BHP BILLITON LTD
Form 20-F/A
April 10, 2003
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 20-F/A

(Mark One)

o **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 JUNE 30, 2002**

OR

o **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)

VICTORIA, AUSTRALIA
(Jurisdiction of incorporation or organization)

BHP TOWER, 600 BOURKE STREET, MELBOURNE, VICTORIA 3000 AUSTRALIA
(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 Exchange on which Registered
Ordinary Shares	**New York Stock Exchange**

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.

Fully Paid Ordinary Shares	3,724,893,687

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 o

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

Item 17 o Item 18 x

Table of Contents

In this annual report, the terms we, our, us, BHP Billiton and BHP Billiton 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.

Table of Contents

CONTENTS

Table of Contents

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;
- contingent liabilities; and
- the combination of the operations of BHP Billiton Plc and BHP Billiton Limited through the implementation of the DLC structure.

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. Such variations, if materially adverse, may impact 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 risk factors listed above. We cannot assure you that our estimated 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.

Table of Contents

GLOSSARY OF TERMS

Technical Terms

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

Reference herein is made to tonnes, each of which equals 1000 kilogrammes, approximately 2,205 pounds or 1.102 short tonnes. Measures of distance referred to herein are stated in kilometers, each of which equals approximately 0.62 miles, or in meters, each of which equals approximately 3.28 feet.

Brownfield project means the expansion of an existing operation.

Coal Reserves have 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 liquid and consists of a mixture of hydrocarbons that are recoverable from gas.

Condensate is a liquid at atmospheric conditions and consists of a mixture of hydrocarbons that are recoverable from gas.

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.

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

Ethane, where sold separately, is largely ethane gas that has been liquified through pressurization. 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.

Green field 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/cm3. 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.

Table of Contents

Liquified natural gas (LNG) consists largely of methane that has been liquified through chilling and pressurization. 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 liquified 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 which includes all coals used in steelmaking, such as coal used for the Pulverised Coal Injection (PCI) process.

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 degrees of assurance, although lower than that for proven (measured) reserves, is high enough to assure continuity between points of observation.

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.

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

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).

Financial Terms

UK Terminology	US equivalent	Australian equivalent
Equity Shareholders Funds	Stockholders Equity	Total Equity
Called up share capital	Subscribed Capital Stock	Contributed Equity
Ordinary Shares	Common Stock	Ordinary Shares
Profit and Loss Account	Retained Earnings	Retained Profits
	Appropriated Surplus	

		Reserve, e.g. General Reserve. Forms part of Shareholders Equity
Share Premium Account	Paid-in Surplus	Share Premium Reserve

Table of Contents

UK Terminology	US equivalent	Australian equivalent
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	Provision accrued liability, i.e., not part of Total Equity
Tangible Assets	Property, Plant and Equipment	Property, Plant and Equipment
Bonus Issue	Stock Dividend	Bonus Issue
Subsidiary	Subsidiary	Controlled Entity
Turnover	Sales Revenue	Sales Revenue
Depreciation	Depreciation and depletion	Depreciation
Profit for the financial year (attributable profit)	Net income	Net profit attributable to members

Table of Contents

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.

Table of Contents

OFFER STATISTICS AND EXPECTED TIMETABLE

ITEM 2. **OFFER STATISTICS AND EXPECTED TIMETABLE**

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

Table of Contents

KEY INFORMATION

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Set forth below is selected consolidated financial information for (i) the BHP Billiton Group, which reflects the combined operations of both the BHP Billiton Limited Group and the BHP Billiton Plc Group, and (ii) the BHP Billiton Plc Group as a separate, stand-alone group. BHP Billiton Limited and BHP Billiton Plc each report, 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 for all periods presented. Under UK GAAP, the DLC structure has been accounted for under the pooling-of-interests method as though the DLC structure had been effective and the two groups had operated as one enterprise throughout the periods presented. The selected consolidated financial information for the BHP Billiton Plc Group on a stand-alone basis has been derived from the BHP Billiton Plc Group Consolidated Financial Statements, presented in US dollars and prepared in accordance with accounting policies that are in compliance with UK GAAP, except that these financial statements have been prepared as if the DLC merger had not occurred.

Under UK GAAP, the DLC structure has been accounted for as a merger (pooling of interests) in accordance with UK Financial Reporting Standard 6: Acquisitions and Mergers. 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 June 29, 2001. In a merger or a combination, 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 under US GAAP to recognize the BHP Billiton Plc Group assets and liabilities at their fair values, and to record goodwill.

BHP Billiton Limited s independent chartered accountant in Australia for the two years ended June 30, 2001 was Arthur Andersen. On June 15, 2002, Arthur Andersen LLP, Arthur Andersen s US affiliated firm, was convicted by a jury in Houston, Texas on a single charge of obstructing justice in connection with its actions regarding Enron Corp. As of August 31, 2002, Arthur Andersen LLP has ceased to practice before the SEC. As a US listed company, BHP Billiton Limited is required to file with the SEC annual financial statements audited by its independent certified public accountant. The SEC has said that it will continue accepting financial statements audited or reviewed by Arthur Andersen so long as Arthur Andersen is able to make certain representations to us. Although the financial statements of BHB Billiton Limited for two years ended June 30, 2001 are not included in this annual report, we have included the audit opinion of Arthur Andersen in this annual report because the audit opinion of PricewaterhouseCoopers for the BHP Billiton Group for the two years ended June 30, 2001 insofar as it relates to amounts included in respect of BHP Billiton Limited has expressed reliance on the audit opinion of Arthur Andersen. In connection with its audit of the BHP Billiton Limited financial statements for the two years ended June 30, 2001 and the revision to note 50 of such financial statements, which is dated March 22, 2002, included in this annual report, Arthur Andersen has made the representations to us that are required by the SEC. In the future, our access to the capital markets and our ability to make timely SEC filings could be impaired if the SEC ceases accepting financial statements audited by Arthur Andersen or if Arthur Andersen becomes unable to make the required representations to us. Further, it is possible that events arising out of the indictment may adversely affect the ability of Arthur Andersen to satisfy any claims arising from its provision of auditing and other services to us, including claims that may arise out of Arthur Andersen s prior audit of our financial statements.

Table of Contents

KEY INFORMATION

BHP Billiton Group

The selected consolidated financial information for the BHP Billiton Group set forth below as at and for the fiscal years ended June 30, 2002, 2001 and 2000 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. The selected interim financial information for the BHP Billiton Group set forth below as at and for the six months ended December 31, 2001 and 2002 should be read in conjunction with and is qualified in its entirety by reference to the unaudited BHP Billiton Group interim financial information and the accompanying notes included in this annual report.

	Six months ended December 31,		Year ended June 30,		
Consolidated Profit and Loss Account	**2002**	**2001**	**2002**	**2001**	**2000**
			(US$ millions except per share data)		
Amounts in accordance with UK GAAP					
Group turnover total	7,071	8,079	15,906	17,789	17,415
Group turnover from continuing operations	7,071	6,926	13,562	14,771	12,744
Operating profit (including share of profit of joint ventures and associates)					
- excluding exceptional items total	1,637	1,569	3,054	3,519	2,877
- including exceptional items total	1,637	1,569	2,943	2,825	2,182
- excluding exceptional items from continuing operations	1,637	1,531	2,984	3,284	2,485
- including exceptional items from continuing operations	1,637	1,531	2,873	2,612	1,790
Net profit before minority interests					
- excluding exceptional items	948	1,220	1,981	2,214	1,764
- including exceptional items	929	1,220	1,737	1,252	1,527
Net profit attributable to members					
- excluding exceptional items	931	1,198	1,934	2,189	1,743
- including exceptional items	912	1,198	1,690	1,529	1,506
Dividends provided for or paid	434	392	784	754	788
Number of Ordinary Shares (millions)[a]					
- at period end	6,210	6,026	6,044	6,023	5,817
- weighted average	6,201	6,024	6,029	5,944	5,725
- weighted average diluted	6,219	6,040	6,042	5,973	5,736
Per Ordinary Share:[a]					
- Net profit attributable to members					
Excluding exceptional items(c)					
- Basic	US$0.15	US$0.20	US$0.32	US$0.37	US$0.30
- Diluted	US$0.15	US$0.20	US$0.32	US$0.37	US$0.30
Including exceptional items					
- Basic	US$0.15	US$0.20	US$0.28	US$0.26	US$0.26
- Diluted	US$0.15	US$0.20	US$0.28	US$0.26	US$0.26
- Dividends provided for or paid BHP Billiton Plc	US$0.070	US$0.065	US$0.130	US$0.120	US$0.113
- Dividends provided for or paid BHP Billiton Limited	US$0.070	US$0.065	US$0.130	A$0.247	A$0.247
Amounts in accordance with US GAAP[d]					
Sales revenue from continuing operations	7,071	6,926	13,552	8,100	7,467

Other income from continuing operations	91	130	321	516	268
Operating income from continuing operations	1,094	1,458	2,532	1,120	270
Net income total	725	982	1,249	882	400
Net income from continuing operations	720	937	1,513	718	257
Net (loss)/income from discontinued operations	5	45	(264)	136	143

Table of Contents

KEY INFORMATION

Consolidated Profit and Loss Account	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
Per Ordinary Share[a]:					
Net income attributable to members					
- Basic from continuing operations	US$0.12	US$0.16	US$0.25	US$0.20	US$0.07
- Diluted from continuing operations	US$0.12	US$0.16	US$0.25	US$0.20	US$0.07
- Basic from discontinued operations	US$0.00	US$0.00	US$ (0.04)	US$0.04	US$0.04
- Diluted from discontinued operations	US$0.00	US$0.00	US$ (0.04)	US$0.04	US$0.04
- Basic total	US$0.12	US$0.16	US$0.21	US$0.24	US$0.11
- Diluted total	US$0.12	US$0.16	US$0.21	US$0.24	US$0.11
Per ADS:					
Net income attributable to members					
- Basic total	US$0.24	US$0.32	US$0.42	US$0.48	US$0.22
- Diluted total	US$0.24	US$0.32	US$0.42	US$0.48	US$0.22

Balance Sheet	Six months ended December 31,		At June 30,		
	2002	2001	2002	2001	2000
			(US$ millions)		
Amounts in accordance with UK GAAP					
Total assets	26,980	27,313	29,552	28,028	27,335
Total non-current portion of interest bearing liabilities[b]	6,080	6,748	5,534	6,521	5,040
Contributed equity	3,511	4,817	4,895	4,791	5,356
Equity attributable to members	11,456	12,179	12,356	11,340	11,036
Amounts in accordance with US GAAP[d]					
Total assets total	33,534	35,507	35,775	35,232	17,698
Total assets of continuing operations	33,534	32,919	33,003	32,562	13,046
Total non-current portion of interest bearing liabilities total	6,645	6,781	6,350	6,607	3,501
Total non-current portion of interest bearing liabilities of continuing operations	6,645	6,718	6,296	6,544	3,412
Equity attributable to members	16,508	17,247	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 and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are the BHP Billiton Limited options and partly paid shares and the BHP Billiton Plc executive share awards.

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

(c) Whilst the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group s profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 of the BHP Billiton Group s financial statements for details of exceptional items that have been excluded.

(d) The following US GAAP consolidated financial information for the BHP Billiton Group set forth below as at and for the years ended May 31, 1999 and 1998 has been derived from the audited consolidated financial statements, prepared in Australian dollars, of the BHP Billiton Limited Group (the predecessor to the BHP Billiton Group) and converted to US dollars from Australian dollars at US$/A$ rates of 0.6232 and 0.6938 for the years ended May 31, 1999 and 1998, respectively, and rates of 0.6509 and 0.6217 at May 31, 1999 and 1998, respectively.

Table of Contents

KEY INFORMATION

	Year ended May 31,	
	1999	1998
	(US$ millions)	
Sales revenue	11,984	14,701
Net loss attributable to members	(1,165)	(407)
Per ordinary share:		
- Net loss attributable to members		
- Basic	US$(0.33)	US$(0.12)
- Diluted	US$(0.33)	US$(0.12)
- Dividends provided for or paid		
- As declared	US$0.318	US$0.354
- As declared, adjusted for the bonus issue	US$0.154	US$0.171
Per ADS:		
- Net loss attributable to members		
- Basic	US$(0.66)	US$(0.24)
- Diluted	US$(0.66)	US$(0.24)
- Dividends provided for or paid		
- As declared	US$0.636	US$0.708
- As declared, adjusted for the bonus issue	US$0.308	US$0.342

	Year ended May 31,	
	1999	1998
	(US$ millions)	
Total assets	21,271	23,529
Total non-current portion of interest bearing liabilities	6,471	7,919
Equity attributable to members	6,509	7,787

Table of Contents

KEY INFORMATION

BHP Billiton Plc Group

The selected consolidated financial information for the BHP Billiton Plc Group for the period July 1, 2000 to June 28, 2001 and the two years ended June 30, 2000 set forth below has been derived from the audited consolidated financial statements for the BHP Billiton Plc Group included in this annual report and should be read in conjunction with, and is qualified in its entirety by reference to, those financial statements, including the accompanying notes. The selected consolidated financial information for the BHP Billiton Plc Group for the year ended June 30, 1998 set forth below has been derived from the audited consolidated financial statements of the BHP Billiton Plc Group, which are not included in this annual report.

	Period ended	Year ended June 30,		
Consolidated Profit and Loss Account	**June 28, 2001**	**2000**	**1999**	**1998**
		(US$ millions)		
Amounts in Accordance with UK GAAP				
Group turnover	7,333	5,550	5,174	6,060
Net profit before minority interest				
- excluding exceptional items	706	607	430	560
- including exceptional items	587	607	430	560
Net profit attributable to members of BHP Billiton Plc				
- excluding exceptional items	693	566	382	429
- including exceptional items	608	566	382	429
Dividends provided for or paid	278	232	218	225
Number of Ordinary Shares (millions)				
- at period end	2,319	2,138	2,138	2,138
- weighted average	2,255	2,076	2,108	2,105
- weighted average diluted	2,269	2,076	2,108	2,105
Per Ordinary Share[(a)]:				
- Net profit attributable to members of BHP Billiton Plc				
Excluding exceptionals[(b)]				
- Basic	US$0.31	US$0.27	US$0.18	US$0.20
- Diluted	US$0.31	US$0.27	US$0.18	US$0.20
Including exceptionals				
- Basic	US$0.27	US$0.27	US$0.18	US$0.20
- Diluted	US$0.27	US$0.27	US$0.18	US$0.20
Dividends provided for or paid				
- US$ per share as declared	US$0.120	US$0.113	US$0.105	US$0.105
Amounts in Accordance with US GAAP				

Sales revenue	7,333	5,550	5,174	6,060
Profit from ordinary activities before taxation and borrowing	988	927	675	1,000
Net profits, attributable to members of BHP Billiton Plc	482	528	341	433

Table of Contents

KEY INFORMATION

	Period ended June 28, 2001	Year ended June 30, 2000	1999	1998
Per Ordinary Share:				
- Net profit, attributable to members				
- Basic	US$0.21	$0.25	$0.16	$0.21
- Diluted	US$0.21	$0.25	$0.16	$0.21
Dividends provided for or paid				
- US$ per share as declared	US$0.120	US$0.113	US$0.105	US$0.105

(a) Based upon the weighted average number of shares on issue.

(b) While the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group s profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 of the BHP Billiton Group s financial statements for details of exceptional items that have been excluded.

Table of Contents

KEY INFORMATION

Currency of presentation

The BHP Billiton Group publishes its consolidated financial statements in US dollars. The financial statements of the BHP Billiton Plc Group included in this annual report are published in US dollars.

Table of Contents

KEY INFORMATION

B. Capitalisation and Indebtedness

BHP Billiton Group capitalisation at December 31, 2002

The following tables set out the capitalisation of the BHP Billiton Group at December 31, 2002 and any significant events affecting our capitalisation through the date of this annual report, in accordance with UK GAAP.

There has been no material change in short and long-term debt and no material reduction in shareholders funds since December 31, 2002.

	At December 31, 2002
	Actual
	(in US$ millions unaudited)
Amounts in Accordance with UK GAAP	
Short-term debt	1,857
Long-term debt	
Unsecured	5,568
Secured	512
Total long-term debt	6,080
Shareholders funds	
Share capital[1]	
- BHP Billiton Limited	1,759
- BHP Billiton Plc	1,752
Profit and loss account	7,945
Total shareholders funds	11,456
Total capitalisation	19,393
Amounts in Accordance with US GAAP	
Short-term debt	1,269
Long-term debt	
Unsecured	6,133
Secured	512
Total long-term debt	6,645
Shareholders funds	
Share capital[1]	

	- BHP Billiton Limited	1,236
	- BHP Billiton Plc	7,449
Other equity items		229
Retained profits		7,594
Total shareholders funds		16,508
Total capitalisation		24,422

(1) The amount of issued capital yet to be paid at December 31, 2002 was US$12 million for BHP Billiton Limited and nil for BHP Billiton Plc.

Table of Contents

KEY INFORMATION

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 borrowings denominated in South African rand, which at December 31, 2002 was 4% of our total debt on a UK GAAP basis. This view-based strategy is based on the historical depreciation of the South African rand against the US dollar and the interest rate differential between the two currencies. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. Currency protection measures may be deemed appropriate in specific commercial circumstances and are 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 losses due to legacy foreign currency hedging amounted to US$95 million for the half-year ended December 31, 2002 compared with losses of US$176 million for the half-year ended December 31, 2001, and we had losses of US$331 million, US$360 million and US$175 million in the years ended June 30, 2002, 2001 and 2000, 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 and financial conditions.

Table of Contents

KEY INFORMATION

We may have fewer mineral 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 were 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

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 ratifying 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. These compliance costs, litigation expenses, remediation expenses and operational costs could negatively affect our financial results.

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 materially and adversely 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 materially and adversely 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 of taxation, and increased government regulation in the countries in which we operate or service customers.

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. Such risks could include civil unrest, nationalization, 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.

Table of Contents

KEY INFORMATION

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 recoup 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.

Since BHP Billiton Limited and BHP Billiton Plc reside outside the United States and a substantial portion of their assets is located outside the United States, there is a risk that service of process, enforcement of judgments and bringing of original actions will be more difficult.

BHP Billiton Limited is a corporation organized under the laws of the Commonwealth of Australia. BHP Billiton Plc is a public limited company incorporated under the laws of England and Wales. Substantially all the directors and officers of these companies, and some of the experts named in this document, reside outside the United States, principally in Australia. A substantial portion of the assets of these companies, and the assets of the directors, officers and experts, is located outside the United States. Therefore, you may not be able to effect service of process within the United States upon these companies or persons so that you may enforce judgments of United States courts against them based on the civil liability provisions of the United States federal securities laws. In addition, you may have difficulty bringing an original action in an Australian or United Kingdom court to enforce liabilities against us or any person based on US federal securities laws.

Table of Contents

INFORMATION OF THE COMPANY

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of BHP Billiton

Background

We are one of the world s largest diversified resources groups with a combined market capitalisation of approximately US$35.0 billion as of December 31, 2002 and combined revenues of US$17.8 billion for the year ended June 30, 2002. We hold industry leader or near-leader positions in a range of products, including:

world s largest exporter of energy coal;

world s largest exporter of metallurgical coal for the steel industry;

world s third largest producer of iron ore;

world s fourth largest producer of copper;

Western world s fourth largest producer of primary aluminium; and

world s largest producer of manganese, chrome and ferroalloys.

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

On March 19, 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 June 29, 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 now run by a unified Board and management team, with headquarters in Melbourne, Australia, and with a significant corporate management center 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 and Paris stock exchanges and an American Depositary Receipt listing of BHP Billiton Limited on the New York Stock Exchange.

If either BHP Billiton Limited or BHP Billiton Plc proposes to pay a dividend to its shareholders, then the other company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either company is prohibited by law, or is otherwise unable to declare, pay or otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then BHP Billiton Limited or BHP Billiton Plc will, so far as is practicable to do so, enter into such transactions with each other as the Boards agree to be necessary or desirable so as to enable both companies to pay dividends as nearly as practicable at the same time.

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 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.

Table of Contents

INFORMATION OF THE COMPANY

We have grouped our major operating assets into the following customer sector groups:

Aluminium (aluminium and alumina);

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

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

Stainless Steel Materials (chrome, nickel and ferroalloys);

Energy Coal (energy coal);

Diamonds and Specialty Products; and

Petroleum (oil, gas and liquefied natural gas).

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 June 30, 2002 and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30		
	2002	2001	2002	2001	2000
			(US$ millions)		
Group including share of joint ventures and associates					
Aluminium	1,535	1,371	2,857	2,971	2,357
Base metals	897	817	1,821	1,719	1,933
Carbon steel materials	1,747	1,660	3,306	3,349	2,826
Stainless steel materials	491	449	868	994	1,156
Energy coal	947	1,045	1,919	1,982	1,597
Diamonds and Specialty Products	716	752	1,480	1,318	500
Petroleum	1,511	1,434	2,815	3,361	2,971
Steel (discontinued operations)[1]		1,245	2,550	3,214	4,889
Group and unallocated[1]	424	378	730	755	833
Intersegment	(220)	(257)	(568)	(584)	(660)
Total	8,048	8,894	17,778	19,079	18,402

Table of Contents

INFORMATION ON THE COMPANY

	Profit before tax				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US$ millions)				
Group including share of joint ventures and associates					
Aluminium	266	191	492	523	438
Base metals	83	69	200	462	465
Carbon steel materials	506	565	1,084	918	548
Stainless steel materials	61	(36)	3	72	204
Energy coal	124	350	536	382	137
Diamonds and Specialty Products	150	138	272	188	167
Petroleum	660	576	1,073	1,407	1,061
Steel (discontinued operations)[1]		55	86	240	396
Group and unallocated[1]	(191)	(257)	(558)	(565)	(389)
Exceptional Items	(19)		(212)	(1,088)	(760)
Net interest	(245)	(29)	(249)	(476)	(489)
Total	1,395	1,622	2,727	2,063	1,778

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

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 June 30, 2002, and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US$ millions)				
Geographic origin					
Australia	3,048	2,925	5,842	5,854	4,887
Europe	1,046	1,052	2,049	1,907	1,147
North America	1,011	1,072	2,143	1,909	1,264
South America	1,228	1,031	2,255	2,350	2,078
Southern Africa	1,503	1,340	2,696	3,107	3,319
Rest of World	212	229	243	738	818

Discontinued operations[1]		1,245	2,550	3,214	4,889
Total	8,048	8,894	17,778	19,079	18,402

Table of Contents

INFORMATION ON THE COMPANY

	Profit before tax and net interest				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US$ millions)				
Geographic origin					
Australia	930	872	1,655	1,456	447
Europe	108	115	127	191	265
North America	85	66	22	127	133
South America	216	128	301	444	644
Southern Africa	323	339	712	498	483
Rest of World	(3)	76	73	(395)	52
Discontinued operations[1]	(19)	55	86	218	243
Total	1,640	1,651	2,976	2,539	2,267

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

The table below sets forth the analysis of combined turnover by geographic market for the three years ended June 30, 2002, and for the six months ended December 31, 2002 and 2001, and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US$ millions)				
Geographic market					
Australia	935	670	1,618	1,434	1,220
Europe	2,272	2,198	4,295	4,139	3,130
Japan	1,087	997	2,078	2,531	2,270
South Korea	585	428	1,068	906	954
Other Asia	958	1,121	1,830	1,857	1,691
North America	1,295	1,250	2,344	2,603	1,994
Southern Africa	418	407	1,239	1,159	1,337
Rest of World	498	578	756	1,236	917
Discontinued operations[1]		1,245	2,550	3,214	4,889
Total	8,048	8,894	17,778	19,079	18,402

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

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 June 30, 2002. 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.

Table of Contents

INFORMATION ON THE COMPANY

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 the reserves contained in this annual report are as follows:

	Price
Copper	$0.75/lb
Zinc	$0.45/lb
Nickel	$2.92/lb
Aluminium (used for Alumina)	$1,477/t
Silver	$4.45/oz
Lead	$0.22/lb

Contractual commitments for capital expenditure outstanding at June 30, 2002 amounted to US$1.6 billion. These commitments relate mainly to Petroleum in connection with developments in Algeria (US$0.3 billion), Gulf of Mexico (US$0.2 billion), North West Shelf (US$0.1 billion), and Minerva (US$0.1 billion); Aluminium in connection with Hillside 3 (US$0.2 billion) and Mozal II (US$0.1 billion); Base Metals in connection with Escondida Phase IV (US$0.1 billion); Energy coal in connection with Mount Arthur North (US$0.1 billion); and Carbon Steel Materials in relation to Mining Area C (US$0.1 billion). Of the total of US$1.6 billion, US$1.3 billion is expected to be expended in the year ending June 30, 2003. 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.

Capital expenditures and financial investment totalled US$2,621 million in 2001-2002, a US$1,014 million decrease compared with 2000-2001. Expenditure on growth projects amounted to US$1,590 million, including Escondida Phase IV, the ROD oil and Ohanet wet gas projects in Algeria, Mozal II and Petroleum projects in the Gulf of Mexico. Maintenance capital expenditure was US$891 million. Exploration expenditure was US$390 million in 2001-2002, an increase of US$49 million, compared with 2000-2001. Capital expenditures and financial investment totalled US$1,200 million in the six months end December 31, 2002, a US$92 million increase compared to the six months ended December 31, 2001. Expenditure on growth projects and investments was US$1,020 million including Petroleum projects in the Gulf of Mexico, the Mt Arthur North energy coal project in Australia, the ROD oil and Ohanet wet gas projects in Algeria, the Mining Area C, Yandi and Part and Capacity Expansion (PACE) iron ore projects in Australia, the Hillside 3 expansion in South Africa and the Mozal II expansion in Mozambique. Maintenance capital expenditure was US$248 million and exploration expenditure was US$130 million.

During 2001-2002, we committed approximately US$2.5 billion to new significant growth projects, including: US$790 million on Gulf of Mexico oil and gas developments (Maddog, Atlantis and the transportation system); US$123 million on the Minerva gas field and US$50 million on the Bream Gas Pipeline (Petroleum); US$449 million on the Hillside 3 expansion (Aluminium); US$411 million on Mount Arthur North (Energy Coal); US$480 million on the Mining Area C and Port Capacity expansion projects and US$170 million on the Dendrobium metallurgical coal mine (Carbon Steel Materials). During the six months ended December 31, 2002, we did not commit to any new significant growth projects.

Table of Contents

INFORMATION ON THE COMPANY

B. Business Overview

Aluminium

Our Aluminium customer sector group is principally involved in the production of aluminium and alumina. The map below sets forth the geographic locations of our key aluminium assets.

WORLD MAP ALUMINIUM

Hillside

We own the Hillside aluminium smelter, which we commissioned between July 1995 and June 1996. Hillside is located in Richards Bay, 200 kilometers north of Durban, KwaZulu-Natal, South Africa. Hillside currently produces approximately 500,000 tonnes of aluminium per year using the Aluminium Pechiney AP30 technology. In February 2002, the Board of Directors approved an increase in Hillside s production capacity by adding a third (half-size) potline, which is expected to add a further 132,000 tonnes per annum of primary aluminium capacity. The cost of this expansion is estimated at US$449 million with full production expected for mid-2004.

We mostly produce 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. We also sell 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. Our first relining cycle at Hillside is complete.

The principal raw materials required for our aluminium production operations at Hillside are alumina, petroleum coke, liquid pitch and electricity. Alumina requirements are sourced 50% from our Worsley business and 50% from Alcoa. We import approximately 195,000 tonnes per year of calcined petroleum coke from American suppliers and approximately 45,000 tonnes of liquid pitch each year primarily from Deza and D.C. Chemicals. We purchase our 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. We have upgraded our smelter to bring its air emissions within our permit limits set for 2003. The smelter uses Alusuisse pre-bake and Soderberg self-bake technologies.

We generate approximately 85% of our sales revenue from the domestic market, which consists of South Africa and the surrounding countries. Our main products 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.

The principal raw materials required for our aluminium production at Bayside are alumina, petroleum coke, liquid pitch and electricity. Our alumina is sourced approximately 50% from Worsley and 50% from Alcoa. We purchase approximately 70,000 tonnes per year of calcined

petroleum coke from American suppliers. We purchase most of our

Table of Contents

liquid pitch requirements from Suprachem (Pty) Ltd and we purchase our 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% 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 4% interest. The smelter is located in southern Mozambique, on the east coast of Southern Africa, 17 kilometers from Maputo. It is located approximately 5 kilometers from the nearest port facilities. The smelter uses the Aluminium Pechiney AP30 technology.

Mozal produced its first metal in June 2000 and has a nameplate design capacity of 250,000 tonnes per year. Our share of production for 2001-2002 was 127,000 tonnes. The joint venture has approved an increase in Mozal s production capacity by adding a second potline, which is expected to double Mozal s production capacity. The cost of this expansion is estimated at US$860 million. Under the project agreements relating to this expansion, it is intended that the ownership interest in this expansion will remain the same as the current ownership in Mozal.

The joint venture produces standard ingot. Based on our ownership interest, we are allocated 47% of Mozal s total production. We export most of our share of Mozal s production to Europe.

The principal raw materials required for the aluminium production operations at Mozal are alumina, petroleum coke, liquid pitch and electricity. We furnish approximately 480,000 tonnes of alumina per year to Mozal, which represents its entire alumina requirements. We purchase most of our 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 increased our interest in the Worsley joint venture from 30% to 86% in January 2001. The Worsley joint venture is an integrated bauxite mining and alumina refining operation located in Western Australia. The other participants in the venture are Nissho Iwai Alumina Pty. Limited, which owns a 4% interest, and Kobe Alumina Associates (Australia) Pty Limited, which owns a 10% interest. The refinery is located approximately 55 kilometers southwest of Bunbury and the bauxite mining operation is linked to the refinery via a 51 kilometers overland conveyor.

The mine produces approximately 11 million tonnes of bauxite per year from extensive near surface deposits. The venture operates its mine on a 2,600 square kilometer mining lease. The joint venture was granted an initial 21-year lease by the government of Western Australia in 1983, with two 21-year renewal options. The joint venture may also 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 30 years.

The refinery, utilizing the Bayer process, currently produces approximately 3.1 million tonnes of alumina per year, having reached this design output in April 2001 following the completion of a major expansion. The joint venture produces mostly metallurgical grade alumina, which is used as feedstock for aluminium smelting. Our share of alumina production at the refinery is approximately 2.7 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.

The principal raw materials required for alumina production at Worsley, apart from bauxite, are caustic soda and coal for the power station. We currently source our caustic soda requirements from the Middle East and Japan. Supply agreements are usually negotiated for periods of two to three years, with pricing linked to industry published data as opposed to fixed prices. The power and steam needed by the refinery is provided by a venture owned onsite coal fired

Table of Contents

power station and a non-venture owned onsite gas fired power station. Coal for the power station is supplied from the nearby Collie colliery under a medium term contract at competitive rates.

Suriname

We own a 76% interest in a mining joint venture with Suriname Aluminium Company, L.L.C. (Suralco), a subsidiary of Alcoa. We are the operator of the joint venture. We also own a 45% interest in a refining joint venture with Suralco, in which Suralco is the operator. Both are unincorporated joint ventures.

The mining joint venture exploits the Lelydorp deposit, an open pit mine located in the coastal plain of Suriname, approximately 25 kilometers south of Paramaribo. The mining joint venture produces metallurgical grade bauxite, which is processed by the refining joint venture s alumina plant at Paranam, located 17 kilometers east of the Lelydorp III mine. The Lelydorp deposit has a nominal production capacity of 2.25 million tonnes per annum. The refining joint venture owns and operates port facilities located at Paranam, at the Suriname River. Alumina exports take place from the Paranam port.

Suralco holds the exploitation license to the Lelydorp III mine, and has made it available to the mining joint venture. The Lelydorp III bauxite reserves are expected to be depleted by 2007. We hold exploitation licenses with respect to the Para and Kankantrie deposits. These deposits are being reevaluated as the bauxite remnants at these earlier mined deposits could potentially provide additional bauxite supply to the refinery. In addition to these exploitation licenses, we hold title to 70,123 acres of terrain under three exploration licenses. Our exploration licenses expired in 2001. An extension has been filed with the relevant authorities and we are awaiting approval. In the meantime, exploration is continuing. We hold an option on two two-year renewals of these licenses provided the terrain is reduced by 25% for each two-year period and that our planned exploration expenditures are met.

The mining joint venture completed its engineering study and development plans for Lelydorp III in 1993, after which time it started developing the mine. The development was completed in 1997. The mining joint venture s stripping and mining equipment, excavator and conveying system and dragline are all in good condition. The stripping equipment is powered by electricity. Suralco supplies the mine with electricity.

The refining joint venture s alumina plant is a low temperature plant which uses standard Bayer plant technology. We deliver our share of the mining joint venture bauxite to the refinery and Suralco supplements its share of the mining joint venture bauxite, with material from its own mine in eastern Suriname. The refinery produces approximately 1.9 million tonnes of alumina per year. Our share was 850,000 tonnes in 2001 2002.

All alumina produced is exported to Europe. The refinery has three thermal generators, which provide the steam necessary for the process and the electricity supplementary to the hydro electric energy provided by Suralco. The generators are run on fuel oil supplied by the local state oil company. Caustic soda used in the refinery process is imported from the United States.

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 370,000 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 Electricas de Norte under a long-

term contract that will expire in 2004. Most of the production is standard ingots and we sell a quarter 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 1.3 million tonnes per year. The required raw materials, caustic soda, coal, and bauxite, are delivered by ship to the Alumar port. Our share of the alumina is allocated to the Alumar smelter and to the Valesul smelter. Approximately 10% of our production share is sold on the export market.

We own 14.8% of Mineraçao Rio Norte S.A. (MRN), a Brazilian mining company jointly owned by affiliates of Alcoa, Alcan, Companhia Brasileira de Aluminio, Companhia Vale do Rio Doce (CVRD) and Norsk Hydro. MRN was incorporated and began its operations in 1967. MRN extracts, processes and supplies bauxite to the Alumar refinery under a long-term contract. In March 2000, the MRN board approved a US$220 million expansion of bauxite mining production from 11 million tonnes to 16.3 million tonnes per annum. The additional production started at the beginning of 2003. Currently, MRN has estimated reserves that would allow it to produce 16.3 million tonnes of bauxite per annum for approximately 10 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 for concession to build and operate a series of proposed Hydropower Plants. The first is a consortium made up of affiliates of Alcoa, CRVD, Companhia Brasileira de Alumino and Camargo Correa Energia S.A. We own a 20.6% interest in this consortium. In the past year the consortium won the auction for the Santa Isabel Baixa concession and has recently signed the concession contract. Our partners in the second consortium are affiliates of Alcoa, CRVD, 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 intend to participate in further auctions.

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 the CVRD group. The port of Sepetiba is less than 40 kilometers away and the Port of Rio de Janeiro is less than 60 kilometers away.

Valesul began production in 1981. It currently produces approximately 93,000 tonnes of aluminium per year based on P19 Reynolds technology. The Valesul cast house can supply a wide range of aluminium products for the extrusion, cable and automotive industries. The vast majority of alloys, ingots and billets are sold domestically to independent fabricators. A small portion is exported. With respect to required raw materials, alumina arrives by ship while petroleum coke and liquid pitch arrive by truck. Valesul owns four small hydroelectric stations and has an 8% effective participation in the Maesa hydroelectric consortium which operates the Machadinho hydroelectric plant. Since Machadinho reached full operation in July 2002, Valesul only draws power from the grid outside of the peak power period.

Table of Contents

INFORMATION ON THE COMPANY

Reserves and Production

The table below details our bauxite-ore reserves in metric tonnes, and are presented in 100% terms as estimated at June 30, 2002.

Deposit	Proved Ore Reserve[1][2][3][4][7]		Probable Ore Reserve[1][2][3][4]		Total Ore Reserve		BHP Billiton Interest %
	Tonnes (millions)	Grade % Alumina	Tonnes (millions)	Grade % Alumina	Tonnes (millions)	Grade % Alumina	
Australia[5]							
Worsley	305	30.7	12	30.9	317	30.7	86
Suriname[5]							
Lelydorp	11.4	52.5	0		11.4	52.5	76
Brazil[6]							
MRN Crude	36.2		172.7		208.9		
MRN Washed	25.7	48.8	125.4	50.9	151.1	50.6	14.8

(1) Mine dilution and recovery are included in the reserve statements for each deposit.

(2) Alumina as available alumina.

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

	Proven Ore Reserves	Probable Ore Reserves
Worsley	100m or less grid spacing	200m or less grid spacing
Lelydorp	61.5m x 61.5m	No reserve quoted in this category
MRN	200m grid spacing or less with mining and metallurgical characterization (test pit/bulk sample) plus a reliable suite of chemical and size distribution data	<400m grid spacing or 400m spaced grid with a 200m offset fill-in plus a reliable suite of chemical and size distribution data

(4) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.

(5) Worsley Alumina Pty Ltd (Worsley) and Lelydorp reserve tonnages are quoted on a dry basis.

(6) Mineracao Rio de Norte washed reserve tonnages and grades are quoted on a nominal 5% moisture content basis.

(7) Aluminium price used to test the economic viability of the ore reserves is US$1,477 per tonne.

Table of Contents

INFORMATION ON THE COMPANY

The table below details our alumina and aluminium production for the three years ended June 30, 2002 and the six months ended December 31, 2001 and 2002. Production data shown is our share unless otherwise stated.

		BHP Billiton Group Share of Production				
		Six months ended December 31,		Year ended June 30,		
	BHP Billiton Group Interest	2002	2001	2002	2001	2000
		(thousands of tonnes)				
Alumina[1]						
- Worsley[2]	86%	1,360	1,333	2,696	1,632	592
- Suriname	45%	434	428	850	852	857
- Alumar	36%	235	168	396	454	429
Total		2,029	1,929	3,942	2,938	1,878
Aluminium[1]						
- Hillside	100%	269	242	502	498	494
- Bayside	100%	91	89	174	178	177
- Mozal[3]	47%	64	64	127	93	
- Alumar	46.3%	88	67	152	172	171
- Valesul	45.5%	22	17	37	43	41
Total		534	479	992	984	883

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

(2) Our interest in Worsley increased from 30% to 86% effective January 2001.

(3) Mozal produced its first metal in June 2000 and achieved full commissioning of its 250,000 tonnes per annum capacity in December 2000.

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.

South African Mining Charter

For a discussion of the South African mining charter you should see Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter .

Market Conditions

At the beginning of calendar 2003 the aluminium market remained in surplus, which has been reflected in a weak LME aluminium price generally within the range $1,300-1,400/t. A number of credible market estimates of the 2003 primary aluminium surplus fall within the range of 0.5-1.0mt.

Surpluses remain despite some favourable demand and supply factors. There has been a reasonable year-on-year recovery in consumption in the key economies of the US, Europe and Japan, albeit from very weak levels, and strong

Table of Contents

Chinese consumption. Supply remains substantially curtailed in the Pacific North West of the US. In addition, modest production cutbacks are in place in China, New Zealand and Europe due to low rainfall leading to increased power prices.

The aluminium market looks set to remain in oversupply for the remainder of 2003 and also in 2004. Chinese primary aluminium capacity growth should continue unabated, despite the hitherto modest effect of regional power shortages and rising alumina prices. Despite its strong ongoing consumption growth, China is likely to continue its transition to a large net aluminium exporter in the ensuing years.

In contrast to primary aluminium, the smelter grade alumina market has shown significant improvement in the past 6-months. The Metal Bulletin spot alumina price has risen from US$145/t at the end of September 2002 to US$245/t in mid-March 2003. Many of the fundamental factors that have led to a weak aluminium market are correspondingly favourable for alumina. The strong growth in both Chinese and non-Chinese aluminium capacity growth translates directly into improved demand for alumina. This spot price development should progressively be reflected in the pricing of longer-term contracts.

Alumina industry capacity utilisation has risen almost to its limit. Some idle high cost refining capacity might remain idled due to specific local cost factors.

The diverging prospects for aluminium and alumina reflect their different industry structures and underlying economics.

Base metals

Our Base Metals customer sector group is comprised of our assets and interests in copper, lead, zinc, silver, gold and uranium. We provide base metals concentrates to smelters worldwide and copper cathodes to rod and brass mills and casting plants. The map below sets forth the geographic locations of Base Metals key assets.

WORLD MAP BASE METALS

Copper

We are one of the world s top four producers of copper. The Escondida mine is the world s largest and one of the lowest-cost sources of copper. Our other key copper assets include the Cerro Colorado mine in northern Chile, the Tintaya and Antamina operations in Peru, and Alumbrera operation in Argentina. We also have a number of greenfield and brownfield expansion opportunities.

In December 2002, we announced we would continue our program of demand-based production in the Base Metals Group originally announced in November 2001. During calendar year 2003, we will target an annualized production rate of 1.05 million tonnes of copper at our Escondida mine (150,000 tonnes of cathode and 900,000 tonnes of copper contained in concentrate), and 34,000 tonnes of cathode at our Tintaya mine. We will continue to maintain our Pinto Valley and Robinson mines in the Southwest United States on standby status. As a consequence, we should produce 390,000 tonnes of copper (305,000 tonnes representing our share) below installed capacity in calendar year 2003 on an annualized basis. Production from our other copper mines are not planned to be affected.

Escondida

We hold a 57.5% interest in Escondida, an open-pit copper mine accessible by road and located in northern Chile s Atacama Desert, at an altitude of approximately 3,100 meters, 160 kilometers 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.

Table of Contents

INFORMATION ON THE COMPANY

Escondida has committed its forecast annual concentrate production under long-term sales contracts ranging in duration from 5 to 10 years. Expiration of these contracts varies from contract to contract with the earliest being at the end of calendar 2003 and the latest in 2012. Forecast production is fully committed (though not 100% priced) through the end of calendar year 2004, under long-term contract arrangements. Approximately 70% of annual cathode production is sold under annual contracts to end-users and traders located primarily in Europe, the Far East and Brazil and the remainder of production is sold on a spot basis.

Original construction of the operation was completed in 1990 at a cost of US$836 million and the project has since undergone three phases of expansions and additions at an additional cost of US$1,181 million plus US$451 million 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 310 million tonnes of material each year, while dedicated pipeline and port facilities as well as a private railway are used to transport output.

Escondida s past annual production has exceeded 900,000 tonnes of copper contained in concentrate and cathode. However, the total production for 2001 2002 was 762,000 tonnes due to the lower grade ore being fed to the concentrator and as a result of the curtailment in production described below. The average grade of these ores is expected to be approximately 1.6% of contained copper in 2004, before declining further after 2008. Based on a current ore feed grade of 1.6% of contained copper, the existing mine equipment and mill facilities are expected to produce 2.1 million tonnes of concentrate in 2002 2003, containing approximately 770,000 tonnes of copper. The oxide leach plant, commissioned December 1, 1998, and debottlenecked in 2001, has an annual capacity of 150,000 tonnes of copper cathode.

As ore grades decline further, annual copper production in concentrate was expected to decrease to below 600,000 tonnes. The Phase IV expansion is expected to offset this decrease by increasing production capacity of the operation to over 1 million tonnes of copper contained in concentrate beginning in 2003. Development works for the project commenced in late 2000. The Phase IV expansion is budgeted at a total cost of US$1,045 million. The funding for the Phase IV expansion has been completed through a non-recourse syndicated bank loan, two non-recourse export credit agency loans and a subordinated shareholder loan.

The Phase IV Expansion Project consists of the following equipment and facilities, some of which will be integrated with the existing operations:

- a new in-pit ore crusher and conveyor to a new concentrator, which is planned to expand concentrating capacity by 110,000 tonnes per day to 235,000 tonnes per day;
- a new concentrate slurry pipeline from the new concentrator to the existing concentrator and refurbishment of an existing pipeline to the port at Coloso;
- additional concentrate filtration and storage capacity at Coloso;
- increases to the mining fleet to conduct the mining and related materials movements necessary to supply ore feed to the new Phase IV plant;
- modifications to the Coloso port facilities; and
- a new tailings disposal site.

The plant commenced commissioning in September 2002. The plant is projected to ramp-up to full capacity of 110,000 tonnes per day in the second half of 2002-2003. The estimated remaining mine life after the completion of the Phase IV Expansion Project is in excess of 20 years.

Table of Contents

INFORMATION ON THE COMPANY

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

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 license 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.

On November 8, 2001, Escondida announced its decision to temporarily reduce copper production at Escondida by 80,000 tonnes per annum, effective as of that date. This decision was taken in response to the serious fall in demand for copper, arising from unfavourable global economic conditions. In May 2002, Escondida decided to continue these cuts in production until the end of 2002. In December 2002, it was announced that Escondida will operate at a production level of 1.05 million tonnes of copper during calendar 2003, approximately 200,000 tonnes below its installed production capacity of 1.25 million tonnes. This is being achieved through the combination of mining lower grade ores and maintenance shutdowns in the older Los Colorados concentrator facility. The ramp up of the Phase IV Expansion facility is continuing as planned.

Tintaya

Tintaya is an open-pit copper mine located in the Andes at an altitude of approximately 4,000 meters in southern Peru. We hold a 99.9% interest in Tintaya and the remaining interest is held by Peruvian shareholders. The mine site is accessible by road and is located near a public daylight airstrip that we maintain. The deposit is a copper gold skarn system associated with a low grade porphyry copper body and is approximately 3 kilometers long by 2.5 kilometers 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. This plant is projected to increase production to 40,000 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 in 2012-2014. As part of our work to improve mining operation efficiencies, we have moved the majority of the Robinson Mine equipment fleet to Tintaya. This equipment is now assembled at Tintaya replacing the old mining fleet.

In January 2002, we temporarily curtailed all copper concentrate production at Tintaya. This decision was taken in response to the fall in demand for copper, arising from unfavorable global economic conditions. This decision was reviewed in April 2002 and the decision was made to continue with the suspension of concentrate operations until the market improves. Tintaya Copper operations will remain on standby until at least mid-2003. Operation of the oxide leach plant is continuing as planned.

All copper cathode production is committed for sale to BMAG, a marketing and sales company, which is one of our subsidiaries.

Table of Contents

INFORMATION ON THE COMPANY

Cerro Colorado

Cerro Colorado is wholly-owned through our subsidiary, Rio Algom Limited. It is an open-pit copper mine located in the Atacama Desert at an altitude of 2,600 meters, approximately 125 kilometers by road, east of Iquique, Chile. Cerro Colorado holds mineral rights over 16,664 hectares and surface rights over approximately 1,305 hectares on which the plant is located. These rights can be held indefinitely. We operate the mine.

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

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.

Rio Algom completed construction of the facilities in 1994 at a total cost of US$287 million and began commercial production in June 1994. Rio Algom completed an expansion of annual production capacity to 60,000 tonnes in 1995 at a cost of US$49 million and in 1998, Rio Algom completed the second expansion of Cerro Colorado at a cost of US$214 million increasing the mine s annual production to a nominal 100,000 tonnes of refined copper.

The Cerro Colorado deposit is approximately 2 kilometers long east-west and 1.5 kilometers wide north-south. Two main zones are present. Mineralization is from 50 meters to 250 meters thick and is covered with 50 meters to 150 meters of leached cap and post-mineral rocks. The east deposit contains multiple layers of oxide and sulphide mineralization 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.

We are implementing plant modifications at Cerro Colorado which include 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. The estimated cost of the modifications is US$15.6 million. With these modifications, we estimate that the remaining mine life will be 14 years.

Under current sales contracts that expire December 31, 2008, we are committed to deliver a total of 60,000 tonnes of cathode copper annually to two customers, one in Japan and the other in Germany. We sell the remaining production under annual and spot contracts to various international purchasers. Prices under all contracts are based on the monthly average London Metal Exchange cash settlement price in or around the month of delivery.

In May 1999, the London Metal Exchange approved the registration of Cerro Colorado cathodes. The London Metal Exchange registration enables Cerro Colorado to obtain full premium on its sales and to deliver copper directly to London Metal Exchange warehouses. The New York Commodity Exchange approved the Cerro Colorado cathodes in 2001.

Alumbrera

Through Rio Algom we hold 50% and Rio Tinto holds the other 50% interest in Musto Explorations (Bermuda) Limited, which itself holds a 50% interest in Minera Alumbrera Limited. M.I.M. Holdings Limited holds the remaining 50% interest in Minera Alumbrera Limited. Rio Tinto announced on January 15, 2003 that it had signed a non-binding letter of intent under which Rio Tinto would sell its 25 per cent interest in Minera Alumbrera Limited, Argentina to Wheaton River Minerals Ltd.

We have an effective 25% interest in Minera Alumbrera Limited, the company responsible for developing and operating the Alumbrera project. The Alumbrera mine is located in the Province of Catamarca, in the Argentine Andes at an altitude of 2,600 meters, approximately 1,100 kilometers northwest of Buenos Aires, 60 kilometers northwest of

Table of Contents

Andalgalá and 100 kilometers northeast of Belén. It is accessible by road or by propeller aircraft using an airstrip which was constructed for the project at Campo del Arenal, approximately 35 kilometers from the mine. The Alumbrera deposit lies below a bowl-shaped depression, 1,900 meters long in the northeast-southwest direction and 1,200 meters in the northwest-southeast direction.

Minera Alumbrera is responsible for developing and operating the Alumbrera project pursuant to an agreement with Yacimientos Mineros de Agua de Dionisio, the owner of the 600-hectare property over which Minera Alumbrera holds exploitation rights. The term of the agreement coincides with the useful life of the deposit. Yacimientos is entitled to a 20% net profits interest, after cost recovery, in the Alumbrera project. The Province of Catamarca is entitled to a 3% royalty on the value of production after deducting all processing costs, excluding mining costs, and transportation charges. Surface rights are held in fee simple and by legal easements, private easements and usufructs.

Minera Alumbrera substantially completed construction of the project in 1997 and the first concentrate shipment took place in October 1997. The operation attained commercial production on February 1, 1998. Total project costs were US$1.2 billion. Ore from the open-pit is crushed and ground, with copper-gold concentrate produced by the flotation process. Some free gold is recovered by gravity methods to produce gold doré, which contains approximately 90% gold and other metals like silver and copper. The design capacity of the mill is 80,000 tonnes per day. Copper-gold concentrate produced in the mill is pumped through a 316-kilometer pipeline to a filter plant and load out facility at Cruz del Norte where water is removed, and filtered concentrate is shipped 830 kilometers by rail to Minera Alumbrera s port facility near the city of Rosario. Most of the mine s power needs are supplied under a long-term contract with Hidroelectrica CHACON, with the remainder purchased on the spot market.

In 1997, a US$670 million financing arrangement provided by a consortium of international lenders was arranged to partially finance the project, with the balance being provided by the project sponsors. At December 31, 2002, the outstanding balance owed to the lenders was US$263 million. Substantially all the assets of Minera Alumbrera have been pledged to the lenders as security for the loans. As the project has satisfied completion test criteria, the loans are now, subject to certain limited exceptions, non-recourse to our subsidiary, Rio Algom.

Minera Alumbrera has commissioned a third line mill and pebble crushing circuit, which was recently installed at a cost of US$26.1 million. These expansions were funded from project cashflows and are designed to increase the mine s processing capacity to 100,000 tonnes per day. The mine s annual average production is expected to increase to 190,000 tonnes of copper in concentrate and 600,000 ounces of gold in concentrate and doré over eight years, before declining as low grade stockpiled ore is processed.

Minera Alumbrera has eight long-term concentrate sales contracts with purchasers located in Europe and Asia and one in North America covering approximately 60% of expected annual concentrate production with remaining terms ranging from two to seven years. The balance of the concentrate produced is sold under contracts that expire in one or two years and on a spot basis. Contract prices are based on monthly average London Metal Exchange copper cash settlement prices, generally two to three months after shipment.

We announced on March 26, 2003 that our fully owned subsidiary Rio Algom has agreed to sell its 25% stake in Minera Alumbrera to Wheaton River Minerals Ltd. for a purchase price of US$180 million. Not less than US$130 million of the purchase price will be payable on closing. Payment of up to US$50 million of the purchase price may be deferred by Wheaton until May 30, 2005. Any deferred payment will bear interest at LIBOR plus 2% and will be secured by the interests in Minera Alumbrera acquired by Wheaton. Closing is anticipated in June, 2003. The transaction is subject to the receipt of required regulatory and other consents, approvals and releases, including from the lenders to Minera Alumbrera.

Highland Valley Copper

Through Rio Algom, we own a 33.6% interest in Highland Valley Copper, a partnership with Teck Cominco Limited and its subsidiary, which hold a 61.4% interest, and Highmont Mining Company, which holds a 5% interest in the venture. Rio Algom shares management responsibility of the venture equally with Teck Cominco. Although the partnership was formed in 1986, with Highmont joining in 1988, production from the Lornex pit commenced in 1972.

The Highland Valley venture holds and operates large scale, open-pit copper-molybdenum mining and milling operations in the Highland Valley area near Logan Lake, British Colombia, Canada. These mining and milling operations produce copper and molybdenum in concentrates. The operation is accessible by highway and is located approximately 80 kilometers southwest of Kamloops and 200 kilometers

northeast of Vancouver. The mine operates throughout the year. B.C. Hydro supplies power to the operations through a 138 kilovolt line. The venture s property interests consist of mineral

Table of Contents

claims and leases, government grants and some properties in fee simple. Included in these property interests are 33,128 hectares of mineral rights and 2,698 hectares of surface rights. These rights can be held indefinitely.

Facilities include the Highland mill and the Lornex and Valley open-pit mines, which are adjacent to the concentrator. The Lornex pit is approximately 2.5 kilometers long and 1.5 kilometers wide and contains mainly chalcopyrite ore. The Valley pit is round in shape and approximately 2 kilometers in diameter. It contains mainly bornite ore. Both deposits are porphyry type. The mill uses semi-autogenous grinding and conventional flotation and has a nominal milling capacity of 120,000 tonnes per day. The venture transports crushed ore from the Valley mine, which comprises approximately 89% of the mill feed, via two 6,000 tonne per hour inclined conveyor belt systems. Two 60 x 89 gyratory semi-mobile crushers, located in the pit, feed the inclined conveyors. Ore from the Lornex mine is trucked to a third fixed gyratory crusher and conveyor system. The three conveyor systems are integrated to allow blending of ore to three mill stockpiles. The venture expects to remain in production for approximately eight years.

The venture sells more than 75% of its production under long-term contracts. The remaining terms of these contracts range from approximately two to seven years. The venture sells the remaining production on a spot basis. Contract prices are based on the monthly average London Metal Exchange cash settlement price, generally three months after delivery.

Ok Tedi Mine

On February 8, 2002, we announced the completion of our withdrawal from the Ok Tedi copper and gold mine in Papua New Guinea and transferred our 52% interest to the PNG Sustainable Development Program Limited, an independent company, which now holds such interest for the benefit of the Western Province and the Independent State of Papua New Guinea. The other equity participants, and their interests, in this project are the Independent State of Papua New Guinea, which holds a 30% interest, and Inmet Mining Corporation, which holds an 18% interest. The interest held by the Independent State of Papua New Guinea is held in defined parcels for each of Papua New Guinea, the Western Province of Papua New Guinea and mine area landowners.

As part of the agreement for our withdrawal from this project, we agreed to provide financial support to PNG Sustainable Development Program, if required, for three years. The facility is for US$100 million in the first year, US$85 million in the second year and US$70 million in the third year. The facility is not cumulative, which means that any amount drawn in one year reduces the amount available in subsequent years, with repayment arrangements if such funds are used. In addition, we have agreed to pre-purchase copper concentrate up to an agreed level if Ok Tedi Mining should so request in a drought situation. The agreement also provides us with protection from legal liability arising from operations after our withdrawal.

Also, as part of the withdrawal process, Mine Continuation Agreements between Ok Tedi Mining and communities affected by the mine s operations were negotiated and executed.

Spence

In January 1997, Rio Algom announced the discovery of the Spence copper deposit in northern Chile. We hold 100% of the mineral rights in approximately 26,000 hectares and surface rights in approximately 16,000 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 commenced to ensure that recent advances that have proven successful in other operations are incorporated in the project. A revised feasibility study will be produced and reviewed by year end, prior to submission to the Board.

Table of Contents

INFORMATION ON THE COMPANY

North American copper assets

Our North American copper assets, other than Highland Valley Copper described above and the San Manuel smelting facilities located in Arizona, continue on care and maintenance while producing a minor amount of cathode copper at some locations for a transitional period while various alternatives are evaluated.

In June 1999, we announced the cessation of these North American copper operations would occur in the August quarter of 1999 and recorded a charge to profit of A$1,800 million (no tax effect) for asset writedowns (net of estimated realization values attributed to the remaining assets) and provisions. The provisions relate mainly to site remediation which will take place over a significant number of years, together with provisions for other closure costs.

Formal closure plans are being developed and are planned to be submitted in accordance with local regulatory timetables. We expect that the expenditure will be incurred after the closure plans have been approved. Approval is anticipated in the next 3-5 years.

In January 2002, we announced the closure of the San Manuel mining facilities and we are currently in the process of closing such facilities.

In the year ended June 30, 2002, a further charge to profit of US$101 million was recorded, following a reassessment of the Group s asset disposal and closure plans relating to its South West Copper business in the US (where the Group ceased operations in 1999). This comprised US$171 million for impairment provisions, principally related to the San Manuel smelter partly offset by a reduction of US$70 million in provisions relating to the expected timing of site restoration expenditure.

Copper-Zinc

Antamina

The Antamina copper-zinc deposit is owned by Compania Minera Antamina S.A., in which our wholly-owned subsidiary, Rio Algom Limited, owns 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 in the Antamina project. The deposit was previously owned by Empresa Minera del Centro del Peru S.A. and was auctioned by CEPRI-Centromin, an agency of the Peruvian Government. The deposit is located in the Peruvian Andes at an altitude of 4,300 meters, approximately 270 kilometers north of Lima, Peru.

A feasibility study based on conventional open-pit mining, milling and flotation technology was completed in March 1998 on the potential of the Antamina deposit to produce 270,000 tonnes of copper and 160,000 tonnes of zinc annually over a 20-year mine life.

In September 1998, the venture participants elected to proceed with development of the project. The agreement with Centromin required the owners to invest US$2.5 billion in the project by June 6, 2002 or pay 30% of the shortfall to Centromin in lieu of further expenditures. In June 1999, the project company signed definitive documentation with a group of lenders for US$1.32 billion of financing for the project. On August 2, 2002, a payment of US$111.5 million was made to Centromin in lieu of the expenditure shortfall making the total development cost, including financing costs, working capital, payments to Centromin and sunk costs US$2,228 million.

Substantially all the assets of the project company have been pledged to the lenders as security for the loans. Rio Algom has guaranteed its 33.75% pro rata share of the loans until such time as the project achieves completion, which involves the project satisfying certain financial, legal and operating tests prior to February 29, 2004 or, under certain circumstances, by February 28, 2005. Upon completion, the loans will be non-recourse to Rio Algom.

Table of Contents

INFORMATION ON THE COMPANY

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.

The Antamina deposit is a large copper skarn with zinc, silver, molybdenum and bismuth mineralization. It has a southwest to northeast strike length of more than 2,500 meters and a width of up to 1,000 meters. The deposit sits at the bottom of a U-shaped glacial valley surrounded by limestone ridges.

Power to the mine site is being supplied under long-term contracts with individual power producers through a 58 kilometer, 220 kilovolt transmission line constructed by the project company which is connected to the Peru national energy grid.

The project company has 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 balance of production is expected to be sold on an annual or spot basis.

The Antamina project achieved mechanical completion in May 2001. The principal project facilities include a 115-kilometer access road, a truck-shovel pit operation, a 70,000 tonnes per day concentrator, a 300-kilometer 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 kilometers by road from the mine.

The Antamina project achieved commercial production in October 2001. Since the start of commercial production and as of June 30, 2002, approximately 19.9 million tonnes of ore had been milled, producing more than 242,500 tonnes of payable copper and 143,260 tonnes of payable zinc.

Selbaie

The wholly-owned Selbaie open-pit mine is situated 250 kilometers north of Rouyn-Noranda in northwestern Quebec, Canada. Selbaie produces zinc and copper concentrates by means of conventional flotation, with gold and silver as by-products in the copper concentrate. Nominal capacity at Selbaie is 11,000 tonnes per day (or 4 million tonnes per year), and mill throughput is 10,800 tonnes per day (or 3.9 million tonnes per year). Power is supplied by Hydro-Quebec. The estimated remaining mine life is approximately one year. Leases at Selbaie are renewable as and when they expire. The most recent renewal extends to 2012.

Silver, Lead and Zinc

Cannington

Cannington is a mining and concentrating facility 100% owned and operated by us. The Cannington silver, lead and zinc deposit is located in northwest Queensland, Australia, and is accessible by sealed road 300 kilometers southeast of Mount Isa. The Cannington deposit is entirely contained within mining leases granted to us in 1994 and which expire in 2029 and 2044. 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.

Table of Contents

INFORMATION ON THE COMPANY

We use transverse, long hole open stoping for the extraction of the main, thicker, hanging wall orebodies of the deposit and we use predominantly new Tamrock underground mining equipment. Production commenced in October 1997 at a cost of US$250 million. Underground mine production for the year ended June 30, 2002 was 2.24 million tonnes. The annual production reflected the benefits of the mine optimisation and equipment purchase program which had been undertaken during the year. Work 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 was 1.5 million tonnes per annum at the time of commissioning. A total of 518,022 wet metric tonnes of concentrate were shipped from the Townsville port facility or sold within Queensland during the year ended June 30, 2002, and 263,071 tonnes were sold for the six months ended December 31, 2002. A 19 megawatt gas-fired power station located at Cannington is operated under contract to supply power solely to Cannington.

Cannington s lead concentrate production for the year ending June 30, 2003, is fully committed under long-term contracts with smelters in Australia, Korea, Japan and Europe. Approximately 90% of the zinc concentrate production, is similarly committed over the same period, with the balance being allocated to the spot market.

The reserve as currently stated along with non-reserve mineralization is expected to support a remaining mine life of approximately 14 years.

Surface exploration is continuing on a number of geophysical and geochemical anomalies in the mine lease area. During 2000, a major airborne gravity survey was completed over the mine lease and areas held by us to the south of the mine lease. A substantial surface drilling program is underway to test these anomalies.

Zinc-Lead

Pering

The wholly-owned Pering mine is a zinc mine producing lead as a by-product. The mine is situated in the Northwest Province of South Africa. The ore minerals are sphalerite and galena, both of which are associated with zinc and lead non-sulphide minerals in varying proportions and are generally fine grained. The operation comprised conventional open-pit, shovel and truck mining. Crushing and ball mill comminution was followed by conventional flotation. After filtering and air drying, the concentrates were transported by rail and road and sold to two smelters in South Africa. Pering had a nominal production capacity of 1.2 million dry metric tonnes per year. Pering owns the mineral rights, thus it does not have mineral leases. In June 2002, we announced that we would be closing Pering when the economically mineable reserve was depleted. Mining ceased on November 30, 2002. The mill was stopped on February 16, 2003.

Uranium

In June 2002, we announced the sale of our Smith Ranch uranium mine, subject to approval by various regulatory authorities, to Cameco Corporation of Canada. That sale was completed in July 2002. The operation phase of the remaining parts of Rio Algom Mining (RAM), our wholly-owned subsidiary, namely the Ambrosia Lake and Lisbon facilities, have ceased and RAM is now in the reclamation and remediation phase of the mine closure program for each facility. Both facilities consisted of mining and processing of uranium to produce uranium oxide for sale to the nuclear electricity generating industry. The Ambrosia Lake facility is located approximately 32 kilometers north of Grants, New Mexico and the Lisbon facility is located approximately 48 kilometers southeast of Moab, Utah.

Table of Contents

INFORMATION ON THE COMPANY

Reserves and Production

The table below details our copper, zinc, silver and lead reserves in metric tonnes, and are presented in 100% terms as estimated at June 30, 2002.

Base Metals[1][2][3][4][9]		Proved Ore Reserve				Probable Ore Reserve				Total Ore Reserves				BHP Billiton Group Interest%
Deposit	**Ore type**	**Tonnes (millions)**	**Grade**			**Tonnes (millions)**	**Grade**			**Tonnes (millions)**	**Grade**			
Copper			% TCu[5]	% SCu[5]	g/t Au		% TCu	% SCu	g/t Au		% TCu	% SCu	g/t Au	
Escondida [6]	Sulphide	681	1.52			485	1.11			1,167	1.35			57.5
	Low grade float	32	0.67			48	0.67			80	0.67			57.5
	Mixed	18	1.60	0.48		2	1.75	0.71		20	1.62	0.50		57.5
	Oxide	149		0.76		44		0.55		193		0.71		57.5
Tintaya[7]	Sulphide	56	1.41		0.25	3	1.30		0.21	59	1.40		0.25	99.9
	Oxide	23	1.68	1.37		11	1.29	0.96		34	1.55	1.24		99.9
Cerro Colorado	Oxide & Sulphide	20	0.71	0.34		202	0.79	0.41		222	0.78	0.40		100
Alumbrera[8]	Sulphide	274	0.56		0.65	38	0.58		0.68	312	0.56		0.65	25
			% TCu	% Mo			% TCu	% Mo			% TCu	% Mo		
Highland Valley	Sulphide	270	0.41	0.0084		53	0.44	0.006		323	0.41	0.008		33.6
Copper Zinc			% TCu	% Zn	g/t Ag		% TCu	% Zn	g/t Ag		% TCu	% Zn	g/t Ag	
Antamina	Sulphide	297	1.29	1.05	14.2	246	1.15	0.98	13.1	543	1.22	1.02	13.7	33.75
			g/t Au	g/t Ag	% Cu		g/t Au	g/t Ag	% Cu		g/t Au	g/t Ag	% Cu	
Selbaie[10]	Pit and Stockpile	6.2	0.24	22	0.3					6.2	0.24	22	0.3	100
Silver Lead Zinc			g/t Ag	% Pb	%Zn		g/t Ag	% Pb	%Zn		g/t Ag	% Pb	%Zn	
Cannington	Sulphide	7.5	487	10.96	5.27	18.7	469	10.5	3.51	26.2	474	10.63	4.02	100

(1) All reserves quoted are diluted and include mining recovery.

Table of Contents

INFORMATION ON THE COMPANY

(2) Metallurgical recoveries for the operations are:

	% Metallurgical Recovery						
	Tcu	SCu	Zn	Pb	Ag	Au	Other
Escondida	87	85					
Tintaya Sulphide	87.2				59.4	65.7	
Oxide		78.0					
Cerro Colorado	80.0						
Alumbrera	Variable						
Highland Valley	90.0						
Antamina	88.5 95.1		0 86.4		65 90		Mo 0-70%
Selbaie	76.4		73.5		62.8	65.6	
Cannington			71.0	88.0	88.0		

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

	Proven Ore Reserves	Probable Ore Reserves
Escondida	61 x 61m to 153 x 153m depending on geological domain	96 x 96m to 240 x 240m depending on geological domain
Tintaya Sulphide	30m to 34m drill spacing, minimum 2 holes	45m to 51m drill spacing
Cerro Colorado	35m grid spacing	77m to 105m grid spacing depending on domain
Alumbrera	100m drill spacing or less	150m drill spacing or less
Highland Valley	Valley area 110m spacing Lornex area 104m spacing Overall 108m spacing	Valley area 136m spacing Lornex area 117m spacing Overall 127m spacing
Antamina	55m drill spacing or less	55m-110m drill spacing depending on geological domain
Selbaie	25m x 50m drill spacing, and within 20m of a mined area	25m x 50m drill spacing
Cannington	12.5m x 15m spacing or less	25m x 25m spacing

(4) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.

(5) %TCu means percent total copper and %SCu means percent soluble copper.

(6) Change in the ore reserve tonnage compared to the previous statement results from the depletion through production, changes in the geological model, more rigorous resource classification, change in recovery factors due to the implementation of new long-term metallurgical performance predictive models and recalculation of economic pit shells and associated cut-off grades, using current prices and costs. Previously reported low grade ore is now renamed LG Float Ore , a mixed ore reserve is reported for the first time, reflecting inclusion of this ore stream in the mine. The LG Float Ore has not already been mined and stockpiled; it is still in the ground. Mixed ore initially will be processed through the existing oxide leach facilities. The ultimate pit has been obtained by the use of proven and probable reserves only, excluding a large quantity of inferred resources from the pit optimisation.

(7) Tintaya sulphide production was temporarily halted in November 2001 as a reaction to oversupply in the global copper market, and the oxide operation was commissioned during the year.

(8) The proved reserve includes 65 million tonnes at 0.4% Cu, 0.5 g/t Au of medium grade material stockpiled for future treatment.

(9) Prices for the screen traded metals used for ore reserves estimation are based on current economics defined as an average of the spot price over the last three years, including copper US$0.75 per pound, zinc US$0.45 per pound, lead US$0.22 per pound, silver US$4.45 per troy ounce and gold US$276 per troy ounce.

(10) The proved reserve includes 5.7 million tonnes at 0.25 g/t Au, 20.72 g/t Ag and 0.3% Cu of material stockpiled for future treatment.

Table of Contents

INFORMATION ON THE COMPANY

The table below sets forth the BHP Billiton Group copper, gold, silver, lead and zinc production for the three years ended June 30, 2002 and for the six months ended December 31, 2001 and 2002. Production data shown is the BHP Billiton Group share unless otherwise stated.

	June 30, 2002	BHP Billiton Group Share of Production[1]				
	BHP Billiton Group interest %	Six months ended December 31,		Year ended June 30,		
		2002	2001	2002	2001	2000
Copper (000 tonnes)						
Escondida (Chile)	57.5	211.0	213.3	425.6	486.1	529.9
Tintaya (Peru)[2]	99.9	17.3	43.8	46.2	84.9	87.3
Cerro Colorado (Chile)[3][4]	100	65.6	68.2	130.8	96.7	
Alumbrera (Argentina)[3][4]	25	24.5	23.5	48.5	32.6	
Highland Valley (Canada)[3][4]	33.6	29.2	31.7	62.1	44.9	
Antamina (Peru)[3][4]	33.75	52.1	26.2	81.9		
Selbaie (Canada)[4][5]	100	4.9	5.1	10.2	12.8	13.5
Ok Tedi (Papua New Guinea)[6]					216.1	185.4
North American Copper[7]	100	5.5	11.4	19.1	26.7	31.3
Total		410.1	423.2	824.3	1,000.8	847.4
Gold (000 ounces)						
Escondida (Chile)	57.5	26.0	22.8	52.3	49.6	75.8
Tintaya (Peru)[2]	99.9		21.8	22.3	24.4	39.5
Alumbrera (Argentina)[3][4]	25	86.2	92.4	192.9	106.3	
Selbaie (Canada)[4][5]	100	9.6	11.4	22.2	38.6	33.6
Ok Tedi (Papua New Guinea)[6]					521.1	440.2
Total		121.8	148.4	289.7	740.0	589.1
Silver (000 ounces)						
Cannington (Australia)[8]	100	17,938	15,720	35,964	29,488	29,664
Antamina (Peru)[3][4]	33.75	1,093	617	1,586		
Alumbrera (Argentina)[4]	25	125	114	237	145	
Highland Valley (Canada)[4]	33.6	321	357	709	545	
Selbaie (Canada)[4][5]	100	962	1,045	2,073	1,550	2,646

Total		20,439	17,853	40,569	31,728	32,310
Lead (000 tonnes)						
Cannington (Australia)[8]	100	119.3	104.8	231.8	200.3	200.5
Pering (South Africa)	100	2.3	2.4	4.3	5.9	6.4
Total		121.6	107.2	236.1	206.2	206.9
Zinc (000 tonnes)						
Cannington (Australia)[8]	100	29.9	31.3	58.9	64.2	61.8
Antamina (Peru)[3][4]	33.75	33.6	16.0	48.3		
Selbaie (Canada)[4][5]	100	16.4	17.6	34.2	36.6	44.6
Pering (South Africa)[4]	100	12.8	11.5	21.1	20.9	20.7
Total		92.7	76.4	162.5	121.7	127.1
Uranium (000 pounds)						
Rio Algom Mining[3][4]	100	54	403	974	1,238	

Notes to the minerals production tables

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

(2) As production at Tintaya is driven by ore grade and hardness, the decrease in production from 2000 to 2001 was due to lower grades and softer ores in 2001.

Table of Contents

(3) Included from October 6, 2000, the effective date of the acquisition of Rio Algom Limited. Antamina commenced commercial production on October 1, 2001. For Rio Algom Mining, the full year s production is included. In July 2002, we completed the sale of our Smith Ranch uranium mine and ceased operations at the remaining parts of Rio Algom Mining.

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

(5) The decrease in production is mainly due to the decrease in head grades as the mine approaches the end of its life.

(6) On February 8, 2002, we announced the completion of our withdrawal from the Ok Tedi copper and gold mine in Papua New Guinea and transferred our 52% interest to the PNG Sustainable Development Program Limited, an independent company, which now holds such interest for the benefit of the Western Province and the Independent State of Papua New Guinea.

(7) The North American copper assets were placed on care and maintenance in June 1999. These assets, other than the San Manuel, Arizona mining facilities, continue on care and maintenance while producing a minor amount of copper cathode at some locations for a transitional period while various alternatives are evaluated. In January 2002, we announced the closure of the San Manuel, Arizona mining facilities and we are currently in the process of closing such facilities.

(8) Cannington commenced concentrate production on October 17, 1997. The increases in production for all metals reflect de-bottlenecking improvements carried out over the period.

Regulatory and Fiscal Terms

Chile

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 license 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. License 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.

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 favored 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 market.

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 concentrate pipeline. Concessions under the General Mining Law are irrevocable provided that the nominal mining good standing fees are paid.

Table of Contents

INFORMATION ON THE COMPANY

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 that 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 favorable rate of exchange available at the time of conversion. We also obtain the benefit of accelerated depreciation for machinery, equipment and all other fixed assets.

Argentina

In 1993 a foreign exchange stability regime was enacted under Argentina s Mining Investment Law, guaranteeing a 30-year foreign exchange stability to companies registered under such regime. The foreign exchange regime allows for the free disposal of export proceeds by exporters such as Minera Alumbrera Limited, in which until recently we held a 25% interest. Minera Alumbrera has complied with all the Mining Investment Law conditions and as a consequence has enjoyed fiscal and foreign exchange stability since March 10, 1995.

Following the collapse of the Argentine economy, the Government enacted a number of emergency Executive Decrees (ED) commencing in December 2001, including ED 1606/01, which re-imposed a former obligation on exporters to repatriate all export proceeds and exchange them for local currency.

The Argentine Central Bank, based on ED 1606/01, issued a Request for Information to Minera Alumbrera regarding the repatriation by it of export proceeds from 32 export operations since February 2002. Minera Alumbrera has responded to the Argentine Central Bank s Request for Information alleging that as a consequence of its rights under the Mining Investment Law the current exchange regime (obligation on exporters to repatriate export proceeds) is not applicable to the company. Subsequently, the Government confirmed, by Executive Decree, that the beneficiaries under a foreign exchange stability regime enacted under the Mining Investment Law are not subject to ED 1606/01.

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.

For the 12 month period ended December 31, 2002, the London Metal Exchange cash settlement price averaged US$0.71 per pound. Copper prices rallied strongly in early 2002, building on the recovery that started in late 2001. Prices hit their high for the year in early June, peaking at US$0.766 per pound, before concerns about the economic recovery, and evidence of the slow pace of demand saw prices slipping through the third quarter. Prices then rallied again in October and November of 2002 on the back of firmer US economic indicators, buoyant equity markets and the possibility of additional mine cuts, with prices rising from a low of US$0.651 per pound on October 7, 2002 to reach a peak of US$0.748 per pound on December 2, 2002 (an increase of US$0.10 per pound in two months). Towards the end of 2002 the market was dominated by persistent fund liquidation against a background of weak prospects for copper demand and the likelihood of war in Iraq, with copper price closing the calendar year 2002 at US$0.697 per pound despite further production cutbacks announced by BHP Billiton and Asarco.

Table of Contents

INFORMATION ON THE COMPANY

According to the International Copper Study Group (ICSG), the global refined copper surplus for the calendar year 2002 amounted to 245,000 tonnes. This compares with a surplus of 781,000 tonnes in calendar 2001. Nevertheless, the refined copper market entered 2003 in fairly good shape, with supply restraint from major producers, and strong demand from China having brought the market back into balance, despite little improvement in demand in much of the rest of the world. A supply deficit may be expected for calendar 2003.

During calendar 2002 total refined copper supplies reached 15.33 million tonnes down 1.6% compared with 2001. Copper demand reached 15.09 million tonnes, up 2.0% from the previous year.

Carbon Steel Materials

Our Carbon Steel Materials group is a leading supplier of core raw materials and services to the global steel industry. The key raw materials for steel making are iron in various forms, metallurgical coal and manganese. The map below sets forth the geographic locations of our key carbon steel materials assets.

WORLD MAP CARBON STEEL

Iron Ore

Mount Newman Joint Venture Mines

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 CI 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, reserves from Mount Whaleback are expected to support production for at least 25 years.

The facilities at Mount Whaleback include primary and secondary crushing plants with a nominal capacity of 35 million tonnes product per year, a heavy media beneficiation plant with a capacity of eight million tonnes per year and a train-loading facility. The mining plant and port facilities were originally built in the late 1960 s and have been maintained and enhanced many times since then. An additional primary and secondary crushing plant is present at Orebody 25 with a nominal capacity of eight million tonnes per year.

All of the joint venture s production is transported 426 kilometers 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 harbor.

In 1998, an under-harbor 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 HBI plant and to ship ore directly by using the Finucane Island ship loading facilities. The

current capacity of the Port Hedland facilities is in excess of 70 million tonnes per annum. This should be increased to 81 million tonnes per annum by 2004 and is expected to exceed 90 million tonnes per annum by 2011.

Table of Contents

INFORMATION ON THE COMPANY

The venture mainly sells iron ore into Asia with minor sales to Australia and Europe. During 2001 and 2002, 33% of the project s total dispatches were to Japan. Approximately 9% of shipments from Mount Newman were to BHP Steel Limited and our hot briquetted iron operations.

Yandi Joint Venture Mines

We hold an 85% joint venture interest in the Yandi project located 92 kilometers north of Newman in the Pilbara region of Western Australia. We manage the Yandi project. The other participants in the joint venture are CI Minerals 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. This included construction of a rail spur to the existing Newman/Hedland rail line, crushing and screening facilities with a capacity of 10 million tonnes per annum, ore stacker, mine load-out tunnel, and on-site administration infrastructure. The project s first shipment of iron ore was in March 1992. With minor modifications undertaken in 1994, the capacity of the plant was expanded to 15 million tonnes per annum.

In October 1995, the joint venture expanded the capacity of the Yandi mine by 10 million tonnes per annum to 25 million tonnes per annum. The expansion involved the construction of a new mine at Central Mesa 1, processing plant, train loading facilities and an additional 10-kilometer railway spur. The joint venture began railing of the first ore from the new mine in September 1996.

The joint venture completed pre-stripping activities at another mine called Central Mesa 5 during 2000 2001 with ore from this deposit now being handled through an existing processing plant and train loading facilities. Again with minor modifications, the total capacity at Yandi was increased to approximately 30 million tonnes per annum. At current price assumptions, blend grades and production rates, it is expected that production from the Yandi mine will continue for at least 20 years.

On March 3, 2002, we announced that we would deliver up to four million tonnes per annum of a new lump product which will command a premium price over the existing fines. Additional infrastructure was added to the existing Ore Handling Plant 2 to support the on-site production of fine and lump ores, without affecting the quality of the two distinct products. Commissioning took place in June 2002 and has increased overall capacity from 30 million tonnes per annum to approximately 40 million tonnes per annum, in accordance with the terms of the Iron Ore (Marillana Creek) Agreement Act 1991.

The Yandi mine has produced lump on a trial basis since 1999, already shipping more than two million tonnes to customers. These trials indicated that Yandi lump performance is suitable for the iron-making process and provided strong support for its permanent addition to our product range. We are currently undertaking feasibility studies on a further expansion of the Yandi mine capacity.

During 2001-2002, 49% of the venture s shipments by volume went to Japan and 26% went to Korea. The Yandi deposits are mined by an independent contract mining company on behalf of the joint venture.

Jimblebar Mine

We own 100% of the Jimblebar mine, which is located approximately 40 kilometers 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 Authorization Act 1972. Our lease expires in 2009 with the right of renewal for successive 21-year periods. The ore we produce at the Jimblebar mine is blended with ore produced from the

Table of Contents

Mount Newman project s Mount Whaleback and satellite orebodies. The primary and secondary crushing plant has a nominal capacity of eight million tonnes per year. At current price assumptions, blend grades and production rates, reserves from Jimblebar are expected to support production for at least 30 years.

Mount Goldsworthy Joint Venture Mines

We hold an 85% joint venture interest in the Mount Goldsworthy Mining Associates project, located at Yarrie, 210 kilometers 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 project s behalf. The other participants in the joint venture are CI Minerals 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 mine and Yarrie, 30 kilometers 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.

All production from the Mount Goldsworthy mines is transported on a venture-owned railway to Port Hedland. From there, the venture ships the ore through the Finucane Island facility, which has a capacity of approximately 12 million tonnes per annum. During 2001 2002, 47% of the venture s sales by volume were to Japan. At current price assumptions, blend grades and production rates, reserves at the Mount Goldsworthy mines are sufficient to support mining activities until at least 2005.

Mining Area C and Products and Capacity Expansion Projects

During April 2002 we announced approval for the development of a new iron ore mine at Mining Area C and an expansion of the Port Hedland port and rail facilities, both in the Pilbara region of north Western Australia.

Mining Area C represents the largest undeveloped Marra Mamba resource in the Pilbara region. The project involves developing mine infrastructure and a rail spur link to the existing Yandi/Newman railway. Capital costs are expected to be US$213 million for development of the new mine (our share is US$181 million). As part of the Mining Area C development we have entered into an arrangement with POSCO to develop the C Deposit section of Mining Area C.

Mining Area C, which is located 37 kilometers from our existing Yandi mine, is covered by the Iron Ore (Mount Goldsworthy) Agreement Act 1964. We hold a mineral lease for Mining Area C that expires on August 4, 2007 and is renewable for periods of 21 years.

C Deposit , the initial deposit to be mined at Mining Area C, has an estimated mine life of 17 years. Production at Mining Area C will ramp up to the installed capacity of approximately 15 million tonnes per annum, with first railing expected to begin in the fourth quarter of calendar 2003.

The Products and Capacity Expansion Project involves a staged development of rail and port facilities to increase system capacity in line with market forecasts. The total capital costs are expected to be US$351 million (our share is US$299 million). The project comes under the Mount Newman and the Mount Goldsworthy Agreement Acts.

Table of Contents

INFORMATION ON THE COMPANY

Western Australian Iron Ore State Government Agreements

On March 31, 1994, the Western Australian government agreed to delete all of our secondary processing obligations in respect of the Mount Goldsworthy, McCamey s Monster and Marillana Creek Agreement Acts and to remove all limits on production from Mining Area C, the Yandi and Jimblebar mines in exchange for a new secondary processing obligation.

The new secondary processing obligation required us, alone, or in association with others, to spend A$400 million on the further processing of iron ore or on an alternative investment approved by the Minister for Resources Development. Further processing is defined to include the production of iron, steel, hot briquetted iron, iron carbide sinter or pellets.

The completion of the Boodarie Iron hot briquetted iron plant at Port Hedland on February 18, 1999, satisfied our obligations with the Western Australian Government on February 18, 1999.

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).

Utilizing 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 pelletizing 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 kilometers by road from Belo Horizonte. Samarco began production at the Germano mine in 1977. Except for minor trial cargoes and pellet screenings, all 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-kilometer conveyer belt. The concentrator plant has a capacity of 15 million tonnes per annum of iron ore concentrates. From Germano, the concentrates are transported to Ponta Ubu through a 396-kilometer slurry pipeline. At Ponta Ubu, Samarco s two pelletizing plants have a production capacity of 12.8 million tonnes per annum of pellets and up to 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 at approximately 20 years.

Other

On December 30, 2002, we announced that Sweet River Investments Limited (Sweet River), a company in which BHP Billiton holds a 66.97% interest, announced its intention to sell its 11.56% interest in Valepar SA to Companhia Siderurgica Nacional. Valepar SA is a major shareholder in Brazil s Companhia Valo do Rio Doce (CVRD), the largest iron ore producer in the world. Prior to the sale, our interest in Sweet River corresponded to approximately 2.1% of CVRD s total capital.

Coal

Queensland Coal

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 mines are separated into two joint venture structures, namely the Central Queensland Coal Associates (CQCA) joint venture in which we own a 50% interest and the Gregory joint venture in which we also own a 50% interest. In addition, we operate two other Bowen Basin mines for BHP Mitsui Coal Pty Ltd in which

Table of Contents

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.

In November 2000, we jointly acquired effective control of QCT Resources Ltd with Mitsubishi. QCT Resources owned the South Blackwater mine as well as interests in the CQCA and Gregory joint ventures. Following this acquisition, our interest in the CQCA joint venture was 68.29% and our interest in the Gregory joint venture was 80.33%. On June 28, 2001, Mitsubishi acquired shares in QCT Resources from us to move to equal ownership interests in the CQCA and Gregory joint ventures. In this transaction, we transferred 18.29% of the CQCA joint venture and 30.33% of the Gregory joint venture to Mitsubishi for the sum of A$1,005 million. After completion of this transaction, our interest in the CQCA and Gregory joint ventures is now 50%. Together with Mitsubishi, we control operations through a jointly owned entity, BM Alliance Coal Operations Pty Ltd, and jointly market the coal produced.

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 a rail transport agreement with Queensland Rail providing for the transportation of coal from their mines until June 30, 2006. 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. The port has two berths with loading capacities of 6,000 and 4,500 tonnes per hour. Most of the coal from the Blackwater mine and Gregory joint venture mines is shipped through the R.G. Tanna Coal Terminal at Gladstone, which is owned by the Gladstone Port Authority. 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 2001 2002, approximately 47% of the metallurgical coal sales were to north Asia, 10% to south Asia, 31% to western Europe and approximately 13% elsewhere. Virtually all of the sales are under annually priced term contracts with minimal spot sales.

In December 2001, the Queensland Competition Authority handed down its determination on a rail undertaking which will govern the terms and conditions for access to existing monopoly controlled rail infrastructure. This undertaking includes reduced rail access charges from January 1, 2002 and will also pave the way for the introduction of third-party operators to the rail network with the resultant competition expected to provide the opportunity for future savings in rail costs. An access agreement for the entry of competition was finalized during calendar 2002 to underpin negotiation of individual company agreements.

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 eight million tonnes 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 mine can support operations for approximately 70 years. Peak Downs mine produced its first coal in 1972 and has a capacity to produce eight million tonnes per annum. At current price assumptions and production rates, reserves from the Peak Downs mine can also support operations for approximately 70 years.

Saraji mine commenced production in 1974 and has a capacity of five million tonnes per annum. At current price assumptions and production rates, reserves from the Saraji mine are expected to be depleted in approximately 20 years. First coal was mined from the Norwich Park mine in 1979 and it has a production capacity of four million tonnes per annum. At current price assumptions and production rates, reserves from the Norwich Park mine are expected to be depleted in approximately 10 years. Blackwater mine commenced production in 1967 and has a production capacity of 14

Table of Contents

million tonnes each year. At current price assumptions and production rates, reserves from the Blackwater mine are expected to be depleted in approximately 20 years.

The leases for the CQCA mines, except for the Blackwater mine, generally expire in 2010, with some expiring in 2004 and 2012. Some of the venture s leases are renewable for two periods of 21 years each. The venture s remaining leases are renewable for such further periods as the Queensland Governor-in-Council allows in each particular case. The venture s leases for the Blackwater mine expire in 2008, 2009, 2011 and 2021 and are renewable. Leases for the South Blackwater mine expire in 2003, 2012, 2015, 2020, 2021 and 2023 and are renewable for periods of 21 years.

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 and has a capacity to produce 1.25 million tonnes per year. At current price assumptions and production rates, reserves from the Gregory mine are expected to be depleted in approximately 2014. Crinum mine, which commenced longwall production in 1997, has a capacity of 4.25 million tonnes per year. At current price assumptions and production rates, reserves from the Crinum mine are also expected to be depleted in approximately 2014. 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, except for one lease, are renewable for periods of 21 years.

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. Until June 28, 2001, we managed BHP Mitsui Coal s coal mines at Riverside and South Walker Creek, located in central Queensland, Australia. BHP Mitsui Coal s coal mines are now 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 2004. South Walker Creek became operational in 1998. It is an open-pit mining operation, producing pulverized coal injection fuel and minor quantities of by-product energy coal. South Walker Creek has a production capacity of 4.3 million tonnes per year. At current price assumptions and production rates, reserves from South Walker Creek are expected to be depleted in approximately 2016. The venture contracted substantially all of the operations at South Walker Creek to Thiess Contractors for two years from November 30, 2000. Contract renewal discussions began in mid-2002. 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 June 30, 2006. The principal markets for the coal are Europe, Japan, Korea and Brazil.

BHP Mitsui Coal s mining leases expire in 2003, 2005 and 2020 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, 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 steel production.

Table of Contents

INFORMATION ON THE COMPANY

We produce coal under leases expiring in 2010 and 2011. These leases have renewal rights under the New South Wales Mining Act 1992. Our current production capacity is 7.9 million tonnes of clean wet coal per year.

Appin was founded 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 be depleted in approximately 2024.

Elouera officially opened in 1993 with the amalgamation of the Nebo, Kemira and Wongawilli coal mining leases. Elouera currently produces approximately 2.1 million tonnes of clean wet coal per year and, at current price assumptions and production rates, its reserves are expected to be depleted during 2004-2005. West Cliff was commissioned in 1976 and currently produces approximately 2.5 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 2019.

The BHP Billiton 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 producing up to 5.2 million tonnes of raw coal per annum with a capital expenditure requirement of approximately US$170 million. Reserves at the Dendrobium mine are expected to support production for at least 20 years.

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.

The majority of metallurgical coal we produce at Illawarra Coal is consumed at BHP Steel Limited s Port Kembla steelworks, New South Wales 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.

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 (GEMCO) in Australia s Northern Territory. Approximately 60% of the ore production is sold to alloyers across the world, while the remaining 40% is converted into alloys at two plants, namely 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.

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 Hozatel have a combined annual production capacity of 3.4 million tonnes of ore, which includes 1.1 million tonnes used for sinter production. All of the mineral leases will be affected by the new South African Mining Charter. Refer Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter .

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 2.4 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

Table of Contents

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 22 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 2001 2002 was 3.5 million tonnes of manganese ore and 619,000 tonnes of manganese alloy. Our products include manganese ore, high and medium carbon ferro manganese, silico manganese and electrolytical manganese metal. In 2001 2002, approximately 30% of sales were to Asia, 24% to Europe and 22% 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 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 BHP Steel Limited s operations at Port Kembla.

Following the commencement of trials on train 1, the remaining three trains (2 4) were brought on stream progressively from April 1999. The plant encountered process difficulties during 1999 2000, its first full year of operation. Technical problems during the processing of iron ore fines caused blockages and limited production. We have written-off the full value of the plant, which is approximately A$2.5 billion before taxes, because of the capital cost overruns during construction and commissioning, the difficulties we faced during production ramp-up and the significant deterioration of market conditions. The final write-down occurred in March 2000.

From April to December 2000, we carried out process development trials, which demonstrated solutions to overcome our major technology problems. In December 2000, we approved the continued operation of the plant, subject to key performance indicators being achieved, and authorized capital expenditure of A$110 million over 18 months. In October 2001, we successfully operated all four trains simultaneously for the first time and a monthly production record of 152,565 tonnes of briquettes was set in December 2001.

On March 26, 2002, we announced that force majeure had been declared on sales contracts and some supply contracts at Boodarie Iron. The declaration followed the temporary suspension of work at the plant following a tube failure in a gas re-heating furnace. Production re-commenced in one train in July. The remaining three trains were progressively brought back on line between July and October 2002.

Boodarie Iron is continuing its ramp up and is making step changes in production levels each quarter.

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, Operaciones RDI and Brifer.

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

Table of Contents

INFORMATION ON THE COMPANY

ramp-up. Production was initially constrained by commissioning difficulties and, in more recent times, a shortage of operating funds to allow multiple train operation. From July 2001 to June 2002, the facility produced 557,000 tonnes of hot briquetted iron.

Operaciones RDI operated a plant in Puerto Ordaz that produced hot briquetted iron using Fior based technology, but the plant ceased operations in March 2001 following significant deterioration in market conditions.

Brifer is a Barbados-based technology company that co-owns the Finmet technology jointly with Voest Alpine Industrieanlagenbau GmbH.

In March 2001, we announced we would write-off our equity investment in HBI Venezuela, cease any further investment and raise provisions to support our total financial obligations in relation to the assets following a detailed review of the future economic value of the asset. As a result of the write-off, we took an after tax charge to profit of US$410 million in the quarter ended March 31, 2001.

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, metallurgical coal and manganese reserves in metric tonnes, and are presented in 100% terms as estimated at June 30, 2002.

Iron Ore Reserves[9]

		Proved Ore Reserve			Probable Ore Reserve			Total Ore Reserve			
		Tonnes	Grade		Tonnes	Grade		Tonnes	Grade		BHP Billiton
Deposit[1][2][3][4][5][6][7]	Ore Type[8]	(millions)	%Fe	%P	(millions)	%Fe	%P	(millions)	%Fe	%P	Group Interest(%)
Western Australia:											
Mt. Newman JV	BKM	863	62.9	0.07	250	62.1	0.07	1,113	62.7	0.07	85
	MM	61	62.0	0.07	19	61.2	0.05	80	61.8	0.07	85
Jimblebar	BKM	203	62.0	0.06	66	61.8	0.09	269	62.0	0.07	100
Mt. Goldsworthy JV											
Northern Areas	NIM	24	63.3	0.05	5	60.4	0.04	28	62.9	0.05	85
Mining Area C	MM	189	62.7	0.06	19	62.8	0.06	209	62.7	0.06	85
Yandi JV	CID	546	58.3	0.04	141	58.1	0.04	687	58.3	0.04	85
Brazil:											
Samarco		292	47.3	0.04	182	45.8	0.04	474	46.7	0.04	50

Table of Contents

INFORMATION ON THE COMPANY

(1) The reserves presented 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 in-situ head grades, iron (Fe) and phosphorus (P). Western Australia 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 has been taken into account in the estimation of reserves for all Western Australian iron ore operations. Mining recovery (not included in the reserve estimate) is variable from deposit to deposit but in general is around 95% except for Yandi JV, which is 100%. For Samarco the mine recovery is 96.5% (not included in the reserve estimate) of the stated diluted reserve and beneficiation plant recovery is 57 to 59%.

(4) Metallurgical recovery is 100% for all of the West Australian iron ores except for the low-grade part of the Mt Newman JV (350 million tonnes) where the beneficiation plant recovery is 65%. For both Mt Newman JV and Jimblebar the recovery of screened low-grade lump is 70% and 55%, respectively

(5) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.

(6) Drill spacings used to classify proven and probable reserves for the West Australian Iron Ore deposits are between 100m by 50m and 200m by 100m. For Samarco the drill spacings used are 50m by 50m and 150m by 100m for proven and probable reserves, respectively.

(7) The reserves presented for Mining Area C have been updated with the results from the feasibility study (February 2002). The project was approved for development on April 3, 2002.

(8) Ore types are BKM Brockman, MM Marra Mamba, NIM Nimingarra and CID Channel Iron Deposit.

(9) Prices to establish the economic viability of the iron ore reserves are based on current contract prices.

Manganese Reserves

		Proved Ore Reserve			Probable Ore Reserve			Total Ore Reserve			BHP Billiton Group Interest (%)
Deposit[1][2][3][4][5][6]	Ore Type	Tonnes (millions)	Grade (% Mn)	(%Fe)	Tonnes (millions)	Grade (% Mn)	(%Fe)	Tonnes (millions)	Grade (% Mn)	(%Fe)	
South Africa											
Wessels (UG)		3.4	48.1		13.9	48.4		17.3	48.3		60
Mamatwan (OC)		23.0	38.0	4.64	14.3	37.6	4.65	37.25	38.0	4.64	60
				Yield (%)			Yield (%)			Yield (%)	
Australia											
GEMCO (OC)	ROM	43.1	48.3	42	42.5	47.9	42	85.7	48.1	42	60

(1) Tonnages are on a dry basis. Mining dilution and recovery is included in the reserve estimate.

(2) Mining method: OC = open-cut, UG = underground

(3) No third party reserve audits have been undertaken in the last three years.

(4) Metallurgical recovery for Wessels, Mamatwan and GEMCO varies with required market specifications.

(5) For the South African manganese deposits, underground sampling and drill spacings of between 40m and 80m are used to classify proven and probable reserves. For GEMCO, drill spacings of 60m by 120m and 120m by 120m are used for proven and probable reserves, respectively.

(6) Prices to establish the economic viability of the manganese ore reserves are based on current contract prices.

Table of Contents

INFORMATION ON THE COMPANY

Metallurgical Coal Reserves[8]

Assigned Reserves[7]	Deposit[3][4][5][6]	Mining Method[1]	Mined/ Mineable Recoverable Tonnes[2] (millions)	Marketable[2]				BHP Billiton Group Interest (%)
				Tonnes (millions)	Calorific Value (Btu/lb)	Volatile Matter (%)	Sulphur (%)	
Queensland Coal reserves at operating mines:								
CQCA JV:								
	- Goonyella	OC	818	**592**	**13,980**	**23.6**	0.52	50
	- Peak Downs	OC	869	**551**	**13,970**	**20.2**	0.60	50
	- Saraji	OC	162	**108**	**13,970**	**18.7**	0.62	50
	- Norwich Park	OC	61	**41**	**13,640**	**17.3**	0.65	50
	- Blackwater	OC	292	**233**	**13,400**	**25.8**	0.50	50
	- South Blackwater	OC	72	**62**				50
	Sub-total		2,274	**1,587**				
Gregory JV:								
	- Gregory	OC	17	**13**	**13,900**	**33.1**	0.60	50
	- Crinum	UG	66	**54**	**13,900**	**33.1**	0.60	50
	Sub-total		83	**67**				
BHP Mitsui Coal:								
	- Riverside	OC	13	**7**	**13,840**	**23.2**	0.55	80
	- South Walker Ck	OC	90	**60**	**13,950**	**13.1**	0.45	80
	Sub-total		103	**67**				
Total Queensland coal reserves at operating mines			2,460	**1,721**				
Illawarra Coal reserves at operating mines:								
	- Appin	UG	85	**70**	**14,620**	**22.7**	0.33	100
	- West Cliff	UG	56	**45**	**14,830**	**20.8**	0.36	100
	- Cordeaux	UG	58	**39**	**14,630**	**21.1**	0.54	100
	- Tower	UG	47	**38**	**14,485**	**22.1**	0.37	100
	- Elouera	UG	8.5	**6**	**14,870**	**23.9**	0.57	100
	- Dendrobium	UG	92	**64**	**14,880**	**22.9**	0.53	100

Total Illawarra Coal reserves at operating mines			346.5	**262**				
Unassigned Reserves [7]								
Queensland Coal undeveloped reserves:								
CQCA JV:								
	- Daunia	OC	58.3	**47**	**13,680**	**21.5**	0.40	50
BHP Mitsui Coal:								
	- Poitrel/Winchester	OC	112	**88**	**13,050**	**22.8**	0.40	80
	- Nebo West	OC	21.6	**16**	**12,480**	**7.5**	0.65	80
	Sub-total		134	**104**				
Total undeveloped reserves			192	**151**				

(1) Mining method: OC = open-cut, UG = underground.

Table of Contents

INFORMATION ON THE COMPANY

(2) Recoverable coal reserve (metric tonnes) is the sum of proven and probable coal reserve estimates, which include 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 (metric tonnes) are the tonnages of coal available, at specified moisture and 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.

(3) Coal wash plant recovery:

Queensland Coal:		**Illawarra Coal:**	
Goonyella	72.3%	Appin	81.8%
Peak Downs	63.3%	West Cliff	79.7%
Saraji	66.9%	Cordeaux	67.2%
Norwich Park	68.1%	Tower	81.3%
Blackwater	80.4%	Elouera	69.2%
South Blackwater	80.0%	Dendrobium	70.5%
Gregory	79.8%		
Crinum	82.1%		
Riverside	59.0%		
South Walker	67.3%		

(4) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.

(5) Reserves are quoted on an air-dried qualities, as this is the basis they are sold on the international market. As received moisture bases range from 8% to 10%, depending on mine and product.

(6) A drill spacing of 1,000m is used to classify proven reserves and 1,000m to 2,000m to classify probable reserves.

(7) The unassigned, undeveloped coal reserves are based on feasibility studies.

(8) Prices to establish the economic viability of the metallurgical coal reserves are based on current contract prices.

Table of Contents

INFORMATION ON THE COMPANY

The table below details our coking coal, iron ore, manganese and hot briquetted iron production for the years ended June 30, 2002, June 30, 2001 and June 30, 2000 and the six months ended December 31, 2002 and 2001. Production data shown is our share unless otherwise stated.

		BHP Billiton Group Share of Production					
		Six months ended December 31,		Year ended June 30,			BHP Billiton Group Interest %
	Coal Type[1]	2002	2001	2002	2001	2000	
		(thousands of tonnes)					
Iron Ore[2][3]							
Mt. Newman (Australia)		10,773	12,396	23,374	20,950	19,396	85
Jimblebar (Australia)		2,619	2,514	5,201	4,643	4,923	100
Mt. Goldsworthy (Australia)		3,699	3,323	6,447	6,601	6,114	85
Yandi (Australia)		15,983	13,979	27,256	26,156	22,618	85
Whyalla (Australia)[4]					909	2,817	100
Samarco (Brazil)[5]		4,001	2,151	5,629	7,508	6,765	50
Total Iron Ore		37,075	34,363	67,907	66,767	62,633	
Queensland coal production CQCA joint venture[6]							
Goonyella	Met	1,546	1,836	3,776	3,978	3,453	50
Peak Downs	Met	1,546	1,615	3,828	3,129	3,612	50
Saraji	Met	1,056	1,155	2,547	2,075	2,319	50
Norwich Park	Met	1,024	1,022	2,073	1,828	2,069	50
Blackwater[7]	Met/Th	3,236	3,476	7,037	4,328	3,547	50
Total CQCA JV		8,408	9,104	19,261	15,338	15,000	
Total Gregory JV[6][8]		1,276	894	2,440	3,626	3,249	50
BHP Mitsui Coal[9]							
Riverside	Met	1,327	1,567	3,402	3,272	3,021	80
South Walker Creek	Met/Th	2,008	1,723	3,341	3,147	2,533	80
Moura[10]	Met/Th					554	80
Total BHP Mitsui Coal		3,335	3,290	6,743	6,419	6,108	
Total Queensland Coal		13,019	13,288	28,444	25,383	24,357	

Illawarra coal production							
Illawarra Collieries	Met/Th	4,021	3,896	7,088	6,574	6,276	100
Manganese Ore[11]							
(Australia)		1,013	892	1,668	1,612	1,501	60
(South Africa)		1,141	968	1,867	2,162	2,099	60
Total Manganese Ore		2,154	1,860	3,535	3,774	3,600	
Manganese Alloys[11]							
(Australia)		116	113	212	246	215	60
(South Africa)		249	170	406	398	460	60
Total Manganese Alloys		365	283	619	644	675	
Hot Briquetted Iron							
HBI Western Australia[12]		747	770	1,047	848	420	100
HBI Venezuela[13]					198	160	50
Total HBI		747	770	1,047	1,046	580	

Table of Contents

INFORMATION ON THE COMPANY

(1)	Coal Type: Met metallurgical, Th thermal.
(2)	The figures for the two years ended June 30, 2002 for iron ore are reported in wet tonnes as opposed to historical, which is in dry tonnes. The equivalent wet tonnes for the prior years would be approximately 5% higher than the numbers shown above.
(3)	West Australian iron ore production was higher than 2001 due to continued strong demand for all products in Asian markets and success with marketing Yandi lump. Also note that the year 2002 and 2001 figures are in wet tonnes. The year 2000 13 months figures are in dry tonnes (note 3).
(4)	Spun-off as part of OneSteel Limited in October 2000, and therefore production can no longer be attributed to the BHP Billiton Group.
(5)	Production statistics relate to pellet feed and pellets. Samarco production for the half year ended 31 December 2002 was 86% higher than the corresponding period in 2001 due to strong customer demands for pellets.
(6)	BHP Billiton interest is 50% from June 28, 2001 (previously CQCA joint venture 52.1% and Gregory joint venture 64.14%).
(7)	We acquired our share of South Blackwater in July 2001. South Blackwater is equally owned by BHP Billiton and Mitsubishi Development Pty Ltd. Effective January 2002, South Blackwater production is included in Blackwater.
(8)	We report the production from Gregory and Crinum on a combined basis since the beginning of 2001-2002.
(9)	BHP Mitsui Coal production shown on a 100% basis before 20% outside equity interest.
(10)	Sale of Moura Mine was effective August 20, 1999, and therefore production can no longer be attributed to the BHP Billiton Group.
(11)	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 June 29, 2001.
(12)	Boodarie Iron commenced operations in February 1999. Following rectification of initial technical difficulties production has progressively ramped up since late in 2000. In October 2001, four trains were operated simultaneously for the first time. On March 26, 2002 we announced that we had declared force majeure on sales contracts and some supply contracts at the plant. The declaration followed the suspension of work following a tube failure in a gas re-heating furnace. The plant was progressively brought back on line commencing on July 2002.
(13)	The production at HBI Venezuela commenced in May 2000. The plant experienced a range of technical, process and operational problems during startup. In March 2001, BHP Billiton Limited announced it was writing off its investment and would cease to fund the operation. The plant has continued to operate notwithstanding a severe shortage of operating funds which has limited the capacity of the plant and constrained the capability to operate multiple trains simultaneously.

Regulatory and Fiscal Terms

Western Australia

In Western Australia, minerals in the ground belong to the government, and rights to mine are granted by the state. The Newman, Yandi and Goldsworthy mining, rail and port operations are conducted under agreements with the State of Western Australia. The agreements have been ratified by Acts of Parliament.

Queensland

In the State of Queensland, the government owns coal until it is mined. At that point it becomes the property of the holder of the mining lease subject to payment of a royalty to the State 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 value of the coal as determined by the Minister, which is currently calculated on the basis of FOR value plus rail freight costs (or cost of production, processing and railing to port).

Table of Contents

Brazil

Exploitation concessions are granted by the Federal Government, through the National Mining Department. A license 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 2% 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 CRVD. Samarco blends the ore from its own reserves with that from CRVD s reserves. The amount of royalties due to CRVD has been agreed at 4% of the total amount of dividends declared by Samarco per year.

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

South Africa

A specific category of State-owned mineral rights are known as Alienated State land. Here the State has disposed of the surface rights. The owner of the surface rights obtains the exclusive right to explore and exploit any minerals under their land. Mining companies acquired these exclusive rights by way of Nomination Agreements in perpetuity. However, the Minerals Act 1991 amended applicable provisions so that a mineral lease with the State had to be entered into in respect of such rights by December 31, 1996, or within such longer period as the Minister of Minerals and Energy may determine. Within the BHP Billiton Group, it is only these so-called Section 43 rights held by Samancor Manganese that have not yet been converted to a mineral lease and negotiations with the State are continuing and may be affected by the South African mining charter.

South African Mining Charter

The Mineral and Petroleum Resources Development Act and ancillary legislation, the Empowerment Charter, for the South African mining industry targets 26% ownership of South African mining assets by historically disadvantaged South Africans within 10 years. The Charter requires that the transfer of ownership must be at fair market value and we have indicated our willingness to enter into negotiations on that basis.

As the Act and Charter are both unclear on what will comprise the 26% (value or tonnage or a combination of both) a scorecard has been developed and published on February 18, 2003. The scorecard provides guidelines for mining companies operating in South Africa on how to measure their progress in meeting the requirements of the Charter.

Our South African mining operations, principally the Ingwe energy coal mines, Samancor manganese and chrome mines and our investment in Richards Bay Minerals, represent approximately 6% of our total net operating assets.

We have noted the Charter s content and generally support its broad objectives, most of which accord with long established programs underway at BHP Billiton. The effect of the Charter will ultimately depend on the specifics of the implementation process. We are already a prominent participant in the South African empowerment processes, including the Eyesizwe Mining and Kuyasa Mining transactions, corporate social investment through the BHP Billiton Development Trust, and in employment and procurement equity across our operations. We have a long history of successful major partnerships in Southern Africa, many involving the Industrial Development Corporation. We believe that our South African operations will not be adversely affected materially by this Act or Charter.

Market Conditions

Global crude steel production rose strongly in calendar year 2002 to a record level of 903 million tonnes representing an increase of 52 million tonnes or a 6.2% year on year rise. All regions exhibited growth in calendar 2002, with the developing world being responsible for most of the increase. Chinese production increased 19.3% compared to calendar

Table of Contents

year 2001. Chinese output has grown at a rate of more than 54 million tonnes over the past two years to stand at 181.5 million tonnes. High Chinese demand for steel has underpinned strong Japanese steel exports of 36 million tonnes and high Japanese steel production of 108 million tonnes. Exports in calendar 2002 increased 20% year-on-year to the highest levels since the mid-1970 s. Export growth was led by China (up 32% year-on-year), Korea (up 21% year-on-year) and other South East Asian countries. Japanese production has remained at over 100 million tonnes for the past three years despite subdued domestic demand. As a result the Asian share of global production has increased to 43%.

A number of factors have emerged to drive steel prices up to recent highs. Firstly, the US implemented tariffs on imported steel products in March 2002. The EU responded with its own measures, and many other countries also enacted some form of protection, import monitoring or anti-dumping measures. In addition, China imposed temporary quotas and tariffs. Secondly, production restraint has been evident in Europe. Finally, a factor coming into play is metallics prices. Rising scrap and pig iron prices (again China is a driving factor) are pushing up steelmaking costs which flows through to the general steel market, particularly in South East Asia and North America, where electric arc furnace production is strong.

Global pig iron production followed the trends of crude steel production reaching 608 million tonnes, an increase of ~30 million tonnes or 5.9% compared with the prior calendar year. This high production drove strong demand for iron ores and metallurgical coals including pulverised coal injection (PCI) coals. Strong domestic demand for coke in China to meet strengthening pig iron production of 171 million tonnes saw Chinese merchant coke redirected to meet internal demand. This has resulted in lower exports during calendar year 2002, tightening of the market and an increased price of almost US$60 to over US$120 per tonne. Strong pig iron production and the restart of some facilities in the United States has further tightened demand for merchant coke and assisted in maintaining a strong coking coal market.

High pig iron production in nearly all key Asian economies during calendar 2002, coupled with further substitution of domestic for imported ores in China, resulted in seaborne iron ore shipments of approximately 475 million tonnes. Pellet demand fell during the early part of the year but picked up once again in the latter half. The 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 demand is forecast to increase further in calendar 2003. Recent price re-adjustments for lump ore will likely result in a modest demand increase in the near term.

Metallurgical coal demand has been robust, particularly for the semi-soft and PCI product segments. Some production restraint has been shown from North America and demand for hard coking coal in China appears to have outstripped supply following the recent commencement of imports. With little new coking coal capacity coming on-stream in the short term and coking demand expected to remain steady, the outlook is for a continuation of balanced market conditions.

The strengthening steel market and disruptions to the supply of DRI from Venezuela in the second half of calendar 2002 saw Asian scrap and metallics import prices rise to US$170 per tonne. In addition, both North American and Asian prices for HBI have risen strongly. Chinese steel growth also resulted in higher HBI demand, with China now representing our main market for Boodarie Iron. The 2003 market outlook is for growth in Chinese demand for scrap and metallics, including HBI. Continued global economic and steel growth should see a modest increase in scrap and HBI demand.

The stronger steel industry also resulted in an increase in demand for ferroalloys. Production problems late in the year saw high carbon ferro manganese experience a sustained price recovery with corresponding effects for manganese ore. The alloy market is linked to steel production and dependent on the continued production upturn in the global steel industry.

Stainless Steel Materials

Our Stainless Steel Materials group is the western world s fourth-largest nickel producer and the second-largest producer of ferrochrome. The map below sets forth the geographic locations of Stainless Steel Materials key assets.

WORLD MAP STAINLESS STEEL

Table of Contents

INFORMATION ON THE COMPANY

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 kilometers 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 40% 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. Upon expiry of the mining concessions, Cerro Matoso s mining assets revert to the Colombian government and the Aporte Minero provides Cerro Matoso an exclusive lease of these assets and entitlement to all production until 2026 or 2041 if Cerro Matoso exercises its option.

Our processing operations require a plant feed meeting rigorous chemical specifications for efficient production of ferronickel. We separately mix, grade, crush and stockpile ore from multiple mine faces to achieve the required blend. After blending, we feed the ore into a rotary drier and then transfer the ore to a rotary kiln or calciner for pre-reduction before smelting it in an electric furnace. 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. We are in the process of increasing total nickel production at the mine from approximately 28,000 tonnes per year to 55,000 tonnes per year, with the ramp up in production expected to be completed in the 2003-2004 financial year. Our currently planned project life is through to 2021.

QNI

Through QNI Pty Ltd, we own and operate the Yabulu nickel and cobalt refinery located 25 kilometers 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

Table of Contents

hydroxide product. Since the mid-1990 s, the plant and port ore handling facility has undergone substantial refurbishment, which has resulted in improved performance, reliability and efficiency.

The Yabulu refinery is a major laterite nickel refinery with an annual production capacity of approximately 29,000 tonnes of nickel and 2,000 tonnes of cobalt. The actual production for 2001 2002 was 28,451 tonnes of nickel and 1,696 tonnes of cobalt.

We sell the nickel products, with varying metal content in the range 78% to 99.9% 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.

We are currently conducting a feasibility study for the expansion of the refinery in conjunction with the Ravensthorpe Project described below. We have obtained the required environmental approvals for the development from the Queensland State and Australian Federal Governments. The expansion would more than double the capacity of the existing solvent extraction and cobalt processing facilities.

Exploration and Development

Through QNI, we own the Ravensthorpe nickel project in Western Australia on which we hold 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 intermediate product produced. We are undertaking a feasibility study for Ravensthorpe. We estimate that the project, which we expect would have a combined cost, including the Yabulu refinery extension, of more than US$500 million, would take approximately two years to construct, would provide approximately 40,000 tonnes per annum of nickel in a concentrated intermediate product for refining at an expanded Yabulu refinery. If implemented, we anticipate that the project would result in a reduction in Yabulu s unit costs.

We are continuing other worldwide exploration in both laterite and sulphide nickel regimes. At the San Felipe project in Cuba, we hold a 75% managing interest in an International Economic Association Contract, with the Cuban government entity Geominera SA holding the remaining 25% interest. A concept study is being prepared following geological and initial metallurgical testwork, with pressure leaching indicating good recoveries. We hold a 75% managing interest in the Gag Island Project in Indonesia with Aneka Tambang holding the remaining 25% interest. In February 2002, we suspended the Gag Island Project Contract of Work following the withdrawal of Falconbridge from involvement in the project due to failure to resolve a forestry issue with the Indonesian Government. In Canada, our joint venture with Virginia Gold Mines Inc. has commenced drilling in the Lac Gayot project in Quebec. The initial drill results confirmed the presence of potentially significant nickel mineralization, which we will further investigate during the next field season.

Chrome

Samancor, in which we have a 60% interest and Anglo American has the remaining 40% interest, has grown through acquisitions and progressive expansion. In the 1990 s, Samancor established a number of joint ventures with its customers to strengthen its marketing activities. Samancor holds a 12% interest in the Middelburg, South Africa based Columbus Stainless Steel (Pty) Limited. Acerinox SA, Highveld Steel and Vanadium Corporation Ltd and Industrial Development Corporation of South Africa Ltd hold the remaining interest in the company. Samancor s original interest in the Columbus asset was reduced from 33.3% to 12% in January 2002, when certain of the assets of the joint venture were sold to the newly formed company in which Acerinox SA obtained the majority share (64%). The alloy plants contain a total of 14 submerged arc electric furnaces, one DC plasma furnace and two pelletising plants.

Table of Contents

INFORMATION ON THE COMPANY

Samancor operates eight chrome ore mines, comprising two open pit and six 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 Richard s Bay. Samancor also has a 50% share in a joint venture with Xstrata Ltd, comprising two electric furnaces operated by Xstrata Ltd at it 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 organized under two mining centers: 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 2015.

Western Chrome has four mines operating currently: Millsell, which was commissioned in 1957 and has a nominal capacity of 428,000 saleable tonnes per year; Elansdrift, which was commissioned in 1937 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 2013.

Mining methods vary across the group in line with the nature of the orebodies mined. Underground operations utilize both scraper and load-haul-dump mining techniques. Surface mining employs loaders and truck haulage. 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.

Samancor has perpetual ownership over its extensive mineral lease holdings. However, under proposed South African legislation, Samancor may be required to divest undeveloped lease holdings and to convert its existing mineral leases into New Order Leases as prescribed by the recently published Mining Charter. Refer Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter .

Table of Contents

INFORMATION ON THE COMPANY

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 June 30, 2002.

Deposit [1][3][4][5][6]		Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserves		BHP Billiton Group Interest (%)
		Tonnes (millions)	Grade	Tonnes (millions)	Grade	Tonnes (millions)	Grade	
			% Ni		% Ni		% Ni	
Nickel								
Colombia	Cerro Matoso[2]	34.3	2.01	12.6	1.7	46.9	1.93	99.8
Chrome								
South Africa operating mines			% Cr_2O_3		% Cr_2O_3		% Cr_2O_3	
	Western Chrome	9.4	42.3	11.3	42.3	20.7	42.3	60
	Eastern Chrome	7.2	42.6	12.1	42.4	19.3	42.5	60

(1) Tonnages are quoted on a dry basis. Mining dilution and mining recovery are accounted for in the reserve estimates.

(2) Reserves are estimated on the basis of a 1.1% nickel cut-off and 38% Cr2O3 cut-off.

(3) Metallurgical recoveries for the operations are: Cerro Matoso 86% nickel; Western Chrome 86% chrome; and Eastern Chrome 79% chrome.

(4) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.

(5) Equivalent drill spacing of 30m for proven reserve, and 60m for probable reserve has been used for Cerro Matoso reserve classification. For the chrome mines the known (published) continuity of the chromite layers in the Bushveld Complex allows wide spaced drilling to delineate proven and probable reserves with 600 meter square grid (no structural complexity) with increased drilling density and structural and geological complexity for proven reserve and 1.200 meter square grid for probable reserves.

(6) Nickel price used to establish economic viability of the ore reserve was US$2.92 per pound, while the chrome price was based on current sales contracts.

Table of Contents

INFORMATION ON THE COMPANY

The table below details our stainless steel materials production for the three years ended June 30, 2002, 2001 and 2000 and the six months ended December 31, 2002 and 2001. Production data is shown on 100% basis.

		BHP Billiton Group Interest (%)	Six months ended December 31,		Year ended June 30,		
			2002	2001	2002	2001	2000
			(thousands of tonnes)				
Nickel[1]	- Cerro Matoso	99.82	23.6	20.0	40.4	31.8	28.9
	- QNI Yabulu	100	14.9	13.4	28.5	29.0	25.2
	Total		38.5	33.4	68.9	60.8	54.1
Steel and Ferroalloys[1]	Chrome ores	60	1,427	1,238	2,451	3,158	3,726
	Chrome alloys	60	468	413	838	908	1,055

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

Regulatory and Fiscal Terms

Colombia

In Colombia, except for a few exceptions, the subsoil is owned by the State. The State may authorize private parties to explore and develop mineral deposits under concession contracts. Until 2001, they could also be developed under Exploration and Exploitation Contracts executed with specialized 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 October 1, 2007 through September 30, 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 income tax that must be withheld at the source, at the rate of 7%.

South Africa

A specific category of State-owned mineral rights are known as Alienated State land. Here the State has disposed of the surface rights. The owner of the surface rights obtains the exclusive right to explore and exploit any minerals under their land. Mining companies acquired these exclusive rights by way of Nomination Agreements in perpetuity. However, the Minerals Act 1991 amended applicable provisions so that a mineral lease with the State had to be entered into in respect

Table of Contents

of such rights by December 31, 1996, or within such longer period as the Minister of Minerals and Energy may determine. Within the BHP Billiton Group, it is only these so-called Section 43 rights held by Samancor Manganese that have not yet been converted to a mineral lease and negotiations with the State are continuing and may be affected by the South African mining charter.

For a discussion of the South African mining charter you should see Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter .

Market Conditions

We supply the stainless steel industry, which accounts for approximately 70% of our sales of nickel and ferrochrome. Our principal customers, are ten stainless steel producer groups. The other 30% of our sales of nickel and ferrochrome is sold to the specialty alloy, chemical and refractory material industries. In 2001 2002 approximately 43% of shipments of nickel and ferrochrome were to Asia, 45% 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, particularly from the former Soviet Union, which is generally a cheaper source of nickel and chrome;
- the expectation that the laterite processing pressure acid leach technology would lead to an oversupply of nickel and cobalt depressed prices in the late 1990 s;
- 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; and
- falling world economic activity and particularly industrial production with which nickel and chrome is closely correlated.

Nickel prices historically have demonstrated greater price volatility than most other metals and the recent past has been no exception. In the 1998 Asian economic crisis the price fell below US$2.00 per pound before increasing to over US$4.00 per pound in 2000, at the peak of the recent economic cycle. 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 nickel price fell briefly to below US$2.00 per pound during the 2001 economic slowdown. By February 2003 nickel was trading above US$3.90 per pound. 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.

Table of Contents

INFORMATION ON THE COMPANY

Energy Coal

Our Energy Coal group is the world s largest producer and marketer of export thermal coal. The map below sets forth the geographic locations of our key energy coal assets.

WORLD MAP ENERGY 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 operation of Rietspruit, a jointly owned mine with a wholly-owned subsidiary of Xstrata was closed during May 2002. The Delmas mine was sold to Kuyasa Mining Pty Limited effective July 1, 2002. The Douglas and Middelburg mines are joint ventures with Xstrata, in which we hold an 84% interest and Xstrata holds the remaining 16% interest. Ingwe Collieries Ltd wholly owns the remaining operations, Optimum, Khutala and Koornfontein.

Douglas was commissioned in 1979. It has a nominal capacity of 7.1 million saleable tonnes per year. Reserves at the Douglas Mine are expected to support production for in excess of 20 years.

Khutala was commissioned in 1984. It has a nominal capacity of 12.3 million saleable tonnes per year. Reserves at the Khutala mine are expected to be sufficient for at least another 30 years. Koornfontein was commissioned in 1964. It has a nominal capacity of 6.0 million saleable tonnes per year. Reserves are expected to be depleted at the Koornfontein mine before 2007.

Middelburg was commissioned in 1982. It has a nominal capacity of 14.2 million saleable tonnes per year. Reserves are expected to be depleted at the Middelburg mine in approximately 15 years. Optimum was commissioned in 1970. It has a nominal capacity of 13.1 million saleable tonnes per year. Reserves are expected to be sufficient at the Optimum mine for approximately 20 years. Rietspruit was commissioned in 1976. It had a nominal capacity of 2.1 million saleable tonnes per year. Reserves were depleted at the Rietspruit mine during 2002 and, as mentioned above, Rietspruit was closed in May 2002.

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

The mining method used depends upon the mine type. The open-cast mines utilize draglines together with truck and shovel operation, while the underground mines adopt the bord and pillar with continuous miners with Douglas also using a continuous haulage. Delmas and Khutala are underground mines, Optimum and Middelburg are opencast, and Douglas, Koornfontein and Rietspruit are both underground and opencast.

We have entered into three coal supply agreements with Eskom, a public electricity service company in South Africa. The first contract between the Duvha Eskom power station and the Middelburg and Douglas mines is in effect until the end of calendar 2014, with a right at the customer s option to extend for up to an additional 20 years. The price is a stated fixed price with escalation based on certain costs and inflation indices. The second contract with the Hendrina Eskom power station continues until the end of calendar 2008, with a right at the customer s option to extend for up to an additional 10 years. The price is a stated fixed price with escalation based on certain cost and inflation indices. The final contract with the Kendal Eskom power station expires on November 30, 2031. The price is 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 2001 2002 was 29.0 million tonnes. In addition, 27.1 million tonnes were sold to other parties in 2001 2002.

Table of Contents

Anthracite Mine

The Zululand Anthracite Colliery, which is located in the province of KwaZulu-Natal, South Africa, 48 kilometers 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 2001 2002 of anthracite was 0.5 million tonnes. The mine has sufficient reserves for approximately another five years of mining and the mineral lease expires in August 2009.

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.

Australia

Mount Arthur Coal

Our Mount Arthur Coal operations consists of the Bayswater Colliery and the Mount Arthur North development area. Mining activities of the Bayswater Colliery and the Mount Arthur North development area were merged during 2001-2002 and the facility now operates as an integrated mining operation.

Bayswater colliery is an open-cut coal mine located in New South Wales, Australia. The colliery has been in operation since 1968. After operating as a joint venture with minority Japanese and Korean participants, we acquired a 100% interest in January 2001.

Mount Arthur North is a coal deposit under development located in upper New South Wales, Australia adjacent to our Bayswater mine. We own the Mount Arthur North development area, which covers approximately 36 square kilometers. After a period of exploration, a development consent was granted by the New South Wales government in May 2001 and a 21-year mining lease was signed with the New South Wales government in June 2001.

We were awarded the exploration license for the Mount Arthur North area after winning a competitive tender process. Our license commits us to supply 15 million tonnes of coal to Macquarie Generation from January 1, 2003 to December 31, 2007.

The costs associated with the Mount Arthur North development are estimated at US$400 million. Our current plan is to use a truck and shovel operation producing 14.6 million saleable tonnes of coal per annum, of which 70% will be for export markets. We intend that the existing export load-out facilities and the existing domestic conveyor will be used to transport the coal. We intend to sell our products predominantly into existing Bayswater markets.

At Mount Arthur Coal, we produce mainly thermal products for electricity generation and general industry use. In 2001 2002, we produced 4.6 million tonnes of saleable coal, which was sold to export and local markets. We export predominantly to Japan, Korea and Taiwan. We sell approximately 75% of our saleable production to export markets. Reserves from the Bayswater mine are expected to be depleted in approximately 15 years, while reserves from the Mount Arthur North coal deposit are expected to be depleted in approximately 30 years. The current Bayswater coal reserves are being assessed as part of the integration with the Mount Arthur North development.

Table of Contents

The Bayswater and Mount Arthur North open-cut mines are truck and shovel operations which use electric shovels for overburden stripping, a fleet of rear dump trucks for overburden removal and excavators and front end loaders to load coal. We conduct the operations on land to which we have title and access from public roads.

We load domestic coal onto a 10-kilometer 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.

Wyong Areas Coal Joint Venture

As manager and agent for the Wyong areas coal joint venture, we are undertaking the exploration of an area of more than 250 square kilometers in New South Wales, Australia. We anticipate that the coal is low in sulphur and nitrogen, high in energy and capable of yielding both export and domestic products. We have implemented an exploration strategy and conceptual mine planning studies are continuing.

Togara South

We explored the Togara South reserve in central Queensland pursuant to an exploration permit that expired on February 13, 2002. An application was made to the Queensland government in January 2002 to have the exploration permit converted to a five-year mining development lease. A development licence (MDL 340) was granted to us on September 23, 2002. The lease area potentially contains a large coal resource, which may be extractable by underground mining methods. Coal quality parameters have indicated a good quality energy coal with high calorific medium-high volatile matter, low ash and very low sulphur content. Activities are now focused upon a review of the potential integration with the adjacent mining operations managed by BM Alliance.

New Mexico

Navajo Mine

We own the Navajo surface coal mine, which is located in the Navajo Nation, New Mexico. 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. The Navajo mine has the capacity to produce eight to nine 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 the end of calendar year 2004. 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 plus reimbursement of certain regulatory costs. Contracts are supplemented by an incremental pricing agreement which operated until December 31, 2002. Contractual deliveries have varied annually, principally because of generating plant shutdowns for maintenance and general market conditions. We are currently in discussions with the Arizona Public Service Company to reach an agreement on the terms of extension of the coal supply contracts and expect to complete negotiations shortly. Both parties have agreed to continue to operate under the incremental price agreement until negotiations are finalized. 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 only currently economically mineable for Four Corners Power Plant and they are in excess of foreseeable power plant requirements.

San Juan/La Plata Mines

We own the San Juan mine located in New Mexico. The mine began operating in 1974 and, under the lease arrangements applicable to the mine, we are permitted to mine the property as required to meet our coal sales obligations. Most of the San Juan mine mineral leases expire between 2005 and 2010, however they are subject to extension or renewal upon expiration. Reserves at the San Juan mine are expected to be depleted by 2023. We have entered into a coal sales

Table of Contents

contract for the supply 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 2017. We determine the price payable under the contract on a monthly basis by a formula that includes partial reimbursement of operating costs, escalation for inflation and a return on invested capital.

We also own the La Plata mine, located northeast of the San Juan mine. This mine provided us with an additional source of coal, which we supply under contract to San Juan Generating Station. The mine began production in August 1986. The La Plata mine has a nominal capacity of 4 million tonnes per year. Mining at La Plata mine ceased at the end of 2002. Under the La Plata mine lease arrangements, we are permitted to operate the mine as required to meet our contractual obligations. We transported coal from the mine by 178 and 200-tonne capacity haul trucks via our haul road.

The bulk of the power generated at the San Juan Generating Station is sold in New Mexico, Arizona and California. The state of New Mexico has passed an electricity deregulation bill that will deregulate electricity sales in 2007.

In October 2000, we approved the development of the San Juan underground mine to replace production from the existing San Juan and La Plata mines. We expect that San Juan underground mine will reach full production by early 2004 after a two-year construction period. We expect that annual production will be 5.9 million tonnes and estimate that total capital expenditure will be US$148 million. The San Juan underground development will significantly reduce the cost of coal supplied to San Juan Generating Station, thereby increasing their competitiveness in the western US power market. We and the San Juan Generating Station have substantially finalized various new agreements and variations to the current coal supply contract to take into account the San Juan underground development.

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. Carbones owns and operates the Cerrejon Central mine, which was commissioned in 1992 and has a capacity of approximately 3 million tonnes per annum of high quality export energy coal utilizing a traditional truck and shovel operation. Reserves within the Carbones mining lease are sufficient to maintain production at least until the mining lease expires 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. The mining method used is a truck and shovel operation with electric shovels for overburden stripping, a fleet of rear dump trucks for overburden removal and excavators and front end loaders to load coal. Intercor, a wholly-owned subsidiary of ExxonMobil Corporation of the United States, owned the remaining 50% interest and was the mine operator. Effective February 21, 2002, Intercor was acquired by the consortium. 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 Carbones del Cerrejon and Cerrejon Zona Norte mines have been integrated and are now managed independently by the consortium. This combined operation is now called Cerrejon Coal Company.

The combined operation will continue the usage of a rail link to the Puerto Bolivar terminal.

Table of Contents

INFORMATION ON THE COMPANY

Reserves and Production

The table below details our energy coal reserves marketable on as received basis in metric tonnes, and are presented in 100% terms as estimated at June 30, 2002.

					Marketable on as received basis				
	Deposit [8][9][10]	Mining [1] Method	Coal[2] Type	Mined/ Mineable Recoverable Tonnes[3]	Tonnes	Calorific Value[4]	Sulphur	Total Moisture	BHP Billiton Group Interest
				(millions)	(millions)	(Btu/lb)	(%)	(%)	(%)
Assigned Reserves[5]									
New Mexico[6][8]									
Operating Mines	Navajo	OC	Th	240	**240**	**8,980**	**0.64**		100
	San Juan	OC & UG	Th	130	**130**	**9,400**	**0.7**		100
	La Plata	OC	Th	0.9	**0.9**	**9,000**	**0.7**		100
Total				371	**371**				
South Africa									
Operating mines	Optimum	OC	Th	404	**299**	**9,980**	**0.60**	8.0	100
	Middelburg	OC	Th	267	**224**	**10,110**	**0.83**	6.6	84
	Douglas	OC & UG	Th	250	**177**	**10,880**	**0.93**	7.3	84
	Koornfontein	UG	Th	31	**21**	**10,410**	**1.10**	7.5	100
	Khutala	OC & UG	Th	467	**467**	**8,040**	**0.88**	8.0	100
	Zululand Anthracite Colliery	OC & UG	Anth	5	**3**	**11,740**	**0.90**	6.3	100
Total				1,424	**1,191**				
Australia									
Project	Mount Arthur Coal	OC	Th	504	**441**	**11,460**	**0.60**	10.1	100
Colombia									
Operating mines	Cerrejon Coal	OC	Th	740	**744**	**11,120**	**0.80**	13.0	33.3
Unassigned Reserves[5][7]									

Project	Leandra North	UG	Th	215		**9,930**	**1.0**	7.5	100
	Klipfontein	OC	TH	64		**9,610**	**0.6**	8.0	100
Undeveloped	Pegasus	OC	TH	10		**10,540**	**1.0**	8.0	100
Total				289					

(1) Mining method: OC = open-cut, UG = underground

(2) Coal type: Th = thermal coal and Anth = Anthracite

(3) Recoverable coal reserve (tonnes) is the sum of proven and probable coal reserve estimates, which include 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

Table of Contents

(tonnes) are the tonnages of coal available, at specified moisture and quality, for sale after beneficiation of the recoverable coal reserves. You should note that where the coal is not beneficiated the recoverable tonnes is the marketable tonnes.

(4) Coal quality is for a potential product rather than the in situ quality and is on as received basis.

(5) Assigned reserves represent recoverable coal reserves that we have committed to mine at locations operating at June 30, 2002. Unassigned reserves represent coal at suspended locations and coal that has not been committed, and that would require new mine development, mining equipment or plant facilities before operations could begin on the property.

(6) Mining recovery for Navajo Mine is 95%. Mining recovery for San Juan surface mining is 95% and for underground mining 55%.

(7) The unassigned, undeveloped coal reserves are based on feasibility studies.

(8) Drill spacings of between 125m by 125m and up to 750m spacing are used for energy coal proven reserves. A drill spacing of 500m to 1000m is used for probable reserves at New Mexico; for the South African and Colombian sites the probable reserve category is not used.

(9) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.

(10) Prices used to establish the economic viability of energy coal reserves are based on current contract prices.

Table of Contents

INFORMATION ON THE COMPANY

The table below sets forth our energy coal production for the three years ended June 30, 2002, 2001 and 2000 and the six months ended December 31, 2002 and 2001. Production data shown is our share unless otherwise stated.

		BHP Billiton Group Share of Production				
		Six months ended December 31,		Year ended June 30,		
	BHP Billiton Group Interest	2002	2001	2002	2001	2000
	(%)	(millions of tonnes)				
Energy Coal						
New Mexico	100	7.3	6.3	13.2	14.9	15.5
Optimum[1]	100	6.88	6.25	12.49	13.10	13.30
Middelburg[1]	84	7.13	7.08	14.15	14.25	14.07
Douglas[1]	84	3.76	3.64	7.07	7.31	5.90
Koornfontein[1]	100	2.84	2.98	6.08	5.32	5.98
Khutala[1]	100	6.27	6.11	12.31	12.80	13.14
Riestpruit[1]	50		0.95	1.44	2.13	2.57
Delmas[1]	100		0.99	1.64	2.25	2.70
Glisa[1]	100				0.44	0.83
Matla[1]	50				3.20	7.28
Zululand Anthracite Colliery[1]	100	0.29	0.26	0.53	0.51	0.54
Sub total		27.17	28.26	55.71	61.31	66.31
Mount Arthur Coal[1]	100	2.5	2.0	4.6	5.3	3.5
Colombia[1][2]	16-33	2.9	2.2	4.7	2.9	
Indonesia[3]	80	0.2	4.2	4.5	8.4	8.7
Total		40.1	43.0	82.7	92.8	94.1

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

(2) We acquired our Colombian energy coal interests in September and November 2000. In addition, on February 21, 2002, we acquired another one-sixth interest in Cerrejon Zona Norte, increasing our interest to one-third of Cerrejon Zona Norte. As a result of this transaction, we currently own a one-third interest in both our Colombian coal assets.

(3) 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 November 30, 2000 and now only provide marketing services to the operation. Production at the Kendilo mine ceased in September 2002.

Regulatory and Fiscal Terms

South Africa

Please refer to the discussion contained within the business description for the Carbon Steel Materials subsection under the subheading Regulatory and Fiscal terms South Africa .

Table of Contents

INFORMATION ON THE COMPANY

You should also refer to the subheading Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter above for a discussion of the South African mining charter.

Colombia

Please refer to the discussion contained within the business description for the Stainless Steel subsection under the subheading Regulatory and Fiscal terms Colombia on page 63. Different royalty rates apply to the various energy coal contracts to which the entities in which we own a share are a party. The 35% income tax rate and the 7% remittance tax rate described apply to our Colombian energy coal interests.

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 export energy coal market generally refers to the supply of energy coal to countries with insufficient or uneconomic domestic coal production. 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 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 by 6.1% per annum from 1996 to 2000, from 275 million tonnes to 348 million tonnes and 11% in 2001 to 386 million tonnes and 3.4% in 2002 to 400 million tonnes. Coal trade in the Pacific market grew at an average annual growth rate of 8.6% for the four years to 2000 and 10% in 2001. The market increased by 5.8% in 2002. Similarly, the Atlantic market grew at an annual growth rate of 3.0% for the four years to 2000 and 14% in 2001. However, the Atlantic market contracted by 4% in 2002 following such strong growth in previous years and strong inter fuel competition.

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 2.2% per annum between 1990 and 1999, and is projected to increase at an average rate of 2.4% per annum from 1999 to 2020, with the highest growth rates expected in Asia. The demand for electricity will continue to be driven by population growth and increases in per capita income. In 2001, coal provided approximately 39% of the energy used for global electricity generation. Seaborne energy coal imports are expected to increase to satisfy this growing demand.

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. Coal prices have remained relatively stable and consistently below oil and gas prices.

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 55% of all energy coal imports in 2002. 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 2002. Despite Indonesia s proximity to key Asian markets, Indonesian energy coal exports have been adversely affected by Indonesia s political instability and a regulatory

Table of Contents

climate that inhibits foreign investment in Indonesia. In addition, most of Indonesia s coal production is of a poor quality, and growing internal demand for coal is a further limitation on Indonesia s ability to export energy coal.

South Africa was the third largest exporter of energy coal in 2002, with most of its exports going to the European market. Its strong market share is primarily due to reliability of supply, a competitive domestic cost structure and freight rates comparable with its major competitors.

China, the fourth largest exporter of energy coal in 2002, has rapidly increased its exports in recent years though exports decreased in 2002. This decrease was a result of strong domestic demand and prices, and lower export market prices.

Colombia, the fifth-largest exporter of energy coal, has low cost, high quality reserves, and a close proximity to the growing US market.

Diamonds and Specialty Products

The Diamonds and Specialty Products group is our newest Customer Sector Group and encompasses the existing businesses of diamonds, titanium minerals, Integris and Minerals Exploration & Technology. Our Ekati Diamond Mine, of which we own 80%, is located in the Canadian Northwest Territories and currently produces approximately four million carats of rough gem-quality diamonds annually. Ekati Diamond Mine s annual production represents approximately 3% of current world diamond production by weight and 6% by value. Richards Bay Minerals, of which we own 50%, is a heavy mineral sands mine and smelter based in South Africa. Integris is a 50% owned metals distributor with branches throughout Canada and the United States. Minerals Exploration is tasked with growing BHP Billiton s mineral resources through both greenfield and brownfield discovery. Technology is tasked with ensuring the use of optimal technology across BHP Billiton s operations as well as generating growth opportunities through development of new technologies.

Ekati Diamond Mine

The Ekati Diamond Mine is located in the Northwest Territories in Canada. The mine is located approximately 300 kilometers 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 and a power house capable of producing 22 megawatts of electricity.

The mine plan is based on multiple kimberlite pipe development. Initially, open pit or surface mining has been used. Present operating pipes include Panda and Koala, which are adjacent to the main facilities, and Misery, which is located about 30 kilometers southeast of the main camp. Underground development is currently in progress for the Koala North pipe, with production expected to commence in 2003. Future pipes include Fox, located 7 kilometers southwest of the main camp, and Sable, located 19 kilometers north of the main camp. Mining of the Panda pit started in early 1997. The processing plant began operation in mid-1998. Initial ore production was estimated to be 9,000 tonnes per day in the project s original feasibility study. Production is currently averaging 10,500 tonnes per day and further de-bottlenecking is expected to modestly increase this production level.

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 374 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 July 31, 2002, the joint venture had converted 262 claims totaling 608,622 acres to lease. We intend to convert all remaining mining claims to mining leases.

Table of Contents

INFORMATION ON THE COMPANY

The joint venture has continued surface exploration activities throughout the mine property area. Exploration core drilling of geophysical and geochemical targets during summer 2001 confirmed 8 additional kimberlite pipes bringing the total number of known kimberlite occurrences on the property to 146. Further exploration and engineering studies are expected to bring some of these pipes into the mine plan.

Reserves and Production

The table below details our diamonds reserves (in dry metric tonnes and 100% terms), estimated at June 30, 2002.

	Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserves		BHP Billiton Group Interest	Recoverable Product[1]
	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade		
	(millions)	(Carats/tonne >1.5mm size)	(millions)	(Carats/tonne >1.5mm size)	(millions)	(Carats/tonne >1.5mm size)	(%)	(Carats in millions)
Diamonds								
Ekati [2][3][4]	27	1.2	12	1.1	40	1.2	80	46

(1) These figures are expressed in terms of the recoverable quantity of marketable product.

(2) Drill spacings of 25m by 25m and 50m by 50m are used to classify proven and probable reserves, respectively.

(3) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.

(4) Diamond prices used for pit optimisations and ore reserves reflect current marketing conditions.

The table below details our share of diamonds production for the years ended June 30, 2002, 2001 and 2000 and the six months ended December 31, 2002 and 2001. The BHP Billiton Group interest in Ekati increased from 51% to 80% effective July 3, 2001, when we acquired a controlling interest in Dia Met Minerals Ltd., which corporation was subsequently wholly acquired on October 30, 2001.

	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
			(000 carats)		
Diamonds					
Ekati (Canada)	2,025	1,695	3,650	1,428	1,301

Table of Contents

INFORMATION ON THE COMPANY

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 license 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. 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 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 Affairs and Northern Development. 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 6% of the world supply by value. The principal supplier, controlling over 40% of global production, is De Beers, which combined with global contracts, gives them a market share of nearly 60%. The other main independent sources are in Angola with approximately 10% of supply and in Australia with approximately 4%.

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 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 manufacturers and the remainder sold as both polished diamonds and rough diamonds directly to jewellery retailers. 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. 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. Richards Bay Minerals operations are located near 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 was formed in 1976 to mine and beneficiate the sands in the coastal dunes north of Richards Bay.

Richards Bay Minerals has rights to over 1 billion tonnes of heavy mineral sands reserves. This should be sufficient to sustain mining for approximately 20 years. In the early 1990 s, a new furnace and mining plant were installed at a total cost of US$300 million. The fifth sand mining plant, Mining Plant E, was completed under budget in November 1999 at a cost of approximately US$189 million. This plant, along with an expansion to Mining Plant A, also completed in 1999, should allow Richards Bay Minerals to maintain an annual titanium slag capacity of around one million tonnes for the foreseeable future. Due to an oversupply in the slag market, Richards Bay operated at approximately 80% of its slag capacity during calendar year 2002.

Richards Bay Minerals has full rights to the mining leases of all its reserves. Richards Bay Minerals mining leases are valid for the remainder of the mine life. This may be affected by the South African mining charter. Refer Business Description Carbon Steel Materials Regulatory and Fiscal Terms South African Mining Charter .

Table of Contents

INFORMATION ON THE COMPANY

Richards Bay Minerals mines heavy mineral sands from five ponds located in coastal dunes using a dredging process. A large artificial freshwater pond is created in the dunes, on which the dredge and concentrator plant float. Burrowing into the mining face of the dune, the dredge advances at a rate of two meters to three meters per day, depending on the height of the dune. As the sand face is undermined it collapses into the pond, a slurry is formed and is sucked up and pumped to a floating concentrator. 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 non-magnetic minerals, including zircon and rutile, remain and are further processed by means of an electrostatic process which takes advantage of the difference in the electrical conductivity of the minerals. Zircon and rutile can be dispatched and sold in their raw form, although some zircon is upgraded to produce a higher quality product by the removal of various impurities.

The ilmenite, containing approximately 50% titanium dioxide, is transferred by conveyor for further beneficiation, which involves smelting. Controlled quantities of calcined ilmenite and charred coal are fed into electric furnaces at the smelter where the mixture is reduced to produce titanium dioxide slag, with a grading of titanium dioxide of approximately 85% and high purity iron. The slag is tapped into moulds and the iron into ladles. The high purity iron undergoes further treatment whereby chemical additives are injected to obtain various grades of low manganese pig iron.

Virtually all 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 kilometers north of Beira. A preliminary feasibility study was completed in 1996 and concluded that the ilmenite from Moebase could be treated to produce a good quality chlorinatable slag. In 1997, we began a phased feasibility study of TiGen, which has not yet been completed. Test work and analysis relating to this study is also being conducted. Results to date indicate that the resource contains ilmenite, rutile and zircon and is one of the world s major heavy mineral sands deposits, comparable in size to Richards Bay Minerals.

Reserves and Production

The table below details our titanium minerals reserves in metric tonnes as estimated at January 1, 2002.

	Ore type	Proved Reserve	Probable Reserve	Total Reserves	BHP Billiton Group Interest
			(millions of tonnes)		(%)
Titanium					
Richards Bay Minerals	TiO_2 Slag	9.72	14.5	24.21	50

Table of Contents

INFORMATION ON THE COMPANY

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

	Year ended December 31,	
	2001	2000
	(thousands of tonnes)	
Titanium slag[1][2][3]	875	950
Rutile[1][4]	90	100
Zircon[1][4]	210	210

(1) Richards Bay Minerals was part of the BHP Billiton Plc Group prior to the DLC merger with the BHP Billiton Limited Group on June 29, 2001.

(2) TZ Minerals International Pty. Ltd. estimates Richard Bay Minerals slag production from data reported by Rio Tinto.

(3) Chloride slag represents approximately 90% of our total production.

(4) 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 is produced from titanium dioxide feedstocks, namely rutile, synthetic rutile, titanium dioxide slag and ilmenite. These feedstocks are derived predominantly from titaniferous minerals occurring in heavy mineral sands and some hard rock ores. Ilmenite and rutile occur naturally, while synthetic rutile and titanium dioxide slag are produced by processing ilmenite.

There are two ways of producing titanium dioxide pigment from feedstock, namely the chloride process and the sulphate process. The chloride process requires feedstocks with a higher titanium dioxide content, such as rutile, synthetic rutile, some titanium dioxide slag and ilmenite, and is capable of producing pigment of superior color and quality for a number of end uses. Accordingly, chlorinatable titanium dioxide feedstocks achieve premium prices and the chloride process is now more commonly used. Approximately 60% of the world s pigment processing capacity currently uses the chloride process and it is expected that this share will continue to grow.

Titanium dioxide pigment consumption has historically grown largely in line with North American and European 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 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. Richards Bay Minerals is the second largest producer of titanium dioxide slag with approximately 18% 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 and prospective entrants to the industry, such as Anglo-American and Kumba Resources.

By-products of heavy mineral sands mining and titanium dioxide slag production include zircon and high purity iron. Zircon is extracted, alongside ilmenite and rutile, as part of the initial mineral sands beneficiation process. 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.

Table of Contents

INFORMATION ON THE COMPANY

Technology

We operate two industrial research and development laboratories, in Newcastle, Australia and Johannesburg, South Africa, which serve the needs of our customer sector groups. The tasks of the laboratories are to:

assure optimal technology is employed at our operations;

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

develop new technology to provide growth for BHP Billiton.

The first two activities mentioned above form the bulk of our work and to ensure alignment with the customer sector groups, are paid for by the business groups. Our proprietary Falcon® gravity gradiometry 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 180.

The two research laboratories have as their main activities:

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

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

Integris Metals

Integris is a metals distribution business operating in Canada and the United States. This business acts as an intermediary between high volume, bulk producers of metals and low volume customers seeking to use these materials to produce end-products. The largest customers are manufacturers of on-highway trucks and kitchen goods. In addition to the aluminium and stainless steel distribution businesses, where Integris has an approximate 22% market share, the company also has smaller businesses in iron, copper and other metals.

Integris is headquartered in Minneapolis, Minnesota and distributes its goods through plants in approximately 56 cities. The business is owned equally by BHP Billiton and Alcoa and employs approximately 2,550 people.

Minerals Exploration

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

Our exploration activities are organized from three principal offices in Brisbane, Australia, Vancouver, Canada and Santiago, Chile. The headquarters for the exploration group is in Melbourne, Australia. The group currently has approximately 175 employees.

Petroleum

Our principal activities in the petroleum sector are oil and natural gas exploration, production and development in Australia, the United Kingdom, the United States, Algeria, Pakistan and Bolivia and exploration interests in the United

Table of Contents

INFORMATION ON THE COMPANY

States, Australia, Algeria, Gabon, Trinidad, Angola, Pakistan, Brunei Darussalam, South Africa and Brazil. The map below sets forth the geographic locations of our key petroleum assets.

WORLD MAP PETROLEUM

Operating Assets

Australia/Asia

In Australia we source production from Bass Strait, the North West Shelf, the Laminaria and Corallina oil fields and the Griffin Project.

Bass Strait

The Bass Strait oil and gas fields are located in the Gippsland Basin, offshore southern Australia. First production commenced in 1968. We have a 50% interest in the Bass Strait fields, Esso Australia Resources Pty Ltd 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.

Most of the natural gas produced is sold under a long-term contract to Gascor, a Victorian government-owned entity, for on-sale to retailers for distribution throughout Victoria to meet its residential and commercial gas requirements. The contract is due to expire on December 31, 2009 or the depletion of the outstanding contractual volumes of 1,204 billion cubic feet of natural gas, whichever is the earlier. The annual contract quantity is 167 billion cubic feet per annum and the maximum take is 217 billion cubic feet per annum. The current gas price is A$3.05 per thousand standard cubic feet and is escalated each year in accordance with the Australian Consumer Price Index (CPI). In 2001 2002, total gas production averaged approximately 540 million cubic feet per day (gross) and ethane production averaged approximately 460 tonnes per day (gross).

Most 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. Gross oil production during 2001 2002 averaged 157,000 barrels per day.

LPG (liquefied petroleum gases) extracted from the natural gas and crude oil reserves is sold in Australia and overseas. LPG production during 2001 2002 averaged 2,700 tonnes per day (gross).

In December 2002 we, together with Esso Australia, completed the construction of a fourth Bass Strait gas pipeline from the Bream field into the joint venture s Gippsland production network.

In April 2001, together with Esso Australia, we signed a long-term supply agreement with Duke Energy International for the introduction of approximately 51 million cubic feet of natural gas per day to Tasmania. This followed a long-term gas transport agreement we and Esso signed with Duke Energy International in December 1998 for the transportation of Bass Strait natural gas to New South Wales. Gas was first delivered to New South Wales in August 2000 and averaged 52 million cubic feet per day in 2001 2002.

Our share of estimated proved reserves in Bass Strait at June 30, 2002 was 211 million barrels of oil, condensate and LPG and 1,675 billion cubic feet of natural gas.

We are pursuing a strategy of seeking additional reserves in the Bass Strait in order to enhance existing production levels with high value incremental developments. We and our joint venture partner Esso Australia, have completed the acquisition of the largest three-dimension seismic survey ever done in Bass Strait. The 3,900-square kilometer survey covered all of the joint venture s northern oil and gas fields, and was designed to identify hydrocarbon targets over a range of geological horizons.

Table of Contents

INFORMATION ON THE COMPANY

North West Shelf

The North West Shelf Project is 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 Australia domestic market; and the LNG phase, which supplies LNG (liquefied natural gas) to Japan. The project also produces crude oil, condensate and LPG, primarily for export.

The domestic gas 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%). When domestic gas sales exceed 500 million cubic feet per day, ownership of the incremental gas is shared equally between all domestic gas participants and Japan Australia LNG (MIMI) Pty Ltd (jointly owned by Mitsubishi Corporation and Mitsui & Co), with each participant holding a 16.67% share. Participants in the LNG phase 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. Raw gas is transported through an undersea pipeline owned by the venture to the onshore plant. Production from these fields meets current contractual requirements for the domestic gas and LNG phases of the project. Plans are in place to develop the Angel field, and a group of smaller static resources, to meet future market requirements.

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. In 2001 2002, the facility produced 870 million cubic feet per day of gas and 24,000 barrels per day of condensate (gross).

Production from the Goodwyn and Echo/Yodel fields is through the Goodwyn A platform, which has the capacity to produce 1,100 million cubic feet per day of gas and 130,000 barrels per day of condensate. Production from the smaller Echo/Yodel gas condensate field located south west of the Goodywn A platform commenced in December 2001 and has an expected life of four years. In 2001-2002, total production from the Goodwyn facility averaged 660 million cubic feet per day of gas and 78,000 barrels per day of condensate (gross).

The existing LNG plant has the capacity to produce 21,750 tonnes of LNG per day or 7.5 million tonnes per annum. The project sells approximately 7.3 million tonnes of LNG per year under long-term contracts to Japanese buyers. These contracts will expire in 2009. LNG production during 2001 2002 averaged 21,350 tonnes per day (gross). In 2001 2002, 130 LNG cargoes were delivered to Japanese buyers.

Construction of a fourth liquefaction train and offshore trunkline to support an expansion of the existing LNG business commenced in calendar year 2001. The expansion involves the construction of a 4.2 million tonnes per year liquefaction processing train and a 42-inch gas trunkline to be installed over a distance of 135 kilometres from existing production platforms to the onshore processing plant. We expect first commercial production from the new facilities by mid calendar year-2004. The project has also ordered an additional LNG carrier to deliver some of the sale volumes associated with the expansion project. Our share of costs of the liquefaction processing train, pipeline and the additional carrier is expected to be approximately US$270 million.

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

The North West Shelf domestic gas plant has a capacity of one billion cubic feet per day. The gas is delivered via pipeline to customers in Western Australia under long-term agreements. Production of domestic gas in 2001 2002 averaged 450 million cubic feet per day (gross).

Table of Contents

INFORMATION ON THE COMPANY

In December 2001, the North West Shelf joint venture participants signed a conditional Sales and Purchase agreement with Methanex Corporation to supply it with 180 million cubic feet of gas per day for 25 years from 2005 for its proposed methanol plant to be located on the Burrup Peninsula.

In October 2002, the North West Shelf joint venture participants signed Sales and Purchase agreements with the Guangdong LNG Project, for the purchase and supply of LNG from the North West Shelf. The agreements were signed by 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 contemplated to start in late 2005, although there is a material probability that it will be delayed to the latter part of 2006. The agreement is subject to certain conditions precedent, including Chinese Government approvals, buyer financing arrangements and arrangements between the buyer and end-buyers.

The Guangdong LNG project is China s first LNG project and involves the construction of an LNG import terminal and high-pressure gas pipeline in two phases.

It is also proposed that as part of the deal that:

The China National Offshore Oil Company (CNOOC) will have the opportunity to acquire a 25% participating interest in the proportion of the North West Shelf Project gas reserves and production required to supply gas to the Guangdong LNG Project; and

The North West Shelf Project and the Chinese shipping companies, COSCO and China Merchants, will establish ship owning and ship management companies for LNG transport to Guangdong. Two to three LNG ships will be required to service the China trade route.

LPG production began in November 1995 and production in 2001 2002 was 840,000 tonnes (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 kilometers 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 120,000 barrels of oil per day (gross) in 2001 2002.

Our share of estimated proved reserves in the North West Shelf at June 30, 2002 was 2,222 billion cubic feet of gas and 98 million barrels of crude oil, condensate and LPG.

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 kilometers north-west of Darwin and 160 kilometers south of Timor in production licenses AC/L5 and WA-18-L. 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.

The oil from these fields is produced by a floating production storage and offloading unit, the Northern Endeavour.

In 2001 2002, production from the facility averaged 97,000 barrels of oil per day (gross) and is subject to steep decline.

In May 2001, the Laminaria oil project venturers approved a production enhancement project to accelerate production from the existing reserves base and also to access additional undeveloped oil reserves. The project involved the drilling of two infill wells in the Laminaria field and production commenced in June 2002 at an initial peak rate of approximately 70,000 barrels of oil per day (gross), increasing to a rate of approximately 130,000 barrels of oil per day (gross), although we anticipate a rapid decline.

Table of Contents

At June 30, 2002, our share of estimated proved reserves in the Laminaria and Corallina fields totaled 10 million barrels of crude oil.

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, Exxon Mobil holds a 35% interest and Inpex Alpha Ltd holds the remaining 20% interest.

The Griffin Venture first produced oil through its floating production storage and offloading facility in January 1994. Production for 2001-2002 averaged 33,000 barrels per day of oil (gross) and is subject to a steep decline.

We pipe natural gas to shore, where it is exported directly into a pipeline and sold under long-term contracts. Gas production in 2001-2002 averaged 24 million standard cubic feet per day (gross).

At June 30, 2002 our share of estimated proved reserves in the Griffin, Chinook and Scindian fields totaled 7 million barrels of crude oil and 8 billion cubic feet of gas.

Pakistan

In Pakistan, we held an initial 47.5% pre-discovery interest in Dadu joint venture, which we operate. The government of Pakistan had a 5% interest and the right to increase its interest to 25% in the case of a commercial discovery.

In 1998, the Dadu joint venture discovered gas in the Zamzama-1 well under the Dadu exploration permit. An appraisal program identified commercial reserves. We have since undertaken an initial development through an extended well test with our joint venture partners. In April 2000, the Dadu joint venture signed a gas sales and purchase agreement and a gas pricing agreement with the government of Pakistan and Sui Southern Gas Company for the extended well test volumes. Production commenced in March 2001 and gross production from Pakistan during this extended well test phase for 2001-2002 averaged 92 million cubic feet per day (gross).

In March 2002, we and our partners approved the full field 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 license for the full field development of the Zamzama discovery.

The field development will require two additional processing trains, which will be located on the existing extended well test plant site, and the drilling of a minimum of three development wells. First gas from the full field development is anticipated to commence in the third quarter of 2003 and our share of capital expenditure for this phase is expected to be US$40 million.

In April 2002, the government of Pakistan elected to increase its working interest to 25%, thus reducing our post-discovery interest to 38.5%.

At June 30, 2002 our share of estimated proved reserves in the Zamzama field totaled 390 billion cubic feet of gas.

Table of Contents

Americas

Gulf of Mexico

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

We have a 50% working interest in the Typhoon oil and gas development, located in Green Canyon Blocks 236 and 237. Chevron has the other 50% working interest and is the operator. The field is located in 600 meters of water approximately 100 kilometres off the coast of Louisiana, and was our first deepwater Gulf of Mexico development. The field development consists of the subsea completion and tie back of four existing appraisal wells to a local host mini tension leg platform. First production was in July 2001; peak production of approximately 38,600 barrels of oil and 50 million cubic feet of gas per day was reached in April 2002. In 2001-2002, production from the Typhoon facility averaged 30,000 barrels per day of oil and 34 million cubic feet of gas (gross).

As operator, we drilled the Boris oil discovery in Green Canyon Block 282 adjacent to the Typhoon field. The Boris project was sanctioned as a tie-back to the Typhoon production facility, by us and our partners in June 2002 and our share of capital expenditure is expected to be US$65 million. Production commenced from the first well, Boris-1, in February 2003. First oil from the second well, Boris-2, is expected mid-calendar year 2003.

In December 2000, the US Minerals Management Service granted royalty relief up to 87.5 million barrels of oil equivalent produced from the Typhoon facility, subject to commodity price ceilings.

We have four other producing assets in the Gulf of Mexico. We operate the West Cameron 76 gas field and have a working interest of 33.8% in all wells, with the exception of the B-1 well in which we hold a 56.3% interest and the B-2 well in which we hold a 78.8% interest. We have a 25% working interest in the Green Canyon 18/Ewing Bank 988 oil field (operated by ExxonMobil) and a 45% working interest in the Green Canyon 60 well (also operated by ExxonMobil). Additionally, in September 2000, we purchased a 4.95% working interest in the Chevron operated Genesis oil field in Green Canyon blocks 160, 161 and 205.

At June 30, 2002 our share of estimated proved reserves in the Gulf of Mexico, inclusive of new projects approved for development, was 123 million barrels of oil and 117 billion cubic feet of gas.

Bolivia

In July 1994, we acquired a 50% working interest in the Mamore exploration block in Bolivia, including the Surubi oil field, from Maxus Bolivia Inc, whose ultimate parent is Repsol of Spain. Production from the Surubi oil field began in 1993. The Paloma field was discovered in 1995, and the Bloque Bajo field was discovered in 1996. Gas sales from the block commenced in the second half of calendar year 1999. Gross production from these fields was 11,000 barrels per day of oil and 26 million cubic feet per day of gas in 2001 2002.

Our share of estimated proved reserves in Bolivia at June 30, 2002 was 14 million barrels of oil and condensate and 37 billion cubic feet of gas.

Europe/Africa/Middle East

United Kingdom

Our petroleum activities in the United Kingdom are based in the Irish Sea and the North Sea. The Liverpool Bay Development in the Irish Sea, in which we own a 46.1% working interest, is our largest operated asset. We also have a 16% interest in the Bruce oil and gas field and a 31.83% interest in the Keith oil field, both in the North Sea.

Table of Contents

Liverpool Bay

We are the operator of the Liverpool Bay oil and gas development, located off the Welsh coast, in which we have a 46.1% working interest. Other participants in the joint venture are Lasmo (ULX) Limited, which has a 45% interest, and Centrica Resources Ltd, which has a 8.9% interest. The venture began first production from the Douglas and Lennox oil fields in early 1996 and began contracted long-term gas sales to PowerGen from the Hamilton and Hamilton North gas fields in July 1996.

The venture completed development of the fifth field, Hamilton East, in October 2001. Infill drilling continued with a horizontal well in the Douglas field during September 2001. Additionally, a major workover was completed for another Douglas well in October 2001.

Production during 2001 2002 averaged 66,000 barrels per day of oil and 248 million cubic feet per day of gas (gross).

Our share of estimated proved reserves in Liverpool Bay at June 30, 2002 was 23 million barrels of oil and condensate and 299 billion cubic feet of gas.

Bruce / Keith

The Bruce field is located approximately 380 kilometers north-east of Aberdeen in the northern North Sea. We have a 16% interest in the field, which is operated by BP. The integrated oil, gas and condensate development concept for the field has been developed in three phases. The venture sells gas production to Centrica LTD and Corby Power Limited under long-term take-or-pay sales contracts. During 2002 our gas sales contract with Centrica was unlocked to allow reserves to be developed at a more effective rate and not to be restricted by gas demand.

Gross production from the Bruce field during 2001 2002 averaged 31,000 barrels per day of oil and 520 million cubic feet per day of gas.

We also have a 31.83% interest in the Keith field, lying adjacent to the Bruce field in block 9/8a and further interests in license blocks 9/8b and 9/9b. The Keith field was developed by a tieback to the Bruce platform facilities. In 2001-2002 production from Keith averaged 3,800 barrels per day of oil and 6 million cubic feet per day of gas (gross) since first production in November 2000.

Phase 2 of the Keith development was to be a second well tied back to the Bruce field. However, completion of the well in July 2002 confirmed the structure to be deeper than originally prognosed and, while hydrocarbons were encountered the well was plugged and abandoned. The failure of this well has resulted in a write-down of proved undeveloped reserves of 1 million barrels of oil, condensate and LPG and 4 billion cubic feet of gas.

Our share of estimated proved reserves for the Bruce and Keith fields at June 30, 2002 was 12 million barrels of oil, condensate and LPG and 191 billion cubic feet of gas.

Exploration and Development

Australia/Asia

Minerva

In 1993, we discovered the Minerva gas field (VIC/RL8) in the Otway Basin off Port Campbell in southern Victoria. We approved the development of the Minerva field in May 2002. We have a 90% working interest and act as operator. Our share of capital expenditure is expected to be approximately US$123 million. In March 2002, we signed a

take or pay Sales Agreement with Pelican Point Power Limited (which is a wholly owned subsidiary of International Power plc) to provide gas into South Australia via a new pipeline infrastructure link.

Minerva is a natural gas field with a small amount of liquid 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 South Australia.

The gas plant will have a gross design capacity of 139 million cubic feet of gas per day and 600 barrels of condensate per day. Our share of estimated proved reserves in Minerva at June 30, 2002 was 206 billion cubic feet of gas.

We are also an interest-holder and operator in a number of exploration permits in Western Australia and Victoria.

Brunei

On January 29, 2002 the government of Brunei Darussalam awarded Block J to a joint venture of us (60% working interest), TotalFinaElf (25% working interest) and Amerada Hess Corporation (15% working interest). The award was subject to negotiating a production sharing contract. This was executed in March 2003.

Americas

Gulf of Mexico

We expanded our presence in the deepwater Gulf of Mexico in the early 1990 s, with the majority of our current deepwater and ultra-deepwater leaseholds acquired at government sales in 1995 and 1996. At June 30, 2002 our deepwater portfolio consisted of 257 leases and an overriding interest in one lease, making us one of the largest lease-holders in water depths greater than 1,500 feet.

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 companies active in the deepwater of the Gulf of Mexico.

Mad Dog

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

The development plan includes the utilization of a truss SPAR facility with an integrated drilling rig. This facility will be capable of operating in the necessary 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. Name plate capacity will be 80,000 barrels of oil per day and 40 million cubic feet of gas per day (gross).

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

Atlantis

The initial Atlantis discovery in the Green Canyon area was drilled in 1998. During calendar 2000 and 2001 we drilled two more wells, each with major sidetracks, on the Atlantis structure. Both wells encountered significant oil bearing sands.

Table of Contents

INFORMATION ON THE COMPANY

In February 2003 we approved a total of US$1.1 billion as full funding for the development of the Atlantis oil and gas reserves. First oil is expected from the field in the third quarter of calendar year 2006.

Located in 4,400-7,100 feet of water, Atlantis will be developed using a moored semi-submersible production facility of up to 20 wells. Name plate capacity will be around 150,000 barrels of oil per day and 180 million cubic feet of gas per day (gross).

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

Transportation

In February 2002, we took equity ownership in two limited liability companies that will transport hydrocarbons from Mad Dog, Atlantis and future discoveries in the proximity. The pipelines are part of a new system being built in the Southern Green Canyon area. Under the arrangement, we will acquire a 25% interest in the Caesar oil pipeline and a 22% interest in the Cleopatra gas pipeline. Our share of capital costs for these pipelines is expected to be 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, so as to transport product to the United States mainland.

Cascade Walker Ridge

As operator, we drilled and completed an exploratory well on the Cascade prospect in June 2002 and encountered an encouraging hydrocarbon column. 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. Current appraisal planning is underway.

We own a 50% working interest in Cascade, with Petrobras and Devon Energy Corporation each holding a 25% interest.

Neptune

In 1995, we farmed into the Neptune prospect, which was previously 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.

As operator, we drilled and completed Neptune-3 appraisal well in July 2002 and encountered an encouraging hydrocarbon column. Pending further appraisal results, development options under consideration are a tieback to a future production hub in the area or a stand-alone facility. Located in the Atwater Valley Block 617 in a water depth of 6,140 feet, we are the designated operator of the five-block unit with a 50% working interest.

A fourth appraisal well was drilled on the Neptune prospect in December 2002. The well was non-commercial and has been plugged and abandoned. Proved reserves have not yet been booked for Neptune.

Other Significant Gulf of Mexico Joint Venture Agreements

We have other interests in the Gulf of Mexico including the Puma, Kansas/Komodo and Chinook prospects and have announced discoveries in the Shenzi and Vortex prospects. Proved reserves have not yet been booked for either of these discoveries.

Table of Contents

INFORMATION ON THE COMPANY

Trinidad

We began exploring in Trinidad and Tobago in 1996, signing the country s first Production Sharing Contract (PSC) under a new fiscal regime. During the six-year exploration phase of the PSC, four exploration and three appraisal wells were drilled, discovering significant oil and gas resources within a large faulted structure known as the Greater Angostura Structure.

Angostura-1, drilled in 1999, was the discovery well for the field, intersecting some 950 feet (gross) of gas pay within Early Oligocene sands. The hydrocarbon potential of the structure was confirmed by the drilling of Aripo-1, Kairi-1, Canteen-1, Kairi-2, Angostura-2, and Canteen-2.

In March 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 km) east of the island of Trinidad. In the first phase of the development, oil will be produced from three wellhead protector platforms (WPPs) via flowlines to a steel jacket central production platform (CPP). Associated gas will be reinjected. Water depths are approximately 40 meters and the development utilizes proven shallow-water technology. First oil production is scheduled for December 2004. Gas commercialisation (Phase 2) will commence approximately three to nine years after first oil, depending on reservoir performance.

Capital expenditure for the first phase of the Angostura integrated development is expected to be around US$726 million (gross), US$327 million net to BHP Billiton. At June 30, 2002 our share of estimated proved reserves for Trinidad was 24 million barrels of oil.

We are the Operator of the Greater Angostura development. The joint venture participants are BHP Billiton, 45%; TotalFinaElf, 30%; and Talisman Energy, 25%.

In October 2001, Trinidad and Tobago s Ministry of Energy and Energy Industries announced the award of exploration Block 3(a) to a consortium of BHP Billiton, Talisman Energy, BG International, and TotalFinaElf. The PSC was signed on April 22, 2002. Block 3(a) is located 40 km off the east coast of Trinidad in water depths ranging from 30 to 91 metres and is located adjacent to Block 2(c). The joint venture will carry out a work program comprising 3-D seismic surveys and six wells in the first three-year phase of the PSC s exploration period.

BHP Billiton has a 30% interest in Block 3(a) and is the operator. Other participants are Talisman Energy, 30%; BG International, 30%; and TotalFinaElf S.A, 10%.

In April 2002, we were awarded exploration retention rights for the remaining 160 square kilometre area in south Block 2(c).

Brazil

In June 2002 we were successful in bidding for block BM-C-24 which covers 603 square kilometers offshore Brazil and have a 100% interest in the block. The concession contract was signed in September 2002.

Table of Contents

INFORMATION ON THE COMPANY

United Kingdom/Africa/Middle East

Algeria Exploration and Development

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 kilometers southeast of Algiers, near the Tunisian border. We have completed an evaluation of the hydrocarbon discovery at well RAR-1 within these blocks and made an application to incorporate this discovery into the existing integrated development plan for the ROD and satellite fields.

An integrated plan to develop the ROD, SFNE, BSF, RDB and RERN oil fields partly located in Blocks 401a and 402a has been sanctioned by the Algerian government. The largest of the fields, ROD, extends into the neighboring Block 403 production sharing contract operated by AGIP and SONATRACH. An agreement has been put in place to govern unitization of the ROD field, the sharing of specified costs, operatorship and commercial arrangements for the development. This agreement gives us approximately a 38.75% equity interest and proved reserves of 32 million barrels of oil.

The venture will develop the fields through a new dedicated processing train, which will be built at the existing BRN production facility on Block 403 operated by AGIP and SONATRACH. From there, the venture will export oil through the established pipeline infrastructure to terminals located on the Algerian coast while 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.

The venture has scheduled first production from the fields in early calendar year 2004, with an estimated gross peak production rate of 80,000 barrels of oil per day. A joint operating entity comprising SONATRACH and the BHP Billiton Group will conduct the development, while operations will be conducted by the existing BRN joint operating entity comprising SONATRACH and AGIP.

Ohanet Development

We signed a risk service contract with SONATRACH for the development of four gas and condensate reservoirs in the Ohanet region of Algeria on July 2, 2000. Ohanet is located in the Illizi province of Algeria, approximately 1,300 kilometers southeast of Algiers and 100 kilometers west of the country s border with Libya. The Algerian government formally approved the risk service contract on November 12, 2000 and development work is now underway.

We have an effective 45% 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 previously held an effective 60% interest in the joint venture but assigned 15% of the interest in the joint venture to Woodside Energy (Algeria) Pty Ltd via a farm-out agreement. The farm-out agreement is subject to the approval of SONATRACH and the Algerian government. We estimate that the total cost of developing the Ohanet reservoirs will be approximately US$1 billion and that our share of this cost will be US$464 million.

The terms of the risk service contract are such 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, the foreign participants 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.

Table of Contents

The monetary entitlement will be translated into volumes of condensate, butane and propane that will be lifted from export ports on the Algerian coast. These volumes will be determined based on prices posted by SONATRACH.

All major contracts associated with the project have been let, and construction is well underway. Production is scheduled to begin in October 2003 and we expect that peak liquids production will be approximately 58,000 barrels per day.

Our share of estimated proved reserves in Algeria at June 30, 2002 was 45 million barrels of oil, condensate and LPG in the approved ROD and Ohanet developments.

West Africa

Angola

We hold a 30% operated interest in Block 21 and a 15% non-operated interest in Block 22, both in the deepwater Kwanza Bain. The three exploration wells drilled have been plugged and abandoned as dry holes. Having satisfied our commitments in Angola an exit strategy is being executed.

Gabon

We are the operator and hold a 40.12% interest in both the Otiti and Tolo blocks, situated offshore in the North Gabon Basin. We have drilled two deepwater wells on the Otiti block and one on Tolo. All wells are plugged and abandoned as dry holes.

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 of our crude oil and condensate products. We use a combination of floating price short term and floating long term contracts in both domestic and export markets. The global crude oil and condensate trading and marketing team forms part of the wider BHP Billiton Group marketing organisation.

LNG

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

Liquefied Petroleum Gas

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. Some spot sales are made when LPG produced exceeds our term commitments.

Table of Contents

INFORMATION ON THE COMPANY

Reserves

The table below details our oil, condensate, LPG and gas reserves, estimated at June 30, 2002, 2001 and 2000 with a reconciliation of the changes in each year. Our reserves estimates 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 have been subjected to economic tests specified in Statement of Financial Accounting Standard 69 to demonstrate their commerciality under prices and costs existing at the time of the estimates. Our reserves include certain quantities of oil, condensate and LPG which will be produced under arrangements that involve us in upstream risks and rewards but do not transfer ownership of the products to us. Our reserves also include volumes calculated by probabilistic aggregation of an area level for fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes which may not be realized upon divestment on an individual property basis.

Proved Developed and Undeveloped Oil, Condensate and LPG Reserves[1]	**Australia/Asia**	**Americas**	**Europe/Africa/ Middle East**	**Total**
		(millions of barrels)		
Reserves at June 30, 1999	475.5	23.3	85.2	584.0
Improved Recovery				
Revisions to previous estimates	26.0	(0.1)	4.3	30.2
Extension and discoveries	19.9	9.4	11.4	40.7
Purchases and Sales of Reserves	(8.7)	(0.1)		(8.8)
Production[2]	(74.4)	(3.9)	(10.8)	(89.1)
Total changes	(37.2)	5.3	4.9	(27.0)
Reserves at June 30, 2000	438.3	28.6	90.1	557.0
Improved Recovery	0.4			0.4
Revisions to previous estimates	5.3	0.5	0.5	6.3
Extension and discoveries	4.4	67.6	74.1	146.1
Purchases and Sales	(0.9)	3.8	(18.3)	(15.4)
Production[2]	(70.7)	(4.2)	(12.2)	(87.1)
Total changes	(61.5)	67.7	44.1	50.3
Reserves at June 30, 2001	376.8	96.3	134.2	607.3
Improved Recovery				
Revisions to previous estimates	12.1	3.2	(11.0)	4.3
Extension and discoveries	3.4	70.2		73.6
Purchases and Sales				
Production[2]	(63.3)	(9.0)	(14.3)	(86.6)
Total changes	(47.8)	64.4	(25.3)	(8.7)
Reserves at June 30, 2002	329.0	160.7	108.9	598.6[3]

Table of Contents

INFORMATION ON THE COMPANY

Proved Developed Oil, Condensate and LPG Reserves	Australia/Asia	Americas	Europe/Africa/ Middle East	Total
		(millions of barrels)		
Reserves at July 1, 1999	335.8	14.5	48.5	398.8
Reserves at June 30, 2000	334.2	11.3	46.3	391.8
Reserves at June 30, 2001	268.6	9.4	40.9	318.9
Reserves at June 30, 2002	233.1	15.9	30.2	279.2

(1) In Bass Strait, the North West Shelf and the North Sea, LPG is extracted separately from crude oil and natural gas.

(2) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.

(3) Total proved oil, condensate and LPG reserves include 20.5 million barrels derived from probabilistic aggregation procedures.

Proved Developed and Undeveloped Natural Gas Reserves	Australia/Asia[1]	Americas	Europe/Africa/ Middle East	Total
		(billions of cubic feet)		
Reserves at June 30, 1999	3,828.9	125.2	844.7	4,798.8
Improved Recovery				
Revisions to previous estimates	280.5		7.3	287.8
Extension and discoveries	206.6	35.2		241.8
Purchases and Sales		(2.7)	(79.1)	(81.8)
Production[2]	(173.1)	(15.3)	(67.9)	(256.3)
Total changes	314.0	17.2	(139.7)	191.5
Reserves at June 30, 2000	4,142.9	142.4	705.0	4,990.3
Improved Recovery				
Revisions to previous estimates	72.8	(26.4)	(43.9)	2.5
Extension and discoveries	32.9	38.5		71.4
Purchases and Sales		6.1		6.1
Production[2]	(170.2)	(21.5)	(67.1)	(258.8)
Total changes	(64.5)	(3.3)	(111.0)	(178.8)
Reserves at June 30, 2001	4,078.4	139.1	594.0	4,811.5
Improved Recovery				
Revisions to previous estimates	3.9	2.7	(35.8)	(29.2)
Extension and discoveries	605.9	37.3		643.2
Purchases and Sales				
Production[2]	(187.4)	(25.1)	(69.0)	(281.5)

Total changes	422.4	14.9	(104.8)	332.5
Reserves at June 30, 2002	4,500.8	154.0	489.2	5,144.0[3]

Table of Contents

INFORMATION ON THE COMPANY

Proved Developed Gas Reserves	Australia/Asia	Americas	Europe/Africa/ Middle East	Total
		(billions of cubic feet)		
Reserves at July 1, 1999	2,349.7	116.5	612.8	3,079.0
Reserves at June 30, 2000	2,437.0	125.9	522.4	3,085.3
Reserves at June 30, 2001	2,303.2	84.6	550.2	2,938.0
Reserves at June 30, 2002	2,455.1	79.9	481.9	3,016.9

(1) Production for Australia includes gas sold as LNG.

(2) Production for reserves differs slightly from marketable production due to timing of sales and corrections to previous estimates.

(3) Total proved natural gas reserves include 185.4 billion cubic feet derived from probabilistic aggregation procedures.

Table of Contents

INFORMATION ON THE COMPANY

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 two years ended June 30, 2002 and the 13 months ended June 30, 2000 and the six months ended December 31, 2001 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.

	Six months ended December 31,		Year ended June 30,		13 months ended June 30, 2000
	2002	2001	2002	2001	
Crude Oil and Condensate Production					
(millions of barrels)					
Australia/Asia	26.3	28.3	56.2	64.3	71.0
Americas	3.3	4.0	9.0	3.7	3.8
Europe/Africa/Middle East	5.3	6.8	13.3	11.1	10.9
Total	34.9	39.1	78.5	79.1	85.7
Natural Gas Production[1]					
(billions of cubic feet)					
Australia/Asia	69.2	68.4	126.0	115.5	104.7
Americas	9.8	12.3	25.2	21.3	18.7
Europe/Africa/Middle East	30.8	34.5	72.7	68.3	70.9
Total	109.8	115.2	223.9	205.1	194.3
Liquefied Natural Gas (LNG) Production[2]					
(thousand tonnes)					
Australia/Asia (leasehold production)	684.4	681.0	1,298.8	1,241.8	1,420.5
Liquefied Petroleum Gas (LPG) Production[3]					
(thousand tonnes)					
Australia/Asia (leasehold production)	332.2	308.3	551.4	582.1	675.0
Europe/Africa/Middle East (leasehold production)	44.7	47.6	85.6	91.5	68.7
Total	376.9	355.9	637.0	673.6	743.7
Ethane Production					
(thousand tonnes)					
Australia/Asia (leasehold production)	47.6	42.6	87.1	67.4	86.5
Average Sales Price					

Oil and Condensate (US$ per barrel)[4]	27.19	22.54	22.58	29.39	24.67
Natural gas (US$ per thousand cubic feet)	1.98	1.71	1.84	1.73	1.47
Average Production Cost[5]					
US$ per barrel of oil equivalent (including resource rent tax and other indirect taxes)	4.47	5.62	5.83	8.19	6.96
US$ per barrel of oil equivalent (excluding resource rent tax and other indirect taxes)	2.87	2.23	2.38	2.48	3.12

(1) Natural gas production figures exclude gas sold as LNG or ethane.

(2) LNG consists primarily of liquefied methane.

Table of Contents

INFORMATION ON THE COMPANY

(3) LPG consists primarily of liquefied propane and butane.

(4) Oil and condensate prices net of commodity hedging were US$27.19 for the six months ended December 31, 2002 and US$22.54 for the six months ended December 31, 2002 and US$22.58 for fiscal 2002, US$28.04 for fiscal 2001 and US$22.86 for fiscal 2000.

(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.

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, or 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 licenses we hold in the North West Shelf, Bass Strait and Timor Sea regions have been issued under the PSLA.

An exploration permit authorizes 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 license may be applied for after a discovery is made. It authorizes the licensee to recover petroleum and explore for petroleum in the license area for a term of 21 years with rights of renewal for successive periods of 21 years.

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

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

WA-11-L	Wanaea, Cossack and Lambert	September 30, 2013
WA-16-L	Wanaea, Cossack and Lambert	September 11, 2018
AC/L5	Laminaria and Corallina	February 6, 2018
WA-18-L	Laminaria East	May 12, 2020
WA-10-L	Griffin, Chinook and Scindian	February 17, 2014

Table of Contents

INFORMATION ON THE COMPANY

Secondary taxes Australia

A petroleum resource rent tax applies to offshore areas, with the exception of the North West Shelf project. The North West Shelf project is subject to excise and royalty on oil production and royalty on gas/condensate production.

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

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 is 4.0%.

Americas

Our current operations in the Americas principally fall under three separate fiscal regimes, namely, the United States, Bolivia and Trinidad. 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 meters and 12.5% in water depths greater than 400 meters. In addition, a 35% tax rate is also levied on taxable income. The Outer Continental Shelf Deep Water Royalty Relief Act 1995 authorizes 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 suspension of royalties. In addition to automatic royalty relief, the government can also grant royalty reduction or elimination at its discretion if a project warrants.

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 Bolivia, a new tax-royalty regime provides for a two-tier government take: existing hydrocarbons (pre-July 29, 1996) 50%; and new hydrocarbons (post-July 29, 1996) 18%. Of the 50% take on existing hydrocarbons, 13% is available to be reduced by the payment of corporate income tax. Production from all fields is subject to a surtax of 25% that is applicable in certain situations. The corporate income tax rate is 25% and there is a remittance tax of 12.5% on repatriated funds.

In January 2003, the new government in Bolivia issued a new Supreme Decree that altered the prices received by producers of crude oil. Specifically, this introduced a new export parity price reduction of US$4.50 per barrel (up from US$1.60 per barrel) and also required the price received to be based on a lagging 365-day average rather than market spot. The Group is currently assessing the impact of these changes.

In Trinidad, 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), Block 2(ab) and Block 3(a). The remaining production is deemed to be profit oil which is split between the Government and contractor according to a formula based on daily production levels and oil prices. The government s share of profit oil ranges from 50% to 80% from which Trinidadian taxes are paid on behalf of the contractor.

United Kingdom

In the United Kingdom, the government owns all the petroleum on land and under the territorial sea and the UK Continental Shelf. A license is required for exploration or production. The Secretary of State for Trade and Industry is empowered to grant licenses, on conditions approved by the Secretary, and has wide powers of regulation of all aspects of exploration and production.

Table of Contents

INFORMATION ON THE COMPANY

The expiry dates of our existing production licenses in the United Kingdom are as follows:

License Name	Field	Expiry date
110/13a and 110/13b	Douglas, Hamilton, Hamilton North and Hamilton East	March 23, 2007
110/14b	Hamilton East	July 28, 2016
110/15b	Lennox	June 12, 2011
P276	Bruce	April 11, 2015
P090	Bruce	November 24, 2011
P209	Bruce/Keith	March 15, 2018

Algeria

Oil and gas are owned by the Algerian state. Mining licenses 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 oil development partly located in Blocks 401a/402a is under a production sharing contract, and the Ohanet development is under a risk service contract.

Steel

In March 2001, BHP Billiton Limited announced its intention to spin-off its entire steel flat and coated products business. We completed the spin-off on July 22, 2002 and BHP 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. For accounting purposes, the spin-off is deemed completed as of July 1, 2002. BHP Billiton Limited distributed 94% of the ordinary shares in BHP Steel Limited to holders of fully-paid ordinary shares in BHP Billiton Limited in a court-approved scheme of arrangement. The balance was retained by BHP Billiton and sold under a sale facility arranged by us in connection with the demerger. The scheme was subject to a court determination as to the fairness of the transaction to the shareholders of BHP Billiton Limited as well as the approval of the shareholders of BHP Billiton Limited and BHP Billiton Plc at a shareholders meeting of each of the companies. On July 15, 2002, BHP Steel Limited was listed on the Australian Stock Exchange as an independent company. Under UK and US GAAP, as the spin-off became unconditional on July 1, 2002, the spin-off will be consummated from that date. Under US GAAP, a measurement date was reached on June 26, 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 implementation of the DLC structure in June 2001 and the consequent re-weighting of the combined asset base towards natural resources crystallized our view that shareholder value would be maximized and the business performance of our steel business better assured through the spin-off of that business into a separately listed company. As a result of the spin-off, BHP Billiton Limited and BHP Steel Limited can each focus its attention and financial resources on its respective core businesses.

Table of Contents

INFORMATION ON THE COMPANY

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

	Year ended June 30,					
	2002		2001		2000	
	Actual Production	Nominal Capacity	Actual Production	Nominal Capacity	Actual Production	Nominal Capacity
	(tonnes)		(tonnes)		(tonnes)	
Raw Steel						
Australia	4,754,000	5,000,000	4,830,000	5,000,000	4,906,000	5,000,000
New Zealand	552,000	600,000	602,000	600,000	555,000	600,000
US (50% share)	800,000	770,000	766,000	750,000	688,000	700,000

We estimate that we supplied approximately 2.4 million tonnes of flat steel products into the Australian market in the year ended June 30, 2002. We also exported steel products from our Australian operations to Asia, North America, Europe and from our New Zealand operations principally to markets in North America, Asia and the Pacific. We also manufactured and distributed steel building products both in Australia and overseas.

Our steel operations were organized into four business reporting segments: Hot Rolled Products, Coated Products Australia, New Zealand Steel and Coated Products Asia.

Hot Rolled Products

Hot Rolled Products included Port Kembla Steelworks, an integrated steel plant operating in the lowest quartile of the world steel production cost curve at an annual production capacity of 5.0 million tonnes of crude steel. At Port Kembla Steelworks, we manufactured and distributed slab, hot rolled coil and plate. Slab and hot rolled coil were supplied to our steel operations vertically integrated coated products businesses for further processing, as well as to other domestic and export customers. Hot Rolled Products also included a 50% interest in North Star BHP Steel, a steel mini-mill in the United States and a 47.5% shareholding in Castrip LLC.

Coated Products Australia

Coated Products Australia comprised three main business: Coated Steel Australia, Packaging Products and BHP Steel Lysaght Australia.

Coated Steel Australia marketed a full range of products and material solutions to the Australian building and construction industry and was also a key supplier to the Australian automotive sector, major white goods manufacturers, general manufacturers and to the packaging industry. Our steel business was a leader in metallic coating and painting technologies, supplying a wide range of branded products such as COLORBOND® pre-stained steel, ZINCALUME® zinc/aluminium alloy-coated steel and the LYSAGHT® range of building products. The coated products businesses serviced customers through a network of distribution and manufacturing facilities throughout Australia.

Packaging Products was the only producer of tinplate and blackplate in Australia which are used by the packaging industry in applications for food, beverages, paint, oil and other steel packaging.

New Zealand Steel

New Zealand Steel operated a steel plant at Glenbrook, New Zealand, producing a full range of flat steel products for both domestic and export markets. It was operating at an annual production capacity of approximately 0.6 million tonnes.

Table of Contents

Coated Products Asia

Coated Products Asia manufactured and distributed a range of metallic coated and painted steel products primarily to the building and construction industry and to some sections of the manufacturing industry across Asia and the Pacific.

Technology and Raw Materials

Steel supported its businesses through its research and development function. Activities were coordinated from the Steel Research Laboratories located at Port Kembla. We focused our research and development activities on providing leading edge product solutions in metallic coated and painted flat steel products, optimising operating performance and developing technical alliances to stay abreast of new developments.

Following the spin-off, we provide BHP Steel with the majority of its iron ore and coking coal requirements.

Market Conditions

The key economic factors impacting our domestic business in Australia were the level of building and construction activity and the performance of the manufacturing sector.

New dwelling building commencements in Australia increased by an estimated 42% to 163,000 units in the year ended June 30, 2002. Alterations and additions to dwellings, which are also important drivers of steel demand increased by 18% in the year ended June 30, 2002. However, the Australian manufacturing industry had a difficult year during the year ended June 30, 2002 with sales to this sector declining by 5%. Overall, domestic demand for steel increased by 4%.

On March 5, 2002, the President of the United States announced the imposition of a 30% tariff on imports of plate, hot rolled sheet, cold rolled sheet and coated sheet into the United States for a period of three years. Imports of slab into the United States will be subject to a tariff rate quota for a period of three years. The in-quota volume was set at 4.9 million tonnes and will increase to 5.4 million tonnes in the second year, however, slab exports are in line with our quota and will therefore not be subject to tariff. The out-of-quota tariff will be initially set at 30%. The above-mentioned tariff and tariff rate quota became effective March 20, 2002 and will decrease to 24% in the second year and 18% in the third year. On March 11, 2002, the Australian government announced that an understanding had been reached with the United States government regarding an exemption from tariffs for some 250,000 tonnes of Australian hot rolled coil which meets certain specifications.

Environment

In preparation for the spin-off of our steel business, an environmental liability assessment of BHP Steel sites was undertaken. The only site to identify materially significant issues was Hot Rolled Product s Port Kembla Steelworks, where three issues were identified. The most significant related to upgrading the sinter plant to improve stack emission quality, which was already being implemented at a total cost of A$94 million. The others related to the possible future control of off-site discharges of waste waters and contaminated groundwater, and control of hydrogen sulphide emissions from the blast furnace slag granulators. These requirements are not yet confirmed and are not expected to materially impact our operations or financial results.

Health, safety and environment

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

Table of Contents

We believe that we are in compliance, in all material respects, with existing health, safety and environment legislation and regulations in all the countries where we operate. We employ health, safety and environment 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 environment 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 site rehabilitation and remediation is incorporated in our Charter, 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 development and application of our Health, Safety, Environment and Community policy management systems at all levels. They cover the entire life cycle of operations including decommissioning, closure and rehabilitation.

At December 31, 2002, our provision for site rehabilitation and environmental contamination remediation was US$1,698 million. The more significant sites covered by this provision and the type of rehabilitation and/or remediation work contemplated is as follows:

A provision for the closure and/or care and maintenance costs of all our Southwest Copper facilities as well as the remediation costs for the Pinal Creek State Superfund site in the State of Arizona. We, along with other parties, are remediating groundwater contamination from mining operations.

A provision for the demolition of the former steelworks in Newcastle, New South Wales and for remediation of sediment in the Hunter River adjacent to the former steelmaking site.

Provisions for decommissioning, closure and rehabilitation for our energy coal mines in the US and South Africa, metallurgical coal mines in Queensland, bauxite mines at Worsley in Western Australia, iron ore operations in Western Australia and oil and gas operations in the UK and Australia.

All of our sites are subject to rehabilitation and certain sites subject to remediation which the remainder of our provision covers.

HIV/AIDS occurs in our Southern African workforce, as it does in Southern Africa generally. The World Health Organization 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 may increase over the next decade. The costs and lost worker s time associated with HIV/AIDS may adversely affect our Southern African operations. In the meantime, we are carrying out extensive awareness and prevention campaigns at all our Southern African operations.

Table of Contents

Carbon Steel Materials

In January 1998, we sold our electrolytic manganese dioxide business at Newcastle, New South Wales. 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 December 28, 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 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.

The Queensland government has amended the Environmental Protection Act 1994 (Qld). The Environmental Protection Act 1994 (Qld), as amended, has introduced a new environmental regulatory regime for the mining industry in Queensland. This new regime has imposed more stringent environmental regulations on mining projects. These more stringent regulations impose on us additional operational costs.

Energy Coal

The December 1997 Kyoto Protocol established a binding set of emission targets for developed countries ratifying the Kyoto Protocol. The impact of the Protocol upon our operations is uncertain. Since 1997, negotiations have advanced the flexibility mechanisms intended to lessen the economic costs to participating countries meeting their emission limitation obligations.

We seek to cover these issues in key decision making areas, the spread across developed and developing countries of our coal production and use, our acknowledged leadership in the development of the industry s sustainability positions, and Energy Coal s active participation in our sustainability activities and programs.

Petroleum

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

In May 1998, BHP Billiton Limited divested its petroleum businesses in Hawaii. BHP Billiton Limited indemnified the buyers for certain past liabilities and has capped this indemnification at less than US$10 million, some of which has now been spent. Following the divestment, BHP Billiton Limited retained some environmental liabilities for which it has indemnified the buyer and which are uncapped, as described below.

BHP Billiton Limited operated a petroleum terminal, now decommissioned, at a site that is within an area that has since been declared a Hawaii State Superfund Site. BHP Billiton Limited is 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 BHP Billiton Limited, 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 BHP Billiton Limited with respect to contaminated material unearthed in the vicinity of another former manufactured gas plant site, in Hilo.

Table of Contents

Odor incidents from the United Kingdom Liverpool Bay Offshore operations are recognized as a potential risk that requires continued vigilance. An air monitoring and modeling system was established during 1999 as a means of predicting and controlling possible nuisance odors.

In the United Kingdom and Australia, operators 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 using the safety case approach in new projects. We are continuing to improve the safety cases by conducting regular reviews in consultation with our workforce.

Freight Trading and Logistics

The group is a centralized 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 60 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 vast majority of vessels are chartered under various commercial terms though the group retains equity interest in eight vessels. Combined with external freight the total turnover of the group is approximately US$700 million per year.

The group is based in the Hague, Netherlands where it is an integral part of the BHP Billiton Marketing team. 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 maintains a small team to manage marine risk and provide technical support. Another small specialized group exists to support improvements in logistics processes.

The group holds a number of marine related investments including a shareholding in shipping risk manager Rightships of Melbourne, and an Australia-based ship manager contracted to undertake technical management of owned vessels.

Table of Contents

INFORMATION ON THE COMPANY

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 hereto for a list of BHP Billiton Limited and BHP Billiton Plc subsidiaries. Below is a description of the DLC merger of June 2001.

DLC Structure

On June 29, 2001, BHP Limited and Billiton Plc completed the formation 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 ASX and secondary listings in London, Frankfurt, Wellington, Zurich and, in the form of ADSs, on the New York Stock Exchange. BHP Billiton Plc has a primary listing in London and secondary listings in Johannesburg and Paris.

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 equalization principles (discussed below) must be observed.

Table of Contents

INFORMATION ON THE COMPANY

Australian Foreign Investment Review Board (FIRB) Conditions

The Treasurer of Australia approved the dual listed 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);

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 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);

(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.

Table of Contents

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, but each Board is comprised of the same individuals. The Boards of Directors are responsible for the overall direction of the businesses of both companies, including major policy and strategic decisions of both companies. For example, the Boards will be responsible for:

- corporate acquisitions, expenditures and divestments;
- equity and debt capital raising;
- approval of annual budgets;
- dividend policy and authorizing the payment of dividends;
- appointments to the Executive Committee;
- removals from the Executive Committee;
- appointments and remuneration of key senior executives; and
- succession planning.

It is currently intended that each Board of Directors will hold seven regularly scheduled meetings each year.

A strategic management committee, called the Executive Committee, has been established. The Executive Committee has been formed under a separate corporate entity that is jointly owned by BHP Billiton Limited and BHP Billiton Plc. The Executive Committee s two main functions are:

- to consider proposals requiring the approval of both Boards of Directors and then make recommendations to the Boards in respect of the proposals, such as proposals regarding new projects or ventures, strategic and business plans, dividend policies and borrowing, treasury and risk management functions, and
- to enter into contracts with other companies in the combined group for the provision of support services.

Equalization 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 Equalization 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 Equalization Ratio of 1:1.

This equalization 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 favor of a shareholder of one company over the assets of the other company. The principle provides that the Equalization 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 Equalization Ratio is 1:1, a holder of one BHP Billiton

Table of Contents

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 Equalization 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 Action will be undertaken; or

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

in order to ensure that there is equitable treatment, having regard to the then prevailing Equalization 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 Director determines that an adjustment to the Equalization 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 company 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 Equalization 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.

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 Equalization 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 equalization share to a member of the BHP Billiton Plc Group and BHP Billiton Plc s Articles of Association allows for the issue of an equalization share to a member of the

Table of Contents

BHP Billiton Limited Group. If issued, distributions may be made on the equalization 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 equalization shares are issued, the Boards of Directors 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 equalization principals are observed. The shareholders of both companies will not have any interest in any equalization shares issued and the equalization 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 Equalization 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:

Table of Contents

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 authorized by shareholders any proposed acceptance of a third party takeover offer by a member of the BHP Billiton Plc group in respect of any BHP Billiton Limited s 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 of Directors 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 possible. 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 Equalization 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;

Table of Contents

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 Equalization 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 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 of Directors 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.

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 Equalization 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 of Directors determine that it is not appropriate or practicable or if no matching action is to be undertaken, an appropriate adjustment to the Equalization 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 of Directors determine that it is not appropriate or practicable to undertake either a matching action or adjust the Equalization 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 Equalization Ratio, or which would not benefit the holders of shares in one company relative to the holders of shares in the other company;

Table of Contents

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 Equalization Ratio, is made on equivalent terms.

In addition, there is no requirement for a matching action, an adjustment to the Equalization Ratio or approval as a Class Rights Action where an action is taken in circumstances where the Boards of Directors 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 Equalization Ratio or approval as a Class Rights Action, be required; and

the adjustment that would be required to be made to the Equalization Ratio would result in an adjustment to the relevant element of the Equalization Ratio of less than 0.1%.

However, in considering the application of the DLC equalization principles to any subsequent actions, the Boards of Directors will take into account the effect of all prior unadjusted actions in deciding whether a matching action, an adjustment to the Equalization 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 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 Equalization 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.

Table of Contents

INFORMATION ON THE COMPANY

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 two companies corporate constitutions, which are intended to have the effect of:

- recognizing 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.

It is expected that under Australian takeovers law, as modified, and under the BHP Billiton Limited Constitution there will be 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 will be 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 will also be 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 will apply 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.

Table of Contents

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 July 5, 2001.

D. Property, Plant and Equipment

All assets are 100% owned, either directly or through subsidiary companies, unless otherwise stated.

Table of Contents

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Introduction

Following the implementation of the DLC structure, BHP Billiton Limited and BHP Billiton Plc remain separate publicly listed companies, but are now run by a unified Board and management team. The implementation of the DLC structure did not involve any transfers of assets or shares between the two companies. However, through a series of contractual and constitutional arrangements, 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 and a 1:1 equalization ratio has been agreed, which means that the amount of cash dividends by BHP Billiton Limited will normally be matched by BHP Billiton Plc. If one company has insufficient profits or is otherwise unable to pay the agreed dividend, the other company will, as far as practical, enter into such transactions as are necessary to enable both companies to pay the equivalent dividends. In addition, if one company takes an action that would affect the ratio of the economic returns or voting rights on one company s shares relative to the other company s shares, then a matching action may be implemented or the equalization ratio adjusted to restore the equitable treatment of the two shareholder groups. Accordingly, shareholders of both BHP Billiton Limited and BHP Billiton Plc effectively have an interest in a single group combining all of the assets of both companies.

BHP Billiton Limited and BHP Billiton Plc each report, 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. For purposes of this annual report, the operating and financial review and prospects discussions consists of a discussion for the combined BHP Billiton Group based on the consolidated financial statements prepared in accordance with UK GAAP for the BHP Billiton Group, which reflect the combined operations of the BHP Billiton Plc Group and the BHP Billiton Limited Group for the six months to December 31, 2002 compared to the six months ended December 31, 2001 and for the 2002, 2001 and 2000 fiscal years. Under UK GAAP, the DLC structure is accounted for under the pooling of interests method as though the DLC structure had been effective and the two groups had operated as one enterprise throughout the periods presented. The currency of presentation is the United States dollar.

Under UK GAAP, the DLC structure has been accounted for as a merger (pooling of interests) in accordance with UK Financial Reporting Standard 6: Acquisitions and Mergers. 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 June 29, 2001. In a merger or a combination, 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 under US GAAP to recognize the BHP Billiton Plc assets and liabilities at their fair values, with the excess recorded as goodwill.

BHP Billiton Limited s independent chartered accountant in Australia for the two years ended June 30, 2001 was Arthur Andersen. On June 15, 2002, Arthur Andersen LLP, Arthur Andersen s U.S. affiliated firm, was convicted by a jury in Houston, Texas on a single charge of obstructing justice in connection with its actions regarding Enron Corp. As of August 31, 2002, Arthur Andersen LLP has ceased to practice before the SEC. As a US listed company, BHP Billiton Limited is required to file with the SEC annual financial statements audited by its independent certified public accountant. The SEC has said that it will continue accepting financial statements audited or reviewed by Arthur Andersen so long as Arthur Andersen is able to make certain representations to us. Although the financial statements of BHP Billiton Limited for the two years ended June 30, 2001 are not included in this annual report, we have included the audit opinion of Arthur Andersen in this report because the audit opinion of PricewaterhouseCoopers for the BHP Billiton Group for the two years ended June 30, 2001 insofar as it relates to amounts included in respect of BHP Billiton Limited has expressed reliance on the audit opinion of Arthur Andersen. In connection with the audit of the BHP Billiton Limited financial statements for the two years ended June 30, 2001 and the revision to note 50 of such financial statements, which is dated March 22, 2002, included in this annual report, Arthur Andersen has made the representations to us that are required by the SEC. In the future, our access to the capital markets and our ability to make timely SEC filings could be impaired if the SEC ceases accepting financial statements audited by Arthur Andersen or if Arthur Andersen becomes unable to make the required representations. Further, it is possible that events arising out of the indictment may adversely affect the ability

of Arthur Andersen to satisfy any claims arising from its provision of auditing and other services to us, including claims that may arise out of Arthur Andersen s audit of our financial statements.

General factors affecting our operating results

The following describes some of the material factors that have an impact on our financial condition and results of operations.

Commodity prices

The prices we obtain for our commodities are determined by, or linked to, prices in world commodity markets which, particularly in the petroleum industry and certain sectors of the minerals industry, 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 has an impact on our revenues and profits from period to period. We seek to manage these risks under a portfolio management approach, which uses the effects of diversification rather than individual price risk management programs as the primary means of managing risk.

Our main commodities are aluminium, alumina, copper, iron ore, chrome, nickel, ferroalloys, coking 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 Metal 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. Since mid-2000, alumina and aluminium prices have fallen significantly and market surplus conditions currently exist. Over the last five years, copper prices have declined steadily, primarily reflecting the economic slowdown. Historically, nickel prices have been more volatile than most other metals. During the 1990 s the nickel price weakened from the collapse of the FSU nickel consumption and the redirection of surplus production to world markets. This excess production has now been fully absorbed and world nickel producers are operating close to full capacity, with a consequent increase in the nickel price. In recent years, the chrome price has mostly been falling due to a lack of producer entry barriers to this industry. Coking and energy coal prices generally are also driven by supply and demand. Coking coal demand is expected to remain steady in the short to near term and 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. With respect to iron ore, the outlook in the short-term is for very mild softening of demand, with declining Japanese demand countered by continued strong Chinese imports. Generally, the iron ore price outlook is uncertain given the poor financial state of the world s steel industry and current low steel prices. Oil and gas prices are dominated by global supply and demand conditions, linked to industrial production and political factors with 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. You should refer to the BHP Billiton Group Annual Financial Statements Note 30 for details of the BHP Billiton Group s hedge transactions outstanding at June 30, 2002.

Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases. For example, our products are predominantly priced in United States 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 United States dollar could have a material impact (positive or negative) on our financial condition and results of operations. We manage these risks under a portfolio management approach, which uses the effects of diversification rather than individual price risk management programs, as the primary means of managing risk. You should refer to the BHP Billiton Group Annual Financial Statements Note 30 for details of the BHP Billiton Group s hedge transactions outstanding at June 30, 2002.

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). We manage our foreign currency translation exposures so that our foreign currency net assets provide a natural hedge against the effect of variations in the exchange rate. An exception to this is our borrowings denominated in South African rand, which at

Table of Contents

December 31, 2002, was 4% of our total debt on a UK GAAP basis. This view-based strategy is based on the historical depreciation of the South African rand against the US dollar and the interest rate differential between the two currencies.

Our losses due to legacy foreign currency hedging amounted to US$95 million for the half-year ended December 31, 2002 compared with losses of US$176 million for the half-year ended December 31, 2001, and we had losses of US$331 million, US$360 million and US$175 million in the years ended June 30, 2002, 2001 and 2000, respectively.

Interest rates

We are exposed to interest rate risk on our outstanding borrowings and investments. We manage these risks under a portfolio management approach, which uses the effects of diversification rather than individual price risk management programs, as the primary means of managing risk. You should refer to the BHP Billiton Group Annual Financial Statements Note 30 , for details of the BHP Billiton Group s interest rate and cross currency swaps outstanding at June 30, 2002.

For a discussion of other factors that may affect our operating results and financial performance, you should refer to Risk Factors .

Critical Accounting Policies

The preparation of the BHP Billiton Group s combined financial statements requires our 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 reported turnover and costs during the reported period. On an ongoing basis, our management evaluates its estimates and judgments in relation to assets, liabilities, contingent liabilities, turnover and costs. Management bases its estimates and judgments on historical experience and on other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments 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.

Our management has identified the following critical accounting polices under UK GAAP:

Foreign currencies

The BHP Billiton Group s reporting currency is US dollars as this is the dominant currency in which BHP Billiton Group companies operate.

Transactions denominated in foreign currencies (currencies other than the functional currency of the entity) are recorded using the exchange rate ruling at the date of the transactions, or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on foreign currency provisions for site restoration which are capitalised in tangible fixed assets.

Profit and loss accounts of subsidiaries and joint ventures which have functional currencies other than US dollars are translated to US dollars at average rates for the relevant reporting period, other than material exceptional items which are translated at the rate at the date of the transaction. Assets and liabilities are translated at exchange rates prevailing at the relevant balance sheet date. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint ventures together with differences between their profit and loss accounts translated at average and closing rates, are shown as a movement in reserves and in the consolidated statement of total recognized gains and losses. Exchange differences arising on long-term foreign currency borrowings used to finance such investments, together with any related and realized taxation effects, are also shown as a movement in reserves and in the consolidated statement of total recognized gains and losses.

Table of Contents

Turnover

Turnover from the sale of goods and disposal of other assets is recognized when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating there has been a transfer of title, risks and rewards to the customer, no further work or processing is required by the BHP Billiton Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured.

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

In cases where the terms of the executed sales agreement allows for an adjustment to the sales price based on a survey of the goods by the customer (e.g., an assay for mineral content), recognition as revenue of a portion of the sales price may be deferred at the time of shipment until a final adjustment is determined. Historically, these adjustments have been insignificant.

Exploration, evaluation & development expenditure

In respect of minerals, exploration and evaluation expenditure is charged to the profit and loss account as incurred except in respect of cost centers where:

- it is expected that the expenditure will be recouped by future exploitation or sale; or
- substantial exploration and evaluation activities have identified a mineral resource but these activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves,

in which case the expenditure is capitalised.

In respect of petroleum, exploration expenditure is accounted for in accordance with the successful efforts method on an area of interest basis. Exploration license acquisition costs pertaining to new unexplored areas are expensed as incurred, except in the case of established exploration areas which are amortized over the term of the license. Expenditure on general seismic data and other costs not directly related to a specific area of interest are expensed in the year in which they are incurred. All exploration expenditure is charged against the profit and loss account, except where the expenditure relates to an area of interest and it is expected that the expenditure will be recouped by future exploitation or sale, or, at balance date, exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves. Exploratory wells that find oil and gas in an area requiring major capital expenditure before production can begin are continually evaluated to assure that commercial quantities of reserves have been found or that additional exploration work is underway or planned. To the extent it is considered that the relevant expenditure will not be recovered, it is written-off. When proved reserves of oil and natural gas are determined and development is sanctioned and completed, the relevant expenditure is amortized on the units-of-production method.

Decommissioning, site restoration and environmental costs

BHP Billiton Group companies are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group s environmental policies. The expected cost of any approved decommissioning or restoration program, discounted to its net present value, is provided when the related environmental disturbance occurs, based on the BHP Billiton Group s interpretation of environmental and regulatory requirements and its own environmental policies where these are more onerous. The cost is capitalised where it gives rise to future benefits. The capitalised cost is amortized over the life of the

operation and the increase in the net present value of the provision for the expected cost is included with interest and similar items. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances. Such costs are recognized where environmental contamination as a result of oil and chemical spills, seepage or other contingent events gives rise to a loss which is probable and reliably estimable.

We charge the cost of ongoing programs to prevent and control pollution and to rehabilitate the environment to the profit and loss account as incurred.

Tangible assets - Valuation

Fixed assets are generally included in the financial statements at historical cost. Fixed assets and goodwill are assessed to ensure carrying values do not exceed estimated recoverable amounts.

The carrying value of each income generating unit is reviewed bi-annually to evaluate whether the carrying amount is recoverable. Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based upon the amount by which the asset carrying amount exceeds the higher of net realizable value and value in use. Value in use is generally determined by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. For 2001-2002, the rates applied were between 12.9% and 15.0%. Future cash flows are estimated based on production and sales plans, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and planned 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.

Taxation

Full provision is made for deferred taxation on all timing differences which have arisen but not reversed at the balance sheet date, except as follows:

Tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute all past earnings exists;

Deferred tax is not recognized on the difference between book values and fair values of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognized; and

Deferred tax assets are recognized only where it is more likely than not that they will be recovered.

Resource rent taxes and royalties are charges to operating profit; full provision is made for all timing differences which have arisen but not reversed at the balance sheet date except that carried forward resource rent tax benefits are recognized only to the extent that it is more likely than not that they will be recovered.

Table of Contents

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

BHP Billiton Group

The following discussion is based on the BHP Billiton Group s consolidated financial statements. 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. As a single economic enterprise, we now operate principally seven segments, consisting of Aluminium, Base Metals, Carbon Steel Materials, Stainless Steel Materials, Energy Coal, Diamonds and Specialty Products and Petroleum. In addition, we operated a steel business which we have now spun-off. The following table sets forth the contribution to combined turnover and profit before taxation for each of the customer sector groups for the three years ended June 30, 2002, and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US$ millions)				
Group including share of joint ventures and associates					
Aluminium	1,535	1,371	2,857	2,971	2,357
Base metals	897	817	1,821	1,719	1,933
Carbon steel materials	1,747	1,660	3,306	3,349	2,826
Stainless steel materials	491	449	868	994	1,156
Energy coal	947	1,045	1,919	1,982	1,597
Diamonds and Specialty Products	716	752	1,480	1,318	500
Petroleum	1,511	1,434	2,815	3,361	2,971
Steel (discontinued operations)[1]		1,245	2,550	3,214	4,889
Group and unallocated[1]	424	378	730	755	833
Intersegment	(220)	(257)	(568)	(584)	(660)
Total	8,048	8,894	17,778	19,079	18,402

	Profit before tax				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US$ millions)				
Group including share of joint ventures and associates					
Aluminium	266	191	492	523	438
Base metals	83	69	200	462	465
Carbon steel materials	506	565	1,084	918	548

Stainless steel materials	61	(36)	3	72	204
Energy coal	124	350	536	382	137
Diamonds and Specialty Products	150	138	272	188	167
Petroleum	660	576	1,073	1,407	1,061
Steel (discontinued operations)[1]		55	86	240	396
Group and unallocated[1]	(191)	(257)	(558)	(565)	(389)
Exceptional Items	(19)		(212)	(1,088)	(760)
Net interest	(245)	(29)	(249)	(476)	(489)
Total	1,395	1,622	2,727	2,063	1,778

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

Table of Contents

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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 June 30, 2002, and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
			(US$ millions)		
Geographic origin					
Australia	3,048	2,925	5,842	5,854	4,887
Europe	1,046	1,052	2,049	1,907	1,147
North America	1,011	1,072	2,143	1,909	1,264
South America	1,228	1,031	2,255	2,350	2,078
Southern Africa	1,503	1,340	2,696	3,107	3,319
Rest of World	212	229	243	738	818
Discontinued operations[(1)]		1,245	2,550	3,214	4,889
Total	8,048	8,894	17,778	19,079	18,402

	Profit before tax and net interest				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
			(US$ millions)		
Geographic origin					
Australia	930	872	1,655	1,456	447
Europe	108	115	127	191	265
North America	85	66	22	127	133
South America	216	128	301	444	644
Southern Africa	323	339	712	498	483
Rest of World	(3)	76	73	(395)	52
Discontinued operations[(1)]	(19)	55	86	218	243
Total	1,640	1,651	2,976	2,539	2,267

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

Table of Contents

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The table below sets forth the analysis of combined turnover by geographic market for the three years ended June 30, 2002, and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
			(US$ millions)		
Geographic market					
Australia	935	670	1,618	1,434	1,220
Europe	2,272	2,198	4,295	4,139	3,130
Japan	1,087	997	2,078	2,531	2,270
South Korea	585	428	1,068	906	954
Other Asia	958	1,121	1,830	1,857	1,691
North America	1,295	1,250	2,344	2,603	1,994
Southern Africa	418	407	1,239	1,159	1,337
Rest of World	498	578	756	1,236	917
Discontinued operations[1]		1,245	2,550	3,214	4,889
Total	8,048	8,894	17,778	19,079	18,402

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

Six months ended December 31, 2002 compared with six months ended December 31, 2001

The following discussion and analysis is based on BHP Billiton Plc s interim accounts, which reflect the combined operations of the BHP Billiton Plc Group and the BHP Billiton Limited Group for the six months ended December 31, 2002 and December 31, 2001 as prepared in conformity with UK laws and accounting standards.

In this analysis, all references to the 2002 half-year or the current period are to the six months ended December 31, 2002 and all references to the 2001 half-year or the corresponding period are to the six months ended December 31, 2001.

Results of operations

Consolidated

Profit after taxation (before equity minority interests) for the 2002 half-year was US$0.9 billion compared with US$1.2 billion for the Group in the 2001 half-year. The 2002 half-year Group profit after taxation included the loss of US$19 million on the sale of the remaining 6% interest in the Group s Steel business following demerger of that business in July 2002, which has been disclosed as an exceptional item in the 2002 half-year. No exceptional items were included in the 2001 half-year results.

Turnover (including share of joint ventures and associates) was US$8.0 billion during the 2002 half-year, compared with US$8.9 billion for the Group (including Steel) in the corresponding period. For information relating to turnover, refer below under Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Diamonds and Specialty Products, Energy Coal, Stainless Steel Materials and Group and Unallocated

Items.

The Group s Steel business was demerged in July 2002 and is disclosed as discontinued operations. In order to provide meaningful comparison the following discussion in this section, unless otherwise stated, is based on the Group s continuing operations, excluding exceptional items and the Group s Steel business.

Table of Contents

Profit before taxation for the 2002 half-year was US$1.4 billion compared with US$1.6 billion for the 2001 half-year. Profit before interest and taxation for the 2002 half-year was US$1.7 billion compared with US$1.6 billion for the 2001 half-year. There were a number of factors that affected the profit before interest and taxation for the 2002 half-year including:

higher sales volumes of iron ore, energy coal, diamonds and aluminium, partly offset by lower sales volumes of petroleum products, resulted in a positive net volume impact on profit of approximately US$130 million;

higher prices for petroleum products, nickel, copper, manganese, metallurgical coal and chrome increased turnover by approximately US$290 million. This increase was partly offset by lower prices for export energy coal, diamonds, iron ore and aluminium, which decreased turnover by approximately US$230 million;

new and acquired operations increased profits by approximately US$20 million. This increase was due to the commencement of commercial production at Antamina in Peru, in October 2001 and the higher ownership interest in Cerrejon Zona Norte in Colombia from February 2002;

reduced losses on legacy A$/US$ currency hedging compared with the corresponding period had a favourable effect on profit of approximately US$80 million. In addition, the lower average rand/US$ and Colombian peso/ US$ exchange rates had a favourable impact on operating costs (approximately US$50 million). This was partly offset by the impact of stronger A$/US$exchange rates on operating costs (approximately US$65 million) and the conversion of A$ and rand denominated monetary assets and liabilities (approximately US$40 million) at balance sheet date; and

lower exploration expense, down by approximately US$90 million in the 2002 half-year compared with the corresponding period. The prior period included the write off of exploration expenditure previously capitalised at La Granja in Peru of US$38 million, and higher exploration expense in Petroleum.

These factors were mostly offset by the following factors:

higher costs in the 2002 half-year. Factors affecting our costs were as follows:

inflationary pressures, principally in South Africa, increased costs by approximately US$140 million;

price linked costs were approximately US$50 million higher during the 2002 half-year, mainly due to higher royalties and taxes for petroleum products; and

favourable operating cost performance, which increased profit before interest and taxation by approximately US$80 million, compared with the corresponding period. The Group s cost reduction initiatives and reduced maintenance costs at Hillside in South Africa (due mainly to the timing of pot relining) lowered costs by approximately US$190 million. These factors were partially offset by higher costs at Escondida in Chile due to voluntary restraints on production, maintenance outages and higher depreciation charges from the start-up of Phase IV. Higher operating costs at Bass Strait in Australia, increased depreciation charges in Energy Coal, as a result of a review of asset lives, and higher depreciation charges in Petroleum also had an unfavourable impact on operating costs.

ceased and sold businesses decreased profit before taxation by approximately US$80 million, mainly due to the inclusion in the corresponding period of profits from PT Arutmin in Indonesia which was divested in November 2001, and Rietspruit energy coal mine in South Africa, which was closed in May 2002; and

a decrease in asset sales of US$40 million in the 2002 half-year compared with the corresponding period, which mainly reflected the inclusion of the divestment of PT Arutmin in the 2001 half-year.

Refer below to the discussions relating to the relevant businesses for other factors affecting the 2002 half-year results.

Depreciation and amortisation expense decreased by US$7 million to US$792 million in the 2002 half-year. This was mainly attributable to reduced depreciation charges from ceased or sold operations (Reitspruit and PT Arutmin) and lower production across various petroleum businesses. These factors were partly offset by higher depreciation charges in Energy Coal due to a review of asset lives, higher depreciation charges in Base Metals due to higher depreciation at Escondida in Chile resulting from the start up of Phase IV and higher Petroleum depreciation charges arising from Laminaria Phase 2 coming on line during the 2002 half-year and reserve revisions at Bruce in June 2002.

Net interest and similar items payable was a loss of US$245 million in the 2002 half-year compared with a loss of US$23 million in the corresponding period. Excluding exchange gains, capitalised interest and discounting on provisions, net interest payable decreased from US$262 million in the 2001 half-year to US$200 million in the 2002 half-year, mainly due to lower market interest rates and lower average net debt levels. Exchange losses on net debt were US$58 million in the 2002 half-year compared with a gain in the 2001 half-year of US$242 million, primarily arising on the period end translation of Rand denominated debt of companies which account in US dollars as their functional currency. The rand appreciated by 16% during the 2002 half-year compared with depreciation of 47% in the corresponding period.

The tax charge was US$466 million for the 2002 half-year, representing an effective rate of 33.0%, compared with 25.4% in the 2001 half-year. Excluding the impacts on tax of non tax-effected foreign currency, translation of tax balances and other functional currency translation adjustments, the effective rate was 32.4% in the 2002 half-year, compared with 34.6% in the 2001 half-year. This varies from the nominal rate of 30% due mainly to non tax-effected losses in the 2002 half-year and non deductible depreciation, partly offset by the tax benefit of prior period losses.

The demerger of the Group s Steel business was completed in July 2002. The contribution of the Group s Steel business of US$43 million profit after taxation (and minority interests) in the corresponding period has been disclosed as discontinued operations. The 6% interest in BHP Steel retained by BHP Billiton was sold in July 2002 for US$75 million and the loss of US$19 million (no tax effect) associated with this sale has been recognised in the half year and is disclosed as an exceptional item in relation to discontinued operations. The demerger was effected through a Court approved capital reduction of A$0.69 per BHP Billiton Limited share totalling US$1.5 billion (A$2.6 billion) via the transfer of BHP Steel Limited shares to BHP Billiton Limited shareholders. Consequently, BHP Billiton Plc shareholders received 149 million equalisation shares in BHP Billiton Plc.

After including discontinued operations and exceptional items, the attributable profit for the current period was US$0.9 billion, US$0.3 billion lower than the attributable profit of US$1.2 billion for the corresponding period.

Petroleum

Turnover (including share of joint ventures and associates and inter-segment turnover) was US$1.5 billion during the 2002 half-year, an increase of US$0.1 billion or 5% over the 2001 half-year.

Turnover was favourably affected by higher average realised oil prices of US$27.19 per barrel in the 2002 half-year compared with US$22.54 per barrel in the corresponding period.

Table of Contents

Oil and condensate production of 34,948,000 barrels in the 2002 half-year was 11% lower than the corresponding period due to natural field decline at Bass Strait and Laminaria in Australia and lower production volumes at Liverpool Bay in the United Kingdom due to scheduled maintenance. These were partly offset by higher volumes at North West Shelf in Australia due to the timing of shipments and increased production.

Natural gas production of 141 billion cubic feet in the 2002 half-year was 4% lower than the corresponding period due to seasonal conditions at Bass Strait in Australia, scheduled shutdowns at Liverpool Bay and adverse weather conditions at Typhoon in the Gulf of Mexico.

Liquid petroleum gas (LPG) production of 377,000 tonnes in the 2002 half-year was 6% higher than the corresponding period mainly as a result of higher production at Bass Strait and ethane production of 48,000 tonnes was 12% higher than the corresponding period.

Profit before interest and taxation for the 2002 half-year was US$660 million, an increase of US$84 million compared with the 2001 half-year result, mainly as a result of higher average oil prices. No exceptional items were included in either the 2001 half-year or the 2002 half-year results.

In addition to the price and volume factors mentioned above, the 2002 half-year result was affected unfavourably by higher price-linked costs consisting of higher royalties and taxes for petroleum products.

Exploration expenditure incurred in the 2002 half-year was US$95 million. The amount charged to profit was US$50 million, reflecting capitalised expenditure of US$45 million. In the 2001 half-year, the expenditure incurred was US$143 million and the amount charged to profit was US$74 million, reflecting capitalised expenditure of US$69 million.

Depreciation and amortisation expense was US$264 million in the 2002 half-year, a decrease of US$19 million compared with the 2001 half-year. The lower charge for the 2002 half-year mainly reflected decreased production, partly offset by higher depreciation charges arising from Laminaria Phase 2 coming on line during the 2002 half-year and reserve revisions at Bruce in June 2002.

Aluminium

Turnover (including share of joint ventures and associates and inter-segment turnover) was US$1.5 billion during the 2002 half-year, an increase of US$0.2 billion or 12% compared with the corresponding period.

Turnover was unfavourably affected by a 1% or US$17 per tonne decrease in the average London Metal Exchange price for aluminium (including value-added products) from US$1,349 per tonne in the 2001 half-year to US$1,332 per tonne.

Aluminium smelters produced 534,000 tonnes of metal in the 2002 half-year, an increase of 11% compared with the corresponding period mainly due to higher production in Brazil and at Hillside. Production in Brazil increased due to the end of power restrictions and production at Hillside and Worsley was higher mainly as a result of the success of projects to improve operating performance. Alumina production increased by 100,000 tonnes to 2,029,000 tonnes, a 5% increase on the corresponding period mainly reflecting increased production at Alumar in Brazil and Worsley in Australia.

Profit before interest and taxation was US$266 million for the 2002 half-year compared with US$191 million in the corresponding period. No exceptional items were included in either the 2001 half-year or the 2002 half-year results.

In addition to the price and volume factors mentioned above, the 2002 half-year result was favourably affected by a lower maintenance costs at Hillside resulting from a lower number of pots being relined in the current period, combined with the absence of costs associated with the September 2001 power outage. The weakening of the rand/US$ and Brazilian Real/US$ average exchange rates also had a favourable impact on operating costs. These factors were partially offset by the strengthening of A$/US$ exchange rate.

Table of Contents

Depreciation and amortisation expense was US$121 million in the 2002 half-year, an increase of US$6 million compared with the 2001 half-year. The higher charge for the 2002 half-year mainly reflected higher sustaining capital expenditure.

Base Metals

Turnover (including share of joint ventures and associates and inter-segment turnover) was US$897 million during the 2002 half-year, an increase of US$80 million or 9.8% compared with the corresponding period.

Turnover was favourably affected by a 4.6% increase in the average realized copper price in the 2002 half-year, which increased to US$0.68 per pound compared with US$0.65 per pound in the corresponding period.

Production of payable copper in concentrate decreased by 5% in the 2002 half-year compared with the corresponding period mainly due to production cutbacks at Escondida and Tintaya, which were partially offset by the completion of the Phase IV expansion at Escondida in October 2002. Refined production (copper cathode) increased by 2,000 tonnes or 2% in the 2002 half-year compared with the corresponding period.

Zinc production was 93,000 tonnes in the 2002 half-year, an increase of 21% compared with the corresponding period. This increase was mainly due to the inclusion of a full six months of production at Antamina. Commercial production at Antamina commenced in October 2001.

Silver production was 21,000,000 ounces and lead production was 122,000 tonnes in the 2002 half-year, increases of 14% and 13%, respectively, compared with the corresponding period, mainly reflecting better operational performance at Cannington in Australia.

Gold production was 124,000 ounces in the 2002 half-year, a decrease of 18% compared with the corresponding period. This decrease was mainly due to a decrease in sulphide production at Escondida and Tintaya.

Profit before interest and taxation was US$83 million in the 2002 half-year, an increase of US$14 million or 20% compared with the corresponding period. This increase was mainly as a result of lower exploration expense, with US$38 million relating to the write off of La Granja included in the corresponding period, along with the increase in the copper price.

Exploration expenditure incurred in the 2002 half-year was US$5 million, all of which was charged to profit. In the 2001 half-year, exploration expenditure incurred was US$18 million and the amount charged to profit was US$52 million, reflecting the US$38 million write off of La Granja.

Depreciation and amortisation expense in the 2002 half-year was US$125 million, an increase of US$7 million compared with the 2001 half-year. The higher charge for the 2002 half-year mainly reflected the increased charges arising from the start-up of Phase IV at Escondida.

Carbon Steel Materials

Turnover (including share of joint ventures and associates and inter-segment turnover) was US$1.7 billion during the 2002 half-year, an increase of US$0.1 billion or 5% compared with the 2001 half-year. This increase was mainly due to higher production volumes of iron ore, metallurgical coal, manganese ore and manganese alloy partly offset by lower prices for iron ore following the renegotiation of contracts in May 2002.

Western Australian iron ore operations sold 40.4 million wet tonnes in the 2002 half-year, an increase of 9% compared with the corresponding period mainly due to increased demand from Asian markets. Samarco iron ore production was 4.0 million tonnes, which was 86% higher than the corresponding period. The increase reflected increased customer demand.

Queensland coal shipments were 13.3 million tonnes in the 2002 half-year, 1% less than the corresponding period. This decrease was mainly due to the adverse roof conditions in the first quarter of the current period at the Crinum mine, which were resolved by the end of the 2002. Illawarra coal despatches were 3.6 million tonnes, an increase of 9% compared with the corresponding period, due to lower maintenance activity in the 2002 half-year.

Manganese alloy production was 365,000 tonnes in the 2002 half-year, an increase of 29% compared to the corresponding period due to strong market conditions. Manganese ore production was 2.2 million tonnes in the 2002 half-year, an increase of 16% compared with the corresponding period, again due to strong market conditions for manganese alloy.

HBI Western Australia Iron shipments were 666,000 tonnes in the 2002 half-year, an increase of 6,000 tonnes compared with the corresponding period.

Profit before interest and taxation was US$506 million for the 2002 half-year compared with US$565 million in the corresponding period. No exceptional items were included in either the 2002 half-year or the 2001 half-year results.

In addition to the price and volume factors mentioned above, the 2002 half-year result was unfavourably affected by the impact of higher exchange rates on Australian dollar related operating costs.

Exploration expenditure incurred and charged to profit was US$2 million in the 2002 half-year and US$1 million in the 2001 half-year.

Depreciation and amortisation expense was US$96 million in the 2002 half-year, an increase of US$9 million compared with the 2001 half-year. This increase was due to increased production in the current period, which lead to higher production-related depreciation charges.

Diamonds and Specialty Products

Turnover (including share of joint ventures and associates and including inter-segment turnover) was US$716 million during the 2002 half-year, a decrease of US$36 million over the 2001 half-year.

The 2002 half-year result was adversely affected by lower average realised diamond prices (down 28%) as a result of a change in product mix compared with the corresponding period.

Ekati diamond production was 2,025,000 carats in the 2002 half-year, an increase of 330,000 carats or 19% compared with the corresponding period. This increase was mainly due to benefits of operational improvement and mining of higher ore grades at the Misery pit.

Profit before interest and taxation was US$150 million in the 2002 half-year, an increase of US$12 million compared with the corresponding period. No exceptional items were included in either the 2001 half-year or the 2002 half-year results.

In addition to the price and volume factors mentioned above, during the 2002 half-year, Integris volumes were adversely affected by market conditions in North America. This was more than offset by cost efficiencies achieved by Integris subsequent to the merger of BHP Billiton s and Alcoa Metal s metals distribution businesses on November 1, 2001.

Minerals Exploration expenditure incurred in the 2002 half-year was US$24 million all of which was charged to profit in the 2002 half-year. In the 2001 half-year, the exploration expenditure incurred was US$34 million and the amount charged to profit was US$33 million, reflecting capitalised exploration expenditure of US$1 million.

Table of Contents

Depreciation and amortisation expense was US$35 million, a decrease of US$5 million compared with the 2001 half-year.

Energy Coal

Turnover (including share of joint ventures and associates and inter-segment turnover) was US$0.9 billion during the 2002 half-year, a decrease of US$0.1 billion or 9% over the 2001 half-year.

Energy coal production was 40.1 million tonnes in the 2002 half-year, a decrease of 7% compared with the corresponding period. This decrease was mainly due to lower production in South Africa following the closure of the Rietspruit colliery in May 2002 and reduced production in Indonesia following sale of PT Arutmin in November 2001, partially offset by higher sales at Ingwe in South Africa and Hunter Valley in Australia. The 2002 half-year result was unfavourably affected by a significant decline in export market prices.

Profit before interest and taxation was US$124 million for the 2002 half-year compared with a profit US$350 million in the corresponding period. No exceptional items were included in either the 2001 half-year or the 2002 half-year results. In addition to the volume and price factors mentioned above, the conversion of rand denominated net monetary liabilities at balance date, higher depreciation charges as a result of a review of asset lives and inflationary pressure on costs in South Africa and Colombia also had an unfavourable impact on profit before interest and taxation. In addition, the 2001 half-year result included the profit on the sale of PT Arutmin. These factors were partially offset by the inclusion of profits from the additional share of the Cerrejon Zona Norte operation acquired in the 2002 half-year and a decrease in costs through the implementation of cost-saving initiatives across all Energy Coal operations.

Exploration expenditure incurred in the 2002 half-year was US$2 million. The amount charged to profit was US$nil, reflecting capitalised expenditure of US$2 million. In the 2001 half-year, exploration expenditure incurred was US$3 million and the amount charged to profit was US$nil million, reflecting capitalised expenditure of US$3 million.

Depreciation and amortisation expense was US$84 million in the 2002 half-year, a decrease of US$5 million compared with the 2001 half-year.

Stainless Steel Materials

Turnover (including share of joint ventures and associates and inter-segment turnover) was US$491 million during the 2002 half-year, an increase of US$42 million or 9% over the 2001 half-year.

Nickel production was 38,500 tonnes in the 2002 half-year, an increase of 15% compared with the corresponding period. This increase mainly reflected the ramp-up of production at Cerro Matoso Line 2 and benefits from ongoing improvement programs at both Cerro Matoso and QNI Yabulu Refinery in Australia.

Ferrochrome production was 468,000 tonnes in the 2002 half-year, an increase of 13% compared with the corresponding period. Chrome ore production was 1,427,000 tonnes, an increase of 15% compared with the corresponding period. Both of these increases were due to an increase in market demand, which prompted the restarting of idle furnaces.

Realised prices for nickel increased by 29% in the 2002 half-year compared to the 2001 half-year.

Profit before interest and taxation was US$61 million for the 2002 half-year compared with a loss of US$36 million before interest and taxation in the corresponding period. No exceptional items were included in either the 2001 half-year or the 2002 half-year results.

Table of Contents

In addition to the volume and price factors mentioned above, the increase in profit before tax was a result of benefits from ongoing improvement programs at both Cerro Matoso and QNI and the impact of the weaker average rand/US$ exchange rates on operating costs.

Exploration expenditure incurred in the 2002 half-year was US$2 million. The amount charged to profit was US$2 million, reflecting the write off of previously capitalised expenditure of US$nil million. In the 2001 half-year, exploration expenditure incurred was US$3 million and the amount charged to profit was US$12 million, reflecting the write-off of previously capitalised expenditure of US$9 million.

Depreciation and amortisation expense was US$50 million in the 2002 half-year, a decrease of US$1 million compared with the 2001 half-year.

Group and Unallocated Items

This category represents corporate activities, including Group Treasury operations. The result for the 2002 half-year was a loss of US$191 million before interest and taxation compared with a loss of US$257 million before interest and taxation in the corresponding period. No exceptional items were included in either the 2001 half-year or the 2002 half-year results.

The net costs of Group and Unallocated Items, excluding losses from legacy A$/US$ currency hedging, were US$96 million in the 2002 half-year, an increase of US$17 million compared with the corresponding period. Group and Unallocated Items includes losses on legacy A$/US$ currency hedging of approximately US$95 million in the 2002 half-year, compared with losses of approximately US$176 million in the corresponding period. The losses in the 2002 half-year mainly reflect the lower value of hedge settlement rates compared with hedge contract rates for currency hedging contracts settled during the 2002 half-year.

Equity Minority Interests

The share of net profit or loss attributable to equity minority interests was US$17 million compared with US$22 million in the corresponding period.

Dividends

On December 4, 2002, a dividend of 7.0 US cents per share was paid to BHP Billiton Limited and BHP Billiton Plc shareholders, which represents an increase of 7.7% compared with the corresponding period. The BHP Billiton Limited dividend was fully franked for Australian taxation purposes. Franked dividends are those paid out of profits which 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 sterling to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register.

Liquidity and Capital Resources

Net cash flow from Group operating activities in the 2002 half-year was US$1.9 billion before dividends received from joint ventures and associates of US$70 million, and taxation paid of US$540 million.

Table of Contents

Returns on investments and servicing of finance resulted in a net cash outflow of US$170 million. Interest paid of US$158 million, dividends paid on redeemable preference shares of US$12 million and dividends paid to minorities of US$20 million were partly offset by interest received of US$6 million and other dividends received of US$14 million.

Net cash outflow from capital expenditure and financial investment totalled US$1.2 billion. US$1.2 billion was used for purchases of tangible fixed assets, US$52 million for purchases of investments and funding of joint ventures, and US$130 million for exploration expenditure. These items were partly offset by the proceeds from disposals of tangible fixed assets of US$33 million and US$165 million generated from the sale or redemption of investments (including US$75 million from the sale of the 6% of the Group s Steel business).

Net cash inflow from acquisitions and disposals totalled US$272 million including proceeds on demerger of the Group s Steel business. Whilst not included in cash flows, US$232 million of debt was retained by BHP Steel upon demerger.

These factors together with equity dividends paid of US$835 million resulted in a net cash outflow before management of liquid resources and financing of US$504 million.

Funds totalling US$183 million were raised from borrowings, which together with US$72 million raised through the issue of shares in BHP Billiton Limited represented a total net cash inflow from financing of US$255 million.

These factors, together with a cash outflow from money market deposits of US$6 million, resulted in a net decrease in the cash holdings of the BHP Billiton Group of US$255 million.

Net debt at December 31, 2002 was US$7.1 billion, an increase of US$0.2 billion for the half-year. Gearing, which is the ratio of net debt to net debt plus net assets, was 37.5% at December 31, 2002, compared with 35.0% at June 30, 2002.

The financial liabilities at December 31, 2002 (including overdrafts) were US$7.9 billion, a decrease of US$0.4 billion from June 30, 2002.

The ratio of current assets (excluding debtors due after one year) to creditors (amounts falling due within one year) was 102% at December 31, 2002 compared with 90% at June 30, 2002.

Closing cash at bank and in hand and overdrafts at December 31, 2002 were US$451 million compared with US$690 million at June 30, 2002. In addition, the BHP Billiton Group had money market deposits at December 31, 2002 of US$307 million compared with US$300 million at June 30, 2002, and undrawn borrowing facilities amounting to US$2.2 billion at December 31, 2002 compared with US$1.7 billion at June 30, 2002.

The Group s inaugural Eurobond issue, under the US$1.5 billion Euro Medium Term Note program established in June 2002, took place in early October 2002 with the issue of 750 million five-year notes. The proceeds of the notes were swapped into US dollars.

The US$1.25 billion 364 day revolving credit component of the US$2.5 billion syndicated multi-currency revolving credit facility that was due for expiry in September 2002 was extended for a further period of 364 days to September 2003.

Table of Contents

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

In October 2002, Moody s Investor Services upgraded the Group s long term credit rating to A2 from A3 and short term credit rating to P-1 from P-2. Standard & Poor s rating for the Group remains on positive watch after being upgraded in September 2001 to its current long term credit rating of A and short term credit rating of A-1.

Capital expenditures and financial investment totalled US$1,200 million in the 2002 half-year, a US$92 million increase compared with the 2001 half-year. In the 2002 half-year expenditure on growth projects and investments was US$1,020 million including Petroleum projects in the Gulf of Mexico, the Mount Arthur North energy coal project in Australia, the ROD oil and Ohanet wet gas projects in Algeria, the Mining Area C, Yandi and Port and Capacity Expansion (PACE) iron ore projects in Australia, the Hillside 3 expansion in South Africa and the Mozal II expansion in Mozambique. In the 2002 half-year maintenance capital expenditure was US$248 million and exploration expenditure was US$130 million.

During the 2002 half-year, the BHP Billiton Group did not commit to any significant new growth projects. During the 2001 half-year, the BHP Billiton Group committed approximately US$600 million to significant new growth projects, including US$411 million on Mount Arthur North (Energy Coal), US$170 million on the Dendrobium metallurgical coal mine (Carbon Steel Materials), and US$50 million on the Bream Gas Pipeline (Petroleum).

Comparison to results under US Generally Accepted Accounting Principles

Under UK GAAP, attributable profit for the 2002 half-year was US$912 million compared to US$725 million under US GAAP, a decrease of US$187 million. The difference includes estimated adjustments of US$40 million (after tax) for increased depreciation of the fair value adjustment on acquisition of the BHP Billiton Plc Group, a US$83 million (after tax) loss for fair value accounting for derivatives and a US$61 million income tax expense for deferred tax accounts restatements for a tax rate charge.

Under UK GAAP, attributable profit for the 2001 half-year was US$1,198 million compared to US$982 million under US GAAP, a decrease of US$216 million, mainly being estimated adjustments of US$232 million (after tax) for increased depreciation and amortisation of the fair value adjustment on acquisition of the BHP Billiton Plc Group.

For a description of the material differences which ordinarily apply to the BHP Billiton Group between UK GAAP and the estimated result under US GAAP, refer Note 10. US Generally Accepted Accounting Principles Disclosures in the attached BHP Billiton Group - Interim Financial Information - December 31, 2002.

Year ended June 30, 2002 compared with year ended June 30, 2001

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 June 30, 2002 as prepared in conformity with UK laws and accounting standards.

In this analysis, all references to 2001-2002 or the current period are to the year ended June 30, 2002 and all references to 2000-2001 or the corresponding period are to the year ended June 30, 2001.

A new segment, Diamonds and Specialty Products, has been created encompassing Diamonds, Titanium Minerals, Integris (metals distribution) and Exploration & Technology. As a consequence, the former Exploration, Technology and New Business and Other Activities segments ceased to exist and any remaining portions have been included in Group and Unallocated Items. In addition, HBI Venezuela and Ok Tedi, previously reported in Carbon Steel Materials and Base Metals, respectively, are now included in Group and Unallocated Items and Columbus Stainless Steel, previously reported in Other Activities, is now included in Stainless Steel Materials. Comparatives have been restated accordingly.

With effect from July 1, 2001, the majority of the BHP Billiton Limited Group s businesses changed their functional currency to US dollars, the functional currency of the combined BHP Billiton Group. This is consistent with the

Table of Contents

BHP Billiton Plc Group and is the basis on which the combined BHP Billiton Group manages it businesses and records its transactions.

With effect from July 1, 2001, the BHP Billiton Group has changed its accounting policy regarding the treatment of foreign exchange gains or losses on local currency site restoration provisions held in the accounts of entities using US dollar functional currencies. Under the previous policy, the foreign exchange gains and losses on site restoration provisions were recognized in the profit and loss account. Under the revised policy, such foreign exchange gains and losses are treated as part of the revision to the estimated future restoration cost and are included in the cost of tangible fixed assets. The revised policy has been adopted as it better matches the ultimate cost of site restoration charged in the profit and loss account to the profit earned. The impact in the year ended June 30, 2002 has been capitalisation to tangible fixed assets of foreign exchange losses of US$40 million. The application of the revised policy to prior periods does not have a material impact on the comparative profit and loss account or balance sheet and no prior period adjustments have been made.

Results of operations

Consolidated

Profit after taxation (before equity minority interests) for the year ended June 30, 2002 was US$1.7 billion compared with US$1.3 billion for the corresponding period. Excluding exceptional items, profit after taxation (before equity minority interests) was US$2.0 billion compared with a profit of US$2.2 billion for the year ended June 30, 2001.

Turnover (including share of joint ventures and associates) was US$17.8 billion for 2001-2002 compared with US$19.0 billion for the corresponding period. For information relating to turnover, refer below under Aluminium, Base Metals, Carbon Steel Materials, Stainless Steel Materials, Energy Coal, Petroleum, Steel, Diamonds and Specialty Products and Group and Unallocated Items.

Profit before taxation was US$2.7 billion for 2001-2002 compared with a profit of US$2.1 billion for 2000-2001. Excluding exceptional items, profit before taxation was US$2.9 billion for 2001-2002 compared with a profit of US$3.2 billion for 2000-2001. The exceptional items in 2001-2002 included:

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, a loss of US$132 million (excluding US$13 million recognized 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 South West Copper business in the US (where the Group ceased operations in 1999). This comprised US$171 million for impairment provisions, principally related to the San Manuel smelter, partly offset by a reduction of US$70 million in provisions relating to the expected timing of site restoration expenditure. In addition, a loss of US$31 million recognized the costs of the suspension and a write-down of obsolete equipment for sulphide operations at Tintaya in Peru, which have been suspended until at least mid 2003.

The 2000-2001 profit before tax included exceptional items that resulted in a charge to profit of US$1.1 billion, comprising losses from the termination of operations and write-down of assets (principally Ok Tedi, HBI Venezuela and Columbus), provision for closure and restructuring costs, merger transaction costs, and merger related restructuring costs, partly offset by profits from the sale of fixed assets and expansion rights.

Excluding exceptional items, there were a number of factors that affected our results for 2001-2002, including:

- the unfavorable effect of prices decreased profit before taxation by approximately US$665 million compared with the corresponding period, mainly due to lower prices for crude oil, aluminium, copper, nickel, chrome, alumina, diamonds, silver and zinc, which decreased turnover by approximately US$1,035 million. This decrease was partly offset by higher prices for metallurgical coal, energy coal, and gas prices, which increased turnover by approximately US$370 million;

- the unfavorable effect of volumes decreased profit before taxation by approximately US$165 million compared with the corresponding period, mainly due to lower sales volumes from Base Metals, Carbon Steel Materials, petroleum products, Energy Coal and Titanium Minerals businesses, partly offset by higher sales volumes from the Stainless Steel Materials businesses;

- Steel profits (excluding OneSteel Limited) decreased by approximately US$130 million compared with the corresponding period. The corresponding period included contribution to profit before taxation of approximately US$125 million from a higher ownership interest in metallurgical coal in Queensland, the sale of Buffalo oilfield in Australia, spun-off steel operations (OneSteel Limited), and the Ok Tedi copper mine in Papua New Guinea, partly offset by losses from HBI Venezuela. The current period included a lower contribution from PT Arutmin Indonesian energy coal operations due to sale of the business in November 2001; and

- exploration charged to profit was approximately US$45 million higher than the corresponding period mainly due to the write-off of La Granja copper exploration activities in Peru, together with increased petroleum activity in the Gulf of Mexico.

These factors were partly offset by the following factors:

- cost reductions increased profit before taxation by approximately US$350 million compared with the corresponding period. Lower price-linked costs of approximately US$270 million were mainly due to lower royalties and taxes for petroleum products together with lower costs for London Metals Exchange listed commodities, partly offset by increased royalty costs at metallurgical coal operations mainly reflecting higher metallurgical coal prices. Merger benefit initiatives generated net cost savings of approximately US$110 million during the year. Costs increased at Escondida in Chile, mainly reflecting the decision to reduce production in response to weaker base metals markets, and increased costs at metallurgical coal operations in Australia and energy coal operations in New Mexico were due to operational issues. These factors were partly offset by lower operating costs at Liverpool Bay in the United Kingdom and Hillside in South Africa, primarily reflecting higher maintenance activities in the corresponding period, cost reductions at the Gulf of Mexico in the US petroleum operations, mainly due to increased productivity, and savings at WA Iron Ore operations in Australia due to lower port and rail costs. Inflation increased costs by approximately US$210 million;

- new and acquired operations increased profit before taxation by approximately US$185 million compared with the corresponding period, mainly due to commencement of production of petroleum from Typhoon in America, Zamzama in Pakistan and Keith in the North Sea, increased ownership interests in the Worsley alumina refinery in Australia together with the fully commissioned Mozal aluminium smelter in Mozambique, the acquisition of an additional 29% interest in the Ekati diamond business, a full years contribution from Rio Algom base metals businesses and the first full year contribution from Carbones del Cerrejon and Cerrejon Zona Norte Coal in Colombia. These factors were partially offset by a downturn in the Integris (formerly Metals Distribution) (US) business compared with the corresponding period;

foreign currency fluctuations had a favorable effect of approximately US$375 million, mainly due to the impact of lower Rand/US$ (US$265 million) and A$/US$ (US$85 million) exchange rates on related operating costs and the conversion of monetary assets and liabilities, including provision balances, and reduced losses on legacy A$/US$ currency hedging;

profits from asset sales were approximately US$45 million higher than the corresponding period, mainly due to the profit on the sale of PT Arutmin Energy Coal operations in Indonesia; and

variations in stripping ratios have not had a material impact on the reported results of 2001-2002 as compared to the corresponding period.

Depreciation and amortisation expense increased US$55 million to US$1,727 million in 2001-2002. This mainly reflected the additional 29% interest acquired in Ekati (Diamonds and Specialty Products), the additional 56% interest in the Worsley alumina refinery (Aluminium) acquired in January 2001, a full year s contribution from the Rio Algom operations (Cerro Colorado, Antamina and Highland Valley) (Base Metals), which were acquired in October 2000, and the commissioning of Cerro Matoso Line 2 (Stainless Steel Materials). Increased production across various petroleum businesses also contributed to the higher charge compared with the corresponding period. These factors were partly offset by reduced depreciation charges from ceased, sold and discontinuing operations, including the effect on depreciation of the write-off in the year ended June 30, 2001 of Ok Tedi (Group and Unallocated items).

Net interest expense (before exchange gains on net debt) fell to US$429 million in 2001-2002 from US$625 million in the corresponding period. Net interest including capitalised interest and excluding discounting on provisions, fell from US$625 million in 2000-2001 to US$445 million in 2001-2002. That reduction of US$180 million (28.8%) was principally driven by an improved credit rating, lower average debt levels, which was mainly due to robust cash flows allowing for net debt repayment, and lower market interest rates.

Exchange gains on net debt were US$180 million in 2001-2002 compared with US$149 million in the corresponding period, arising primarily on the year-end translation of Rand denominated debt of companies which account in US dollars as their functional currency.

Including exceptional items, the tax charge for 2001-2002 was US$990 million compared with US$811 million for 2000-2001, representing an effective taxation rate for 2001-2002 of 36.3% compared with 39.3% in 2000-2001. 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%, resulting in deferred taxation balances being restated, with an adverse impact of US$56 million on the 2001-2002 results. This item has been 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, the tax charge for 2001-2002 was US$958 million, representing an effective rate of 32.6%. Excluding the impact on tax of non tax-effected foreign currency gains and other functional currency translation adjustments, the effective rate was 32.7%. This rate is above the UK nominal rate of 30% mainly due to non tax-effected losses in 2001-2002, non-deductible accounting depreciation and amortisation, and secondary taxes on dividends paid and payable by South African entities, partly offset by the recognition of prior year tax losses.

The share of net profit or loss attributable to outside equity interests share of profit after taxation increased from a loss of US$277 million in 2000-2001 to a gain of US$47 million in 2001-2002. The loss in the corresponding period was mainly due to the impact of the OK Tedi write-off adjustment of US$262 million reflecting outside equity interest s share of OK Tedi s net assets at June 30, 2001.

Aluminium

Turnover, including share of joint ventures and associates and inter-segment turnover, was US$2.9 billion during 2001-2002, a decrease of US$0.1 billion or 4% compared with the corresponding period.

Table of Contents

Turnover was unfavorably affected by a lower average LME price for aluminium, down US$180 per tonne or 11.7% to US$1,359 per tonne in 2001-2002 compared with US$1,539 per tonne in the corresponding period, and the decline in production from Alumar and Valesul in Brazil due to power curtailments, partly offset by higher alumina production from Worsley in Australia together with increased production from the fully commissioned Mozal aluminium smelter in Mozambique.

Aluminium smelter production was 992,000 tonnes in 2001-2002 compared with 984,000 tonnes in the corresponding period. Increased metal production fr