carrier Iron Yandi, power lines, mobile equipment and vehicles. The following table sets forth our lease obligations as of 30 June 2004 broken down by varying maturities.

	Obligations under operating leases	Obligations under finance leases
	(US$ millions)	(US$ millions)
Due not later than one year	199	10
Due later than one year and not later than five years	393	42
Due later than five years	231	54
Total commitments under leases	823	106

Refer to note 26 Commitments in the 2004 BHP Billiton Group Annual Financial Statements.

Financial Instruments

The following table presents the book values and fair values of our financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm s length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that we could realise in the normal course of business.

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The book value (representing the amounts held on our balance sheet) and fair value of our financial instruments is as follows:

	Book value 2004 US$ millions	Fair value 2004 US$ millions
Primary and derivative financial instruments held or issued to finance the BHP Billiton Group s operations		
Short-term borrowings	(1,134)	(1,134)
Long-term borrowings	(5,876)	(6,113)
Cross currency contracts		
Principal	399	399
Interest rate	43	65
Other liabilities to be settled in cash	(3,410)	(3,410)
Finance lease swap	24	25
Interest rate swaps	30	(30)
Cash and money market deposits	1,818	1,818
Loans to joint ventures and associates	238	238
Current asset investments	167	167
Fixed asset investments (excluding investment in own shares)	123	202
Investment in exploration companies		19
Other assets to be settled in cash	3,121	3,121
Derivative financial instruments held to hedge the BHP Billiton Group s exposure on expected future sales and capital and operating purchases		
Forward commodity contracts		(47)
Forward foreign currency contracts		(30)
	(4,457)	(4,710)

For the purposes of the disclosures in the table above, the book value of the foreign currency assets and liabilities is shown excluding the effect of foreign currency hedges.

Refer to note 29 Financial Instruments in the 2004 BHP Billiton Group Annual Financial Statements.

Other

There are no material arrangements which give rise to off-balance sheet financial obligations for the BHP Billiton Group other than those reported in the financial statements, such as contingent liabilities, commitments for capital expenditure, commitments for other expenditure, commitments under leases or derivatives.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations at 30 June 2004 broken down by varying maturities:

(US$ millions)	Bank loans, debentures and other loans	Subsidiary preference shares	Obligations under operating leases	Obligations under finance leases	Capital commitments	Other commitments	Other creditors[1]	Total
Due for payment								
In one year or less or on demand	1,125		199	9	1,321	874	2,943	6,471
In more than one year but not more than two years	908	300	72	2	123	552	114	2,071
In more than two years but not more than five years	1,539	150	321	10	132	871		3,023
In more than five years	2,489		231	55		1,041	280	4,096
	6,061[2]	450	823	76	1,576	3,338	3,337	15,661

(1) Other creditors represents liabilities deemed to be financial instruments, payable in cash.

(2) Includes US$97 million in relation to petroleum development in Algeria. There are no other borrowings or liabilities specifically related to petroleum development.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

BHP Billiton Group Dual Listed Companies Structure

On 19 March 2001, BHP Limited and Billiton Plc announced their agreement to form a Dual Listed Companies structure, to establish a diversified global resource group, to be called BHP Billiton. Refer to DLC Structure under Item 4C of this annual report for a more complete discussion of the DLC structure. The implementation of the DLC structure was completed on 29 June 2001. BHP Limited changed its name to BHP Billiton Limited and Billiton Plc changed its name to BHP Billiton Plc.

A unified Board and management team now runs the BHP Billiton Limited Group and the BHP Billiton Plc Group, with headquarters in Melbourne, Australia, and with significant corporate management centres in London, The Hague, Johannesburg and Houston. We continue to maintain existing primary listings on the Australian (ASX) and London (LSE) stock exchanges, as well as the secondary listing of BHP Billiton Plc on the Johannesburg Stock Exchange and American Depositary Receipt listings of BHP Billiton Limited and BHP Billiton Plc on the New York Stock Exchange.

The shareholders of BHP Billiton Limited and BHP Billiton Plc make key decisions on matters affecting the combined group through a procedure in which the shareholders of both companies have equal voting rights per share. Accordingly, shareholders of BHP Billiton Limited and BHP Billiton Plc effectively have an interest in a single group combining all of the assets of both companies with a unified Board of Directors and management. Should any future corporate action benefit shareholders in only one of the two companies, an appropriate action will be taken to ensure parity between BHP Billiton Limited and BHP Billiton Plc shares.

The purpose of implementing the DLC structure was to allow BHP Billiton Limited and BHP Billiton Plc to function as a single economic entity which: (1) benefits from shared assets and growth prospects; (2) combines a number of large, low cost and long life mining, metals and energy assets with global scale; and, (3) through diversification, is more resilient and better placed to manage exposure to commodity price cycle risk inherent to the resources industry while maintaining their status as separate legal entities with separate primary listings in major economic centres.

These dual listings on the ASX and LSE provide each company with broader access to global investors and facilitates their access to capital markets. This structure also preserved favourable tax treatment for the dividend payments of BHP Billiton Limited.

The DLC structure did not require any BHP Billiton Limited shareholder or BHP Billiton Plc shareholder to exchange or tender their shares for shares in the other company, which helped to avoid the selling pressure on each company s shares in connection with implementation of the DLC, which often accompanies business combination transactions when one constituent s equity is used as the consideration for the transaction.

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Directors and Officers of BHP Billiton Group

A unified Board of 10 Directors manages the Group. The names of Directors and their biographical details are set out below.

Name	Position	Initially elected or appointed to BHP Billiton Limited Board	Initially elected or appointed to BHP Billiton Plc Board
Mr. D.R. Argus[1]	Chairman	November 1996	June 2001
Dr. D.C. Brink[2][4]	Director	June 2001	June 1997
Dr. J.G.S. Buchanan[1][3]	Director	February 2003	February 2003
Mr. D.A. Crawford[2]	Director	May 1994	June 2001
Mr. M.A. Chaney	Director	May 1995	June 2001
Mr. C.W. Goodyear[4]	Chief Executive Officer and Executive Director	November 2001	November 2001
Dr. D.A. Jenkins[2][3]	Director	March 2000	June 2001
Lord Renwick of Clifton[1][3]	Director	June 2001	June 1997
Mr. M. Salamon [4]	Executive Director	February 2003	February 2003
Dr. J.M. Schubert[1][3]	Director	June 2000	June 2001

(1) Member of the Nomination Committee.
(2) Member of the Risk Management and Audit Committee.
(3) Member of the Remuneration Committee.
(4) Member of the Health, Safety and Environment Committee.

After a non-executive Director has served on the Board for more than nine years from the date of their first election, that Director will stand for annual election from the first annual general meeting after the expiration of their current term. The remaining Directors are subject to retirement by rotation, at least one-third retiring each year by order of seniority of election, and may not continue to hold office without re-election after the third annual general meeting following their last election by the shareholders. Eligible retiring Directors may offer themselves for re-election by the shareholders. Directors may be appointed by the Board up to the total number permitted. Such Directors hold office until the next annual general meeting and must submit themselves to shareholders for election at such meeting. A person who has attained the age of 70 may only by special resolution be appointed or re-appointed as a Director of BHP Billiton Limited or BHP Billiton Plc to hold office until the conclusion of BHP Billiton Limited s or BHP Billiton Plc s next annual general meeting. A person who attains the age of 70 during their tenure as a Director may continue to act as a Director during the period that starts on the day on which they turn 70 and ends at the conclusion of the first general meeting of BHP Billiton Limited or BHP Billiton Plc after that day.

The Board manages planning for its own succession with the assistance of the Nomination Committee. The Nomination Committee is comprised entirely of independent non-executive directors. The Committee supports and advises the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors, having regard to the law and highest standards of governance, by:

assessing the skills, knowledge, experience and diversity required on the Board and the extent to which each are represented;

from time to time assessing the extent to which the required skills are represented on the Board;

establishing processes for the review of the performance of individual Directors and the Board as a whole; and

establishing the processes for the identification of suitable candidates for appointment to the Board.

Under the terms of the DLC merger, the Australian Foreign Investment Review Board approved a structure of the Nomination Committee that required equal representation from the former BHP Limited and the former Billiton Plc until 30 June 2004. The composition of the Committee has met that requirement.

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The executive officers of both the BHP Billiton Limited Group and the BHP Billiton Plc Group who are not Directors are as follows:

Name	Position	Appointed to Position
Mr. P.S. Aiken	Group President Energy	March 2004
Mr. J.C. Fast	Chief Legal Counsel	December 1999
Mr. I.C. Fraser	Group Vice President Human Resources	June 2001
Mr. R.W. Kirkby	Group President Carbon Steel Materials	March 2004
Dr. M. Kloppers	Chief Commercial Officer	December 2003
Mr. C.J. Lynch	Chief Financial Officer	September 2001

Directors of BHP Billiton Limited and BHP Billiton Plc

Biographical details for the Directors of BHP Billiton Limited and BHP Billiton Plc are as follows:

Don Argus, AO, FAIB, FCPA, FAICD, 66: Appointed a Director of BHP Limited in November 1996 and Chairman in April 1999. Chairman of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Nomination Committee. Former Managing Director and Chief Executive Officer of the National Australia Bank Limited. He is Chairman of the Brambles Group and a Director of the Australian Foundation Investment Company Limited. He is also a member of the International Advisory Council of Allianz Aktiengesellschaft.

David Brink, MSc Engineering (Mining), D.Com (hc), 65: A Director of Billiton Plc since June 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Health, Safety and Environment Committee and a member of the Risk Management & Audit Committee. He is Chairman of Unitrans Limited and Deputy Chairman of ABSA Bank Limited and ABSA Group Limited. He is also a Director of Sanlam Limited and Sappi Limited and Vice President of the South African Institute of Directors.

John Buchanan, MSc (Hons 1), PhD, 61: A Director of BHP Billiton Limited and BHP Billiton Plc since February 2003. He is the Senior Independent Director of BHP Billiton Plc. Chairman of the Remuneration Committee and a member of the Nomination Committee. He is a Director of AstraZeneca Plc and Vodafone Group Plc. He is a former Executive Director and Group Chief Financial Officer of BP Plc, Treasurer and Chief Executive of BP Finance, and Chief Operating Officer of BP Chemicals.

Michael Chaney, AO, BSc, MBA, FAIM, FAICD, 54: A Director of BHP Limited since May 1995 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. He is the Managing Director of Wesfarmers Limited and a Director of Gresham Partners Group Limited. He is Vice President of the Business Council of Australia, a Director of the Centre for Independent Studies and Chairman of the Australian Research Alliance for Children and Youth, a member of the JP Morgan International Council and a member of the Council of the National Gallery of Australia.

David Crawford, B Comm, LLB, FCA, FCPA, FAICD, 60: A Director of BHP Limited since May 1994 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Risk Management and Audit Committee. Chairman of Lend Lease Corporation Limited, and a Director of Foster s Group Limited, National Foods Limited and Westpac Banking Corporation. He is former Australian National Chairman of KPMG, Chartered Accountants.

Charles Goodyear, BSc, MBA, FCPA, 46: A Director of BHP Billiton Limited and BHP Billiton Plc since November 2001. Appointed Chief Executive Officer in January 2003. A member of the Health, Safety and Environment Committee. Former Chief Development Officer and former Chief Financial Officer of BHP Billiton Limited and BHP Billiton Plc. Former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc.

David Jenkins, BA, PhD (Geology), 65: A Director of BHP Limited since March 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Remuneration Committee and Risk Management & Audit Committee. A Director of Chartwood Resources Ltd, a private company providing consultancy services and business and technology advice to the oil industry. Former Chief Geologist, Director Technology and Chief Technology Advisor to BP Plc. During 2003, he was a member of the Technology Advisory Committee of the Halliburton Company and the Advisory Council of Consort Resources. He also chaired the Energy Advisory Panel of Science Applications International Corporation.

Lord Renwick of Clifton, KCMG, MA, 66: A Director of Billiton Plc since June 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and the Remuneration Committee. Former British Ambassador to the United States and to South Africa. He is Chairman of Fluor Limited, Vice Chairman of Investment Banking

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at J.P. Morgan, and a Director of British Airways Plc, Compagnie Financiere Richemont AG, Fluor Corporation, SABMiller Plc, Fleming Family & Partners Ltd and Harmony Gold Mining Co Ltd.

Miklos Salamon, BSc Mining Engineering, MBA, 49: Mike Salamon is Group President Non-Ferrous Materials. Appointed an executive Director of BHP Billiton Limited and BHP Billiton Plc in February 2003. A member of the Health, Safety & Environment Committee. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

John Schubert, BC Eng, PhD (Chem Eng), FIEAust, FTSE, 61: A Director of BHP Limited since June 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and the Remuneration Committee. Deputy Chairman and Chairman-elect of the Commonwealth Bank of Australia, Deputy Chairman of Great Barrier Reef Research Foundation, and a Director of Qantas Airways Limited. He is also non-executive Chairman of G2 Therapies Limited, and a Member and past President of the Business Council of Australia. He is currently the non-executive Chairman of Worley Group Limited but will retire from that position in November 2004 and will remain as a Director until a replacement is recruited. Former Managing Director and Chief Executive Officer of Pioneer International Limited and former Chairman and Managing Director of Esso Australia Limited.

Executive Officers of BHP Billiton Limited and BHP Billiton Plc

The executive officers of BHP Billiton Limited and BHP Billiton Plc are as follows:

Philip Aiken, BE (Chemical Engineering), Harvard Business School Advanced Management Program, 55: Appointed Group President Energy in March 2004. He was President and Chief Executive Officer, Petroleum from October 1997. Former Director BTR Plc and former Managing Director BTR Nylex, following a long career at BOC Plc where his last role was Managing Director, Gases Europe. He is a Director of Robert Walters Plc, and Chairman of the Sydney 2004 World Energy Congress Organising Committee.

John Fast, BEc (Hons), LLB (Hons), ASIA, 54: Appointed Chief Legal Counsel in December 1999 and, in addition, was appointed Head of Asset Protection in July 2001 and Head of External Affairs (Government and Community Relations) in January 2003. Former Senior Commercial Partner, Arnold Bloch Leibler. Director of the Medical Research Foundation for Women and Babies (Australia). He is a member of the Strategic Advisory Board to The University of Melbourne Law School s Graduate Program, an Associate of the Securities Institute of Australia, a member of the Markets Policy Group of that Institute, and a member of the Law Institute of Victoria.

Ian Fraser, MA (Hons), MBA, C.Psychol, 43: Appointed Group Vice President Human Resources June 2001. Previously Group HR Director Billiton Plc, Group HR Director Charter Plc, Personnel Controller Woolworths Plc, and Head of Organisation Diagnostics at Hay Management Consultants. Prior to this, he held a number of management roles in marketing and consulting organisations.

Robert Kirkby, BE Civil (Hons), Harvard Business School - Advanced Management Program, 57: Appointed Group President, Carbon Steel Materials in March 2004. Previously President Carbon Steel Materials, Chief Operating Officer BHP Minerals, President BHP Steelmaking and Energy, Group General Manager and Chief Executive Officer BHP Coal, Group General Manager and Chief Operating Officer of various divisions in BHP Steel, and General Manager Newman-BHP Minerals.

Marius Kloppers, BE (Chem), MBA, PhD (Materials Science), 42: Appointed Chief Commercial Officer in December 2003. Previously Chief Marketing Officer, Group Executive of Billiton Plc, Chief Executive of Samancor Manganese, and held various positions at Billiton Aluminium, amongst them Chief Operating Officer and General Manager of Hillside Aluminium. His previous career was as a consultant with McKinsey Inc.

Chris Lynch, BComm, MBA, FCPA, 51: Appointed Chief Financial Officer in September 2001. Former Chief Financial Officer of the Minerals Group of BHP Billiton Limited. He was Vice President and Chief Information Officer for Alcoa Inc and Chief Financial Officer, Alcoa Europe. He was also Managing Director KAAL Australia Ltd, a joint venture company formed by Alcoa Inc of the United States and Kobe Steel of Japan, Manager Financial Risk and Treasury Operations Alcoa Inc, and Corporate Accounting Manager Alcoa of Australia Ltd.

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B. Compensation

Remuneration Report

Glossary of Terms

A number of abbreviations are used throughout this Remuneration Report. To assist readers, the key abbreviations used are set out below.

Board	The Boards of Directors of BHP Billiton Limited and BHP Billiton Plc
CIP 2001	Co-Investment Plan 2001
Committee	The Remuneration Committee of BHP Billiton Limited and BHP Billiton Plc
Deferred Share	A nil-priced option or a conditional right to acquire a Share issued under the rules of the GIS
EPS	Earnings Per Share. It is one of the Performance Hurdles for long-term incentives
ESP 1999	Employee Share Plan 1999
ESP 2000	Employee Share Plan 2000
Group	BHP Billiton Limited, BHP Billiton Plc and their subsidiaries
GIS	Group Incentive Scheme
KPI	Key Performance Indicator used to measure the performance of the Group, individual businesses and executives in any one year
MTI 2001	Medium Term Incentive Plan 2001
Option	A right to acquire a Share on payment of an exercise price issued under the rules of the GIS
Performance Hurdle	A specified target against which the Group s performance is measured to determine the extent to which long-term incentives might vest
Performance Share	A nil-priced option or a conditional right to acquire a Share, subject to Performance Hurdles, issued under the rules of the GIS
PSP 2000	Performance Share Plan 2000
PSP 2001	Performance Share Plan 2001
RSS 2001	Restricted Share Scheme 2001
Share	Fully paid Ordinary Share in the capital of BHP Billiton Limited or BHP Billiton Plc
Specified Executives	Those executives (other than executive Directors and numbering at least five) who have the greatest authority for managing the BHP Billiton Group
TSR	Total Shareholder Return is the change in share price plus dividends reinvested. It is one of the Performance Hurdles for long-term incentives

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1. Remuneration Committee

1.1 Role

The Remuneration Committee operates under the delegated authority of the Board and assists the Board by focusing on the following activities:

- remuneration policy and its application to the Chief Executive Officer and those who report to the Chief Executive Officer
- adoption of annual and longer-term incentive plans
- determination of levels of reward to the Chief Executive Officer and approval of rewards to those who report to the Chief Executive Officer
- guidance to the Group Chairman on the annual evaluation of the Chief Executive Officer, and
- communication to shareholders on remuneration policy and the Committee s work on behalf of the Board.

The Committee is committed to the principles of accountability, transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance. Its activities are governed by terms of reference, which are available on the BHP Billiton website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp.*

1.2 Membership and meetings

The following non-executive Directors were members of the Committee throughout the year:

- Dr John Buchanan (Chairman)
- Dr David Jenkins
- Lord Renwick of Clifton
- Dr John Schubert.

The Committee met eight times during the year.

1.3 Advisors

The Group Chairman, the Chief Executive Officer and the Group Vice President Human Resources attend Committee meetings by invitation and have assisted the Committee in its deliberations during the year, except where matters associated with their own remuneration were considered.

In February 2004 the Committee appointed Kepler Associates as an independent external advisor to the Committee on matters of executive remuneration. The table below also lists the advisors who have been retained on behalf of the Group throughout the year.

Any information received by Group Human Resources, which is relevant to matters being considered by the Committee, is made available to Committee members.

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Advisor	Services provided to the Remuneration Committee	Services provided to Group Human Resources	Other services provided to BHP Billiton
Kepler Associates	Advice on executive remuneration matters		
Hay Group		Job evaluations	
		Remuneration data	
PricewaterhouseCoopers		Remuneration benchmarking	Audit, accounting, taxation and other services as disclosed in note 7 Net operating costs in the
		Employee tax services	2004 BHP Billiton Group Annual Financial Statements.
Deloitte & Touche		Long-term incentive plan performance measurement	Remuneration data
KPMG[1]		Employee tax compliance and preparation services	Audit, accounting, taxation and other services as disclosed in note 7 Net operating costs in the 2004 BHP Billiton Group Annual Financial Statements.
Towers Perrin		Remuneration data	Superannuation fund administration
		Actuarial calculations	
Hewitt Bacon & Woodrow		Retirement benefits and pensions governance advice	
		Actuarial advice	
Ernst & Young		Employee tax compliance and preparation services	Administration services relating to legacy BHP international assignees

Notes:

(1) The Group s external auditors provide services pursuant to the Group s policy relating to non-audit services, a copy of which is available at *www.bhpbilliton.com/bbContentRepository/AboutUs/Governance/OtherServicesPolicy.pdf*. Details of the auditors fees associated with those services are set out in note 7 Net operating costs to the 2004 BHP Billiton Group Annual Financial Statements.

2. Remuneration Policy

The Committee recognises that the Group operates in a global environment and that its performance depends on the quality of its people. To prosper, the Group must be able to attract, motivate and retain highly-skilled executives willing to work around the world.

The key principles of the Group s remuneration policy are to:

provide competitive rewards to attract and retain executive talent on a global basis

apply demanding key performance indicators to deliver results across the Group and to a significant portion of the total reward

link rewards to executives to the creation of value for shareholders

assess and reward executives using financial and non-financial measures of performance

ensure remuneration arrangements between executives are equitable and facilitate the deployment of human resources around the Group, and

limit severance payments on termination to pre-established contractual arrangements which do not commit the Group to making unjustified payments in the event of non-performance.

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3. Remuneration Structure

It is the Group s policy that service contracts for senior executives, including the Chief Executive Officer, be unlimited in term but capable of termination on 12 months notice and that the Group retains the right to terminate the contract immediately, by making a payment equal to 12 months pay in lieu of notice.

Some executives (but not the Chief Executive Officer) have existing service contracts that contain notice periods that exceed 12 months. The Committee has determined that it will limit notice periods to 12 months in all future contracts for executives, unless exceptional circumstances exist.

The service contracts typically outline the components of remuneration paid to executives but do not prescribe how remuneration levels are to be modified from year to year. Remuneration levels are reviewed each year to take account of cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

Remuneration is divided into two components. The first is the *fixed* component, which is generally made up of base salary and benefits, including retirement benefits. The second is the *at risk* component which is subject to Key Performance Indicators (KPIs) and Performance Hurdles and is generally made up of short and long-term incentives that take the form of cash payments and/or participation in equity plans. The amount of *at risk* remuneration, if any, that is earned by an executive is wholly dependent on that executive s and the Group s performance against those pre-determined KPIs and Performance Hurdles, details of which are set out in sections 3.2.1 of this Report. The percentage of total remuneration that is attributable to the *fixed* and *at risk* components for each of the executives for whom remuneration is reported is set out in this Report.

The cost and value of all of the components are considered as a whole. BHP Billiton s remuneration policy is to pay at the median level of remuneration for *target* performance and to provide the opportunity for upper decile rewards for distinctive (upper decile) performance. Details of each element of remuneration are set out below.

3.1 *Fixed* remuneration

3.1.1 Base salary and benefits

Base salaries are quantified by reference to the scope and nature of the individual s role and their performance and experience. Market data is used to benchmark salary levels on a single global scale, adjusted for local conditions. Particular consideration is given to competitive global remuneration levels.

In addition to base salary, selected executives receive benefits that might include health insurance, relocation costs, life assurance, car allowances and tax advisory services. All benefits received by the executive Directors and Specified Executives, are outlined in sections 4 and 5 of this Report.

3.1.2 Retirement benefits

A range of retirement and death-in-service benefits operate within the Group. These reflect the different statutory entitlements in the jurisdictions in which BHP Billiton operates and local market practice.

Some retirement benefits are delivered under defined benefit plans. The Committee considers that these types of plans can place an unreasonable financial burden on the Group and has therefore resolved that no new members will be admitted to the remaining defined benefit plans, save in exceptional circumstances.

Details of the retirement benefits of the executive Directors and Specified Executives are set out in sections 4 and 5 of this Report.

3.2 *At risk* remuneration

At risk remuneration is delivered as short and long-term incentives under the Group Incentive Scheme (GIS) and applies to the Group s senior management, which includes the Company Secretary.

The GIS represents the variable component of remuneration and rewards senior executives for meeting or exceeding KPIs that are set each year and aligned to BHP Billiton s strategic framework. It is designed to drive sustainable, transparent performance in the long-term and reflects the Group s commitment to crucial operational targets. Participation in the GIS requires the approval of the Committee. Employees are required to hold a minimum number of BHP Billiton Shares throughout the period of their participation, which varies according to their seniority.

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Summary of the operation of the Group Incentive Scheme

Some of the incentive plans replaced by the GIS in 2002 remain in operation although no new awards have been made under them. The last of the awards made under these plans will expire in 2011.

A summary of all incentive plans under which awards to executive Directors are still to vest or be exercised is set out in section 3.2.3 below. Entitlements held by Specified Executives under incentive plans are summarised in section 5.4 below and detailed in note 31 Specified executives to the 2004 BHP Billiton Group Annual Financial Statements.

3.2.1 Group Incentive Scheme

A summary of the current operation of the GIS is set out above.

The Board has proposed a series of changes to the GIS, subject to the approval of shareholders. Further details of the proposed changes are set out in the Notices convening the 2004 annual general meetings or can be accessed on the website at www.bhpbilliton.com/bbContentRepository/Events/PLCNOM04.pdf. In summary, the changes are designed to provide additional focus on the long-term performance of the Group. To achieve this aim, Directors will propose that the three-year Performance Shares component of the GIS be replaced with awards under a new five-year plan. The manner of assessing the remaining components of at risk remuneration under the GIS cash bonus and Deferred Shares will remain intact.

The rules of the GIS are available on the BHP Billiton website at *www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf* and *www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonPlcGIS.pdf.*

During the year, Performance Shares were granted to GIS participants in respect of their performance for the year 1 July 2002 to 30 June 2003. These are subject to Performance Hurdles, based on Earnings Per Share (EPS) growth and comparative Total Shareholder Return (TSR) during the performance period (1 July 2003 to 30 June 2006), to be measured in 2006.

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To vest, Performance Hurdles for both BHP Billiton Plc and BHP Billiton Limited must be reached

The EPS growth targets will be satisfied if the compound EPS growth for the Group during the performance period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period.

If the TSR calculations for BHP Billiton Limited and BHP Billiton Plc over the performance period result in one entity receiving a higher TSR percentile than the other, both will be deemed to have achieved the lower TSR percentile. The level of vesting is as follows:

TSR percentile	% of Performance Shares that will vest
85th 100th percentile	100
80th < 85th percentile	90
75th < 80th percentile	80
70th < 75th percentile	70
65th < 70th percentile	65
60th < 65th percentile	60
55th < 60th percentile	50
50th < 55th percentile	40
Less than 50th percentile	None

The peer group of companies against which BHP Billiton s TSR performance is measured comprises:

Alcan	Marathon Oil Company
Alcoa	Newmont Mining
Alumina	Noranda
Anglo American	Phelps Dodge
Barrick Gold	Placer Dome
Companhia Vale do Rio Doce	Rio Tinto
Conoco Phillips	Unocal
Freeport-McMoRan	Woodside Petroleum
Inco	Xstrata

These Performance Hurdles were chosen to encourage participants to focus on the long-term performance of the Group.

3.2.2 Long-term incentive plans summary

The long-term incentive plans in which the executive Directors have unvested or unexercised awards at the date of this Report are summarised in the table below.

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	Employee Share Plan 2000 (ESP 2000)[1]	Performance Share Plan 2001 (PSP 2001) & Restricted Share Scheme 2001 (RSS 2001)	Medium Term Incentive Plan 2001 (MTI 2001) & Co-Investment Plan 2001 (CIP 2001)	Group Incentive Scheme (GIS) 2002 Performance Shares (Transition Year)	Group Incentive Scheme (GIS) 2003 Performance Shares
Performance measurement From To	 3 April 2000 2 April 2003	 1 October 2001 30 September 2004	 1 October 2001 30 September 2005(2)	 1 July 2002 30 June 2005	 1 July 2003 30 June 2006
Retesting available (i.e. a further opportunity to test performance after the first performance period has ended)	Yes, monthly until 2 April 2010	Yes, annually until 30 September 2006 but only applies to 25% of the award if retested	No	No	No
TSR performance condition	BHP Billiton Limited TSR compared to ASX 100 and global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group
Inflationary performance condition	No	Yes(3)	Yes(3)	Yes(4)	Yes(4)
Vesting schedule (upper and lower range)	< 41 percentile 0% > 60 percentile 100%	< 10th position 0% > 4th position 100%(5)	< 10th position 0% > 4th position 80%(6)	< 50th percentile 0% 85th 100 percentile 100%	< 50th percentile 0% 85th 100 percentile 100%
Plan status	Legacy plan. Awards have met Performance Hurdles and are capable of being exercised.	Legacy plan. Performance period not yet concluded.	Legacy plan. Performance period not yet concluded.	Performance period not yet concluded.	Performance period not yet concluded.
Expiry date if exercisable	April 2010(7)	September 2011(7)	April 2006(7)	August 2008	August 2009
Comparator Group(8): ASX 100 Alcan Alcoa Alumina Anglo American Arcelor Barrick Gold Companhia Vale do Rio Doce	 X X 	 X X X X X X	 X X X X X X	 X X X X X X	 X X X X X X

Conoco Phillips	X	X	X	X	X
Corus Group	X				
Freeport McMoran	X	X	X	X	X
Inco		X	X	X	X
LTV	X				
Marathon Oil	X	X	X	X	X
Newmont Mining		X	X	X	X
Noranda	X	X	X	X	X
Nucor	X				
Phelps Dodge	X	X	X	X	X
Placer Dome		X	X	X	X
Rio Tinto	X	X	X	X	X
Total	X				
Unocal	X	X	X	X	X
US Steel	X				
WMC Resources	X				
Woodside Petroleum	X	X	X	X	X
Xstrata				X	X

Full details of all long-term incentive plans, including the number of participants is contained in note 23 Employee share ownership plans to the 2004 BHP Billiton Group Annual Financial Statements.

Notes:

(1) Although the awards under this plan have vested, the executive Directors have not yet exercised their awards and still retain an interest in the plan.
(2) The first performance period ended 30 September 2003. At that time, participants had the option to remain within the plan and enter a second performance period or leave the plan. The second performance period is a further two years ending on 30 September 2005.
(3) The TSR growth targets will be satisfied if the compound TSR growth for the Group during the performance period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period.
(4) The EPS growth targets will be satisfied if the compound EPS growth for the Group during the performance period is at least equal to the greater of the increase in the Australian Consumer Price Index and the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period.
(5) The percentage of performance rights that vest under the PSP 2001 will not be greater than the percentage of the Share award that vests under the RSS 2001 and vice versa.
(6) In respect of the second performance period > 4th position will mean a match of 125 per cent of Shares held by a participant. The percentage of performance rights that vest under the MTI 2001 will not be greater than the percentage of the Share award that vests under the CIP 2001 and vice versa.
(7) Expiry date will be earlier if employment ceases.
(8) From publicly available data.

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3.3 Bonus Amount for Petroleum Executives

Oil and gas reserve targets are one of the specific performance measures by which a number of BHP Billiton Petroleum executive s bonus awards are determined. The extent to which reserve targets contribute to the calculation of the bonus amount vary according to the nature and type of an individual s job. Typically, reserve targets are used to assess the performance of those people who are directly responsible for the calculation of reserves and for ensuring that technical work is completed and rigorously and properly reported. These people include Asset Team Leaders and the Petroleum Engineering Managers and Chief Petroleum Engineers. As the appraisal and measurement of reserves is a key component of these individual s jobs, reserves targets are a useful and suitable measure of their performance. In addition, there are some individuals in support roles whose bonuses are indirectly linked to reserve additions. Of the approximately 100 BHP Billiton Petroleum executives who are participants in the GIS, 31 have performance measures linked to reserve targets. Of these, 20 individuals work in petroleum engineering or asset teams.

Our Global Practice Leader, Reserves and Production has over riding responsibility for the calculation of recorded reserves, and now reports to our Chief Financial Officer. His specific performance measures for the purpose of bonus awards no longer include any component relating to recorded reserves.

Award Targets/Weightings

For those individuals who have reserve targets as a direct performance measure, the weighting of the targets in their personal scorecards (i.e. the extent to which the measure counts towards their total GIS bonus amount) varies from less than 1% to 15% weighting. The majority of participants have weightings less than 7.5%.

Depending on how individuals and teams perform against their pre-set reserve addition targets, and taking into account the weightings listed above, the impact of achieving either the threshold, target or stretch level of reserve targets can vary an individual s bonus award from less than 1% up to 22.5%. The bulk of individuals would be impacted in the range from less than 1% to 10% depending on the weighting in their scorecards. The incentive values attributable to reserve targets for the 31 people mentioned above, range from US$Nil to US$33,000.

Reserve Target Setting for fiscal 2005

It is not anticipated that there will be any increase in participants affected by reserve target setting measures. For those included, threshold, target and stretch levels are based on expected production for the year in millions of barrels of oil equivalent. Gas is converted to an equivalent liquid. All reserves revisions are included, whether positive or negative, but sales or purchases of properties are excluded. Threshold performance is set at 100% replacement of production, target performance is set at approximately 111% replacement of production and stretch performance is set at approximately 123% replacement of production. Some asset teams set targets for the booking of reserves for specific oil and gas fields. The threshold, target and stretch percentages may vary for members of those asset teams depending on circumstances specific to the asset or project objectives.

The weightings of targets in personal scorecards of the participants will again vary and is anticipated to be between 1% and 15%. A majority of participants will have weightings of less than 7.5%.

4. Executive Directors

At the date of this Report there were two executive Directors in office, Mr Charles Goodyear and Mr Miklos (Mike) Salamon. The following sections detail their remuneration arrangements.

4.1 Mr Charles Goodyear

4.1.1 Summary of remuneration arrangements

Mr Goodyear s remuneration is made up of *fixed* and *at risk* components. For the year ended 30 June 2004, *fixed* remuneration, which comprises base salary, retirement benefits and other benefits, equals 51 per cent of total remuneration, when calculated at the *target* level of performance.

The *at risk* remuneration is made up of short and long-term incentives. Short-term incentives generally take the form of cash and are measured against KPIs. Long-term incentives are delivered through equity awards and are measured against Performance Hurdles. *At risk* remuneration for the year ended 30 June 2004 equals 49 per cent of total remuneration when calculated at the *target* level of performance.

The Committee has assessed Mr Goodyear s performance for the year and has concluded that, save for the KPI relating to Health, Safety and Environment, it was above target. Accordingly, the value of the *at risk* remuneration, and therefore the percentage of the total that is attributable to *at risk* remuneration, will be greater than the percentage at *target* level.

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The tables that appear in sections 4.1.3 and 4.1.4 of the Report have been prepared in accordance with the law and accounting standards in the UK. While the information presented is fulsome, it does not readily give a picture of the amount of remuneration Mr Goodyear earned for the year. One of the reasons for this is that the value of the *at risk* remuneration cannot be finally determined until (i) approval to issue Shares has been granted by shareholders; (ii) the price at which the Shares are issued is known; and (iii) the performance period has expired and performance has been assessed against the Performance Hurdles. For these reasons the value of the *at risk* remuneration has to be estimated.

In the case of Deferred Shares the only vesting condition is for Mr Goodyear to remain in the employment of the Group for two further years. In the case of Performance Shares, the Performance Hurdles include TSR and EPS measures. Accordingly, the number, if any, of Shares that will ultimately vest cannot be determined until the service period has been completed or the Performance Hurdles have been assessed (in 2006 in the case of Deferred Shares and 2007 in the case of Performance Shares). The value of the Shares that form part of the *at risk* remuneration appearing throughout this section of the Report, are therefore estimates.

The summary below outlines Mr Goodyear s *fixed* and *at risk* remuneration for the year ended 30 June 2004.

Component of remuneration	Amount US$	Further information
Fixed remuneration		
(Comprising base salary and benefits including retirement benefits)	2,171,071	see section 4.1.3
At risk remuneration		
Cash bonus	1,070,125	see section 4.1.3
Estimated fair value of the Deferred Shares	997,504	see section 4.1.4
Notional fair value of the Performance Shares	449,453	see section 4.1.4
Estimated total remuneration for financial year 2004	4,688,153	

At this year s annual general meetings shareholders will be asked to approve amendments to the GIS which will include the replacement of the three-year Performance Share component of the GIS with an award of Shares under a new five-year plan. If this resolution is approved no Performance Shares will be issued to Mr Goodyear in relation to the 2004 year. Shares under the new five-year plan will be issued in their place. Details of the proposed number of Shares and the Performance Hurdles that will apply are detailed in the Notices convening the annual general meetings. The method of assessing the remaining parts of the *at risk* remuneration under the GIS the cash bonus and Deferred Shares/Options will remain intact. The table above includes a notional fair value for the Performance Shares that would be issued (subject to shareholders approval) under the existing terms of the GIS.

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4.1.2 Service contract

Mr Goodyear has a single service contract with BHP Billiton Limited and BHP Billiton Plc dated 21 August 2003. The contract does not contain a fixed term and can be terminated by the Group on 12 months notice. Mr Goodyear is entitled to terminate the contract on three months notice. The Group may immediately terminate the contract by paying Mr Goodyear 12 months base salary in lieu of notice. Where a payment is made in lieu of notice, a contribution to a superannuation or pension fund is also payable (see section 4.1.5 below).

Any entitlement Mr Goodyear might have in relation to short and long-term incentives is covered by the GIS (details of which are set out in section 3.2.1). The rules of that scheme outline the circumstances in which Mr Goodyear (and any other participant) would be entitled to receive any Deferred Shares, Options or Performance Shares that had been granted but which had not vested at the date of termination. The rules of the GIS also outline the circumstances in which Mr Goodyear would be entitled to a cash bonus payment for the performance year in which he leaves the Group. Those circumstances depend on the reason for his departure.

The Committee has discretion in relation to the entitlements of an employee on termination in some circumstances. This will include situations where the employee does not resign or is not terminated for cause, for example, where the Group and Mr Goodyear reach a mutual decision to part. In an effort to provide the Group, its shareholders and Mr Goodyear with as much certainty as possible in relation to his entitlements at termination, the Committee has considered what Mr Goodyear s entitlements might be if a mutual decision to part was reached. The Committee has resolved that, providing Mr Goodyear has served as Chief Executive Officer for no less than three years, he would be entitled to:

- any Deferred Shares or Options that had been granted but were not exercisable at the date of departure. The Committee believes that if the performance measures for the grant of these Deferred Shares or Options have already been met, save for the requirement that they be held for two years from the date of grant, a mutual decision to part would override that additional requirement to hold the Deferred Shares or Options for the balance of the two-year period,

- a cash bonus for the year in which the parting takes place, calculated according to Mr Goodyear s performance measured against his KPIs for that year, and pro-rated back to reflect the actual period of service in that year, and

- a right to retain entitlements to Performance Shares that have been granted but that are not yet exercisable, pending satisfaction of Performance Hurdles. The entitlements will be pro-rated to reflect Mr Goodyear s period of service from the date the awards were granted and will only become exercisable if and when the Performance Hurdles are met.

These entitlements would not arise if Mr Goodyear s contract was terminated for cause or if he resigned. Details of how the GIS would operate in those circumstances are set out in the rules, a copy of which is available on the website at *www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf.*

Where the Committee retains discretion in relation to the award of any long or short-term incentives, the rules of the GIS require the Committee to exercise that discretion in good faith and acting reasonably.

Mr Goodyear would be entitled to any accrued entitlement that he may have under the rules of the Retirement Savings Plan at the date of termination as set out in section 4.1.5 below.

4.1.3 Remuneration

The remuneration paid to Mr Goodyear for the year ended 30 June 2004 is set out in the table below.

Mr Goodyear participated in the GIS throughout the year. The target cash bonus amount, set by the Committee at the beginning of the year, was 70 per cent of salary. Group KPIs represented a 75 per cent weighting and personal KPIs 25 per cent. The Committee has assessed the Group s and Mr Goodyear s performance for the year and awarded 85.6 per cent of salary as a cash bonus. The Committee has set Mr Goodyear s KPIs for the year ended 30 June 2005 and has again set a target cash bonus amount of 70 per cent of salary. Group KPIs for the year will represent an 80 per cent weighting. Personal KPIs include additional value added growth projects, project performance, demonstrable value from the market, succession planning and corporate strategic issues.

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US Dollars

Base Salary	Other benefits (1)	Retirement benefits (2)	Annual cash bonus	Value of Deferred Shares (3)	Subtotal 2004 UK GAAP	Subtotal 2003 UK GAAP	Share-based compensation-long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2004	Total 2003
FIXED	*FIXED*	*FIXED*	*AT RISK*	*AT RISK*			*AT RISK*	*AT RISK*		
1,250 000	321,071	600,000	1,070,125	997,504	4,238,700	3,734,357	590,330	(385,548)	4,443,482	3,543,809

Notes:
(1) Other benefits
Includes medical insurance and professional fees. Mr Goodyear also received a relocation allowance and expenses.

(2) Retirement benefits
Mr Goodyear is entitled to receive 48 per cent of his salary in the form of retirement benefits. For the period July to September 2003 he took this benefit as a cash gratuity. From October 2003, he elected to defer receipt and participate in the Group s Retirement Savings Plan.

(3) Deferred Shares
This represents the estimated fair value of Deferred Shares earned in the year. The actual Deferred Shares will be awarded to Mr Goodyear subject to approval by shareholders at the annual general meetings in 2004. Mr Goodyear can elect to receive Options instead of Deferred Shares or a combination of both.

(4) Share-based compensation long-term
The amount in respect of long-term Share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.

The estimated value has been calculated using a Black-Scholes option pricing methodology (taking no account of Performance Hurdles) adjusted to reflect the expected vesting percentage. Details of outstanding awards and awards vesting in the year are set on in the tables below. The estimated value of the award made in any year is allocated in equal amounts to each of the years during the performance period, but is adjusted each year to reflect the then expected vesting percentage on a cumulative basis.

(5) In accordance with UK GAAP, 100 per cent of the estimated fair value of Deferred Shares earned during the 2004 year is included in the remuneration in the column headed Value of Deferred Shares . Under US GAAP, such remuneration for the current and earlier years is to be included over the vesting period. The column headed Adjustment represents the difference between the measurement methods. Hence the addition of the columns headed Value of Deferred Shares and Adjustment represents the remuneration associated with Deferred Shares under US GAAP.

4.1.4 Share and Option plans

The tables below set out details of Mr Goodyear s interests in incentive plans including the number of Shares and Options awarded in the financial year ended 30 June 2004. All Shares and Options issued form part of Mr Goodyear s at risk remuneration. The extent to which Shares (save for Deferred Shares and Options) will vest is wholly dependent on the extent to which the Performance Hurdles are met.

Share options

	BHP Billiton Limited Ordinary Shares under option							
Scheme	At 1 July 2003	Granted(2)	Exercised(3)	Lapsed	At 30 June 2004	Exercise price(4)	First exercise date	Expiry date
GIS 2003 Options		320,725			320,725	A$11.11	August 2005	August 2008
ESP 2000[1]	722,785				722,785	A$7.60	3 April 2003	2 April 2010
ESP 1999[1]	557,576		206,511		351,065	A$6.92	23 April 2002	22 April 2009

Notes:

(1) All of this award is exercisable.

(2) The market price of BHP Billiton Limited Shares on date of grant (21 November 2003) was A$10.76. The fair market value per Option was A$2.92.

(3) The market price on the date of exercise (23 December 2003) was A$11.93. The aggregate gain was A$1,034,676. Options over 351,065 Shares remain exercisable.

(4) Represents the exercise price payable on Options.

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Shares awarded

	BHP Billiton Limited Ordinary Shares under award					
Scheme	**At 1 July 2003**	**Granted(1)**	**Vested(2)**	**Lapsed**	**At 30 June 2004**	**Vesting date**
GIS 2003 Deferred		28,093			**28,093**	August 2005
GIS 2003 Performance		112,375			**112,375**	August 2006
GIS 2002 Performance	180,154				**180,154**	August 2005
PSP 2001	136,573				**136,573**	1 October 2004
PSP 2000	184,483		184,483			1 July 2003
Total	501,210	140,468	184,483		**457,195**	

Notes:

(1) The market price of BHP Billiton Limited Shares on date of grant (21 November 2003) was A$10.76. The fair market value per Performance Share and Deferred Share was A$4.58 and A$10.03 respectively.

(2) 75 per cent of the Shares vested on 1 July 2003, following the end of the performance period, and the BHP Billiton Limited market price was A$8.56. The remaining 25 per cent vested on 1 September 2003, and the BHP Billiton Limited market price was A$11.00. The market price on the date of exercise (18 September 2003) was A$10.80. The aggregate gain was A$1,992,416.

4.1.5 Retirement benefits

Mr Goodyear s remuneration includes a payment in lieu of a contribution by the Group to a superannuation or pension fund fixed at an annual rate of 48 per cent of base salary. Mr Goodyear may elect to have this paid into a superannuation or pension fund or, instead, to defer receipt, subject to the rules of a Retirement Savings Plan established for this purpose which allow Mr Goodyear to accumulate these annual payments and to defer receipt until after he retires from the Group. The Plan allows Mr Goodyear to establish retirement savings arrangements that best meet his needs.

In the event of death-in-service, a benefit of four times base salary will be paid. The overall annual pension payable to his spouse at the time of his death, until she dies, will be equal to two-thirds of one-thirtieth of Mr Goodyear s pensionable salary at date of death, for each year of service from 1 January 2003 to his normal retirement date. Periods of service where Mr Goodyear received his retirement benefit in the form of the cash gratuity will be disregarded for the purpose of calculating any pension amount.

4.2 Mr Miklos (Mike) Salamon

4.2.1 Summary of remuneration arrangements

Mr Salamon s remuneration is made up of *fixed* and *at risk* components. For the year ended 30 June 2004, *fixed* remuneration, which comprises base salary, retirement benefits and other benefits, equals 55 per cent of total remuneration, when calculated at the *target* level of performance.

The *at risk* remuneration is made up of short and long-term incentives. Short-term incentives generally take the form of cash and are measured against KPIs. Long-term incentives are delivered through equity awards and are measured against Performance Hurdles. *At risk* remuneration for the year ended 30 June 2004 equals 45 per cent of total remuneration when calculated at the *target* level of performance.

The Committee has assessed Mr Salamon s performance for the year and has concluded that, save for the KPI relating to Health, Safety and Environment, it was above *target*. Accordingly, the value of the *at risk* remuneration, and therefore the percentage of the total that is attributable to *at risk* remuneration, will be greater than the *target* percentage.

The tables that appear in sections 4.2.3 to 4.2.5 of the Report have been prepared in accordance with the law and accounting standards in the UK. While the information presented is fulsome, it does not readily give a picture of the amount of remuneration Mr Salamon earned for the year. One of the reasons for this is that the value of the *at risk* remuneration cannot be finally determined until (i) approval to issue Shares has been granted by shareholders; (ii) the price at which the Shares are issued is known; and (iii) the performance period has expired and performance has been assessed against the Performance Hurdles. For these reasons the value of the *at risk* remuneration has to be estimated.

In the case of Deferred Shares the only vesting condition is for Mr Salamon to remain in the employment of the Group for two further years. In the case of Performance Shares, the Performance Hurdles include TSR and EPS measures. Accordingly, the number, if any, of Shares that will ultimately vest cannot be determined until the service period has been completed and the Performance Hurdles have been assessed (in 2006 in the case of Deferred Shares and 2007 in the case of Performance Shares). The value of the Shares that form part of the *at risk* remuneration appearing throughout this section of the Report, are therefore estimates.

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The summary below outlines Mr Salamon s *fixed* and *at risk* remuneration for the year ended 30 June 2004.

Component of remuneration	Amount US$	Further information
Fixed remuneration		
(Comprising base salary and benefits including retirement benefits)	1,895,370	see section 4.2.3
At risk remuneration		
Cash bonus	852,089	see section 4.2.3
Estimated fair value of the Deferred Shares	784,326	see section 4.2.4
Notional fair value of the Performance Shares	357,877	see section 4.2.4
Estimated total remuneration for financial year 2004	3,889,662	

At this year s annual general meetings shareholders will be asked to approve amendments to the GIS which will include the replacement of the three-year Performance Share component of the GIS with an award of Shares under a new five-year plan. If this resolution is approved no Performance Shares will be issued to Mr Salamon in relation to the 2004 year. Shares under the new five-year plan will be issued in their place. Details of the proposed number of Shares and the Performance Hurdles that will apply are detailed in the Notices convening the 2004 annual general meetings. The method of assessing the remaining parts of the at risk remuneration under the GIS the cash bonus and Deferred Shares/Options will remain intact. The table above includes a notional fair value for the Performance Shares that would be issued (subject to shareholders approval) but for the proposed amendments to the GIS.

4.2.2 Service contract

Mr Salamon has contracts of employment with BHP Billiton Plc and BHP Billiton Services Jersey Limited, a wholly-owned subsidiary of BHP Billiton Plc, both dated 1 September 2003.

Mr Salamon s employment agreements automatically terminate on his sixtieth birthday. At any time prior to his sixtieth birthday each service contract can be terminated by either the Group or Mr Salamon providing 12 months notice. The Company may make a payment in lieu of notice of 12 months, equal to 150 per cent of base salary. This payment reflects the market practice at the time the terms were agreed.

The Committee has not considered the circumstances in which it would exercise its discretion to allow Mr Salamon to maintain any ongoing participation in relation to the long-term incentive schemes in which he participates in the event of his departure. Those entitlements, if any, will be governed by the rules of the schemes at the date of departure.

4.2.3 Remuneration

The remuneration paid to Mr Salamon for the year ended 30 June 2004 is set out in the table below.

Mr Salamon participated in the GIS throughout the year. The target cash bonus amount, set by the Committee at the beginning of the year, was 70 per cent of adjusted salary. Group KPIs represented 30 per cent of the total performance measures. Fifty per cent of the weighting applied to KPIs in relation to the operating business and the remaining 20 per cent was attributable to personal KPIs. The Committee has assessed the Group s and Mr Salamon s performance for the year and awarded 89.8 per cent of adjusted salary as a cash bonus. The Committee has set Mr Salamon s KPIs for the year ended 30 June 2005 and has again set a target cash bonus amount of 70 per cent of salary. Group KPIs for the year will represent 30 per cent of the total performance measures. Forty per cent of the weighting will apply to KPIs in relation to the operating business. The remaining 30 per cent is attributable to personal KPIs that include performance of key senior executives reporting to Mr Salamon, safety-oriented operating discipline, performance of key projects in the Non-Ferrous Materials group, development of the BHP Billiton Way and the function of the Operating Committee.

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US Dollars

Base Salary	Other benefits (1)	Annual cash bonus	Value of Deferred Shares (2)	Subtotal 2004 UK GAAP	Subtotal 2003 UK GAAP	Retirement benefits (3)	Share-based compensation long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2004	Total 2003
FIXED	*FIXED*	*AT RISK*	*AT RISK*			*FIXED*	*AT RISK*	*AT RISK*		
1,197,666	42,581	852,089	784,326	2,876,662	2,542,388	655,123	622,057	(314,751)	**3,839,091**	2,947,460

Notes:

(1) Other benefits
Includes medical insurance, life assurance related benefits, car allowance and professional fees.

(2) Deferred Shares
This represents the estimated fair value of Deferred Shares earned in the year. The actual Deferred Shares will be awarded to Mr Salamon subject to approval by shareholders at the annual general meetings in 2004. Mr Salamon can elect to receive Options instead of Deferred Shares or a combination of both.

(3) Retirement benefits
The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Salamon are set out in section 4.2.5 Retirement benefits below.

(4) Share-based compensation - long-term
The amount in respect of long-term Share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.
The estimated value has been calculated using a Black-Scholes option pricing methodology (taking no account of Performance Hurdles) adjusted to reflect the expected vesting percentage. Details of outstanding awards and awards vesting in the year are set out in the tables below. The estimated value of the award made in any year is allocated in equal amounts to each of the years during the performance period, but is adjusted each year to reflect the then expected vesting percentage on a cumulative basis.

(5) In accordance with UK GAAP, 100 per cent of the estimated fair value of Deferred Shares earned during the 2004 year is included in the remuneration in the column headed Value of Deferred Shares . Under US GAAP, such remuneration for the current and earlier years is to be included over the vesting period. The column headed Adjustment represents the difference between the measurement methods. Hence the addition of the columns headed Value of Deferred Shares and Adjustment represents the remuneration associated with Deferred Shares under US GAAP.

4.2.4 Share and Option plans

The table below sets out details of Mr Salamon s interests in incentive plans including the number of Shares awarded in the financial year ended 30 June 2004. All of the Shares and Options issued form part of Mr Salamon s *at risk* remuneration. The extent to which Shares (save for Deferred Shares and Options) vest will be wholly dependent on the extent to which the Performance Hurdles are met.

Shares awarded

Scheme	BHP Billiton Plc Ordinary Shares under award					Vesting date
	At 1 July 2003	Granted(1)	Vested	Lapsed(2)	At 30 June 2004	
GIS 2003 Deferred		89,056			**89,056**	August 2005
GIS 2003 Performance		89,056			**89,056**	August 2006
GIS 2002 Performance	193,706				**193,706**	August 2005
CIP 2001	107,206(3)			11,911	**95,295**	1 October 2005
RSS 2001	198,163				**198,163**	1 October 2004