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bhpbilliton
resourcing the future

Our Company

Annual Report 2011

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A disciplined approach
A proven strategy

We are BHP Billiton, a leading global resources company. Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered office: 180 Lonsdale Street, Melbourne, Victoria 3000, Australia.
BHP Billiton Plc. Registration number 3196209. Registered in England and Wales. Registered office: Neathouse Place, London SW1V 1BH, UK.
Each of BHP Billiton Limited and BHP Billiton Plc are members of the BHP Billiton Group, which is headquartered in Australia.

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1 Key information

1.1 Our business

We are the world's largest diversified natural resources company. Our corporate objective is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

We pursue this through our consistent strategy of owning and operating large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

This strategy means more predictable business performance over time which, in turn, underpins the creation of value for our shareholders, customers, employees and, importantly, the communities in which we operate.

We are among the world's top producers of major commodities, including aluminium, energy coal, metallurgical coal, copper, manganese, iron ore, uranium, nickel, silver and titanium minerals, and have substantial interests in oil and gas.

We continue to invest in the future.

The Group is headquartered in Melbourne, Australia, and consists of the BHP Billiton Limited Group and the BHP Billiton Plc Group as a combined enterprise, following the completion of the Dual Listed Company (DLC) merger in June 2001.

BHP Billiton Limited and BHP Billiton Plc have each retained their separate corporate identities and maintained their separate stock exchange listings, but they are operated and managed as a single unified economic entity, with their boards and senior executive management comprising the same people.

BHP Billiton Limited has a primary listing on the Australian Securities Exchange (ASX) in Australia. BHP Billiton Plc has a premium listing on the London Stock Exchange (LSE) in the UK and a secondary listing on the Johannesburg Stock Exchange in South Africa. In addition, BHP Billiton Limited American Depositary Receipts (ADRs) and BHP Billiton Plc ADRs trade on the New York Stock Exchange (NYSE) in the US.

As at 30 June 2011, we had a market capitalisation of approximately US$233.9 billion. For the FY2011, we reported net operating cash flow of US$30.1 billion, profit attributable to shareholders of US$23.6 billion and revenue of US$71.7 billion. We have approximately 100,000 employees and contractors working in more than 100 locations worldwide.

We operate nine businesses, called Customer Sector Groups (CSGs), which are aligned with the commodities we extract and market:

- Petroleum
- Aluminium
- Base Metals (including Uranium)
- Diamonds and Specialty Products
- Stainless Steel Materials
- Iron Ore
- Manganese
- Metallurgical Coal
- Energy Coal

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1.2 Chairman's Review

Dear Shareholder

I am pleased to report that despite the challenges in the global economy, BHP Billiton performed well this past financial year.

Net attributable profit (excluding exceptional items) of US$21.7 billion was up 74 per cent, with net operating cash flows of US$30 billion and an underlying return on capital of 39 per cent. During the year, we invested about US$18 billion in growth and exploration activities and returned US$15 billion to shareholders in dividends and capital returns. More recently, we committed US$15 billion to acquire additional tier one shale assets.

There are several reasons underpinning these good results, but let me highlight two key factors.

The first is the strength of our diversified portfolio of tier one natural resources. For many years, we have implemented our strategy of investing in large, high-quality assets that deliver growth and superior margins throughout the economic cycle to create long-term shareholder value. Our performance reflects our asset quality, our strategy to maximise production and our commitment to take market prices for our products. This year we achieved production records in four commodities, including an eleventh consecutive record in iron ore.

The second factor is robust demand underpinned by the urbanisation and industrialisation of China and other developing countries on a scale that is lifting hundreds of millions of people out of poverty. Resources are fundamental for the economic growth of developing countries as they are needed for buildings, transport and infrastructure. Over the past decade these economies have contributed more to global growth than the developed world.

However, we recognise that in the short term, global imbalances and high levels of debt in Europe and the United States create uncertainty, making volatility and a protracted recovery likely. At the same time, we are positive on the longer-term outlook for the global economy as overall growth will continue to be driven by the developing countries. We believe that the Chinese Government has the appropriate policy settings to sustain its long-term ambitions for economic growth. This level of economic development will support demand and operating margins for low-cost diversified producers like BHP Billiton.

As a result of our overall performance and outlook, we completed a US$10 billion share buy-back and increased our dividend by 16 per cent to 101 US cents a share, or US$5.5 billion.

During the year your Board also approved eleven major growth projects with a total investment value of around US$13 billion in natural gas, iron ore, metallurgical and energy coal, copper and diamonds. Our organic growth program is expected to exceed US$80 billion over five years to 2015.

Investments in products like potash in Canada and recent acquisitions in the United States demonstrate our ability to meet our customers' changing needs by continuing to build our diversified tier one resources portfolio, which generates options for long-term value creation.

Our US$4.8 billion acquisition of Chesapeake Energy's Fayetteville assets, followed by our recent US$15 billion acquisition of Petrohawk Energy, provide us with a world-class on-shore shale gas and liquids resource in the US.

While the resources industry is critical for global economic development and growth, our commitment at the community level is just as significant. We create jobs, support local industry and invest capital in projects across communities and regions.

As part of our commitment, we contribute one per cent of our pre-tax profit, on a three-year rolling average, to community programs. This year, we allocated US$195.5 million to a wide range of community programs, some of which are detailed in our Sustainability Report.

We also pay taxes and royalties to governments. Last year our total tax and royalty expense (excluding the effects of exceptional items) was US$12.3 billion, and while we recognise it is appropriate for countries to periodically review tax law, we also believe any change should ensure the resources sector remains globally competitive. At the same time, the industry's substantial and ongoing investment in jobs, skills, growth and development of new sectors of the economy should be recognised.

Your Board also recognises that we operate in an industry where the foundation for everything we do is our commitment to the health and safety of our people and sustainability of the environment and communities in which we work. We have a deep focus on both what we do and on how we do it. The safety and health of our employees, contractors and communities are values that will not be compromised. This year, we had two fatalities at our operations in South Africa; sadly, two fatalities too many. This is unacceptable and a tragedy for their families, friends and colleagues. On behalf of the Board, we extend our sincere sympathies.

It is important to outline some key changes to your Board. This year we announced the appointments of Baroness Shriti Vadera and Lindsay Maxsted who, together, bring deep expertise in finance, corporate restructuring, risk management, emerging markets and public policy. With regret, we also announced the retirement of Alan Boeckmann.

In summary, we face the future with some confidence. There continues to be robust demand for our products. Our tier one resource base is diverse, of high quality and not easy to duplicate. We have talented people at all levels and we have a solid balance sheet that gives us the flexibility to pursue high-return investment opportunities while rewarding shareholders.

On your behalf, I thank the BHP Billiton team, led by your Chief Executive, Marius Kloppers, for another year of strong performance. I also thank you, our shareholders, for your continued support.

Jacques Nasser AO
Chairman

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1.3 Chief Executive Officer's Report

I am very pleased to report that in FY2011 BHP Billiton produced a record set of financial results and completed a significant capital management program while maintaining a strong balance sheet, allowing us to continue to grow and invest in our business.

This record result and sustained growth was achieved against the backdrop of a volatile global economy and a tightening of the regulatory environment worldwide. The strong performance was also delivered despite a number of unexpected operational challenges during the year, such as the severe wet weather that affected our Queensland metallurgical coal operations and the drilling moratorium imposed in the Gulf of Mexico, and capital cost pressure on some of our large-scale projects.

Tragically, we lost two of our colleagues to workplace accidents in FY2011. Every fatality has a lasting impact on family, friends and colleagues and we will never be truly successful unless we eliminate all risk of injury from our business. Safety is not an aspiration, it is something we need to live and breathe every day we are at work. Reducing the risks in our business requires strong, accountable leadership with a focus on identifying and managing hazards.

While the recovery of commodity prices and the global economy was a major factor in our excellent financial position, it is the commitment to our tier one strategy that has not only allowed BHP Billiton to continue to outperform today, but will entrench strong relative performance through all parts of the economic cycle.

Our consistent strategy of investing in large, long-life, low-cost, expandable assets, diversified by commodity, market and operating geography has left us in a position to continue to deliver value to our shareholders.

In our minerals businesses, we are particularly focused on our expandable resources basins – Western Australia Iron Ore, Queensland coal and Olympic Dam copper/uranium in Australia, potash in Saskatchewan Canada and Escondida copper in Chile – where large potential mineralisation can create significant options for growth. During the year, BHP Billiton outlined plans to invest in excess of US$80 billion in the next five years on these key resource hubs, which includes more than US$12.9 billion in project approvals in the last financial year.

In addition, BHP Billiton made an entry into the United States shale gas business with our acquisition of Chesapeake Energy Corporation's interest in the Fayetteville Shale, US, a world-class onshore natural gas resource. We followed this with our acquisition of Petrohawk Energy Corporation's natural gas and liquid rich shale asset.

The past year also saw the industry take a big step forward in its approach to bulk commodity pricing. We have for a long time held the view that the most open and transparent way to discover the price for our products is through simple supply and demand economics. We are seeing this evolution across our business and now have higher volumes of our commodities sold on shorter-term reference pricing. For those businesses that in the past had to negotiate long-term prices each year, such as iron ore and metallurgical coal, this is a fundamental and positive shift to a new model that we believe is beneficial to both customers and producers, providing a clearer signal of the supply and demand picture.

As we grow, the creation of a simple, accountable and scalable organisation will ensure we remain capable of managing the larger footprint that will result over time. To this end, through the BHP Billiton Operating Model, we have set up the organisation to be more scalable, more functionally specialised and in a position to deploy capital easily when required. By having a simple structure, we can organise work more effectively and let our people focus on doing what is important.

We must earn the right to grow our business by growing safely, through operating discipline and strong leadership. As an organisation, we are committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others.

I would like to take the opportunity to pass on my thanks to all those who deal with BHP Billiton. And, I would especially like to thank our employees and contractors whose commitment and work have contributed so much to the success of this Company.

Marius Kloppers
Chief Executive Officer

1.4 Selected key measures

1.4.1 Financial information

Our selected financial information reflects the operations of the BHP Billiton Group, and should be read in conjunction with the 2011 financial statements, together with the accompanying notes.

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and as outlined in note 1 'Accounting policies' to the financial statements in this Annual Report. We publish our consolidated financial statements in US dollars.

	2011	2010	2009	2008	2007 [a]
Consolidated Income Statement (US$M except per share data)					
Revenue	**71,739**	52,798	50,211	59,473	47,473
Profit from operations	**31,816**	20,031	12,160	24,145	19,724
Profit attributable to members of BHP Billiton Group	**23,648**	12,722	5,877	15,390	13,416
Dividends per ordinary share – paid during the period (US cents)	**91.0**	83.0	82.0	56.0	38.5
Dividends per ordinary share – declared in respect of the period (US cents)	**101.0**	87.0	82.0	70.0	47.0
Earnings per ordinary share (basic) (US cents) [b]	**429.1**	228.6	105.6	275.3	229.5
Earnings per ordinary share (diluted) (US cents) [b]	**426.9**	227.8	105.4	274.8	228.9
Number of ordinary shares (millions)					
– At period end	**5,350**	5,589	5,589	5,589	5,724
– Weighted average	**5,511**	5,565	5,565	5,590	5,846
– Diluted	**5,540**	5,595	5,598	5,605	5,866
Consolidated Balance Sheet (US$M)					
Total assets	**102,891**	88,852	78,770	76,008	61,404
Share capital (including share premium)	**2,771**	2,861	2,861	2,861	2,922
Total equity attributable to members of BHP Billiton Group	**56,762**	48,525	39,954	38,335	29,667
Other financial information					
Underlying EBIT (US$M) [c]	**31,980**	19,719	18,214	24,282	20,067
Underlying EBIT margin [c][d][e]	**47.0%**	40.7%	40.1%	47.5%	48.4%
Return on capital employed [e]	**38.5%**	26.4%	24.6%	37.5%	38.4%
Net operating cash flow (US$M) [f]	**30,080**	16,890	17,854	16,958	15,418
Project investment (US$M) [e]	**24,517**	10,770	13,965	11,440	12,781
Gearing [e]	**9.2%**	6.3%	12.1%	17.8%	25.0%

[a] On 1 July 2007, the Group adopted the policy of recognising its proportionate interest in the assets, liabilities, revenues and expenses of jointly controlled entities within each applicable line item of the financial statements. All such interests were previously recognised using the equity method. Comparative figures for 2007 that were affected by the policy change have been restated.

[b] 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 Limited and BHP Billiton Plc after deduction of the weighted average number of shares held by the Billiton share repurchase scheme and the Billiton Employee Share Ownership Plan Trust and the BHP Bonus Equity Plan Trust and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are shares contingently issuable under Employee Share Ownership Plans.

[c] Underlying EBIT is profit from operations, excluding the effect of exceptional items. See section 3.3 for more information about this measure, including a reconciliation to profit from operations.

[d] Underlying EBIT margin is profit from operations, excluding the effect of exceptional items before taxation and excluding third party production, divided by revenue from Group production. See section 3.3 for more information about this measure.

[e] See section 10 for glossary definitions.

[f] 'Improvements to IFRSs 2009'/AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' include a requirement to classify expenditures which do not result in a recognised asset as a cash flow from operating activities. This has resulted in exploration cash flows which are not recognised as assets being reclassified from net investing cash flows to net operating cash flows for all comparative figures to 2011.

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1.4.2 Operational information

Our Board and Group Management Committee monitor a range of financial and operational performance indicators, reported on a monthly basis, to measure performance over time. We also monitor a comprehensive set of health, safety, environment and community contribution indicators.

	2011	2010	2009
People and Licence to operate – Health, safety, environment and community			
Total recordable injury frequency (TRIF) [a]	**5.0**	5.3	5.6
Community investment (US$M) [a][b]	**195.5**	200.5	197.8 [b]
Production [c]			
Total Petroleum production (million barrels of oil equivalent)	**159.38**	158.56	137.97
Alumina ('000 tonnes)	**4,010**	3,841	4,396
Aluminium ('000 tonnes)	**1,246**	1,241	1,233
Copper cathode and concentrate ('000 tonnes)	**1,139.4**	1,075.2	1,207.1
Nickel ('000 tonnes)	**152.7**	176.2	173.1
Iron ore ('000 tonnes)	**134,406**	124,962	114,415
Manganese alloys ('000 tonnes)	**753**	583	513
Manganese ores ('000 tonnes)	**7,093**	6,124	4,475
Metallurgical coal ('000 tonnes)	**32,678**	37,381	36,416
Energy coal ('000 tonnes)	**69,500**	66,131	66,401

[a] See section 10 for glossary definitions.
[b] In FY2009 we established a UK-based charitable company, BHP Billiton Sustainable Communities, registered with the UK Charities Commission for the purpose of funding community investment globally. In FY2011 our voluntary community contribution included the provision of US$30 million (2010: US$80 million, 2009: US$60 million) to BHP Billiton Sustainable Communities.
[c] Further details appear in section 2.3 of this Report.

1.5 Risk factors

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

Fluctuations in commodity prices and impacts of the global financial crisis may negatively affect our 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. The Group's usual policy is to sell its products at the prevailing market prices. The diversity provided by the Group's broad portfolio of commodities may not fully insulate the effects of price changes. Fluctuations in commodity prices can occur due to sustained price shifts reflecting underlying global economic and geopolitical factors, industry demand and supply balances, product substitution and national tariffs. The ongoing effects of the global financial and European sovereign debt crises have affected commodity market prices, demand and volatility. The ongoing uncertainty and impact on global economic growth, particularly in the developed economies, may adversely affect future demand and prices for commodities. The impact of potential longer-term sustained price shifts and shorter-term price volatility creates the risk that our financial and operating results and asset values will be materially and adversely affected by unforeseen declines in the prevailing prices of our products.

We seek to maintain a solid 'A' credit rating as part of our strategy; however, fluctuations in commodity prices and the ongoing effects of the global financial and European sovereign debt crises may adversely impact our future cash flows, ability to adequately access and source capital from financial markets and our credit rating.

Our financial results 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 rates 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, Chilean peso, Brazilian real 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 we present financial performance. It is also the natural currency for borrowing and holding surplus cash. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. We may consider currency protection measures appropriate in specific commercial circumstances, subject to strict limits established by our Board. Therefore, in any particular year, currency fluctuations may have a significant impact on our financial results.

The commercial counterparties we transact with may not meet their obligations which may negatively impact our results

We contract with a large number of commercial and financial counterparties including customers, suppliers, and financial institutions. The global financial and European sovereign debt crises have placed strains on global financial markets, reduced liquidity and impacted business conditions generally. Our existing counterparty credit controls may not prevent a material loss due to credit exposure to a major customer or financial counterparty. In addition, customers, suppliers, contractors or joint venture partners may fail to perform against existing contracts and obligations. Non-supply of key inputs or equipment may unfavourably impact our operations. Reduced liquidity and available sources of capital in financial markets may impact the cost and ability to fund planned investments. These factors could negatively affect our financial condition and results of operations.

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1.5 Risk factors continued

Failure to discover new reserves, maintain or enhance existing reserves or develop new operations could negatively affect our future results and financial condition

The increased demand for our products and increased production rates from our operations in recent years has resulted in existing reserves being depleted at an accelerated rate. As our revenues and profits are related to our oil and gas and minerals operations, our results and financial condition are directly related to the success of our exploration and acquisition efforts, and our ability to replace existing reserves. Exploration activity occurs adjacent to established operations and in new regions, in developed and less developed countries. These activities may increase land tenure, infrastructure and related political risks. A failure in our ability to discover new reserves, enhance existing reserves or develop new operations in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects.

There are numerous uncertainties inherent in estimating ore and oil and gas reserves, and geological, technical and economic assumptions that are valid at the time of estimation may change significantly when new information becomes available. The uncertain global financial outlook may affect economic assumptions related to reserve recovery and require reserve restatements. Reserve restatements could negatively affect our results and prospects.

Reduction in Chinese demand may negatively impact our results

The Chinese market has become a significant source of global demand for commodities. In CY2010, China represented 59 per cent of global seaborne iron ore demand, 39 per cent of copper demand, 38 per cent of nickel demand, 41 per cent of aluminium demand, 42 per cent of energy coal demand and 10 per cent of oil demand. China's demand for these commodities has been driving global materials demand over the past decade.

Sales into China generated US$20.3 billion (FY2010: US$13.2 billion), or 28.2 per cent (FY2010: 25.1 per cent), of our revenue in the year ended 30 June 2011. A slowing in China's economic growth could result in lower prices and demand for our products and negatively impact our results.

In response to its increased demand for commodities, China is increasingly seeking strategic self-sufficiency in key commodities, including investments in existing businesses or new developments in other countries. These investments may adversely impact future commodity demand and supply balances and prices.

Actions by governments or political events in the countries in which we operate could have a negative impact on our business

We have operations in many countries around the globe, which have varying degrees of political and commercial stability. We operate in emerging markets, which may involve additional risks that could have an adverse impact upon the profitability of an operation. These risks could include terrorism, civil unrest, nationalisation, renegotiation or nullification of existing contracts, leases, permits or other agreements, restrictions on repatriation of earnings or capital and changes in laws and policy, as well as other unforeseeable risks. Risks relating to bribery and corruption may be prevalent in some of the countries in which we operate. If any of our major projects is affected by one or more of these risks, it could have a negative effect on the operations in those countries, as well as the Group's overall operating results, financial condition and reputation.

Our operations are based on material long-term investments that anticipate long-term fiscal stability. Following the global financial crisis some governments face increased debt and funding obligations and may seek additional sources of revenue and economic rent by increasing rates of taxation, royalties or resource rent taxes to levels that are globally uncompetitive to the resource industry. Such taxes may negatively impact the financial results of existing businesses and reduce the anticipated future returns and overall level of prospective investment in those countries.

On 2 July 2010, the Australian Government proposed a Minerals Resource Rent Tax (MRRT), at a rate of 30 per cent (with a 25 per cent extraction allowance – effectively resulting in a 22.5 per cent additional tax on profits) for Australian iron ore and coal operations, while the current Petroleum Resource Rent Tax (PRRT) is proposed to be extended to all Australian oil and gas projects, including the North West Shelf. Legislation is proposed to be introduced into parliament in late CY2011, ahead of the proposed 1 July 2012 commencement date. The MRRT would operate in parallel with State and Territory royalty regimes, with all current and future royalties fully creditable against the MRRT. The proposed MRRT and PRRT extension will increase the effective tax rate of Australian coal and iron ore operations and the North West Shelf project. This could have a negative effect on the operating results of the Group's Australian operations. The MRRT and PRRT extension is subject to the passing of legislation by the Australian Parliament, and the final legislation may differ (wholly or in part) in its final form from current expectations.

Our business could be adversely affected by new government regulation, such as controls on imports, exports and prices. 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 projects, the expansion of existing operations and results of our operations.

We have oil and gas operations located in the Gulf of Mexico region of the United States. In October 2010, the United States Government lifted the deepwater drilling moratorium in the Gulf of Mexico initially put in place in May 2010 in response to the oil spill from BP's Macondo well. Although the moratorium was lifted, the industry now faces more stringent permitting requirements. Despite our management processes, delays or additional costs may occur in receiving future permits and the conduct of deepwater drilling activities in the Gulf of Mexico.

Infrastructure, such as rail, ports, power and water, is critical to our business operations. We have operations or potential development projects in countries where government provided infrastructure or regulatory regimes for access to infrastructure, including our own privately operated infrastructure, may be inadequate or uncertain. These may adversely impact the efficient operations and expansion of our businesses. On 30 June 2010, the Australian Competition Tribunal granted declaration of BHP Billiton's Goldsworthy rail line, but rejected the application for declaration of our Newman rail line under Part IIIA of the Trade Practices Act. Following the tribunal's decision, access seekers may now negotiate for access to the Goldsworthy railway. These negotiations, and the availability and terms of access, would be governed by the Part IIIA statutory framework, and either the access seeker or BHP Billiton could refer disputed matters to the Australian Competition and Consumer Commission for arbitration. The outcome of this process would govern whether access would be provided and on what terms.

In South Africa, the Mineral and Petroleum Resources Development Act (2002) (MPRDA) came into effect on 1 May 2004. The law provides for the conversion of existing mining rights (so called 'Old Order Rights') to rights under the new regime ('New Order Rights') subject to certain undertakings to be made by the company applying for such conversion. The Mining Charter requires that mining companies achieve 15 per cent ownership by historically disadvantaged South Africans of South African mining assets by 1 May 2009 and 26 per cent ownership by 1 May 2014. If we are unable to convert our South African mining rights in accordance with the MPRDA and the Mining Charter, we could lose some of those rights. Where New Order Rights are obtained under the MPRDA, these rights may not be equivalent to the Old Order Rights in terms of duration, renewal, rights and obligations.

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1.5 Risk factors continued

We operate in several countries where ownership of land is uncertain and where disputes may arise in relation to ownership. In Australia, the Native Title Act (1993) provides for the establishment and recognition of native title under certain circumstances. In South Africa, the Extension of Security of Tenure Act (1997) and the Restitution of Land Rights Act (1994) provide for various landholding rights. Such legislation could negatively affect new or existing projects.

These regulations are complex, difficult to predict and outside of our control, and could negatively affect our business and results.

We may not be able to successfully integrate our acquired businesses

We have grown our business in part through acquisitions. We expect that some of our future growth will stem from acquisitions. There are numerous risks encountered in business combinations. These include adverse regulatory conditions and obligations, commercial objectives not achieved due to minority interests, unforeseen liabilities arising from the acquired businesses, retention of key staff, sales revenues and the operational performance not meeting our expectations, anticipated synergies and cost savings being delayed or not being achieved, uncertainty in sales proceeds from planned divestments, and planned expansion projects being delayed or costing more than anticipated. These factors could negatively affect our future results and financial condition.

Our human resource talent pool may not be adequate to support our growth

Our existing operations and especially our pipeline of development projects in regions of numerous large projects, such as Western Australia and Queensland, when activated, require many highly skilled staff with relevant industry and technical experience. In the competitive labour markets that exist in these regions, the inability of the Group and industry to attract and retain such people may adversely impact our ability to adequately meet demand in projects. Skills shortages in engineering, technical service, construction and maintenance may adversely affect activities. These shortages may adversely impact the cost and schedule of development projects and the cost and efficiency of existing operations.

Increased costs and schedule delays may adversely affect our development projects

Although we devote significant time and resources to our project planning, approval and review process, we may underestimate the cost or time required to complete a project. In addition, we may fail to manage projects as effectively as we anticipate, and unforeseen challenges may emerge. Any of these may result in increased capital costs and schedule delays at our development projects impacting anticipated financial returns.

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

Our operations may be impacted by changed market or industry structures, commodity prices, technical operating difficulties, inability to recover our mineral, oil or gas reserves and increased operating cost levels. These may impact the ability for assets to recover their historical investment and may require financial write-downs adversely impacting our financial results.

Our non-controlled assets may not comply with our standards

Some of our assets are controlled and managed by joint venture partners or by other companies. Some joint venture partners may have divergent business objectives which may impact business and financial results. Management of our non-controlled assets may not comply with our management and operating standards, controls and procedures (including our health, safety, and environment standards). Failure to adopt equivalent standards, controls and procedures at these assets could lead to higher costs and reduced production and adversely impact our results and reputation.

Operating cost pressures and shortages could negatively impact our operating margins and expansion plans

Increasing cost pressures and shortages in skilled personnel, contractors, materials and supplies that are required as critical inputs to our existing operations and planned developments may occur across the resources industry. As the prices for our products are determined by the global commodity markets in which we operate, we may not have the ability to offset these cost increases resulting in operating margins being reduced. Notwithstanding our efforts to reduce costs and a number of key cost inputs being commodity price-linked, the inability to reduce costs and a timing lag may adversely impact our operating margins for an extended period. Our Australian-based operations may continue to be affected by the Australian Fair Work Act 2009 as labour agreements expire and businesses are required to negotiate labour agreements with unions. There is some evidence that labour unions are increasingly likely to pursue claims in the bargaining process about union access and involvement in operational decision-making relating to the implementation of change. These claims may adversely affect workplace flexibility, productivity and costs. Industrial action in pursuit of claims associated with the bargaining process has occurred in a number of businesses and is likely to continue to occur as unions press for new claims as part of the negotiation around new agreements.

A number of our operations are energy or water intensive and, as a result, the Group's costs and earnings could be adversely affected by rising costs or by supply interruptions. These could include the unavailability of energy, fuel or water due to a variety of reasons, including fluctuations in climate, significant increases in costs, inadequate infrastructure capacity, interruptions in supply due to equipment failure or other causes and the inability to extend supply contracts on economical terms.

These factors could lead to increased operating costs at existing operations and could negatively impact our operating margins and expansion plans.

Health, safety, environmental and community incidents or accidents and related regulations may adversely affect our operations and reputation or licence to operate

We are a major producer of carbon-related products such as energy and metallurgical coal, oil, gas, and liquefied natural gas. Our oil and gas operations are both onshore and offshore.

The nature of the industries in which we operate means that many of 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 rehabilitation expenses.

Potential health, safety, environmental and community events that may have a material adverse impact on our operations include rockfall incidents in underground mining operations, aircraft incidents, light vehicle incidents, well blowouts, explosions or gas leaks, incidents involving mobile equipment, uncontrolled tailings breaches, escape of polluting substances, uncontrolled releases of hydrocarbons, human rights breaches and community protests or civil unrest.

Longer-term health impacts may arise due to unanticipated workplace exposures or historical exposures to employees or site contractors. These effects may create future financial compensation obligations.

We may continue to be exposed to increased operational costs due to the costs and lost time associated with infectious diseases such as HIV/AIDS and malaria mainly within our African workforce and the increasing global burden of chronic disease. Because we operate globally, we may be affected by potential pandemic influenza outbreaks, such as A(H1N1) and avian flu, in any of the regions in which we operate.

1.5 Risk factors continued

Legislation requiring manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be used without negatively affecting health or the environment may impact our operations and markets. These potential compliance costs, litigation expenses, regulatory delays, rehabilitation expenses and operational costs could negatively affect our financial results.

During FY2011, BHP Billiton acquired Chesapeake Energy Corporation's interests in the Fayetteville Shale operation. On 14 July 2011, BHP Billiton announced an agreement to acquire Petrohawk Energy Corporation, an independent oil and natural gas company engaged in the exploration, development and production of US shale gas, and on 21 August 2011, we announced that the tender offer had been completed successfully. Both businesses include operations which involve hydraulic fracturing – a process of pumping water, sand and a small amount of chemical additives into the shale formation to fracture the rock and release the resource. In response to expressed health and environmental concerns, various states in which shale operations occur have recently adopted disclosure regulations requiring companies to disclose the chemicals used in the fracturing operations. Additionally, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. Additional costs may result from more demanding regulatory requirements and potential class action claims.

We provide for operational closure and site rehabilitation. Our operating and closed facilities are required to have closure plans. Changes in regulatory or community expectations may result in the relevant plans not being adequate. This may impact financial provisioning and costs at the affected operations.

We contribute to the communities in which we operate by providing skilled employment opportunities, salaries and wages, taxes and royalties and community development programs. Notwithstanding these actions, local communities may become dissatisfied with the impact of our operations, potentially affecting costs and production, and in extreme cases viability.

Despite our best efforts and best intentions, there remains a risk that health, safety, environmental and/or community incidents or accidents and related regulations may adversely affect our reputation or licence to operate.

Unexpected natural and operational catastrophes may adversely impact our operations

We operate extractive, processing and logistical operations in many geographic locations both onshore and offshore. Our operational processes may be subject to operational accidents such as port and shipping incidents, fire and explosion, pitwall failures, loss of power supply, railroad incidents, loss of well control, environmental pollution and mechanical failures. Our operations may also be subject to unexpected natural catastrophes such as earthquakes, flood, hurricanes and tsunamis. Based on our claims, insurance premiums and loss experience, our risk management approach is not to purchase insurance for property damage, business interruption and construction related risk exposures. Existing business continuity plans may not provide protection for all of the costs that arise from such events. The impact of these events could lead to disruptions in production, increased costs and loss of facilities more than offsetting premiums saved which would adversely affect our financial results and prospects. Third party claims arising from these events may exceed the limit of liability insurance policies we have in place.

Climate change and greenhouse effects may adversely impact our operations and markets

Carbon-based energy is a significant input in a number of the Group's mining and processing operations and we have significant sales of carbon-based energy products.

A number of governments or governmental bodies have introduced or are contemplating regulatory change in response to the impacts of climate change. Under the December 2009 Copenhagen Accord, developed countries established individual greenhouse gas targets and developing countries established national mitigation actions. The European Union Emissions Trading System (EU ETS), which came into effect on 1 January 2005, has had an impact on greenhouse gas and energy-intensive businesses based in the EU. Our Petroleum assets in the UK are currently subject to the EU ETS, as are our EU based customers. Elsewhere, there is current and emerging climate change regulation that will affect energy prices, demand and margins for carbon intensive products. The Australian Government's plan of action on climate change includes the introduction of a fixed price on carbon emissions beginning 1 July 2012 and converting to an emissions trading scheme after three years, and a mandatory renewable energy target of 20 per cent by the year 2020. From a medium to long-term perspective, we are likely to see some changes in the cost position of our greenhouse-gas-intensive assets and energy-intensive assets as a result of regulatory impacts in the countries in which we operate. These proposed regulatory mechanisms may impact our operations directly or indirectly via our suppliers and customers. Inconsistency of regulations particularly between developed and developing countries may also change the competitive position of some of our assets. Assessments of the potential impact of future climate change regulation are uncertain given the wide scope of potential regulatory change in the many countries in which we operate.

The physical impacts of climate change on our operations are highly uncertain and will be particular to the geographic circumstances. These may include changes in rainfall patterns, water shortages, rising sea levels, increased storm intensities and higher average temperature levels. These effects may adversely impact the productivity and financial performance of our operations.

Breaches in our information technology (IT) security processes may adversely impact the conduct of our business activities

We maintain global IT and communication networks and applications to support our business activities. IT security processes protecting these systems are in place and subject to assessment as part of the review of internal control over financial reporting. These processes may not prevent future malicious action or fraud by individuals or groups, resulting in the corruption of operating systems, theft of commercially sensitive data, misappropriation of funds and disruptions to our business operations.

A breach of our governance processes may lead to regulatory penalties and loss of reputation

We operate in a global environment straddling multiple jurisdictions and complex regulatory frameworks. Our governance and compliance processes, which include the review of internal control over financial reporting, may not prevent future potential breaches of law, accounting or governance practice. The BHP Billiton *Code of Business Conduct,* together with our anti-bribery and corruption, and anti-trust standards may not prevent instances of fraudulent behaviour and dishonesty nor guarantee compliance with legal or regulatory requirements. This may lead to regulatory fines, litigation, loss of operating licences or loss of reputation.

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1.6 Forward looking statements

This Annual Report contains forward looking statements, including statements regarding:

- estimated reserves
- trends in commodity prices and currency exchange rates
- demand for commodities
- 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
- anticipated productive lives of projects, mines and facilities
- provisions and contingent liabilities
- tax and regulatory developments.

Forward looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward looking statements.

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. Readers are cautioned not to put undue reliance on forward looking statements.

For example, our future revenues from our operations, projects or mines described in this Annual Report will be based, in part, upon the market price of the minerals, metals or petroleum produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project, the expansion of certain facilities or mines, or the continuation of existing operations.

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 some of the countries where we are exploring or developing these projects, facilities or mines, including increases in taxes, changes in environmental and other regulations and political uncertainty; and other factors identified in the description of the risk factors above.

We cannot assure you that our estimated economically recoverable reserve figures, closure or divestment of such operations or facilities, including associated costs, actual production or commencement dates, cost or production output or anticipated lives of the projects, mines and facilities discussed in this Annual Report, will not differ materially from the statements contained in this Annual Report.

Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events.

2 Information on the Company

2.1 BHP Billiton locations

Petroleum

Ref	Country	Fields	Description	Ownership
1	Algeria	Ohanet	Joint operator with Sonatrach for onshore wet gas production [a]	45%
2	Algeria	ROD Integrated Development	Onshore oil production [a]	38%
3	Australia	Bass Strait	Offshore Victoria oil, condensate, LPG, natural gas and ethane production [a]	50%
4	Australia	Minerva	Operator of offshore Victoria natural gas production	90%
5	Australia	North West Shelf	Offshore Western Australia oil, condensate, LPG, natural gas and LNG production [a]	8.3–16.7%
6	Australia	Pyrenees	Operator of offshore Western Australia oil production	40–71.4%
7	Australia	Stybarrow	Operator of offshore Western Australia oil production	50%
8	Pakistan	Zamzama	Operator of onshore natural gas production	38.5%
9	Trinidad and Tobago	Angostura	Operator of offshore oil and natural gas production	45%
10	UK	Bruce/Keith	Offshore North Sea oil and natural gas production [a]	Bruce – 16% Keith – 31.8%
11	UK	Liverpool Bay	Operator of offshore Irish Sea oil and natural gas production	46.1%
12	US	Fayetteville	Operator of onshore natural gas production	.03–100%
13	US	Gulf of Mexico	Offshore oil, LPG and natural gas production from several fields • Shenzi 44% • Neptune 35% • Starlifter 31% • West Cameron 33.8% • Atlantis 44% [a] • Mad Dog 23.9% [a] • Genesis 5% [a]	

[a] *Jointly or non-operated BHP Billiton Assets or Fields.*
[b] *Uranium forms part of the Base Metals Customer Sector Group.*
Percentage ownership figures have been rounded to one decimal place.

Aluminium

Ref	Country	Asset	Description	Ownership
14	Australia	Aluminium Australia	A joint venture where we operate the Worsley alumina refinery and Boddington bauxite mine in Western Australia	86%
15	Brazil	Alumar	Integrated alumina refinery and aluminium smelter [a]	36–40%
16	Brazil	Mineração Rio do Norte	An open-cut bauxite mine [a]	14.8%
17	Mozambique	Aluminium Mozambique	A joint venture where we operate the aluminium smelter (Mozal), located near Maputo	47.1%
18	South Africa	Aluminium South Africa	Hillside and Bayside aluminium smelters, located in Richards Bay	100%

Base Metals

Ref	Country	Asset	Description	Ownership
19	Australia	Cannington	Underground silver, lead and zinc mine, located in northwest Queensland	100%
20	Chile	Pampa Norte	Cerro Colorado and Spence open-cut mines producing copper cathode in the Atacama Desert, northern Chile	100%
21	Chile	Escondida	Comprises the world's largest copper mine, concentrators and solvent extraction plants and port operations	57.5%
22	Peru	Antamina	A joint venture open-cut copper and zinc mine, located in the Andes north-central Peru [a]	33.8%
23	US	Base Metals North America	Includes the Pinto Valley open-cut copper mine, located in Arizona	100%

BHP Billiton office locations

Ref	Country	Office Location	Business Area
40	Australia	Adelaide	Uranium Head Office Marketing Office
41	Australia	Brisbane	Metallurgical Coal Head Office Marketing Office Project Hub
42	Australia	Melbourne	Global Headquarters Marketing Office
43	Australia	Newcastle	Marketing Office
44	Australia	Perth	Iron Ore Head Office Stainless Steel Materials Head Office Marketing Office Minerals Exploration Office Project Hub
45	Australia	Sydney	Energy Coal Head Office
46	Belgium	Antwerp	Marketing Office
47	Brazil	Rio de Janeiro	Marketing Office
48	Canada	Saskatoon	Diamonds and Specialty Products Head Office
49	Canada	Toronto	Project Hub
50	Chile	Santiago	Base Metals Head Office Marketing Office Minerals Exploration Office Project Hub
51	China	Shanghai	Marketing Office
52	India	New Delhi	Marketing Office
53	Japan	Tokyo	Marketing Office
54	Malaysia	Kuala Lumpur	Global Shared Services Centre
55	Netherlands	The Hague	Marketing Office
56	Pakistan	Islamabad	Marketing Office
57	Russia	Moscow	Representative Office
58	Singapore	Singapore	Corporate Centre Marketing Head Office Minerals Exploration Head Office
59	South Africa	Johannesburg	Manganese Head Office Marketing Office Minerals Exploration Office
60	South Africa	Richards Bay	Marketing Office
61	South Korea	Seoul	Marketing Office
62	Switzerland	Baar	Marketing Office
63	UK	London	Aluminium Head Office Corporate Centre
64	US	Farmington	Marketing Office
65	US	Houston	Petroleum Head Office Marketing Office Project Hub
66	US	Pittsburgh	Marketing Office

Projects and exploration activities are not shown on this map.

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Uranium [b]

Ref	Country	Asset	Description	Ownership
24	Australia	Olympic Dam	Large poly-metallic orebody and the world's largest uranium deposit, producing copper, uranium, gold and silver	100%

Diamonds and Specialty Products

Ref	Country	Asset	Description	Ownership
25	Canada	EKATI Diamond Mine	Open-cut and underground diamond mines, located in the Northwest Territories of Canada	80%
26	South Africa	Richards Bay Minerals	Integrated titanium smelter and mineral sands mining operation [a]	37.8%

Stainless Steel Materials

Ref	Country	Asset	Description	Ownership
27	Australia	Nickel West	Mt Keith and Leinster nickel-sulphide mines, Kalgoorlie nickel smelter, Kambalda nickel concentrator and the Kwinana nickel refinery	100%
28	Colombia	Cerro Matoso	Integrated laterite ferronickel mining and smelting operation in northern Colombia	99.9%

Iron Ore

Ref	Country	Asset	Description	Ownership
29	Australia	Western Australia Iron Ore	Integrated iron ore mines (Area C, Jimblebar, Yandi, Newman and Yarrie), and rail and port operations in the Pilbara region of Western Australia	85–100%
30	Brazil	Samarco	Open-cut mine that produces iron ore pellets [a]	50%

Manganese

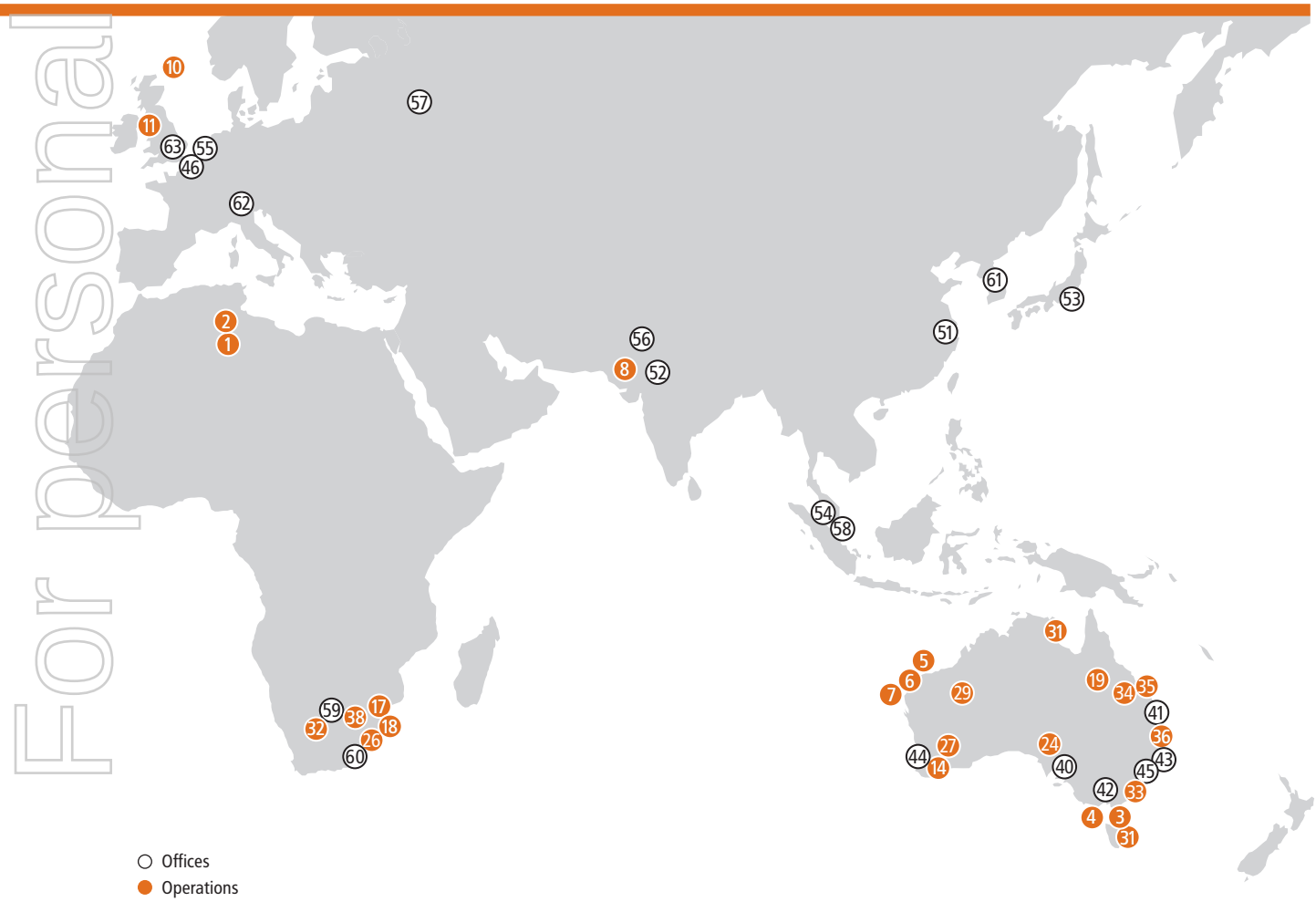
Ref	Country	Asset	Description	Ownership
31	Australia	Manganese Australia	Producer of manganese ore in the Northern Territory (GEMCO) and manganese alloys in Tasmania (TEMCO)	60%
32	South Africa	Manganese South Africa	Mamatwan open-cut and Wessels underground manganese mines and the Metalloys manganese alloy plant	44.4–60%

Metallurgical Coal

Ref	Country	Asset	Description	Ownership
33	Australia	Illawarra Coal	Underground coal mines (West Cliff, Dendrobium, Appin) in southern NSW, with access to rail and port facilities	100%
34	Australia	BHP Billiton Mitsubishi Alliance	Saraji, Goonyella Riverside, Peak Downs, Norwich Park, Gregory Crinum, Blackwater and Broadmeadow open-cut and underground mines in the Queensland Bowen Basin and Hay Point Coal Terminal	50%
35	Australia	BHP Billiton Mitsui Coal	South Walker Creek and Poitrel open-cut coal mines in the Queensland Bowen Basin	80%

Energy Coal

Ref	Country	Asset	Description	Ownership
36	Australia	NSW Energy Coal	Mt Arthur open-cut coal mine	100%
37	Colombia	Cerrejón	An open-cut coal mine, with integrated rail and port operations [a]	33.3%
38	South Africa	Energy Coal South Africa	Khutala, Middelburg, Klipspruit, Wolvekrans open-cut and underground mines and coal processing operations	50–100%
39	US	New Mexico Coal	Navajo open-cut and San Juan underground mines	100%



2 Information on the Company

2.2 Business overview

2.2.1 History and development

Since 29 June 2001, we have operated under a Dual Listed Company (DLC) structure. Under the DLC structure, the two parent companies, BHP Billiton Limited (formerly BHP Limited and before that The Broken Hill Proprietary Company Limited) and BHP Billiton Plc (formerly Billiton Plc) operate as a single economic entity, run by a unified Board and management team. More details of the DLC structure are located under section 2.10 of this Report.

BHP Billiton Limited was incorporated in 1885 and is registered in Australia with ABN 49 004 028 077. BHP Billiton Plc was incorporated in 1996 and is registered in England and Wales with registration number 3196209. Successive predecessor entities to BHP Billiton Plc have operated since 1860.

The registered office of BHP Billiton Limited is 180 Lonsdale Street, Melbourne, Victoria 3000, Australia, and its telephone number is 1300 55 47 57 (within Australia) or +61 3 9609 3333 (outside Australia). The registered office of BHP Billiton Plc is Neathouse Place, London SW1V 1BH, UK, and its telephone number is +44 20 7802 4000. Our agent for service in the United States is Marisa I. Reuter at 1360 Post Oak Boulevard, Suite 150, Houston, TX 77056.

2.2.2 Petroleum Customer Sector Group

Our Petroleum CSG comprises a base of large, long-life, low-unit cost operations that are located in six countries throughout the world. We pursue significant upstream opportunities with multiple options for growth to ensure continued success.

During FY2011, Petroleum delivered our fourth consecutive annual production record by realising 159.4 million barrels of oil equivalent (MMboe) from our diverse global portfolio. Our operations achieved continued high uptime rates with strong reservoir performance from the operated Pyrenees (Australia) and Shenzi (US) fields. The Angostura Gas facility (Trinidad and Tobago) was brought on stream during the fourth quarter of FY2011. New production volumes were realised from the acquisition of the Fayetteville onshore shale gas operations (US) during the fourth quarter of FY2011. Continued high margins were achieved due to operating costs being maintained on average close to US$6 per barrel on the entire global portfolio.

Production from our Gulf of Mexico projects was materially impacted through FY2011 by a drilling moratorium imposed by the US Department of the Interior on all offshore oil and gas industry activities following the oil spill from BP's Macondo well. Despite regulatory delays, BHP Billiton led the industry in returning to deepwater drilling operations and bringing the first new production on stream from our operated Shenzi field following the lifting of the moratorium on 12 October 2010. Drilling has not yet commenced in the Mad Dog and Atlantis fields operated by BP where we have a significant interest. Production in FY2011 was also adversely impacted by an active tropical cyclone season in Western Australia affecting our operated Pyrenees and Stybarrow oil operations and non-operated North West Shelf operations.

We continue to invest through economic cycles and maintain a long-term view. Our consistently strong project execution over the past five years has led us to successfully deliver five major operated projects, the latest one being the Angostura Gas platform offshore Trinidad and Tobago. This has continued our track record of delivering our projects safely, within budget and on schedule. We remain committed to growth through exploration and commenced a major international drilling campaign in FY2011 that will extend through FY2012 and beyond. We continue to build our inventory of acreage, leads and prospects as well as progressing our major capital projects. In February 2011, we successfully executed a major acquisition of the Fayetteville Shale gas interests in Arkansas for US$4.8 billion. On 21 August 2011, we announced the successful completion of the cash tender offer to acquire Petrohawk Energy Corporation, an independent oil and natural gas company engaged in the exploration, development and production of primarily shale gas and oil in Texas and Louisiana. The total price of the offer was approximately US$12.1 billion and the total enterprise value was approximately US$15.1 billion, including the assumption of net debt. We will continue to evaluate other commercial opportunities for growth as we move forward.

Our production operations are as follows:

Bass Strait

Together with our 50–50 joint venture partner, Esso Australia (a subsidiary of ExxonMobil), we have been producing oil and gas from Bass Strait, off the south-eastern coast of Australia, for over 40 years, having participated in the original discovery of hydrocarbons in 1965. We dispatch the majority of our Bass Strait crude oil and condensate production to refineries along the east coast of Australia. Gas is piped onshore to our Longford processing facility, from which we sell our production to domestic distributors under contracts with periodic price reviews.

North West Shelf

We are a joint venture participant in the North West Shelf Project in Western Australia. The North West Shelf Project was developed in phases: the domestic gas phase supplies gas to the Western Australian domestic market mainly under long-term contracts, and a series of liquefied natural gas (LNG) expansion phases supplying LNG to buyers in Japan, Korea and China under a series of long-term contracts. The project also produces LPG and condensate.

We are also a joint venture participant in four nearby oil fields. Both the North West Shelf gas and oil ventures are operated by Woodside Petroleum Ltd.

Australia operated

We operate two oil fields offshore Western Australia and one gas field in Victoria.

The Pyrenees oil development consists of three fields, two of which (Crosby and Stickle) are located in blocks WA-42-L (71.43 per cent interest), while the third (Ravensworth) straddles blocks WA-42-L and WA-43-L (40 per cent interest). The project uses a floating production storage and off-take (FPSO) facility.

The Stybarrow operation (50 per cent BHP Billiton share) is an oil development located offshore Western Australia. The project uses a FPSO facility.

The Minerva operation (90 per cent BHP Billiton share) is a gas field located offshore Victoria. The operation consists of two subsea producing wells which pipe gas onshore to a processing plant. The gas is delivered into a pipeline and sold domestically.

Gulf of Mexico

We operate three fields in the Gulf of Mexico (Neptune, Shenzi and consolidated operations in the West Cameron area), and hold non-operating interests in a further three fields (Atlantis, Mad Dog and Genesis). We also own 25 per cent and 22 per cent, respectively, of the companies that own and operate the Caesar oil pipeline and the Cleopatra gas pipeline which transport oil and gas from the Green Canyon area, where a number of our fields are located, to connecting pipelines that transport product to the mainland. We deliver our oil production to refineries along the Gulf Coast of the United States.

Fayetteville

Fayetteville Shale operations in central Arkansas in the US consist of approximately 504,451 net acres of leasehold and producing natural gas properties and extensive infield gathering pipelines and several compression stations.

Liverpool Bay and Bruce/Keith

The Liverpool Bay integrated development consists of six offshore gas and oil fields in the Irish Sea, the Point of Ayr onshore processing plant in north Wales, and associated infrastructure. We deliver the Liverpool Bay gas by pipeline to E.ON's Connah's Quay power station.

We own 46.1 per cent of and operate Liverpool Bay. We also hold a 16 per cent non-operating interest in the Bruce oil and gas field in the North Sea and operate the Keith field (31.83 per cent share), a subsea tie-back, that is processed via the Bruce platform facilities.

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2.2.2 Petroleum Customer Sector Group continued

Algeria

Our Algerian operations comprise our effective 45 per cent interest in the Ohanet wet gas development and our effective 38 per cent interest in the ROD Integrated Development, which consists of six satellite oil fields that pump oil back to a dedicated processing train.

Our interest in ROD is subject to a contractual determination to ensure interest from participating association leases is accurately reflected. Future redetermination of our interest may be possible under certain conditions.

Trinidad and Tobago

The Greater Angostura project is an integrated oil and gas development located offshore east Trinidad. We operate the field and have a 45 per cent interest in the production sharing contract for the project. Gas sales from the gas export platform commenced in May 2011.

Zamzama

We hold a 38.5 per cent working interest in and operate the Zamzama gas project in Sindh province of Pakistan. Both gas and condensate are sold domestically.

Information on Petroleum operations

The following table contains additional details of our production operations. This table should be read in conjunction with the production (see section 2.3.1) and reserve tables (see section 2.13.1).

Operation & Location	Product	Ownership	Operator	Title, Leases or Options	Nominal Production Capacity	Facilities, Use & Condition
Australia						
Bass Strait						
Offshore Victoria	Oil and gas	BHP Billiton 50% Esso Australia (Exxon Mobil subsidiary) 50% Oil Basins Ltd 2.5% royalty interest in 19 production licences	Esso Australia	20 production licences (of which 4 are under renewal process), 2 retention leases (under renewal process) issued by Australian Government Expire between 2016 and end of life of field One production licence held with Santos Ltd	Oil: 200 Mbbl/d Gas: 1,075 MMcf/d LPG: 5,150 tpd Ethane: 850 tpd	20 producing fields with 21 offshore developments (14 steel jacket platforms, 3 subsea developments, 2 steel gravity based mono towers, 2 concrete gravity based platforms) Onshore infrastructure: Longford Facility (3 gas plants, liquid processing facilities) Interconnecting pipelines Long Island Point LPG and oil storage facilities Ethane pipeline
North West Shelf (NWS) – gas, LNG, LPG and condensate						
Offshore Western Australia North Rankin, Goodwyn, Perseus, Echo-Yodel, Angel, Searipple fields	Domestic gas, LPG, condensate, LNG	North West Shelf Project is an unincorporated JV BHP Billiton: 8.33% of original domestic gas JV, will progressively increase to 16.67% 16.67% of Incremental Pipeline Gas (IPG) domestic gas JV 16.67% of original LNG JV 12.5% of China LNG JV 16.67% of LPG JV Approximately 15% of current condensate production Other participants: subsidiaries of Woodside Energy, Chevron, BP, Shell, Mitsubishi/Mitsui and China National Offshore Oil Corporation	Woodside Petroleum Ltd	9 production licences issued by Australian Government 6 expire in 2022 and 3 expire 5 years from end of production	North Rankin A platform: 2,300 MMcf/d gas 60 Mbbl/d condensate Goodwyn A platform: 1,450 MMcf/d gas 110 Mbbl/d condensate Angel platform: 960 MMcf/d gas 50 Mbbl/day condensate Withnell Bay gas plant: 600 MMcf/d gas 5-train LNG plant: 45,000 tpd LNG	Production from North Rankin and Perseus processed through North Rankin A platform Production from Goodwyn, Searipple and Echo-Yodel processed through Goodwyn A platform 4 subsea wells in Perseus field tied into Goodwyn A platform Production from Angel field processed through Angel platform Onshore gas treatment plant at Withnell Bay processes gas for domestic market 5-train LNG plant
North West Shelf – oil						
Offshore Western Australia Wanaea, Cossack, Lambert and Hermes fields	Oil	BHP Billiton 16.67% Woodside Energy 33.34% BP, Chevron, Japan Australia LNG (MIMI) 16.67% each	Woodside Petroleum Ltd	3 production licences issued by Australian Government expire 2012 – 2018	Production capacity: 60 Mbbl/d Storage capacity: 1 MMbbl	FPSO
Minerva						
Offshore Victoria Gas plant located approximately 4 km inland from Port Campbell	Gas and condensate	BHP Billiton 90% Santos (BOL) 10%	BHP Billiton	Production licence issued by Australian Government expires 5 years after production ceases	150 TJ/d gas 600 bbl/d condensate	2 well completions Single flow line transports gas to onshore gas processing facility

Information on Petroleum operations continued

Operation & Location	Product	Ownership	Operator	Title, Leases or Options	Nominal Production Capacity	Facilities, Use & Condition
Australia continued						
Stybarrow						
Offshore Western Australia Stybarrow and Eskdale fields	Oil and gas	BHP Billiton 50% Woodside Energy 50%	BHP Billiton	Production licence issued by Australian Government expires 5 years after production ceases	Production: 80 Mbbl/d oil Storage: 900 Mbbl	10 subsea well completions (6 producers, 3 water injectors, 1 gas injector) Gas production is reinjected
Pyrenees						
Offshore Western Australia Crosby, Stickle and Ravensworth fields	Oil	WA-42-L permit: BHP Billiton 71.43% Apache PVG 28.57% WA-43-L permit: BHP Billiton 40% Apache Permits 31.5% Inpex Alpha 28.5%	BHP Billiton	Production licence issued by Australian Government expires 5 years after production ceases	Production: 96 Mbbl/d oil Storage: 920 Mbbl	17 subsea well completions (13 producers, 3 water injectors, 1 gas injector), FPSO WA-42-L production commenced third quarter of FY2010 WA-43-L production commenced first quarter of FY2011
US						
Neptune (Green Canyon 613)						
Offshore Deepwater Gulf of Mexico (1,300 m)	Oil and gas	BHP Billiton 35% Marathon Oil 30% Woodside Energy 20% Maxus US Exploration 15%	BHP Billiton	Lease from US Government as long as oil and gas produced in paying quantities	50 Mbbl/d oil 50 MMcf/d gas	Permanently moored tension-leg platform (TLP)
Shenzi (Green Canyon 653)						
Offshore Deepwater Gulf of Mexico (1,310 m)	Oil and gas	BHP Billiton 44% Hess Corporation 28% Repsol 28%	BHP Billiton	Lease from US Government as long as oil and gas produced in paying quantities	100 Mbbl/d oil 50 MMcf/d gas	Stand-alone TLP Genghis Khan field (part of same geological structure) tied back to Marco Polo TLP
West Cameron 76						
Offshore Gulf of Mexico	Gas and condensate	BHP Billiton 33.76% ENI Petroleum 40% Black Elk Energy Offshore Operations 15% Ridgewood Energy Company 11.24%	BHP Billiton	Lease from US Government as long as oil and gas produced in paying quantities	120 MMcf/d gas 800 bbl/d condensate	2 conventional gas platforms
Starlifter (West Cameron 77)						
Offshore Gulf of Mexico	Gas and condensate	BHP Billiton 30.95% McMoRan 33.75% Black Elk Energy Offshore Operations 13.75% Ridgewood Energy Company 10.3% Castrex Offshore Inc 5.625% Walter Oil and Gas Corporation 5.625%	BHP Billiton	Lease from US Government as long as oil and gas produced in paying quantities	40 MMcf/d gas 450 bbl/d condensate	Single conventional gas platform
Atlantis (Green Canyon 743)						
Offshore Deepwater Gulf of Mexico (2,155 m)	Oil and gas	BHP Billiton 44% working interest BP 56%	BP	Lease from US Government as long as oil and gas produced in paying quantities	200 Mbbl/d oil 180 MMcf/d gas	Permanently moored semi-submersible platform
Mad Dog (Green Canyon 782)						
Offshore Deepwater Gulf of Mexico (1,310 m)	Oil and gas	BHP Billiton 23.9% BP 60.5% Chevron 15.6%	BP	Lease from US Government as long as oil and gas produced in paying quantities	100 Mbbl/d oil 60 MMcf/d gas	Permanently moored integrated truss spar, facilities for simultaneous production and drilling operations

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Information on Petroleum operations continued

Operation & Location	Product	Ownership	Operator	Title, Leases or Options	Nominal Production Capacity	Facilities, Use & Condition
US continued						
Genesis (Green Canyon 205)						
Offshore Deepwater Gulf of Mexico (approximately (790 m)	Oil and gas	BHP Billiton 4.95% Chevron 56.67% ExxonMobil 38.38%	Chevron	Lease from US Government as long as oil and gas produced in paying quantities	55 Mbbl/d oil 72 MMcf/d gas	Floating cylindrical hull (spar) moored to seabed with integrated drilling facilities
Fayetteville						
Onshore Arkansas	Gas	BHP Billiton working interests in leases range from 0.03% to 98.94% BHP Billiton 58.31% average interest in 787 wells and 10.58% average interest in 2,311 wells Largest partners Southwestern Energy, XTO Energy and BP	BHP Billiton – 787 wells Partners – 2,311 wells	In excess of 40,000 leases, which are predominantly held with private parties Leases associated with producing wells remain in place as long as oil and gas produced in paying quantities	Maximum net production achieved during FY2011 423 MMcf/d	Gas transported via extensive pipeline infrastructure and associated compression (100% owned) or third party gathering systems
Other						
Liverpool Bay						
Offshore northwest England, Irish Sea Douglas and Douglas West oil fields, Hamilton, Hamilton North and Hamilton East gas fields, Lennox oil and gas field	Oil and gas	BHP Billiton 46.1% ENI 53.9%	BHP Billiton	3 production licences issued by UK Government expire 2016, 2025 and 2027	308 MMcf/d gas 70 Mbbl/d oil and condensate	Integrated development of 6 fields Oil treated at Douglas complex then piped to oil storage barge for export by tankers Gas processed at Douglas complex then piped by subsea pipeline to Point of Ayr gas terminal for further processing
Bruce/Keith						
Offshore North Sea, UK	Oil and gas	Bruce: BHP Billiton 16% BP 37% Total 43.25% Marubeni 3.75% Keith: BHP Billiton 31.83% BP 34.84% Total 25% Marubeni 8.33%	Keith – BHP Billiton Bruce – BP	3 production licences issued by UK Government expire 2011, 2015 and 2018 We expect to renew the licence expiring in November 2011	920 MMcf/d	Integrated oil and gas platform Keith developed as tie-back to Bruce facilities
Ohanet						
Onshore Approximately 1,300 km southeast of Algiers, Algeria	Gas and condensate	BHP Billiton effective 45% interest Japan Ohanet Oil and Gas 30% Woodside Energy 15% Petrofac Energy Developments 10%	Sonatrach/ BHP Billiton staffed organisation	JV is party to risk service contract with Sonatrach (title holder), expires October 2011 at which time BHP Billiton will exit the licence Under the contract JV is reimbursed and remunerated for its investments in liquids	20 MMcm/d wet gas 61 Mbbl/d associated liquids (LPG, condensate)	Wet gas (LPG and condensate) development comprising 4 gas and condensate fields and gas processing plant

Information on Petroleum operations continued

Operation & Location	Product	Ownership	Operator	Title, Leases or Options	Nominal Production Capacity	Facilities, Use & Condition
Other continued						
ROD Integrated Development						
Onshore Berkine Basin, 900 km southeast of Algiers, Algeria	Oil	BHP Billiton 45% interest in 401a/402a production sharing contract ENI 55% BHP Billiton effective 38% interest in ROD unitised integrated development ENI 62%	Joint Sonatrach/ ENI entity	Production sharing contract with Sonatrach (title holder) Expires 2016 with option for two 5-year extensions under certain conditions	Approximately 80 Mbbl/d oil	Development and production of 6 oil fields 2 largest fields (ROD and SFNE) extend into neighbouring blocks 403a, 403d Production through dedicated processing train on block 403
Greater Angostura						
Offshore Trinidad and Tobago	Oil and gas	BHP Billiton 45% Total 30% Chaoyang 25%	BHP Billiton	Production sharing contract with Trinidad and Tobago Government entitles us to operate Greater Angostura until 2021	100 Mbbl/d oil 280 MMcf/d gas	Integrated oil and gas development: central processing platform connected to the Kairi-2 platform and gas export platform with 3 satellite wellhead protector platforms and flow lines Oil pipeline from processing platform to storage and export at Guayaguayare Gas exported to Trinidad and Tobago domestic markets
Zamzama						
Onshore Sindh Province, Pakistan	Gas	BHP Billiton 38.5% ENI Pakistan 17.75% PKP Exploration Ltd 9.375% PKP Exploration Ltd 2 9.375% Government Holdings (Private) Limited 25%	BHP Billiton	20-year development and production lease from Pakistan Government expires 2022 (option to extend 5 years)	500 MMcf/d gas 3,350 bbl/d condensate	8 production wells, 4 process trains

Note: Deepwater Gulf of Mexico relates to fields in water depths of over approximately 150 metres.

Development projects

Australia

North West Shelf North Rankin gas compression project

The North West Shelf gas compression project was approved by the Board in March 2008 to recover remaining lower pressure gas from the North Rankin and Perseus gas fields. The project consists of a new gas compression platform, North Rankin B, capable of processing 2,500 million cubic feet per day (MMcf/d) of gas, which will be constructed adjacent to the existing North Rankin A platform, 135 kilometres offshore from Karratha on the northwest coast of Western Australia. The two platforms will be connected by a 100 metre long bridge and operate as a single facility. Our 16.67 per cent share of development costs is approximately US$850 million, of which US$390 million was incurred as of 30 June 2011. First gas is expected in CY2013.

North West Shelf Cossack, Wanaea, Lambert, Hermes (CWLH) life extension

In December 2008, approval was announced to undertake a redevelopment project to replace and refurbish CWLH facilities as a result of the longer than originally planned field life. The project involves replacing the existing Cossack Pioneer FPSO vessel and selectively refurbishing subsea infrastructure and the riser turret mooring. Our 16.67 per cent share of the cost is approximately US$245 million, of which US$223 million was incurred as of 30 June 2011. First production through the redeveloped facilities is expected in the second half of CY2011.

Bass Strait Kipper gas field development

Initial development of the Kipper gas field in the Gippsland Basin located offshore Victoria was approved by the Board in December 2007. A supplemental approval of the development was granted in January 2011. The first phase of the project includes two new subsea wells, three new pipelines and platform modifications to supply 10 thousand barrels per day (Mbbl/d) of condensate and 80 MMcf/d of gas. Gas and liquids will be processed via the existing Gippsland Basin Joint Venture facilities. Our share of development costs is approximately US$900 million, of which US$515 million was incurred as of 30 June 2011. Facilities are expected to be ready for first production in CY2012 pending resolution of mercury content. Mercury has been encountered in the reservoir and a solution is being developed separately. The initial production target date is CY2014. The Kipper gas field development is comprised of the Kipper Unit Joint Venture and the Gippsland Basin Joint Venture. We own a 32.5 per cent interest in the Kipper Unit Joint Venture, with Esso Australia and Santos owning the remaining 67.5 per cent. We own a 50 per cent interest in the Gippsland Basin Joint Venture with Esso Australia owning the remaining 50 per cent.

Bass Strait Turrum field development

Further expansion of the Gippsland Basin facilities is underway following approval by the Board in July 2008 of the full field development of the Turrum oil and gas field. A supplemental approval of the development was obtained in January 2011.

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2.2.2 Petroleum Customer Sector Group continued

The project consists of a new platform, Marlin B, linked by a bridge to the existing Marlin A platform. The Turrum field, which has a capacity of 11 Mbbl/d of oil and 200 MMcf/d of gas, is located 42 kilometres from shore in approximately 60 metres of water. Our share of development costs is approximately US$1,350 million, of which US$640 million was incurred as of 30 June 2011. Initial production is targeted for CY2013. The Turrum field development operates under the Gippsland Basin Joint Venture in which we own a 50 per cent interest.

Macedon

Macedon is a domestic gas development in Western Australia. The project will consist of a 200 MMcf/d of stand-alone gas plant, four subsea production wells, a 90 kilometre, 20 inch wet gas pipeline and a 67 kilometre, two inch sales gas pipeline. In August 2010, the project was approved at an investment level of US$1,050 million (net BHP Billiton share). Execution phase work, including award of principal Engineering Procurement and Construction Management (EPCM) onshore and offshore installation contracts, has commenced. We are the operator, with a 71.43 per cent interest and Apache PVG Pty Ltd holds the remaining 28.57 per cent interest. First gas is expected in CY2013.

Exploration and appraisal

We focus on capturing and operating large acreage positions in areas that are material to the Group. We have exploration interests around the world, particularly in the Gulf of Mexico, Australia, and the South China Sea. During FY2011, our gross expenditure on exploration was US$557 million, of which US$404 million was expensed. Our major exploration interests are as follows:

Australia

We have a 50 per cent interest in the Gippsland Basin Joint Venture with Esso Australia Ltd. In November 2010, the Yellowfin well was plugged and abandoned and expensed as a dry hole. Operations for the South East Longtom well started the same month and encountered hydrocarbons. The well has been plugged and abandoned and continues being evaluated for development potential.

In June 2011, we increased our interest in block WA-351-P offshore Western Australia to 80 per cent by exercising a pre-emption right to acquire a 25 per cent interest from our joint venture partner Tap (Shelfal) Pty Ltd. The block is located on the Exmouth Plateau south of the Scarborough gas field. Tap holds the remaining 20 per cent.

Also in June 2011, we exercised our option to acquire an additional 16 per cent interest in block WA-335-P offshore Western Australia, taking our total participating interest to 46 per cent. In addition, we exercised our right to assume operatorship from Apache (35.1 per cent). Kufpec holds the remaining 18.9 per cent.

The Argus-2 appraisal well was spud in early June 2011 in the AC/RL8 retention lease over the Argus gas field. Woodside Browse Pty Ltd operates the AC/RL8 retention lease with 60 per cent interest while we hold the remaining 40 per cent.

United States

Deep Blue – Green Canyon 723

We currently own a 31.875 per cent interest in the Deep Blue prospect located in the Green Canyon area. Partners in the well are Noble (33.75 per cent), Statoil (15.625 per cent), Samson (9.375 per cent) and Murphy (9.375 per cent). Deep Blue exploration well-1 was drilled in November 2009 and concluded in May 2010. The sidetrack drilling started in May and was suspended in June 2010 due to the Gulf of Mexico drilling moratorium issued by the US Government. The Green Canyon 723 #1 original hole was drilled to a total depth of 32,684 feet and encountered hydrocarbons. Following the lifting of the drilling moratorium in October 2010, the forward plan is to complete the sidetrack operations once required permitting is granted and a rig is available. There is insufficient information to confirm the extent of hydrocarbons until drilling operations have been completed.

Other

Colombia

In September 2008, we entered into a technical evaluation of hydrocarbon potential in Block 5 in the Llanos basin onshore Colombia. We operate the project and hold a 71.4 per cent working interest in the joint venture, with SK Energy Co holding the remaining 28.6 per cent interest. The minimum work program includes the acquisition of 1,000 kilometres of 2D seismic plus the drilling of five stratigraphic wells. The airborne survey was completed in January 2010, and 621 kilometres of 2D seismic were acquired from December 2010 to May 2011. In addition, four stratigraphic wells were drilled.

Falkland Islands

In December 2007, we farmed into Northern and Southern area licences offshore the Falkland Islands. We acquired a 51 per cent interest from our joint venture partner Falkland Oil and Gas Limited (FOGL) and assumed operatorship in January 2008. The minimum exploration work program included drilling two wells in the first phase by the end of CY2010. Site surveys on both blocks were completed in 2009. The first exploration well began drilling in June 2010 and was plugged and abandoned and expensed as a dry hole in July 2010. A one year extension to the first phase of the licences was granted by the Falkland Islands Government in September 2010. In April 2011, we sent a request to the Falkland Islands Government to allow us to transfer our 51 per cent working interest and operatorship to FOGL. Final approval for the transfer was received from the Foreign Commonwealth Office in June 2011.

India

In December 2008, we were awarded seven offshore blocks in India. We are the operator of all seven blocks, each with its own production sharing contract. The minimum exploration program includes the acquisition and processing of 2D seismic data across the seven blocks and a small 3D seismic acquisition in one block. We currently own a 26 per cent interest in all seven blocks, with our partner GVK holding the remaining 74 per cent. In June 2010, we were awarded three additional offshore blocks. The minimum work program associated with the three blocks includes the acquisition and processing of 2D and 3D seismic data. We hold a 100 per cent interest in each of these three blocks. We have met the commitment for acquiring the 2D seismic in all 10 blocks and are processing the data for interpretation. The 3D seismic acquisition, processing and interpretation is being planned for a future date which will complete the committed exploration work program. We are currently working on permit issues with the Indian Government.

Malaysia

In March 2007, we were awarded offshore Blocks N and Q in Malaysia with a 60 per cent interest and operatorship. Petronas Carigali holds the remaining 40 per cent. The minimum exploration program includes the acquisition and processing of seismic data across the two blocks and the drilling of four Block N exploration wells within the first seven years. The initial seismic acquisition program commenced in June 2008 and was completed in September 2008. The first exploration well was drilled in February 2010 and was plugged, abandoned and expensed as a dry hole. The second exploration well was spud at the beginning of May 2011 and was in the process of drilling at the end of FY2011.

Philippines

In November 2009, we acquired a 75 per cent interest in Service Contract 59, located offshore Philippines and we assumed operatorship in April 2010. PNOC Exploration Corp owns the remaining 25 per cent interest. As part of the minimum work program, the joint venture completed the acquisition and processing of a 2D seismic survey in April 2010. A 3D seismic acquisition was completed in January 2011 and processing is currently ongoing. The remaining obligations on the current work program require us to drill an exploration well prior to July 2012.

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2.2.2 Petroleum Customer Sector Group continued

In May 2011, we exercised an option to farm-in to Service Contract 55, located offshore Philippines to acquire a 60 per cent working interest and assume operatorship of the block. The remaining interest will be divided between Otto Energy, which will own 33.18 per cent interest, and Trans-Asia, which will own 6.82 per cent interest. 3D seismic acquisition and processing were completed during the year.

In August 2009, we exercised our option with partner Mitra Energy (25 per cent) to acquire a 25 per cent non-operating interest in Service Contract 56 located offshore Philippines. The joint venture completed drilling the first exploration well in December 2009, and the second exploration well in February 2010. Both wells were expensed as dry holes. The drilling of these wells fulfilled our minimum work commitment against the service contract. The block is operated by ExxonMobil (50 per cent).

Vietnam

In October 2009, we became operator of Vietnam Blocks 28 and 29/03 located approximately 200 kilometres offshore southern Vietnam. We have a 50 per cent interest in each of the blocks, with Mitra Energy holding the remaining 50 per cent. The minimum work program for the first sub-phase includes 2D seismic data and two wells. We also acquired and processed 3D data. The first exploration well was drilled in May 2011 while drilling of the second well commenced in June 2011. Both wells were plugged, abandoned and expensed as dry holes in FY2011.

Brunei

In September 2010, we entered into a Deed of Amendment with respect to Block CA1 (formerly Block J) following the settlement of the maritime dispute between Brunei and Malaysia. We own a 22.5 per cent interest in the block, with the residual interests held by Total Deep Offshore Borneo (54 per cent and operator), Hess (Borneo Block J) Ltd (13.5 per cent), Petronas Carigali (five per cent) and Canam Brunei Oil Ltd (Murphy Oil) (five per cent). The minimum work obligation includes the drilling of seven exploration wells.

South Africa

In September 2010, we entered into exploration agreements for two blocks offshore South Africa. We own and operate a 60 per cent interest in Block 3A/4A, and a 90 per cent interest in block 3B/4B. The remaining interest in Block 3A/4A is held by PetroSA (30 per cent) and Sasol Petroleum International (10 per cent). Global Offshore Oil Exploration South Africa holds a 10 per cent interest in Block 3B/4B. The minimum work program includes the drilling of one exploration well within each block.

Present activities

Drilling

The number of wells in the process of being drilled (including temporarily suspended wells) as of 30 June 2011 was as follows:

	Exploratory wells		Development wells		Total	
	Gross	Net [1]	Gross	Net [1]	Gross	Net [1]
Australia	1	–	–	–	1	–
United States	1	–	106	38	107	38
Other	2	1	1	–	3	1
Total	4	1	107	38	111	39

[1] Represents our share of the gross well count.

Other significant activities

Australia

Browse

The Browse LNG Development comprises development of the Torosa, Brecknock and Calliance gas fields, which were discovered in 1971, 1979, and 2000, respectively. The fields are located approximately 440 kilometres north-north-west of Broome, Western Australia in water depths up to 800 metres. Evaluation of the in-place resources continues together with definition of the on and offshore facilities required to extract hydrocarbons and produce and export LNG.

Woodside is the operator and we own 8.33 per cent of the East Browse resources and 20 per cent of West Browse. Efforts are ongoing to align equity interests for the overall development.

Scarborough

Development planning for the large Scarborough gas field offshore Western Australia is in progress. We are evaluating development options for a LNG plant and offshore production facilities. Esso is the operator of the WA-1-R lease and we hold a 50 per cent working interest. We also have a 100 per cent working interest in the WA-346-P block.

Greater Western Flank 'A'

Planning is underway for the Greater Western Flank – a phased development of selected core undeveloped resources to the west of existing North West Shelf production infrastructure. The first phase of development, termed Greater Western Flank A, consists of two core fields, Goodwyn GHA/B and Tidepole, and has progressed to the feasibility stage in the second half of CY2011. Woodside is the operator and we own a 16.67 per cent share.

United States

Shenzi Water Injection

The Shenzi Water Injection program includes drilling and completion of five water injection wells and provides facilities to inject up to 125 Mbbl/d of water at 7,000 pounds per square inch (psi). The program was approved as part of the original sanctioned Shenzi project, which began production in 2009 to supplement aquifer pressure for additional recovery. To date, Water Injector (WI) #1 has been drilled and completed and WI #2 has been drilled; plans to complete WI #2 and drill and complete WI #3 in FY2012 are underway.

Atlantis South Water Injection

The Atlantis South Water Injection project is in the execution phase and involves drilling four subsea water injectors, tying them into the existing infrastructure and commissioning the 75 Mbbl/d of water injection facilities. This water injection project mitigates low aquifer pressure which could result in a swift production decline. BP is the operator and we hold a 44 per cent working interest.

Atlantis North Phase 2B

The Atlantis North Flank began production in July 2009. The North Phase 2B is a brownfield capital investment program being developed to improve production rates. Phase 2B includes a one well program and associated subsea infrastructure. As with the original Atlantis North project, BP is the operator, and we hold a 44 per cent working interest.

Mad Dog Phase 2

The Mad Dog Phase 2 project is in response to the successful Mad Dog South appraisal well, which confirmed significant hydrocarbons in the southern portion of the Mad Dog field. Mad Dog Phase 2 will be a spar development with all subsea production and injection wells and includes water injection capability to provide support to the east, west and south of the field.

Other

Zamzama Front End Compression

Zamzama Front End Compression is a brownfield project in Pakistan which allows for the additional drawdown of the reservoir, adding reserves and maintaining plateau production levels. Development is currently underway and project completion is expected in 2011.

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2.2.2 Petroleum Customer Sector Group continued

Delivery commitments

We have delivery commitments of natural gas and LNG of approximately 3,147 billion cubic feet through 2031 (78 per cent Australia and 22 per cent Other) and crude, condensate and natural gas liquids (NGL) commitments of 15.6 million barrels through 2012 (74 per cent Australia, eight per cent United States and 18 per cent Other). We have sufficient proved reserves and production capacity to fulfil these delivery commitments. Further information can be found in Section 2.13.1.

2.2.3 Aluminium Customer Sector Group

Our Aluminium CSG is a portfolio of assets at three stages of the aluminium value chain: mining bauxite, refining bauxite into alumina, and smelting alumina into aluminium metal. We are the world's seventh-largest producer of aluminium, with total production in FY2011 of 1.2 million tonnes (Mt) of aluminium. We also produced 13.6 Mt of bauxite and 4.0 Mt of alumina.

During FY2011, we consumed 35 per cent of our alumina production in our aluminium smelters and we sold the balance to other smelters. Our alumina sales are a mixture of long-term contract sales at LME-linked prices and spot sales at negotiated prices. Prices for our aluminium sales are generally linked to prevailing LME prices.

Boddington/Worsley

Boddington/Worsley is an integrated bauxite mining/alumina refining operation. The Boddington bauxite mine in Western Australia supplies bauxite ore to the Worsley alumina refinery via a 51 kilometre long conveyor. We own 86 per cent of the mine and the refinery. It is our sole integrated bauxite mining/alumina refining asset. Worsley, one of the largest and lowest-cost refineries in the world, is undergoing a major expansion (see Development projects below). Our share of Worsley's FY2011 production was 2.9 Mt of alumina. Worsley's export customers include our own Hillside, Bayside and Mozal smelters in southern Africa. Boddington has a reserve life of 18 years.

Mineração Rio do Norte

We own 14.8 per cent of Mineração Rio do Norte (MRN), which owns and operates a large bauxite mine in Brazil.

Alumar

Alumar is an integrated alumina refinery/aluminium smelter. We own 36 per cent of the Alumar refinery and 40 per cent of the smelter. Alcoa operates both facilities. The operations, and their integrated port facility, are located at São Luís in the Maranhão province of Brazil. Alumar sources bauxite from MRN. During FY2011 approximately 31 per cent of Alumar's alumina production was used to feed the smelter, while the remainder was exported. Our share of Alumar's FY2011 saleable production was 1,108 kilotonnes (kt) of alumina and 174 kt of aluminium. The Alumar refinery completed a significant expansion in October 2009.

Hillside and Bayside

Our Hillside and Bayside smelters are located at Richards Bay, South Africa. Hillside's capacity of approximately 715 kilotonnes per annum (ktpa) makes it the largest aluminium smelter in the southern hemisphere and it is one of the most efficient. Following the mothballing of the potlines B and C in support of a national energy conservation scheme, Bayside has reduced smelting capacity to approximately 95 ktpa since 2009. Hillside imports alumina from our Worsley refinery and both Hillside and Bayside source power from Eskom, the South African state utility, under long-term contracts with prices linked to the LME price of aluminium (except for Hillside Potline 3, the price of which is linked to the South African and US producer price indices).

Mozal

We own 47.1 per cent of and operate the Mozal aluminium smelter in Mozambique, which has a total capacity of approximately 563 ktpa. Mozal sources power generated by Hydro Cahora Basa via Motraco, a transmission joint venture between Eskom and the national electricity utilities of Mozambique and Swaziland. Our share of Mozal's FY2011 production was 264 kt.

Information on Aluminium mining operations

The following table contains additional details of our mining operations. This table should be read in conjunction with the production (see section 2.3.2) and reserve tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Bauxite								
Boddington bauxite mine								
Boddington, 123 km southeast of Perth, Western Australia	Public road Ore transported to Worsley alumina refinery by a 51 km conveyor	BHP Billiton 86% Sojitz Alumina 4% Japan Alumina Associates 10% Ownership structure of operator as per Worsley JV	BHP Billiton Worsley Alumina Pty Ltd	Mining lease from Western Australia Government expires 2025, 21-year renewal available 2 sub-leases from Alcoa of Australia	Opened 1983 Significantly extended 2000	Open-cut Surficial gibbsite-rich lateritic weathering of Darling Range rocks	JV owned powerline connected to Worsley alumina refinery site	Crushing plant Nominal capacity: 13 mtpa bauxite
Mineração Rio do Norte Porto								
Trombetas, Pará, Brazil	Sealed road and rail connects mine area with Porto Trombetas village, accessed by air or river	BHP Billiton 14.8% Alcoa and affiliates 18.2% Vale 40% Rio Tinto Alcan 12% Votorantim 10% Hydro 5%	MRN	Mining rights granted by Brazilian Government until reserves exhausted	Production commenced 1979 Expanded 2003	Open-cut Lateritic weathering of nepheline syenite occurring primarily as gibbsite in a clay matrix overlain by clay sediments	On-site fuel oil generators	Crushing facilities, long distance conveyors, wash plant Nominal capacity: 18 mtpa washed bauxite Village and airport Drying and ship loading facilities near Porto Trombetas

Information on Aluminium smelters and refineries

Smelter, Refinery or Processing Plant	Location	Ownership	Operator	Title, Leases or Options	Product	Nominal Production Capacity	Power Source
Aluminium and alumina							
Hillside							
Aluminium smelter	Richards Bay, 200 km north of Durban, KwaZulu-Natal province, South Africa	100%	BHP Billiton	Freehold title to property, plant, equipment Leases over harbour facilities	Standard aluminium ingots	715 ktpa primary aluminium	Eskom (national power supplier) under long-term contracts Contract prices for Hillside 1 and 2 linked to LME aluminium price Prices for Hillside 3 linked to SA and US producer price index
Bayside							
Aluminium smelter	Richards Bay, 200 km north of Durban, South Africa	100%	BHP Billiton	Freehold title to property, plant, equipment	Primary aluminium, slab products	95 ktpa primary aluminium on remaining Potline A	Eskom, under long-term contract Contract price linked to LME aluminium price
Mozal							
Aluminium smelter	17 km from Maputo, Mozambique	BHP Billiton 47.1% Mitsubishi 25% Industrial Development Corporation of South Africa Ltd 24% Mozambique Government 3.9%	BHP Billiton	50-year government concession to use the land Renewable for 50 years	Standard aluminium ingots	563 ktpa	Motraco
Worsley							
Alumina refinery	55 km northeast of Bunbury, Western Australia	BHP Billiton 86% Sojitz Alumina 4% Japan Alumina Associates 10% Ownership structure of operator as per Worsley JV	BHP Billiton Worsley Alumina Pty Ltd	2,480 ha refinery lease from Western Australian Government Expires 2025 21-year renewal available	Metallurgical grade alumina	3.5 mtpa	JV owned on-site coal power station, third party on-site gas-fired steam power generation plant
Alumar							
Alumina refinery and aluminium smelter	São Luis, Maranhão, Brazil	Aluminium smelter: BHP Billiton 40% Alcoa 60% Alumina refinery: BHP Billiton 36% Alcoa 35.1% Abalco SA (Alcoa affiliate) 18.9% Rio Tinto 10%	Alcoa operates both facilities	All assets held freehold	Alumina and aluminium ingots	Refinery: 3.5 mtpa alumina Smelter: 450 ktpa primary aluminium	Electronorte (Brazilian public power generation concessionaire), 20-year contract

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2.2.3 Aluminium Customer Sector Group continued

Development projects

Worsley Efficiency and Growth project

In May 2008, we announced the Board's approval of an expansion project to increase the capacity of the Worsley refinery from 3.5 million tonnes per annum (mtpa) of alumina to 4.6 mtpa (100 per cent capacity) through expanded mining operations at Boddington, additional refinery capacity and upgraded port facilities. The capital cost estimate for the project, encompassing the development of the Marradong mine, refinery expansion and connection to a multi-fuel cogeneration unit, has increased from US$1.964 billion to US$2.995 billion (BHP Billiton share). First production is now scheduled for the first quarter of CY2012.

Guinea Alumina

We have a one-third interest in a joint venture that is undertaking a feasibility study into the construction of a 10 mtpa bauxite mine, an alumina refinery with processing capacity exceeding 3.3 mtpa and associated infrastructure approximately 110 kilometres from the port of Kamsar in Guinea.

2.2.4 Base Metals Customer Sector Group

Our Base Metals CSG is one of the world's premier producers of copper, silver, lead and uranium, and a leading producer of zinc. Our portfolio of large, low-cost mining operations includes the Escondida mine in Chile, the world's largest single producer of copper, and Olympic Dam in South Australia, already a major producer of copper and uranium and with the potential for significant expansion.

Our total copper production in FY2011 was 1.1 million tonnes (Mt). In addition to conventional mine development, we continue to pursue advanced treatment technologies, such as leaching low-grade chalcopyrite ores which we believe have the potential to recover copper from ores previously uneconomic to treat.

We market five primary products: copper concentrates, copper cathodes, uranium oxide, lead concentrates and zinc concentrates.

We sell most of our copper, lead and zinc concentrates to smelters under long-term volume contracts at prices based on the LME price for the contained metal, typically set three or four months after shipment, less treatment charges and refining charges (collectively referred to as 'TCRCs') that are negotiated with the smelters mostly on an annual or bi-annual basis. Some of the ores we mine contain quantities of silver and gold, which remain in the base metal concentrates we sell. We receive payment credits for the silver and gold recovered by our customers in the smelting and refining process.

We sell most of our copper cathode production to wire rod mills, brass mills and casting plants around the world under annual contracts with prices at premiums to LME prices. We sell uranium oxide to electricity generating utilities, principally in western Europe, North America and north Asia. Uranium is typically sold under a mix of longer-term and shorter-term contracts. A significant portion of our uranium production is sold into fixed price contracts, although increasingly sales are based on flexible pricing terms.

We have six assets, with Pampa Norte having two operations:

Escondida

Our 57.5 per cent owned and operated Escondida mine is the largest and one of the lowest-cost copper producers in the world. In FY2011, our share of Escondida production was 390.5 kilotonnes (kt) of payable copper in concentrate and 179.1 kt of copper cathode. Our reserves will support mining for a further 35 years at the current production rates. The availability of key inputs like power and water at competitive prices is an important focus at Escondida. To ensure security of supply and competitive power costs in the long term, we supported the construction of an LNG facility to supply gas to the Northern grid system, which has been operating since June 2010. We have also signed off-take agreements underwriting the construction of a 460 megawatt (MW) coal-fired power plant, with supply beginning in CY2012. To address limitations on the availability of water, we desalinate and carefully manage our use and re-use of available water, and are exploring alternative sources including further desalination of seawater.

Olympic Dam

Olympic Dam is already a significant producer of copper cathode and uranium oxide and a refiner of smaller amounts of gold and silver bullion. We are exploring a series of staged development options that would make our wholly owned Olympic Dam operation one of the world's largest producers of copper, the largest producer of uranium and a significant producer of gold (see Development projects below).

Production in FY2011 was higher than in FY2010 when the haulage system in the Clark Shaft at Olympic Dam was damaged. Olympic Dam produced 194.1 kt (FY2010 – 103.3 kt) of copper cathode, 4,045 tonnes (FY2010 – 2,279 tonnes) of uranium oxide, 111,368 ounces (FY2010 – 65,494 ounces) of refined gold and 982 kilo-ounces (FY2010 – 500 kilo-ounces) of refined silver in FY2011.

Antamina

We own 33.75 per cent of Antamina, a large, low-cost, long-life copper/zinc mine in Peru. Opened in 2001, its reserves will support mining at current rates for a further 17 years. Our share of Antamina's FY2011 production was 97.8 kt of copper in concentrate, and 91,470 tonnes of zinc in concentrate. Antamina also produces smaller amounts of molybdenum and lead/bismuth concentrate.

Pampa Norte Spence Operation

Our wholly owned Spence copper mine produces copper cathode. During FY2011, we produced 179.8 kt of copper cathode. Spence's current reserves will support mining at current rates for a further 12 years.

Pampa Norte Cerro Colorado Operation

Our wholly owned Cerro Colorado mine in Chile remains a significant producer of copper cathode, although production levels have declined in recent years as grades have declined. Production in FY2011 was 92.4 kt of copper cathode. Our current mine plan sees production continuing until FY2021.

In addition, we are currently evaluating the extent of deeper chalcopyrite that may support further mine plan extension options in both the Spence and Cerro mines.

Cannington

Our wholly owned Cannington mine in northwest Queensland is one of the world's largest producers of silver. In FY2011, Cannington produced concentrates containing 243,364 tonnes of lead, 60,657 tonnes of zinc and approximately 35,225 kilo-ounces of silver. The current mine plan sees production continuing until 2019.

North America – Pinto Valley

As a result of the global economic slowdown in FY2009, we made the decision to cease sulphide mining and milling operations at our Pinto Valley Mine located in Arizona, US, placing the operations on care and maintenance.

We continue to produce copper cathode at Pinto Valley and the neighbouring Miami Unit from our residual solvent extraction electrowinning (SXEW) operations. Current reserves are expected to support these operations for approximately four years.

Information on Base Metals mining operations

The following table contains additional details of our mining operations. This table should be read in conjunction with the production (see section 2.3.2) and reserve tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Copper								
Escondida								
Atacama Desert, 170 km southeast of Antofagasta, Chile	Public road Copper cathode transported by privately owned rail to ports at Antofagasta and Mejillones Copper concentrate transported by Escondida-owned pipeline to its Coloso port facilities	BHP Billiton 57.5% of Minera Escondida Limitada (MEL) Rio Tinto 30% JECO Corporation consortium comprising Mitsubishi, Nippon Mining and Metals 10% Jeco 2 Ltd 2.5%	BHP Billiton	Mining concession from Chilean Government valid indefinitely (subject to payment of annual fees)	Original construction completed 1990 Subsequent expansion projects cost US$3.0 billion (100%) Sulphide Leach copper project cost US$1.0 billion (100%) First production 2006	2 open-cut pits: Escondida and Escondida Norte Escondida and Escondida Norte mineral deposits are adjacent but distinct supergene enriched porphyry copper deposits	Escondida owned transmission lines connect to Chile's northern power grid Electricity purchased under contract	2 concentrator plants extract copper concentrate from sulphide ore by flotation extraction process 2 solvent extraction plants produce copper cathode Nominal capacity: 3.2 mtpa copper concentrate 330 ktpa copper cathode
Spence								
Atacama Desert, 150 km northeast of Antofagasta, Chile	Public road Copper cathode transported by rail to ports at Mejillones and Antofagasta	100%	BHP Billiton	Mining concession from Chilean Government valid indefinitely (subject to payment of annual fees)	Development cost of US$1.1 billion approved 2004 First copper produced 2006	Open-cut Supergene enriched porphyry copper deposit that includes copper oxide ores overlying a sulphide zone	Group-owned transmission lines connect to Chile's northern power grid Electricity purchased under contract	Processing and crushing facilities, separate dynamic (on-off) leach pads, solvent extraction plant, electrowinning plant Nominal capacity: 200 ktpa [1] copper cathode
Cerro Colorado								
Atacama Desert, 120 km east of Iquique, Chile	Public road Copper cathode trucked to port at Iquique	100%	BHP Billiton	Mining concession from Chilean Government valid indefinitely (subject to payment of annual fees)	Commercial production commenced 1994 Expansions 1995 and 1998	Open-cut Supergene enriched and oxidised porphyry copper deposit that consists of a sulphide enrichment zone overlayed by oxide ore (chrysocolla + brochantite)	Long-term contracts with northern Chile power grid	2 primary, secondary and tertiary crushers, leaching pads, solvent extraction plant, electrowinning plant Nominal capacity: 120 ktpa [2]
Pinto Valley								
125 km east of Phoenix, Arizona, US	Public road Copper cathode trucked to domestic customers	100%	BHP Billiton	Freehold title to the land	Acquired 1996 as part of Magma Copper acquisition Sulphide mining operations discontinued 1998 [3] Residual SXEW production continues	Pinto Valley: open-pit Miami Unit: in-situ leach Porphyry copper deposit of low-grade primary mineralisation	Salt River Project	2 SXEW operations at Pinto Valley and Miami

[1] Current production approximately 180 ktpa due to lower copper grades.
[2] Current production approximately 92.4 ktpa due to lower copper grades.
[3] Mining operations restarted 2007, discontinued 2009.

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Information on Base Metals mining operations continued

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Copper uranium								
Olympic Dam								
560 km northwest of Adelaide, South Australia	Public road Copper cathode trucked to ports Uranium oxide transported by road and rail to ports	100%	BHP Billiton	Mining lease granted by South Australian Government expires 2036 Right of extension for 50 years	Acquired 2005 as part of WMC acquisition Copper production began 1988 Throughput raised to 9 mtpa in 1999 Optimisation project completed 2002 New copper solvent extraction plant commissioned 2004	Underground Large poly-metallic deposit of iron oxide-copper-gold mineralisation	Supplied via a 275 kV powerline from Port Augusta, transmitted by ElectraNet	Automated train and trucking network. Crushing, storage and ore hoisting facilities 2 grinding circuits to extract copper concentrate from sulphide ore Flash furnace produces copper anodes, which are then refined to produce copper cathodes [4] Nominal capacity: 200 ktpa copper cathode
Copper zinc								
Antamina								
Andes mountain range, 270 km north of Lima, north-central Peru	Public road Copper and zinc concentrates transported by pipeline to port of Huarmey Molybdenum and lead/bismuth concentrates transported by truck	BHP Billiton 33.75% of Compañía Minera Antamina S.A. Xstrata 33.75% Teck Cominco 22.5% Mitsubishi 10%	Compañía Minera Antamina S.A.	Mining rights from Peruvian Government held indefinitely, subject to payment of annual fees and supply of information on investment and production	Commercial production commenced 2001 Capital cost US$2.3 billion (100%)	Open-cut Zoned porphyry and skarn deposit with central Cu-only ores and an outer band of Cu-Zn ore zone	Long-term contracts with individual power producers	Primary crusher, concentrator (nominal capacity 94,000 tpd), copper and zinc flotation circuits, bismuth/moly cleaning circuit 300 km concentrate pipeline (design throughput 2.3 dry mtpa) Port facilities at Huarmey
Silver, lead and zinc								
Cannington								
300 km southeast of Mt Isa, Queensland, Australia	Public road and Group-owned airstrip Product trucked to Yurbi, then by rail to public port	100%	BHP Billiton	Mining leases granted by Queensland Government expire 2029	Concentrate production commenced 1997, subsequent projects improved mill throughput and metal recovery	Underground Broken Hill-type silver-lead-zinc sulphide deposit	On-site power station operated under contract	Beneficiation plant: primary and secondary grinding circuits, pre-flotation circuits, flotation circuits, leaching circuits, concentrate filtration circuit, paste plant Nominal milling capacity: 3.2 mtpa

[4] Electrowon copper cathode and uranium oxide concentrate produced by leaching and solvent extracting flotation tailings.

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2.2.4 Base Metals Customer Sector Group continued

Development projects

Olympic Dam

The first phase of the Olympic Dam Project (ODP1) to develop an open-pit mine moved into feasibility stage in March 2011. The proposed expansion would be a progressive development requiring construction activity to increase production to up to 750,000 tonnes per annum (tpa) of copper, 19,000 tpa of uranium oxide and 800,000 ounces of gold. The Group released a draft Environmental Impact Statement (EIS) in May 2009 and prepared and submitted a supplementary EIS in December 2010 for review by the Australian, South Australian and Northern Territory Governments in response to more than 4,000 public submissions on the project. The final supplementary EIS was released in May 2011. Government decisions on the project are expected in the second half of CY2011. After that, the expansion project will depend on successfully completing all required feasibility studies and on Board approval of the final investment case.

Yeelirrie

The project at the proposed Yeelirrie uranium oxide mine is in pre-feasibility stage, with a focus on technology developments, resource size and improving project economics. The work currently includes resource definition and estimation, processing test work, ongoing environment studies, community consultation and capital and operating cost evaluation.

Escondida

Exploration of the Escondida lease and early drilling results have resulted in an announcement of extensive additional mineralisation in close proximity to existing infrastructure and processing facilities, including the Pampa Escondida and Pinta Verde prospects. In FY2011, Escondida has expensed US$128 million (US$74 million our share) in exploration.

The Escondida Ore Access project provides access to higher-grade ore and moved into execution phase during FY2011. In addition, the Laguna Seca Debottlenecking project which will provide additional processing capacity also moved into execution phase. Organic Growth Project 1, which is the replacement of the Los Colorados concentrator allowing access to higher-grade ore and additional processing capacity, moved into the feasibility phase.

Antamina

In FY2011, Antamina continued execution of the expansion project. With a total investment of US$1.3 billion (US$434.7 million our share), the project will expand milling capacity by 38 per cent to 130,000 tonnes per day (tpd). The expansion project includes a new SAG mill, a new 55 kilometre power transmission line, an expanded truck shop facility and upgrades to the crushing and tailing systems, flotation circuit and port capacity. Commissioning of the project is scheduled to start at the end of CY2011. Our share of the capital expenditures in the project totalled US$147 million in FY2011. In addition, Antamina announced an increase to its estimated Ore Reserves during the second half of FY2011. Refer to section 2.13.2 for further details.

Resolution Copper

We hold a 45 per cent interest in the Resolution Copper project in Arizona, US, operated by Rio Tinto (55 per cent interest). Resolution Copper is undertaking a pre-feasibility study into a substantial underground copper mine and processing facility.

Resolution Copper continued to advance the sinking of the No. 10 Shaft in order to gain access to the ore deposit for characterisation work of mineralisation and geotechnical conditions. Work also continued towards gaining approval from the US Congress for a Federal Land Exchange to access the ore deposit.

2.2.5 Diamonds and Specialty Products Customer Sector Group

Our Diamonds and Specialty Products CSG operates our diamonds and titanium minerals businesses and the exploration and development of a potash business.

Diamonds

The EKATI diamond mine in the Northwest Territories of Canada is the cornerstone of our diamonds business. EKATI has produced on average more than three million carats per year of rough diamonds over the last four years. The grade of ore we process fluctuates from year to year, resulting in variations in carats produced. In addition, the proportion of our production consisting of high-value carats (larger and/or higher-quality stones) and low-value carats (smaller and/or lower-quality stones) fluctuates from year to year. The mine life based on the mine plan is seven years from 30 June 2011.

EKATI consists of our 80 per cent interest in the Core Zone Joint Venture, comprising existing operations and our 58.8 per cent interest in the Buffer Zone Joint Venture, primarily focusing on exploration targets.

Annual sales from EKATI (100 per cent terms) represented approximately three per cent of current world rough diamond supply by weight and approximately 11 per cent by value in FY2011. We sell most of our rough diamonds to international diamond buyers through our Antwerp sales office. We also offer for sale, an amount of the EKATI production to Canadian manufacturers based in the Northwest Territories.

Titanium minerals

Our principal interest in titanium minerals consists of our 37.76 per cent economic interest in Richards Bay Minerals (RBM). RBM is one of the largest and lowest-cost producers of titania slag, high-purity pig iron, rutile and zircon from mineral sands. Approximately 90 per cent of the titanium dioxide slag produced by RBM is suitable for the chloride process of titanium dioxide pigment manufacture and is sold internationally under a variety of short, medium and long-term contracts.

Potash

Our potash strategy is to build a material industry position over the long term. We continue advancing the Jansen Project, a greenfield potash project, in Saskatchewan, Canada. Jansen progressed into the feasibility study phase (an advanced stage of our project approvals process) in February 2011.

Based on the current schedule, Jansen is expected to start producing saleable potash in CY2015. Jansen is designed ultimately to produce approximately eight million tonnes per annum (mtpa) of agricultural grade potash with an estimated 70-year life.

We are also continuing to study other potential projects in the Saskatchewan potash basin, including Young, Boulder and Melville, and are progressing these projects in the context of our development portfolio. We are conducting an extensive potash exploration program including 3D seismic survey and drilling programs.

Our permit positions for potash extend over 14,500 square kilometres in the Saskatchewan basin and have expiry dates between 2013 and 2016.

On 15 November 2010, we announced the withdrawal of our offer to acquire all of the issued and outstanding common shares of Potash Corporation of Saskatchewan Inc. We determined that the condition of our offer relating to receipt of a net benefit determination by the Minister of Industry under the Investment Canada Act could not be satisfied, and accordingly, the offer was withdrawn.

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Information on Diamonds and Specialty Products mining operations

The following table contains additional details of our mining operations. This table should be read in conjunction with the production (see section 2.3.2) and reserve tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Diamonds								
EKATI diamond mine								
310 km northeast of Yellowknife, Northwest Territories, Canada	Aircraft Ice road open approximately 10 weeks per year	Core Zone JV: BHP Billiton 80% Buffer Zone JV: BHP Billiton 58.8% Remaining interest held by 2 individuals	BHP Billiton	Mining leases granted by Canadian Government until 2019	Production began 1997 Mine and processing plant began operating 1998 Ownership increased with acquisition of Dia Met Minerals Ltd in 2001	Fox: open-cut Koala and Koala North: underground Eocene age kimberlite pipes – dominantly volcaniclastic infill	JV owned and operated diesel power station	Crushers, washers/scrubber and grinder and heavy media separator Magnetics and X-ray sorters for diamond recovery Fuel storage
Titanium minerals								
Richards Bay Minerals								
10–50 km north of Richards Bay, KwaZulu-Natal, South Africa	Public road Product transported by public rail to port	BHP Billiton 37.76% economic interest through 50% interest in the 2 legal entities that comprise RBM, Richards Bay Mining (Pty) Ltd and Richards Bay Titanium (Pty) Ltd RBM functions as a single economic entity	Rio Tinto	Long-term renewable mineral leases from South African Government subject to South African Mining Charter Application lodged for conversion to New Order Mining Rights (see section 2.7.1)	RBM formed 1976 Fifth mine added 2000 In 2006 one mining pond closed	Beach sand dredging Quaternary age coastal dune deposits – heavy mineral sands concentrated by wave and wind action	Eskom (national utility company)	4 beach sand dredge mines, minor supplementary dry mining Gravity separation produces heavy mineral concentrate which is trucked to central processing plant to produce rutile, zircon and ilmenite Smelter processes ilmenite to produce titanium dioxide slag and high-purity iron Nominal titanium slag capacity: 1.05 mtpa

Development projects

Jansen Potash Project

We are currently executing the ground freezing program. The ground will be frozen using a closed system of refrigeration pipes through which brine is circulated. On 24 June 2011, we approved US$488 million of pre-commitment spending to fund early-stage site preparation for surface construction, procurement of long lead time items and the first 350 metres of shaft sinking at Jansen. On 30 June 2011, the Saskatchewan Ministry of Environment approved our Environmental Impact Statement for the development of the Jansen project.

Diamonds

On 9 May 2011, we approved the Misery open-pit project at the EKATI diamond mine in the Northwest Territories, Canada. This project consists of a pushback of the existing Misery open-pit which was mined from 2001 to 2005. Stripping operations are expected to begin in October 2011, with ore production beginning late 2015 and final production from Misery in mid 2017. The estimated capital expenditure required to complete the execution phase is US$323 million (BHP Billiton share).

2.2.6 Stainless Steel Materials Customer Sector Group

Our Stainless Steel Materials CSG is primarily a supplier of nickel to the stainless steel industry. Nickel is an important component of the most commonly used types of stainless steel. We also supply nickel to other markets, including the specialty alloy, foundry, chemicals and refractory material industries. We are the world's fourth-largest producer of nickel and we sell our nickel products under a mix of long-term, medium-term and spot volume contracts, with prices linked to the LME nickel price.

Our nickel business comprises two assets:

Nickel West

Nickel West is the name for our wholly owned Western Australian nickel asset, which consists of an integrated system of mines, concentrators, a smelter and a refinery. We mine nickel-bearing sulphide ore at our Mt Keith, Leinster and Cliffs operations north of Kalgoorlie. We operate concentrator plants at Mt Keith and at Leinster, which also concentrate ore from Cliffs. Leinster and Mt Keith have reserve lives of eight and 13 years respectively, both have options for further expansion. Cliffs is a high-grade underground mine with a reserve life of three years. The extraction of ore at Cliffs commenced in FY2008.

We also operate the Kambalda concentrator south of Kalgoorlie, where we source ore through tolling and concentrate purchase arrangements with third parties in the Kambalda region. We also have regular purchase agreements in place for the direct purchase of concentrate, which we re-pulp, dry and blend with other concentrate processed at Kambalda.

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2.2.6 Stainless Steel Materials Customer Sector Group continued

We transport concentrate from Leinster, Mt Keith and Kambalda to our Kalgoorlie smelter, where it is processed into nickel matte, containing approximately 67 per cent nickel. In FY2011, we exported approximately 60 per cent of our nickel matte production. We processed the remaining nickel matte at our Kwinana nickel refinery, which produces nickel metal in the form of LME grade briquettes, and nickel powder together with a range of saleable by-products.

During FY2011, production of nickel metal from the Kwinana nickel refinery continued to be impacted by a restriction in hydrogen supply, resulting in the redirection of matte feed stocks for external sale. We are constructing a new hydrogen plant at the Kwinana nickel refinery and construction is expected to be completed in FY2012. Production in FY2011 was 112,700 tonnes of contained nickel.

Cerro Matoso

Cerro Matoso, our 99.94 per cent owned nickel asset in Colombia, combines a lateritic nickel ore deposit with a low-cost ferronickel smelter. Cerro Matoso is the world's second-largest producer of ferronickel and is one of the lowest-cost producers of ferronickel. The smelter produces high-purity, low-carbon ferronickel granules. Cerro Matoso has an estimated current reserve life of 31 years. Production in FY2011 was 40 kilotonnes (kt) of nickel in ferronickel form, which was below the nominal capacity of 50 kilotonnes per annum (ktpa) of nickel in ferronickel form as production was impacted by the planned Line 1 furnace replacement.

Information on Stainless Steel Materials mining operations

The following table contains additional details of our mining operations. This table should be read in conjunction with the production (see section 2.3.2) and reserve tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Nickel								
Mt Keith								
Western Australia	Private road Nickel concentrate transported by road to Leinster nickel operations for drying and on-shipping	100%	BHP Billiton	Leases over the land from Western Australian Government Key leases expire 2012–2032 Renewals at government discretion	Officially commissioned 1995 by WMC Mt Keith was acquired as part of acquisition of WMC in 2005	Open-cut Disseminated textured magmatic nickel-sulphide mineralisation, associated with a metamorphosed ultramafic intrusion	On-site third party gas-fired turbines Natural gas sourced from North West Shelf (NWS) gas fields Transported through Goldfields Gas Pipeline under contract to 2037	Concentration plant with a nominal capacity: 11.5 mtpa of ore
Leinster								
Western Australia	Public road Nickel concentrate shipped by road and rail to Kalgoorlie nickel smelter	100%	BHP Billiton	Leases over the land from Western Australian Government Key leases expire 2013–2031 Renewals at government discretion	Production commenced 1967 Leinster was acquired as part of acquisition of WMC in 2005	Underground and open-cut Steeply dipping disseminated and massive textured nickel-sulphide mineralisation, associated with metamorphosed ultramafic lava flows and intrusions	On-site third party gas-fired turbines Natural gas sourced from NWS gas fields Transported through Goldfields Gas Pipeline under contract to 2037	Concentration plant with a nominal capacity: 3 mtpa of ore
Cliffs								
Western Australia	Private road Nickel ore transported by road to Leinster nickel operations for further processing	100%	BHP Billiton	Leases over the land from Western Australian Government Key leases expire 2025–2028 Renewals at government discretion	Production commenced 2008 Cliffs was acquired as part of acquisition of WMC in 2005	Underground Steeply dipping massive textured nickel-sulphide mineralisation, associated with metamorphosed ultramafic lava flows	Supplied from Mt Keith	Mine site

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Information on Stainless Steel Materials mining operations

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Nickel continued								
Cerro Matoso S.A.								
Montelibano, Córdoba, Colombia	Public road	BHP Billiton 99.94% Employees and former employees 0.06%	BHP Billiton	Existing mining concessions renewable in 2012 with 30-year extension until 2042 Further extension is possible at that time	Mining commenced 1980 Nickel production started 1982 Ownership increased to 53% in 1989 and to 99.94% in 2007 Expansion project to double installed capacity completed 2001	Open-cut Nickel-laterite mineralisation formed from residual weathering of ophiolitic peridotite	National electricity grid under contracts expiring December 2012 Domestic natural gas for drier and kiln operation supplied by pipeline from national grid Gas supply contracts expire over next 10 years	Ferronickel smelter and refinery integrated with the mine Beneficiation plant: primary and secondary crusher Nominal capacity: 50 ktpa of nickel in ferronickel form Actual capacity depends on nickel grade from the mine

Information on Stainless Steel Materials smelters, refineries and processing plants

Smelter, Refinery or Processing Plant	Location	Ownership	Operator	Title, Leases or Options	Product	Nominal Production Capacity	Power source
Nickel							
Kambalda							
Nickel concentrator	56 km south of Kalgoorlie, Western Australia	100%	BHP Billiton	Mineral leases over the land from Western Australian Government expire 2028 Renewals at government discretion	Concentrate containing approximately 13% nickel	1.6 mtpa ore Ore sourced through tolling and concentrate purchase arrangements with third parties in Kambalda region	On-site third party gas-fired turbines Natural gas sourced from NWS gas fields Gas transported through Goldfields Gas Pipeline under contract to 2037
Kalgoorlie							
Nickel smelter	Kalgoorlie, Western Australia	100%	BHP Billiton	Freehold title over the property	Matte containing approximately 67% nickel	110 ktpa nickel matte	On-site third party gas-fired turbines Natural gas sourced from NWS gas fields Gas transported through Goldfields Gas Pipeline under contract to 2037
Kwinana							
Nickel refinery	30 km south of Perth, Western Australia	100%	BHP Billiton	Freehold title over the property	LME grade nickel briquettes, nickel powder Also intermediate products, including copper sulphide, cobalt-nickel-sulphide, ammonium-sulphate	65 ktpa nickel metal	Power generated by Southern Cross Energy, distributed via Western Power's network

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2.2.6 Stainless Steel Materials Customer Sector Group continued

Development projects

Cerro Matoso Nickel Ore Smelting System

In 2010, the Nickel Ore Smelting System project was approved to progress into execution phase. The project replaces the 27-year-old Line 1 furnace to improve operational reliability and accommodate changes in the mineralogy of the ore feed. Construction completion and ramp-up to stable production is expected during the first half of FY2012.

Cerro Matoso expansion options

Cerro Matoso has undertaken conceptual studies on options for expanding production. During the second half of FY2011, the Cerro Matoso Heap Leach project progressed into feasibility.

Mt Keith Talc co-processing

In 2009, the Mt Keith Talc redesign project was approved to move into execution phase. This will enable Mt Keith to process talcose ore to supplement the current ore supply. The project involves the installation of additional grinding and flotation equipment within the existing circuits at Mt Keith and the addition of a high-magnesium oxide concentrate flotation circuit. This project will allow Mt Keith to treat talcose ores, which make up approximately 25 per cent of the remaining Mt Keith ore reserve and which were not previously able to be processed economically. The project is expected to be commissioned in FY2012.

2.2.7 Iron Ore Customer Sector Group

Our Iron Ore CSG consists of our Western Australia Iron Ore (WAIO) asset and a 50 per cent interest in the Samarco joint venture in Brazil. We are one of the leading iron ore producers in the world. We sell lump and fines product produced in Australia and pellets from our operations in Brazil.

Western Australia Iron Ore (WAIO)

WAIO's operations involve a complex integrated system of mines and more than 1,000 kilometres of rail infrastructure and port facilities in the Pilbara region of northern Western Australia. Our strategy is to maximise output utilising available infrastructure at our disposal.

We have been expanding our WAIO operations in response to increasing demand for iron ore. Since 2001, we have completed six expansion projects to increase our system production capacity from 69 million tonnes per annum (mtpa) to 155 mtpa (100 per cent basis). Our share of FY2011 production was 122.7 million tonnes (Mt) of ore. We now have additional projects in various stages of the project life cycle (including construction) to further increase system capacity (see Development projects below).

Our Pilbara reserve base is relatively concentrated, allowing us to plan our development around a series of integrated 'mining hubs' joined to the orebodies by conveyors or spur lines. This approach enables us to maximise the value of installed infrastructure by using the same processing plant and rail infrastructure for a number of orebodies. Blending ore at the hub gives us greater flexibility to respond to changing customer requirements as well as changing properties in the ore being mined and reduces the risk of port bottlenecks.

We have also continued to explore and refine our understanding of existing tenements. Our proven ore reserves are high-grade, with average iron content ranging from 57.1 per cent at Yandi to 63.8 per cent at Mt Newman. The reserve lives of our mines at current production levels range from 13 years at Mt Goldsworthy (JV Northern) to 42 years at Jimblebar.

Samarco

We are a 50–50 joint venture partner with Vale at the Samarco operations in Brazil. During FY2008, Samarco completed an expansion project consisting of the construction of a third pellet plant, a mine expansion, a new concentrator, port enhancements and a second slurry pipeline.

In FY2011, our share of production was 10.9 Mt of pellets. Samarco's total ore reserve is about 2.0 billion tonnes. During FY2011, Samarco introduced the use of natural gas at its pelletising plants allowing for cleaner production and better quality products.

In April 2011, Samarco shareholders approved a US$3.5 billion (BHP Billiton share US$1.75 billion) expansion project consisting of a fourth pellet plant, a new concentrator and a third slurry pipeline. The project will increase Samarco's iron ore pellet production capacity by 8.3 Mt to 30.5 mtpa (100 per cent share). First pellet production is expected in the first half of CY2014.

Information on Iron Ore mining operations

The following table contains additional details of our mining operations. This table should be read in conjunction with the production (see section 2.3.2) and reserve tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Iron ore								
Mt Newman JV								
Pilbara region, Western Australia Mt Whaleback Orebodies 18, 23, 25, 29, 30	Public road Iron ore shipped by Mt Newman JV owned rail to JV's Nelson Point shipping facilities and Finucane Island shipping facilities, Port Hedland	BHP Billiton 85% Mitsui ITOCHU Iron 10% ITOCHU Minerals and Energy of Australia 5%	Mt Whaleback orebodies 29 and 30 operated by BHP Billiton Orebodies 18, 23 and 25 operated by independent contractors	Mining lease under the Iron Ore (Mt Newman) Agreement Act 1964 expires 2030 with right to successive renewals of 21 years	Production began Mt Whaleback orebody 1969 Production from orebodies 18, 23, 25, 29 and 30 complements production from Mt Whaleback First ore from Newman Hub as part of RGP4 construction delivered 2009	Open-cut Bedded ore types classified as per the host Archaean or Proterozoic iron formation, which are Brockman, Marra Mamba and Nimingarra	Alinta Dewap's Newman gas-fired power station via Mt Newman JV owned power lines	Newman Hub: primary and secondary crushing and screening plants (nominal capacity 58 mtpa); heavy media beneficiation plant, stockyard blending facility, single cell rotary car dumper, train-loading facility Orebody 23/25: primary and secondary crushing and screening plant

Information on Iron Ore mining operations continued

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Iron ore continued								
Yandi JV								
Pilbara region, Western Australia	Road Iron ore shipped by operating joint venture owned rail to Finucane Island and Nelson Point shipping facilities, Port Hedland Our railway spur links Yandi mine to Newman main line	BHP Billiton 85% Mitsui Iron Ore Corporation 7% ITOCHU Minerals and Energy of Australia 8%	Independent contract mining company	Mining lease under the Iron Ore (Marillana Creek) Agreement Act 1991 expires 2012 with renewal rights to a further 42 years	Development began 1991 First shipment 1992 Capacity expanded between 1994–2003	Open-cut Bedded and channel ore types. Bedded ores are classified as per the host Proterozoic banded iron formation names, which for Yandi is Brockman and Channel Iron Deposits are Cainozoic fluvial sediments	Alinta Dewap's Newman gas-fired power station via Mt Newman JV owned power lines	2 processing plants, primary crusher and overland conveyor Ore delivered to 2 train-loading facilities A third processing plant is in the commissioning phase (expected capacity 45 mtpa)
Jimblebar								
Pilbara region, Western Australia	Road Iron ore shipped by Mt Newman JV owned rail to Port Hedland via 32 km spur line linking to Newman main line	Jimblebar lease: 100% Entitled to 85% production from Wheelara deposit under sublease with ITOCHU Minerals and Energy of Australia, Mitsui Iron Ore and 4 separate subsidiaries of Chinese steelmakers	Independent contract mining company	Mining lease under the Iron Ore (McCamey's Monster) Agreement Authorisation Act 1972 expires 2030 with rights to successive renewals of 21 years	Production commenced 1989 Ore blended with ore from Mt Whaleback and satellite orebodies 18, 23, 25, 29 and 30 to create Mt Newman blend	Open-cut Bedded ore types classified based on the host Archaean or Proterozoic banded iron formation names, which are Brockman and Marra Mamba	Alinta Dewap's Newman gas-fired power station via Mt Newman JV owned power lines	Primary and secondary crushing plant Nominal capacity: 14 mtpa
Mt Goldsworthy JV								
Pilbara region, Western Australia Area C Yarrie Nimingarra	Road Iron ore shipped by Mt Goldsworthy JV owned rail to JV's Finucane Island and Nelson Point shipping facilities, Port Hedland Goldsworthy JV railway spur links Area C mine to Newman main line	BHP Billiton 85% Mitsui Iron Ore Corporation 7% and ITOCHU Minerals and Energy of Australia 8%	Independent contract mining company	4 mineral leases under the Iron Ore (Mt Goldsworthy) Agreement Act 1964 and the Iron Ore (Goldsworthy – Nimingarra) Agreement Act 1972, expire between 2014 and 2028, with rights to successive renewals of 21 years. A number of smaller mining leases granted under the Mining Act 1978 expire in 2026	Operations commenced Mt Goldsworthy 1966, at Shay Gap 1973 Original Goldsworthy mine closed 1982 Shay Gap mine closed 1993 Mining at Nimingarra mine ceased 2007, has since continued from adjacent Yarrie area We opened Area C mine in 2003	Open-cut mine includes Area C, Yarrie and Nimingarra Bedded ore types classified as per the host Archaean or Proterozoic iron formation names, which are Brockman, Marra Mamba and Nimingarra	Yarrie and Nimingarra: Alinta Dewap's Port Hedland gas-fired power station under long-term contracts Area C: Alinta Dewap's Port Newman gas-fired power station under long-term contracts	Area C: ore processing plant, primary crusher and overland conveyor Nominal capacity: 42 mtpa Yarrie: mobile in-pit crushing plant Nominal capacity: 1.5 mtpa Primary crushers at Yarrie and Nimingarra in care and maintenance Combined nominal capacity: 8 mtpa

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Information on Iron Ore mining operations continued

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Iron ore continued								
Samarco								
Southeast Brazil	Public road Conveyors transports iron ore to beneficiation plant Two slurry pipelines transport pellet feed to pellet plants on coast Iron pellets exported via port facilities	BHP Billiton 50% Vale 50%	Mining concessions granted by Brazilian Government as long as Alegria complex mined according to agreed plan	Operates as independent business with own management team	Production began at Germano mine 1977, at Alegria complex 1992 Two expansions completed with a second pellet plant built in 1997 and a third pellet plant and second pipeline built in 2008 In April 2011, Samarco's shareholders approved the fourth pellet plant	Open-cut Itabirites (metamorphic quartz-hematite rock) and friable hematite ores	Samarco holds interests in 2 hydroelectric power plants which supply 20% of its electricity Additional power from other hydroelectric power plants under long-term contracts expiring CY2014	Facilities with capacity to process and pump 24 mtpa ore concentrate and produce and ship 22.2 mtpa pellets (100% basis)

Development projects

Western Australia Iron Ore

Construction of Rapid Growth Project 5 (RGP5) is ongoing. Our share of project expenditure to 30 June 2011 amounted to US$4.8 billion. This project, which was announced in November 2008, will substantially double track the Newman main rail line, construct two new shipping berths on the Finucane Island side of the Port Hedland harbour and add crushing, screening and stockpiling facilities at Yandi.

In March 2011, we announced approval of an additional US$7.4 billion (BHP Billiton share US$6.6 billion) of capital expenditure to continue production growth in our WAIO operations. This investment is the final approval of projects initiated in 2010, with pre-commitment funding of US$2.3 billion (BHP Billiton share US$2.1 billion). It will deliver an integrated operation with a minimum capacity of 220 mtpa (100 per cent basis), with first production expected from Jimblebar early in CY2014.

This additional investment includes:

- US$3.4 billion (BHP Billiton share US$3.3 billion) to develop the Jimblebar mine and rail links, and procure mining equipment and rolling stock to deliver an initial capacity of 35 mtpa, expandable to 55 mtpa;
- US$2.3 billion (BHP Billiton share US$1.9 billion) to further develop Port Hedland, including two additional berths and shiploaders, a car dumper, connecting conveyor routes and associated rail works and rolling stock;
- US$1.7 billion (BHP Billiton share US$1.4 billion) for port blending facilities and rail yards to enable ore blending, expand resource life and prepare for the future growth of the business beyond the inner harbour.

Western Australia Iron Ore – Rio Tinto joint venture

On 5 June 2009, together with Rio Tinto, we signed core principles to establish a production joint venture covering the entirety of both companies' Western Australia iron ore assets. This resulted in the signing of definitive agreements on 5 December 2009. The completion of these agreements was subject to a number of conditions, including regulatory approvals.

After the agreements were signed, it became apparent that the necessary regulatory approvals required to allow the deal to close were unlikely to be achieved. As a result, both parties agreed to dissolve the proposed joint venture.

Western Australia Iron Ore – Acquisition of HWE Mining Subsidiaries

On 9 August 2011, BHP Billiton signed a non-binding Heads of Agreement with Leighton Holdings to acquire the HWE Mining subsidiaries that provide contract mining services to its Western Australia Iron Ore operations. The Heads of Agreement relates to the mining equipment, people and related assets that service the Area C, Yandi and Orebody 23 and 25 operations. These operations collectively account for almost 70 per cent of WAIO's total material movement. The purchase price is US$735 million (A$705 million), subject to working capital adjustments. Subject to due diligence, definitive agreements and relevant internal and regulatory approvals, the transaction is expected to close during the fourth quarter of CY2011.

West Africa

We are carrying out exploration activities in Guinea and Liberia, West Africa. At Nimba, in Guinea, we have completed our concept study and are now undertaking a pre-feasibility study to determine the optimal investment alternative by assessing viability, sustainability impacts and management implications of operations in this area. During the year, our Mineral Development Agreement with the Government of Liberia was ratified by the Liberian Legislature and became effective. This agreement enables the further exploration and development of our mineral leases in Liberia.

2.2.8 Manganese Customer Sector Group

Our Manganese CSG produces a combination of ores and alloys from sites in South Africa and Australia. We are the world's largest producer of manganese ore and among the top three global producers of manganese alloy. Manganese alloy is a key input into the steelmaking process. Manganese high-grade ore is particularly valuable to alloy producers because of the 'value in use differential' over low-grade ore, which is the degree to which high-grade ore is proportionately more efficient than low-grade ore in the alloying process.

Our strategy is to focus on upstream resource businesses. Manganese alloy smelters are a key conduit of manganese units into steelmaking and enable us to access markets with an optimal mix of ore and alloy, optimise production to best suit market conditions and give us technical insight into the performance of our ores in smelters.

Approximately 80 per cent of ore production is sold directly to external customers and the remainder is used as feedstock in our alloy smelters.

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2.2.8 Manganese Customer Sector Group continued

We own and manage all manganese mining operations and alloy plants through a joint venture with Anglo American in which we own 60 per cent. Our joint venture interests are held through Samancor Manganese, which operates our global Manganese assets. In South Africa, Samancor owns 74 per cent of Hotazel Manganese Mines (Pty) Ltd (HMM) and 100 per cent of Metalloys. This gives BHP Billiton an effective interest of 44.4 per cent in HMM and 60 per cent in Metalloys. The remaining 26 per cent of HMM is owned under the terms of South African Black Economic Empowerment (BEE) legislation, which reflects our commitment to economic transformation in South Africa. In Australia, we have an effective interest of 60 per cent in Groote Eylandt Mining Company Pty Ltd (GEMCO) and Tasmanian Electro Metallurgical Company Pty Ltd (TEMCO).

Mines

- **HMM**
  HMM owns the Mamatwan open-cut mine and the Wessels underground mine. The ore from these mines only requires crushing and screening to create saleable product. In FY2011, the total manganese production was 3,007 kilotonnes (kt), 10.6 per cent higher than FY2010 production.
- **GEMCO**
  As a result of its location near our own port facilities and its simple, open-cut mining operation, GEMCO is one of the world's lowest-cost manganese ore producers. These simple operations, combined with its high-grade ore and relative proximity to Asian export markets, make GEMCO unique among the world's manganese mines. FY2011 production of manganese was 4,086 kt, 20 per cent higher than FY2010 production.

Alloy Plants

- **Metalloys**
  The Samancor Manganese Metalloys alloy plant is one of the largest manganese alloy producers in the world. Due to its size and access to high-quality feedstock from Hotazel operations, it is also one of the lowest-cost alloy producers. Metalloys produces high and medium-carbon ferromanganese and silicomanganese.
- **TEMCO**
  TEMCO is a medium-sized producer of high-carbon ferromanganese, silicomanganese and sinter using ore shipped from GEMCO, primarily using hydroelectric power.

Information on Manganese mining operations

The following table contains additional details of our mining operations. These tables should be read in conjunction with the production (see section 2.3.2) and reserve tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Manganese ore								
Hotazel Manganese Mines (Pty) Ltd (HMM)								
Kalahari Basin, South Africa Mamatwan and Wessels mines	Public road Most ore and sinter products transported by rail Approximately 33% of ore beneficiated locally, balance exported via Port Elizabeth, Richards Bay, Durban	BHP Billiton 44.4% Anglo-American 29.6% Ntsimbintle 9% NCAB 7% Iziko 5% HMM Education Trust 5%	BHP Billiton	Existing New Order Rights valid until 2035	Mamatwan commissioned 1964 Wessels commissioned 1973	Mamatwan: open-cut Wessels: underground Banded Iron Manganese ore type	Eskom (national power supplier)	Mamatwan beneficiation plant: primary, secondary and tertiary crushing with associated screening plants Dense medium separator and sinter plant (capacity 1 mtpa sinter) [1] Wessels: primary and secondary crushing circuits with associated screening [1]
Groote Eylandt Mining Company Pty Ltd (GEMCO)								
Groote Eylandt, Northern Territory, Australia	Ore transported from concentrator by road train to port at Milner Bay	BHP Billiton 60% Anglo American 40%	BHP Billiton	All leases on Aboriginal land held under Aboriginal Land Rights (Northern Territory) Act 1976 Valid until 2031	Commissioned 1965	Open-cut Sandstone claystone sedimentary Manganese ore type	On-site diesel power generation	Beneficiation process: crushing, screening, washing and dense media separation Produces lump and fines products Capacity: 4.2 wet mtpa

[1] Capacity: Mamatwan – approximately 3.5 mtpa of ore; Wessels – approximately 1 mtpa of ore.

Information on Manganese smelters, refineries and processing plants

Smelter, Refinery or Processing Plant	Location	Ownership	Operator	Title, Leases or Options	Product	Nominal Production Capacity	Power source
Manganese alloy							
Metalloys							
Manganese alloy plant (division of Samancor Manganese (Pty) Ltd)	Meyerton, South Africa	BHP Billiton 60% Anglo American 40%	BHP Billiton	Freehold title over property, plant and equipment	Manganese alloys including high-carbon ferromanganese, silicomanganese, refined (medium-carbon ferromanganese) alloy	400 ktpa high-carbon ferromanganese (including hot metal) 135 ktpa silicomanganese 90 ktpa medium-carbon ferromanganese	Eskom 30 MW of internal power generated from furnace off-gases
Tasmanian Electro Metallurgical Company Pty Ltd (TEMCO)							
Manganese alloy plant	Bell Bay, Tasmania, Australia	BHP Billiton 60% Anglo American 40%	BHP Billiton	Freehold title over property, plant and equipment	Ferroalloys, including high-carbon ferromanganese, silicomanganese and sinter	130 ktpa high-carbon ferromanganese 125 ktpa silicomanganese 350 ktpa sinter	Aurora Energy On-site energy recovery unit generates 11 MW for internal use

Development projects

GEMCO expansion

The partners in Samancor Manganese have approved the second expansion of the GEMCO operation in the Northern Territory of Australia. This follows the successful commissioning of the GEMCO expansion phase 1 (GEEP1) project in April 2009. The US$279 million GEEP2 project (BHP Billiton US$167 million) will increase GEMCO's beneficiated product capacity from 4.2 million tonnes per annum (mtpa) to 4.8 mtpa through the introduction of a dense media circuit by-pass facility. The project is expected to be completed in late CY2013. The expansion will also address infrastructure constraints by increasing road and port capacity to 5.9 mtpa, creating 1.1 mtpa of additional capacity for future expansions.

HMM

The central block development project at Wessels mine is expected to be completed during the last quarter of FY2013. The project will enable the mine to increase current production from 1 mtpa to 1.5 mtpa of capacity (100 per cent, or about 0.7 mtpa BHP Billiton share). The remaining forecast capital expenditure to completion of the project is an estimated US$26 million (BHP Billiton share).

Metalloys

The High Carbon Ferro Manganese (HCFeMn) furnace M14 at the Metalloys West Plant was approved for execution in November 2010 with a total approved investment of US$91 million (US$54.6 million BHP Billiton share). This furnace would add an additional 130 kilotonnes per annum (ktpa) capacity (100 per cent or about 78 ktpa BHP Billiton share) of HCFeMn and replace smaller, less efficient furnaces from the South Plant with a current capacity of 55 ktpa. The M14 furnace will contribute to power efficiency at Metalloys site as it will add to the site's own generation capacity utilising the furnace off-gases.

Samancor Gabon Manganese project

The feasibility phase study for the establishment of a 300 ktpa mine in Franceville, Gabon, commenced in July 2010 and the study is expected to be completed in the first quarter of FY2012.

The pre-feasibility phase study for phase 2 to increase the production capacity to 1.8 mtpa is expected to commence in the second quarter of FY2012.

2.2.9 Metallurgical Coal Customer Sector Group

Our Metallurgical Coal CSG is the world's largest supplier of seaborne metallurgical coal. Metallurgical coal, along with iron ore and manganese, is a key input in the production of steel.

Our export customers are steel producers around the world. In FY2011, most of our contracts were annual or long-term volume contracts with prices largely negotiated on a quarterly basis or monthly basis.

We have assets in two major resource basins: the Bowen Basin in Central Queensland, Australia, and the Illawarra region of New South Wales, Australia.

Bowen Basin

In comparison with many other coal mining regions, the Bowen Basin is well positioned to supply the seaborne market because of its high-quality metallurgical coals, which are ideally suited to efficient blast furnace operations, relatively low cost of production from extensive near-surface deposits and geographical proximity to Asian customers.

We also have access to key infrastructure, including a modern, integrated electric rail network and our own coal loading terminal at Hay Point, Mackay. This infrastructure enables us to maximise throughput and blending of products from multiple mines to optimise the value of our production and satisfy customer requirements.

Our Bowen Basin mines are owned through a series of joint ventures. We share 50–50 ownership with Mitsubishi Development Pty Ltd in BHP Billiton Mitsubishi Alliance (BMA), which operates the Goonyella Riverside, Broadmeadow, Peak Downs, Saraji, Norwich Park, Blackwater and Gregory Crinum mines, together with the Hay Point Coal terminal through the Central Queensland Coal Associates (CQCA) joint venture and the Gregory joint venture. Our BHP Billiton Mitsui Coal (BMC) asset operates South Walker Creek and Poitrel mines. BMC is owned by BHP Billiton (80 per cent) and Mitsui and Co (20 per cent).

The reserve lives of the Bowen Basin mines range from six years to 62 years. Total attributable production in FY2011 was approximately 25.7 million tonnes (Mt) compared with 30.8 Mt in FY2010. Production in FY2011 was significantly impacted by persistent and severe wet weather in the Bowen Basin.

Production figures for the Bowen Basin include some energy coal (less than 11 per cent).

Illawarra

We own and operate three underground coal mines in the Illawarra region of New South Wales, which supply metallurgical coal to the nearby BlueScope Port Kembla steelworks, and other domestic and export markets. Total production in FY2011 was approximately 6.9 Mt compared with 6.5 Mt in FY2010. The reserve lives of the Illawarra mines range from three years to 19 years.

Production figures for Illawarra include some energy coal (less than 18 per cent).

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Information on Metallurgical Coal mining operations

The following table contains additional details of our mining operations. The tables should be read in conjunction with the production (see section 2.3.2) and reserves tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
Metallurgical coal								
Central Queensland Coal Associates (CQCA) joint venture								
Bowen Basin, Queensland, Australia Goonyella, Riverside, Peak Downs, Saraji, Norwich Park, Blackwater and Broadmeadow mines	Public road Coal transported by rail to Hay Point and Gladstone ports	BHP Billiton 50% Mitsubishi Development 50%	BMA	Mining leases including undeveloped tenements, expire between 2011–2037, renewable for further periods as Queensland Government/ legislation allows Mining is permitted to continue under the legislation during the application period. Application lodged to renew mining lease expiring in 2011	Goonyella mine commenced 1971, merged with adjoining Riverside mine 1989 Operates as Goonyella Riverside Production commenced: Peak Downs 1972 Saraji 1974 Norwich Park 1979 Blackwater 1967 Broadmeadow (longwall operations) 2005	All open-cut except Broadmeadow: longwall underground Bituminous coal is mined from the Permian Moranbah and Rangal Coal measures Products range from premium-quality, low volatile, high vitrinite, hard coking coal to medium volatile hard coking coal, to weak coking coal, and some medium ash thermal coal as a by-product	Queensland electricity grid	On-site beneficiation facilities Combined nominal capacity: in excess of 53.5 mtpa Hay Point Coal Terminal
Gregory joint venture								
Bowen Basin, Queensland, Australia Gregory and Crinum mines	Public road Coal transported by rail to Hay Point and Gladstone ports	BHP Billiton 50% Mitsubishi Development 50%	BMA	Mining leases, including undeveloped tenements, expire between 2014–2027, renewable for further periods as Queensland Government/ legislation allows	Production commenced: Gregory 1979 Crinum mine (longwall) 1997	Gregory: open-cut Crinum: longwall underground Bituminous coal is mined from the Permian German Creek Coal measures Product is a high volatile, low ash hard coking coal, and a medium ash thermal coal	Queensland electricity grid	On-site beneficiation processing facility Nominal capacity: in excess of 5 mtpa
BHP Billiton Mitsui Coal Pty Limited								
Bowen Basin, Queensland, Australia South Walker Creek and Poitrel mines	Public road Coal transported by rail to Hay Point port	BHP Billiton 80% Mitsui and Co 20%	During FY2011 management transferred from BMA to BMC	Mining leases, including undeveloped tenements expire in 2020, renewable for further periods as Queensland Government/ legislation allows	South Walker Creek commenced 1996 Poitrel commenced 2006	Open-cut Bituminous coal is mined from the Permian Rangal Coal measures Produces a range of coking coal, pulverised coal injection (PCI) coal, and thermal coal products with medium to high phosphorus and ash properties	Queensland electricity grid	South Walker Creek coal beneficiated on-site Nominal capacity: 3.5 mtpa Poitrel Mine has Red Mountain joint venture with adjacent Millennium Coal mine to share processing and rail loading facilities Nominal capacity: 3 mtpa
Illawarra Coal								
Illawarra, New South Wales, Australia Dendrobium, Appin and West Cliff mines	Public road Coal transported by road or rail to BlueScope Steel's Port Kembla steelworks or Port Kembla for export	100%	BHP Billiton	Mining leases expire between 2011–2026, renewable for further periods as NSW Government/ legislation allows Mining is permitted to continue under the legislation during the application period Applications lodged to renew mining leases expiring in 2011	Production commenced: Appin 1962 (longwall operations 1969) West Cliff 1976 Dendrobium 2005	Underground Bituminous coal is mined from the Permian Illawarra Coal Measures Produces premium quality hard coking coal and some thermal coal from the Wongawilli and Bulli seams	New South Wales electricity grid	2 beneficiation facilities Nominal capacity: approximately 8 mtpa

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Information on Metallurgical Coal mining operations continued

Development projects

Bowen Basin Expansions

In March 2011, approval was given for three key metallurgical coal projects located in the Bowen Basin in Central Queensland, Australia. The projects are expected to add 4.9 Mt of annual mine capacity (100 per cent basis) through development of the Daunia operation and a new mining area at Broadmeadow. In addition, 11 Mt of annual port capacity (100 per cent basis) will be developed at the Hay Point Coal terminal. The total investment is expected to be US$5 billion, of which BHP Billiton's share is US$2.5 billion.

The Daunia mine, adjacent to BMC's Poitrel mine, will have the capacity to produce 4.5 million tonnes per annum (mtpa) of export metallurgical coal through a new processing facility. First coal is expected in 2013. The investment will also extend the life of the Broadmeadow mine by a further 21 years and increase production capacity by 0.4 mtpa to a new total capacity of 4.8 mtpa. The project is due for completion in 2013. The expansion at Hay Point terminal will increase its capacity from 44 mtpa to 55 mtpa and includes the replacement of the existing jetty to increase its ability to withstand high seas and winds. First shipments from the expanded terminal are expected in 2014.

Metallurgical Coal is continuing to investigate a number of brownfield and greenfield expansion and logistics options in the Bowen Basin, including the construction of the proposed Caval Ridge Mine which will utilise the expanded Hay Point terminal capacity.

IndoMet Coal Project (Indonesia)

IndoMet Coal comprises seven coal contracts of work (CCoWs) covering a large metallurgical coal resource in Kalimantan, Indonesia, which was discovered by BHP Billiton in the 1990s. Following an assessment of the importance of local participation in developing the project in 2010, we sold a 25 per cent interest in the project to a subsidiary of PT Adaro Energy TBK. We retain 75 per cent of the project and hold management responsibility for the project.

Study work is underway to identify development options across our CCoWs.

2.2.10 Energy Coal Customer Sector Group

Our Energy Coal CSG is one of the world's largest producers and marketers of export energy coal (also known as thermal or steaming coal) and is also a significant domestic supplier to the electricity generation industry in Australia, South Africa and the US. Our global portfolio of energy coal assets and our insights into the broader energy market through our sales of other fuels (gas, uranium and oil) provide our business with substantial advantages as a supplier. We generally make our domestic sales under long-term fixed-price contracts with nearby power stations. We make export sales to power generators and some industrial users in Asia, Europe and the US, usually under contracts for delivery of a fixed volume of coal. Pricing is either index-linked or fixed, in which case we use financial instruments to swap our fixed-price exposure for exposure to market indexed prices.

We operate three assets: a group of mines and associated infrastructure collectively known as BHP Billiton Energy Coal South Africa; our New Mexico Coal operations in the US; and our NSW Energy Coal operations in Australia. We also own a 33.33 per cent share of the Cerrejón Coal Company, which operates a coal mine in Colombia.

BHP Billiton Energy Coal South Africa (BECSA)

BECSA operates four coal mines Khutala, Klipspruit, Middelburg and Wolvekrans in the Witbank region of Mpumalanga province of South Africa, which in FY2011 produced approximately 34 million tonnes (Mt). In FY2011, BECSA sold approximately 62 per cent of its production to Eskom, the government-owned electricity utility in South Africa and exported the rest via the Richards Bay Coal Terminal (RBCT), in which we own a 22 per cent share. The reserve lives of the BECSA mines range from nine to 30 years.

New Mexico Coal

We own and operate the Navajo mine, located on Navajo Nation land in New Mexico, and the nearby San Juan mine located in the state of New Mexico. Each mine transports its production directly to a nearby power station. The reserve lives of Navajo Mine and San Juan Mine are 27 and 14 years, respectively. New Mexico Coal produced approximately 12 Mt in FY2011.

NSW Energy Coal

NSW Energy Coal's operating asset is the Mt Arthur open-cut coal mine in the Hunter Valley region of New South Wales, which produced approximately 14 Mt in FY2011 and has a reserve life of 50 years. We commenced the first stage of our long-term mine expansion project (RX1) in FY2011 (see Development projects below). In FY2011, we delivered approximately nine per cent of Mt Arthur's production to a local power station and exported the rest via the port of Newcastle. We are also a 35.5 per cent shareholder in Newcastle Coal Infrastructure Group a joint controlled entity that is operating the Newcastle Third Port export coal loading facility.

Cerrejón Coal Company

Cerrejón Coal Company owns and operates one of the largest open-cut export coal mines in the world in La Guajira province of Colombia, as well as integrated rail and port facilities through which the majority of production is exported to European and Middle Eastern customers. Cerrejón has a current capacity of 32 million tonnes per annum (mtpa) (100 per cent terms) and has a reserve life of 23 years.

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2.2.10 Energy Coal Customer Sector Group continued

Information on Energy Coal mining operations

The following table contains additional details of our mining operations. The table should be read in conjunction with the production (see section 2.3.2) and reserves tables (see section 2.13.2).

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
South Africa								
Khutala								
100 km east of Johannesburg, Gauteng Province, South Africa	Public road Domestic coal transported by overland conveyor to Kendal Power Station	100%	BHP Billiton	BECSA holds Old Order Mining Right Application for conversion to New Order Right, submitted 2004 and being processed (see section 2.7.1)	Production commenced 1984 Open-cut operations 1996 Commenced mining thermal/metallurgical coal for domestic market 2003	Combination open-cut and underground Produces a medium rank bituminous thermal coal (non-coking)	Eskom (national power supplier) under long-term contracts	Crushing plant for energy coal Nominal capacity: 18 mtpa Smaller crusher and wash plant to beneficiate metallurgical coal Nominal capacity: 0.6 mtpa
Middelburg/Wolvekrans								
20 km southeast of Witbank, Mpumalanga Province, South Africa	Public road Export coal transported to RBCT by rail Domestic coal transported by conveyor to Duvha Power Station	100% Previous JV (84:16) with Xstrata Plc (through Tavistock Collieries Plc) dissolved effective 1 December 2009	BHP Billiton	BECSA and Tavistock are joint holders of 3 Old Order Mining Rights in the previous JV ratio (84:16) BECSA is the 100% holder of a fourth Old Order Mining Right All 4 Rights were lodged with the Department of Mineral Resources for conversion in December 2008 [1]	Production commenced 1982 Middelburg Mine Services (MMS) and Duvha Opencast became one operation in 1995 Douglas-Middelburg Optimisation project completed in July 2010 During the year, the mine was split into Middelburg and Wolvekrans	Open-cut Produces a medium rank bituminous thermal coal, most of which can be beneficiated for the European or Asian export markets	Eskom under long-term contracts	Beneficiation facilities: tips and crushing plants, 2 export wash plants, middlings wash plant, de-stone plant Nominal capacity: 44.5 mtpa
Klipspruit								
30 km west of Witbank, Mpumalanga Province, South Africa	Public road Export coal transported to RBCT by rail	100% 50% of Phola Coal Plant in JV with Anglo Inyosi Coal	BHP Billiton	BECSA holds an Old Order Mining Right Application for conversion to New Order Mining Right submitted 2004, being processed (see section 2.7.1)	Production commenced 2003 Expansion Project completed FY2010, includes 50% share in Phola Coal Plant Expected ROM capacity: 8.0 mtpa at full ramp-up	Open-cut Produces a medium rank bituminous thermal coal, most of which can be beneficiated for the European or Asian export markets	Eskom under long-term contracts	Beneficiation facilities: tip and crushing plant, export wash plant Nominal capacity Phola Coal Processing Plant: 16 mtpa
Australia								
Mt Arthur Coal								
Approximately 125 km from Newcastle, New South Wales, Australia	Public road Domestic coal transported by conveyor to Bayswater Power Station Export coal transported by rail to Newcastle port	100%	BHP Billiton	Various mining leases and licences expire 2011–2032 Renewal is being sought for our tenement that expired in 2010	Production commenced 2002 Government approval permits extraction of up to 36 mt of run of mine coal from underground and open-cut operations, with open-cut extraction limited to 32 mtpa	Open-cut Produces a medium rank bituminous thermal coal (non-coking)	Local energy providers	Beneficiation facilities: coal handling, preparation, washing plants Nominal capacity: in excess of 16 mtpa – see Development projects below

[1] JV agreement has been amended such that upon conversion of the Mining Rights, the mining area will be divided into an area wholly owned and operated by Tavistock and an area wholly owned and operated by BECSA as the new Douglas/Middelburg mine (see section 2.7.1).

Information on Energy Coal mining operations continued

Mine & Location	Means of Access	Ownership	Operator	Title, Leases or Options	History	Type of Mine and Mineralisation Style	Power Source	Facilities, Use & Condition
US								
Navajo								
30 km southwest of Farmington, New Mexico, US	Public road Coal transported by rail to Four Corners Power Plant (FCPP)	100%	BHP Billiton	Long-term lease from Navajo Nation continues for as long as coal can be economically produced and sold in paying quantities	Production commenced 1963	Open-cut Produces a medium rank bituminous thermal coal (non-coking suitable for the domestic market only)	Four Corners Power Plant	Stackers and reclaimers used to size and blend coal to contract specifications Nominal capacity: 8.1 mtpa
San Juan								
25 km west of Farmington, New Mexico, US	Public road Coal transported by truck and conveyor to San Juan Generating Station (SJGS)	100%	BHP Billiton	Mining leases from federal and state governments Leases viable as long as minimum production criteria achieved	Surface mine operations commenced 1973 Development of underground mine to replace open-cut mine approved 2000	Underground Produces a medium rank bituminous thermal coal (non-coking suitable for the domestic market only)	San Juan Generation Station	Coal sized and blended to contract specifications using stockpiles Nominal capacity: 6.0 mtpa
Colombia								
Cerrejón Coal Company								
La Guajira province, Colombia	Public road Coal exported by rail to Puerto Bolivar	BHP Billiton 33.33% Anglo American 33.33% Xstrata 33.33%	Cerrejón Coal Company	Mining leases expire 2034	Original mine began producing in 1976 BHP Billiton interest acquired in 1999	Open-cut Produces a medium rank bituminous thermal coal (non-coking, suitable for the export market)	Local Colombian power system	Beneficiation facilities: crushing plant with capacity of 32 mtpa and washing plant Nominal capacity: 3 mtpa

Development projects

Mt Arthur open-cut expansions (RX1)

On 25 March 2011, we announced the first stage of the Mt Arthur Coal mine expansion which is intended to increase run-of-mine thermal coal production by approximately 4 Mt, to approximately 24 mtpa and follows our investment in capacity at the Port of Newcastle. Known as the RX1 Project, it is expected to commence operation in the second half of 2013 at an estimated capital investment of US$400 million.

The environmental assessment approval granted in September 2010 will allow us to develop additional coal reserves in the future with studies underway to examine the expansion of the mine.

Expansion of Cerrejón Coal (P40 Project)

On 18 August 2011, we announced a US$437 million (BHP Billiton share) investment in the expansion of Cerrejón Coal, known as the P40 Project, which will enable Cerrejón Coal's saleable thermal coal production to increase by eight mtpa to approximately 40 mtpa. The expansion project will see our 33.3 per cent share of production and sales increase from 10.7 mtpa to 13.3 mtpa. Construction will commence in CY2011 with completion expected in CY2013. The project scope includes a second berth and dual quadrant ship loader at Cerrejón's 100 per cent owned and operated Puerto Bolivar, along with necessary mine, rail and associated supply chain infrastructure.

Newcastle Port Third Phase Expansion

On 31 August 2011, we announced a US$367 million (BHP Billiton share) investment in the third stage development of the Newcastle Coal Infrastructure Group's coal handling facility in Newcastle, Australia, in which, NSW Energy Coal is a 35.5 per cent shareholder. The port expansion project will increase total capacity at the coal terminal from 53 mtpa to 66 mtpa. This will increase NSW Energy Coal's allocation by a further 4.6 mtpa to 19.2 mtpa supporting the future expansions of the Mt Arthur Coal mine. The first coal on the new ship loader is scheduled to occur in FY2014, with the terminal expected to operate at full capacity within the following 12 months.

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2.3 Production

2.3.1 Petroleum

The table below details Petroleum's historical net crude oil and condensate, natural gas and natural gas liquids production, primarily by geographic segment, for each of the three years ended 30 June 2011, 2010 and 2009. We have shown volumes 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.

	BHP Billiton Group share of production Year ended 30 June		
	2011	2010	2009
Production volumes			
Crude oil and condensate *('000 of barrels)*			
Australia	**40,447**	31,540	32,496
United States	**30,157**	41,522	20,818
Other	**9,987**	11,325	13,014
Total crude oil and condensate	**80,591**	84,387	66,328
Natural gas *(billion cubic feet)*			
Australia	**274.74**	259.65	258.14
United States	**49.09**	17.68	11.91
Other	**81.23**	91.24	92.75
Total natural gas	**405.06**	368.57	362.80
Natural Gas Liquids [1] *('000 of barrels)*			
Australia	**7,962**	8,652	7,977
United States	**1,980**	2,545	1,128
Other	**1,341**	1,552	2,071
Total NGL [1]	**11,283**	12,749	11,176
Total petroleum products production *(million barrels of oil equivalent)* [2]			
Australia	**94.20**	83.47	83.50
United States	**40.32**	47.01	23.93
Other	**24.86**	28.08	30.54
Total petroleum products production *(million barrels of oil equivalent)* [2]	**159.38**	158.56	137.97
Average sales price			
Crude oil and condensate *(US$ per barrel)*			
Australia	**96.32**	74.12	70.32
United States	**90.01**	71.55	62.90
Other	**90.69**	75.57	60.69
Total crude oil and condensate	**93.29**	73.05	66.18
Natural gas *(US$ per thousand cubic feet)*			
Australia	**4.21**	3.52	3.07
United States	**3.48**	4.80	6.61
Other	**3.92**	3.05	4.08
Total natural gas	**4.00**	3.43	3.57
Natural Gas Liquids *(US$ per barrel)*			
Australia	**58.05**	48.20	44.71
United States	**49.79**	39.51	48.19
Other	**59.54**	49.40	38.88
Total NGL	**56.77**	46.47	43.91
Average Production Cost *(US$ per barrel of oil equivalent)* [3]			
Australia	**5.75**	5.59	4.51
United States	**6.45**	5.62	7.20
Other	**8.39**	7.48	6.74
Average Production Cost *(US$ per barrel of oil equivalent)* [3]	**6.34**	5.93	5.47

(1) LPG and Ethane are reported as Natural Gas Liquids (NGL).
(2) Total boe conversion is based on the following: 6,000 scf of natural gas equals 1 boe.
(3) Average production costs include direct and indirect costs relating to the production of hydrocarbons and the foreign exchange effect of translating local currency denominated costs into US dollars but excludes ad valorem and severance taxes.

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2.3.2 Minerals

The table below details our mineral and derivative product production for all CSGs except Petroleum for the three years ended 30 June 2011, 2010 and 2009. Production shows our share unless otherwise stated.

	BHP Billiton Group interest %	BHP Billiton Group share of production Year ended 30 June		
		2011	2010	2009
Aluminium				
Alumina				
Production ('000 tonnes)				
Worsley, Australia	86.0	**2,902**	3,054	2,924
Paranam, Suriname [1]	45.0	**–**	78	935
Alumar, Brazil	36.0	**1,108**	709	537
Total alumina		**4,010**	3,841	4,396
Aluminium				
Production ('000 tonnes)				
Hillside, RSA	100.0	**711**	710	702
Bayside, RSA	100.0	**97**	98	99
Alumar, Brazil	40.0	**174**	174	177
Mozal, Mozambique	47.1	**264**	259	255
Total aluminium		**1,246**	1,241	1,233
Base Metals [2]				
Copper				
Payable metal in concentrate ('000 tonnes)				
Escondida, Chile	57.5	**390.5**	448.1	417.6
Antamina, Peru	33.8	**97.8**	98.6	109.0
Pinto Valley, US [3]	100.0	**–**	–	33.3
Total copper concentrate		**488.3**	546.7	559.9
Cathode *('000 tonnes)*				
Escondida, Chile	57.5	**179.1**	174.2	172.1
Pampa Norte, Chile [4]	100.0	**272.2**	244.8	274.8
Pinto Valley, US [3]	100.0	**5.7**	6.2	6.2
Olympic Dam, Australia	100.0	**194.1**	103.3	194.1
Total copper cathode		**651.1**	528.5	647.2
Total copper concentrate and cathode		**1,139.4**	1,075.2	1,207.1
Lead				
Payable metal in concentrate ('000 tonnes)				
Cannington, Australia	100.0	**243.4**	245.4	226.8
Antamina, Peru	33.8	**1.2**	3.0	3.3
Total lead		**244.6**	248.4	230.1
Zinc				
Payable metal in concentrate ('000 tonnes)				
Cannington, Australia	100.0	**60.7**	62.7	54.8
Antamina, Peru	33.8	**91.5**	135.6	108.4
Total zinc		**152.2**	198.3	163.2
Gold				
Payable metal in concentrate ('000 ounces)				
Escondida, Chile	57.5	**84.7**	76.4	67.3
Olympic Dam, Australia (refined gold)	100.0	**111.4**	65.5	108.0
Pinto Valley, US [3]	100.0	**–**	–	0.9
Total gold		**196.1**	141.9	176.2

2.3.2 Minerals continued

	BHP Billiton Group interest %	BHP Billiton Group share of production Year ended 30 June		
		2011	2010	2009
Base Metals [2] continued				
Silver				
Payable metal in concentrate ('000 ounces)				
Escondida, Chile	57.5	**2,849**	2,874	2,765
Antamina, Peru	33.8	**3,600**	4,712	4,090
Cannington, Australia	100.0	**35,225**	37,276	33,367
Olympic Dam, Australia (refined silver)	100.0	**982**	500	937
Pinto Valley, US [3]	100.0	**–**	–	182
Total silver		**42,656**	45,362	41,341
Uranium oxide				
Payable metal in concentrate (tonnes)				
Olympic Dam, Australia	100.0	**4,045**	2,279	4,007
Total uranium oxide		**4,045**	2,279	4,007
Molybdenum				
Payable metal in concentrate (tonnes)				
Antamina, Peru	33.8	**1,445**	813	1,363
Pinto Valley, US [3]	100.0	**–**	–	159
Total molybdenum		**1,445**	813	1,522
Diamonds and Specialty Products				
Diamonds				
Production ('000 carats)				
EKATI, Canada	80.0	**2,506**	3,050	3,221
Total diamonds		**2,506**	3,050	3,221
Titanium minerals [5]				
Production ('000 tonnes)				
Titanium slag				
Richards Bay Minerals, RSA [6]	37.76	**366**	317	490
Rutile				
Richards Bay Minerals, RSA [6]	37.76	**32**	34	44
Zircon				
Richards Bay Minerals, RSA [6]	37.76	**83**	83	120
Total titanium minerals		**481**	434	654
Stainless Steel Materials				
Nickel				
Production ('000 tonnes)				
Cerro Matoso, Colombia	99.9	**40.0**	49.6	50.5
Yabulu, Australia [7]	100.0	**–**	2.8	33.9
Nickel West, Australia	100.0	**112.7**	123.8	88.7
Total nickel		**152.7**	176.2	173.1
Cobalt				
Production ('000 tonnes)				
Yabulu, Australia [7]	100.0	**–**	0.1	1.4
Total cobalt		**0.0**	0.1	1.4
Iron Ore [8]				
Production ('000 tonnes)				
Newman, Australia [9]	85.0	**45,245**	32,097	31,350
Mt Goldsworthy, Australia	85.0	**1,198**	1,688	1,416
Area C, Australia	85.0	**39,794**	38,687	35,513
Yandi, Australia	85.0	**36,460**	41,396	37,818
Samarco, Brazil	50.0	**11,709**	11,094	8,318
Total iron ore		**134,406**	124,962	114,415

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2.3.2 Minerals continued

	BHP Billiton Group interest %	BHP Billiton Group share of production Year ended 30 June		
		2011	2010	2009
Manganese				
Manganese ores				
Saleable production ('000 tonnes)				
HMM, RSA [10]	44.4	**3,007**	2,718	2,191
GEMCO, Australia [10]	60.0	**4,086**	3,406	2,284
Total manganese ores		**7,093**	6,124	4,475
Manganese alloys				
Saleable production ('000 tonnes)				
Metalloys, RSA [10][11]	60.0	**486**	364	301
TEMCO, Australia [10]	60.0	**267**	219	212
Total manganese alloys		**753**	583	513
Metallurgical Coal [12]				
Production ('000 tonnes)				
Blackwater, Australia	50.0	**4,589**	5,733	5,382
Goonyella Riverside, Australia [13]	50.0	**5,359**	6,668	6,685
Peak Downs, Australia	50.0	**3,402**	4,332	4,390
Saraji, Australia	50.0	**2,779**	3,402	3,505
Norwich Park, Australia	50.0	**1,055**	1,870	1,984
Gregory Joint Venture, Australia	50.0	**2,717**	2,398	2,762
Total BMA, Australia		**19,901**	24,403	24,708
South Walker Creek, Australia		**3,134**	3,609	2,978
Poitrel, Australia		**2,759**	2,834	2,457
Total BHP Billiton Mitsui Coal, Australia [14]	80.0	**5,893**	6,443	5,435
Illawarra, Australia	100.0	**6,884**	6,535	6,273
Total metallurgical coal		**32,678**	37,381	36,416
Energy Coal				
Production ('000 tonnes)				
Navajo, US	100.0	**7,472**	7,465	8,363
San Juan, US	100.0	**4,140**	6,013	5,773
Total New Mexico		**11,612**	13,478	14,136
Middelburg/Wolvekrans, RSA [15]	100.0	**14,328**	14,704	14,807
Khutala, RSA	100.0	**12,928**	10,868	11,125
Klipspruit, RSA	100.0	**7,072**	4,887	3,964
Total BECSA		**34,328**	30,459	29,896
Mt Arthur Coal, Australia	100.0	**13,671**	12,039	11,775
Cerrejón Coal Company, Colombia	33.3	**9,889**	10,155	10,594
Total energy coal		**69,500**	66,131	66,401

(1) Suriname was sold effective 31 July 2009.
(2) Metal production is reported on the basis of payable metal.
(3) The Pinto Valley mining operations were placed on care and maintenance in January 2009, and continue to produce copper cathode through sulphide leaching.
(4) Includes Cerro Colorado and Spence.
(5) Data was sourced from the TZ Minerals International Pty Ltd Mineral Sands Annual Review 2011 and amounts represent production for the preceding year ended 31 December.
(6) The Group's economic interest in Richards Bay Minerals is 37.76 per cent (FY2010: 37.76 per cent; FY2009: 50 per cent).
(7) Yabulu was sold effective 31 July 2009.
(8) Iron ore production is reported on a wet tonnes basis with the exception of Samarco, being reported in dry (pellet) tonnes.
(9) Newman includes Mt Newman Joint Venture and Jimblebar, previously Jimblebar was reported separately.
(10) Shown on 100 per cent basis. BHP Billiton interest in saleable production is 60 per cent, except HMM, which is 44.4 per cent (FY2010: 44.4 per cent; FY2009: 60 per cent).
(11) Production includes Medium Carbon Ferro Manganese.
(12) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.
(13) Goonyella Riverside includes the Broadmeadow underground mine.
(14) Shown on 100 per cent basis. BHP Billiton interest in saleable production is 80 per cent (FY2010: 80 per cent; FY2009: 80 per cent).
(15) Wolvekrans was previously known as Douglas mine.

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2.4 Marketing

BHP Billiton's Marketing network manages the Group's revenue line and is responsible for:

- selling our products and for the purchase of all major raw materials;
- the supply chain for our various products, from assets to market, and also for raw materials, from suppliers to our assets;
- managing credit and price risk associated with the revenue line;
- achieving market clearing prices for the Group's products;
- defining our view of long-term market fundamentals.

This requires an active and significant presence in the various commodities markets and also the global freight market.

Our marketing activities are centralised in Singapore, The Hague (Netherlands) and Antwerp (Belgium). Our Iron Ore, Metallurgical Coal, Manganese, Base Metals, Stainless Steel Materials, Petroleum and Uranium marketing teams are headquartered in Singapore. The Hague is the hub for our Aluminium, Energy Coal and Freight marketing teams. Our Antwerp office serves our diamonds customers.

These three marketing offices incorporate all the functions required to manage product marketing and distribution – from the point of production to final customer delivery. In addition, we have marketers located in 17 regional offices around the world.

We have a centralised ocean freight business that manages our in-house freight requirements. The primary purpose of the freight business is to create a competitive advantage for our shipments through the procurement and operation of quality, cost-effective shipping. From time to time, we carry complementary cargoes for external parties to optimise profitability.

2.5 Minerals exploration

Our minerals exploration program is integral to our growth strategy and is focused on identifying and capturing new world-class projects for future development or projects that add significant value to existing operations. Targets for exploration are generally resources to underpin development of large low-cost mining projects in a range of minerals, including copper, iron ore, potash, nickel, uranium, manganese and diamond deposits.

Our greenfield exploration activities are organised from four principal offices in Singapore, Perth (Australia), Johannesburg (South Africa) and Santiago (Chile). We continue to pursue opportunities and build our title position in prospective regions, focusing on the Americas, Asia, Africa and Australia. The process of discovery runs from early-stage mapping through to drilling and evaluation. The exploration program is global in scope and prioritises targets based on our assessment of the relative attractiveness of each mineral.

In addition to our activities focused on finding new world-class deposits, several of our CSGs undertake brownfield exploration, principally aimed at delineating and categorising mineral deposits near existing operations, and advancing projects through the development pipeline.

In FY2011, we spent US$683 million on minerals exploration. Of this, US$207 million was spent on greenfield exploration and US$476 million was spent on brownfield exploration and advanced projects.

2.6 Resource and Business Optimisation

Group Resource and Business Optimisation (RBO) provides governance and technical leadership for resource development and Ore Reserve reporting. RBO's 50 professionals are focused on ensuring optimal value recovery from our resources. The team includes functional experts in mineral resource evaluation, brownfields exploration, planning, research and development, work management, production reporting, mine engineering and mineral process engineering.

RBO engages directly with assets to deliver guidance and assess compliance in resource development and Ore Reserve reporting. It provides the Group Management Committee with assurance reports and portfolio analysis. RBO also provides functional expertise to audits and to investment review programs conducted by other Group Functions.

RBO's accountabilities include governance for all resource and reserve estimation and Ore Reserve reporting.

2.7 Government regulations

Government regulations touch all aspects of our operations. However, because of the geographical diversity of our operations, no one set of government regulations is likely to have a material effect on our business, taken as a whole.

The ability to extract minerals, oil and natural gas is fundamental to our business. In most jurisdictions, the rights to undeveloped mineral or petroleum deposits are owned by the state. Accordingly, we rely upon the rights granted to us by the government that owns the mineral, oil or natural gas. These rights usually take the form of a lease or licence, which gives us the right to access the land and extract the product. The terms of the lease or licence, including the time period for which it is effective, are specific to the laws of the relevant government. Generally, we own the product we extract and royalties or similar taxes are payable to the government. Some of our operations, such as our oil and gas operations in Trinidad and Tobago and Algeria, are subject to production sharing contracts under which both we as the contractor and the government are entitled to a share of the production. Under such production sharing contracts, the contractor is entitled to recover its exploration and production costs from the government's share of production.

Related to the ability to extract is the ability to process the minerals, oil or natural gas. Again, we rely upon the relevant government to grant the rights necessary to transport and treat the extracted material in order to ready it for sale.

Underlying our business of extracting and processing natural resources is the ability to explore for those orebodies. The rights to explore for minerals, oil and natural gas are granted to us by the government that owns those natural resources that we wish to explore. Usually, the right to explore carries with it the obligation to spend a defined amount of money on the exploration or to undertake particular exploration activities.

Governments also impose obligations on us in respect of environmental protection, land rehabilitation, occupational health and safety, and native land title with which we must comply in order to continue to enjoy the right to conduct our operations within that jurisdiction. These obligations often require us to make substantial expenditures to minimise or remediate the environmental impact of our operations, to ensure the safety of our employees and contractors and the like. For further information on these types of obligations, refer to section 2.8 of this Report.

Of particular note are the following regulatory regimes:

2.7.1 South African Mining Charter and Black Economic Empowerment

In 2003, the South African Government released a strategy for broad-based black economic empowerment (BBBEE) that defined empowerment as 'an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings significant increases in the numbers of black people who manage, own and control the country's economy, as well as significant decreases in income inequalities'. This strategy laid the foundation for the Black Economic Empowerment Act of 2003, which granted government the power to legislate how it wanted black economic empowerment (BEE) to be implemented in South Africa.

As outlined in section 1.5 of this Report, on 1 May 2004, the Mineral and Petroleum Resources Development Act 2002 (MPRDA) took effect, providing for state custodianship of all mineral deposits and abolishing the prior system of privately held mineral rights. It is administered by the Department of Mineral Resources (formerly the Department of Minerals and Energy) of South Africa. In February

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2.7.1 South African Mining Charter and Black Economic Empowerment continued

2007, the codes of good practice were gazetted, further crystallising the government's BEE strategy into a single binding document. The codes make provision for businesses to measure their success in contributing to the economic transformation and empowerment of historically disadvantaged South Africans (HDSAs) in the local economy and a scorecard comprising seven metrics was also developed to assist businesses in achieving this success.

In terms of the MPRDA, holders of mining rights granted under the previous system, known as 'Old Order Rights', must have applied to convert their rights to 'New Order Rights' prior to 30 April 2009. In order for the conversions to be effected, applicants are required to comply with the terms of the Black Economic Empowerment Act of 2003 and the Mining Charter, which has been published under the MPRDA. The Mining Charter requires holders of mining rights to achieve 26 per cent ownership participation by HDSAs in their mining operations by 30 April 2014, of which 15 per cent needed to have been achieved by 30 April 2009. We have submitted to the Department of Mineral Resources of South Africa transactions to meet the legislative requirements and support the conversion to 'New Order Rights'.

We support broad-based black economic empowerment in South Africa. We believe it is imperative to both the growth and stability of the South African economy and the Group's strategic objectives and long-term sustainability in that country.

The principles of transformation and empowerment are in line with *Our BHP Billiton Charter*.

We have established a transformation and empowerment technical committee comprising senior managers with diverse skills to ensure our transformation and empowerment agenda is coordinated and comprehensive.

2.7.2 Uranium production in Australia

To mine, process, transport and sell uranium from within Australia, we are required to hold possession and export permissions, which are also subject to regulation by the Australian Government or bodies that report to the Australian Government.

To possess 'nuclear material', such as uranium, in Australia, a Permit to Possess Nuclear Materials (Possession Permit) must be held pursuant to the Australian Nuclear Non-Proliferation (Safeguards) Act 1987 (Non-Proliferation Act). A Possession Permit is issued by the Australian Safeguards and Non-Proliferation Office, an office established under the Non-Proliferation Act, which administers Australia's domestic nuclear safeguards requirements and reports to the Australian Government.

To export uranium from Australia, a Permit to Export Natural Uranium (Export Permit) must be held pursuant to the Australian Customs (Prohibited Exports) Regulations 1958. The Export Permit is issued by the Minister for Resources and Energy.

A special transport permit will be required under the Non-Proliferation Act by a party that transports nuclear material from one specified location to another specified location. As we engage service providers to transport uranium, those service providers are required to hold a special transport permit.

2.7.3 Exchange controls and shareholding limits

BHP Billiton Plc

There are no laws or regulations currently in force in the UK that restrict the export or import of capital or the remittance of dividends to non-resident holders of BHP Billiton Plc's shares, although the Group does operate in some other jurisdictions where remittances of funds could be affected as they are subject to exchange control approvals. There are certain sanctions adopted by the UK Government which implement resolutions of the Security Council of the United Nations and sanctions imposed by the European Union (EU) against certain countries, entities and individuals. Any enforcement of the sanctions by the UK Government would be initiated by HM Treasury. Such sanctions may be in force from time to time and include those against: (i) certain entities and/or individuals associated with the Burmese regime (Myanmar), Cote d'Ivoire, The Democratic People's Republic of Korea (North Korea), the Democratic Republic of Congo, Egypt, Eritrea, the Republic of Guinea, Lebanon, Liberia, Libya, Iran, Somalia, Sudan, Tunisia and the previous regimes of Iraq and Yugoslavia; (ii) certain officials of Belarus, Syria and Zimbabwe; (iii) individuals indicted by the International Criminal Tribunal for the former Yugoslavia; and (iv) entities and individuals linked with the Taliban, Al-Qaeda and other terrorist organisations.

There are no restrictions under BHP Billiton Plc's Articles of Association or (subject to the effect of any sanctions) under English law that limit the right of non-resident or foreign owners to hold or vote BHP Billiton Plc's shares.

There are certain restrictions on shareholding levels under BHP Billiton Plc's Articles of Association described under the heading 'BHP Billiton Limited' below.

BHP Billiton Limited

Under the Australian Banking (Foreign Exchange) Regulations 1959, the Reserve Bank of Australia may impose restrictions on certain financial transactions and require the consent of the Reserve Bank of Australia for the movement of funds into and out of Australia. Based on our searches, restrictions currently apply if funds are to be paid to or received from specified supporters of the former Government of the Federal Republic of Yugoslavia, specified ministers and senior officials of the Government of Zimbabwe, certain specified entities associated with the Democratic People's Republic of Korea (North Korea), specified individuals associated with the Burmese regime, and certain Iranian organisations and ministers. In addition, from time to time the United Nations Security Council and the Australian Government impose international sanctions on certain countries and organisations. The countries and organisations that are currently subject to United Nations (UN) sanctions are certain individuals or entities linked with the Taliban, Al-Qaeda and other terrorist organisations and certain entities and individuals associated with the Democratic Republic of Congo, Cote d'Ivoire, the Democratic People's Republic of Korea (North Korea), Eritrea, Iran, Iraq, Lebanon, Liberia, Libya, Sudan and Somalia. The countries currently subject to the Australian Government's autonomous sanctions are Burma, the Democratic People's Republic of Korea (North Korea), Fiji, the former Federal Republic of Yugoslavia, Iran, Libya, Syria and Zimbabwe. The controls impose certain approval and reporting requirements on transactions involving such countries, entities and individuals and/or assets controlled or owned by them. Transfers into or out of Australia of amounts greater than A$10,000 in any currency are also subject to reporting requirements.

Remittances of any dividends, interest or other payments by BHP Billiton Limited to non-resident holders of BHP Billiton Limited's securities are not restricted by exchange controls or other limitations, save that in certain circumstances, BHP Billiton may be required to withhold Australian taxes.

There are no limitations, either under the laws of Australia or under the Constitution of BHP Billiton Limited, on the right of non-residents to hold or vote BHP Billiton Limited ordinary shares other than as set out below.

The Australian Foreign Acquisitions and Takeovers Act 1975 (the FATA) restricts certain acquisitions of interests in shares in BHP Billiton. Generally, under the FATA, the prior approval of the Australian Treasurer must be obtained for proposals by a foreign person (either alone or together with associates) to acquire control of 15 per cent or more of the voting power or issued shares in BHP Billiton Limited.

The FATA also empowers the Treasurer to make certain orders prohibiting acquisitions by foreign persons in BHP Billiton Limited (and requiring divestiture if the acquisition has occurred) where he considers the acquisition to be contrary to the national interest and the 15 per cent threshold referred to above would be exceeded as a result. Such orders may also be made in respect of acquisitions by foreign persons where two or more foreign persons (and their associates) in aggregate already control 40 per cent or more of the issued shares or voting power in BHP Billiton Limited.

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2.7.3 Exchange controls and shareholding limits continued

There are certain other statutory restrictions, and restrictions under BHP Billiton Limited's Constitution and BHP Billiton Plc's Articles of Association, that apply generally to acquisitions of shares in BHP Billiton (i.e. the restrictions are not targeted at foreign persons only). These include restrictions on a person (and associates) breaching a voting power threshold of:

- 20 per cent in relation to BHP Billiton Limited on a 'stand-alone' basis, i.e. calculated as if there were no special voting share and only counting BHP Billiton Limited's ordinary shares.
- 30 per cent of BHP Billiton Plc. This is the threshold for a mandatory offer under Rule 9 of the UK takeover code and this threshold applies to all voting rights of BHP Billiton Plc (therefore including voting rights attached to the BHP Billiton Plc Special Voting Share).
- 30 per cent in relation to BHP Billiton Plc on a 'stand-alone' basis, i.e. calculated as if there were no special voting share and only counting BHP Billiton Plc's ordinary shares.
- 20 per cent in relation to the BHP Billiton Group, calculated having regard to all the voting power on a joint electorate basis, i.e. calculated on the aggregate of BHP Billiton Limited's and BHP Billiton Plc's ordinary shares.

Under BHP Billiton Limited's Constitution and BHP Billiton Plc's Articles of Association, sanctions for breach of any of these thresholds, other than by means of certain 'permitted acquisitions', include withholding of dividends, voting restrictions and compulsory divestment of shares to the extent a shareholder and its associates exceed the relevant threshold.

2.8 Sustainability

Our approach to sustainability is reflected in *Our BHP Billiton Charter*, which defines our values, purpose and how we measure success, and the *BHP Billiton Sustainable Development Policy*, which defines our public commitments to safety, health, environmental and social responsibility.

The systems that support our Sustainable Development Policy are in line with our wider corporate governance processes. The Sustainability Committee of the BHP Billiton Board continues to oversee this Policy.

Management is accountable for sustainability-related processes and performance. At controlled assets, BHP Billiton sets the performance requirements and enforces those requirements through direct supervision. At monitored assets that we do not control, we provide our requirements and seek to influence the operation to follow them.

Our Health, Safety, Environment and Community (HSEC) Group Level Documents (GLD) set Group-wide mandatory performance requirements and performance controls, which are the basis for developing and implementing management systems at all BHP Billiton operations. These HSEC documents are part of a wider suite of corporate GLDs. We are embedding these performance requirements in the organisation across all Customer Sector Groups (CSGs). A full set of sustainability performance data and our Sustainability Framework are available in our Sustainability Report at our website.

We conduct regular internal audits to test compliance with the requirements of the GLDs. Audits are led by professional audit managers and supported by experienced personnel drawn from across the organisation. Audit results are used by management to create detailed action plans where the businesses have not yet achieved full compliance with the requirements. Key findings are reported to senior management and summary reports are considered by the Sustainability Committee of the Board. The Sustainability Committee of the Board also oversees risks specific to BHP Billiton's performance in the areas of health, safety, environment and community.

2.8.1 Our focus areas

Identifying our sustainability issues

We identify the sustainability issues that are included in our Sustainability Report through our three-step materiality process. Step one of the process includes identifying issues by reviewing our internal risk registers, requests from our shareholders and investors, daily print media coverage and an independent review of issues raised by non-government organisations and global electronic and print media. Step two involves rating the significance of these issues to our stakeholders and the potential impact on our business as low, medium or high.

Our third step is to review the issues and seek feedback. One of the ways we do this is through our Forum on Corporate Responsibility. We also ask our HSEC leaders in each of our CSGs to review the issues, assign ratings and advise of any gaps. The issues are provided to the Sustainability Committee of the Board and reviewed throughout the preparation of the Sustainability Report. Common themes for a number of material issues were grouped together into focus areas for the purpose of the Report.

2.8.2 Keeping our people safe and healthy

The best investment we can make in any community is to ensure our people return home safe and well at the end of each day. In the current climate of rapid growth, managing the impacts of that growth on the safety and wellbeing of our people is critical.

Growing safely

Our ability to grow our organisation safely is essential. We are expanding across a number of operations and to support these expansions project hubs were created in Perth, Brisbane, Houston, Santiago and Toronto. The hubs are established using Engineering, Procurement and Construction Management (EPCM) contractors who develop the projects on our behalf and under our oversight.

While the EPCM model is not new to BHP Billiton, our rapid growth presents a challenge to the effective management of our health and safety risks. EPCM contractors bring their own individual management and safety approaches to each project and we recognise the importance of understanding and enabling these diverse management systems. We have set minimum performance requirements, including safety standards, which we require our EPCM partners to meet, while allowing them to work to their own internal standards. We review each EPCM contractor to check performance and ensure the standards they are using meet or exceed our own.

Key issues

The key health and safety issues faced by the Group in FY2011 were vehicles and mobile equipment interaction, adherence to isolation and permit-to-work procedures and reducing occupational health exposures, particularly to carcinogens.

Our fatal risk controls were developed to improve control of specific areas of risk, based on detailed analysis of BHP Billiton's incident history. Our GLD for fatal risk controls articulates the steps to be taken to identify, assess and mitigate seven fatal risks: vehicles and mobile equipment; explosives and blasting; ground control; hazardous materials; isolation and permit-to-work; work at height; and lifting operations.

Occupational health exposures

Health risks faced by our people include fatigue, disease and occupational exposure to noise, silica, manganese, diesel exhaust particulate, fluorides, coal tar pitch, nickel and sulphuric acid mist. Our goal is to control occupational exposures at their source. This goal is supported by a key performance indicator assigned to our Group Management Committee (GMC).

Each operation establishes and maintains an 'exposure risk profile' for every employee and contractor and implements appropriate controls. Potential exposures do not take into account the protection afforded by personal protective equipment (PPE). If the potential exposure exceeds 50 per cent of our occupational exposure limit (OEL), then medical surveillance is mandatory. Drug and alcohol education programs are conducted, as well as substance abuse testing where necessary.

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2.8.2 Keeping our people safe and healthy continued

In FY2011, potential carcinogenic exposure was reported by some of our operations as one of their highest health risks, which resulted in a concerted effort to reduce potential carcinogenic exposures to below the OEL.

Specific programs are successfully being applied at an operational level to reduce the causes of occupational exposures.

Serious disease

BHP Billiton operations with a high exposure to serious diseases, such as HIV/AIDS, malaria and tuberculosis, have education, training and counselling programs in place to assist employees. We also offer prevention and risk-control programs to employees and, where appropriate, to employees' families and local communities.

In some communities where we operate; for example, in South Africa and Mozambique, the incidence of HIV/AIDS is among the highest in the world. We accept a responsibility to help manage the impact of the disease and to care for our employees, support the wellbeing and development of our host communities and protect the viability of our operations.

For many years, we have adopted a proactive approach to managing the disease within our workplaces, an approach that draws upon the International Labour Organization (ILO) code of practice on HIV/AIDS and the world of work. This includes conducting education programs, offering voluntary testing and counselling programs under the strictest confidentiality, seeking to achieve appropriate access to medical care for employees and their dependants, and reducing hostel-type accommodation for employees, known to be a risk factor for the disease.

Our safety and health performance

The FY2011 total recordable injury frequency (TRIF) performance of 5.0 per million hours worked improved by six per cent compared with FY2010 (5.3). Although we improved, we will require a substantial reduction in total recordable injuries to meet our five-year target of 3.7 in FY2012. We had two fatalities against our target of zero. In response to the fatal incidents, we focused on improving our approach to: risk-based safety, in particular our fatal risk controls; keeping it simple; leaders verifying control effectiveness; and ensuring competency through training and awareness of all aspects of our existing safety programs.

Establishing measurable goals

We apply uniform expectations for safety outcomes wherever we work in the world and safety rules and definitions that classify incidents are applied equally to our people.

To further improve our performance in controlling occupational health exposures, we test the effectiveness of those controls to ensure they continue to function as designed. Each of our operations regularly records and communicates potential occupational health exposures up to Group level, in accordance with our HSEC Reporting GLD.

In FY2011, we conducted regional workshops to support regular audits that check the implementation of health controls at individual operations. Our Group Safety and Security function also ran a series of regional workshops in FY2011 aimed at educating key members of management and supervision on the expectations of each performance requirement. The workshops also enabled Group Safety and Security to gather feedback on the suitability of the requirements. This feedback confirmed the performance requirements are well positioned and required no material changes.

Security, emergency response and business continuity

Our Asset Protection GLD requires our businesses and operations to have systems in place to identify, manage and effectively respond to foreseeable crises and emergencies, including the development of plans to return our operations to full function as swiftly and smoothly as possible. It also requires the development of processes to maintain and test emergency response resources on an ongoing basis, as well as training employees, contractors, visitors and external stakeholders on relevant systems.

A crisis or emergency may be an incident, extreme climatic event, disease outbreak, security issue or any other event that poses a significant threat to: the safety or health of employees, contractors, customers or the public; the environment; our reputation; and/or the physical integrity of an asset.

2.8.3 Employing and developing our people

Finding, employing, developing and retaining skilled people with values that are aligned to ours is crucial to our success. Our business is long term in nature. If we do not safely deliver growth today, then we cannot leave for future generations the legacy we have enjoyed from generations past.

Supporting workforce diversity

We are striving to achieve diversity, in all its forms, at all levels of our organisation.

The GMC took active steps in FY2010 to improve the diversity profile of the Group. It oversaw the analysis of the profile of each part of the business to better understand representation by gender, age and nationality. It then required each business group to develop a diversity plan to address shortcomings. Those plans were completed and assessed as part of the annual performance process. Each plan is targeted at addressing the particular issues facing individual business groups and each contains a range of strategies, including targets. Plans will be tracked and monitored throughout FY2012 and will again form part of the annual performance review process at year-end.

Females currently represent 16 per cent of our workforce. Approximately 10 per cent of senior management positions are held by females.

We remain committed to increasing female participation in the Accelerated Leadership Development Program to 40 per cent by the end of FY2012.

Another focus area for us is ensuring that the right gender balance is struck in our graduate intake.

Approach to local employment

Recruitment is managed on a local basis by each CSG, Minerals Exploration, Marketing and Group Functions. Mandatory Group-wide performance requirements contained in our GLD stipulate recruitment standards and ensure candidates possess the appropriate skills, experiences, capability and values.

The remote locations within which we operate and the limited numbers of appropriately skilled employees can result in the need for operations to employ staff who work on-site, but reside outside the community; generally known as fly in, fly out staff. A workforce of this kind can create challenges and opportunities and we continue to address the impact on our people, as well as local community concerns, so that together we can identify ways in which our operations can make a positive and meaningful impact.

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2.8.3 Employing and developing our people continued

Fostering mutually beneficial employee relations

Relationships with all our stakeholders, including our employees, are built on trust, which we regard as a key aspect of *Our Charter* value of respect.

The breadth and geographic diversity of BHP Billiton means we have a mix of collective and individually regulated employment arrangements. We work closely with contracting companies to encourage them to ensure that their employee relations are governed in a manner consistent with *Our Charter*.

We manage significant organisational change at the local level and consult with our employees about changes that affect them, seeking input and guidance where possible. We are committed to complying with applicable legislative requirements across the myriad jurisdictions in which we work.

In line with our employee relations approach, we believe that ensuring our employees are directly engaged with the business and aligned with business goals is the most effective way of avoiding any form of industrial action.

Under Australian law, employees are entitled to take industrial action on the expiry of applicable industrial agreements, which is protected from challenge. Given this legislative exposure to potential industrial action, we develop comprehensive contingency plans to ensure that our operations experience as little disruption as possible. In instances where we do encounter industrial disruption, our aim is to minimise the impact on our customers in line with our commitment to shareholders and, above all, to avoid compromising the safety of our employees and contractors.

Developing our employees

We are committed to developing the skills and capabilities of our workforce through regular performance reviews combined with training and development programs. Due to the structure and provisions of some industrial agreements, not all employees participate in individual performance reviews.

Training and development programs are designed and implemented at the local operational level to support local requirements. BHP Billiton operations include health and safety training and training on *Our Charter* and the BHP Billiton *Code of Business Conduct* as part of the mandatory induction process for all employees and permanent contractors.

Our practices and processes are designed to ensure performance is measured on fact-based outcomes and to reward people for their achievements. We seek to ensure strong internal candidate representation for roles, supplemented with external recruitment where necessary. Our internal development programs are therefore the key to succession.

Investing in graduate development

Our two-year Foundations for Graduates Program has been recognised as a leader in the field and has been designed specifically for graduates from tertiary institutions. Our aim is for our graduates to build a long and successful career with BHP Billiton. Each year, we recruit approximately 400 graduates in meaningful business roles, who each have the opportunity to work across teams, businesses and geographic regions.

The program is facilitated by business schools in Australia, Chile and South Africa. It is designed to move graduates seamlessly from study to work by complementing site-based technical development with a combination of classroom-based and virtual learning experiences, providing a unique insight into our business. Graduates develop their decision-making and communication skills, access executive coaching, take part in intensive residential programs and gain on-the-job experience analysing and solving real business issues.

2.8.4 Reducing our climate change impacts

We recognise that we have a social and economic responsibility to constructively engage on climate change issues. By understanding the risks and opportunities around climate change and how these affect our organisation, we believe we can reduce our own impact on the environment and make a positive international contribution to the issue.

The potential impacts to our organisation

Our energy-intensive operations and fossil fuel products are exposed to potential financial risks from regulations to control greenhouse gas (GHG) emissions. In the medium and long term, we are likely to see changes in the profit margins of our GHG-intensive assets as a result of regulatory impacts in the countries where we operate. These regulatory mechanisms may impact our operations directly or indirectly via our customers. Inconsistency of regulations, particularly between developed and developing countries, may also affect the investment attractiveness of assets in different jurisdictions.

Potential physical impacts of climate change include more extreme weather events. These present risks to our personnel, as well as a loss of business continuity, production interruption and damaged or lost facilities. Sea level changes may also impact access to ports, a significant issue for many of our assets. Changes in rainfall are particularly relevant to the mining industry, where water is a critical resource. These changes vary regionally and may involve extended drought or increased flooding.

A discussion of regulatory, physical and other risks and opportunities of climate change is included in our 2011 Sustainability Report.

Engaging in policy development

While energy is a significant input in a number of the Group's mining and processing operations, we recognise the global imperative of minimising carbon-based energy consumption. BHP Billiton believes that the mainstream science of climate change is correct; human activities are having a negative impact on our climate and this poses risks to our social and economic wellbeing. While uncertainty remains, there is enough evidence to warrant action in a way that does not damage the economy.

We believe that a global solution to climate change, which includes a carbon price of some form, is likely, but also some time away. Until then, nations around the world are likely to continue to accelerate their domestic emissions reduction and establish low-carbon economies, balancing their needs to ensure a reliable energy supply and to sustain economic growth.

A low-carbon emissions power sector could become a source of long-term competitive advantage for countries in a world where carbon emissions will be constrained. We are committed to contributing to the public debate on climate change, including sharing our knowledge and experience, but we recognise that it is for government and society as a whole to decide which direction to take.

We take an active role in climate change policy development in the key regions where we operate and market our products. We analyse and compare the various policy options by evaluating the degree to which they meet a defined set of principles: clear price signal; revenue neutral; trade friendly; broad-based, predictable and gradual; simple and effective.

We have actively engaged with the Australian Government as it develops its climate change policy response. In addition to recommending a policy approach that is consistent with our principles, we propose that an effective strategy for minimising Australia's exposure to a future global carbon price includes avoiding the construction of new long-life, carbon emissions-intensive assets where affordable low-carbon alternatives are available, especially in the power and building sectors.

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2.8.4 Reducing our climate change impacts continued

Reducing energy and GHG emissions

We continue to strive for significant reductions in energy consumption and GHG emissions, in line with and above our FY2012 targets. In FY2011, both carbon-based energy intensity and GHG emissions intensity were lower than the FY2006 baseline, by 17 per cent and 18 per cent respectively against a target of 13 per cent and six per cent. This was primarily driven by the agreement to use hydroelectric power at the Mozal aluminium smelter, in Mozambique, which now provides more than 98 per cent of the smelter's electricity needs.

Within Australia, in compliance with the national Energy Efficiency Opportunities (EEO) Act 2006, we also implemented a number of energy efficiency measures.

We continue to track progress against our US$300 million commitment to support the implementation of energy efficiency and low GHG emission technologies. To date, we have exceeded our commitment, with US$325 million worth of projects in implementation stages.

Future GHG emissions abatement cost curves

In FY2011, our highest GHG-emitting operations worked to develop GHG emissions abatement cost curves. This work allows our assets to identify opportunities to save GHG emissions.

Energy sourcing and use

We recognise that the need to control carbon dioxide emissions has substantial implications for the use of thermal coal as an energy source. In March 2011, we made a significant investment in natural gas by acquiring all of Chesapeake Energy Corporation's interests in the US Fayetteville Shale onshore natural gas resource. Our strategy is to invest in natural gas as one of the cleanest burning and lowest carbon dioxide intensity fossil fuels. We recognise that community concern exists over the extraction process, which involves 'hydraulic fracturing', and the possibility of groundwater contamination in certain situations. Our shale gas operations will be conducted to the same standards as all other BHP Billiton Petroleum operations, with the same goal of protecting the health and safety of our people, the environment and our communities.

2.8.5 Managing our water use

Water is an essential resource for all of our operations and production can be impacted by both the quality and quantity of water available. More importantly, the communities within which we operate rely on having access to clean, safe drinking water. This is critical to sustaining local health, industry and a sound environment.

Water management as a global issue

The mining and minerals processing industry uses a wide variety of water sources for a range of purposes. As with GHG emissions, water management is an issue that extends beyond BHP Billiton boundaries. Water risks also vary from region to region and therefore cannot be addressed through a 'one-size-fits-all' solution, which makes managing our water use a consistently complex and critical task.

Water has social, cultural, environmental and economic value at a local, regional, national and international level and is therefore critical to maintaining a 'social licence to operate'. We support the priority considerations of strategic water planning, improving operational performance through effective water management, identifying conservation opportunities and promoting industry projects.

Addressing the issue

Water stress is defined as a 'situation of actual or potential adverse impact on water availability for potable, agricultural, environmental or cultural needs'. In FY2011, we intensified our focus on addressing water stress and quality, which will allow us to reduce our use of water that is most likely to compete with human or environmental needs.

Our material sites are those where high-quality water use exceeds, or is anticipated to exceed, 3,000 megalitres per annum for an operation or project, or where water management may be a material risk issue. By developing water reduction cost curves at our most material sites, we identified opportunities including water substitution and water stewardship, both of which lend themselves readily to our expanded focus on high-quality water and alleviating water stress.

Managing water within our operations

In accordance with our Environment GLD, we are implementing water management plans at all our operations, including controls to mitigate the impacts of water use and discharge. It is expected that these controls are monitored and reviewed to verify their effectiveness. Additional controls are expected to be implemented at our material sites.

In recognition that water is a critical input for our mining, smelting, refining and petroleum businesses, we continue to identify opportunities for water re-use or recycling, efficient use and responsible wastewater disposal.

Managing wastewater and related waste

Mining operations produce large quantities of mineral waste that may include waste rock, tailings and slag, which need to be effectively managed to control potential environmental impacts. Our operations have waste management plans to minimise the waste generated and mitigate its impact, in accordance with the Environment GLD, which also stipulates that operations monitor transport and disposal of waste to ensure regulatory requirements are met throughout the waste cycle.

Tailings dams are also assessed to manage the risk of failure. Tailings dams are typically unlined and are designed and operated to well-established engineering standards. Mineral wastes are analysed for physical and geochemical characteristics to identify potential impacts arising from erosion, acid rock drainage, salinity, radioactivity and metal leaching.

Developing new water accounting standards

Unlike the more developed accounting approach to GHG emissions, there is not yet an internationally consistent approach to water accounting, which adds to the complexity of finding solutions to address water quantity and quality concerns. We are working with the Minerals Council of Australia to develop the Water Accounting Framework, an industry-wide approach to water reporting and accounting. The framework seeks to establish a nationally consistent water accounting and reporting framework for the minerals industry, which will lead to improved data transparency and water management.

2.8.6 Enhancing biodiversity and land management

Securing access to land and managing it effectively are essential components of our commitment to operate in a responsible manner. We fully appreciate the importance of protecting biodiversity and we also recognise the increasing competition for land and the challenge this presents to all land users.

Our approach to biodiversity and land management

We take a holistic approach to managing land and biodiversity, which means we assess and manage the potential impacts of our operations throughout their life cycle, across social, environmental and economic spheres. We have minimum requirements of all BHP Billiton operations that include adhering to a formal hierarchy process that begins with avoiding disturbance, followed by mitigating negative impacts, rehabilitating the environment and undertaking compensatory actions.

We recognise that effective land management is about optimising all land uses within a given region, whether they are for the provision of mining, industrial, agricultural or environmental services. Obtaining community support is most challenging when there is strong competition for the use of the land, such as a competition between resource development and agriculture.

Over the years, we have made a number of commitments with regard to protected areas and threatened species. In addition, our operations have land management plans, in accordance with the Environment GLD, that include baseline and impact assessments, implementation of controls to mitigate impacts on biodiversity and other ecosystem services, and monitoring programs to ensure the controls are effective.

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2.8.6 Enhancing biodiversity and land management continued

Contributing to conservation

Biodiversity, and the ecosystem services it provides, is being lost at an accelerated rate due to human activities. In recognition of this, Conservation International and BHP Billiton from July 2011 embarked on a five-year alliance to deliver significant and lasting benefits to the environment by preserving land of high conservation value in key regions where BHP Billiton operates. This outcome will be achieved in collaboration with local partners.

In addition, Conservation International will provide technical and professional expertise to BHP Billiton aimed at contributing to improved approaches to land management across our Group.

Managing land rehabilitation and mine closures

Our Sustainability Framework in the Appendix of our 2011 Sustainability Report outlines the key Health, Safety, Environment and Community performance requirements that are incorporated into the planning of development projects, through operation and into closure. Significant projects are governed by the performance requirements of our project management GLDs. HSEC risks, legislated obligations and stakeholder requirements are important inputs to the project planning and execution process.

Once in operation, our assets undertake annual life of asset planning, a process that incorporates all aspects of the business. In FY2011, detailed closure planning requirements were integrated into the Directional Planning GLD, with each asset required to develop a closure plan as part of their life of asset plan. In addition, a new audit process was implemented focusing on closure planning, cost estimation and closure valuation at operating assets.

We are responsible for a number of legacy operations that are in various stages of decommissioning, rehabilitation or post-closure care and maintenance. The HSEC audit program covers the activities of these closed operations. Closure plans provide the basis for estimating the financial costs of closure and the associated accounting closure and rehabilitation provisions. Information on our closure and rehabilitation provisions can be found in note 18 'Provisions' of the attached financial statements.

Managing our responsibilities

Our approach to land compensation is undertaken on a case-by-case basis. We first consider what land we need. We then look at our possible impacts on that land, both short term and long term, the present and past use of the land and the effects that our use may have on biodiversity and the associated ecosystem services, as well as existing land owners and occupiers.

We implement compensatory activities where residual impacts exceed the acceptable level of impact to biodiversity, land use, watersheds and/or water sources.

When financial compensation is appropriate, we take into account relevant legislative requirements, industry practices, standards or norms that may exist within a country or region and any special circumstances that may apply. In some countries and regions, legislation prescribes who is to be paid land compensation, the amount, what it is for and how it is to be calculated. In other places, compensation may be by negotiation with the affected parties.

2.8.7 Ensuring meaningful engagement with our stakeholders

Engaging openly with our host communities, governments and other key stakeholders is critical if we are to make a positive contribution to the lives of people who live near our operations and to society more broadly. Only through meaningful engagement are we able to understand and address potential impacts and concerns about our projects and operations and create opportunities that are aligned with the interests of the affected people.

Our stakeholders

We define stakeholders as those who are potentially impacted by our operations, or who have an interest in what we do, or who have an influence over what we do. Our key stakeholders include: the investment community; shareholders; customers; media; business partners; employees and contractors; local and Indigenous communities; industry associations; suppliers; governments and regulators; non-government organisations (NGOs); and labour unions.

Systems to ensure dialogue is regular, ongoing and effective

We seek to build trust with our stakeholders at the earliest possible stage of a project's life. Our Community GLD stipulates that our operations implement a stakeholder engagement management plan, which is to be in place from a project's exploration phase. The plans identify stakeholders, describe their interests and relationships and contain a range of culturally appropriate engagement activities to encourage open communication.

Engagement activities vary from monthly meetings to open public forums, with topics ranging from town amenity and housing to impacts of growth and expansion projects, contractor management, security, cultural issues and social development. Our responses to concerns or complaints are recorded, as are any commitments we may make.

Operations measure the effectiveness of their stakeholder engagement by conducting community perception surveys in their communities, which, since FY2010, have become mandatory every three years. These surveys provide a valuable external perspective of the quality of our engagement and whether our stakeholders believe we are doing what we say we will do.

Resolving complaints

Our operations are currently implementing local-level processes to facilitate resolution of complaints and grievances as required by our Community GLD. As part of this process, all complaints and grievances are required to be acknowledged, documented and investigated. Appropriate remedial actions are undertaken where a complaint is legitimate, complainants are promptly advised of the remedial action and outcomes are documented. More robust processes are to be established in countries with high levels of corruption or conflict.

We continue to learn from our experience

Our history contains both positive and challenging examples of community engagement. We continue to learn from those experiences and to build the capacity of people within our community teams to improve outcomes for our stakeholders. Our aim is to develop and sustain meaningful and trusting relationships with people impacted by and interested in our business.

Engaging with NGOs through the Forum on Corporate Responsibility

In addition to building relationships with stakeholders locally, engagement with civil society is highly valued by our senior management. In 1999, we established the Forum on Corporate Responsibility as a mechanism by which representatives from NGOs could discuss, challenge and actively influence the Group's approach to sustainable development issues.

In FY2011, the Forum comprised five members of our GMC and 11 leaders from NGOs, who represent current views on environment, socio-economic, geopolitical and ethical issues. The NGO members have extensive experience in regions where we have business interests, including Chile, Colombia, west Africa, Australia and the United Kingdom. The Group CEO chairs the meetings, which were held twice during FY2011.

While the Group is not bound by the advice of the Forum and the Forum does not necessarily endorse the Group's decisions, the meeting discussions are robust and give our executives an insight into society's current priorities and a chance to understand and debate issues from a range of viewpoints.

Issues discussed by the Forum in FY2011 included: proposed changes in external regulations; standards and policies such as free, prior and informed consent (FPIC); revenue transparency; carbon-related issues; the development of the Group's new public targets; strategic discussions on topics such as the Group's role in the world's future energy challenges; and how we can best contribute to the development of communities and, more broadly, to society.

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2.8.7 Ensuring meaningful engagement with our stakeholders continued

Engaging early in the project life cycle on customary rights

At a very early stage in a project, before any substantive work is carried out on the ground, we seek to identify any landowners, occupiers and users who may be affected by the project's activities.

Where land may be used for customary purposes and there may be no formal titles issued, this information is sought from relevant government authorities with responsibilities for customary land uses and any Indigenous peoples' representative organisations, such as land and tribal councils. Further enquiries are also made directly with the people in the area. Specific surveys are commissioned to identify the customary owners and how the land is being used. Depending on circumstances, these surveys are likely to occur at the exploration stage.

Knowing who owns and uses the land is critical to an effective community consultation and engagement program. It helps to ensure that affected people are fully aware of the project and that they have an opportunity to express their concerns and aspirations. Arising from this engagement, the work plan may be amended to reduce potential impacts on landowners and users.

Committed to broad-based community support

We require that any new greenfield project or significant expansion project obtains broad-based community support – defined as support from the majority of stakeholders – before proceeding. Broad-based community support is distinct from achieving FPIC, which we seek when it is mandated and defined by law.

2.8.8 Understanding and managing our human rights impact

We are committed to operating in accordance with the United Nations Universal Declaration of Human Rights and the Global Compact. *Our Charter* values and the *Code of Business Conduct*, in conjunction with policies and standards that accord with international laws and regulations and strong leadership, support this commitment. We have a responsibility to understand our potential impacts on human rights and to mitigate or eliminate them.

Our human rights due diligence process

As part of our human rights due diligence process, we require all operations to identify and document key potential human rights risks by completing a human rights impact assessment. The process includes a review of policies, procedures, practice and performance. Stakeholder participation forms an important part of the process and the assessments are validated by a human rights specialist. Material risks are then managed through action plans, which require employees and contractors to receive human rights training.

In an effort to increase the focus on human rights due diligence in FY2011, completion of the assessments was included as a key performance indicator (KPI) for the GMC.

Security forces and human rights

Our Asset Protection GLD requires that all our operations have in place preventative controls and a security management plan to address any potential security risks to our personnel and property.

The Voluntary Principles (VPs) on Security and Human Rights require organisations to act in a manner consistent with the laws of the local country while promoting the observance of applicable international law enforcement principles. The VPs acknowledge that security and respect for human rights can and should be consistent. As a signatory to and participant in the VPs, we take into account these expectations when developing in-country security plans.

To protect our people and our assets, we employ public and private security agencies. Regardless of their location, we stipulate that these agencies comply with the requirements and intent of the VPs.

Security and country risk

The nature of our business and our global footprint often see our people working in countries where there is potential exposure to personal and business risk. We require each country to be assessed for the degree of risk associated with visiting, exploring and operating, with appropriate plans in place to mitigate identified risks.

Occasionally, it is necessary to provide armed security protection for the safety of our personnel. Firearms are only to be deployed under a set of approved rules of engagement where it is necessary to protect a human life, for stewardship requirements (such as injured livestock management) or as a means of last resort when threatened by dangerous wildlife.

2.8.9 Making a positive contribution to society

As a large organisation, we have an economic and social responsibility to make a positive contribution to the communities, regions and countries where we operate.

Our broad socio-economic contribution

At a global level, we are active participants in industry and sustainable development forums such as the International Council on Mining and Metals (ICMM) and we are members of the World Business Council for Sustainable Development (WBCSD). Our aim is to advocate continual improvement of standards and performance across our sector.

We actively seek to understand our socio-economic impact on local communities and host regions through our participation in the ICMM's multi-stakeholder Resource Endowment initiative (REi). The initiative aims to enhance the mining industry's socio-economic contribution to the countries and communities where organisations such as BHP Billiton operate by better understanding the factors that either inhibit or promote social and economic development linked to large-scale mining projects.

Nationally and regionally, we contribute taxes and royalties to governments that, in turn, provide infrastructure and services to their constituents, and we often develop infrastructure ourselves that provides community, as well as business, benefits. Examples include airports, roads, community childcare centres and medical clinics.

Training and employing local people is important to us; however, our ability to have a significant impact on unemployment is limited by the nature of our operations, which are highly technical and mechanised. We make a broader economic contribution via indirect employment, where we focus on building the capacity of local businesses to provide us with a diverse range of services and products.

We also invest in community projects that are aimed at having long-lasting, positive impacts on people's quality of life. This includes implementing new, and supporting existing, community projects in the areas of education, health and environment.

Economic value

Economic value for regional economies is generated through revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and to governments.

Community development

Our community development programs are driven by our desire to improve the quality of life of people in our host communities. Our operations implement their programs using community development plans that have been developed in consultation with local stakeholders. The plans are formulated from data gathered from an impacts and opportunities assessment and a baseline social study that includes education, health and environment quality of life indicators. The requirement that this occurs in all our operations is part of the implementation of GLDs.

Community development projects are selected on the basis of their capacity to impact positively on the quality of life indicators. We monitor progress by tracking changes in these indicators every three years. All community projects are assessed in relation to anti-corruption requirements prior to approval and are implemented in accordance with the ethical requirements in the *Code of Business Conduct*. This approach is mandated under the Community GLD.

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2.8.9 Making a positive contribution to society continued

During FY2011, our voluntary community investment totalled US$195.5 million, comprising cash, in-kind support and administrative costs and included a US$30 million contribution to our UK-based charitable company, BHP Billiton Sustainable Communities.

The cash component of our FY2011 community investment of US$149.1 million comprises:

- direct investment in community programs made from BHP Billiton companies on an equity share basis;
- contributions to the Group's charitable foundations, excluding BHP Billiton Sustainable Communities;
- the Enterprise Development and Socio-economic Development components of our Broad-Based Black Economic Empowerment programs in South Africa.

Local procurement

Due to the scale of our operations, we create a strong demand for products and services. We recognise the potential benefit that supporting local businesses to meet this demand can bring to our host communities and regions. Our approach is to source locally if a product or service that meets our requirements is available locally.

2.8.10 Reporting transparently and behaving ethically

Founded on *Our Charter* values, the *Code of Business Conduct* represents our unqualified commitment to uphold ethical business practices. The *Code of Business Conduct* sets standards of behaviour for how we should work. In following these standards our people can be confident they are working in the right way.

Upholding the *Code of Business Conduct*

We recognise that at times our people may find themselves in situations where complying with the *Code of Business Conduct* may appear to conflict with the ability to win or retain business. The *Code of Business Conduct* makes it clear that no employee may allow anything – meeting production, competitive instincts or even a direct order from a manager – to compromise the commitment to working with integrity.

To ensure the requirements of the *Code of Business Conduct* are effectively communicated across BHP Billiton, each business leader has the responsibility for ensuring that all employees and agency contractors attend an annual face-to-face meeting to discuss the Code. A training and communication plan for each business and function is completed and executed each year. Business leaders report against these requirements on an annual basis and retain records of training undertaken.

The *Code of Business Conduct* is supported by the Business Conduct Advisory Service, which includes a multilingual, 24-hour hotline and online case management system. The general public is also able to access the Service via the hotline or the internet. In FY2011, 474 cases, as well as 144 service contacts were recorded. An annual reporting cycle assists us to identify trends and patterns of reported incidents.

Anti-corruption

Regardless of the country or culture within which our people work, the *Code of Business Conduct* prohibits corrupt practices to further BHP Billiton's goals. The *Code of Business Conduct* requires appropriate due diligence in selecting and engaging third parties, the maintenance of accurate and reasonably detailed records of expenditures and the implementation and maintenance of specific approval requirements for corruption sensitive transactions.

We also now prohibit the making of facilitation payments, which are payments involving small sums to low-level government officials to obtain routine services to which we are otherwise legally entitled.

Transparently reporting taxes

We support the Extractive Industries Transparency Initiative (EITI), an international initiative dedicated to the enhancement of transparency around the payments of taxes and royalties derived from resource development. In line with our support for the EITI, we have reported this data on a country-by-country basis in our 2011 Sustainability Report. We have broken the data down into the taxes and royalty payments that we make as BHP Billiton (e.g. corporate income taxes and royalties) and those that we collect on behalf of employees.

Product stewardship

As our primary activities are in the extraction (and, in some cases, processing) stages of a product's life cycle, we recognise that the majority of the life cycle of our products occurs after the point of our immediate activity. We also recognise there is strong business merit in implementing product stewardship programs in collaboration with other players in the life cycles of each of our products. We seek to work with those involved in the life cycles of our products and by-products to enhance performance along the supply chain and promote the responsible use and management of those products to minimise harm to people and the environment.

As a member of the International Council on Mining and Metals (ICMM), we have also committed to implementing the ICMM Sustainable Development Framework, which requires that we facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.

Our products are required to have a specific materials safety data sheet (MSDS). These MSDSs outline the relevant health, safety and environment aspects of the product and are provided to both the customer and the transporter delivering our products to our customers.

2.8.11 Effectively managing our material risks

Identifying and managing material risk is a fundamental part of any business and, for BHP Billiton, this includes focusing on sustainability-specific risks for our people, the environment and our host communities.

Our approach to risk management

Our approach to governance and risk management processes is based on a precautionary approach to achieving business outcomes. A broader discussion of our risk management approach is provided in section 5.6. We have processes in place to ensure the management of material risk is approached consistently across the Group. The Group Risk Management Policy and GLDs work together to embed risk management into our business activities, functions and processes.

Assessing material risks and setting appropriate controls

We mandate materiality and tolerability criteria to identify material risk issues that consider non-financial impacts such as health and safety, social and cultural, reputation, legal and environmental impacts. The severity of any risk event is assessed according to a matrix that describes the degree of harm, injury or loss from the most severe impact associated with that risk event, assuming reasonable effectiveness of controls.

Risk management plans are established to assess, control, mitigate and monitor material risk issues. In FY2011, BHP Billiton increased the emphasis on establishing performance standards for material risk critical controls and ensuring these standards are effectively implemented through a GMC KPI. The KPI stipulates that individual BHP Billiton assets develop performance standards for safety-related material risks.

The objectives of the risk assessment process are to understand the nature and tolerance of material risk issues for the Group, and ensure material risks are well controlled through the development and monitoring of critical controls.

Our Group HSEC material risks range from financial and reputation issues to potential impacts from changes in regulations relevant to our products. For example, as a major producer of carbon-related products, an area where regulatory standards and expectations are emerging, we may be exposed to increased litigation, compliance costs and unforeseen environmental rehabilitation expenses.

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2.8.11 Effectively managing our material risks continued

Potential events that may materially impact our operations include rockfalls in underground mines, aircraft incidents, vehicle and mobile equipment incidents, well blowouts, explosions or gas leaks, uncontrolled tailings breaches, escape of polluting substances or hydrocarbons, human rights breaches, community protests or civil unrest. Unanticipated long-term health impacts due to potential work exposures as well as infectious diseases and pandemics pose potential risks and these effects may create future lost time and/or financial compensation obligations. Additionally, the dissatisfaction of our host communities regarding our impacts may potentially affect costs and production and in extreme cases viability; and changing legislative requirements and compliance issues may affect our financial results.

Failure to manage these risks has the potential to adversely affect our reputation and licence to operate.

Following the oil spill from BP's Macondo well in the Gulf of Mexico in April 2010, BHP Billiton Petroleum reviewed its deepwater drilling safety standards. The effectiveness of our existing controls was enhanced in the area of worst-case discharge scenario planning. This involved developing and implementing a consistent modelling methodology.

Assessing risk when entering a new country

The performance measure we have set under the Country Risk Management GLD is that in countries of extreme or high governance risk, proposed new activities that expose the Group to a material risk issue – such as a reputation, legal or business conduct impact – will be assessed to ensure a tolerable risk profile. New activities may include establishing new trade agreements, undertaking new community investment programs or interactions with government officials. Consideration is given to the application of the *Code of Business Conduct* and compliance with legislation, including anti-corruption and potential application of any UN, EU, Australian or US government sanctions or trade embargos.

2.9 Employees

People are the foundation of our business and underpin our success. We value our people and encourage the development of talented and motivated individuals to support the continued performance and growth of our diverse operations. It is our aim as an organisation to strive to build a sense of purpose and achievement amongst all of our people in the work we do.

By working to *Our Charter* we align our people around our common purpose and values. We all use *Our Charter* as a vital reference point for how we do business, wherever we are in the world and whatever work we do.

Our organisation is structured in four component parts: CSGs; Minerals Exploration; Marketing; and Group Functions.

Each part of our organisation has a clear mandate that sets out the scope of responsibilities and accountabilities. For further information about our employees, refer to section 2.8.3.

In FY2011, we had an average of 40,757 employees working in more than 100 locations worldwide. We had an average of 64,548 contractors globally. The multitude of cultures and nationalities represented offer a diversity that enriches the working lives of all.

The table below provides a breakdown of the average number of employees, in accordance with our International Financial Reporting Standards (IFRS) reporting requirements, which includes our proportionate share of jointly controlled entities' employees and Executive Directors, by CSG for each of the past three financial years.

CSG	FY2011	FY2010	FY2009
Petroleum	**2,308**	2,178	2,105
Aluminium	**4,599**	4,471	4,938
Base Metals	**7,602**	7,434	7,731
Diamonds and Specialty Products	**1,737**	1,689	1,923
Stainless Steel Materials	**3,412**	3,481	4,039
Iron Ore	**4,047**	3,624	3,254
Manganese	**2,426**	2,549	2,532
Metallurgical Coal	**4,019**	3,533	3,892
Energy Coal	**8,752**	8,762	8,437
Group and unallocated	**1,855**	1,849	2,139
Total [1]	**40,757**	39,570	40,990

[1] Average employee numbers include Executive Directors, 100 per cent of employees of subsidiary companies and our share of proportionally consolidated entities and operations. Part-time employees are included on a full-time equivalent basis. Employees of businesses acquired or disposed of during the year are included for the period of ownership. Contractors are not included.

The table below provides a breakdown of our average number of employees by geographic location for each of the past three financial years.

	FY2011	FY2010	FY2009
Africa	**10,061**	10,622	10,755
Asia	**970**	816	1,254
Australasia	**16,290**	15,178	15,697
Europe	**492**	515	563
North America	**3,168**	2,971	2,824
South America	**9,776**	9,468	9,897
Total	**40,757**	39,570	40,990

2.10 Organisational structure

2.10.1 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 Dual Listed Company (DLC) merger in June 2001. Refer to note 25 'Subsidiaries' in the financial statements for a list of BHP Billiton Limited and BHP Billiton Plc significant subsidiaries.

The BHP Billiton DLC merger was designed to place 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 the liabilities of both companies. BHP Billiton Limited and BHP Billiton Plc have each retained their separate corporate identities and maintained separate stock exchange listings, but they are operated and managed as if they are a single unified economic entity, with their boards and senior executive management comprising the same people.

2.10.2 DLC structure

The principles of the BHP Billiton DLC are reflected in the BHP Billiton Sharing Agreement and include the following:

- the two companies are to operate as if they are a single unified economic entity, through Boards of Directors that comprise the same individuals and a unified senior executive management;
- the Directors of both companies will, in addition to their duties to the company concerned, have regard to the interests of BHP Billiton Limited shareholders and BHP Billiton Plc shareholders as if the two companies were a single unified economic entity and, for that purpose, the Directors of each company take into account in the exercise of their powers the interests of the shareholders of the other;
- certain DLC equalisation principles must be observed. These are designed to ensure that for so long as the 'Equalisation Ratio' between a BHP Billiton Limited share and a BHP Billiton Plc share is 1:1, the economic and voting interests in the combined BHP Billiton Group resulting from the holding of one BHP Billiton Limited share are equivalent to that resulting from one BHP Billiton Plc share. Further details are set out in the sub-section 'Equalisation of economic and voting rights' below.

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2.10.2 DLC structure continued

Additional documents that affect the DLC include:

- BHP Billiton Limited Constitution
- BHP Billiton Plc Memorandum and Articles of Association
- BHP Billiton Special Voting Shares Deed
- BHP Billiton Limited Deed Poll Guarantee
- BHP Billiton Plc Deed Poll Guarantee.

Australian Foreign Investment Review Board (FIRB) conditions

The Treasurer of Australia approved the DLC merger subject to certain conditions, the effect of which was to require that, among other things, BHP Billiton Limited continues to:

- be an Australian company, which is managed from Australia;
- ultimately manage and control the companies conducting the business that was conducted by it at the time of the merger for as long as those businesses form part of the BHP Billiton Group.

The conditions have effect indefinitely, subject to amendment of the Australian Foreign Acquisitions and Takeover Act 1975 or any revocation or amendment by the Treasurer of Australia. If BHP Billiton Limited no longer wishes to comply with these conditions, it must obtain the prior approval of the Treasurer. Failure to comply with the conditions attracts substantial penalties under the Act.

Equalisation of economic and voting rights

BHP Billiton Limited shareholders and BHP Billiton Plc shareholders have economic and voting interests in the combined BHP Billiton Group. The economic and voting interests represented by a share in one company relative to the economic and voting interests of a share in the other company is determined by reference to a ratio known as the 'Equalisation Ratio'. Presently, the economic and voting interests attached to each BHP Billiton Limited share and each BHP Billiton Plc share are the same, since the Equalisation Ratio is 1:1. The Equalisation Ratio would change if either BHP Billiton Limited or BHP Billiton Plc returned value to only its shareholders and no matching action were taken.

This means that the amount of any cash dividend paid by BHP Billiton Limited in respect of each BHP Billiton Limited share is normally 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, BHP Billiton Limited and BHP Billiton Plc will, as far as practicable, enter into such transactions as are necessary so as to enable both companies to pay the amount of pre-tax dividends per share.

Joint Electorate Actions

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 (such matters are referred to as Joint Electorate Actions). For so long as the Equalisation Ratio remains 1:1, each BHP Billiton Limited share will effectively have the same voting rights as each BHP Billiton Plc share on Joint Electorate Actions.

A Joint Electorate Action requires approval by ordinary resolution (or special resolution if required by statute, regulation, applicable listing rules or other applicable requirements) of BHP Billiton Limited, with both the BHP Billiton Limited ordinary shareholders and the holder of the BHP Billiton Limited Special Voting Share voting as a single class and also of BHP Billiton Plc, with the BHP Billiton Plc ordinary shareholders and the holder of the BHP Billiton Plc Special Voting Share voting as a single class.

Class Rights Actions

In the case of certain actions in relation to which the two bodies of shareholders may have divergent interests (referred to as Class Rights Actions), the company wishing to carry out the Class Rights Action requires the prior approval of the shareholders in the other company voting separately and, where appropriate, the approval of its own shareholders voting separately. Depending on the type of Class Rights Action undertaken, the approval required is either an ordinary or special resolution of the relevant company.

These voting arrangements are secured through the constitutional documents of the two companies, the BHP Billiton 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.

Cross guarantees

BHP Billiton Limited and BHP Billiton Plc have each executed a Deed Poll Guarantee, pursuant to which creditors entitled to the benefit of the BHP Billiton Limited Deed Poll Guarantee and the BHP Billiton Plc Deed Poll Guarantee 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.

Restrictions on takeovers of one company only

The BHP Billiton Limited Constitution and the BHP Billiton Plc Articles of Association have been drafted to ensure that, except with the consent of the Board, 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.

2.11 Material contracts

2.11.1 DLC agreements

On 29 June 2001, BHP Billiton Limited (then known as BHP Limited) and BHP Billiton Plc (then known as Billiton Plc) merged by way of a DLC structure. To effect the DLC, BHP Limited and Billiton Plc (as they were then known) entered into the following agreements 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 Sharing Agreement
- BHP Billiton Special Voting Shares Deed
- BHP Billiton Limited Deed Poll Guarantee
- BHP Billiton Plc Deed Poll Guarantee.

The effect of each of these agreements and the manner in which they operate are described in section 2.10 of this Report.

2.11.2 Merger Agreement with Petrohawk Energy Corporation

The Offer

On 14 July 2011, BHP Billiton Limited, BHP Billiton Petroleum (North America) Inc. (Parent), North America Holdings II Inc., (Purchaser) and Petrohawk Energy Corporation, (Petrohawk), entered into an Agreement and Plan of Merger (Merger Agreement), pursuant to which Purchaser commenced an offer (Offer) to acquire all of the outstanding shares of Petrohawk's common stock, par value US$0.001 per share (Shares), for US$38.75 per Share, net to the seller in cash (Offer Price), without interest.

The Merger and the Top-Up Option

The Merger Agreement also provides that, following consummation of the Offer and satisfaction or waiver of certain customary conditions, Purchaser will be merged with and into Petrohawk (Merger), with Petrohawk surviving as a wholly owned subsidiary of Parent. Upon completion of the Merger, each untendered Share outstanding immediately prior to the effective time of the Merger (excluding those Shares that are held by (i) Parent, Petrohawk or their respective wholly owned subsidiaries and (ii) stockholders of Petrohawk who properly demand appraisal in connection with the Merger under the Delaware General Corporation Law (DGCL) will be converted into the right to receive the Offer Price.

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2.11.2 Merger Agreement with Petrohawk Energy Corporation continued

If Purchaser holds 90 per cent or more of the outstanding Shares following the consummation of the Offer (Short-Form Threshold), the parties will effect the Merger as a short-form merger under the DGCL without the need for approval by Petrohawk's stockholders. In addition, subject to the terms of the Merger Agreement and applicable law, Petrohawk has granted Purchaser an irrevocable option (Top-Up Option), exercisable after consummation of the Offer, to purchase from Petrohawk that number of Shares as would be necessary for Parent and its affiliates to own one Share more than the Short-Form Threshold. If the Offer is consummated but the Short-Form Threshold is not attained, Petrohawk, Parent and Purchaser will effect the Merger following stockholder approval, either pursuant to an action by written consent or a special stockholders' meeting. In either case, Purchaser will vote all Shares it acquires pursuant to the Offer in favour of the adoption of the Merger Agreement, thereby assuring approval.

Conditions to the Offer

Consummation of the Offer is subject to several conditions, including: (i) that a majority of the Shares outstanding (generally determined on a fully diluted basis) be validly tendered and not properly withdrawn prior to the expiration date of the Offer (as such expiration date may be extended pursuant to the Merger Agreement); (ii) clearance from the Committee on Foreign Investment in the United States; (iii) the absence of a material adverse effect on Petrohawk; and (iv) certain other customary conditions. The Offer is not subject to a financing condition.

Representations and Warranties, Covenants, Termination Fee

Petrohawk has made customary representations, warranties and covenants in the Merger Agreement. Petrohawk's covenants include covenants relating to Petrohawk's conduct of its business between the date of the Merger Agreement and the closing of the Merger, restrictions on soliciting proposals for alternative transactions, public disclosures and other matters. The Merger Agreement contains certain termination rights of Parent and Petrohawk and provides that, upon the termination of the Merger Agreement under specified circumstances, Petrohawk will be required to pay Parent a termination fee of US$395 million.

The Petrohawk Board Recommendation

The board of directors of Petrohawk resolved to recommend that stockholders of Petrohawk tender their Shares into the Offer and, if necessary, vote to adopt the Merger Agreement.

The foregoing description of the Offer, the Merger and the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement.

Completion of the Offer

On 21 August 2011, we announced that at the end of Friday, 19 August 2011, approximately 293.9 million Petrohawk shares had been validly tendered and not withdrawn, including approximately 36 million Petrohawk shares tendered by guaranteed delivery. The tendered shares represented 97.4 per cent of the outstanding shares of Petrohawk, thus satisfying the Short-Form Threshold provision of the Merger Agreement. We also announced that following payment for all shares validly tendered and not withdrawn, we expected to effect a short-form merger under Delaware law as promptly as possible.

2.12 Constitution

The following text summarises the Constitution of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc. The effect of the Constitution of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc is, so far as possible, identical. Where the term 'BHP Billiton' is used in this description of the Constitution and Articles of Association, it can be read to mean either BHP Billiton Limited or BHP Billiton Plc.

Certain provisions of the Constitution of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc can only be amended where such amendment is approved by special resolution either:

- by approval as a Class Rights Action, where the amendment results in a change to an 'Entrenched Provision'; or
- otherwise, as a Joint Electorate Action.

A description of Joint Electorate Actions and Class Rights Actions is contained under the heading 'Equalisation of economic and voting rights' in section 2.10.2 of this Report.

2.12.1 Directors

The management and control of the business and affairs of BHP Billiton are vested in the Board of Directors, which may exercise all powers of BHP Billiton, other than what is required to be exercised or done by BHP Billiton in a general meeting.

2.12.2 Power to issue securities

BHP Billiton may, pursuant to the Constitution and Articles of Association, issue any shares or other securities (including redeemable shares) with preferred, deferred or other special rights, obligations or restrictions as and when the Directors may determine and on any other terms the Directors consider appropriate, provided that any such issue:

- does not affect any special rights conferred on the holders of any shares;
- is subject to the provisions regarding shareholder approval in the Constitution and Articles of Association.

The rights attaching to a class other than ordinary shares are expressed at the date of issue.

2.12.3 Restrictions on voting by Directors

A Director may not vote in respect of any contract or arrangement or any other proposal in which he or she has a material personal interest. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he or she is not entitled to vote.

In addition, under the UK Companies Act 2006, a Director has a duty to avoid a situation in which he or she has (or can have) a direct or indirect interest that conflicts (or may conflict) with the interests of the company. The duty is not infringed, if among other things, the situation is authorised by non-interested Directors. In 2008, the Articles of Association of BHP Billiton Plc were amended to enable the Board to authorise a matter that might otherwise involve a Director breaching his or her duty to avoid conflicts of interest. An interested Director may not vote or be counted towards a quorum for a resolution authorising such a situation. Where the Board gives such authorisation, the Board may prohibit, or may establish regulations which prohibit, the relevant Director from voting on any matter relating to the conflict. The Board has adopted procedures to manage these voting restrictions.

Subject to applicable laws, a Director is entitled to vote, and be counted in the quorum, in respect of any resolution concerning any of the following matters, namely where the material personal interest:

- arises because the Director is a shareholder of BHP Billiton and is held in common with the other shareholders of BHP Billiton;
- arises in relation to the Director's remuneration as a Director of BHP Billiton;
- relates to a contract BHP Billiton is proposing to enter into that is subject to approval by the shareholders and will not impose any obligation on BHP Billiton if it is not approved by the shareholders;
- arises merely because the Director is a guarantor or has given an indemnity or security for all or part of a loan, or proposed loan, to BHP Billiton;
- arises merely because the Director has a right of subrogation in relation to a guarantee or indemnity referred to above;
- relates to a contract that insures, or would insure, the Director against liabilities the Director incurs as an officer of BHP Billiton, but only if the contract does not make BHP Billiton or a related body corporate the insurer;

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2.12.3 Restrictions on voting by Directors continued

- relates to any payment by BHP Billiton or a related body corporate in respect of an indemnity permitted by law, or any contract relating to such an indemnity; or
- is in a contract, or proposed contract with, or for the benefit of, or on behalf of, a related body corporate and arises merely because the Director is a director of a related body corporate.

2.12.4 Loans by Directors

Any Director may lend money to BHP Billiton at interest with or without security or may, for a commission or profit, guarantee the repayment of any money borrowed by BHP Billiton and underwrite or guarantee the subscription of shares or securities of BHP Billiton or of any corporation in which BHP Billiton may be interested without being disqualified as a Director and without being liable to account for BHP Billiton for any commission or profit.

2.12.5 Retirement of Directors

In August 2011, the Board adopted a policy consistent with the UK Corporate Governance Code, under which all Directors must, if they wish to remain on the Board, seek re-election by shareholders annually. This new policy will take effect at the 2011 Annual General Meetings, and replaces the previous system, as set out in the Constitution of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc, under which Directors were required to submit themselves to shareholders for re-election at least every three years.

2.12.6 Rights attaching to shares

Dividend rights

Under English law, dividends on shares may only be paid out of profits available for distribution. Under Australian law, dividends on shares may only be paid out of net assets, provided that the payment is fair and reasonable to the company's shareholders as a whole and the payment of the dividend does not materially prejudice the company's ability to pay its creditors. The Constitution and Articles of Association provide that payment of any dividend may be made in any manner, by any means and in any currency determined by the Board.

All unclaimed dividends may be invested or otherwise used by the Board for the benefit of whichever of BHP Billiton Limited or BHP Billiton Plc declared that dividend, until claimed or, in the case of BHP Billiton Limited, otherwise disposed of according to law. In the case of BHP Billiton Plc, any dividend unclaimed after a period of 12 years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to BHP Billiton Plc.

Voting rights

Voting at any general meeting of BHP Billiton Limited shareholders is in the first instance to be conducted by a show of hands unless a poll is demanded by any of the following (except in relation to the election of a chairman of a meeting or, unless the Chairman otherwise determines, the adjournment of a meeting):

- the Chairman;
- any shareholder under the law; or
- the holder of the BHP Billiton Limited Special Voting Share.

Voting at any general meeting of BHP Billiton Plc is in the first instance to be conducted by a show of hands unless a poll is demanded by any of the following:

- the Chairman;
- not less than five members present in person or by proxy and entitled to vote;
- a member or members present in person or by proxy and representing not less than five per cent of the total voting rights of all the members having the right to vote at the meeting; or
- the holder of the Billiton Special Voting Share.

As described under the heading 'Equalisation of economic and voting rights' in section 2.10.2 of this Report, certain matters may be decided as Joint Electorate Actions or Class Rights Actions. Any matter considered by shareholders at an Annual General Meeting of BHP Billiton Limited or BHP Billiton Plc constitutes a Joint Electorate Action and shall therefore be decided on a poll. Therefore, in practice, generally all items of business at Annual General Meetings proceed directly to poll.

In addition, at any general meeting a resolution, other than a procedural resolution, put to the vote of the meeting on which the holder of the relevant BHP Billiton Special Voting Share is entitled to vote shall be decided on a poll.

For the purposes of determining which shareholders are entitled to attend or vote at a meeting of BHP Billiton Plc or BHP Billiton Limited, and how many votes such shareholder may cast, the relevant company will specify in any notice of meeting a time, not more than 48 hours before the time fixed for the meeting, by which a shareholder must be entered on the Register of Shareholders in order to have the right to attend or vote at the relevant meeting.

Shareholders who wish to appoint a proxy to attend, vote or speak at a meeting of BHP Billiton Plc or BHP Billiton Limited (as appropriate) on their behalf, must deposit the relevant form appointing a proxy in accordance with the instructions contained in any notice of meeting, so as to be received in the specified manner not less than 48 hours before the time appointed for holding the meeting to which the appointment of a proxy relates.

Rights to share in BHP Billiton Limited's profits

The rights attached to the shares of BHP Billiton Limited, as regards the participation in the profits available for distribution, are as follows:

- The holders of any preference shares shall be entitled, in priority to any payment of dividend to the holders of any other class of shares, to a preferred right to participate as regards dividends up to but not beyond a specified amount in distribution.
- Subject to the special rights attaching to any preference shares, but in priority to any payment of dividends on all other classes of shares, the holder of the Equalisation Share (if any) shall be entitled to be paid such dividends as are declared.
- Any surplus remaining after payment of the distributions above shall be payable to the holders of BHP Billiton Limited ordinary shares and the BHP Billiton Limited Special Voting Share in equal amounts per share.

Rights to share in BHP Billiton Plc's profits

The rights attached to the shares of BHP Billiton Plc, in relation to the participation in the profits available for distribution, are as follows:

- The holders of the cumulative preference shares shall be entitled, in priority to any payment of dividend to the holders of any other class of shares, to be paid a fixed cumulative preferential dividend (Preferential Dividend) at a rate of 5.5 per cent per annum, to be paid annually in arrears on 31 July in each year or, if any such date shall be a Saturday, Sunday or public holiday in England, on the first business day following such date in each year. Payments of Preferential Dividends shall be made to holders on the register at any date selected by the Directors up to 42 days prior to the relevant fixed dividend date.
- Subject to the rights attaching to the cumulative preference shares, but in priority to any payment of dividends on all other classes of shares, the holder of the BHP Billiton Plc Special Voting Share shall be entitled to be paid a fixed dividend of US$0.01 per annum, payable annually in arrears on 31 July.
- Subject to the rights attaching to the cumulative preference shares and the BHP Billiton Plc Special Voting Share, but in priority to any payment of dividends on all other classes of shares, the holder of the Equalisation Share shall be entitled to be paid such dividends as the Board may decide to pay thereupon.
- Any surplus remaining after payment of the distributions above shall be payable to the holders of the BHP Billiton Plc ordinary shares in equal amounts per BHP Billiton Plc ordinary share.

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2.12.7 Right on a return of assets on liquidation

On a return of assets on liquidation of BHP Billiton Limited, the assets of BHP Billiton Limited remaining available for distribution among shareholders, after giving effect to the payment of all prior ranking amounts owed to all creditors and holders of preference shares, shall be applied in paying to the holders of the BHP Billiton Limited Special Voting Share and the Equalisation Share (if any) an amount of up to A$2.00 on each such share, on an equal priority with any amount paid to the holders of BHP Billiton Limited ordinary shares, and any surplus remaining shall be applied in making payments solely to the holders of BHP Billiton Limited ordinary shares in accordance with their entitlements.

On a return of assets on liquidation of BHP Billiton Plc, subject to the payment of all prior ranking amounts owed to the creditors of BHP Billiton Plc and prior ranking statutory entitlements, the assets of BHP Billiton Plc to be distributed on a winding-up shall be distributed to the holders of shares in the following order of priority:

- To the holders of the cumulative preference shares, the repayment of a sum equal to the nominal capital paid up or credited as paid up on the cumulative preference shares held by them and accrual, if any, of the Preferential Dividend, whether such dividend has been earned or declared or not, calculated up to the date of commencement of the winding-up.
- To the holders of the BHP Billiton Plc ordinary shares and to the holders of the BHP Billiton Plc Special Voting Share and the Equalisation Share, the payment out of surplus, if any, remaining after the distribution above of an equal amount for each BHP Billiton Plc ordinary share, the BHP Billiton Plc Special Voting Share and the Equalisation Share, if issued, subject to a maximum in the case of the BHP Billiton Plc Special Voting Share and the Equalisation Share of the nominal capital paid up on such shares.

2.12.8 Redemption of preference shares

If BHP Billiton Limited at any time proposes to create and issue any preference shares, the preference shares may be issued on the terms that they are to be redeemed or, at the option of either or both BHP Billiton Limited and the holder, are liable to be redeemed, whether out of share capital, profits or otherwise.

The preference shares confer on the holders the right to convert the preference shares into ordinary shares if, and on the basis, the Board determines at the time of issue of the preference shares.

The preference shares are to confer on the holders:

- the right (on redemption and on a winding-up) to payment in cash in priority to any other class of shares of (i) the amount paid or agreed to be considered as paid on each of the preference shares; (ii) the amount, if any, equal to the aggregate of any dividends accrued but unpaid and of any arrears of dividends;
- the right, in priority to any payment of dividend on any other class of shares, to the preferential dividend.

There is no equivalent provision in the Articles of Association of BHP Billiton Plc although as noted in section 2.12.2 above, BHP Billiton can issue preference shares which are subject to a right of redemption on terms the Board considers appropriate.

2.12.9 Capital calls

Subject to the terms on which any shares may have been issued, the Board may make calls on the shareholders in respect of all monies unpaid on their shares. BHP Billiton has a lien on every partly paid share for all amounts payable in respect of that share. Each shareholder is liable to pay the amount of each call in the manner, at the time and at the place specified by the Board (subject to receiving at least 14 days notice specifying the time and place for payment). A call is considered to have been made at the time when the resolution of the Board authorising the call was passed.

2.12.10 Borrowing powers

Subject to relevant law, the Directors may exercise all powers of BHP Billiton to borrow money, and to mortgage or charge its undertaking, property, assets (both present and future) and all uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of BHP Billiton or of any third party.

2.12.11 Changes to rights of shareholders

Rights attached to any class of shares issued by either BHP Billiton Limited or BHP Billiton Plc can only be varied (whether as a Joint Electorate Action or a Class Rights Action) where such variation is approved both:

- by the Company that issued the relevant shares, as a special resolution;
- by the holders of the issued shares of the affected class, either by a special resolution passed at a separate meeting of the holders of the issued shares of the class affected, or with the written consent of members with at least 75 per cent of the votes of that class.

2.12.12 Conditions governing general meetings

All provisions relating to general meetings apply with any necessary modifications to any special meeting of any class of shareholders that may be held. Therefore, the following information relates equally to general meetings and any special meeting of any class of shareholders.

The Board may and shall on requisition in accordance with applicable laws call a general meeting of the shareholders at the time and place or places and in the manner determined by the Board. No shareholder may convene a general meeting of BHP Billiton except where entitled under law to do so. Any Director may convene a general meeting whenever the Director thinks fit. General meetings can also be cancelled, postponed or adjourned. Notice of a general meeting must be given to each shareholder entitled to vote at the meeting and such notice of meeting must be given in the form and manner in which the Board thinks fit. Five shareholders of the relevant company present in person or by proxy constitute a quorum for a meeting. A shareholder who is entitled to attend and cast a vote at a general meeting of BHP Billiton may appoint a person as a proxy to attend and vote for the shareholder in accordance with the law.

2.12.13 Limitations on rights to own securities

Neither the Constitution of BHP Billiton Limited nor the Articles of Association of BHP Billiton Plc impose any limitations on the rights to own securities other than restrictions that reflect the takeovers codes under relevant Australian and UK law. In addition, the Australian Foreign Acquisitions and Takeovers Act 1975 imposes a number of conditions that restrict foreign ownership of Australian-based companies.

Share control limits imposed by the Constitution and the Articles of Association, as well as relevant laws, are described in sections 2.7 and 2.10.2 of this Report.

2.12.14 Documents on display

You can consult reports and other information about BHP Billiton Limited that it has filed pursuant to the rules of the ASX at *www.asx.com.au*. You can consult reports and other information filed for publication by BHP Billiton Plc pursuant to the rules of the UK Listing Authority at the Authority's document viewing facility. Information filed on the ASX, or pursuant to the rules of the UK Listing Authority is not incorporated by reference into this Annual Report. The documents referred to in this Annual Report as being available on our website, *www.bhpbilliton.com*, are not incorporated by reference and do not form part of this Annual Report.

BHP Billiton Limited and BHP Billiton Plc both file annual and special reports and other information with the US Securities Exchange Commission (SEC). You may read and copy any document that either BHP Billiton Limited or BHP Billiton Plc files at the SEC's public reference room located at 100 F Street, NE, Room 1,580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 or access the SEC website at *www.sec.gov* for further information on the public reference room. The SEC filings of BHP Billiton Limited since December 2002, and those of BHP Billiton Plc since October 2003, are also available on the SEC website.

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2.13 Reserves and resources

2.13.1 Petroleum reserves

Reserves and production

BHP Billiton Petroleum reserves are estimated and reported according to SEC standards. For FY2011, our proved oil and gas reserves have been determined in accordance with SEC Rule 4-10(a) of Regulation S-X. Proved oil and gas reserves are those quantities of crude oil, natural gas and natural gas liquids (NGL), which, by analysis of geoscience and engineering data can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, operating methods and government regulations. Unless evidence indicates that renewal is reasonably certain, estimates of economically producible reserves only reflect the period before the contracts providing the right to operate expire. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence within a reasonable time. Developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods and through installed extraction equipment and infrastructure operational at the time of the reserve estimate if the extraction is by means not involving a well. As specified in Rule 4-10(a) of Regulation S-X, oil and gas prices are taken as the unweighted average of the corresponding first day of the month prices for the 12 months prior to the ending date of the period covered.

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

Proved reserves are estimated by reference to available seismic, well and reservoir information, including production and pressure trends for producing reservoirs and, in some cases, to similar data from other analogous, producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution, and for which applicable government and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

The Petroleum Reserves Group (PRG) is a dedicated group that provides overall oversight of the reserves assessment and reporting processes. It is independent of the various asset teams directly responsible for development and production activities. The PRG is staffed by individuals averaging over 30 years experience in the Oil and Gas industry. The Manager of the PRG is the individual primarily responsible for overseeing the preparation of the reserves estimate. He has an advanced degree in engineering and over 30 years of diversified industry experience in reservoir engineering, reserves assessment, and technical management. He is a 30+ year member of the Society of Petroleum Engineers (SPE). No part of the individual compensation for members of this group is dependent on reported reserves.

During FY2011, Petroleum added 599 million barrels of oil equivalent (MMboe)[1] of proved oil and gas reserves. The largest component was the acquisition of the Fayetteville Shale gas assets accounting for 415 MMboe of proved developed and undeveloped reserves. Excluding this purchase, Petroleum added 184 MMboe of proved reserves, replacing 115 per cent of sales of 159 MMboe. For the first time, Petroleum added 91 MMboe proved reserves effective 30 June 2011 associated with future production that will be consumed in operations (typically fuel gas). The remaining additions during the year were comprised of revisions of 49 MMboe that resulted from analysis of performance and drilling results affecting previous assessments, improved recovery additions of 23 MMboe and extensions of 21 MMboe, with the largest portion associated with commitment to the development of additional production capability in the North West Shelf gas project. Improved recovery reserves were added at the Shenzi project in the Gulf of Mexico where pressures encountered by the first injection well established connectivity to offset producers. Based on a combination of high resolution seismic interpretation and engineering analysis, as well as comparison with water injection projects in other Miocene sands in the area, the incremental impact of the one current water injector was estimated at 23 MMboe.

Petroleum's reserves are estimated as of 30 June 2011. For the first time the Group engaged the services of Netherland, Sewell & Associates, Inc. (NSAI), an independent petroleum engineering firm, to estimate the reserves for the newly acquired Fayetteville Shale gas assets. Those reserves represent approximately 24 per cent of the Group's total proven reserves on a boe basis (35 per cent of proven gas reserves) and are incorporated in the summary tables below. A copy of NSAI's report has been filed as an exhibit to our Annual Report filed on Form 20-F. As noted therein, Fayetteville project undeveloped reserves are estimated based on specific drilling locations expected to be drilled at the current rate within the next five years, current government regulations and a FY2011 Henry Hub reference price of US$4.21 per Million British Thermal Units (MMBtu), as adjusted for transportation fees and regional price differentials, among other assumptions.

As in previous years, reserve assessments for all other Petroleum properties were conducted by technical staff within the operating organisation. These individuals meet the professional qualifications outlined by the Society of Petroleum Engineers, are trained in the fundamentals of SEC reserves reporting and the corporate reserves processes and are endorsed by the PRG. Each reserve assessment is reviewed annually by the PRG to ensure technical quality, adherence to internally published Petroleum CSG Guidelines and compliance with SEC reporting requirements. Once endorsed by the PRG, all reserves receive final endorsement by senior management and the corporate Risk and Audit Committee prior to public reporting. Our internal Group Audit Services provides secondary assurance of the oil and gas reserve reporting processes through annual audits.

These results are summarised in the tables below which detail estimated oil, condensate, NGL and natural gas reserves at 30 June 2011, 30 June 2010 and 30 June 2009, with a reconciliation of the changes in each year. Reserves have been calculated using the economic interest method and represent net interest volumes after deduction of applicable royalty. Reserves include quantities of oil, condensate, NGL and gas that will be produced under several production and risk sharing arrangements that involve the Group in upstream risks and rewards without transfer of ownership of the products. At 30 June 2011, approximately six per cent (2010: six per cent; 2009: seven per cent) of proved developed and undeveloped oil, condensate and NGL reserves and four per cent (2010: five per cent; 2009: five per cent) of natural gas reserves are attributable to those arrangements. Reserves also include volumes calculated by probabilistic aggregation of certain fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes which may not be realised upon divestment on an individual property basis.

[1] Total barrel oil equivalent conversion is based on the following: 6,000 scf of natural gas equals one boe.

2.13.1 Petroleum reserves continued

Millions of barrels	Australia	United States	Other	Total
Proved developed and undeveloped oil, condensate and NGL reserves [a] [b]				
Reserves at 30 June 2008	**354.3**	**197.8**	**46.5**	**598.6**
Improved Recovery	0.0	0.0	1.2	1.2
Revisions of previous estimates	13.3	5.0	24.0	42.3
Extensions and discoveries	5.9	14.0	0.0	19.9
Purchase/sales of reserves	0.0	0.0	0.0	0.0
Production [c]	(40.4)	(20.9)	(15.1)	(76.4)
Total changes	(21.2)	(1.9)	10.1	(13.0)
Reserves at 30 June 2009	**333.1**	**195.9**	**56.6**	**585.6**
Improved Recovery	11.0	0.0	0.0	11.0
Revisions of previous estimates	5.9	73.4	(2.4)	76.9
Extensions and discoveries	6.9	49.2	7.5	63.6
Purchase/sales of reserves	0.0	0.0	0.0	0.0
Production [c]	(40.2)	(44.1)	(12.8)	(97.1)
Total changes	(16.4)	78.5	(7.7)	54.4
Reserves at 30 June 2010	**316.7**	**274.4**	**48.9**	**640.0**
Improved Recovery	0.7	22.0	0.0	22.7
Revisions of previous estimates	2.0	1.6	3.7	7.3
Extensions and discoveries	3.2	1.6	0.2	5.0
Purchase/sales of reserves	0.0	0.0	0.0	0.0
Production [c]	(48.4)	(32.2)	(11.3)	(91.9)
Total changes	(42.5)	(7.0)	(7.4)	(56.9)
Reserves at 30 June 2011 [d]	**274.2**	**267.4**	**41.5**	**583.1**
Developed				
Proved developed oil, condensate and NGL reserves				
at 30 June 2008	189.1	90.0	42.0	321.1
at 30 June 2009	182.2	98.7	51.5	332.4
at 30 June 2010	217.1	108.9	44.4	370.4
Developed Reserves at 30 June 2011	**176.3**	**94.8**	**39.2**	**310.3**
Undeveloped				
Proved undeveloped oil, condensate and NGL reserves				
at 30 June 2008	165.2	107.8	4.5	277.5
at 30 June 2009	150.9	97.2	5.1	253.2
at 30 June 2010	99.6	165.5	4.5	269.6
Undeveloped Reserves at 30 June 2011	**97.9**	**172.6**	**2.3**	**272.8**

[a] Small differences are due to rounding to first decimal place.
[b] NGL is extracted separately from crude oil and natural gas and reported as a liquid.
[c] Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
[d] Total proved oil, condensate and NGL reserves include 6.2 million barrels derived from probabilistic aggregation of reserves from reservoirs dedicated to the North West Shelf gas project only.

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2.13.1 Petroleum reserves continued

Billions of cubic feet	Australia [b]	United States	Other	Total
Proved developed and undeveloped natural gas reserves				
Reserves at 30 June 2008 [a][e]	**3,756.0**	**99.6**	**802.6**	**4,658.2**
Improved Recovery	0.0	0.0	179.5	179.5
Revisions of previous estimates	24.5	1.5	2.7	28.7
Extensions and discoveries	267.5	7.5	0.0	275.0
Purchase/sales of reserves	0.0	(2.4)	0.0	(2.4)
Production [c]	(258.3)	(13.4)	(92.9)	(364.6)
Total changes	33.7	(6.2)	89.3	116.2
Reserves at 30 June 2009 [e]	**3,789.7**	**92.8**	**892.0**	**4,774.5**
Improved Recovery	40.5	0.0	23.6	64.1
Revisions of previous estimates	94.2	2.2	(51.5)	44.9
Extensions and discoveries	1.6	9.3	0.0	10.9
Purchase/sales of reserves	0.0	0.0	0.0	0.0
Production [c]	(259.7)	(17.7)	(91.3)	(368.7)
Total changes	(123.4)	(6.2)	(119.2)	(248.8)
Reserves at 30 June 2010 [e]	**3,666.3**	**86.6**	**772.8**	**4,525.7**
Improved Recovery	0.0	3.5	0.0	3.5
Revisions of previous estimates	582.8	197.9	12.4	793.1
Extensions and discoveries	63.7	0.3	31.6	95.6
Purchase/sales of reserves	0.0	2,490.6	0.0	2,490.6
Production [c]	(274.7)	(49.1)	(81.2)	(405.0)
Total changes	371.8	2,643.2	(37.2)	2,977.8
Reserves at 30 June 2011 [d]	**4,038.1**	**2,729.8**	**735.6**	**7,503.5**
Developed				
Proved developed natural gas reserves				
at 30 June 2008 [e]	1,882.3	46.4	441.4	2,370.1
at 30 June 2009 [e]	1,899.0	38.5	383.7	2,321.2
at 30 June 2010	1,724.8	30.3	236.8	1,991.9
Developed Reserves at 30 June 2011	**1,754.0**	**1,122.1**	**719.9**	**3,596.0**
Undeveloped				
Proved undeveloped natural gas reserves				
at 30 June 2008 [e]	1,873.7	53.2	361.2	2,288.1
at 30 June 2009 [e]	1,890.7	54.3	508.3	2,453.3
at 30 June 2010	1,941.5	56.3	536.0	2,533.8
Undeveloped Reserves at 30 June 2011	**2,284.1**	**1,607.7**	**15.7**	**3,907.5**

(a) Small differences are due to rounding to first decimal place.
(b) Production for Australia includes gas sold as LNG.
(c) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(d) Total proved natural gas reserves include 177.2 billion cubic feet derived from probabilistic aggregation of reserves from reservoirs dedicated to the North West Shelf gas project only.
(e) Does not include volumes expected to be consumed by operations.

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2.13.1 Petroleum reserves continued

Millions of barrels oil equivalent [a]	Australia	United States	Other	Total
Proved developed and undeveloped oil, condensate, natural gas and NGL reserves [b]				
Reserves at 30 June 2008 [e]	**980.3**	**214.4**	**180.3**	**1,375.0**
Improved Recovery	0.0	0.0	31.1	31.1
Revisions of previous estimates	17.4	5.3	24.5	47.1
Extensions and discoveries	50.5	15.3	0.0	65.7
Purchase/sales of reserves	0.0	(0.4)	0.0	(0.4)
Production [c]	(83.5)	(23.1)	(30.6)	(137.2)
Total changes	(15.7)	(3.0)	25.0	6.4
Reserves at 30 June 2009 [e]	**964.7**	**211.4**	**205.3**	**1,381.4**
Improved Recovery	17.8	0.0	3.9	21.7
Revisions of previous estimates	21.6	73.8	(11.0)	84.4
Extensions and discoveries	7.2	50.8	7.5	65.4
Purchase/sales of reserves	0.0	0.0	0.0	0.0
Production [c]	(83.5)	(47.1)	(28.0)	(158.6)
Total changes	(36.9)	77.5	(27.6)	12.9
Reserves at 30 June 2010 [e]	**927.8**	**288.8**	**177.7**	**1,394.3**
Improved Recovery	0.7	22.6	0.0	23.3
Revisions of previous estimates	99.1	34.5	5.9	139.5
Extensions and discoveries	13.9	1.6	5.4	20.9
Purchase/sales of reserves	0.0	415.1	0.0	415.1
Production [c]	(94.2)	(40.3)	(24.9)	(159.4)
Total changes	19.5	433.5	(13.6)	439.4
Reserves at 30 June 2011 [d]	**947.3**	**722.3**	**164.1**	**1,833.7**
Developed				
Proved developed oil, condensate and NGL reserves				
at 30 June 2008 [e]	502.8	97.7	115.6	716.1
at 30 June 2009 [e]	498.7	105.1	115.5	719.3
at 30 June 2010	504.6	114.0	83.9	702.4
Developed Reserves at 30 June 2011	**468.6**	**281.9**	**159.2**	**909.7**
Undeveloped				
Proved undeveloped oil, condensate and NGL reserves				
at 30 June 2008 [e]	477.5	116.7	64.7	658.9
at 30 June 2009 [e]	466.0	106.3	89.8	662.1
at 30 June 2010	423.2	174.9	93.8	691.9
Undeveloped Reserves at 30 June 2011	**478.7**	**440.4**	**4.9**	**924.0**

(a) Barrel oil equivalent conversion based on 6,000 scf of natural gas equals 1 boe.
(b) Small differences are due to rounding to first decimal place.
(c) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(d) Total proved reserves include 35.7 MMboe derived from probabilistic aggregation of reserves from reservoirs dedicated to the North West Shelf gas project only.
(e) Does not include volumes expected to be consumed by operations.

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2.13.1 Petroleum reserves continued

Proved undeveloped reserves

At year-end, Petroleum had 924 MMboe of proved undeveloped reserves, compared with 692 MMboe at the end of FY2010. A significant portion of these proved undeveloped reserves are associated with their Fayetteville Shale gas acquisition, with 236 MMboe added upon acquisition and 17 MMboe added prior to the end of FY2011. Petroleum matured 79 MMboe from undeveloped to developed during FY2011, mostly associated with the start-up of the Angostura gas project in Trinidad and Tobago and the Zamzama booster compression project in Pakistan. An additional sum total of 58 MMboe was booked in FY2011, mostly attributable to maturing North West Shelf gas development, fuel gas associated with undeveloped proved reserves, Shenzi water injection volumes and the major repairs necessary to resume production from Atlantis North. During FY2011, Petroleum spent US$2,139 million progressing development of proved undeveloped reserves worldwide.

Most of the Group's projects require significant capital expenditure and multi-year lead times before initial production can be achieved with the associated movement of reserves from undeveloped to developed. Based on current project schedules, more than 99 per cent of the 924 MMboe currently classified as undeveloped are actively being pursued and are scheduled to be on stream within the next five years. The remaining undeveloped reserves are located in active fields expected to produce well into the next decade and will be brought on stream in a phased manner to best optimise the use of production facilities and to meet long-term gas supply contracts. The Petroleum Group has a dependable history of progressing large undeveloped volumes from undeveloped to developed, evidenced by the past three years, which have averaged nearly 80 MMboe per year.

2.13.2 Mineral Resources and Ore Reserves

Introduction

The statement of Mineral Resources and Ore Reserves (including Coal Resources and Coal Reserves) presented in this Report has been produced in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the JORC Code). Commodity prices and exchange rates used to estimate the economic viability of reserves are based on asset-defined or BHP Billiton long-term forecasts. The Ore Reserves tabulated are held within existing, fully permitted mining tenements. The BHP Billiton Group's mineral 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. Our Ore Reserves may include areas where some additional approvals remain outstanding, but where, based on the technical investigations we carry out as part of our planning process, and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the time frame required by the current schedule.

The information in this Report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). All Competent Persons have, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. At the reporting date, each Competent Person listed in this Report is a full-time employee of BHP Billiton or a company in which BHP Billiton has a controlling interest or has joint control, unless otherwise noted. Each Competent Person consents to the inclusion in this Report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures presented are reported in 100 per cent terms and represent estimates at 30 June 2011 (unless otherwise stated). All tonnes are reported as dry metric tonnes (unless otherwise stated). All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Mineral Resources that have been converted to Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves). The information contained herein differs in certain respects from that reported to the US Securities and Exchange Commission (SEC), which is prepared with reference to the SEC's Industry Guide 7. Mineral Resources and Ore Reserves are presented in the accompanying tables.

Competent Persons

Aluminium Customer Sector Group

Mineral Resources

Worsley: D Parmenter (MAusIMM)
MRN: JP de Melo Franco (MAusIMM, employed by Mineração Rio do Norte)
GAC Project: P Schultz (MAusIMM, employed by Probe Mining)

Ore Reserves

Worsley: V Malajczuk (MAusIMM)
MRN: J P de Melo Franco (MAusIMM, employed by Mineração Rio do Norte)

Base Metals Customer Sector Group

Mineral Resources

Escondida, Pampa Escondida, Pinta Verde: O Cortes (MAusIMM, employed by Minera Escondida Limitada)
Cerro Colorado and Spence: J Cespedes (MAusIMM)
Pinto Valley and Pinto Valley Miami unit: R Preece (FAusIMM)
Olympic Dam: S O'Connell (MAusIMM)
Antamina: J Espinoza (MAusIMM)
Cannington: A J Edwards (MAusIMM)

Ore Reserves

Escondida: A Zuzunaga (MAusIMM, employed by Minera Escondida Limitada)
Cerro Colorado and Spence: E Ríos (MAusIMM)
Pinto Valley: B Baird (MAusIMM)
Olympic Dam: D Grant (FAusIMM)
Antamina: L Lozada (MAusIMM, employed by Minera Antamina SA)
Cannington: D Fleury (MAusIMM)

Diamonds and Specialty Products Customer Sector Group

Mineral Resources

EKATI Core Zone: R Woodward (NAPEGG), S Harrison (MAusIMM)
EKATI Buffer Zone: S Harrison (MAusIMM)
Richards Bay Minerals: C Ware (SACNASP, employed by Richards Bay Minerals)
Jansen: J McElroy (MAusIMM), B Nemeth (MAusIMM)

Ore Reserves

EKATI Core Zone: N Barros (MAusIMM)
Richards Bay Minerals: C Ware (SACNASP, employed by Richards Bay Minerals)

Stainless Steel Materials Customer Sector Group

Mineral Resources

Cerro Matoso: C A Rodriguez (MAusIMM), C Rivers (MAusIMM)
Leinster: F Maturana (MAusIMM(CP)), T Journeaux (MAusIMM, employed by QG Limited)
Mt Keith: A Williamson (MAIG), M Menicheli (MAusIMM)
Cliffs: T Goodale (MAusIMM), A Williamson (MAIG)
Yakabindie: F Maturana (MAusIMM(CP)), M Menicheli (MAusIMM)
Jericho: T Journeaux (MAusIMM, employed by QG Limited), M Menicheli (MAusIMM)

Ore Reserves

Cerro Matoso: F Fuentes (MAusIMM), A Quiroz (MAusIMM)
Leinster, Cliffs: J de Vries (MAusIMM(CP)), B Hollins (MAusIMM)
Mt Keith: J de Vries (MAusIMM(CP))

Iron Ore Customer Sector Group

Mineral Resources

Mt Newman JV: D W Reid (MAusIMM), V Osterholt (MAusIMM), M Smith (MAusIMM), S Nag (MAIG)
Jimblebar: V Osterholt (MAusIMM), M Smith (MAusIMM)
Mt Goldsworthy JV Northern: P Whitehouse (MAusIMM)
Mt Goldsworthy JV Area C: D W Reid (MAusIMM), C Williams (MAIG), D Stephens (MAIG)
Yandi JV: D Stephens (MAIG), P Whitehouse (MAusIMM)
BHP Billiton Iron Ore Exploration: D Stephens (MAIG), M Smith (MAusIMM)
Samarco JV: J P da Silva (MAusIMM), L Bonfioli (MAusIMM, employed by Samarco Mineração SA)

Ore Reserves

Mt Newman JV, Jimblebar, Mt Goldsworthy JV Northern, Mt Goldsworthy JV Area C, Yandi JV: T Cockerill (MAusIMM), J Kirk (MAusIMM), K Risnes (MAusIMM)
Samarco JV: L Goncalves de Rezende (MAusIMM, employed by Samarco Mineração SA)

Manganese Customer Sector Group

Mineral Resources

GEMCO: D Hope (MAusIMM, employed by Snowden Group)
Wessels and Mamatwan: E P Ferriera (SACNASP)
Beniomi and Bordeaux: E P W Swindell (SACNASP)

Ore Reserves

GEMCO: D Bales (MAusIMM)
Wessels and Mamatwan: D Mathebula (SAIMM)

Metallurgical Coal Customer Sector Group

Coal Resources

Goonyella Riverside, South Walker Creek, Poitrel-Winchester, Saraji, Saraji East, Daunia, Red Hill, Nebo West, Bee Creek, Wards Well: A Paul (MAusIMM)
Peak Downs: J Centofanti (MAusIMM), S Martinez (MAusIMM)
Norwich Park: G Lawson (MAusIMM)
Blackwater, Gregory Crinum, Liskeard: P Handley (MAusIMM)
Peak Downs East: J Centofanti (MAusIMM)
Appin, West Cliff, Dendrobium, Cordeaux: H Kaag (MAusIMM)
Lampunut, Bumbun, Juloi Northwest: D Broome (MAIG)
Haju and Luon: M Youl (MAusIMM)

Coal Reserves

Goonyella Riverside: D Patzel (MAusIMM), A Swiericzuk (MAusIMM)
Peak Downs, Saraji, Norwich Park: S de la Cruz (MAusIMM)
Blackwater: G Clarete (MAusIMM)
Daunia: J Mahood (MAusIMM)
Gregory Crinum: G Clarete (MAusIMM), A Swiericzuk (MAusIMM)
South Walker Creek, Poitrel-Winchester: R Mattsson (MAusIMM)
Appin, West Cliff, Dendrobium: S Langley (SME registered)

Energy Coal Customer Sector Group

Coal Resources

San Juan: J Mercier (MAusIMM)
Navajo: J Mattern (SME registered)
Khutala: S Mokitimi (SACNASP)
Wolvekrans: S Kara (SACNASP)
Middelburg: L Visser (SACNASP)
Klipspruit: P Maseko (SACNASP)
Leandra North, J Marais (SACNASP), Naudesbank, Weltevreden, Leandra South: N Haniff (SACNASP), Theunissen, T-Project, Davel, Remainder Block IV: J C van der Merwe (SACNASP)
Mt Arthur Coal: P Wakeling (MAusIMM)
Togara South: A Paul (MAusIMM)
Cerrejón Coal Company: D Lawrence (SACNASP)

Coal Reserves

San Juan: C Stewart (SME registered)
Navajo: J Garcia (MAusIMM)
Khutala, Wolvekrans, Middelburg, Klipspruit: R Kenny (ECSA)
Mt Arthur Coal: R Spencer (MAusIMM)
Cerrejón Coal Company: D Lawrence (SACNASP)

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Aluminium Customer Sector Group

Mineral Resources

As at 30 June 2011															As at 30 June 2010		
		Measured Resource			Indicated Resource			Inferred Resource			Total Resource				Total Resource		
Commodity Deposit	Ore Type	Mt	%A. Al_2O_3	%R. SiO_2	Mt	%A. Al_2O_3	%R. SiO_2	Mt	%A. Al_2O_3	%R. SiO_2	Mt	%A. Al_2O_3	%R. SiO_2	BHP Billiton Interest %	Mt	%A. Al_2O_3	%R. SiO_2
Bauxite																	
Australia																	
Worsley	Laterite	348	30.6	1.8	582	31.9	2.4	36	32.2	2.6	966	31.4	2.2	86	951	31.3	2.2
Brazil																	
MRN [1]	MRN Crude	219	–	–	62	–	–	589	–	–	870	–	–	14.8	890	–	–
	MRN Washed	165	49.1	5.1	47	49.6	5.0	412	49.1	5.4	624	49.2	5.3		639	49.2	5.3
Guinea																	
GAC Project	Laterite	87	38.7	1.2	113	37.7	1.2	327	37.4	1.1	527	37.7	1.2	33.3	527	37.7	1.2

Ore Reserves

As at 30 June 2011													As at 30 June 2010			
		Proved Ore Reserve			Probable Ore Reserve			Total Ore Reserve					Total Ore Reserve			
Commodity Deposit [2][3]	Ore Type	Mt	%A. Al_2O_3	%R. SiO_2	Mt	%A. Al_2O_3	%R. SiO_2	Mt	%A. Al_2O_3	%R. SiO_2	Reserve Life (years)	BHP Billiton Interest %	Mt	%A. Al_2O_3	%R. SiO_2	Reserve Life (years)
Bauxite																
Australia																
Worsley	Laterite	240	31.2	1.8	59	30.4	1.8	299	31.0	1.8	18	86	311	31.0	1.8	19
Brazil																
MRN [4]	MRN Washed	13	50.3	4.6	–	–	–	13	50.3	4.6	1	14.8	27	49.8	4.8	2

(1) MRN – MRN Crude is mined product feed to the washplant. MRN Washed tonnes and grade represent expected product based on forecast beneficiated yield in the resource area.

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
Worsley	Maximum 80m	Maximum 160m
MRN	A bauxite intersection grid of 200m, plus at least 10 samples reached by searching ellipsoid. Mining and metallurgical characterisation (test pit/bulk sample), plus a reliable suite of chemical and size distribution data	Those areas with a bauxite intersection grid spacing of less than 400m and/or a 400m spaced grid with a 200m offset fill in, plus a minimum of seven samples reached by searching ellipsoid, plus a reliable suite of chemical and size distribution data

(3) Metallurgical recoveries for the operations are:

Deposit	Estimated Metallurgical recovery of A.Al_2O_3
Worsley (Worsley Refinery)	90%
MRN (Alumar Refinery)	94%

(4) MRN – The MRN reserves are located on mining leases that provide MRN the right to mine. Current mining areas have environmental approvals and operational licences. As further operational licences are obtained, Mineral Resources will be converted to Ore Reserves.

Base Metals Customer Sector Group

Mineral Resources

As at 30 June 2011

Commodity Deposit	Ore Type	Measured Resource Mt	%TCu	%SCu			Indicated Resource Mt	%TCu	%SCu		
Copper											
Escondida [1]	Oxide	78	0.74	–			74	0.87	–		
	Mixed	74	0.91	–			79	0.66	–		
	Sulphide and sulphide leach	2,937	0.75	–			2,883	0.57	–		
Pampa Escondida [2]	Sulphide	–	–	–			1,585	0.60	–		
Pinta Verde [3]	Oxide	12	0.78	–			39	0.69	–		
	Sulphide	0.7	0.58	–			10	0.59	–		
Cerro Colorado	Oxide	110	0.63	0.47			144	0.65	0.43		
	Sulphide	43	0.71	0.13			44	0.70	0.12		
Spence	Oxide	50	1.05	0.70			14	0.88	0.54		
	Sulphide	137	1.06	–			82	0.68	–		
	Transitional sulphides	26	0.71	–			11	0.50	–		
	Low-grade oxide and sulphide	7.7	0.25	–			11	0.25	–		
Pinto Valley	Sulphide	48	0.37	–			142	0.41	–		
	Low-grade leach	15	0.20	–			58	0.19	–		
	Sulphide stockpiles	448	0.11	–			–	–	–		
Pinto Valley Miami unit	In situ leach	174	0.31	–			40	0.32	–		
Copper Uranium		Mt	%Cu	kg/t U_3O_8	g/tAu	g/tAg	Mt	%Cu	kg/t U_3O_8	g/tAu	g/tAg
Olympic Dam	Non-sulphide	37	–	–	1.12	–	112	–	–	0.99	–
	Sulphide	1,408	1.08	0.32	0.34	2.07	4,571	0.88	0.28	0.34	1.56
Copper Zinc		Mt	%Cu	%Zn	g/tAg	%Mo	Mt	%Cu	%Zn	g/tAg	%Mo
Antamina [4]	Sulphide Cu only	130	0.91	0.2	7.3	0.03	761	0.94	0.1	9.0	0.03
	Sulphide Cu-Zn	57	0.72	1.6	13.4	0.01	258	0.84	2.0	14.2	0.01
Silver Lead Zinc		Mt	g/tAg	%Pb	%Zn		Mt	g/tAg	%Pb	%Zn	
Cannington [5]	UG Sulphide	38	296	7.6	3.8		11	188	5.6	3.3	
	OC Sulphides	12	98	4.0	2.2		6.2	81	3.1	1.9	

Ore Reserves

As at 30 June 2011

Commodity Deposit [6][7]	Ore Type	Proved Ore Reserve Mt	%TCu	%SCu			Probable Ore Reserve Mt	%TCu	%SCu		
Copper											
Escondida [8]	Oxide	62	0.79	–			60	0.95	–		
	Sulphide	1,294	1.03	–			718	0.87	–		
	Sulphide leach	1,593	0.53	–			1,947	0.47	–		
Cerro Colorado	Oxide	84	0.61	0.45			64	0.63	0.44		
	Sulphide	26	0.73	0.13			28	0.68	0.13		
Spence	Oxide	21	0.91	0.76			5.1	0.82	0.71		
	Oxide – low solubility	28	1.15	0.65			9.0	0.91	0.45		
	Sulphide	127	1.07	0.15			74	0.70	0.12		
	ROM	–	–	–			39	0.50	0.07		
Pinto Valley [9]	Sulphide	36	0.37	–			53	0.42	–		
	Low-grade leach	6	0.22	–			7	0.21	–		
Copper Uranium		Mt	%Cu	kg/t U_3O_8	g/tAu	g/tAg	Mt	%Cu	kg/t U_3O_8	g/tAu	g/tAg
Olympic Dam [10]	Sulphide	146	1.98	0.58	0.69	4.01	406	1.79	0.57	0.78	3.19
Copper Zinc		Mt	%Cu	%Zn	g/tAg	%Mo	Mt	%Cu	%Zn	g/tAg	%Mo
Antamina [11]	Sulphide Cu only	95	1.07	0.2	8.3	0.03	485	0.95	0.1	8.9	0.03
	Sulphide Cu-Zn	43	0.81	1.8	14.8	0.01	180	0.83	2.0	14.4	0.01
Silver Lead Zinc		Mt	g/tAg	%Pb	%Zn		Mt	g/tAg	%Pb	%Zn	
Cannington	UG Sulphide	21	292	7.4	3.8		4.4	209	5.5	3.6	

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Inferred Resource			Total Resource			BHP Billiton Interest	As at 30 June 2010 Total Resource		
Mt	%TCu	%SCu	Mt	%TCu	%SCu	%	Mt	%TCu	%SCu
31	0.64	–	183	0.78	–	57.5	152	0.80	–
68	0.52	–	221	0.70	–		–	–	–
5,725	0.53	–	11,544	0.59	–		8,356	0.61	–
5,793	0.44	–	7,378	0.47	–	57.5	–	–	–
52	0.55	–	103	0.63	–	57.5	–	–	–
61	0.44	–	72	0.46	–		–	–	–
22	0.58	0.36	276	0.63	0.44	100	286	0.64	0.44
61	0.66	0.12	148	0.69	0.12		146	0.69	0.12
0.5	0.58	0.36	64	1.01	0.66	100	66	1.13	0.74
4.1	0.73	–	222	0.91	–		233	0.91	–
0.3	0.66	–	37	0.65	–		38	0.65	–
3.3	0.21	–	22	0.24	–		21	0.25	–
1.0	0.37	–	191	0.40	–	100	191	0.40	–
5.0	0.18	–	78	0.19	–		78	0.19	–
–	–	–	448	0.11	–		448	0.11	–
–	–	–	214	0.31	–	100	214	0.31	–
Mt	%Cu	kg/t U_3O_8 g/tAu g/tAg	Mt	%Cu	kg/t U_3O_8 g/tAu g/tAg		Mt	%Cu	kg/t U_3O_8 g/tAu g/tAg
14	–	– 0.90 –	163	–	– 1.01 –	100	151	–	– 0.99 –
3,150	0.74	0.24 0.27 1.09	9,129	0.86	0.27 0.32 1.48		9,075	0.87	0.27 0.32 1.50
Mt	%Cu	%Zn g/tAg %Mo	Mt	%Cu	%Zn g/tAg %Mo		Mt	%Cu	%Zn g/tAg %Mo
531	0.79	0.1 9.2 0.02	1,422	0.88	0.1 8.9 0.02	33.75	1,160	0.92	0.15 9.3 0.03
177	0.54	1.3 9.7 –	492	0.72	1.7 12.5 0.01		288	0.95	1.74 16.4 0.01
Mt	g/tAg	%Pb %Zn	Mt	g/tAg	%Pb %Zn		Mt	g/tAg	%Pb %Zn
9.4	130	4.2 2.4	59	249	6.7 3.5		72	241	6.5 3.4
0.4	14	2.5 1.8	19	91	3.7 2.1	100	–	–	– –

Total Ore Reserve			Reserve Life (years)	BHP Billiton Interest	As at 30 June 2010 Total Ore Reserve			Reserve Life (years)
Mt	%TCu	%SCu		%	Mt	%TCu	%SCu	
121	0.87	–	35	57.5	139	0.80	–	30
2,012	0.97	–			1,638	1.02	–	
3,540	0.50	–			2,543	0.53	–	
149	0.62	0.45	10	100	141	0.63	0.45	11
54	0.70	0.13			60	0.70	0.13	
26	0.89	0.75	12	100	28	0.94	0.79	16
37	1.09	0.60			35	1.19	0.65	
201	0.93	0.14			209	0.94	–	
39	0.50	0.07			39	0.51	0.07	
89	0.40	–	4	100	89	0.40	–	4
13	0.21	–			13	0.21	–	
Mt	%Cu	kg/t U_3O_8 g/tAu g/tAg			Mt	%Cu	kg/t U_3O_8 g/tAu g/tAg	
552	1.84	0.57 0.76 3.41	50	100	598	1.84	0.58 0.71 3.44	54
Mt	%Cu	%Zn g/tAg %Mo			Mt	%Cu	%Zn g/tAg %Mo	
580	0.97	0.2 8.8 0.03	17	33.75	516	1.06	0.2 9.5 0.03	20
223	0.83	2.0 14.5 0.01			161	1.03	2.0 17.5 0.01	
Mt	g/tAg	%Pb %Zn			Mt	g/tAg	%Pb %Zn	
25	278	7.1 3.7	8	100	27	283	7.2 3.7	9

Base Metals Customer Sector Group

(1) Escondida – Increase in resources is largely due to stepout and infill drilling results, and partly due to updated metal prices. Ore type classification has changed from process type to mineralisation style, combining sulphide mill and sulphide leach categories.

(2) Pampa Escondida – Pampa Escondida is a newly discovered porphyry copper deposit of hypogene mineralisation (chalcopyrite-bornite) that is located at depth between the Escondida and Escondida Norte mines. It has been developed by 260,000m of drilling, most of which is in a regular 150m x 150m grid that averages 1,400m in depth. Eighty per cent of the Inferred Resources are categorised as being Interpolated Resources and are defined by a drilling grid up to 300m x 300m.

(3) Pinta Verde – Pinta Verde is a newly declared mineral resource, based on more than 76,500m of drilling. It is located 4km to the north of Escondida mine, forming the western extension of the Zaldivar deposit, and is being evaluated as potential leach feed to the Escondida oxide or sulphide leach facilities. Pinta Verde deposit is an enriched and partially oxidised deposit overlying very low-grade hypogene mineralisation.

(4) Antamina – Changes are due to incorporation of data obtained from over 150,000m of additional core drilling and the application of revised prices.

(5) Cannington – Additional mineral resources identified due to additional drilling and also identified as part of an open-pit project study that is currently being undertaken.

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
Escondida	Oxide: 40m x 40m Sulphide: 50m x 50m Sulphide leach: 55m x 55m	Oxide: 50m x 50m Sulphide: 85m x 85m Sulphide leach: 100m x 100m
Cerro Colorado	55m x 55m on first kriging pass	120m x 120m on second kriging pass
Spence	Oxides: 50m x 50m Sulphides: 75m x 75m	Oxides and sulphides: approximately less than 100m continuous square grid, estimation on second kriging pass
Pinto Valley	60m x 120m grid	200m x 200m
Olympic Dam	Drilling grid of 20m to 30m	Drilling grid of 30m to 70m
Antamina	High Grade Cu/Zn: three composites of the same grade zone and different holes within 30m, closest within 20m Low Grade Cu/Zn: three composites of the same grade zone and different holes within 35m, closest within 25m	Three composites of the same grade zone and different holes within 55m, closest within 40m or two composites of the same grade zone and different holes within 65m, closest within 30m or at least 50 composites within 75m with at least 90% in the same grade zone as the block
Cannington	UG Sulphide: 12.5m sectional x 15m vertical	UG Sulphide: 25m sectional x 25m vertical

(7) Metallurgical recoveries for the operations are:

Deposit	Metallurgical Recovery
Escondida	For TCu: Sulphide ore 85%, Sulphide leach 26%, Oxide ore 68%
Cerro Colorado	For TCu: Average 72%
Spence	For TCu: Sulphide 70%, Oxide 73%, Oxide low solubility 70%, ROM 30%
Pinto Valley	Mill recovery 86.4%, Leach recovery 25%
Olympic Dam	Cu 94%, U_3O_8 72%, Au 70%, Ag 65%
Antamina	Sulphide Cu only ore: Cu 92%, Zn 0%, Ag 65%, Mo 75% Sulphide Cu-Zn ore: Cu 81%, Zn 82%, Ag 55%, Mo 0%
Cannington	Ag 87%, Pb 89%, Zn 70%

(8) Escondida – The increased reserve tonnage is mostly due to drilling that increased the confidence of the mineralisation, a larger ultimate pit caused by step-out drilling in the eastern periphery of Escondida and increased price assumptions.

(9) Pinto Valley – The Pinto Valley mine and mill operations continue to be carried on care and maintenance status.

(10) Olympic Dam – The decrease in overall reserve tonnage is due to a change in stope size criteria in the latest mine plan.

(11) Antamina – Changes are due to a revised resource estimate incorporating additional drill hole data and to revised long-term prices.

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Diamonds and Specialty Products Customer Sector Group

Mineral Resources

As at 30 June 2011																												As at 30 June 2010			
Commodity Deposit	Ore Type	Measured Resource				Indicated Resource				Inferred Resource				Total Resource				BHP Billiton Interest	Total Resource			
		Mt	cpt			Mt	cpt			Mt	cpt			Mt	cpt			%	Mt	cpt		
Diamonds																						
EKATI Core Zone [1]	OC	–	–			49	0.8			1.8	1.5			51	0.9			80	53	0.8		
	SP	–	–			0.3	0.5			6.7	0.2			7.0	0.2				6.8	0.2		
	UG	–	–			29	0.4			5.8	0.5			34	0.4				35	0.5		
EKATI Buffer Zone [2]	OC	–	–			38	2.1			9.6	1.3			47	2.0			58.8	47	2.0		
Mineral Sands		Mt				Mt				Mt				Mt					Mt			
Richards Bay Minerals [3]	TiO_2 slag	5.3				20				1.6				27				37.76	27			
Potash		Mt	$\%K_2O$	%Insol.	%MgO	Mt	$\%K_2O$	%Insol.	%MgO	Mt	$\%K_2O$	%Insol.	%MgO	Mt	$\%K_2O$	%Insol.	%MgO		Mt	$\%K_2O$	%Insol.	%MgO
Jansen [4]	LPL	–	–	–	–	3,250	25.4	7.1	0.07	119	26.7	7.1	0.10	3,370	25.4	7.1	0.07	100	3,370	25.4	7.1	0.07

Ore Reserves

As at 30 June 2011										As at 30 June 2010		
Commodity Deposit [5][6]	Ore Type	Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve		Reserve Life (years)	BHP Billiton Interest	Total Ore Reserve		Reserve Life (years)
		Mt	cpt	Mt	cpt	Mt	cpt		%	Mt	cpt	
Diamonds												
EKATI Core Zone	OC	–	–	20	0.9	20	0.9	5	80	20	0.3	5
	SP	–	–	0.3	0.4	0.3	0.4			0.1	0.4	
	UG	–	–	4.8	0.6	4.8	0.6			5.7	0.7	
Mineral Sands		Mt		Mt		Mt				Mt		
Richards Bay Minerals [7]	TiO_2 slag	4.9		19		24		24	37.76	25		25

(1) EKATI Core Zone – Diamond resources are estimated on an effective 1mm square aperture stone size cut-off. All remaining Measured was downgraded to Indicated following review of geological model.

(2) EKATI Buffer Zone – Diamond resources are estimated on an effective 1mm square aperture stone size cut-off.

(3) Richards Bay Minerals – Mineral Resources are reported as at 31 December 2010. Downgrading resource from Measured to Indicated follows review of the geological model and drilling methodology.

(4) Jansen – %MgO is generally used as a measure of carnallite ($KCl.MGCl_2\ 6H_2O$) content where per cent carnallite equivalent = %MgO x 6.3918. However, in the above statement the main source of the stated MgO content is the dolomite fraction of the insoluble material. Areas of known geological anomalies, carnallitite (which comprises carnallite, halite and minor associated insolubles) and privately owned mineral tenure have been removed from the estimate. It is expected that a further 5% to 10% of the Mineral Resource tonnage will be discounted due to, as yet, unidentified geological anomalies. The Mineral Resource is stated for the Lower Patience Lake potash unit. A stratigraphic cut-off based on the top '406' clay seam and base '402' clay seam has been applied. A cut-off grade of 15% K_2O was applied to the resource estimate, no further modifying or mining extraction factors have been applied to the Mineral Resource.

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
EKATI Core Zone	Approximately less than 30m	Approximately less than 60m
Richards Bay Minerals	50m x 50m RC and 200m x 100m sonic data	400m x 100m RC and 800m x 100m sonic data

(6) Metallurgical recoveries for the operations are:

Deposit	Metallurgical Recovery
EKATI Core Zone	Factors are assigned per geological domain and deposit
Richards Bay Minerals	45.4% including conversion to slag

(7) Richards Bay Minerals – Reserves are reported as at 31 December 2010.

Stainless Steel Materials Customer Sector Group

Mineral Resources

As at 30 June 2011											As at 30 June 2010	
Commodity Deposit	Ore Type	Measured Resource Mt	Measured Resource %Ni	Indicated Resource Mt	Indicated Resource %Ni	Inferred Resource Mt	Inferred Resource %Ni	Total Resource Mt	Total Resource %Ni	BHP Billiton Interest %	Total Resource Mt	Total Resource %Ni
Nickel Colombia												
Cerro Matoso [1]	Laterite	52	1.3	122	1.0	98	0.8	271	1.0	99.94	212	1.1
	SP	39	1.3	–	–	–	–	39	1.3		35	1.3
	MNR – ore	20	0.2	–	–	–	–	20	0.2		21	0.2
Nickel West Operations												
Leinster	OC	3.7	1.4	1.8	1.3	1.4	1.2	6.9	1.4	100	7.3	1.4
	OC Disseminated	–	–	67	0.51	106	0.52	173	0.52		173	0.52
	UG	13	2.3	6.6	2.6	3.7	2.3	23	2.4		24	2.4
	SP	1.4	1.0	–	–	–	–	1.4	1.0		1.4	1.0
	SP Oxidised	–	–	1.9	1.7	–	–	1.9	1.7		1.9	1.7
Mt Keith	OC	182	0.55	100	0.48	32	0.48	313	0.52	100	328	0.52
	SP	33	0.53	–	–	–	–	33	0.53		32	0.53
Cliffs	UG	0.8	4.7	1.4	4.1	4.5	1.9	6.7	2.7	100	3.2	3.6
Nickel West Projects												
Yakabindie	OC	98	0.59	165	0.61	179	0.61	442	0.6	100	437	0.57
Jericho	OC	–	–	–	–	28	0.58	28	0.58	50	28	0.58

[1] Cerro Matoso – Increase in resources follows latest drilling data incorporated into a new geological model.

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Stainless Steel Materials Customer Sector Group

Ore Reserves

As at 30 June 2011										As at 30 June 2010		
Commodity Deposit [1][2]	Ore Type	Proved Ore Reserve Mt	Proved Ore Reserve %Ni	Probable Ore Reserve Mt	Probable Ore Reserve %Ni	Total Ore Reserve Mt	Total Ore Reserve %Ni	Reserve Life (years)	BHP Billiton Interest %	Total Ore Reserve Mt	Total Ore Reserve %Ni	Reserve Life (years)
Nickel Colombia												
Cerro Matoso [3]	Laterite	33	1.4	15	1.2	48	1.3	31	99.94	89	1.2	39
	SP	38	1.3	–	–	38	1.3			32	1.4	
	MNR – ore	20	0.2	–	–	20	0.2			21	0.2	
	Low Grade Stockpiles [4]	7.1	1.0	–	–	7.1	1.0			–	–	
Nickel West												
Leinster	OC	2.9	1.3	0.2	0.9	3.1	1.3	8	100	3.1	1.3	8
	UG	4.9	1.9	6.9	1.7	12	1.8			12	1.8	
	SP	–	–	1.4	1.0	1.4	1.0			1.4	1.0	
	SP Oxidised	–	–	1.8	1.7	1.8	1.7			1.9	1.7	
Mt Keith	OC	103	0.56	1.8	0.44	105	0.56	13	100	119	0.56	14
	SP	29	0.52	3.4	0.58	33	0.53			32	0.53	
Cliffs	UG	0.3	2.9	1.3	2.9	1.6	2.9	3	100	1.2	3.0	3

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
Cerro Matoso	Less than or equal to 35m with three drill holes minimum	Greater than 35m and less than or equal to 100m with three drill holes minimum
Leinster	25m x 25m	25m x 50m
Mt Keith	60m x 40m	80m x 80m
Cliffs	25m x 25m (and development)	50m x 50m

(2) Metallurgical recoveries for the operations are:

Deposit	Metallurgical Recovery
Cerro Matoso	90% (reserve to metal)
Leinster	82.7% based on blended plant recovery curves and 11.6% Ni in concentrate
Mt Keith	68%
Cliffs	91%

(3) Cerro Matoso – Change in Ore Reserves is due to revised geological model, mine design and mining costs.
(4) Low Grade Stockpiles are rejected oversize screened material available for future crushing and processing.

Iron Ore Customer Sector Group

Mineral Resources

As at 30 June 2011

Commodity Deposit [1][2]	Ore Type	Measured Resource Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI	Indicated Resource Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI
Iron Ore													
Mt Newman JV [3]	BKM	361	63.9	0.08	3.9	2.0	2.1	1,480	61.1	0.11	5.1	2.5	4.3
	MM	15	61.2	0.07	2.8	1.5	7.6	168	59.8	0.06	3.8	2.5	7.0
Jimblebar [4]	BKM	286	61.0	0.12	4.6	2.9	4.7	552	60.6	0.12	4.7	3.0	5.0
	MM	108	61.0	0.08	3.8	2.1	6.1	188	59.8	0.08	4.2	2.5	6.9
Mt Goldsworthy JV Northern	NIM	23	61.2	0.06	8.7	1.3	2.0	106	61.7	0.06	7.8	1.1	1.7
Mt Goldsworthy JV Area C [5]	BKM	111	61.0	0.15	3.6	2.6	5.9	612	59.3	0.14	5.7	2.8	6.1
	MM	237	62.1	0.06	3.2	1.7	5.7	336	60.7	0.06	4.3	2.0	6.4
Yandi JV [6]	BKM	–	–	–	–	–	–	–	–	–	–	–	–
	CID	1,069	56.3	0.05	6.2	1.9	10.9	429	56.4	0.04	6.7	1.8	10.6
BHP Billiton Iron Ore Exploration	BKM	–	–	–	–	–	–	–	–	–	–	–	–
	MM	–	–	–	–	–	–	–	–	–	–	–	–
		Mt	%Fe	%Pc				Mt	%Fe	%Pc			
Samarco JV [7]	ROM	2,200	40.0	0.05				2,329	36.6	0.05			

Ore Reserves

As at 30 June 2011

Commodity Deposit [1][8][9][10][11][12]	Ore Type	Proved Ore Reserve Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI	Probable Ore Reserve Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI
Iron Ore													
Mt Newman JV [13]	BKM	302	63.8	0.08	4.1	2.0	2.0	896	62.6	0.11	4.2	2.0	3.6
	MM	12	61.2	0.07	2.8	1.6	7.5	71	61.7	0.06	3.1	1.8	6.3
Jimblebar [14]	BKM	151	63.0	0.11	3.3	2.3	3.9	223	62.7	0.11	3.3	2.3	4.2
	MM	–	–	–	–	–	–	92	61.3	0.08	3.2	2.2	6.2
Mt Goldsworthy JV Northern	NIM	6.0	60.9	0.06	7.6	1.7	2.7	19	60.7	0.06	8.4	1.2	2.6
Mt Goldsworthy JV Area C [15]	BKM	71	63.2	0.14	2.4	1.8	4.8	289	61.9	0.13	3.6	2.1	5.3
	MM	195	62.5	0.06	2.9	1.6	5.6	204	61.6	0.06	3.8	1.8	5.8
Yandi JV [16]	CID	641	57.1	0.05	5.5	1.5	10.8	299	57.4	0.04	5.9	1.4	10.3
		Mt	%Fe	%Pc				Mt	%Fe	%Pc			
Samarco JV [17]	ROM	1,120	42.4	0.05				928	39.8	0.05			

(1) For Western Australia Iron Ore (WAIO) the resources and reserves are divided into joint ventures and material types that reflect the various products. BKM – Brockman, MM – Marra Mamba, NIM – Nimingarra, CID – Channel Iron Deposits.

(2) The resource grades listed refer to in situ mass percentage on a dry weight basis. Wet tonnes are reported for WAIO deposits and Samarco, including approximate moisture contents: BKM – 3%, MM – 4%, CID – 8%, NIM – 3.5%, Samarco 6.5%.

(3) Mt Newman JV – New drilling and resource estimates for OB40 (MM) and OB41 (BKM), change of classification from Inferred to Indicated Resource at OB41.

(4) Jimblebar – New drilling and resource estimates for Wheelara Hills 1-2 (MM), Wheelara Hills 3 (BKM), Wheelara Hills 5-6 (BKM) and West Jimblebar (MM), change of classification from Inferred to Indicated Resource at Wheelara Hills 5-6 (BKM).

(5) Mt Goldsworthy JV Area C – New drilling and resource estimates for South Flank, Alligator Jaws (MM), A, C and R Deposits (MM), Packsaddle 4 and 5 (BKM), Boundary Ridge (MM). First declaration of resource for South Flank (MM).

(6) Yandi JV – Additional drilling and resource estimated at Yandi W1 (CID) resulting in change from Indicated Resource to Measured. Additional drilling and resource estimated at Munjina (CID). First declaration of resource for Munjina.

(7) Samarco JV – The changes to Samarco's Mineral Resources are due to the update of the models with the 2010 drilling information. The Alegria South and Alegria Center resources were classified using drill holes for both areas considering the geological continuity.

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Inferred Resource						Total Resource						BHP Billiton Interest	As at 30 June 2010 Total Resource					
Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI	Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI	%	Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI
1,410	59.3	0.13	5.4	2.9	6.0	3,251	60.6	0.12	5.1	2.6	4.8	85	3,251	60.6	0.12	5.1	2.6	4.8
1,060	59.3	0.08	4.3	2.5	7.3	1,243	59.4	0.07	4.2	2.5	7.3		1,254	59.7	0.07	4.0	2.5	7.1
1,100	59.9	0.13	5.0	3.2	5.4	1,938	60.3	0.13	4.8	3.1	5.2	100	1,779	60.0	0.12	5.1	3.1	5.2
190	58.6	0.08	5.2	2.8	7.4	485	59.6	0.08	4.5	2.5	6.9		432	59.7	0.08	4.6	2.5	6.8
40	61.2	0.05	9.1	1.2	1.5	169	61.5	0.05	8.2	1.2	1.7	85	171	61.5	0.05	8.2	1.2	1.8
1,540	59.4	0.12	5.8	2.7	5.8	2,263	59.4	0.13	5.7	2.7	5.9	85	2,101	59.6	0.13	5.5	2.7	5.9
2,680	59.8	0.06	4.6	2.1	7.2	3,253	60.1	0.06	4.5	2.1	7.0		1,232	61.0	0.06	3.7	1.9	6.5
2,500	59.0	0.15	5.0	2.3	7.3	2,500	59.0	0.15	5.0	2.3	7.3	85	2,500	59.0	0.15	5.0	2.4	7.3
1,040	55.0	0.06	6.5	2.9	11.0	2,538	55.8	0.05	6.4	2.3	10.9		1,724	56.5	0.04	6.3	1.8	10.7
1,310	59.6	0.14	4.0	2.5	7.4	1,310	59.6	0.14	4.0	2.5	7.4	100	1,310	59.6	0.14	4.0	2.5	7.4
370	59.6	0.06	4.8	2.5	6.0	370	59.6	0.06	4.8	2.5	6.0		370	59.6	0.06	4.8	2.5	6.0
Mt	%Fe	%Pc				Mt	%Fe	%Pc					Mt	%Fe	%Pc			
1,551	35.7	0.05				6,080	37.6	0.05				50	5,692	37.9	0.05			

Total Ore Reserve						Reserve Life (years)	BHP Billiton Interest	As at 30 June 2010 Total Ore Reserve						Reserve Life (years)
Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI		%	Mt	%Fe	%P	%SiO_2	%Al_2O_3	%LOI	
1,198	62.9	0.10	4.1	2.0	3.2	29	85	1,104	63.0	0.09	4.3	2.0	2.9	32
83	61.6	0.07	3.0	1.8	6.5			66	61.8	0.07	2.9	1.8	6.2	
374	62.8	0.11	3.3	2.3	4.1	42	100	375	62.9	0.11	3.2	2.3	4.1	72
92	61.3	0.08	3.2	2.2	6.2			131	62.1	0.08	2.8	1.8	5.8	
25	60.8	0.06	8.2	1.3	2.6	13	85	22	61.1	0.06	8.2	1.2	2.3	11
361	62.2	0.13	3.4	2.0	5.2	17	85	264	62.2	0.13	3.4	2.0	5.1	14
399	62.1	0.06	3.4	1.7	5.7			385	61.8	0.06	3.4	1.8	5.9	
940	57.2	0.04	5.7	1.5	10.7	21	85	996	57.1	0.04	5.8	1.5	10.6	20
Mt	%Fe	%Pc						Mt	%Fe	%Pc				
2,048	41.2	0.05				41	50	2,078	41.3	0.05				42

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
Mt Newman JV	50m x 50m	300m x 50m
Jimblebar	50m x 50m	300m x 50m
Mt Goldsworthy JV Northern	25m x 25m	50m x 50m
Mt Goldsworthy JV Area C	50m x 50m	300m x 50m
Yandi JV	50m x 50m	150m x 150m
Samarco JV	100m x 100m	200m x 200m

(9) Metallurgical recovery is 100%, except for Mt Newman JV – BKM where recovery is 95% (tonnage basis) and Samarco where recovery is 82% (metal basis).

(10) The reserve grades listed refer to in situ mass percentage on a dry weight basis. For Mt Newman, Jimblebar, Mt Goldsworthy and Yandi joint ventures tonnages represent wet tonnes based on the following moisture contents: BKM – 3%, MM – 4%, CID – 8%, NIM – 3.5%. For Samarco the reserve tonnages also represent for FY2011 wet tonnes based on a moisture content of 6.5% for ROM. Iron ore is marketed as Lump (direct blast furnace feed), Fines (sinter plant feed) and direct reduction and blast furnace pellets (Samarco).

(11) Cut-off grades used to estimate reserves: Mt Newman 59–62%Fe for BKM, 50%Fe for BKM beneficiation material, 59%Fe for MM; Jimblebar 59%Fe for BKM, 58%Fe for MM; Mt Goldsworthy 50%Fe for NIM, 57%Fe for MM, 59%Fe for BKM; Yandi 55.0–55.5%Fe for CID; Samarco 33Fe%.

(12) Our WAIO reserves are all located on State Agreement mining leases that guarantee the right to mine, except Cattle Gorge and Callawa (part of Mt Goldsworthy JV Northern), which reside on standard Western Australian mining leases. We are required to obtain certain state government approvals (including environmental and heritage clearances) before we commence mining operations in a particular area. We have included in our reserves areas where one or more approvals remain outstanding but where, based on the technical investigations we carry out as part of our mine planning process and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the time frame required by the current mine schedule.

(13) Mt Newman JV – First declaration of reserve for OB41 (BKM). Nominated production rate has increased.

(14) Jimblebar – Nominated production rate has increased.

(15) Mt Goldsworthy JV Area C – New drilling and reserve estimates for A Deposit (MM) and Packsaddle 4 and 5 (BKM).

(16) Yandi JV – Nominated production rate has decreased.

(17) Samarco JV – Reserve Life is based on Samarco nominated production capacity, which is inclusive of the contracted ore supply from Vale Fazendao mine until 2027.

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Manganese Customer Sector Group

Mineral Resources

As at 30 June 2011

Commodity Deposit	Ore Type	Measured Resource Mt	Measured Resource %Mn	Measured Resource %Yield	Indicated Resource Mt	Indicated Resource %Mn	Indicated Resource %Yield
Manganese							
GEMCO [1]	ROM	91	47.2	47	29	46.0	48
	Eastern Exploration Areas	–	–	–	–	–	–
		Mt	%Mn	%Fe	Mt	%Mn	%Fe
Wessels [2][3]	Lower Body-HG	8.8	48.5	10.1	24	48.9	10.5
	Lower Body-LG	5.6	42.0	12.3	15	41.9	14.4
	NTS-Lower Body-HG	–	–	–	–	–	–
	NTS-Lower Body-LG	–	–	–	–	–	–
	Upper Body	–	–	–	91	43.4	16.0
Mamatwan [2][4]	M, C, N Zones	35	37.6	4.4	13	37.0	4.4
	X Zone	3.3	37.3	4.7	0.4	36.9	4.5
	NTS-M, C, N Zones	8.6	37.8	4.5	17	37.6	4.5
	NTS-X Zone	1.2	37.6	4.7	2.5	37.2	4.7
	Top Cut (Balance)	19	31.0	6.0	22	30.4	6.2
Samancor Gabon – Franceville Project [5]		Mt	%Mn	%+0.15mm Yield	Mt	%Mn	%+0.15mm Yield
Beniomi	PLA	11	36.1	72	6.6	36.1	74
	ZTR	4.1	24.3	73	2.4	24.5	75
Bordeaux	PLA	4.6	36.4	72	0.8	36.1	68
	ZTR	2.3	24.7	74	0.5	24.1	70

Ore Reserves

As at 30 June 2011

Commodity Deposit [6][7]	Ore Type	Proved Ore Reserve Mt	Proved Ore Reserve %Mn	Proved Ore Reserve %Yield	Probable Ore Reserve Mt	Probable Ore Reserve %Mn	Probable Ore Reserve %Yield
Manganese							
GEMCO [8]	ROM	83	46.6	54	26	45.6	54
		Mt	%Mn	%Fe	Mt	%Mn	%Fe
Wessels [2][3]	Lower Body-HG	2.6	47.2	11.0	12	47.9	11.3
	Lower Body-LG	2.3	41.5	11.4	8.1	41.6	12.9
	NTS-Lower Body-HG	–	–	–	–	–	–
	NTS-Lower Body-LG	–	–	–	–	–	–
	Upper Body	–	–	–	47	42.0	17.8
Mamatwan [2][4]	M, C, N Zones	33	37.2	4.5	12	37.0	4.4
	X Zone	2.8	36.8	4.8	0.3	37.0	4.4
	NTS-M, C, N Zones	8.6	37.2	4.6	16	37.2	4.6
	NTS-X Zone	1.1	37.0	4.8	2.2	36.9	4.6

(1) GEMCO – Tonnes are stated as in situ, manganese grades are given as per washed ore samples and should be read together with their respective tonnage yields. A mineral resource of 18mt has been defined in the Eastern Exploration Areas and is reported for the first time.

(2) Wessels and Mamatwan – The Wessels and Mamatwan (Hotazel Manganese Mines) interest has been reduced as a result of a sequence of Broad Based Black Economic Empowerment agreements with Ntsimbintle Mining Pty Ltd, Iziko, NCAB and the HMM Educational Trust. BHP Billiton's share in Hotazel Manganese Mines Pty Ltd is now 44.4%. NTS ore type is Ntsimbintle.

(3) Wessels – A Section 102 application has been approved by the Dept of Mineral Resources to amend the Wessels Mining Rights area to include the Ntsimbintle Prospecting Right. The Wessels and Ntsimbintle Lower Body Mineral Resources and Ore Reserves, which were previously declared separately (per area), are therefore combined and declared as a single Mineral Resource and a single Ore Reserve respectively.

(4) Mamatwan – A Section 102 application has been lodged with the Dept of Mineral Resources to amend the Mamatwan Mining Rights area to include the Ntsimbintle Prospecting Right.

(5) Beniomi and Bordeaux – Tonnes stated are for in situ resource, Mn grades are +0.15mm screen size fraction and should be read together with their respective tonnage yields.

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Inferred Resource			Total Resource			BHP Billiton Interest	As at 30 June 2010 Total Resource		
Mt	%Mn	%Yield	Mt	%Mn	%Yield	%	Mt	%Mn	%Yield
31	43.4	49	151	46.2	48	60	155	45.5	45
18	43.9	46	18	43.9	46		–	–	–
Mt	%Mn	%Fe	Mt	%Mn	%Fe		Mt	%Mn	%Fe
–	–	–	32	48.8	10.4	44.4	19	48.5	10.2
–	–	–	21	41.9	13.8		18	41.7	13.7
–	–	–	–	–	–		14	49.2	10.7
–	–	–	–	–	–		2.3	41.8	16.9
–	–	–	91	43.4	16.0		91	43.8	15.7
1.1	36.9	4.3	50	37.5	4.4	44.4	52	37.5	4.5
0.02	36.3	4.2	3.7	37.2	4.7		4.2	37.4	4.8
1.2	37.6	4.5	26	37.6	4.5		23	37.7	4.5
0.2	37.2	4.4	3.9	37.3	4.7		3.1	37.4	4.7
1.7	30.2	6.2	43	30.6	6.1		45	30.8	6.2
Mt	%Mn	%+0.15mm Yield	Mt	%Mn	%+0.15mm Yield		Mt	%Mn	%+0.15mm Yield
2.9	36.1	72	20	36.1	73	60	20	36.1	73
5.0	24.2	68	11	24.3	72		11	24.3	72
0.8	36.8	70	6.2	36.4	71	60	6.2	36.4	71
1.8	25.1	67	4.6	24.8	71		4.6	24.8	71

Total Ore Reserve			Reserve Life (years)	BHP Billiton Interest	As at 30 June 2010 Total Ore Reserve			Reserve Life (years)
Mt	%Mn	%Yield		%	Mt	%Mn	%Yield	
109	46.3	54	12	60	109	46.7	49	13
Mt	%Mn	%Fe			Mt	%Mn	%Fe	
15	47.8	11.2	48	44.4	7.9	47.2	11.7	49
10	41.6	12.6			10	41.6	14.1	
–	–	–			6.9	48.5	11.4	
–	–	–			1.0	42.9	16.3	
47	42.0	17.8			47	42.1	17.3	
46	37.1	4.4	22	44.4	48	37.6	4.5	22
3.1	36.8	4.8			4.1	37.4	4.8	
24	37.2	4.6			22	37.7	4.5	
3.3	36.9	4.7			3.0	37.4	4.7	

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
GEMCO	60m x 120m and 60m x 60m	120m x 120m
Wessels	Defined as rim ±30m wide around mined-out areas, plus ±132m spaced surface drill holes, supplemented by some economically viable remnant blocks within mined-out areas, underground drilling and sampling	Underground chip sampling, limited underground drill holes and ±132m spaced surface drill holes
Mamatwan	80m x 80m	160m x 160m

(7) Metallurgical recoveries for the operations are:

Deposit	Metallurgical Recovery
GEMCO	See yield in the ore reserve table
Wessels	88% (75% lump product and 12% fines product)
Mamatwan	96%

(8) GEMCO – Tonnes are stated as ROM, manganese grades are given as per washed ore samples and should be read together with their respective tonnage yields.

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Metallurgical Coal Customer Sector Group

Coal Resources

As at 30 June 2011

Commodity Deposit [1]	Mining Method	Coal Type	Measured Resource Mt	Measured Resource %Ash	Measured Resource %VM	Measured Resource %S	Indicated Resource Mt	Indicated Resource %Ash	Indicated Resource %VM	Indicated Resource %S
Queensland Coal Resources at Operating Mines – CQCA JV										
Goonyella Riverside Broadmeadow [2]	OC	Met	524	9.2	22.7	0.52	259	10.4	22.9	0.55
	UG	Met	110	8.1	22.7	0.51	675	9.9	21.5	0.52
Peak Downs	OC	Met	697	9.7	20.6	0.60	824	9.8	20.8	0.61
	UG	Met	–	–	–	–	51	9.7	19.6	0.56
Saraji [3]	OC	Met	684	9.7	17.7	0.61	213	9.8	18.2	0.73
	UG	Met	–	–	–	–	8.6	8.8	16.7	0.57
Norwich Park	OC	Met	223	9.4	17.6	0.66	127	9.4	17.6	0.72
	UG	Met	–	–	–	–	19	9.3	17.4	0.73
Blackwater	OC	Met/Th	236	7.4	27.0	0.41	479	8.1	26.4	0.40
	UG	Met/Th	–	–	–	–	204	6.3	27.4	0.38
Daunia [4]	OC	Met/Th	105	8.0	20.8	0.36	52	8.6	20.0	0.32
Gregory JV										
Gregory Crinum	OC	Met/Th	10	6.0	33.0	0.60	0.7	5.7	32.4	0.60
	UG	Met/Th	–	–	–	–	140	6.3	33.0	0.60
BHP Billiton Mitsui Coal Pty Ltd										
South Walker Creek	OC	Met/Th	160	9.9	13.3	0.35	114	11.0	13.7	0.36
	UG	Met/Th	–	–	–	–	60	10.0	13.3	0.34
Poitrel-Winchester	OC	Met/Th	34	8.8	23.4	0.35	50	8.5	24.0	0.35
Queensland Coal Undeveloped Resources – CQCA JV										
Red Hill [5]	OC	Met	–	–	–	–	–	–	–	–
	OC	Met/Th	–	–	–	–	25	12.4	26.3	0.50
	UG	Met	0.7	7.9	21.2	0.51	349	9.0	19.2	0.49
Peak Downs East	UG	Met	–	–	–	–	668	9.7	17.5	0.55
Saraji East	OC	Met	23	9.6	16.6	0.59	186	9.1	16.6	0.63
	UG	Met	–	–	–	–	–	–	–	–
Gregory JV										
Liskeard	OC	Met	5.6	7.5	34.6	2.30	–	–	–	–
BHP Billiton Mitsui Coal Pty Ltd										
Nebo West	OC	Anth	–	–	–	–	178	9.0	7.5	0.60
Bee Creek	OC	Met/Th	–	–	–	–	55	8.5	14.4	0.42
Wards Well	UG	Met	–	–	–	–	556	8.8	21.4	0.52
Illawarra Coal Resources at Operating Mines										
Appin [6]	UG	Met/Th	151	11.1	23.7	0.37	144	12.2	24.4	0.37
West Cliff	UG	Met/Th	45	11.8	20.9	0.35	81	11.7	20.5	0.33
Dendrobium	UG	Met/Th	96	28.4	23.7	0.58	84	28.9	23.3	0.58
Cordeaux	UG	Met/Th	5.0	28.7	21.2	0.58	72	28.8	21.3	0.56
Indonesia Coal Undeveloped Resources and Projects										
Lampunut	OC	Met	72	4.1	28.6	0.51	31	4.3	28.5	0.62
	OC	Th	–	–	–	–	–	–	–	–
Haju	OC	Met/Th	11	4.6	39.2	0.98	2	5.1	39.0	0.97
Luon	OC	Met/Th	–	–	–	–	–	–	–	–
	UG	Met	–	–	–	–	–	–	–	–
Bumbun	OC	Met/Th	–	–	–	–	–	–	–	–
Juloi Northwest	OC	Met/Th	–	–	–	–	–	–	–	–

(1) For Queensland Coal deposits, coal quality is for a potential product on an air-dried basis. The coal quality for Illawarra Coal, Lampunut, Haju, Luon, Bumbun and Juloi Northwest deposits is for in situ quality on an air-dried basis. Tonnages are at an in situ moisture basis.

(2) Goonyella Riverside Broadmeadow – Changes are due to additional exploration and remodelling.

(3) Saraji – Changes to resource are due to additional drilling and changes to yield assumptions.

(4) Daunia – The project is approved for development. Drilling and a new geological model have upgraded some resources. The coal quality is based on weighted product tonnes.

(5) Red Hill – Changes to the coal resource include reclassifying OC Met coal to UG Met coal following review of proposed mining plan and acquisition of MLA 70421.

(6) Appin – Changes are due mainly to inclusion of resources within part of Petroleum Production Licence 6 after an agreement was signed between AGL and BHP Billiton.

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										As at 30 June 2010			
	Inferred Resource				Total Coal Resource				BHP Billiton Interest	Total Resource			
	Mt	%Ash	%VM	%S	Mt	%Ash	%VM	%S	%	Mt	%Ash	%VM	%S
	81	11.5	24.4	0.57	864	9.8	22.9	0.53	50	888	9.7	22.8	0.53
	98	12.2	22.1	0.54	883	9.9	21.7	0.52		848	9.8	21.9	0.52
	515	10.0	20.7	0.72	2,036.5	9.8	20.7	0.64	50	1,940	10.1	20.6	0.63
	57	9.4	19.6	0.57	108	9.5	19.6	0.57		126	10.3	19.5	0.57
	111	10.7	19.1	0.77	1,007	9.8	17.9	0.65	50	1,029	10.1	18.3	0.63
	0.1	11.3	16.7	0.54	8.7	8.9	16.7	0.57		43	10.3	17.5	0.59
	125	9.6	17.7	0.74	475	9.4	17.7	0.70	50	479	9.4	17.6	0.69
	22	9.8	17.1	0.66	42	9.6	17.2	0.69		42	9.6	17.2	0.69
	668	8.0	27.0	0.41	1,384	7.9	26.8	0.41	50	1,185	8.1	26.9	0.42
	686	7.4	27.7	0.38	890	7.2	27.7	0.38		951	8.1	27.0	0.38
	19	15.2	19.5	0.42	175	8.7	20.5	0.35	50	171	8.8	20.5	0.35
	–	–	–	–	11	6.0	33.0	0.60	50	13	6.0	33.3	0.59
	0.3	7.1	31.5	0.60	140	6.3	33.0	0.60		141	6.3	33.4	0.60
	80	10.7	13.5	0.35	353	10.4	13.5	0.35	80	324	10.5	13.6	0.35
	226	9.9	13.0	0.31	285	9.9	13.1	0.32		299	9.9	12.9	0.32
	59	8.7	23.7	0.33	143	8.7	23.7	0.34	80	151	8.7	23.8	0.36
	–	–	–	–	–	–	–	–	50	66	9.4	21.0	0.51
	–	–	–	–	25	12.4	26.3	0.50		25	12.4	26.3	0.50
	354	8.9	19.1	0.51	703	8.9	19.2	0.50		593	8.7	19.2	0.50
	104	9.7	18.4	0.55	772	9.7	17.7	0.55	50	772	–	17.7	–
	950	9.4	15.9	0.69	1,159	9.4	16.1	0.67	50	1,159	9.4	16.1	0.67
	146	8.7	14.2	0.60	146	8.7	14.2	0.60		146	8.7	14.2	0.60
	–	–	–	–	5.6	7.5	34.6	2.30	50	5.6	–	34.6	2.30
	–	–	–	–	178	9.0	7.5	0.60	80	178	–	7.5	–
	5.1	8.5	13.0	0.42	60	8.5	14.2	0.42	80	60	–	14.2	–
	582	9.2	20.9	0.54	1,138	9.0	21.1	0.53	80	1,156	10.2	20.8	0.53
	164	13.5	23.9	0.39	459	12.3	24.0	0.38	100	442	12.4	23.9	0.38
	87	13.8	20.1	0.33	213	12.6	20.5	0.34	100	216	12.6	20.5	0.34
	130	29.0	22.9	0.57	310	28.8	23.2	0.58	100	320	28.7	23.3	0.58
	122	28.7	22.3	0.56	199	28.7	21.9	0.56	100	201	28.7	21.9	0.56
	6.7	4.3	28.5	0.71	110	4.2	28.5	0.55	75	110	4.2	28.5	0.55
	10	–	–	–	10	–	–	–		10	–	–	–
	1	4.6	39.0	0.89	14	4.7	39.2	0.98	75	14	4.7	39.2	0.98
	80	3.6	18.7	0.72	80	3.6	18.7	0.72		80	3.6	18.7	0.72
	60	3.4	18.8	0.56	60	3.4	18.8	0.56	75	60	3.4	18.8	0.56
	70	4.5	17.4	0.80	70	4.5	17.4	0.80	75	70	4.5	17.4	0.80
	430	4.5	27.7	0.49	430	4.5	27.7	0.49	75	430	4.5	27.7	0.49

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Metallurgical Coal Customer Sector Group

Coal Reserves

As at 30 June 2011

Commodity Deposit [1][2]	Mining Method	Coal Type	Proved Coal Reserve Mt	Probable Coal Reserve Mt	Total Coal Reserve Mt
Queensland Coal, Reserves at Operating Mines – CQCA JV					
Goonyella Riverside Broadmeadow [3]	OC	Met	363	224	587
	UG	Met	44	111	154
Peak Downs	OC	Met	407	612	1,018
Saraji [4]	OC	Met	423	153	576
Norwich Park	OC	Met	173	98	271
Blackwater [5]	OC	Met/Th	183	379	562
Daunia [6]	OC	Met/Th	94	50	145
Gregory JV					
Gregory Crinum	OC	Met	10	1.2	12
	UG	Met	–	27	27
BHP Billiton Mitsui Coal Pty Ltd					
South Walker Creek	OC	Met/Th	86	53	139
Poitrel-Winchester [7]	OC	Met	30	35	66
Illawarra Coal, Reserves at Operating mines					
Appin	UG	Met/Th	3.5	76	79
West Cliff	UG	Met/Th	7.8	3.6	11
Dendrobium	UG	Met/Th	9.2	45	54

(1) Only geophysically logged, fully analysed cored holes with greater than 95% recovery are used to classify the reserves. Drill hole spacings vary between seams and geological domains and are determined in conjunction with geostatistical analyses where applicable. The range of maximum spacings are:

Deposit	Proved Ore Reserves	Probable Ore Reserves
Goonyella Riverside Broadmeadow	500m to 1,000m plus 3D coverage for UG reserves	1,000m to 2,000m
Peak Downs	500m to 1,050m	500m to 2,100m
Saraji	500m to 1,040m	900m to 2,100m
Norwich Park	500m to 1,350m	1,000m to 2,650m
Blackwater	500m	500m to 1,000m
Gregory Crinum	850m plus 3D seismic coverage for UG reserves	850m to 1,700m
Poitrel-Winchester	300m to 950m	550m to 1,850m
South Walker Creek	500m to 900m	1,000m to 1,750m
Daunia	500m to 1,800m	1,000m to 2,650m
Appin, West Cliff, Dendrobium	700m	1,500m

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							As at 30 June 2010				
	Total Marketable Coal Reserve				Reserve Life (years)	BHP Billiton Interest %	Total Marketable Coal Reserve				Reserve Life (years)
	Mt	%Ash	%VM	%S			Mt	%Ash	%VM	%S	
	437	9.7	22.7	0.50	35	50	387	9.8	23.0	0.50	32
	132	7.0	23.9	0.51			130	6.9	23.9	0.51	
	574	9.1	21.0	0.60	62	50	581	9.1	21.0	0.60	65
	350	10.2	18.1	0.62	41	50	308	10.2	18.1	0.63	39
	194	10.3	16.9	0.70	29	50	196	10.2	16.9	0.69	30
	494	8.7	26.3	0.40	36	50	448	9.9	24.8	0.40	33
	117	8.2	20.7	0.34	26	50	–	–	–	–	–
	9.2	7.4	33.0	0.60	6	50	11	7.7	32.8	0.60	6
	22	6.5	33.7	0.59			20	6.8	33.2	0.60	
	104	9.3	12.8	0.36	27	80	98	9.3	13.1	0.30	23
	47	8.2	23.1	0.33	16	80	47	8.9	23.8	0.40	17
	68	8.9	23.9	0.37	19	100	69	8.9	24.0	0.37	19
	8.8	8.9	21.4	0.36	3	100	10	8.9	21.3	0.36	4
	38	9.7	24.0	0.59	12	100	40	9.7	24.0	0.59	13

(2) Total Coal Reserve is at the moisture content when mined. Marketable Coal Reserve (tonnes) is the tonnage of coal available, at specified moisture and air-dried quality, for sale after the beneficiation of the Total Coal Reserve. Note that where the coal is not beneficiated, the Total Coal Reserve tonnes are the Marketable Coal Reserve tonnes, with moisture adjustment where applicable.

(3) Goonyella Riverside Broadmeadow – The increase in reserves is due to a revised mine plan.

(4) Saraji – Changes to reserves are due to additional drilling and changes to yield and price assumptions.

(5) Blackwater – The increase in reserves is due to additional borehole information and revised price assumptions.

(6) Daunia – The project is approved for development and reserves are reported for the first time.

(7) Poitrel-Winchester – The coal type has changed to Met based on current and planned production.

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Energy Coal Customer Sector Group

Coal Resources

As at 30 June 2011

Commodity Deposit [1]	Mining Method	Coal Type	Measured Resource Mt	Indicated Resource Mt	Inferred Resource Mt
New Mexico Operating Mines					
San Juan	UG	Th	144	35	–
Navajo	OC	Th	717	225	4
South Africa Operating Mines					
Khutala [2]	OC & UG	Met	105	53	–
	OC	Th	271	155	–
	UG	Th	283	–	–
Wolvekrans [3]	OC	Th	443	141	73
Middelburg [3]	OC	Th	229	–	–
Klipspruit	OC	Th	70	7	64
South Africa Projects					
Leandra North	UG	Th	96	332	56
Naudesbank [4]	OC	Th	–	–	–
	OC & UG	Th	115	147	64
Weltevreden [5]	OC	Th	–	–	–
	OC & UG	Th	157	194	244
South Africa Miscellaneous					
Leandra South	UG	Th	–	1,263	–
Theunissen	UG	Th	–	–	842
T-Project	UG	Th	–	–	183
Davel	UG	Th	–	–	244
Remainder Block IV	UG	Th	–	–	180
Australia Operating Mine and Project					
Mt Arthur Coal	OC	Th	936	2,156	671
Togara South	UG	Th	317	639	1,059
Colombia Operating Mine					
Cerrejón Coal Company [6]	OC	Th	2,957	968	638

Coal Reserves

As at 30 June 2011

Commodity Deposit [7]	Mining Method	Coal Type	Proved Coal Reserve Mt	Probable Coal Reserve Mt	Total Coal Reserve Mt
New Mexico Operating Mines					
San Juan [8]	UG	Th	73	14	87
Navajo	OC	Th	144	10	154
South Africa Operating Mines					
Khutala [9]	OC	Met	12	–	12
	OC	Th	139	–	139
	UG	Th	75	–	75
Wolvekrans [3]	OC	Th	298	124	423
Middelburg [3][10]	OC	Th	139	–	139
Klipspruit	OC	Th	66	6.8	73
Australia Operating Mine					
Mt Arthur Coal [11]	OC	Th	563	569	1,132
Colombia Operating Mine					
Cerrejón Coal Company [12]	OC	Th	674	73	747

(1) Qualities and tonnages are reported on an in situ air-dried basis.
(2) Khutala – Increase in resources is due to an optimisation study which confirmed open-cut economic potential of previously excluded coal. Resources have been reclassified to reflect this change.
(3) Wolvekrans and Middelburg – Wolvekrans was previously known as Douglas mine and reported as part of Douglas-Middelburg. It is now reported separately. Prior year tonnes for Douglas-Middelburg are reported under Middelburg.
(4) Naudesbank – Increase in resources due to changes in minimum thickness and quality cut-offs, and change in estimation methodology. Reference to UG coal is due to revision of mining options.
(5) Weltevreden – Increase in resources is due to the changes in thickness and quality cutoffs, and additional drilling. Reference to UG coal is due to revision of mining options. BHP Billiton interest has changed from 89% to 100% following the dissolution of a sale agreement on 30 June 2009 after ministerial consent was not obtained.
(6) Cerrejón Coal Company – Increases in resources due to revised geological model following independent review.

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						As at 30 June 2010				
	Total Coal Resource					Total Resource				
	Mt	%Ash	%VM	%S	KCal/kg CV	BHP Billiton Interest %	Mt	%Ash	%VM	%S	KCal/kg CV
	179	17.0	–	0.75	5,600	100	187	17.0	–	0.75	5,600
	946	21.0	–	0.80	4,900	100	954	21.0	–	0.82	4,900
	158	17.5	30.9	1.78	6,100	100	158	18.2	30.5	1.74	6,100
	426	35.0	20.5	1.01	4,500		69	36.8	20.0	0.98	4,400
	283	33.8	20.5	0.94	4,500		548	34.1	20.6	0.94	4,500
	657	26.3	23.2	1.17	5,600	100	–	–	–	–	–
	229	27.7	21.4	1.00	5,300	100	911	27.8	22.4	1.11	5,400
	140	24.9	23.0	1.23	5,500	100	153	25.1	22.9	1.30	5,500
	485	28.6	23.3	1.14	5,000	100	485	28.6	23.3	1.14	5,000
	–	–	–	–	–	100	236	23.9	25.8	1.09	5,700
	326	24.9	25.6	1.10	5,600		–	–	–	–	–
	–	–	–	–	–	100	543	28.4	22.7	1.30	5,300
	594	29.6	22.2	1.28	5,200		–	–	–	–	–
	1,263	25.6	22.5	1.04	5,000	100	1,263	25.6	22.5	1.04	5,000
	842	30.3	21.2	0.58	5,000	100	842	30.3	21.2	0.58	5,000
	183	32.3	20.3	0.86	4,500	100	183	32.3	20.3	0.86	4,500
	244	23.9	26.4	1.52	5,700	100	244	23.9	26.4	1.52	5,700
	180	28.3	22.6	0.86	4,900	100	180	28.3	22.6	0.86	4,900
	3,763	20.8	29.2	0.58	6,075	100	3,791	21.5	29.1	0.60	6,100
	2,015	15.8	28.5	0.32	6,300	100	2,015	15.8	28.5	0.32	6,300
	4,563	3.7	34.8	0.51	6,600	33.33	2,194	3.7	34.9	0.50	6,500

									As at 30 June 2010						
	Total Marketable Coal Reserve						Reserve Life (years)	BHP Billiton Interest %	Total Marketable Coal Reserve						Reserve Life (years)
	Mt	%Ash	%VM	%S	kCal/kg CV	%Total Moisture [13]			Mt	%Ash	%VM	%S	KCal/kg CV	%Total Moisture	
	87	19.0	–	0.70	5,600	8.5	14	100	62	19.1	–	0.74	5,600	10.0	10
	154	23.0	–	0.90	4,800	13.0	27	100	162	23.0	–	0.90	4,800	13.0	21
	10	18.9	29.1	1.90	6,100	7.0	16	100	12	17.2	31.1	1.57	5,600	7.0	22
	139	33.5	21.7	1.22	4,700	7.0			150	38.3	19.4	0.99	4,400	7.0	
	75	34.5	20.4	0.80	4,400	7.0			93	34.2	20.5	0.86	4,500	7.0	
	281	20.0	23.5	0.66	6,000	7.2	30	100	–	–	–	–	–	–	–
	106	20.4	23.1	0.63	6,000	7.2	23	100	436	20.2	22.9	0.59	6,000	7.4	24
	61	18.8	23.3	0.50	6,100	7.6	9	100	70	21.6	22.5	0.58	5,700	7.6	11
	877	16.1	30.5	0.55	6,500	8.3	50	100	869	16.9	30.3	0.55	6,400	8.2	55
	718	9.4	32.9	0.60	6,200	12.0	23	33.33	655	9.4	32.9	0.59	6,200	12.0	21

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
San Juan	0m to 250m	250m to 500m
Navajo	‹500m (250m radius from drill hole)	500m to 1,000m (250m to 500m radius from drill hole)
Khutala	›8 boreholes per 100ha	4 to 8 boreholes per 100ha
Wolvekrans	›10 boreholes per 100ha	5 to 10 boreholes per 100ha
Middelburg	›8 boreholes per 100ha	4 to 8 boreholes per 100ha
Klipspruit	›8 boreholes per 100ha	4 to 8 boreholes per 100ha
Mt Arthur Coal	‹500m	500m to 1,000m
Cerrejón Coal Company	›6 boreholes per 100ha	2 to 6 boreholes per 100ha

(8) San Juan – Reserve increase due to assumed sales contract extension to 2022.
(9) Khutala – Reserve changes are due to revised underground and open-cut mining lay-outs resulting from an optimisation study.
(10) Middelburg – Change in reserves after exclusion of lower quality coal seam and outcome of drilling results.
(11) Mt Arthur Coal – Change to mine life due to increase in nominated production rate.
(12) Cerrejón – Increase in reserves due to revised mine plan.
(13) In situ moisture.

3 Operating and financial review and prospects

3.1 Introduction

This section is intended to convey management's perspective of the BHP Billiton Group and its operational and financial performance as measured and prepared in accordance with International Financial Reporting Standards (IFRS). We intend this disclosure to assist readers to understand and interpret the financial statements included in this Report. This section should be read in conjunction with the financial statements, together with the accompanying notes.

We are the world's largest diversified natural resources company, with a combined market capitalisation of approximately US$233.9 billion as at 30 June 2011. We generated revenue of US$71.7 billion and profit attributable to shareholders of US$23.6 billion for FY2011.

We extract and process minerals, oil and gas from our production operations located primarily in Australia, the Americas and southern Africa. We sell our products globally with sales and marketing taking place through our principal hubs of The Hague and Singapore.

The following table shows the revenue by location of our customers:

	Revenue by location of customer		
Year ended 30 June	**2011 US$M**	2010 US$M	2009 US$M
Australia	**5,487**	4,515	4,621
United Kingdom	**1,043**	1,289	3,042
Rest of Europe	**8,370**	8,554	7,764
China	**20,261**	13,236	9,873
Japan	**9,002**	5,336	7,138
Rest of Asia	**15,805**	9,840	9,280
North America	**6,167**	5,547	4,020
South America	**2,592**	2,013	1,652
Southern Africa	**1,548**	1,227	1,374
Rest of world	**1,464**	1,241	1,447
Total revenue	**71,739**	52,798	50,211

We operate nine Customer Sector Groups (CSGs) aligned with the commodities we extract and market, reflecting the structure we use to assess the performance of the Group:

Customer Sector Group	Principal activities
Petroleum	Exploration, development and production of oil and gas
Aluminium	Mining of bauxite, refining of bauxite into alumina and smelting of alumina into aluminium metal
Base Metals	Mining of copper, silver, lead, zinc, molybdenum, uranium and gold
Diamonds and Specialty Products	Mining of diamonds and titanium minerals; potash development
Stainless Steel Materials	Mining and production of nickel products
Iron Ore	Mining of iron ore
Manganese	Mining of manganese ore and production of manganese metal and alloys
Metallurgical Coal	Mining of metallurgical coal
Energy Coal	Mining of thermal (energy) coal

The work of our nine CSGs is supported by our Minerals Exploration and Marketing teams and Group Functions.

A detailed discussion on our CSGs is located in section 2.2 of this Report. A detailed discussion of our Marketing and Minerals Exploration functions is located in sections 2.4 and 2.5 respectively of this Report.

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3.2 Our strategy

Our objective as a corporation is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources. We sell into globally integrated markets and wherever possible operate at full capacity. Our unique position in the resources industry is due to our proven strategy.

Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market, and to pursue growth opportunities consistent with our core skills by:

- discovering resources through our exploration activities;
- developing and converting them in our CSGs;
- developing customer and market-focused solutions through our Marketing teams;
- adding shareholder value beyond the capacity of these groups through the activities of the Group Functions.

In pursuing our objective, we are guided by our commitment to safety, simplicity and accountability.

Our overriding commitment is to safety: ensuring the safety of our people, respecting our environment and the communities in which we work. This commitment transcends everything we do and guides every aspect of our work.

Our commitment to simplicity and accountability allows us to focus on the most important drivers of value while empowering our people to operate within their authority and make a difference.

Our objective and commitments are pursued through our six strategic drivers:

- *People* – the foundation of our business is our people. We require people to find resources, develop those resources, operate the businesses that produce our products, and then deliver those products to our customers. Talented and motivated people are our most precious resource.
- *Licence to operate* – we aim to ensure that the communities in which we operate value our citizenship. Licence to operate means win-win relationships and partnerships. This includes a central focus on health, safety, environment and the community, and making a positive difference to our host communities.
- *World-class assets* – our world-class assets provide the cash flows that are required to build new projects, to contribute to the economies of the countries in which we operate, to meet our obligations to our employees, suppliers and partners, and ultimately to pay dividends to our shareholders. We maintain high-quality assets by managing them in the most effective and efficient way.
- *Financial strength and discipline* – we have a solid 'A' credit rating, which balances financial flexibility with the cost of finance. Our capital management priorities are:
  - reinvest in our extensive pipeline of world-class projects that carry attractive rates of return regardless of the economic climate;
  - ensure a solid balance sheet;
  - return excess capital to shareholders.
- *Project pipeline* – we are focused on delivering an enhanced resource endowment to underpin future generations of growth. We have an abundance of tier one resources in stable countries that provide us with a unique set of options to deliver brownfield growth.
- *Growth options* – we use exploration, technology and our global footprint to look beyond our current pipeline to secure a foundation of growth for future generations. We pursue growth options in several ways – covering the range from extending existing operations to new projects in emerging regions, through exploration, technology and, on occasion, merger and acquisition activity.

3.3 Key measures

Our management and Board monitor a range of financial and operational performance indicators, reported on a monthly basis, to measure performance over time.

Overall financial success

We use several financial measures to monitor the financial success of our overall strategy. The two key measures are profit after taxation attributable to members (attributable profit) of the BHP Billiton Group and Underlying EBIT.

Year ended 30 June US$M except where stated	2011	2010	2009
Revenue	**71,739**	52,798	50,211
Profit from operations	**31,816**	20,031	12,160
Underlying EBIT [1]	**31,980**	19,719	18,214
Profit attributable to members	**23,648**	12,722	5,877
Net operating cash flow [2]	**30,080**	16,890	17,854
Underlying EBIT margin [1] [3] [4]	**47.0%**	40.7%	40.1%
Return on capital employed [3] [5] [6]	**38.5%**	26.4%	24.6%
Gearing [3]	**9.2%**	6.3%	12.1%
Basic earnings per share (US cents)	**429.1**	228.6	105.6

[1] Underlying EBIT is profit from operations, excluding the effect of exceptional items. Underlying EBIT is the internally defined key financial measure used by management for monitoring the performance of our operations. We explain why we use this measure in section 3.6.2. The following table reconciles Underlying EBIT to profit from operations.

Year ended 30 June	2011 US$M	2010 US$M	2009 US$M
Underlying EBIT	**31,980**	19,719	18,214
Exceptional items (before taxation)	**(164)**	312	(6,054)
Profit from operations (EBIT)	**31,816**	20,031	12,160

3.3 Key measures continued

(2) 'Improvements to IFRSs 2009'/AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' include a requirement to classify expenditures on unrecognised assets as a cash flow from operating activities. This has resulted in exploration cash flows of US$1,030 million for the year ended 30 June 2010 (2009: US$1,009 million), which were not recognised as assets, being reclassified from net investing cash flows to net operating cash flows in the Consolidated Cash Flow Statement.

(3) See section 10 for glossary definitions.

(4) Underlying EBIT margin is profit from operations, excluding the effect of exceptional items before taxation and excluding third party production, divided by revenue from Group production. See section 3.6.7 for more information about this measure.

Year ended 30 June	2011 US$M	2010 US$M	2009 US$M
Revenue – Group production	**67,903**	48,193	44,113
Underlying EBIT	**31,980**	19,719	18,214
Profit from operations (EBIT) – Third party products	**(98)**	(111)	(503)
Profit from operations – Group production, excluding exceptional items	**31,882**	19,608	17,711
Underlying EBIT margin	**47.0%**	40.7%	40.1%

(5) Return on capital employed is calculated as profit after taxation, excluding exceptional items (after tax) and net finance costs adjusted for exchange variations on net debt (after tax), divided by average capital employed. Capital employed is calculated as net assets plus net debt. Net debt comprises interest bearing liabilities (which include bank overdrafts) less cash. Average capital employed is calculated as capital employed for the prior period and current period, divided by two.

Year ended 30 June	2011 US$M	2010 US$M	2009 US$M
Adjusted earnings from operations:			
Profit after taxation	**23,946**	13,009	6,338
Net exceptional items	**(1,964)**	(253)	4,845
Earnings from operations	**21,982**	12,756	11,183
Net finance costs	**561**	459	543
Income tax benefit of net finance costs (6)	**(153)**	(139)	(178)
Net finance costs after tax	**408**	320	365
Adjusted earnings from operations	**22,390**	13,076	11,548
Capital employed:			
Net assets	**57,755**	49,329	40,711
Net debt	**5,823**	3,308	5,586
Capital employed	**63,578**	52,637	46,297
Average capital employed	**58,108**	49,467	46,899
Return on capital employed	**38.5%**	26.4%	24.6%

(6) Calculated at a nominal tax rate of 30 per cent adjusted for non-deductibility/assessability of exchange variations on net debt of US$51 million (2010: US$(5) million; 2009: US$(49) million.) Refer to note 6 'Net finance costs' in the financial statements.

The following are other measures that assist us to monitor our overall performance.

People and licence to operate

We monitor a comprehensive set of health, safety, environment and community (HSEC) contribution indicators. Two key measures are the total recordable injury frequency (TRIF) and community investment. These measures are a subset of the HSEC Targets Scorecard, which can be found in our Sustainability Report at *www.bhpbilliton.com*.

Year ended 30 June	2011	2010	2009
People and licence to operate – health, safety, environment and community			
Total recordable injury frequency (1)	**5.0**	5.3	5.6
Community investment (US$M) (1)	**195.5**	200.5	197.8

(1) See section 10 for glossary definitions.

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3.3 Key measures continued

Safety – Sadly, we experienced the loss of two colleagues at our controlled operations during the year. We made an incremental improvement in TRIF (which comprises fatalities, lost-time cases, restricted work cases and medical treatment cases per million hours worked) from 5.3 for FY2010 to 5.0 for FY2011 per million hours worked.

Health – We are progressing well with our health performance objectives. We had 148 new cases of occupational disease reported in FY2011, 68 fewer new cases compared with the FY2007 base year. The overall reduction in the incidence of occupational disease since FY2007 is 39 per cent, which to date has exceeded our target of a 30 per cent reduction in the incidence of occupational disease among our employees by June 2012.

It is mandatory for our employees who may be potentially exposed to airborne substances or noise in excess of our occupational exposure limits (OELs) to wear personal protective equipment. Compared with the FY2007 base year there was a 7.8 per cent reduction in the proportion of employees potentially exposed in excess of OELs in FY2011, which is behind schedule to meet our target of a 15 per cent reduction in potential employee exposures over our occupational exposure limits.

Environment – In FY2011, we reduced absolute greenhouse gas (GHG) emissions by more than 5 million tonnes (Mt) compared to FY2010.

We have five-year targets of a six per cent reduction in our GHG emissions intensity index and a 13 per cent reduction in our carbon-based energy intensity index, both by 30 June 2012.

Our greenhouse intensity index is currently tracking at 18 per cent below our FY2006 base year. Our carbon-based energy intensity index is currently tracking at 17 per cent below our FY2006 base year. This was primarily driven by the agreement to use hydroelectric power at the Mozal aluminium smelter, in Mozambique, which now provides more than 98 per cent of the smelter's electricity needs.

We have exceeded our US$300 million commitment to support the implementation of energy efficiency and low GHG emission technologies by the end of FY2012, with US$325 million worth of projects in implementation stages.

We have a five-year target of a 10 per cent improvement in our land rehabilitation index by 30 June 2012. This index is based on a ratio of land rehabilitated compared with our land footprint. In FY2011, the index improved by one per cent on our FY2007 base year.

We have a five-year target of a 10 per cent improvement in the ratio of water recycled to high-quality water consumed by 30 June 2012. This water use index has improved eight per cent on our FY2007 base year.

We define a significant environmental incident as one with a severity rating of four or above based on our internal severity rating scale (tiered from one to seven by increasing severity). We reported no significant incidents during FY2011.

Community – We continue to invest one per cent of our pre-tax profits in community programs, based on the average of the previous three years' pre-tax profit publicly reported in each of those years. During FY2011, our voluntary investment totalled US$195.5 million comprising cash, in-kind support and administrative costs and includes a US$30 million contribution to BHP Billiton Sustainable Communities.

World-class assets

Actual production volumes for this year and the previous two years are shown below. Further details appear in section 2.3 of this Report.

Year ended 30 June	2011	2010	2009
World-class assets			
Production			
Total Petroleum production (millions of barrels of oil equivalent)	**159.38**	158.56	137.97
Alumina ('000 tonnes)	**4,010**	3,841	4,396
Aluminium ('000 tonnes)	**1,246**	1,241	1,233
Copper ('000 tonnes)	**1,139.4**	1,075.2	1,207.1
Nickel ('000 tonnes)	**152.7**	176.2	173.1
Iron ore ('000 tonnes)	**134,406**	124,962	114,415
Manganese alloys ('000 tonnes)	**753**	583	513
Manganese ores ('000 tonnes)	**7,093**	6,124	4,475
Metallurgical coal ('000 tonnes)	**32,678**	37,381	36,416
Energy coal ('000 tonnes)	**69,500**	66,131	66,401

Financial strength and discipline

Financial strength is measured by attributable profit and Underlying EBIT as overall measures, along with liquidity and capital management. Our credit rating and gearing and net debt are discussed in section 3.7.3 of this Report. The final dividend declared for FY2011 maintains our progressive dividend policy. Our capital management initiatives and successful completion of the US$10 billion capital management program are discussed in section 3.7.6 of this Report.

Project pipeline and growth options

Our project pipeline focuses on high-margin commodities that are expected to create significant future value. The details of our project pipeline are located in section 3.7.2 of this Report, with a summary presented below.

Year ended 30 June	2011	2010	2009
Project pipeline and growth options (major projects)			
Number of projects approved during the year	**11**	2	4
Number of projects currently under development (approved in prior years)	**7**	8	8
Number of completed projects	**3**	5	7
Budgeted capital expenditure for projects (approved in the year) (US$M)	**12,942**	695	5,850
Budgeted capital expenditure for projects under development (approved in prior years) (US$M)	**11,575**	10,075	8,115
Capital expenditure of completed projects (US$M)	**1,202**	4,738	4,061

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3.4 External factors and trends affecting our results

The following section describes some of the external factors and trends that have had a material impact on our financial condition and results of operations. We operate our business in a dynamic and changing environment and with information that is rarely complete and exact. We primarily manage the risks discussed in this section under our portfolio management approach, which relies on the effects of diversification, rather than individual price risk management programs. Details of our financial risk management strategies and financial instruments outstanding at 30 June 2011 may be found in note 28 'Financial risk management' in the financial statements.

Management monitors particular trends arising in the external factors with a view to managing the potential impact of our future financial condition and results of operations. The following external factors could have a material adverse effect on our business and areas where we make decisions on the basis of information that is incomplete or uncertain.

3.4.1 Commodity prices

FY2011 saw prices for most commodities in our suite increase substantially over FY2010. During the first half of the year, the global recovery gathered pace, with developing economies clearly leading economic growth. Commodity prices increased through to February 2011 with a weak US dollar, improved manufacturing and trade in Europe and the US, and strong manufacturing and construction in Asia.

The Japanese Fukushima nuclear incident, which occurred during March 2011, caused a correction in commodity markets. This was closely followed by civil unrest in the Middle East and North Africa, which held global sentiment for commodities back from its February highs until late in FY2011. Macro risks, including concern about sovereign debt levels in Europe, persistent weakness in US employment and a slowing Chinese economy, limited upside to prices in the latter part of FY2011.

The following table shows prices of our most significant commodities for the years ended 30 June 2011, 2010 and 2009. These prices represent the average quoted price except where otherwise indicated.

Year ended 30 June	2011	2010	2009
Commodity			
Aluminium (LME cash) [1] (US$/t)	**2,375**	2,018	1,862
Alumina [2] (US$/t)	**369**	314	255
Copper (LME cash) [1] (US$/lb)	**3.92**	3.04	2.23
Crude oil (WTI) (US$/bbl)	**89.47**	75.14	70.29
Energy coal (API 4) [1] (US$/t)	**116.7**	75.93	95.16
Natural gas (US$/MMbtu) [3]	**4.16**	4.21	5.96
Iron ore [4][5] (US$/dmt)	**162.98**	118.61	89.83
Manganese Alloys [6] (US$/t)	**1,319**	1,328	1,854
Manganese Ores [7][8] (US$/dmtu)	**6.29**	6.46	9.43
Metallurgical coal [9][10] (US$/t)	**244.47**	146.75	257.25
Nickel (LME cash) [1] (US$/lb)	**10.86**	8.78	6.03

(1) See section 10 for glossary definitions.
(2) CRU spot FOB Australia.
(3) Platts Gas daily based on Henry Hub.
(4) 2010 and 2011 Platts 62 per cent Fe Cost, Insurance and Freight (CIF) China.
(5) 2009: SBB 63.5 per cent Fe CIF China.
(6) Bulk FerroAlloy high-carbon ferromanganese (HCFeMn) US ex-warehouse.
(7) 2010 and 2011 CRU China spot import (M+1) 43.5 per cent contained.
(8) 2009 CRU China spot import 45 per cent contained.
(9) 2011 Platts 64 Mid Volatile Index Hard coking coal FOB Australia.
(10) 2010 and 2009 Tex Reports Hard coking coal FOB Australia.

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3.4.1 Commodity prices continued

The following summarises the trends of our most significant commodities for FY2011.

Aluminium: London Metal Exchange (LME) prices increased from US$1,924 per tonne at the beginning of FY2011 to US$2,509 per tonne at year-end. The average LME aluminium price for FY2011 was US$2,375 per tonne, 18 per cent above the average for FY2010. The LME reached a lowest point of US$1,912 per tonne in July 2010, and a highest point of US$2,772 per tonne in April 2011. The price rise was mainly driven by a combination of rising energy prices, US dollar weakness, strong investor activities and tighter aluminium fundamentals. During the year, demand recovered globally. Aluminium consumption was up by 12 per cent year-on-year in FY2011 on a world ex-China basis. In China, 1.6 million tonnes per annum (mtpa) of production capacity was reduced to meet energy intensity reduction targets by December 2010. However, higher prices brought 1.1 mtpa of idled capacity back to production in the second half of FY2011.

Alumina: Spot prices increased from US$320 per tonne free on board (FOB) Australia at the beginning of FY2011 to US$395 per tonne at year-end. The average alumina price for FY2011 was US$369 per tonne, 18 per cent above the average in FY2010. Higher prices were due to rising energy prices, higher aluminium demand and production disruptions in Australia and Brazil. Non-Chinese alumina production increased approximately four per cent year-on-year. China domestic supply grew by 13 per cent in FY2011 compared with the same period in the prior year. China's growing demand for bauxite to feed growing domestic alumina capacity meant it imported 37.1 million tonnes (Mt) in FY2011, an increase of 38 per cent from the prior year.

Copper: LME prices increased from US$2.96 per pound (lb) at the beginning of FY2011 to US$4.22 per lb at year-end. The average LME copper price for FY2011 was US$3.92 per lb, 29 per cent above the average for FY2010. The trading range through the year was volatile with a low of US$2.88 per lb in July 2010, rising to a peak of US$4.60 per lb in February 2011. During the first half of FY2011, prices were driven by the quicker than expected demand recovery in the developed world and the continued strength of Chinese net cathode imports. Chinese imports for the first half of FY2011 totalled 1,368 kilotonne (kt). In the second half of FY2011, Chinese fabricators were reluctant to increase copper cathode purchases, relying instead on drawing down their own inventory levels, with only 954 kt imported from January to June 2011. In addition, US and Europe demand growth slowed from the first half of FY2011, pushing copper premia down across the developed regions.

Crude oil: The New York Mercantile Exchange West Texas Intermediate (NYMEX WTI) crude oil price increased from US$75.59 per barrel (bbl) at the beginning of FY2011 to US$95.42 per bbl at year-end. The average WTI oil price for FY2011 was US$89.47 per bbl, 19 per cent above the FY2010 average. The Intercontinental Exchange (ICE) Brent oil price increased from US$74.97 per bbl at the beginning of FY2011 to US$112.48 per bbl at year-end. The average ICE Brent oil price for FY2011 was US$96.45 per bbl, 28 per cent above the FY2010 average. During the year, WTI oil reached a low of US$71.63 per bbl in August 2010 and a peak of US$113.93 per bbl in April 2011, while ICE Brent experienced a low of US$71.45 per bbl in July 2010 and a high of US$126.65 per bbl in April 2011 as both benchmarks were impacted by the Middle East and North Africa unrest in the second half of FY2011. The WTI-Brent differential was an important feature of the oil market as the spread exceeded a record US$20 per bbl level due in part to the US pipeline bottleneck issues and some tightness in the North Sea markets. However, the oil price gains were later partially offset by growing concerns over the global macroeconomic outlook and subsequent impact on global oil demand.

Energy coal: The Amsterdam–Rotterdam–Antwerp CFR (API 2) price increased from US$94.47 per tonne at the beginning of FY2011 to US$122.9 per tonne at year-end. The Richards Bay Coal Terminal (RBCT) FOB (API 4) price increased from US$91.6 per tonne at the beginning of FY2011 to US$117.5 per tonne at year-end. The Newcastle FOB (API 3) price increased from US$98.3 per tonne at the beginning of FY2011 to US$121 per tonne at year-end. The average Newcastle FOB (API 3) price for FY2011 was US$120.4 per tonne, 40 per cent above the average for FY2010. The average RBCT FOB (API 4) price for FY2011 was US$116.7 per tonne, 54 per cent above the average for FY2010. Strong price levels were supported by supply disruptions in the key export regions (including Australia, South Africa, Colombia and Indonesia) during the Northern Hemisphere winter period, particularly in January 2011 when both RBCT and Newcastle FOB prices reached the highest levels since October 2008. Prices eased towards the end of the financial year as supply showed some recovery and demand from China and India was weaker than expected. Estimated unadjusted Chinese imports in FY2011 were at 81 Mt, compared with 85 Mt in FY2010. Lower demand was driven by high stockpiles at key ports and power plants, sufficient hydro power generation and high global prices.

Gas: The US Henry Hub natural gas price decreased from US$4.68 per million British thermal units (MMBtu) at the beginning of FY2011 to US$4.39 per MMBtu at year-end. The UK National Balancing Point (NBP) natural gas price increased from US$6.55 per MMBtu at the beginning of FY2011 to US$9.36 per MMBtu at year-end. The Asian spot LNG price as reflected by the Platts Japan Korea Marker (JKM) increased from US$7.8 per MMBtu at the beginning of FY2011 to US$13.80 per MMBtu at year-end. The average Henry Hub gas price for FY2011 was US$4.16 per MMBtu, one per cent below the average for FY2010. The average UK National Balancing Point (NBP) natural gas price for FY2011 was US$8.33 per MMBtu, 69 per cent above the average for FY2010. The trading ranges through the year were volatile, with the Henry Hub price reaching a high of US$4.94 per MMBtu in August 2010 and dropping to a low of US$3.18 per MMBtu in October 2010. The NBP price ranged from a low of US$5.10 per MMBtu in September 2010 to a high of US$10.50 per MMBtu in March 2011. During FY2011, global gas demand increased, particularly in the power generation sector in both the Atlantic and Pacific markets. This was supported by some improvement in underlying economic activity, extreme weather conditions and the Japanese Fukushima nuclear incident in the second half of FY2011. The US market remained largely insulated from global events and was over-supplied due to strong shale gas production, which pushed the Henry Hub price lower.

Iron Ore: The iron ore spot price increased from US$134 per tonne at the beginning of FY2011 to US$170.75 per tonne at year-end. The average spot iron ore price for FY2011 was US$162.98 per tonne, 37 per cent above the average for FY2010. Prices ranged from a low of US$116 per tonne in July 2010 to a high of US$193 per tonne in February 2011. Prices for the first quarter of FY2011 were constrained by the seasonal decrease in global pig iron production, which reached its FY2011 low in September 2010. Prices broadly followed an upward trajectory driven by increased global steel production, and a corresponding increase in iron ore demand, combined with seasonally constrained supply from Australia and Brazil. Post the price peak of February 2011, iron ore prices decreased to an average of US$178 per tonne in the last quarter of FY2011 due to uncertainty in the Chinese downstream steel market and further rounds of credit tightening.

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3.4.1 Commodity prices continued

Manganese: Manganese ore prices decreased from US$8.70 per dry metric tonne unit (dmtu) at the beginning of FY2011 to US$5.24 per dmtu at year-end. The average manganese ore price delivered to China for FY2011 was US$6.29 per dmtu, three per cent below the average for FY2010. Silicomanganese alloy prices in the US decreased from US$1,435 per tonne at the beginning of FY2011 to US$1,367 per tonne by year-end. Manganese alloy prices in Europe decreased from US$1,458 per tonne at the beginning of FY2011 to US$1,286 per tonne at year-end. High-carbon ferromanganese alloy prices in the US decreased from US$1,400 per tonne at the beginning of FY2011 to US$1,320 per tonne by year-end. High-carbon ferromanganese alloy prices in Europe decreased from US$1,458 per tonne at the beginning of FY2011 to US$1,257 per tonne by year-end. Despite substantially lower ore input costs, manganese alloy prices continued to trade in a relatively narrow band due to increased costs of coking coal and power from the second half of FY2011 onwards.

Metallurgical coal: The quarterly negotiated prices increased from US$225 per tonne at the beginning of FY2011 to US$330 per tonne at year-end. Platts 64 Mid Volatile Index spot coking coal prices increased from US$202 per tonne at the beginning of FY2011 to US$273 per tonne at year-end. The coking coal market weakened in the first half of FY2011 on subdued demand growth in traditional coking coal importing countries and more than adequate supply to meet this demand. However, heavy rains in Queensland during September to November 2010, and resultant floods in late December, caused significant supply disruptions. With the sharp reduction in available seaborne tonnages, the market became very tight in the third quarter of FY2011 and the Platts 64 Mid Volatile Index price rose to a peak of US$336 per tonne in January 2011.

Nickel: LME prices increased from US$8.81 per lb at the beginning of FY2011 to US$10.49 per lb at year-end. The average nickel price for FY2011 was US$10.86 per lb, 24 per cent above the average for FY2010. Higher prices were underpinned by the improved global economic recovery, service centre re-stocking and strong underlying consumption. The fall of the nickel price in early May 2011 was caused by a general sell-off by investors. This drop led to a wait-and-see purchasing behaviour among stainless distributors and end-users in the following months. On the supply side, more nickel production was added in the first half of FY2011, whereas the second half of the year was characterised by supply disruptions. Partially offsetting these disruptions was a particularly high level of nickel pig iron production in China.

The following table indicates the estimated impact on FY2011 profit after taxation of changes in the prices of our most significant commodities. With the exception of price-linked costs, the sensitivities below assume that all other variables, such as exchange rate, costs, volumes and taxation, remain constant. There is an inter-relationship between changes in commodity prices and changes in currencies that is not reflected in the sensitivities below. Volumes are based on FY2011 actual results and sale prices of our commodities under a mix of short-, medium- and long-term contracts. Movements in commodity prices can cause movements in exchange rates and vice versa. These sensitivities should therefore be used with care.

Estimated impact on FY2011 profit after taxation of changes of:	US$M
US$1/bbl on oil price	43
US¢1/lb on aluminium price	20
US¢1/lb on copper price	18
US¢1/lb on nickel price	1
US$1/t on iron ore price	80
US$1/t on manganese alloy	0.5
US$1/dmtu on manganese ore	138
US$1/t on metallurgical coal price	22
US$1/t on energy coal price	24

The impact of the commodity price movements in FY2011 is discussed in section 3.6 'Operating results'.

3.4.2 Freight markets

The bulk freight market is typically categorised by the size of the vessel. Capesize vessels are typically classified as having deadweight above 150 thousand deadweight tonnes (kdwt) compared with Panamax and Supramax vessels, which are 60 to 100 kdwt and 50 to 60 kdwt respectively.

The Capesize average 4 Time Charter rate, being a particular rate published by the Baltic Exchange, declined from US$24,239 per day at the beginning of FY2011 to US$12,732 per day at year end. Capesize freight rates dropped as low as US$4,567 per day in February 2011 as major supplying regions suffered adverse weather conditions resulting in lower cargo availability. The Panamax average 6 Time Charter rate declined from US$22,113 per day at the beginning of FY2011 to US$12,823 per day at the year-end. The Supramax average 4 Time Charter rate decreased from US$21,607 per day at the beginning of FY2011 to US$13,682 per day at the year-end. Although the demand for bulk commodities was strong, the freight market saw oversupply due to the many newbuild vessels entering the market. The total dry bulk fleet grew by 17 per cent year-on-year in CY2010, the fastest growth for many years.

3.4.3 Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases as we believe that active currency hedging does not provide long-term benefits to our shareholders. Because a majority of our sales are denominated in US dollars, and the US dollar plays a dominant role in our business, we borrow and hold surplus cash predominantly in US dollars to provide a natural hedge. Operating costs and costs of local equipment are influenced by the fluctuations in the Australian dollar, South African rand, Chilean peso and Brazilian real. Foreign exchange gains and losses reflected in operating costs owing to fluctuations in the abovementioned currencies relative to the US dollar may potentially offset one another. The Australian dollar, Brazilian real, Chilean peso and South African rand strengthened against the US dollar during FY2011.

We are also exposed to exchange rate translation risk in relation to net monetary liabilities, being our foreign currency denominated monetary assets and liabilities, including debt and other long-term liabilities (other than closure and rehabilitation provisions at operating sites where foreign currency gains and losses are capitalised in property, plant and equipment).

Details of our exposure to foreign currency fluctuations are contained within note 28 'Financial risk management' to the financial statements.

3.4.4 Interest rates

We are exposed to interest rate risk on our outstanding borrowings and investments. Our policy on interest rate exposure is for interest on our borrowings to be on a US dollar floating interest rate basis. Deviation from our policy requires the prior approval of our Financial Risk Management Committee, and is managed within our Cash Flow at Risk (CFaR) limit, which is described in note 28 'Financial risk management' in the financial statements. When required under this strategy, we use interest rate swaps, including cross currency interest rate swaps, to convert a fixed rate exposure to a floating rate exposure. As at 30 June 2011, we had US$0.8 billion of fixed interest borrowings that had not been swapped to floating rates, arising principally from legacy positions that were in existence prior to the merger that created the DLC structure.

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3.4.5 Changes in product demand

Global economic growth slowed during the second half of FY2011 as emerging economies tightened monetary policy, the Japanese tsunami disrupted trade flows and fiscal austerity measures adversely affected demand. Global imbalances and high levels of sovereign debt continue to create uncertainty and a protracted recovery remains our base case assumption for the developed world. However, a coordinated policy response has the potential to engender confidence and ease the volatility that has been the dominant theme of recent years.

Across the important growth economies of China and India, recent economic data suggests monetary policy is having the intended effect. That said, growth in fixed asset investment in China has remained resilient and is yet to fully reflect the recent policy response.

Despite these near term challenges, we remain positive on the longer-term outlook for the global economy. Over the past decade, emerging economies have contributed more to global growth than the developed world and we expect their share to expand as the process of urbanisation and industrialisation continues.

3.4.6 Operating costs and capital expenditure

During FY2011, total cash costs increased by four per cent, which arose from increases in costs that are structural in nature. Higher fuel and energy prices (of which BHP Billiton is a net beneficiary) together with increased maintenance, labour and contractor costs are consistent with the corresponding level of activity occurring within the mining industry as a whole. In conjunction with safety and volumes, cost control continues to be a key area of focus for each area of operation.

Our commitment to long-term growth and shareholder value remains unchanged, and we continued to invest strongly in capital expenditure and growth projects. Details of our growth projects can be found in section 3.7.2.

3.4.7 Exploration and development of resources

Because most of our revenues and profits are related to our oil and gas and minerals operations, our results and financial condition are directly related to the success of our exploration efforts and our ability to replace existing reserves. However, there are no guarantees that our exploration program will be successful. When we identify an economic deposit, there are often significant challenges and hurdles entailed in its development, such as negotiating rights to extract ore with governments and landowners, design and construction of required infrastructure, utilisation of new technologies in processing and building customer support.

3.4.8 Health, safety, environment and community

We are subject to extensive regulation surrounding the health and safety of our people and the environment. We make every effort to comply with the regulations and, where less stringent than our standards, exceed applicable legal and other requirements. However, regulatory standards and community expectations are constantly evolving. As a result, we may be exposed to increased litigation, compliance costs and unforeseen environmental rehabilitation expenses, despite our best efforts to work with governments, community groups and scientists to keep pace with regulations, law and public expectations.

Further information about our compliance with HSEC regulations can be found in section 2.8 of this Report.

3.4.9 Insurance

During FY2011, we maintained an insurance program with policies encompassing property damage, business interruption, public and certain other liabilities and directors and officers' exposures. The program includes a combination of self-insurance via subsidiary captive insurance companies, industry mutuals and external market re-insurance. Mandates are established as to risk retention levels, policy cover and, where applicable, reinsurance counter parties. As part of our portfolio risk management policy, we regularly conduct an assessment of maximum foreseeable loss potential, cash flow at risk, loss experience, claims received and insurance premiums paid and will make adjustments to the balance of self-insurance and reinsurance as required.

The Group continues to be largely self-insured for losses arising from property damage and business interruption, sabotage and terrorism, marine cargo and construction. For these risks, we internally insure our operations (for wholly owned assets and for our share of joint venture assets) via our captive insurance companies. Any losses incurred will consequently impact the financial statements as they arise.

3.5 Application of critical accounting policies

The preparation of our consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported revenue and costs during the periods presented therein. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and costs. Management bases its estimates and judgements on historical experience and on various other factors it believes to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

We have identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods:

- reserve estimates;
- exploration and evaluation expenditure;
- development expenditure;
- property, plant and equipment – recoverable amount;
- defined benefit pension schemes;
- provision for closure and rehabilitation;
- taxation.

In accordance with IFRS, we are required to include information regarding the nature of the estimates and judgements and potential impacts on our financial results or financial position in the financial statements. This information can be found in note 1 'Accounting policies' in the financial statements.

3.6 Operating results

3.6.1 Consolidated results

Year ended 30 June 2011 compared with year ended 30 June 2010

Our strategic focus on large, low-cost and expandable assets once again delivered record financial performance and returns. Underlying EBITDA and attributable profit (excluding exceptional items) increased by 51 per cent and 74 per cent respectively, while Underlying return on capital, excluding investment associated with projects not yet in production, increased to 50 per cent. The strong increase in the Group's Underlying EBIT margin to 47 per cent emphasises the quality of BHP Billiton's diversified portfolio.

An ongoing commitment to invest through all points of the economic cycle delivered record annual production across four commodities and 10 operations. Our decision to invest in our Western Australia Iron Ore business during the depths of the global financial crisis facilitated an eleventh consecutive annual increase in iron ore production, as prices continued to test new highs. Three major projects delivered first production in FY2011, including the New South Wales Energy Coal MAC20 Project (Australia), which was completed ahead of schedule.

Robust demand, industry-wide cost pressures and persistent supply side constraints continued to support the fundamentals for the majority of BHP Billiton's core commodities. In that context, another strong year of growth in Chinese crude steel production ensured steelmaking material prices were the major contributing factor to the US$17,228 million price related increase in Underlying EBIT.

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3.6.1 Consolidated results continued

However, we have regularly highlighted our belief that costs tend to lag the commodity price cycle as consumable, labour and contractor costs are broadly correlated with the mining industry's level of activity. In the current environment, tight labour and raw material markets are presenting a challenge for all operators, and BHP Billiton is not immune from that trend. The devaluation of the US dollar and inflation reduced Underlying EBIT by a further US$3,161 million.

Record operating cash flow of US$30,080 million continues to create substantial flexibility for the Group. In the 12-month period alone, we have invested US$12,387 million across our tier one portfolio of minerals and energy assets, completed a US$10 billion capital management program and finalised the acquisition of Chesapeake Energy Corporation's interests in the Fayetteville Shale assets (US). Notwithstanding those achievements, net gearing of nine per cent at the end of FY2011 ensures BHP Billiton has the capacity to comfortably fund its extensive organic growth program and the US$15.1 billion acquisition of Petrohawk Energy Corporation that was announced on 14 July 2011. Importantly, the Group remains committed to a solid 'A' credit rating.

The consistent and disciplined manner in which we return excess capital to shareholders was further illustrated by the completion of our expanded US$10 billion capital management program on 29 June 2011, six months ahead of schedule. Completion of the substantial program in such a timely manner highlights our commitment to maintain an appropriate capital structure, irrespective of the economic cycle. Since 2004, the Group has repurchased a cumulative US$22,600 million of Limited (Ltd) and Plc shares, representing 15 per cent of then issued capital.

Confidence in the long-term outlook for our core commodity markets and the accelerated purchase and cancellation of four per cent of issued capital during FY2011, has enabled the BHP Billiton Board to declare a 22 per cent rebasing of the final dividend. The increase in the full year payout to 101 US cents per share is consistent with the Group's commitment to its progressive dividend policy.

Revenue was US$71.7 billion, an increase of 35.9 per cent from US$52.8 billion in the corresponding period.

Our profit attributable to members of BHP Billiton of US$23.6 billion represents an increase of 85.9 per cent from the corresponding period. Attributable profit excluding exceptional items of US$21.7 billion represents an increase of 73.9 per cent from the corresponding period.

On 24 August 2011, the Board declared a final dividend of 55 US cents per share, thus bringing the total dividends declared for FY2011 to 101 US cents per share, an increase of 16.1 per cent over the corresponding period. Capital management initiatives are discussed in section 3.7.6 of this Report.

Year ended 30 June 2010 compared with year ended 30 June 2009

We delivered another strong set of results in FY2010 despite significant volatility in the macroeconomic environment with growth in Underlying EBIT of eight per cent. Record sales volumes were achieved in three of our major commodities as our focus on efficiency and productivity at all points in the cycle ensured we were well positioned to capitalise on the recovery in demand and prices. Local currency costs were well controlled across the Group; however, the weaker US dollar had a negative exchange rate impact of US$2,150 million.

The combination of these factors underpinned strong margins and returns. For the sixth consecutive year, we recorded an Underlying EBIT margin of around 40 per cent, while Underlying return on capital was 26 per cent. Excluding capital investment associated with projects not yet in production, Underlying return on capital was 30 per cent.

Operating cash flow for the year remained strong at US$16,890 million and resulted in net debt declining further to US$3,308 million, with net gearing falling to six per cent. These results continue to demonstrate the strength of our uniquely diversified business model and world-class, low-cost asset portfolio.

We invested heavily in our business and successfully delivered another five growth projects, including those in petroleum and iron ore. We approved two major growth projects (with a combined budget of US$695 million) and made pre-commitments totalling US$2,237 million (our share) to accelerate early works for another four. To underline the depth of our project pipeline, there were 20 projects in various stages of execution and feasibility with an estimated budget in excess of US$25 billion.

We also bolstered our upstream resource base with the acquisition of Athabasca Potash Inc. (Canada) and United Minerals Corporation NL (Australia, Iron Ore). On 20 August 2010, we launched an all-cash offer to acquire all of the issued and outstanding common shares of Potash Corporation of Saskatchewan Inc. (PotashCorp) at a price of US$130 in cash per PotashCorp common share.

Revenue was US$52.8 billion, an increase of 5.2 per cent from US$50.2 billion in FY2009.

Our profit attributable to members of BHP Billiton of US$12.7 billion represented an increase of 116.5 per cent from FY2009. Attributable profit excluding exceptional items of US$12.5 billion represented an increase of 16.3 per cent from FY2009.

On 25 August 2010, the Board declared a final dividend of 45 US cents per share, thus bringing the total dividends declared for FY2010 to 87 US cents per share. Capital management initiatives are discussed in section 3.7.6 of this Report.

3.6.2 Consolidated results – Underlying EBIT

In discussing the operating results of our business, we focus on a financial measure we refer to as Underlying EBIT. Underlying EBIT is the key measure that management uses internally to assess the performance of our business, make decisions on the allocation of resources and assess operational management. Management uses this measure because financing structures and tax regimes differ across our assets and substantial components of our tax and interest charges are levied at a Group, rather than an operational level. Underlying EBIT is calculated as earnings before interest and taxation (EBIT), which is referred to as 'profit from operations' in the income statement, excluding the effects of exceptional items.

We exclude exceptional items from Underlying EBIT in order to enhance the comparability of the measure from period to period and provide clarity into the underlying performance of our operations. Our management monitors exceptional items separately.

A reconciliation from Underlying EBIT to profit from operations can be found in section 3.3 'Key measures'.

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3.6.2 Consolidated results – Underlying EBIT continued

The following table and commentary describe the approximate impact of the principal factors that affected Underlying EBIT for FY2011 and FY2010.

Year ended 30 June	2011 US$M	2011 US$M	2010 US$M	2010 US$M
Underlying EBIT as reported in the prior year		**19,719**		18,214
Change in volumes:				
Increase in volumes	**841**		2,142	
Decrease in volumes	**(1,422)**		(206)	
		(581)		1,936
Net price impact:				
Change in sales prices	**18,648**		778	
Price-linked costs	**(1,420)**		241	
		17,228		1,019
Change in costs:				
Costs (rate and usage)	**(1,412)**		(2)	
Exchange rates	**(2,526)**		(2,150)	
Inflation on costs	**(635)**		(400)	
		(4,573)		(2,552)
Asset sales		**(85)**		82
Ceased and sold operations		**(140)**		526
New and acquired operations		**1,153**		966
Exploration and business development		**(328)**		239
Other		**(413)**		(711)
Underlying EBIT		**31,980**		19,719

Year ended 30 June 2011 compared with year ended 30 June 2010

Underlying EBIT for FY2011 was US$32.0 billion, compared with US$19.7 billion in the corresponding period, an increase of 62.2 per cent.

Volumes

BHP Billiton achieved production records across four commodities and 10 operations during FY2011. Western Australia Iron Ore shipments rose to a record annualised rate of 155 million tonnes per annum (mtpa) in the June 2011 quarter and, when combined with strong operating performance at Samarco (Brazil), enabled iron ore volumes to contribute an additional US$572 million to Underlying EBIT.

The completion and successful ramp-up of the MAC20 Project ahead of schedule underpinned record production at New South Wales Energy Coal in the period. When considered in conjunction with a 13 per cent increase in South Africa Coal production, Energy Coal volumes increased Underlying EBIT by US$177 million in FY2011.

However, broader challenges continued to delay the supply response of the industry over the 12-month period. For example, metallurgical coal supply was significantly affected by persistent wet weather in the Bowen Basin (Australia), while ongoing permitting delays in the Gulf of Mexico (US) continued to impact drilling activity. In aggregate, volumes reduced BHP Billiton Underlying EBIT by US$581 million in FY2011 despite generally strong operating performance.

Prices

Robust demand driven by the emerging economies, a general elevation and steepening of global (commodity) cost curves and the persistent theme of supply side constraint, were all catalysts for higher commodity prices that increased Underlying EBIT by US$18,648 million in the period. Another strong year of growth in Chinese crude steel production ensured steelmaking material prices were the major contributing factor, as they alone increased Underlying EBIT by US$11.1 billion. Price-linked costs (including royalties) reduced Underlying EBIT by US$1,420 million.

Costs

BHP Billiton has regularly highlighted its belief that costs tend to lag the commodity price cycle as consumable, labour and contractor costs are broadly correlated with the mining industry's level of activity. In the current environment of elevated commodity prices, tight labour and raw material markets are presenting a challenge for all operators. Excluding the impact of a weaker US dollar, inflation and an increase in non-cash items, costs decreased Underlying EBIT by US$1.2 billion.

Higher fuel and energy prices (of which BHP Billiton is a net beneficiary), together with increased maintenance, labour and contractor costs, accounted for the majority of the impact and reduced Underlying EBIT by US$878 million.

Cost performance in the large bulk commodity businesses is heavily influenced by the ability to leverage infrastructure and maximise volumes. In this regard, the weather related disruption at our Queensland Coal (Australia) business had a negative impact on unit costs in the period. The major cost offset was related to the recovery in operating performance that followed last year's Clark Shaft outage at Olympic Dam (Australia).

Non-cash items, predominantly depreciation, reduced Underlying EBIT by a further US$255 million and reflected the ongoing delivery of our organic growth program.

Exchange rates

A weaker US dollar against producer currencies reduced Underlying EBIT by US$2,526 million, which included a US$735 million variance related to the restatement of monetary items in the balance sheet. The Australian operations were the most heavily impacted. The strong Australian dollar reduced Underlying EBIT by US$2.1 billion, which included a US$640 million variance related to the restatement of monetary items in the balance sheet. The absolute impact on costs as a result of the restatement of monetary items in the balance sheet was a loss of US$807 million in FY2011.

Average and closing exchange rates for FY2011 and FY2010 are detailed in note 1 to the financial statements.

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3.6.2 Consolidated results – Underlying EBIT continued

Inflation on costs

Inflationary pressure on costs across all businesses had an unfavourable impact on Underlying EBIT of US$635 million. The pressure was most evident in Australia and South Africa, which accounted for over two-thirds of the total impact.

Asset sales

The profit on the sale of assets was US$85 million lower than the corresponding period largely due to the dissolution of the Douglas Tavistock Joint Venture (South Africa), which increased Underlying EBIT in the prior period.

Ceased and sold operations

The currency revaluation of rehabilitation and closure provisions for ceased operations was the major driver of the US$140 million reduction in Underlying EBIT.

New and acquired operations

Assets are reported as new and acquired operations until there is a full year comparison. New operations increased Underlying EBIT by US$1,153 million primarily due to strong performance at the BHP Billiton operated Pyrenees oil facility (Australia) and the inaugural contribution from the recently acquired Fayetteville Shale assets.

Exploration and business development

Group exploration expense increased marginally in FY2011 to US$1.1 billion. Within Minerals (US$577 million expense), the focus centred upon copper targets in South America, Mongolia and Zambia; nickel and copper targets in Australia; and diamond targets in Canada. Exploration for iron ore, potash, uranium and manganese was undertaken in a number of regions including Australia, Asia, Africa and the Americas.

Petroleum exploration expense was US$477 million and included a US$73 million impairment of exploration previously capitalised. Exploration drilling activity was delayed in the Gulf of Mexico due to new regulatory permitting processes, but was partially offset by an increase in the acquisition and processing of geophysical data. BHP Billiton's proven operating capability in the deepwater remains an important competitive advantage and the Group will continue to invest in an extensive exploration program that is focused on the Gulf of Mexico, South China Sea and Australia.

Expenditure on business development reduced Underlying EBIT by an additional US$303 million compared with the prior period as Base Metals progressed a number of its development options, including Olympic Dam Project (ODP1) and the Spence Hypogene project (Chile). Increased activity on the Scarborough and Browse liquefied natural gas projects (both Australia) in FY2011 also contributed to the rise in the business development expense.

Other

Other items decreased Underlying EBIT by US$413 million and included provisions totalling US$189 million related to indirect taxes in the Aluminium and Iron Ore businesses, and Colombian net worth tax in Stainless Steel Materials and Energy Coal.

Year ended 30 June 2010 compared with year ended 30 June 2009

Underlying EBIT for FY2010 was US$19.7 billion, compared with US$18.2 billion, an increase of 8.3 per cent from FY2009.

Volumes

Strong performance from steelmaking raw materials was the major contributor to the volume related increase in Underlying EBIT of US$1,936 million. In that context, our strategy to maximise production from our low-cost assets at all points in the cycle ideally positioned our Metallurgical Coal and Manganese businesses to capitalise on the improvement in market demand. In Western Australia's Pilbara region, ongoing commitment to growth delivered the tenth consecutive record in iron ore sales, while a recovery in pellet demand enabled Samarco (Brazil) to return to full capacity.

Solid operating performance was recorded across the remaining CSGs. In Base Metals, Escondida (Chile) and Cannington (Australia) both benefited from higher throughput and grade, while Olympic Dam (Australia) and Spence (Chile) were impacted by unplanned interruptions.

Escondida production is expected to decline by five to 10 per cent in FY2011, mainly due to lower grade.

Prices

Prices (including the impact of linked costs) increased Underlying EBIT by US$1,019 million, of which iron ore and the base and precious metals complex contributed US$5,265 million. Lower prices for coal (both forms) and manganese were the offsetting factors and reduced Underlying EBIT by US$4,401 million.

Price-linked costs were US$241 million lower than FY2009.

During the second half of FY2010, the old benchmark pricing system for iron ore and metallurgical coal was substantially replaced by shorter-term market-based pricing. The transformation ensures the majority of BHP Billiton's bulk commodities (iron ore, manganese, metallurgical coal and energy coal) are now linked to market-based prices.

Additional detail on the effect of price changes appears in section 3.4.1.

Costs

Excluding the significant impact of a weaker US dollar and an increase in non-cash items (US$219 million), costs were well controlled across the Group, adding US$217 million to Underlying EBIT in FY2010.

Raw materials, including fuel and energy, generated the greatest benefit and increased Underlying EBIT by US$576 million, although the majority of the benefit was non-structural in nature.

In contrast, higher labour and contractor rates continued to negatively impact the cost base, particularly in South America and Australia. At Spence, Escondida and Cerro Colorado (Chile) one-off wage negotiations, bonuses and contractor payments reduced Underlying EBIT by US$145 million. Similarly, Western Australia's higher labour costs associated with the tight labour market reduced Western Australia Iron Ore Underlying EBIT by US$45 million.

Non-cash and other items reduced Underlying EBIT by a combined US$537 million. The major negative factors were higher depreciation in Western Australia Iron Ore and a provision for a payment to the Western Australian Government that was expected following the announced amendments to the State Agreements.

Exchange rates

A weaker US dollar against all producer currencies reduced Underlying EBIT by US$2,150 million. The Australian operations were the most impacted, with the strong Australian dollar decreasing Underlying EBIT by US$1,779 million.

Average and closing exchange rates for FY2010 and FY2009 are detailed in note 1 to the financial statements.

Inflation on costs

Inflationary pressure on input costs across all businesses had an unfavourable impact on Underlying EBIT of US$400 million. The effect was most evident in Australia and South Africa.

Asset sales

The profit on the sale of assets increased Underlying EBIT by US$82 million. This was mainly due to the profit that followed dissolution of the Douglas Tavistock Joint Venture arrangement (South Africa).

Ceased and sold operations

Lower operational losses for Yabulu and Ravensthorpe (both Australia) and the Suriname alumina refinery, which were sold during FY2010, resulted in a favourable impact on Underlying EBIT of US$526 million.

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3.6.2 Consolidated results – Underlying EBIT continued

New and acquired operations

New greenfield assets are reported in new and acquired operations variance until there is a full year comparison. BHP Billiton operated oil and gas facilities, Shenzi (US) and Pyrenees (Australia), contributed an additional US$966 million to Underlying EBIT in FY2010.

Exploration and business development

Exploration expense was broadly flat for FY2010 at US$1,030 million. Within Minerals (US$467 million expense), the focus centred upon copper in Chile and Zambia, nickel in Australia, manganese in Gabon, and diamonds in Canada. Exploration for iron ore, coal, bauxite, potash and manganese was also undertaken in a number of regions, including Australia, Canada, South America, Russia and Africa.

The Petroleum CSG's exploration expense increased to US$563 million as the business commenced a multi-year drilling campaign.

Expenditure on business development was US$195 million lower than FY2009. This was mainly due to reduced activity in the Base Metals and Stainless Steel Materials CSGs.

Other

Other items decreased Underlying EBIT by US$711 million, predominantly due to the influence of third party product sales and the fair value adjustment of derivative contracts.

3.6.3 Net finance costs

Year ended 30 June 2011 compared with year ended 30 June 2010

Net finance costs increased to US$561 million from US$459 million in the corresponding period. This was primarily driven by exchange rate variations on net debt and lower amounts of interest capitalised.

Year ended 30 June 2010 compared with year ended 30 June 2009

Net finance costs decreased to US$459 million from US$543 million in FY2009. This was primarily driven by higher levels of capitalised interest.

3.6.4 Taxation expense

Year ended 30 June 2011 compared with year ended 30 June 2010

Excluding the impacts of royalty-related taxation, exceptional items and exchange rate movements, taxation expense was US$10.1 billion representing an underlying effective tax rate of 32.1 per cent (2010: 30.9 per cent; 2009: 31.4 per cent).

Government imposed royalty arrangements calculated by reference to profits after adjustment for temporary differences are reported as royalty-related taxation. Royalty-related taxation contributed US$828 million to taxation expense representing an effective rate of 2.6 per cent (2010: US$451 million and 2.3 per cent; 2009: US$495 million and 4.3 per cent).

Other royalty and excise arrangements, which do not have these characteristics, are recognised as operating costs within profit before taxation. These amounted to US$2.9 billion during the period (2010: US$1.7 billion; 2009: US$1.9 billion).

Exceptional items decreased taxation expense by US$2.1 billion (2010: increase of US$59 million; 2009: decrease of US$1.2 billion) predominantly due to the reversal of deferred tax liabilities of US$1.5 billion following the election of eligible Australian entities to adopt a US dollar tax functional currency, as well as the release of tax provisions of US$718 million following the Group's position being confirmed with respect to Australian Taxation Office (ATO) amended assessments.

Exchange rate movements decreased taxation expense by US$1.5 billion (2010: increase of US$106 million; 2009: increase of US$444 million) predominantly due to the revaluation of local currency deferred tax assets arising from future tax depreciation of US$2.5 billion, partly offset by the revaluation of local currency tax liabilities and deferred tax balances arising from other monetary items and temporary differences, which amounted to US$1.0 billion.

Total taxation expense, including royalty-related taxation and the predominantly non-cash exceptional items and exchange rate movements described above, was US$7.3 billion, representing an effective tax rate of 23.4 per cent (2010: 33.5 per cent; 2009: 45.4 per cent).

Year ended 30 June 2010 compared with year ended 30 June 2009

The taxation expense including royalty-related taxation and tax on exceptional items was US$6,563 million. This represented an effective rate of 34 per cent on profit before tax of US$19,572 million and including tax on exceptional items of US$59 million. Excluding the impacts of exceptional items, the taxation expense was US$6,504 million.

Exchange rate movements increased the taxation expense by US$106 million predominantly due to the revaluation of local currency tax liabilities and other monetary items, which amounted to US$502 million. This was offset by the increase in the US dollar value of future tax depreciation of US$396 million.

Royalty-related taxation represents an effective rate of two per cent for FY2010. Excluding the impacts of royalty-related taxation, the impact of exchange rate movements included in taxation expense and tax on exceptional items, the underlying effective rate was 31 per cent.

Government imposed royalty arrangements, which are calculated by reference to profits (revenue net of allowable deductions) after the adjustment for items comprising temporary differences, is reported as royalty-related taxation. Other royalty and excise arrangements that do not have these characteristics are recognised as operating costs (US$1,653 million).

3.6.5 Exceptional items

Year ended 30 June 2011

Year ended 30 June 2011	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Withdrawn offer for PotashCorp	(314)	–	(314)
Newcastle steelworks rehabilitation	150	(45)	105
Release of income tax provisions	–	718	718
Reversal of deferred tax liabilities	–	1,455	1,455
	(164)	2,128	1,964

The Group withdrew its offer for Potash Corporation of Saskatchewan (PotashCorp) on 15 November 2010 following the Board's conclusion that the condition of the offer relating to receipt of a net benefit as determined by the Minister of Industry under the Investment Canada Act could not be satisfied. The Group incurred fees associated with the US$45 billion debt facility (US$240 million), investment bankers', lawyers' and accountants' fees, printing expenses and other charges (US$74 million) in progressing this matter during the period up to the withdrawal of the offer, which were expensed as operating costs in FY2011.

The Group recognised a decrease of US$150 million (US$45 million tax charge) to rehabilitation obligations in respect of former operations at the Newcastle steelworks (Australia) following a full review of the progress of the Hunter River Remediation Project (Australia) and estimated costs to completion.

The ATO issued amended assessments in prior years denying bad debt deductions arising from the investments in Beenup and Boodarie Iron (both Australia) and the denial of capital allowance claims made on the Boodarie Iron project. The Group challenged the assessments and was successful on all counts before the Full Federal Court. The ATO obtained special leave in September 2010 to appeal to the High Court in respect of the denial of capital allowance claims made on the Boodarie Iron project. The Group's position in respect of the capital allowance claims on the Boodarie Iron project was confirmed by the High Court in June 2011. As a result of these appeals, US$138 million was released from the Group's income tax provision in September 2010 and US$580 million in June 2011.

Consistent with the functional currency of the Group's operations, eligible Australian entities elected to adopt a US dollar tax functional currency from 1 July 2011. As a result, the deferred tax liability relating to certain US dollar denominated financial arrangements has been derecognised, resulting in a credit to income tax expense of US$1,455 million.

Refer to note 3 'Exceptional items' in the financial statements for more information.

Year ended 30 June 2010

Year ended 30 June 2010	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Pinal Creek rehabilitation	186	(53)	133
Disposal of the Ravensthorpe nickel operation	653	(196)	457
Restructuring of operations and deferral of projects	(298)	12	(286)
Renegotiation of power supply agreements	(229)	50	(179)
Release of income tax provisions	–	128	128
	312	(59)	253

On 22 February 2010, a settlement was reached in relation to the Pinal Creek (US) groundwater contamination, which resulted in other parties taking on full responsibility for groundwater rehabilitation and partly funding the Group for past and future rehabilitation costs incurred. As a result, a gain of US$186 million (US$53 million tax expense) has been recognised reflecting the release of rehabilitation provisions and cash received.

On 9 December 2009, the Group announced it had signed an agreement to sell the Ravensthorpe nickel operations (Australia). The sale was completed on 10 February 2010. As a result of the sale, impairment charges recognised as exceptional items in FY2009 have been partially reversed totalling US$611 million (US$183 million tax expense). In addition, certain obligations that remained with the Group were mitigated and related provisions released, together with minor net operating costs this resulted in a gain of US$42 million (US$13 million tax expense).

Continuing power supply constraints impacting the Group's three Aluminium smelters in southern Africa, and temporary delays with the Guinea Alumina project, have given rise to charges for the impairment of property, plant and equipment and restructuring provisions. A total charge of US$298 million (US$12 million tax benefit) was recognised by the Group in FY2010.

Renegotiation of long-term power supply arrangements in southern Africa impacted the value of embedded derivatives contained within those arrangements. A total charge of US$229 million (US$50 million tax benefit) was recognised by the Group in FY2010.

The ATO issued amended assessments in prior years denying bad debt deductions arising from the investments in Hartley (Zimbabwe), Beenup and Boodarie Iron and the denial of capital allowance claims made on the Boodarie Iron project. BHP Billiton lodged objections and has been successful on all counts in the Federal Court and the Full Federal Court. The ATO has not sought to appeal the Boodarie Iron bad debt disallowance to the High Court, which resulted in a release of US$128 million from the Group's income tax provisions. The ATO sought special leave to appeal to the High Court in relation to the Beenup bad debt disallowance and the denial of the capital allowance claims on the Boodarie Iron project and has been granted special leave only in relation to the denial of the capital allowance claims on the Boodarie Iron project.

Refer to note 3 'Exceptional items' in the financial statements for more information.

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3.6.5 Exceptional items continued

Year ended 30 June 2009

Year ended 30 June 2009	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Suspension of Ravensthorpe nickel operations	(3,615)	1,076	(2,539)
Announced sale of Yabulu refinery	(510)	(175)	(685)
Withdrawal or sale of other operations	(665)	(23)	(688)
Deferral of projects and restructuring of operations	(306)	86	(220)
Newcastle steelworks rehabilitation	(508)	152	(356)
Lapsed offers for Rio Tinto	(450)	93	(357)
	(6,054)	1,209	(4,845)

On 21 January 2009, we announced the suspension of operations at the Ravensthorpe nickel operations (Australia) and as a consequence stopped the processing of the mixed nickel cobalt hydroxide product at Yabulu (Australia). As a result, charges relating to impairment, increased provisions for contract cancellation, redundancy and other closure costs of US$3,615 million (US$1,076 million tax benefit) were recognised. This exceptional item did not include the loss from operations of Ravensthorpe nickel operations of US$173 million.

On 3 July 2009, we announced the sale of the Yabulu nickel operations. As a result, impairment charges of US$510 million (US$ nil tax benefit) were recognised in addition to those recognised on suspension of the Ravensthorpe nickel operations. As a result of the sale, deferred tax assets of US$175 million that were no longer expected to be realised by the Group were recognised as a charge to income tax expense. The remaining assets and liabilities of the Yabulu operations were classified as held for sale as at 30 June 2009.

As part of our regular review of the long-term viability of operations, a total charge of US$665 million (US$23 million tax expense) was recognised primarily in relation to the decisions to cease development of the Maruwai Haju trial mine (Indonesia), sell the Suriname operations, suspend copper sulphide mining operations at Pinto Valley (US) and cease the pre-feasibility study at Corridor Sands (Mozambique). The remaining assets and liabilities of the Suriname operations were classified as held for sale as at 30 June 2009.

A further charge of US$306 million (US$86 million tax benefit) was recognised primarily in relation to the deferral of expansions at the Nickel West operations (Australia), deferral of the Guinea Alumina project (Guinea) and the restructuring of the Bayside Aluminium Casthouse operations (South Africa).

We recognised a charge of US$508 million (US$152 million tax benefit) for additional rehabilitation obligations in respect of former operations at the Newcastle steelworks (Australia). The increase in obligations related to changes in the estimated volume of sediment in the Hunter River requiring rehabilitation and treatment, and increases in estimated treatment costs.

Our offers for Rio Tinto lapsed on 27 November 2008 following the Board's decision that it believed that completion of the offers was no longer in the best interests of BHP Billiton shareholders. We incurred fees associated with the US$55 billion debt facility (US$156 million cost, US$31 million tax benefit), investment bankers', lawyers' and accountants' fees, printing expenses and other charges (US$294 million cost, US$62 million tax benefit) up to the lapsing of the offers, which were expensed in FY2009.

Refer to note 3 'Exceptional items' in the financial statements for more information.

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3.6.6 Customer Sector Group summary

The following tables provide a summary of the CSG revenues and results for FY2011 and the two prior corresponding periods.

Year ended 30 June	2011 US$M	2010 US$M	2009 US$M
Revenues [1]			
Petroleum	**10,737**	8,782	7,211
Aluminium	**5,221**	4,353	4,151
Base Metals	**14,152**	10,409	7,105
Diamonds and Specialty Products	**1,517**	1,272	896
Stainless Steel Materials	**3,861**	3,617	2,355
Iron Ore	**20,412**	11,139	10,048
Manganese	**2,423**	2,150	2,536
Metallurgical Coal	**7,573**	6,059	8,087
Energy Coal	**5,507**	4,265	6,524
Group and unallocated items [2][3]	**336**	752	1,298
BHP Billiton Group	**71,739**	52,798	50,211

Year ended 30 June	2011 US$M	2010 US$M	2009 US$M
Underlying EBIT [1]			
Petroleum	**6,330**	4,573	4,085
Aluminium	**266**	406	192
Base Metals	**6,790**	4,632	1,292
Diamonds and Specialty Products	**587**	485	145
Stainless Steel Materials	**588**	668	(854)
Iron Ore	**13,328**	6,001	6,229
Manganese	**697**	712	1,349
Metallurgical Coal	**2,670**	2,053	4,711
Energy Coal	**1,129**	730	1,460
Group and unallocated items [2][3]	**(405)**	(541)	(395)
BHP Billiton Group	**31,980**	19,719	18,214

(1) Includes the sale of third party product.
(2) Revenue that is not reported in business segments principally includes sales of freight and fuel to third parties.
(3) Includes consolidation adjustments, unallocated items and external sales for the Group's freight, transport and logistics operations and certain closed operations.

The discussion of results for our CSGs is set out below and focuses on Underlying EBIT. The factors affecting Underlying EBIT have also affected revenue, except where stated. For further information on our CSG results, including depreciation, refer note 2 'Segment reporting' in the financial statements.

Petroleum

Year ended 30 June 2011 compared with year ended 30 June 2010

The successful integration of the Fayetteville Shale gas assets, the start-up of the Angostura Gas Phase II project on schedule, and strong underlying performance from existing assets, delivered 159.4 million barrels of oil equivalent (MMboe) for FY2011, the fourth consecutive increase in annual petroleum production. BHP Billiton brought the first new deepwater well into production since the Gulf of Mexico moratorium was enacted in May 2010 and this important milestone, achieved at the BHP Billiton operated Shenzi field (US), followed previous regulatory approvals for water injection and production well drilling.

Underlying EBIT of US$6,330 million represented an increase of US$1,757 million or 38.4 per cent when compared with the prior period. Higher average realised prices were a major contributor to the increase in Underlying EBIT (US$1,521 million, net of price-linked costs) and reflected a 28 per cent increase in oil prices to US$93.29 per bbl, a 22 per cent increase in realised liquefied natural gas prices to US$11.03 per thousand standard cubic feet (scf), and a 17 per cent increase in natural gas prices to US$4.00 per thousand scf. BHP Billiton's operating capability was further underscored by the success of Pyrenees although natural field decline worldwide was further impacted by the deferral of high volume wells in the Gulf of Mexico.

Gross exploration spend of US$557 million was similarly impacted, although an increase in seismic acquisition and processing partially offset the decrease in drilling activity. Recommencement of development drilling at Atlantis (US) is still pending although a step out exploration well at Mad Dog (US) is currently underway.

From a longer-term perspective, the growth potential of the Petroleum business has been significantly enhanced by the acquisition of onshore US shale gas resources, while organic growth projects, such as the Macedon gas project (Australia), continue to move through the execution phase.

Year ended 30 June 2010 compared with year ended 30 June 2009

Total production for the year of 159 MMboe was a full year production record and an increase of 21 MMboe. The 15 per cent increase in production reflected strong performance from BHP Billiton operated Shenzi (US) and Pyrenees (Australia), the latter being delivered on schedule during the period. In addition, improved reservoir performance from Atlantis (US) and an absence of weather related interruptions supported such strong production.

Underlying EBIT was US$4,573 million, an increase of US$488 million, or 11.9 per cent, from FY2009. The increase was primarily due to higher production as noted and higher realised oil prices, which averaged US$73.05 per bbl for the year (compared with US$66.18 per bbl). The major offsets were a lower average realised natural gas price of US$3.43 per thousand scf (compared with US$3.57 per thousand scf) and a lower average realised liquefied natural gas price of US$9.07 per thousand scf (compared with US$12.07 per thousand scf).

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3.6.6 Customer Sector Group summary continued

Gross exploration expenditure was US$817 million, US$269 million higher than FY2009 resulting primarily from increased drilling activity in the Gulf of Mexico (US), Canada, Malaysia, the Falklands and the Philippines. Several exploration wells were not commercial and resulted in the increase in exploration expense of US$163 million (US$563 million compared with US$400 million in FY2009).

Drilling activities at Atlantis and Shenzi ceased during the June 2010 quarter based on the drilling moratorium then in place in the deepwater Gulf of Mexico. We continued to monitor and assess the impact of the suspension of certain permitting and drilling activities.

All other drilling operations outside of the Gulf of Mexico progressed as planned. Underlying EBIT was impacted by a US$59 million charge related to idle rig time in the Gulf of Mexico for BHP Billiton controlled rigs. This was part of BHP Billiton's ongoing management of rig contracts, which included negotiating revised terms for the rigs during the moratorium to provide BHP Billiton with continued access to the rigs and experienced crews when the moratorium ceases.

Aluminium

Year ended 30 June 2011 compared with year ended 30 June 2010

The ongoing ramp-up of the Alumar refinery (Brazil) contributed to a seven per cent increase in total alumina production for FY2011. Metal production remained largely unchanged with all operations running at or close to technical capacity.

Underlying EBIT was US$266 million, a decrease of US$140 million, or 34.5 per cent, when compared with the corresponding period. Higher prices and premia for aluminium had a favourable impact of US$559 million (net of price-linked costs), but were largely offset by a US$519 million increase in costs largely associated with the devaluation of the US dollar, inflation and rising raw material and energy costs. The average realised aluminium price increased by 19 per cent to US$2,515 per tonne, while the average realised alumina price rose 21 per cent to US$342 per tonne. Underlying EBIT was unfavourably impacted by a provision related to indirect taxes in FY2011.

The US$2,995 million (BHP Billiton share) Worsley Efficiency and Growth Project (Australia) will confirm Worsley as one of the world's leading alumina refineries. The investment will raise capacity at the refinery by 1.1 mtpa to 4.6 mtpa (100 per cent basis) and first production is now scheduled for the first quarter of CY2012.

Year ended 30 June 2010 compared with year ended 30 June 2009

Total alumina production of 3,841 kt in FY2010 decreased from 4,396 kt in FY2009 mainly attributable to lower production as a result of the sale of Suriname on 31 July 2009. Aluminium smelter production increased from 1,233 kt in FY2009 to 1,241 kt in FY2010 as a result of the amperage increases at the Aluminium operations in southern Africa.

Underlying EBIT was US$406 million, an increase of US$214 million, or 111.5 per cent from FY2009. Higher prices and premia for aluminium had a favourable impact of US$253 million that was partially offset by a US$19 million unfavourable impact of price-linked costs. The average LME aluminium price increased to US$2,018 per tonne compared with FY2009's price of US$1,862 per tonne. The average realised alumina prices was US$291 per tonne.

Underlying EBIT excludes exceptional charges of US$527 million relating to impairments (US$298 million) and the renegotiation of long-term power contracts (US$229 million). Refer section 3.6.6 for details.

Overall, operating costs were lower mainly due to reduced raw materials and energy costs. This was partially offset by a weaker US dollar against the Australian dollar and South African rand, and inflationary pressures in Australia, South Africa and Brazil.

Underlying EBIT was favourably impacted by US$68 million as a result of the divestment of Suriname on 31 July 2009.

Base Metals

Year ended 30 June 2011 compared with year ended 30 June 2010

Copper production increased during FY2011 as Olympic Dam (Australia) reported annual material mined and milling records. Strong operating performance was similarly reported at Pampa Norte (Chile) and Antamina (Peru), where record annual milling rates mitigated the impact of lower grades. Total copper cathode production represented another record for the period.

Underlying EBIT for FY2011 increased by US$2,158 million, or 46.6 per cent, to US$6,790 million. Higher average realised prices for all of our core products favourably impacted Underlying EBIT by US$3,348 million (net of price-linked costs). The supportive pricing environment was similarly reflected in a number of our key input costs with higher energy, fuel and contractor costs the major offset. The devaluation of the US dollar and inflation reduced Underlying EBIT by US$418 million. In addition, BHP Billiton refined the basis on which the metal content of its leach pads is estimated at Escondida (Chile) and Pampa Norte, which resulted in a non-cash reduction in Underlying EBIT of US$168 million.

At 30 June 2011, the Group had 239,156 tonnes of outstanding copper sales that were revalued at a weighted average price of US$4.25 per lb. The final price of these sales will be determined in FY2012. In addition, 236,584 tonnes of copper sales from FY2010 were subject to a finalisation adjustment in FY2011. The finalisation adjustment and provisional pricing impact increased Underlying EBIT by US$650 million for the period.

BHP Billiton's Base Metals business is characterised by its large, tier one resource position and its numerous options for growth. In that context, a combined investment of US$492 million (BHP Billiton share) was approved during the period for the Escondida Ore Access and Laguna Seca Debottlenecking projects (Chile). The quality of the Base Metals investment pipeline was further emphasised by the progression of both the Escondida Organic Growth Project (OGP1) and the Olympic Dam Project (ODP1) development options into feasibility. A 129 per cent increase in the Escondida district Mineral Resource tonnage solidifies Escondida's position as one of the world's leading copper operations for decades to come.

Year ended 30 June 2010 compared with year ended 30 June 2009

An increase in zinc production of 21.5 per cent, or 198.3 kt compared with FY2009 was due to higher plant throughput and utilisation and higher grades at Antamina (Peru) and Cannington (Australia). Attributable uranium production at Olympic Dam (Australia) was 2,279 tonnes for the period compared with 4,007 tonnes for FY2009 due to the Clark Shaft outage. Silver production was 45.4 million ounces compared with 41.3 million ounces in FY2009. Lead production was 248.4 kt compared with 230.1 kt in FY2009.

Payable copper production was primarily impacted by the Olympic Dam Clark shaft outage and industrial action at Spence (Chile). During the second quarter of FY2010, the haulage system in the Clark Shaft at Olympic Dam was damaged. Ore hoisting operated at approximately 25 per cent of capacity until the fourth quarter of FY2010. The incident impacted earnings by US$455 million, but was partially offset by insurance recoveries of US$297 million. The recommissioning of Olympic Dam's Clark Shaft occurred during the final quarter of FY2010 and was returned to full production. Payable copper production was also impacted by the cessation of sulphide mining at Pinto Valley (US) following the decision to place the Pinto Valley operation in a state of care and maintenance in FY2009. This was partly offset by higher grade and recovery at Escondida and the earlier than planned completion of the SAG mill repairs in the Laguna Seca Concentrator plant.

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3.6.6 Customer Sector Group summary continued

Underlying EBIT was US$4,632 million, an increase of US$3,340 million, or 258.5 per cent, from FY2009. This increase was predominantly attributable to higher prices for all key commodities in Base Metals, except uranium. The LME price for copper averaged US$3.04 per lb compared with US$2.23 per lb in FY2009, or an increase of 36.3 per cent. The impact of higher prices for copper, zinc, lead and silver in FY2010 contributed US$3,977 million to the Underlying EBIT increase. Lower sales volumes reduced Underlying EBIT by US$117 million.

Underlying EBIT excludes exceptional gains of US$186 million in relation to Pinal Creek. Refer section 3.6.6 for details.

Higher costs were incurred during FY2009, mostly due to the Clark Shaft incident at Olympic Dam (Australia) and higher labour costs, including one-off bonus payments from collective labour negotiations completed FY2009 in the South American operations. The effect of inflation and the weaker US dollar against the Australian dollar and the Chilean peso had also impacted negatively. Higher costs was partially mitigated by lower business development costs resulting from the decision to scale back Olympic Dam Expansion project activity in line with completion of feasibility studies and required approvals.

At 30 June 2010, the Group had 236,584 tonnes of outstanding copper sales that were revalued at a weighted average price of US$2.96 per lb. The final price of these sales have been determined in FY2011. In addition, 234,871 tonnes of copper sales from FY2009 were subject to a finalisation adjustment in FY2010. The finalisation adjustment and provisional pricing impact as at 30 June 2010 increased earnings by US$303 million for FY2010.

Diamonds and Specialty Products

Year ended 30 June 2011 compared with year ended 30 June 2010

EKATI (Canada) diamond production for FY2011 was 2.5 million carats, an 18 per cent decrease from the prior period. BHP Billiton expects lower average ore grades to impact EKATI production in the medium term, consistent with the mine plan.

Underlying EBIT for the Diamonds and Specialty Products business increased by 21.0 per cent to US$587 million. Strong demand and a shortage of rough diamonds resulted in higher prices, which increased Underlying EBIT by US$254 million. A 28 per cent increase in titanium prices added a further US$112 million to Underlying EBIT. Gross exploration expenditure was US$81 million, a decrease of US$14 million from the prior period. BHP Billiton continues to accelerate its potash exploration program in Saskatchewan, with a significant increase in activity planned at the Melville prospect in FY2012.

BHP Billiton's goal of becoming a significant producer in the potash market took another important step forward in FY2011. The approval of a further US$488 million of pre-commitment funding during the Jansen Potash Project feasibility study phase will fund site preparation, the procurement of long lead time items and the sinking of the first 350 metres of the production and service shafts.

Year ended 30 June 2010 compared with year ended 30 June 2009

EKATI diamond production was 3,050,000 carats, a decrease of 5.3 per cent compared with FY2009, which reflected a higher proportion of ore sourced from Fox pit as mining of the higher grade Panda underground was completed during FY2010.

Underlying EBIT was US$485 million, an increase of US$340 million from FY2009. Strong operating earnings at EKATI (Canada) resulted from higher volumes and realised diamond prices and lower unit costs due to the continued emphasis on cost control. There was also a decrease in exploration expense of US$43 million, mainly due to reduced diamonds exploration activity. Potash exploration expenditure of US$73 million in Saskatchewan (Canada) was US$21 million lower as the exploration work program for Jansen was completed in FY2009. Higher diamond earnings was partially offset by the reduction in operating earnings in Titanium Minerals as a result of lower realised prices and higher energy costs.

Stainless Steel Materials

Year ended 30 June 2011 compared with year ended 30 June 2010

The Nickel West Kalgoorlie smelter (Australia) achieved record matte production during FY2011, while Cerro Matoso (Colombia) successfully progressed its planned furnace replacement into the commissioning phase.

Underlying EBIT decreased by US$80 million, or 12.0 per cent, to US$588 million for FY2011 as a weaker US dollar impacted both operating costs and year-end balance sheet revaluations. In total, the weaker US dollar and inflation reduced Underlying EBIT by US$227 million. The planned loss of production at Cerro Matoso and the absence of stockpiled concentrate sales at Nickel West that benefited FY2010 decreased Underlying EBIT by a combined US$122 million. Underlying EBIT at Cerro Matoso was impacted by a further US$53 million due to a provision related to the Colombian net worth tax and additional royalty charges. In contrast, a 24 per cent rise in the LME nickel price for the period increased Underlying EBIT by approximately US$435 million (net of price-linked costs).

During the second half of FY2011, the Cerro Matoso Heap Leach project progressed into feasibility. The Nickel West Talc redesign project remains on schedule for expected commissioning in FY2012.

Year ended 30 June 2010 compared with year ended 30 June 2009

Nickel production was 176,200 tonnes in FY2010, a 1.8 per cent increase above 173,100 tonnes in FY2009. Production for FY2010 was a record performance at Nickel West (Australia) and attributable to the completion of the furnace rebuild at the Kalgoorlie Nickel Smelter (Australia) in FY2009 and the drawdown in FY2010 of the concentrate stocks that had accumulated since FY2009. Production from Cerro Matoso (Colombia) was in line with FY2009.

Underlying EBIT was US$668 million, an increase of US$1,522 million compared with FY2009. This was mainly due to higher average LME prices for nickel of US$8.81 per lb compared with US$6.03 per lb in FY2009. Higher prices (net of price-linked costs) increased Underlying EBIT by US$866 million.

Underlying EBIT excluded exceptional gains of US$653 million relating to the disposal of the Ravensthorpe nickel operations in FY2010. Refer section 3.6.5 for details.

Proactive portfolio restructuring and ongoing improvement at the operating level also contributed to the strong result in FY2010. Lower operational losses from Yabulu and Ravensthorpe in FY2010 increased Underlying EBIT by US$458 million.

The Kalgoorlie nickel smelter furnace rebuild and concurrent maintenance at the Kwinana nickel refinery (both Australia) in FY2009 set the platform for record total production at Nickel West in FY2010. Ongoing cost saving initiatives and lower labour costs were offset by the devaluation in the US dollar and inflation. Underlying EBIT also benefited from lower exploration and business development expenditure.

Iron Ore

Year ended 30 June 2011 compared with year ended 30 June 2010

BHP Billiton's commitment to invest through all phases of the economic cycle delivered an eleventh consecutive annual production record in iron ore. Western Australia Iron Ore (WAIO) benefited from the dual tracking of the Company's rail infrastructure, which has substantially increased overall system capability. WAIO shipments rose to a record annualised rate of 155 mtpa (100 per cent basis) in the June quarter of FY2011, confirming the successful ramp-up of recently expanded capacity.

Underlying EBIT increased by 122.1 per cent to US$13,328 million for FY2011 driven by record production and a significant improvement in iron ore prices. For the period, average realised iron ore prices increased Underlying EBIT by US$8,548 million following the important transition to shorter-term, landed, market-based pricing. The significant appreciation in product prices and the adjustment of WAIO royalty rates contributed to a significant increase in

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3.6.6 Customer Sector Group summary continued

price-linked costs, which reduced Underlying EBIT by US$648 million. Broader inflationary pressures and the devaluation of the US dollar reduced Underlying EBIT by a further US$813 million, while non-cash depreciation also increased with the ramp-up of expanded iron ore capacity.

The investment approval for major projects totalling US$8,350 million (BHP Billiton share) in FY2011 highlighted the Company's commitment to accelerate the development of its tier one, low-cost and expandable iron ore operations. BHP Billiton also continued to lay the foundations for longer-term growth in the WAIO business with the release of its Public Environmental Review/Draft Environmental Impact Statement that seeks Commonwealth and Western Australian Government approvals for the proposed development of an Outer Harbour facility in Port Hedland (Australia).

Year ended 30 June 2010 compared with year ended 30 June 2009

For FY2010, 39 per cent of WAIO shipments on a wet metric tonne (wmt) basis were priced on annually agreed terms, with the remainder sold on a shorter-term basis.

During the second half of FY2010, the annual benchmark pricing system was substantially replaced by shorter-term market-based, landed pricing. The expectation was that future WAIO shipments would continue to be priced on that basis.

Underlying EBIT was US$6,001 million, a decrease of US$228 million, or 3.6 per cent, compared with FY2009 with record sales volumes as the major positive contributor. WAIO increased by six per cent to 113.4 million wmt and Samarco (Brazil) increased 42 per cent to 11.1 Mt, adding US$546 million to Underlying EBIT.

Costs were unfavourably impacted by a weaker US dollar, general inflationary pressure and the ongoing ramp-up of Western Australia RGP4, which reduced Underlying EBIT by US$759 million. In addition, a provision that related to proposed amendments to the Western Australian State Agreements reduced Underlying EBIT by US$126 million.

Manganese

Year ended 30 June 2011 compared with year ended 30 June 2010

Record annual ore production and sales reflected a full year contribution from the GEMCO Expansion Phase 1 (GEEP1) project (Australia). Record annual sales were also achieved for manganese alloy as the business intensified its volume maximising strategy.

Underlying EBIT remained largely unchanged at US$697 million as stronger volumes and prices were offset by higher costs. Notably, controllable costs remained largely unchanged during the period, although the combined impact of a weaker US dollar and inflation reduced Underlying EBIT by US$186 million. Average realised ore and alloy prices increased by nine per cent and seven per cent respectively during FY2011.

After the successful commissioning of the GEEP1 project, the partners have approved the next phase of expansion that will confirm GEMCO's status as the world's largest and lowest-cost producer of manganese ore. The US$167 million (BHP Billiton share) GEEP2 project will increase GEMCO's beneficiated product capacity from 4.2 mtpa to 4.8 mtpa (100 per cent basis). In addition, road and port capacity will increase to 5.9 mtpa, creating 1.1 mtpa of latent capacity for future expansion.

Year ended 30 June 2010 compared with year ended 30 June 2009

Manganese alloy production at 583 kt was 13.6 per cent higher and manganese ore production at 6.1 Mt was 36.8 per cent higher when compared with FY2009.

Underlying EBIT was US$712 million, a decrease of US$637 million, or 47.2 per cent, from FY2009. The decrease was directly attributable to lower realised prices, which reduced Underlying EBIT by US$1,680 million. In comparison to FY2009, average realised prices for ore fell by 46 per cent and alloy prices fell by 43 per cent. Offsetting this was the positive impact of price-linked costs of US$261 million.

The decrease in realised prices was partially offset by a demand driven rise in sales volumes that increased Underlying EBIT by US$799 million. Local operating costs were well controlled throughout FY2010, although the impacts of inflation and a weaker US dollar mitigated any benefit.

All Manganese assets were running at full supply chain capacity at the end of the June quarter in FY2010.

Metallurgical Coal

Year ended 30 June 2011 compared with year ended 30 June 2010

The remnant effects of wet weather that persisted for much of FY2011 continued to restrict our Queensland Coal business, despite an unrelenting focus on recovery efforts. Although Queensland Coal production did recover strongly in the June 2011 quarter, total metallurgical coal production declined by 13 per cent in FY2011.

Underlying EBIT was US$2,670 million, an increase of US$617 million, or 30.1 per cent, from the corresponding period. The increase was mainly attributable to the 48 per cent and 45 per cent improvement in average realised prices for hard coking coal and weak coking coal, respectively. In total, stronger prices increased Underlying EBIT by US$2,138 million, net of price-linked costs. Uncontrollable factors were the major contributor to a significant increase in operating costs. In that context, inflation and the weaker US dollar reduced Underlying EBIT by US$664 million, while the weather related disruption to production at Queensland Coal placed additional pressure on unit costs. We continue to expect production, sales and unit costs to be impacted, to some extent, for the remainder of CY2011.

In March 2011, BHP Billiton approved three major metallurgical coal projects located in the Bowen Basin. The projects are expected to add 4.9 Mt of annual capacity (100 per cent basis) through development of the Daunia operation and a new mining area at Broadmeadow (both Australia). In addition, 11 Mt of valuable port capacity (100 per cent basis) will be developed at the Hay Point Coal Terminal (Australia). The cumulative US$2,500 million (BHP Billiton share) investment sets the foundations for strong and sustainable metallurgical coal production growth that will be required to meet the growing needs of our customers.

Year ended 30 June 2010 compared with year ended 30 June 2009

Record annual sales volumes were delivered despite wet weather disruptions in Queensland (Australia) during the March quarter of FY2010. Production was 37.4 Mt in FY2010, an increase of 2.6 per cent compared with 36.4 Mt in FY2009. This increase was due to improved operational and supply chain performance, supported by strong demand.

Underlying EBIT was US$2,053 million, a decrease of US$2,658 million, or 56.4 per cent, from FY2009. The decrease was mainly due to lower realised prices for hard coking coal (34 per cent lower), weak coking coal (33 per cent lower) and thermal coal (11 per cent lower), partly offset by a reduction in price-linked costs.

The weaker US dollar and inflationary pressure had an unfavourable impact of US$632 million on Underlying EBIT despite operating costs being well controlled.

As with iron ore, the old benchmark system was substantially replaced by shorter-term market-based pricing. For FY2010, 34 per cent of metallurgical coal shipments were priced on a shorter-term basis. The majority of product sold in the June quarter of FY2010 was priced in this manner.

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3.6.6 Customer Sector Group summary continued

Energy Coal

Year ended 30 June 2011 compared with year ended 30 June 2010

Annual production and sales records for New South Wales Energy Coal (Australia) followed the successful commissioning and ramp-up of the MAC20 Project, while strong performance at South Africa Coal delivered a 13 per cent increase in annual production.

Underlying EBIT increased by 54.7 per cent to US$1,129 million in FY2011. The 31 per cent rise in average realised prices, which increased Underlying EBIT by US$917 million for the period, reflected a higher proportion of export sales as BHP Billiton continued to optimise its product mix in response to evolving market demand. Broad cost pressures were accentuated by an increase in cash and non-cash costs associated with the ramp-up of growth projects in Australia and South Africa. The weaker US dollar and inflation reduced Underlying EBIT by US$298 million, while a non-recurring charge related to the recognition of the Colombian net worth tax reduced Underlying EBIT by a further US$32 million. The dissolution of the Douglas Tavistock Joint Venture arrangement increased Underlying EBIT in the corresponding period by US$69 million.

The MAC20 Project was successfully completed during FY2011, ahead of schedule. The Company's confidence in the outlook for demand in the Asia Pacific Basin was subsequently illustrated by the approval of the US$400 million RX1 Project (Australia) that is designed to get product to market rapidly, ahead of further coal preparation plant expansions. Further expansion of our world-class Cerrejón Coal operation (Colombia) to 40 mtpa (100 per cent basis) was approved by the partners in August 2011 and highlights the strong growth outlook for BHP Billiton's Energy Coal business.

Year ended 30 June 2010 compared with year ended 30 June 2009

Production was 66.1 Mt in FY2010, in line with FY2009, due to the continued ramp-up of the Klipspruit (South Africa) expansion and record production at Mt Arthur (Australia). Weaker production at New Mexico Coal (US) reflected a downturn in demand from the power generators.

Underlying EBIT was US$730 million, a decrease of US$730 million, or 50.0 per cent, from FY2009. This decrease was mainly attributed to lower average export prices (net price impact US$459 million) and reduced earnings from trading activities (US$309 million). Export sales from BECSA and Mt Arthur increased due to higher demand from China and India, and offset the effects of reduced demand from the Atlantic market. Dissolution of the Douglas Tavistock Joint Venture arrangement favourably impacted Underlying EBIT in FY2010. Costs were well controlled other than the adverse impacts of the weakening US dollar (US$133 million) and inflation (US$70 million).

Group and unallocated items

This category represents corporate activities, including Group Treasury, Freight, Transport and Logistics operations.

Year ended 30 June 2011 compared with year ended 30 June 2010

The Underlying EBIT expense for Group and Unallocated decreased by US$136 million in FY2011 to US$405 million. The weaker US dollar and inflation had an unfavourable impact on Underlying EBIT of US$105 million. Self insurance claims related to the Clark Shaft incident at Olympic Dam reduced Underlying EBIT in the prior period by US$297 million.

Year ended 30 June 2010 compared with year ended 30 June 2009

Underlying EBIT was a loss of US$541 million compared with US$395 million in FY2009, an increase of US$146 million. Self insurance claims relating to the Clark shaft incident at Olympic Dam decreased Underlying EBIT by US$297 million. A weaker US dollar had an unfavourable impact on Underlying EBIT of US$140 million.

3.6.7 Third party sales

We differentiate sales of our production from sales of third party products due to the significant difference in profit margin earned on these sales. The table below shows the breakdown between our production and third party products.

Year ended 30 June [1]	2011 US$M	2010 US$M	2009 US$M
Group production			
Revenue	**67,903**	48,193	44,113
Related operating costs	**(36,021)**	(28,585)	(26,402)
Operating profit	**31,882**	19,608	17,711
Margin [2]	**47.0%**	40.7%	40.1%
Third party products			
Revenue	**3,836**	4,605	6,098
Related operating costs	**(3,738)**	(4,494)	(5,595)
Operating profit/(loss)	**98**	111	503
Margin [2]	**2.6%**	2.4%	8.2%

[1] Excluding exceptional items.
[2] Operating profit divided by revenue.

We engage in third party trading for three reasons:

- In providing solutions for our customers, sometimes we provide products that we do not produce, such as a particular grade of coal. To meet customer needs and contractual commitments, we may buy physical product from third parties and manage risk through both the physical and financial markets.
- Production variability and occasional shortfalls from our own assets means that we sometimes source third party materials to ensure a steady supply of product to our customers.
- The active presence in the commodity markets provides us with physical market insight and commercial knowledge. From time to time, we actively engage in these markets in order to take commercial advantage of business opportunities. These trading activities provide not only a source of revenue, but also a further insight into planning, and can, in some cases, give rise to business development opportunities.

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3.7 Liquidity and capital resources

As a result of our record production volumes and record prices in many of our key commodities over the past several years, we have generated very strong cash flows throughout our operations. Despite the changing market conditions, our net operating cash flow remained strong and resulted in net debt declining to US$5,823 million. These cash flows have been fundamental to our ability to internally fund our existing operations, maintain a pipeline of growth projects and return capital to shareholders through dividends. Our priority for cash is to reinvest in the business. In line with our strategy, we have grown our business rapidly and consistently through project developments and acquisitions. Through a combination of borrowings and payments to shareholders, we manage our balance sheet with the goal of maintaining levels of gearing that we believe optimise our costs of capital and return on capital employed.

Net operating cash flows are our principal source of cash. We also raise cash from debt financing to manage temporary fluctuations in liquidity arrangements and to refinance existing debt. Our liquidity position is supported by our strong and stable credit rating and committed debt facilities.

3.7.1 Cash flow analysis

A full consolidated cash flow statement is contained in the financial statements. The explanatory notes appear in note 23 'Notes to the consolidated cash flow statement' in the financial statements. A summary table has been presented below to show the key sources and uses of cash.

Year ended 30 June	2011 US$M	2010 US$M	2009 US$M
Net operating cash flows	**30,080**	16,890	17,854
Cash outflows from investing activities	**(16,662)**	(10,527)	(10,319)
Net proceeds from investing activities	**198**	542	277
Net investing cash flows	**(16,464)**	(9,985)	(10,042)
Net (repayment of)/proceeds from interest bearing liabilities	**(577)**	(485)	3,929
Share buy-back	**(9,860)**	–	–
Dividends paid	**(5,144)**	(4,895)	(4,969)
Other financing activities	**(437)**	73	(140)
Net financing activities	**(16,018)**	(5,307)	(1,180)
Net (decrease)/increase in cash and cash equivalents	**(2,402)**	1,598	6,632

Year ended 30 June 2011 compared with year ended 30 June 2010

Net operating cash flows after interest and tax increased by 78 per cent to US$30,080 million. This was primarily driven by an increase in cash generated from operations (before changes in working capital balances) of US$12,259 million and changes in working capital balances having a positive year-on-year impact on operating cash flow of US$2,576 million.

In accordance with IFRS, exploration expenditure incurred which has not been capitalised is now classified within net operating cash flows, which has resulted in the classification of US$981 million in net operating cash flows for FY2011 and US$1,030 million for FY2010.

Capital and exploration expenditure totalled US$12,387 million for the year. Expenditure on major growth projects was US$9,139 million, including US$1,786 million on Petroleum projects and US$7,353 million on Minerals projects. Capital expenditure on sustaining and other items was US$2,008 million. Exploration expenditure was US$1,240 million, including US$981 million classified within net operating cash flows.

Financing cash flows include payments related to the US$10 billion capital management program, dividend payments of US$5,054 million and net debt repayments of US$577 million.

Year ended 30 June 2010 compared with year ended 30 June 2009

Net operating cash flow after interest and tax decreased by five per cent to US$16,890 million. This was primarily driven by changes in working capital balances having a negative year-on-year impact on operating cash flow of US$4,780 million, offset by higher levels of cash generated from operations (before changes in working capital balances) of US$2,853 million and lower net tax and royalty-related tax payments of US$1,080 million.

Capital and exploration expenditure totalled US$10,656 million for the period. Expenditure on major growth projects was US$7,655 million, including US$1,902 million on Petroleum projects and US$5,753 million on Minerals projects. Capital expenditure on sustaining and other items was US$1,668 million. Exploration expenditure was US$1,333 million, including US$303 million, which has been capitalised.

Cash flows from investing activities included acquisitions of US$508 million relating to Athabasca Potash Inc. of US$323 million and United Minerals Corporation NL of US$185 million.

Financing cash flows include net debt repayments of US$485 million and dividend payments of US$4,618 million, excluding dividends paid to non-controlling interests.

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3.7.2 Growth projects

BHP Billiton approved 11 major projects for a total investment value of US$12,942 million (BHP Billiton share) during FY2011. Following the progression of the Jansen Potash Project into feasibility during the March 2011 quarter, BHP Billiton also announced an additional US$488 million of pre-commitment funding to support development of the project in Saskatchewan, Canada. The progression of these projects forms a meaningful component of the Group's anticipated organic growth program that is expected to exceed US$80 billion over the five years to the end of FY2015.

Industry-wide cost pressures remain a feature of the development landscape and reflect stronger producer currencies as well as underlying inflation on raw material and labour costs. BHP Billiton approved revised capital budgets and schedules during FY2011 for the Esso Australia Resources Pty Ltd operated Kipper (US$900 million, BHP Billiton share) and Turrum (US$1,350 million, BHP Billiton share) Petroleum projects and the BHP Billiton operated Worsley Efficiency and Growth (US$2,995 million, BHP Billiton share) alumina refinery expansion (all Australia).

Three major projects delivered first production in the 12-month period: namely the New South Wales Energy Coal MAC20 Project, the Douglas-Middelburg Optimisation Project in South Africa Coal and Angostura Gas Phase II (Trinidad and Tobago).

Completed projects

			Capital expenditure (US$M) [1]		Date of initial production [2]	
Customer Sector Group	Project	Capacity [1]	Budget	Actual	Target	Actual
Petroleum	Angostura Gas Phase II (Trinidad and Tobago) BHP Billiton – 45%	280 MMcf/d of gas	180	157 [3]	H1 2011	H1 2011
Energy Coal	Douglas-Middelburg Optimisation (South Africa) BHP Billiton – 100%	10 mtpa export thermal coal and 8.5 mtpa domestic thermal coal (sustains current output)	975	760 [3]	Mid 2010	July 2010
	MAC20 Project (Australia) BHP Billiton – 100%	Increases saleable thermal coal production by approximately 3.5 mtpa	260	285 [3]	H1 2011	H1 2011
			1,415	**1,202**		

(1) All references to capital expenditure are BHP Billiton's share unless noted otherwise. All references to capacity are 100 per cent unless noted otherwise.
(2) References are based on calendar years.
(3) Number subject to finalisation.

Projects currently under development (approved in prior years)

Customer Sector Group	Project	Capacity [1]	Budgeted capital expenditure (US$M) [1]	Target date of initial production [2]
Petroleum	Bass Strait Kipper (Australia) BHP Billiton – 32.5% – 50%	10,000 bbl/d of condensate and processing capacity of 80 MMcf/d of gas	900 [3]	2012 [3][4]
	Bass Strait Turrum (Australia) BHP Billiton – 50%	11,000 bbl/d of condensate and processing capacity of 200 MMcf/d of gas	1,350 [3]	2013 [3]
	North West Shelf CWLH Life Extension (Australia) BHP Billiton – 16.67%	Replacement vessel with capacity of 60,000 bbl/d of oil	245	2011
	North West Shelf North Rankin B Gas Compression (Australia) BHP Billiton – 16.67%	2,500 MMcf/d of gas	850	2013
Aluminium	Worsley Efficiency and Growth (Australia) BHP Billiton – 86%	1.1 mtpa of additional alumina capacity	2,995 [3]	Q1 2012 [3]
Base Metals	Antamina Expansion (Peru) BHP Billiton – 33.75%	Increases ore processing capacity to 130,000 tpd	435	Q4 2011
Iron Ore	WAIO Rapid Growth Project 5 (Australia) BHP Billiton – 85%	Project integrated into subsequent expansion approvals that will increase WAIO capacity to 220 mtpa [5]	4,800	H2 2011
			11,575	

(1) All references to capital expenditure are BHP Billiton's share unless noted otherwise. All references to capacity are 100 per cent unless noted otherwise.
(2) References are based on calendar years.
(3) As per revised budget and schedule.
(4) Facilities ready for first production pending resolution of mercury content.
(5) As per revised scope of the iron ore development sequence.

3.7.2 Growth projects continued

Projects approved during FY2011

Customer Sector Group	Project	Capacity [1]	Budgeted capital expenditure (US$M) [1]	Target date of initial production [2]
Petroleum	Macedon (Australia) BHP Billiton – 71.43%	200 MMcf/d of gas	1,050	2013
Base Metals	Escondida Ore Access (Chile) BHP Billiton – 57.5%	The relocation of the in-pit crushing and conveyor infrastructure provides access to higher-grade ore	319	Q2 2012
Diamonds and Specialty Products	EKATI Misery Open Pit Project (Canada) BHP Billiton – 80%	Project consists of a pushback of the existing Misery open-pit which was mined from 2001 to 2005	323	2015
Iron Ore	WAIO Jimblebar Mine Expansion (Australia) BHP Billiton – 96%	Increases mining and processing capacity to 35 mtpa	3,300 [3]	Q1 2014
	WAIO Port Hedland Inner Harbour Expansion (Australia) BHP Billiton – 85%	Increases total inner harbour capacity to 220 mtpa with debottlenecking opportunities to 240 mtpa	1,900 [3]	H2 2012
	WAIO Port Blending and Rail Yard Facilities (Australia) BHP Billiton – 85%	Optimises resource and enhances efficiency across the WAIO supply chain	1,400 [3]	H2 2014
	Samarco Fourth Pellet Plant (Brazil) BHP Billiton – 50%	Increases iron ore pellet production capacity by 8.3 mtpa to 30.5 mtpa	1,750	H1 2014
Metallurgical Coal	Daunia (Australia) BHP Billiton – 50%	Greenfield mine development with capacity to produce 4.5 mtpa of export metallurgical coal	800	2013
	Broadmeadow Life Extension (Australia) BHP Billiton – 50%	Increases productive capacity by 0.4 mtpa and extends the life of the mine by 21 years	450	2013
	Hay Point Stage Three Expansion (Australia) BHP Billiton – 50%	Increases port capacity from 44 mtpa to 55 mtpa and reduces storm vulnerability	1,250 [3]	2014
Energy Coal	RX1 Project (Australia) BHP Billiton – 100%	Increases run-of-mine thermal coal production by approximately 4 mtpa	400	H2 2013
			12,942	

(1) All references to capital expenditure are BHP Billiton's share unless noted otherwise. All references to capacity are 100 per cent unless noted otherwise.
(2) References are based on calendar years.
(3) Excludes announced pre-commitment funding.

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3.7.3 Net debt and sources of liquidity

Our policies on debt and treasury management are as follows:

- a commitment to a solid 'A' credit rating;
- to be cash flow positive before dividends, debt service and capital management;
- for net gearing (net debt/net debt + net assets) to be a maximum of 40 per cent;
- diversification of funding sources;
- generally to maintain borrowings and excess cash in US dollars.

Solid 'A' credit ratings

The Group's credit ratings are currently A1/P-1 (Moody's) and A+/A-1 (Standard & Poor's). The ratings outlook from both agencies has not changed during the financial year.

Interest rate risk

Interest rate risk on our outstanding borrowings and investments is managed as part of the Portfolio Risk Management Strategy. Refer to note 28 'Financial risk management' in the financial statements for a detailed discussion on the strategy. When required under this strategy, we use interest rate swaps, including cross currency interest rate swaps, to convert a fixed rate exposure to a floating rate exposure. All interest swaps have been designated and are effective as hedging instruments under IFRS.

Gearing and net debt

30 June 2011 compared with 30 June 2010

Net debt, comprising cash and interest bearing liabilities, was US$5,823 million, which is an increase of US$2,515 million compared with the net debt position at 30 June 2010. Net gearing, which is the ratio of net debt to net debt plus net assets, was 9.2 per cent at 30 June 2011, compared with 6.3 per cent at 30 June 2010.

Cash at bank and in hand less overdrafts at 30 June 2011 was US$10,080 million compared with US$12,455 million at 30 June 2010. Included within this are short-term deposits at 30 June 2011 of US$8,723 million compared with US$11,087 million at 30 June 2010.

30 June 2010 compared with 30 June 2009

Net debt, comprising cash and interest-bearing liabilities, was US$3,308 million, a decrease of US$2,278 million, or 41 per cent, compared with 30 June 2009. Net gearing, which is the ratio of net debt to net debt plus net assets, was 6.3 per cent at 30 June 2010, compared with 12.1 per cent at 30 June 2009.

Cash at bank and in hand less overdrafts at 30 June 2010 was US$12,455 million compared with US$10,831 million at 30 June 2009. Included within this are short-term deposits at 30 June 2010 of US$11,087 million compared with US$9,677 million at 30 June 2009.

Funding sources

The maturity profile of our debt obligations and details of our undrawn committed facilities are set forth in note 28 'Financial risk management' in the financial statements.

During FY2011, no debt was issued or matured.

None of our general borrowing facilities are subject to financial covenants. Certain specific financing facilities in relation to specific businesses are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities.

3.7.4 Quantitative and qualitative disclosures about market risk

We identified our primary market risks in section 3.4. A description of how we manage our market risks, including both quantitative and qualitative information about our market risk sensitive instruments outstanding at 30 June 2011, is contained in note 28 'Financial risk management' to the financial statements.

3.7.5 Portfolio management

Our strategy is focused on long-life, low-cost, expandable, upstream assets and we continually review our portfolio to identify assets that do not fit this strategy. These activities continued during the year, with proceeds amounting to US$198 million being realised from divestments of property, plant and equipment and financial assets. There were no divestments of subsidiaries or operations during the year.

We will purchase interests in assets where they fit our strategy. On 31 March 2011, the Group completed the acquisition of 100 per cent of Chesapeake Energy Corporation's (Chesapeake) interests in its Fayetteville Shale gas assets and associated midstream pipeline system (Fayetteville Shale gas business), located in Arkansas (US) for US$4,819 million.

3.7.6 Dividend and capital management

On 24 August 2011, the Board declared a final dividend for the year of 55 US cents per share. Together with the interim dividend of 46 US cents per share paid to shareholders on 31 March 2011, this brings the total dividend declared for the year to 101 US cents per share, a 16.1 per cent increase over last year's full year dividend of 87 US cents per share.

Notwithstanding BHP Billiton's commitment to invest more than US$80 billion in the growth of its tier one portfolio, the Group reactivated the remaining US$4.2 billion component of a previously suspended US$13 billion buy-back program on 15 November 2010. BHP Billiton subsequently expanded that capital management initiative to US$10 billion and committed to complete the program by the end of CY2011.

The subsequent completion of a US$6.3 billion off-market tender buy-back of BHP Billiton Ltd shares during the period enabled the Group to successfully complete its US$10 billion capital management program on 29 June 2011, six months ahead of schedule.

During FY2011, the combination of on-market purchases of Plc shares and the off-market purchase of Ltd shares enabled BHP Billiton to buy (and cancel) 241.8 million shares, representing four per cent of total issued capital.

Completion of this substantial program in such a timely manner highlighted BHP Billiton's commitment to maintain an appropriate capital structure through all points of the economic cycle. Since 2004, BHP Billiton has repurchased a cumulative US$22.6 billion of Ltd and Plc shares, representing 15 per cent of then issued capital. Total returns to shareholders, including dividends paid and share buy-backs, have exceeded US$48 billion since the formation of BHP Billiton in 2001.

3.8 Off-balance sheet arrangements and contractual commitments

Information in relation to our material off-balance sheet arrangements, principally contingent liabilities, commitments for capital expenditure and other expenditure and commitments under leases at 30 June 2011 is provided in note 21 'Contingent liabilities' and note 22 'Commitments' to the financial statements.

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 the existing facilities described in section 3.7.3.

3.9 Subsidiaries and related party transactions

Subsidiary information

Information about our significant subsidiaries is included in note 25 'Subsidiaries' to the financial statements.

Related party transactions

Related party transactions are outlined in note 31 'Related party transactions' to the financial statements.

3.10 Significant changes

Since 30 June 2011, the Group has completed its acquisition of Petrohawk Energy Corporation; signed a Heads of Agreement with Leighton Holdings to acquire the HWE Mining subsidiaries; and arranged a US$7.5 billion multicurrency term and revolving credit facility.

Further information about these transactions is outlined in note 24 'Business combinations' and note 35 'Subsequent events' to the financial statements.

Other than the matters outlined above, or elsewhere in this Report, no matters or circumstances have arisen since the end of the year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the BHP Billiton Group in subsequent accounting periods.

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4 Board of Directors and Group Management Committee

4.1 Board of Directors

Jacques Nasser AO, BBus, Hon DT, 63

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since June 2006. Appointed Chairman of BHP Billiton Limited and BHP Billiton Plc from 31 March 2010.

Independent: Yes

Skills and experience: Following a 33-year career with Ford in various leadership positions in Europe, Australia, Asia, South America and the US, Jacques Nasser served as a member of the Board of Directors and as President and Chief Executive Officer of Ford Motor Company from 1998 to 2001. He has more than 30 years' experience in large-scale global businesses and a decade of private equity investment and operating expertise.

Other directorships and offices (current and recent):

- Director of British Sky Broadcasting Group plc (since November 2002).
- Non-executive advisory partner (since March 2010) of One Equity Partners 'JPMorgan Chase & Co's Private Equity Business' (Partner from November 2002 until March 2010).
- Member of the International Advisory Council of Allianz Aktiengesellschaft (since February 2001).
- Former Director of Brambles Limited (from March 2004 to January 2008).

Board Committee membership:

- Chairman of the Nomination Committee.

Marius Kloppers BE (Chem), MBA, PhD (Materials Science), 49

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since January 2006. Mr Kloppers was appointed Chief Executive Officer on 1 October 2007. He was appointed Group President Non-Ferrous Materials and Executive Director in January 2006 and was previously Chief Commercial Officer.

Independent: No

Skills and experience: Marius Kloppers has extensive knowledge of the mining industry and of BHP Billiton's operations. Active in the mining and resources industry since 1993, he was appointed Chief Commercial Officer in December 2003. He was previously Chief Marketing Officer, Group Executive of Billiton Plc, Chief Executive of Samancor Manganese and held various positions at Billiton Aluminium, including Chief Operating Officer and General Manager of Hillside Aluminium.

Other directorships and offices (current and recent):

- Deputy Chairman of the International Council on Mining and Metals (since October 2008).

Board Committee membership:

- None.

Malcolm Broomhead MBA, BE, 59

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since March 2010.

Independent: Yes

Skills and experience: Malcolm Broomhead was Managing Director and Chief Executive Officer of Orica Limited from 2001 until September 2005, a global business that controlled interests in more than 45 countries. Prior to joining Orica, Mr Broomhead held a number of senior positions at North Limited, including Managing Director and Chief Executive Officer and prior to that, held senior management positions with Halcrow (UK), MIM Holdings, Peko Wallsend and Industrial Equity. Mr Broomhead has extensive experience in running industrial and mining companies with a global footprint and broad global experience in project development in many of the countries in which BHP Billiton operates.

Other directorships and offices (current and recent):

- Chairman of Asciano Limited (since October 2009).
- Director of Coates Group Holdings Pty Ltd (since January 2008).

Board Committee membership:

- Member of the Sustainability Committee.

John Buchanan BSc, MSc (Hons 1), PhD, 68

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since February 2003. Dr Buchanan has been designated as the Senior Independent Director of BHP Billiton Plc since his appointment.

Independent: Yes

Skills and experience: Educated at Auckland, Oxford and Harvard, John Buchanan has broad international business experience gained in large and complex international businesses. He has substantial experience in the petroleum industry and knowledge of the international investor community. He has held various leadership roles in strategic, financial, operational and marketing positions, including executive experience in different countries. He is a former Executive Director and Group Chief Financial Officer of BP, serving on the BP Board for six years.

Other directorships and offices (current and recent):

- Chairman of Smith & Nephew Plc (since April 2006) and former Deputy Chairman (from February 2005 to April 2006).
- Chairman of the International Chamber of Commerce (UK) (since May 2008).
- Senior Independent Director and Deputy Chairman of Vodafone Group Plc (since July 2006) and Director (since April 2003).
- Member of Advisory Board of Ondra Bank (since June 2009).
- Chairman of the UK Trustees for the Christchurch Earthquake appeal.
- Former Director of AstraZeneca Plc (from April 2002 to April 2010).

Board Committee membership:

- Chairman of the Remuneration Committee.
- Member of the Nomination Committee.

Carlos Cordeiro AB, MBA, 55

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since February 2005.

Independent: Yes

Skills and experience: Carlos Cordeiro brings to the Board more than 30 years' experience in providing strategic and financial advice to corporations, financial institutions and governments around the world. He was previously Partner and Managing Director of Goldman Sachs Group Inc.

Other directorships and offices (current and recent):

- Advisory Director of The Goldman Sachs Group Inc (since December 2001).
- Non-executive Vice Chairman of Goldman Sachs (Asia) (since December 2001).

Board Committee membership:

- Member of the Remuneration Committee.

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David Crawford AO, BComm, LLB, FCA, FCPA, FAICD, 67

Term of office: Director of BHP Limited since May 1994. Director of BHP Billiton Limited and BHP Billiton Plc since June 2001.

Independent: Yes

Skills and experience: David Crawford has extensive experience in risk management and business reorganisation. He has acted as a consultant, scheme manager, receiver and manager and liquidator to very large and complex groups of companies. He was previously Australian National Chairman of KPMG, Chartered Accountants. Mr Crawford was Chairman of the Risk and Audit Committee and the Board's nominated 'audit committee financial expert' for the purposes of the US Securities and Exchange Commission Rules until 6 September 2011. During that period, the Board was satisfied that he had recent and relevant financial experience for the purposes of the UK Financial Services Authority's Disclosure and Transparency Rules and the UK Corporate Governance Code.

Other directorships and offices (current and recent):

- Chairman of Lend Lease Corporation Limited (since May 2003) and Director (since July 2001).
- Chairman of Foster's Group Limited (since November 2007) and Director of Foster's Group Limited (since August 2001).
- Former Director of Westpac Banking Corporation (from May 2002 to December 2007).
- Former Chairman of National Foods Limited (Director from November 2001 to June 2005).

Board Committee membership:

- None.

Carolyn Hewson AO, BEc (Hons), MA (Econ), FAICD, 56

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since March 2010.

Independent: Yes

Skills and experience: Carolyn Hewson is a former investment banker and has over 30 years' experience in the finance sector. Ms Hewson was previously an Executive Director of Schroders Australia Limited and has extensive financial markets, risk management and investment management expertise. Ms Hewson is a Non-executive Director of Stockland Corporation Limited, Westpac Banking Corporation, BT Investment Management Limited and previously served as a Director on the boards of AMP Limited, CSR Limited, AGL Energy Limited, the Australian Gas Light Company, South Australia Water and the Economic Development Board of South Australia. She has current board or advisory roles with Nanosonics Limited, the Australian Charities Fund, Neurosurgical Research Foundation and is Chair of the Westpac Foundation.

Other directorships and offices (current and recent):

- Director of Stockland Corporation Limited (since March 2009).
- Director of BT Investment Management Limited (since December 2007).
- Director of Westpac Banking Corporation (since February 2003).
- Member of the Advisory Board of Nanosonics Limited (since June 2007).
- Director of Australian Charities Fund (since March 2001).
- Member and Patron of the Neurosurgical Research Foundation Council (since April 1993).
- Former Director of AGL Energy Limited (from February 2006 to February 2009).
- Chair of the Westpac Foundation (since January 2011).

Board Committee membership:

- Member of the Risk and Audit Committee.

Lindsay Maxsted DipBus (Gordon), FCA, 57

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc with effect from March 2011.

Independent: Yes

Skills and experience: Lindsay Maxsted was the Chief Executive Officer of KPMG Australia between 2001 and 2007. His principal area of practice prior to becoming Chief Executive Officer was in the corporate recovery field managing a number of Australia's largest corporate, insolvency and restructuring engagements. He continues to undertake consultancy work in the restructuring advisory field. At the request of the Victorian State Government (Australia), Mr Maxsted was appointed to the Board of the Public Transport Corporation in December 1995 and was its Chairman from 1997 to 2001. As Chairman, he had the responsibility of guiding the Public Transport Corporation through the final stages of a significant reform process. The Board has nominated Mr Maxsted as the 'audit committee financial expert' for the purposes of the US Securities and Exchange Commission Rules from 6 September 2011 and is satisfied that he has recent and relevant financial experience for the purposes of the UK Financial Services Authority's Disclosure and Transparency Rules and the UK Corporate Governance Code.

Other directorships and offices (current and recent):

- Chairman of Transurban Group (since August 2010) and a Director from March 2008.
- Chairman-elect of Westpac Banking Corporation and a Director since March 2008.
- Honorary Treasurer of Baker IDI Heart and Diabetes Institute.
- Former KPMG Australia Chief Executive Officer from January 2001 to December 2007.

Board Committee membership:

- Chairman of the Risk and Audit Committee.

Wayne Murdy BSc (Business Administration), CPA, 67

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since June 2009.

Independent: Yes

Skills and experience: Wayne Murdy served as the Chief Executive Officer of Newmont Mining Corporation from January 2001 to June 2007 and Chairman of Newmont from January 2002 to December 2007. His background is in finance and accounting where he gained comprehensive experience in the financial management of mining, oil and gas companies during his career with Getty Oil, Apache Corporation and Newmont. Mr Murdy is also a former Chairman of the International Council on Mining and Metals, a former Director of the US National Mining Association and a former member of the Manufacturing Council of the US Department of Commerce.

Other directorships and offices (current and recent):

- Director of Weyerhaeuser Company (since January 2009).
- Former Director of Qwest Communications International Inc (from September 2005 to April 2011).
- Former Chief Executive Officer (from January 2001 to June 2007) and Chairman (from January 2002 to December 2007) of Newmont Mining Corporation.
- Former Chairman of the International Council on Mining and Metals (from January 2004 to December 2006).
- Former Director of the US National Mining Association (from January 2002 to December 2007).

Board Committee membership:

- Member of the Risk and Audit Committee.

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4.1 Board of Directors continued

Keith Rumble BSc, MSc (Geology), 57

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc since September 2008.

Independent: Yes

Skills and experience: Keith Rumble was previously Chief Executive Officer of SUN Mining, a wholly owned entity of the SUN Group, a principal investor and private equity fund manager in Russia, India and other emerging and transforming markets. He has over 30 years' experience in the resources industry, specifically in titanium and platinum mining, and is a former Chief Executive Officer of Impala Platinum (Pty) Ltd and former Chief Executive Officer of Rio Tinto Iron and Titanium Inc. He began his career at Richards Bay Minerals in 1980 and held various management positions before becoming Chief Executive Officer in 1996.

Other directorships and offices (current and recent):

- Director of The Aveng Group (since September 2009).
- Board of Governors of Rhodes University (since April 2005).
- Trustee of the World Wildlife Fund, South Africa (since October 2006).

Board Committee membership:

- Member of the Sustainability Committee.

John Schubert AO, BCh Eng, PhD (Chem Eng), FIE Aust, FTSE, 68

Term of office: Director of BHP Limited since June 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001.

Independent: Yes

Skills and experience: John Schubert has considerable experience in the international oil industry, including at Chief Executive Officer level. He has had executive mining and financial responsibilities and was Chief Executive Officer of Pioneer International Limited for six years, where he operated in the building materials industry in 16 countries. He has experience in mergers, acquisitions and divestments, project analysis and management. He was previously Chairman and Managing Director of Esso Australia Limited and President of the Business Council of Australia.

Other directorships and offices (current and recent):

- Director of Qantas Airways Limited (since October 2000).
- Chairman of G2 Therapies Pty Limited (since November 2000).
- Former Chairman (from November 2004 to February 2010) and Director (from October 1991 to February 2010) of Commonwealth Bank of Australia.
- Former Chairman and Director of Worley Parsons Limited (from November 2002 until February 2005).

Board Committee membership:

- Chairman of the Sustainability Committee.
- Member of the Remuneration Committee.
- Member of the Nomination Committee.

Baroness Shriti Vadera MA, 49

Term of office: Director of BHP Billiton Limited and BHP Billiton Plc with effect from January 2011.

Independent: Yes

Skills and experience: Shriti Vadera brings wide-ranging experience in finance, economics and public policy, as well as extensive experience of emerging markets and international institutions. In the last year, she has undertaken a number of international assignments, including advising the G20 chair under the Republic of Korea, Temasek Holdings, Singapore on strategy and the Government of Dubai on the restructuring of Dubai World. She was a Minister in the British Government, from 2007 to 2009, in the Department for International Development, the Business Department and the Cabinet Office where she was responsible for the response to the global financial crisis. She was on the Council of Economic Advisers, H M Treasury from 1999 to 2007 focusing on business and international economic issues. Prior to her time in the British Government, she spent 14 years in investment banking at UBS Warburg where she specialised in advisory work in emerging markets.

Other directorships and offices (current and recent):

- Director of AstraZeneca Plc (since January 2011).
- Former Trustee of Oxfam (from 2000 to 2005).

Board Committee membership:

- Member of the Risk and Audit Committee.

Group Company Secretary

Jane McAloon BEc (Hons), LLB, GDipGov, FCIS, 47

Term of office: Jane McAloon was appointed Group Company Secretary in July 2007 and joined the BHP Billiton Group in September 2006 as Company Secretary for BHP Billiton Limited.

Skills and experience: Prior to joining BHP Billiton, Jane McAloon held the position of Company Secretary and Group Manager External and Regulatory Services in the Australian Gas Light Company. She previously held various Australian State and Commonwealth government positions, including Director General of the NSW Ministry of Energy and Utilities and Deputy Director General for the NSW Cabinet Office, as well as working in private legal practice. She is a Fellow of the Institute of Chartered Secretaries and a Member of the Corporations and Markets Advisory Committee.

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4.2 Group Management Committee

Marius Kloppers BE (Chem), MBA, PhD (Materials Science), 49

Chief Executive Officer and Executive Director
Chairman of the Group Management Committee

Marius Kloppers has been active in the mining and resources industry since 1993 and was appointed Chief Executive Officer in October 2007. He was previously Chief Commercial Officer, Chief Marketing Officer, Group Executive of Billiton Plc, Chief Executive of Samancor Manganese and held various positions at Billiton Aluminium, among them Chief Operating Officer and General Manager of Hillside Aluminium.

Alberto Calderon PhD Econ, M Phil Econ, JD Law, BA Econ, 51

Group Executive and Chief Commercial Officer
Member of the Group Management Committee

Alberto Calderon joined the Group as President Diamonds and Specialty Products in February 2006 and was appointed to his current position as Chief Commercial Officer in July 2007. Prior to this, he was Chief Executive Officer of Cerrejón Coal Company and President of the oil company Ecopetrol. In the early 1990s, he was President of the Power Company of Bogotá and held various senior roles in investment banking and in the Colombian Government and the International Monetary Fund.

Andrew Mackenzie BSc (Geology), PhD (Chemistry), 54

Group Executive and Chief Executive Non-Ferrous
Member of the Group Management Committee

Andrew Mackenzie joined BHP Billiton in November 2008 in his current position as Chief Executive Non-Ferrous. His prior career included time with Rio Tinto, where he was Chief Executive of Diamonds and Minerals, and with BP, where he held a number of senior roles, including Group Vice President for Technology and Engineering and Group Vice President for Chemicals. He is a Non-executive Director of Centrica plc.

Marcus Randolph BSc, MBA, 55

Group Executive and Chief Executive Ferrous and Coal
Member of the Group Management Committee

Marcus Randolph was previously Chief Organisation Development Officer, President Diamonds and Specialty Products, Chief Development Officer Minerals and Chief Strategic Officer Minerals for BHP Billiton. His prior career includes Chief Executive Officer, First Dynasty Mines, Mining and Minerals Executive, Rio Tinto Plc, Director of Acquisitions and Strategy, Kennecott Inc, General Manager Corporación Minera Nor Peru, Asarco Inc, and various mine operating positions in the US with Asarco Inc. He has been in his current position as Chief Executive Ferrous and Coal since July 2007.

Alex Vanselow BComm, Wharton AMP, 49

Group Executive and Chief Financial Officer
Member of the Group Management Committee and Chairman of the Investment Committee and Financial Risk Management Committee

Alex Vanselow joined the Group in 1989 and was appointed Chief Financial Officer in March 2006. He was previously President Aluminium, Chief Financial Officer of Aluminium, Vice President Finance and Chief Financial Officer of Orinoco Iron CA, and Manager Accounting and Control BHP Iron Ore. His prior career was with Arthur Andersen.

Karen Wood BEd, LLB (Hons), 55

Group Executive and Chief People and Public Affairs Officer
Member of the Group Management Committee

Karen Wood joined BHP Billiton in 2001. Her previous positions with the Company were Chief Governance Officer, Special Adviser and Head of Group Secretariat and Group Company Secretary. She was appointed Chief People Officer in 2007 and in 2010 assumed responsibility for Public Affairs. She is a member of the Takeovers Panel (Australia) and a Fellow of the Institute of Chartered Secretaries. Before joining BHP Billiton, she was General Counsel and Company Secretary for Bonlac Foods Limited.

J Michael Yeager BSc, MSc, 58

Group Executive and Chief Executive Petroleum
Member of the Group Management Committee

Mike Yeager joined the Group in April 2006 as Chief Executive Petroleum after 25 years with Mobil and later ExxonMobil. He was previously Vice President, ExxonMobil Development Company, and held the roles of Senior Vice President, Imperial Oil Ltd and Chief Executive Officer, Imperial Oil Resources, Vice President Africa, ExxonMobil Production Company, Vice President Europe, ExxonMobil Production Company and President, Mobil Exploration and Production in the US.

5 Corporate Governance Statement

5.1 Governance at BHP Billiton

'Welcome to BHP Billiton's Corporate Governance Statement, which outlines the approach your Board has adopted in relation to governing the Group. The Board represents you and is ultimately accountable for the Group's performance in creating and delivering shareholder value through the effective governance of BHP Billiton.

BHP Billiton's objective is to create long-term value for shareholders through the discovery, acquisition, development and marketing of natural resources. We have unique assets that are important to the growth of many of the world's economies, and a geographic and commodity spread that reduces risk and optimises opportunity.

In doing this, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others. The Board governs the Group consistent with our long-stated business strategy and commitment to a transparent and high-quality governance system.

Our approach to governance is based on the belief that there is a link between high-quality governance and the creation of long-term shareholder value. Our view remains that governance is not just a matter for the Board and a good governance culture must be fostered throughout the organisation. Our expectations of our employees and those to whom we contract business are set out in the BHP Billiton *Code of Business Conduct*.

This statement outlines our system of governance. BHP Billiton operates as a single economic entity under a Dual Listed Company (DLC) structure with a unified Board and management. We have a primary listing in Australia and a premium listing in the UK. We are also registered with the US Securities and Exchange Commission and have a secondary listing on the New York Stock Exchange (NYSE), as well as the Johannesburg Stock Exchange. Our governance framework takes into account the regulatory requirements in Australia, the UK and the US, together with prevailing standards of best practice. Where governance principles vary across these jurisdictions, the Board adopts what we consider to be the higher of the prevailing standards.

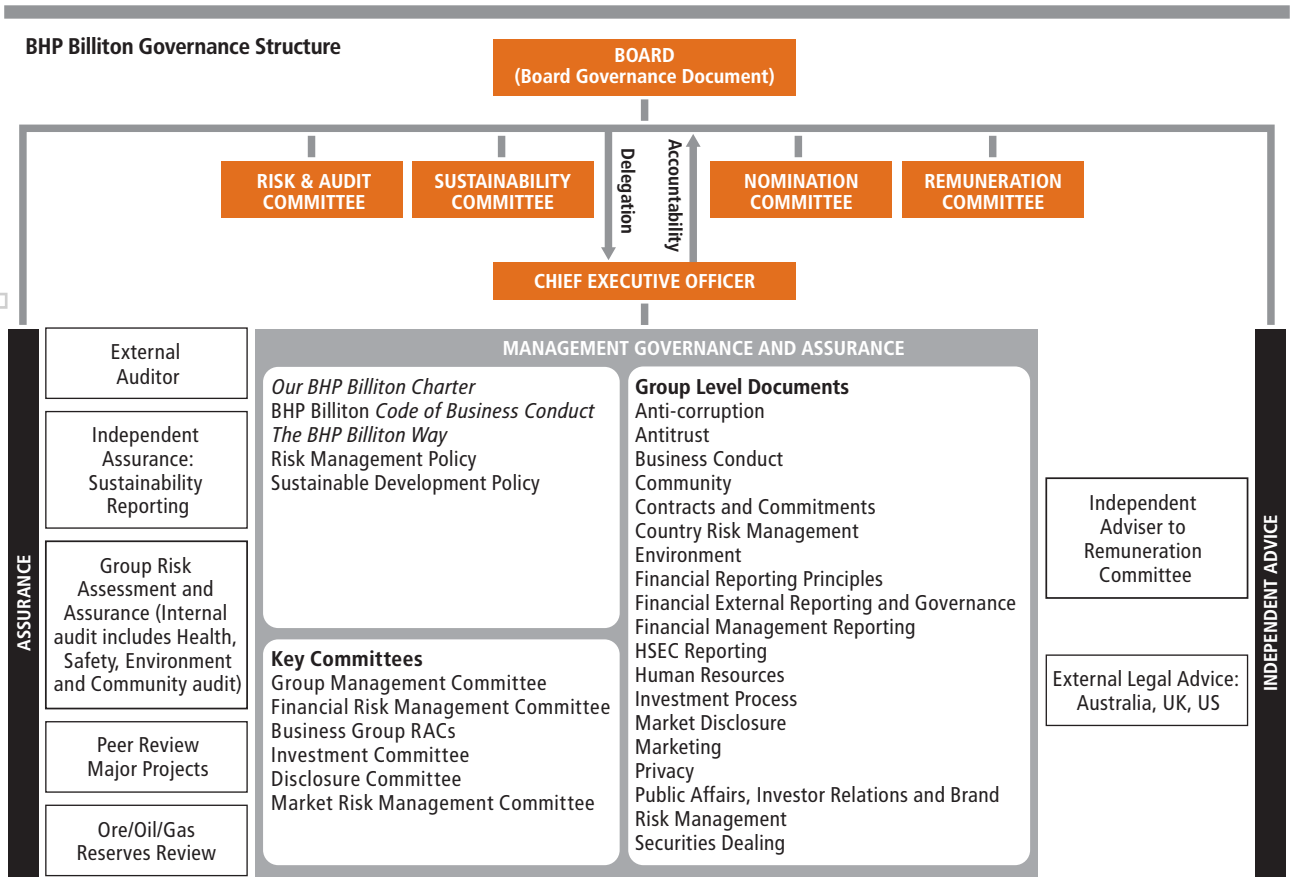
Corporate governance principles continue to be refined by regulators, including new guidance on Board effectiveness from the UK Financial Reporting Council, additional legislative measures in Australia in relation to executive remuneration and the use of remuneration consultants, the implementation of the Stewardship Code for investors in the UK and a continued focus on diversity of skills, experience, nationality and gender on Boards. BHP Billiton adopted early the Australian Securities Exchange Corporate Governance Council Principles and Recommendations on diversity in 2010, and this year the Board has spent time considering its aspirational diversity goals. The Board believes that critical mass is important for diversity and, in relation to gender, has set an aspirational goal of increasing the number of women on the Board to at least three over the next two years (which, if achieved, would see the proportion of women on the Board increase from 17 per cent currently to 25 per cent, based on a Board size of 12). This is consistent with Lord Davies' report in the UK, which recommends that FTSE 350 companies should set aspirational goals for Board gender composition.

In relation to investor stewardship, through the Board and Remuneration Committee Chairmen, we continue our long-standing practice of proactive communication and meetings with institutional investors and governance advisers. This engagement is valuable, and we support the UK Financial Reporting Council's focus on this issue.

Further Board renewal activities occurred during the year with the appointment of two Directors, Baroness Shriti Vadera and Lindsay Maxsted, and with Alan Boeckmann retiring. Governance is an ongoing process and we aim to maintain our focus on continuous improvement by building a multi-skilled and diversified Board supported by a first-class management team.

I hope you find this report useful and look forward to feedback fellow shareholders may have.'

Jacques Nasser, AO, Chairman



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5.2 Shareholder engagement

The Board represents the Group's shareholders and is accountable to them for creating and delivering value through the effective governance of the business.

The Board has developed a strategy for engaging and communicating with shareholders, key aspects of which are outlined below.

Shareholders vote on important matters affecting the business, including the election of Directors, changes to our constitutional documents, the receipt of annual financial statements and incentive arrangements for Executive Directors.

Shareholders are encouraged to make their views known to us and to raise directly any matters of concern. The Board uses a range of formal and informal measures to ensure that it understands and effectively responds to shareholder questions and concerns relating to the management and governance of the Group:

- The Chairman, with support from the Company Secretariat team, has regular meetings with institutional shareholders and investor representatives to discuss governance matters.
- The Remuneration Committee Chairman and Senior Independent Director also meets with institutional shareholders and investor representatives to discuss executive remuneration and other governance issues.
- The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Investor Relations team meet regularly with major shareholders to discuss our strategy, financial and operating performance.
- The Investor Relations team provides quarterly reports in relation to shareholder feedback generally, which the Board uses to assess how the Group is responding to shareholder views and issues.
- Finally, shareholders are encouraged to attend BHP Billiton's Annual General Meetings and to use these opportunities to ask questions (discussed further below).

In each case, the views and concerns that have been raised are reported to the Board, which ensures Directors are aware of the issues raised and assists Directors in developing an understanding of the views of shareholders, in particular in relation to strategic, financial and operating issues.

The Dual Listed Company structure means that Annual General Meetings of BHP Billiton Plc and BHP Billiton Limited are held in the United Kingdom and Australia in October and November, respectively, each year. Questions can be registered prior to the meeting by completing the relevant form accompanying the Notice of Meeting or by emailing the Group at *investor.relations@bhpbilliton.com*. Questions that have been lodged ahead of the meeting, and the answers to the most frequently asked questions, are posted to our website. The External Auditor attends the Annual General Meetings and is available to answer questions. Shareholders may appoint proxies electronically through our website. The Notice of Meeting describes how this can be done.

Proceedings at shareholder meetings and important briefings are broadcast live from our website. Copies of the speeches delivered by the Chairman and CEO to the Annual General Meetings are released to the stock exchanges and posted to our website. A summary of proceedings and the outcome of voting on the items of business are released to the relevant stock exchanges and posted to our website as soon as they are available following the completion of the BHP Billiton Limited meeting.

5.3 Board of Directors

5.3.1 Role and responsibilities

The Board's role is to represent the shareholders and it is accountable to them for creating and delivering value through the effective governance of the business. The performance of the Board and the corresponding contributions of Directors to the Board's collective decision-making processes are essential to fulfil this role.

The Board has published a *Board Governance Document*, which is a statement of the practices and processes the Board has adopted to discharge its responsibilities. It includes the processes the Board has implemented to undertake its own tasks and activities; the matters it has reserved for its own consideration and decision-making; the authority it has delegated to the CEO, including the limits on the way in which the CEO can execute that authority; and provides guidance on the relationship between the Board and the CEO.

The *Board Governance Document* also specifies the role of the Chairman, the membership of the Board and the role and conduct of Non-executive Directors. Further information is at sections 5.3.2 to 5.3.4.

The Board Governance Document can be found at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx*.

The matters that the Board has specifically reserved for its decision are:

- the appointment of the CEO and approval of the appointments of direct reports to the CEO;
- approval of the overall strategy and annual budgets of the business;
- determination of matters in accordance with the approved delegations of authority;
- formal determinations that are required by the Group's constitutional documents, by statute or by other external regulation or governance codes.

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the constitutional documents and the law.

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5.3.1 Role and responsibilities continued

Beyond those matters, the Board has delegated all authority to achieve the corporate objective to the CEO, who takes all decisions and actions which, in the CEO's judgement, are reasonable having regard to the limits imposed by the Board. The CEO remains accountable to the Board for the authority that is delegated and for the performance of the business. The Board monitors the decisions and actions of the CEO and the performance of the business to gain assurance that progress is being made towards the corporate objective, within the limits it has imposed through the Group's governance assurance framework. The Board also monitors the performance of the Group and assesses its risk profile through its Committees. Reports from each of the Committees are set out in section 5.5.

The CEO is required to report regularly in a spirit of openness and trust on the progress being made by the business. The Board and its Committees determine the information required from the CEO and any employee or external party, including the External Auditor. Open dialogue between individual members of the Board and the CEO and other employees is encouraged to enable Directors to gain a better understanding of our business.

Key activities during the year

A key activity during the year was Board and Committee succession planning and renewal. The Board believes that orderly succession and renewal is in the best interests of the Group. Two new Non-executive Directors, Baroness Shriti Vadera and Lindsay Maxsted, were appointed to the Board on 1 January 2011 and 23 March 2011, respectively. Alan Boeckmann, a Non-executive Director, retired during the year. In addition, and as discussed in further detail in section 5.4.3, a succession process for the Risk and Audit Committee (RAC) Chairman led to the appointment of Lindsay Maxsted to that position in September 2011. The former RAC Chairman, David Crawford, has stepped down from the Committee and, at the request of the Board, is standing for re-election to the Board.

Another significant activity during the year for the Board has been governing the Group to support management initiatives to ensure continued supply of resources to meet demand over time. During the year, the Group experienced continued strong demand and good prices, but also industry wide operating and capital cost pressures. Global economic growth slowed during the second half of the 2011 financial year. Global imbalances and high levels of sovereign debt continue to create uncertainty and a protracted recovery remains our base case assumption for the developed world. However, a coordinated policy response has the potential to engender confidence and ease the volatility that has been the dominant theme of recent years. Despite these near term challenges, we remain positive on the longer-term outlook for the global economy. Within this context, the Board approved a range of business decisions, including:

- investments of US$570 million and US$6.6 billion of capital expenditure to underpin continued growth in the Western Australian Iron Ore business;
- an investment of US$2.5 billion in three key metallurgical coal projects located in the Bowen Basin in Central Queensland, Australia;
- the acquisition of all of Chesapeake Energy Corporation's interests in the Fayetteville Shale, US, for US$4.75 billion;
- the expanded capital management program of US$10 billion, which included a A$6.0 billion (US$6.3 billion) off-market buy-back of BHP Billiton Limited shares;
- the termination of the agreements with Rio Tinto to establish an iron ore production joint venture covering both entities' Western Australia iron ore assets;
- the withdrawal of the Group's all-cash offer to acquire all of the issued and outstanding common shares of Potash Corporation of Saskatchewan Inc.

The Board is satisfied that it has discharged its obligations as set out in the *Board Governance Document*.

5.3.2 Membership

The Board currently has 12 members. Of these, 11, including the Chairman, are independent Non-executive Directors. The Non-executive Directors are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement. Further information on the process for assessing independence is in section 5.3.5.

During the year, there were a number of changes to the composition of the Board. Shriti Vadera and Lindsay Maxsted joined the Board in January 2011 and March 2011, respectively, and Alan Boeckmann retired from the Board in March 2011.

Following completion of the succession planning process for the Board Chairman in 2010, the Board continued the succession planning process for the Chairman of the RAC. As discussed in Section 5.4.3, Lindsay Maxsted was appointed as RAC Chairman in September 2011.

The Board considers that there is an appropriate balance between Executive and Non-executive Directors, with a view to promoting shareholder interests and governing the business effectively. While the Board includes a smaller number of Executive Directors than is common for UK listed companies, its composition is appropriate for the Dual Listed Company structure and is in line with Australian listed company practice. In addition, the Board has extensive access to members of senior management. Members of the Group Management Committee (the most senior executives in the Group) attend all the regularly scheduled Board meetings, by invitation, where they make presentations and engage in discussions with Directors, answer questions, and provide input and perspective on their areas of responsibility. The Board also deliberates in the absence of management for part of each meeting, which is chaired by the Group Chairman.

The Directors of the Group are:

Mr Jacques Nasser (Chairman)	Ms Carolyn Hewson
Mr Marius Kloppers	Mr Lindsay Maxsted
Mr Malcolm Broomhead	Mr Wayne Murdy
Dr John Buchanan	Mr Keith Rumble
Mr Carlos Cordeiro	Dr John Schubert
Mr David Crawford	Baroness Shriti Vadera

The biographical details of the Directors are set out in section 4.1 of this Annual Report.

5.3.3 Skills, knowledge, experience and attributes of Directors

The Board considers that a diversity of skills, backgrounds, knowledge, experience and gender is required in order to effectively govern the business. The Board and its Committees actively work to ensure that the Executive and Non-executive Directors continue to have the right balance of skills, experience, independence and Group knowledge necessary to discharge their responsibilities in accordance with the highest standards of governance.

The Non-executive Directors contribute international and operational experience; understanding of the sectors in which we operate; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that we face. The Executive Director brings additional perspectives to the Board's work through a deep understanding of the Group's business. The Board works together as a whole to oversee strategy for the Group and monitor pursuit of the corporate objective.

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5.3.3 Skills, knowledge, experience and attributes of Directors continued

Directors must demonstrate unquestioned honesty and integrity, preparedness to question, challenge and critique, and a willingness to understand and commit to the highest standards of governance. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the business.

It is made clear in the Terms of Appointment that Directors must be prepared to commit sufficient time and resources to perform the role effectively. (Section 5.3.7 provides further information on the Director Terms of Appointment.) The Nomination Committee takes account of the other positions held by each potential Director candidate and assesses whether they will have adequate time to devote to the Board prior to making a recommendation to the Board on whether to appoint them as a Director.

Directors commit to the collective decision-making processes of the Board. Individual Directors debate issues openly and constructively and are free to question or challenge the opinions of others. Directors also commit to active involvement in Board decisions, the application of strategic thought to matters in issue and are prepared to question, challenge and critique. Directors are clear communicators and good listeners who actively contribute to the Board in a collegial manner.

The Nomination Committee assists the Board in ensuring that the Board is comprised of high-calibre individuals whose background, skills, experience and personal characteristics will augment the present Board and meet its future needs and diversity aspirations.

Diversity on the Board

Corporate governance reviews have highlighted that there is a continuing lack of diversity amongst experienced Director candidates in Australia, the UK and the US. The Board reviewed its existing practices during the year, including how the Board and the Nomination Committee have taken into account diversity criteria, including gender, nationality and geography, as part of a Director candidate's general background and experience. The review included an assessment of the Board Committees' Terms of Reference, and resulted in amendments to the Terms of Reference of the Nomination Committee and the Remuneration Committee to formalise diversity considerations. The Board has set an aspirational goal of increasing the number of female Directors to at least three over the next two years (which, if achieved, would see the proportion of women on the Board increase from 17 per cent currently to 25 per cent, based on a Board size of 12). Further information in relation to how diversity is being addressed within the broader Group is contained in section 5.8.

Group and industry knowledge

In order to govern the Group effectively, Non-executive Directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. Non-executive Directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

Structured opportunities are provided to build Director knowledge through initiatives such as regular periodic visits to BHP Billiton sites. Non-executive Directors also build their Group and industry knowledge through the involvement of the Group Management Committee (GMC) and other senior employees in Board meetings and specific business briefings. In addition, while the Business Group Risk and Audit Committees (Business Group RACs) are management committees, and therefore do not entail any delegation of responsibility from the Board's RAC, the Board believes that the link back to the Board RAC facilitates a deeper understanding of risk management and assurance issues throughout the Group. Further information on the Business Group RACs is at section 5.5.1 and further information on induction and training of Non-executive Directors is at section 5.3.8.

Director skills and experience

The Board believes that a mix of skills and a breadth of experience is important to ensure that the Board and its Committees function cohesively as a whole and effectively lead the Group. The Nomination Committee has a formal process by which it assesses the overall skills and experience required on the Board, which involves having regard to the direction of the Group and the diversity aspirations of the Board, and works with the Board to ensure that it has the appropriate mix of skills and experience to meet the future needs of the business. Further information on the Nomination Committee's process is at 5.5.3.

In addition, Directors have an individual development plan to provide a personalised approach to updating industry knowledge in particular (discussed further in sections 5.3.8 and 5.4.1).

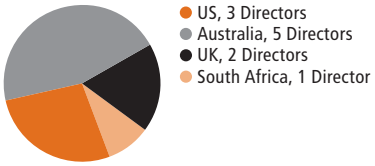
The following table sets out some of the key skills of the Directors and the extent to which they are represented on the Board and its Committees. In addition to the skills and experience indicators set out in the table, the *Board Governance Document* provides that each Director must have the following skills, attributes and experience: unquestioned honesty and integrity; a proven track record of creating value for shareholders; time available to undertake the responsibilities; an ability to apply strategic thought to matters in issue; a preparedness to question, challenge and critique; and a willingness to understand and commit to the highest standards of governance. The Board considers that each Director has the skills, attributes and experience required by the *Board Governance Document*.

5.3.3 Skills, knowledge, experience and attributes of Directors continued

Skills and experience	Board	Risk and Audit	Nomination	Remuneration	Sustainability
Managing and leading Sustainable success in business at a very senior level in a successful career.	11 Directors	3 Directors	3 Directors	3 Directors	3 Directors
Global experience Senior management or equivalent experience in multiple global locations, exposed to a range of political, cultural, regulatory and business environments.	12 Directors	4 Directors	3 Directors	3 Directors	3 Directors
Governance Commitment to the highest standards of governance, including experience with a major organisation, which is subject to rigorous governance standards and an ability to assess the effectiveness of senior management.	12 Directors	4 Directors	3 Directors	3 Directors	3 Directors
Strategy Track record of developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of agreed strategic planning objectives.	12 Directors	4 Directors	3 Directors	3 Directors	3 Directors
Financial acumen Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.	12 Directors	4 Directors	3 Directors	3 Directors	3 Directors
Capital projects Experience working in an industry with projects involving large-scale capital outlays and long-term investment horizons.	10 Directors	3 Directors	3 Directors	2 Directors	3 Directors
Health, safety and environment Experience related to workplace health and safety, environmental and social responsibility, and community.	11 Directors	4 Directors	3 Directors	2 Directors	3 Directors
Remuneration Board remuneration committee membership or management experience in relation to remuneration, including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration.	12 Directors	4 Directors	3 Directors	3 Directors	3 Directors
Mining Senior executive experience in a large mining organisation combined with an understanding of the Group's corporate objective to create long-term value for shareholders through the discovery, development and conversion of natural resources.	4 Directors	1 Director	0 Directors	0 Directors	2 Directors
Oil and gas Senior executive experience in the oil and gas industry, including in depth knowledge of the Group's strategy, markets, competitors, operational issues, technology and regulatory concerns.	4 Directors	1 Director	2 Directors	2 Directors	1 Director
Marketing Senior executive experience in marketing and a detailed understanding of the Group's corporate objective to create long-term value for shareholders through the provision of innovative customer and market-focused solutions.	10 Directors	3 Directors	3 Directors	3 Directors	3 Directors
Public policy Experience in public and regulatory policy, including how it affects corporations.	12 Directors	4 Directors	3 Directors	3 Directors	3 Directors
Total Directors	12 Directors	4 Directors	3 Directors	3 Directors	3 Directors

Director qualifications

Non-executive Director locations



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5.3.4 Chairman

The Chairman of the Group is responsible for leading the Board and ensuring that it is operating to the highest governance standards. The Chairman is charged with building an effective, high performing and collegial team of Directors and ensuring that they operate effectively as a Board.

The Chairman, Jacques Nasser, is considered by the Board to be independent. He was appointed Chairman of the Group from 31 March 2010 and has been a Non-executive Director of the Group since 6 June 2006. Mr Nasser was last re-elected at the 2010 Annual General Meetings and will stand for re-election in 2011.

The Chairman's role includes:

- ensuring that the principles and processes of the Board are maintained, including the provision of accurate, timely and clear information;
- encouraging debate and constructive criticism;
- setting agendas for meetings of the Board, in conjunction with the CEO and Group Company Secretary, that focus on the strategic direction and performance of our business;
- ensuring that adequate time is available for discussion on strategic issues;
- leading the Board and individual Director performance assessments;
- speaking and acting for the Board and representing the Board to shareholders;
- presenting shareholders' views to the Board;
- facilitating the relationship between the Board and the CEO.

The Board considers that none of Mr Nasser's other commitments (set out in section 4.1 of this Annual Report) interfere with the discharge of his responsibilities to the Group. The Board is satisfied that he makes sufficient time available to serve the Group effectively.

The Group does not have a Deputy Chairman, but has identified John Schubert to act as Chairman should the need arise at short notice. John Buchanan is the Senior Independent Director for BHP Billiton Plc.

5.3.5 Independence

The Board is committed to ensuring a majority of Directors are independent.

Process to determine independence

The Board has a policy that it uses to determine the independence of its Directors. This determination is carried out upon appointment, annually and at any other time where the circumstances of a Director change such as to warrant reconsideration.

A copy of the Policy on Independence of Directors is available at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx*.

The policy provides that the test of independence is whether the Director is: 'independent of management and any business or other relationship that could materially interfere with the exercise of objective, unfettered or independent judgement by the Director or the Director's ability to act in the best interests of the BHP Billiton Group'.

Where a Director is considered by the Board to be independent, but is affected by circumstances that appear relevant to the Board's assessment of independence, the Board has undertaken to explain the reasons why it reached its conclusion. In applying the independence test, the Board considers relationships with management, major shareholders, subsidiary and associated companies and other parties with whom the Group transacts business against predetermined materiality thresholds, all of which are set out in the policy. A summary of the factors that may be perceived to impact the independence of Directors is set out below.

Tenure

Two Directors, David Crawford and John Schubert, have each served on the Board for more than nine years from the date of their first election. Both Mr Crawford and Dr Schubert are standing for re-election at the 2011 Annual General Meetings, having undergone a formal performance assessment. Although Mr Crawford was first appointed to the BHP Limited Board in 1994, the Board considers that he makes a significant contribution to the work of the Board and that his deep knowledge of the Group is particularly important at a time when almost half the Non-executive Directors have between zero to three years tenure. The Board does not believe that either Mr Crawford's or Dr Schubert's tenure materially interferes with their ability to act in the best interests of the Group. The Board also believes that each of them has retained independence of character and judgement and has not formed associations with management (or others) that might compromise their ability to exercise independent judgement or act in the best interests of the Group.

Retirement plan

As former Directors of BHP Limited, David Crawford and John Schubert participated in a retirement plan approved by shareholders in 1989. The plan was closed on 24 October 2003 and benefits accrued to that date, together with interest earned on the benefits, have been preserved and will be paid on retirement. The Board does not believe that the independence of any participating Director is compromised as a result of this plan.

Relationships and associations

Lindsay Maxsted was the Chief Executive Officer of KPMG in Australia from January 2001 until December 2007. The Board considers that this prior relationship with KPMG does not materially interfere with Mr Maxsted's exercise of objective, unfettered or independent judgement, or his ability to act in the best interests of the BHP Billiton Group, and has determined, consistent with its policy on the independence of Directors, that Mr Maxsted is independent. The Board notes in particular that:

- At the time of his appointment to the Board, more than three years had elapsed since Mr Maxsted's retirement from KPMG. The Director independence rules and guidelines that apply to the Group – which are a combination of Australian, UK and US rules and guidelines – all use three years as the benchmark 'cooling off' period for former audit firm partners;
- Mr Maxsted has no financial (eg. pension, retainer or advisory fee) or consulting arrangements with KPMG;
- Mr Maxsted has not been part of the KPMG audit practice since 1980 and has not been in any way involved in, or able to influence, any audit activity associated with BHP Billiton.

The Board considers Mr Maxsted's financial acumen and extensive experience in the corporate restructuring field to be important in the discharge of the Board's responsibilities. Accordingly, his membership of the Board and Chairmanship of the RAC are considered by the Board to be appropriate and desirable.

David Crawford was a partner of KPMG in Australia until his retirement in June 2001; however, he has had no relationship with KPMG since that time and the Board does not consider Mr Crawford's independence to be compromised as a result of this relationship that ended more than 10 years ago.

Some of the Directors hold or previously held positions in companies with which we have commercial relationships. Those positions and companies are set out in section 4.1 of this Annual Report. The Board has assessed all of the relationships between the Group and companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interests of our business.

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5.3.5 Independence continued

Transactions during the year that amounted to related-party transactions with Directors or Director-related entities under International Financial Reporting Standards (IFRS) are outlined in note 30 'Key Management Personnel' to the financial statements.

Carolyn Hewson and Lindsay Maxsted are both Directors and currently Audit, Risk Management and Nomination Committee members of Westpac Banking Corporation. Mr Maxsted is Chairman-elect of Westpac and is scheduled to become Westpac's Chairman in December 2011. The Board has assessed this cross directorship and concluded that it does not interfere with the Directors' exercise of objective, unfettered or independent judgement or the Directors' ability to act in the Group's best interests.

Executive Director

The Executive Director, Marius Kloppers, is not considered independent because of his executive responsibilities. Mr Kloppers does not hold directorships in any other company included in the ASX 100 or FTSE 100.

Conflicts of interest

The UK Companies Act requires that BHP Billiton Directors avoid a situation where they have, or can have, an unauthorised direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. In accordance with the UK Companies Act, BHP Billiton Plc's Articles of Association were amended at the 2008 Annual General Meetings to allow the Directors to authorise conflicts and potential conflicts where appropriate. A procedure operates to ensure the disclosure of conflicts and for the consideration and, if appropriate, the authorisation of them by non-conflicted Directors. The Nomination Committee supports the Board in this process, both by reviewing requests from Directors for authorisation of situations of actual or potential conflict and making recommendations to the Board and by regularly reviewing any situations of actual or potential conflict that have previously been authorised by the Board, and making recommendations regarding whether the authorisation remains appropriate. In addition, in accordance with Australian law, if a situation arises for consideration in which a Director has a material personal interest, the affected Director takes no part in decision-making.

5.3.6 Senior Independent Director

The Board has appointed John Buchanan as the Senior Independent Director of BHP Billiton Plc in accordance with the UK Corporate Governance Code. Dr Buchanan is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO. Dr Buchanan, as Senior Independent Director, also provides a sounding board for the Chairman and serves as an intermediary for other Directors if necessary.

5.3.7 Terms of appointment

The Board has adopted a letter of appointment that contains the terms on which Non-executive Directors will be appointed, including the basis upon which they will be indemnified. The letter of appointment clearly defines the role of Directors, including the expectations in terms of independence, participation, time commitment and continuous improvement. In summary, Directors are expected to constructively challenge; set values and standards of the Group; monitor the performance of management; satisfy themselves as to the adequacy and integrity of financial statements; and satisfy themselves that the systems for the identification and management of risks are robust and appropriate. Directors are also expected to commit sufficient time to carry out their role and to participate in continuous improvement programs and internal review to support ongoing development. The letter of appointment also makes it clear that Directors are required to disclose circumstances that may affect, or be perceived to affect, their ability to exercise independent judgement so that the Board can assess independence on a regular basis.

A copy of the terms of appointment is available at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.*

5.3.8 Induction and training

The Board considers that the development of Group and industry knowledge is a continuous and ongoing process.

Upon appointment, each new Non-executive Director undertakes an induction program specifically tailored to their needs.

A copy of an indicative induction program is available at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.*

Non-executive Directors undertake to participate in continuous improvement programs, as required by their terms of appointment.

Structured opportunities for improvement are provided to continuously build a Director's knowledge. During the year, Non-executive Directors participated in development activities, including:

- business briefings intended to provide each Director with a deeper understanding of the activities, environment and key issues and direction of CSGs;
- development sessions on specific topics of relevance, such as climate change, commodity markets and changes in corporate governance standards;
- visits to key sites;
- addresses by external speakers, who are generally experts in their field.

In addition, each Non-executive Director has an individual development plan in order to provide a personalised approach to updating the Director's skills and knowledge. The program is designed to maximise the effectiveness of the Directors throughout their tenure and links in with their individual performance reviews (discussed further in section 5.4.1). The training and development program covers not only matters of a business nature, but also matters falling into the environmental, social and governance (ESG) area.

The Nomination Committee has oversight of the Directors' Training and Development Program. The benefit of this approach is that induction and learning opportunities can be tailored to Directors' Committee memberships and that the process in relation to Committee composition, succession and training and development is coordinated to ensure a link with the Nomination Committee's role in securing the supply of talent to the Board.

5.3.9 Independent advice

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. Individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Group's expense.

5.3.10 Remuneration

Details of our remuneration policies and practices and the remuneration paid to the Directors (Executive and Non-executive) and members of the GMC are set out in the Remuneration Report in section 6 of this Annual Report. Shareholders will be invited to consider and to approve the Remuneration Report at the 2011 Annual General Meetings.

5.3.11 Share ownership

Non-executive Directors have agreed to apply at least 25 per cent of their remuneration to the purchase of BHP Billiton shares until they achieve a shareholding equivalent in value to one year's remuneration. Thereafter, they must maintain at least that level of shareholding throughout their tenure. All dealings by Directors are subject to the Group's Securities Dealing document and are reported to the Board and to the stock exchanges.

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5.3.11 Share ownership continued

Information on our policy governing the use of hedge arrangements over shares in BHP Billiton by both Directors and members of the GMC is set out in section 6.3 of this Annual Report.

Details of the shares held by Directors are set out in section 7.20 of this Annual Report.

5.3.12 Meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the reporting year the Board met 10 times, with six of those meetings being held in Australia, three in the UK and one in the US. Generally, meetings run over three days (includes Committee meetings). The Non-executive Directors meet during each Board meeting in the absence of the Executive Director and management, and the session is chaired by the Group Chairman. Attendance by Directors at Board and Board Committee meetings is set out in the table in section 5.4.1.

Members of the GMC and other members of senior management attended meetings of the Board by invitation. Senior managers delivered presentations on the status and performance of our businesses and matters reserved for the Board, including the approval of budgets, annual financial statements and business strategy.

5.3.13 Company Secretaries

Jane McAloon is the Group Company Secretary. Ms McAloon's qualifications and experience are set out in section 4.1. The Group Company Secretary is responsible for developing and maintaining the information systems and processes that enable the Board to fulfil its role. The Group Company Secretary is also responsible to the Board for ensuring that Board procedures are complied with and advising the Board on governance matters. All Directors have access to the Group Company Secretary for advice and services. Independent advisory services are retained by the Group Company Secretary at the request of the Board or Board Committees. Ms McAloon is supported by Elisabeth Joyner, who was appointed in March 2011 as Deputy Company Secretary of BHP Billiton Limited, and Elizabeth Hobley and Geof Stapledon, who are Deputy Company Secretaries of BHP Billiton Plc. The Board appoints and removes the Company Secretaries.

5.4 Board of Directors – Review, re-election and renewal

5.4.1 Review

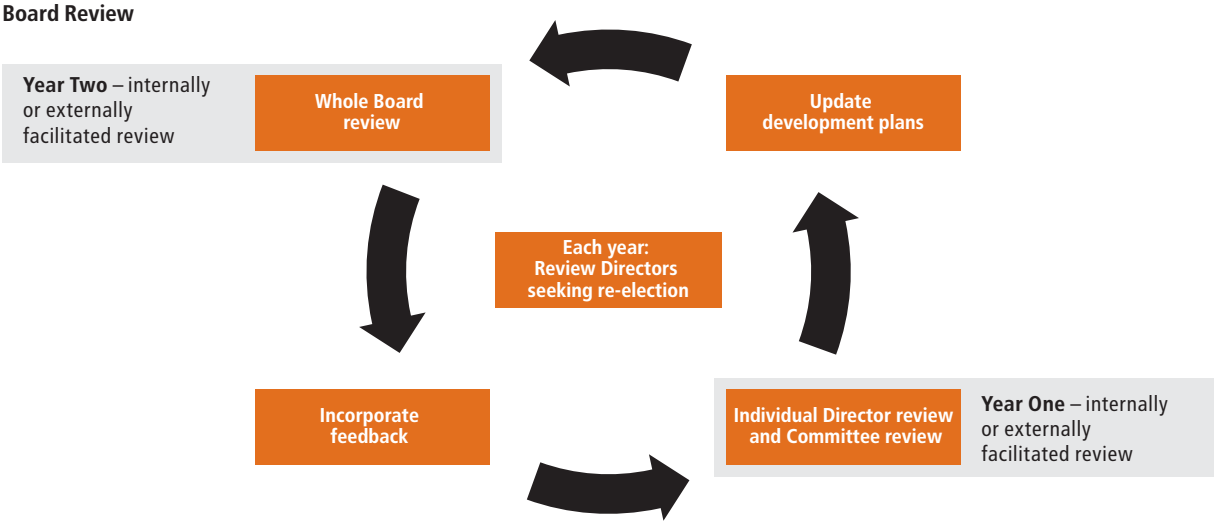
The Board is committed to transparency in determining Board membership and in assessing the performance of Directors. The Board assesses its performance through a combination of internal peer review and externally facilitated evaluation. Contemporary performance measures are considered an important part of this process. Directors' performance is also measured against their individual development plans (see section 5.3.8).

The Board conducts regular evaluations of its performance, the performance of its Committees, the Chairman, individual Directors and the governance processes that support the Board's work. This includes analysis of how the Board and its Directors are functioning, the time spent by the Board considering matters and whether the Terms of Reference of the Board Committees have been met, as well as compliance with the *Board Governance Document*. The evaluation of the Board's performance is conducted by focusing on individual Directors and Board Committees in one year and the Board as a whole in the following year. In addition, the Board conducts evaluations of the performance of Directors retiring and seeking re-election and uses the results of the evaluation when considering whether to recommend the re-election of particular Directors.

During internally facilitated individual Director reviews, each of the Directors give anonymous feedback on their peers' performance and individual contributions to the Board via the Chairman. In respect of the Chairman's performance, Directors provide feedback directly to John Schubert to be passed on anonymously to the Chairman. External independent advisers are engaged to assist these processes as necessary and an externally facilitated review of the Board, Directors or Committees takes place at least every two years. It is thought that the involvement of an independent third party has assisted the evaluation processes to be both rigorous and fair.

During the year, an externally facilitated evaluation of the Board, which commenced in the previous financial year, was undertaken. The review indicated that the Board is continuing to function effectively and in accordance with the terms of the *Board Governance Document*. In addition, externally facilitated reviews of individual Directors and of each Board Committee have been undertaken.

Board Review



5.4.1 Review continued

The evaluation of individual Directors focuses on the contribution of the Director to the work of the Board and the expectations of Directors as specified in the Group's governance framework. The performance of individual Directors is assessed against a range of criteria, including the ability of the Director to:

- consistently take the perspective of creating shareholder value;
- contribute to the development of strategy;
- understand the major risks affecting the business;
- provide clear direction to management;
- contribute to Board cohesion;
- commit the time required to fulfil the role and perform their responsibilities effectively;
- listen to and respect the ideas of fellow Directors and members of management.

The effectiveness of the Board as a whole and of its Committees is assessed against the accountabilities set down in the *Board Governance Document* and each of the Committees' Terms of Reference. Matters considered in the assessment include:

- the effectiveness of discussion and debate at Board and Committee meetings;
- the effectiveness of the Board's and Committees' processes and relationship with management;
- the quality and timeliness of meeting agendas, Board and Committee papers and secretariat support;
- the composition of the Board and each Committee, focusing on the blend of skills and experience.

The process is managed by the Chairman, but feedback on the Chairman's performance is provided to him by John Schubert.

Information about the performance review process for executives is set out in section 5.7.

Attendance at Board and Board Committee meetings during the year ended 30 June 2011

	Board		Risk and Audit		Nomination		Remuneration		Sustainability	
	A	B	A	B	A	B	A	B	A	B
Alan Boeckmann [1]	7	6	–	–	–	–	6	6	–	–
Malcolm Broomhead	10	10	–	–	–	–	–	–	7	7
John Buchanan	10	10	–	–	7	7	8	8	–	–
Carlos Cordeiro	10	10	–	–	–	–	8	8	–	–
David Crawford [2]	10	10	9	9	–	–	–	–	–	–
Carolyn Hewson	10	10	9	9	–	–	–	–	–	–
Marius Kloppers	10	10	–	–	–	–	–	–	–	–
Lindsay Maxsted [3]	3	3	1	1	–	–	–	–	–	–
Wayne Murdy	10	10	9	8	–	–	–	–	–	–
Jacques Nasser	10	10	–	–	7	7	–	–	–	–
Keith Rumble	10	9	–	–	–	–	–	–	7	7
John Schubert	10	10	–	–	7	7	8	8	7	7
Shriti Vadera [4]	4	4	–	–	–	–	–	–	–	–

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.
Column B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

(1) Alan Boeckmann retired from the Board and the Remuneration Committee on 23 March 2011.
(2) David Crawford retired from the RAC on 6 September 2011.
(3) Lindsay Maxsted was appointed to the Board on 23 March 2011 and to the RAC on 21 June 2011, and was subsequently appointed Chairman of that Committee on 6 September 2011.
(4) Shriti Vadera was appointed to the Board on 1 January 2011 and to the RAC on 16 August 2011.

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5.4.2 Re-election

In August 2011 the Board adopted a policy consistent with the UK Corporate Governance Code, under which all Directors must, if they wish to remain on the Board, seek re-election by shareholders annually. This new policy will take effect at the 2011 Annual General Meetings, and replaces the previous system, as set out in the Constitution of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc, under which Directors were required to submit themselves to shareholders for re-election at least every three years.

Board support for reappointment is not automatic. Retiring Directors who are seeking re-election are subject to a performance appraisal overseen by the Nomination Committee. Following that appraisal, the Board, on the recommendation of the Nomination Committee, makes a determination as to whether it will endorse a retiring Director for re-election. The Board will not endorse a Director for re-election if his or her performance is not considered satisfactory. The Board will advise shareholders in the Notice of Meeting whether or not re-election is supported.

BHP Billiton does not apply or implement a 'no vacancy' rule in relation to Board appointments. Accordingly, Director candidates can be elected to the Board by ordinary resolution and are not required to out-poll an incumbent Director in order to be elected.

5.4.3 Renewal

The Board plans for its own succession with the assistance of the Nomination Committee. In doing this, the Board:

- considers the diversity of skills, backgrounds, knowledge, experience and gender necessary to allow it to meet the strategic vision for the business;
- assesses the skills, backgrounds, knowledge, experience and gender currently represented;
- identifies any inadequate representation of those attributes and agrees the process necessary to ensure a candidate is selected who brings them to the Board;
- reviews how Board performance might be enhanced, both at an individual Director level and for the Board as a whole.

The Board believes that an orderly succession and renewal process is in the best interests of the Group. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

When considering new appointments to the Board, the Nomination Committee oversees the preparation of a position specification that is provided to an independent recruitment organisation retained to conduct a global search. Independent search firms retained are instructed to consider a wide range of candidates, including taking into account geographic location, nationality and gender. In addition to the specific skills, knowledge and experience deemed necessary, the specification contains criteria such as:

- a proven track record of creating shareholder value;
- unquestioned integrity;
- a commitment to the highest standards of governance;
- having the required time available to devote to the job;
- strategic mind set, an awareness of market leadership, outstanding monitoring skills;
- a preparedness to question, challenge and critique;
- an independent point of view.

Newly appointed Directors must submit themselves to shareholders for election at the first Annual General Meeting following their appointment.

Risk and Audit Committee Chairman succession

Following completion of the succession planning process for the Board Chairman in 2010, the Board continued the succession planning process for the Chairman of the RAC. The succession planning process involved careful consideration of the skills, knowledge and experience required on the Board, in particular the skills and experience required to properly fulfil the duties of the RAC Chairman, given the size and complexity of the Group.

Mr Lindsay Maxsted, a corporate recovery specialist who has managed a number of Australia's largest corporate insolvency and restructuring engagements, was appointed as the new RAC Chairman from 6 September 2011. David Crawford retired as RAC Chairman and as a member of the RAC on 6 September 2011. At the request of the Board, Mr Crawford is standing for re-election to the Board.

5.5 Board Committees

The Board has established Committees to assist it in exercising its authority, including monitoring the performance of the business to gain assurance that progress is being made towards the corporate objective within the limits imposed by the Board. The permanent Committees of the Board are the RAC, the Sustainability Committee, the Nomination Committee and the Remuneration Committee. Other Committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has Terms of Reference under which authority is delegated by the Board.

The Terms of Reference for each Committee can be found at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx*.

The office of the Company Secretary provides secretariat services for each of the Committees. Committee meeting agendas, papers and minutes are made available to all members of the Board. Subject to appropriate controls and the overriding scrutiny of the Board, Committee Chairmen are free to use whatever resources they consider necessary to discharge their responsibilities.

Reports from each of the Committees appear below.

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5.5.1 Risk and Audit Committee Report

The Risk and Audit Committee (RAC) met nine times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1 and information on their qualifications is included in section 4.1.

Risk and Audit Committee members during the year [3]

Name	Status
David Crawford (Chairman) [2]	Member for whole period [1]
Carolyn Hewson	Member for whole period
Lindsay Maxsted [1][2]	Member from 21 June 2011
Wayne Murdy	Member for whole period

(1) David Crawford retired from the Committee on 6 September 2011. Lindsay Maxsted was appointed as the Committee's Chairman from 6 September 2011.
(2) David Crawford was until 6 September 2011 the Committee's financial expert nominated by the Board, and effective from 6 September 2011 the nominated financial expert has been Lindsay Maxsted.
(3) Shriti Vadera was appointed to the Committee on 16 August 2011.

Role and focus

The role of the RAC is to assist the Board in monitoring the decisions and actions of the CEO and the Group and to gain assurance that progress is being made towards the corporate objective within the CEO limits. The RAC undertakes this by overseeing:

- the integrity of the financial statements;
- the appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the audit process as a whole;
- the performance and leadership of the internal audit function;
- the effectiveness of the systems of internal controls and risk management;
- compliance with applicable legal and regulatory requirements;
- compliance by management with constraints imposed by the Board.

Business Group Risk and Audit Committees

To assist management in providing the information necessary to allow the RAC to discharge its responsibilities, Risk and Audit Committees have been established for each of our Business Groups, incorporating each CSG and for key functional areas such as Marketing and Treasury. As illustrated in the diagram below, these Committees, known as Business Group RACs, have been established and operate as committees of management, but are chaired by members of the RAC. They perform an important monitoring function in the overall governance of the Group.

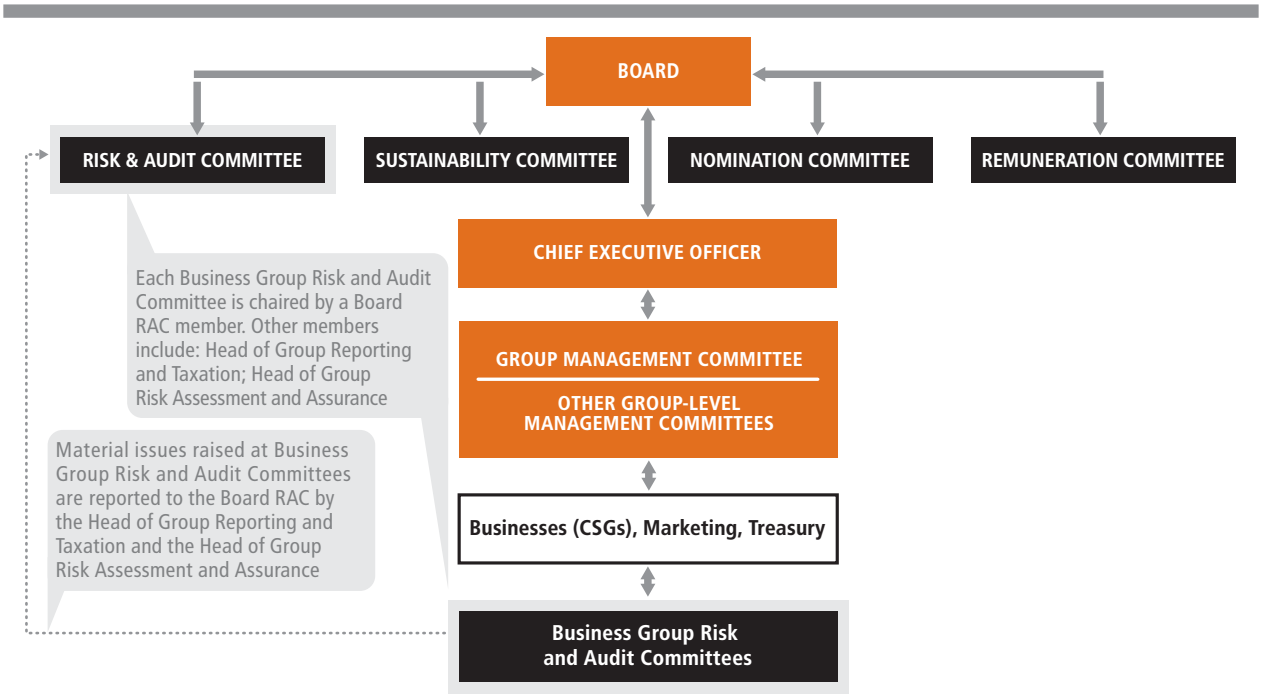
Significant financial and risk matters raised at Business Group RAC meetings are reported to the RAC by the Head of Group Reporting and Taxation and the Head of Group Risk Assessment and Assurance.

Activities undertaken during the year

Integrity of financial statements

The RAC assists the Board in assuring the integrity of the financial statements. The RAC evaluates and makes recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgement, compliance with Accounting Standards, stock exchange and legal requirements and the results of the external audit. It reviews the half yearly and annual financial statements and makes recommendations on specific actions or decisions (including formal adoption of the financial statements and reports) the Board should consider in order to maintain the integrity of the financial statements. From time to time, the Board may delegate authority to the RAC to approve the release of the statements to the stock exchanges, shareholders and the financial community.

The CEO and CFO have certified that the 2011 financial statements present a true and fair view, in all material respects, of our financial condition and operating results and are in accordance with applicable regulatory requirements.



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External Auditor

The RAC manages the relationship with the External Auditor on behalf of the Board. It considers the reappointment of the External Auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. The last competitive audit review was in 2003, when KPMG was appointed by the Board on the recommendation of the RAC. There are no contractual obligations that restrict the RAC's capacity to recommend a particular firm for appointment as auditor. Shareholders are asked to approve the reappointment of the auditor each year in the UK.

The RAC evaluates the performance of the External Auditor during its term of appointment against specified criteria, including delivering value to shareholders and ourselves. The RAC reviews the integrity, independence and objectivity of the External Auditor. This review includes:

- confirming that the External Auditor is, in its judgement, independent of the Group;
- obtaining from the External Auditor an account of all relationships between the External Auditor and the Group;
- monitoring the number of former employees of the External Auditor currently employed in senior positions and assessing whether those appointments impair, or appear to impair, the External Auditor's judgement or independence;
- considering whether the various relationships between the Group and the External Auditor collectively impair, or appear to impair, the External Auditor's judgement or independence;
- determining whether the compensation of individuals employed by the External Auditor who conduct the audit is tied to the provision of non-audit services and, if so, whether this impairs, or appears to impair, the External Auditor's judgement or independence;
- reviewing the economic importance of our business to the External Auditor and assessing whether that importance impairs, or appears to impair, the External Auditor's judgement or independence.

The External Auditor also certifies its independence to the RAC.

The audit engagement partner rotates every five years.

Although the External Auditor does provide some non-audit services, the objectivity and independence of the External Auditor is safeguarded through restrictions on the provision of these services. For example, certain types of non-audit service may only be undertaken by the External Auditor with the prior approval of the RAC (as described below), while other services may not be undertaken at all, including services where the External Auditor:

- may be required to audit its own work;
- participates in activities that would normally be undertaken by management;
- is remunerated through a 'success fee' structure;
- acts in an advocacy role for our business.

The RAC has adopted a policy entitled 'Provision of Audit and Other Services by the External Auditor' covering the RAC's pre-approval policies and procedures to maintain the independence of the External Auditor.

Our Policy on Provision of Audit and Other Services by the External Auditor can be viewed at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx*.

In addition to audit services, the External Auditor will be permitted to provide other (non-audit) services that are not, and are not perceived to be, in conflict with the role of the External Auditor. In accordance with the requirements of the Securities Exchange Act and guidance contained in Public Company Accounting Oversight Board (PCAOB) Release 2004-001, certain specific activities are listed in our detailed policy which have been 'pre-approved' by the RAC.

The categories of 'pre-approved' services are as follows:

- Audit services – work that constitutes the agreed scope of the statutory audit and includes the statutory audits of the Group and its entities (including interim reviews). The RAC will monitor the Audit services engagements and approve, if necessary, any changes in terms and conditions resulting from changes in audit scope, Group structure or other relevant events.
- Audit-related/assurance services – work that is outside the required scope of the statutory audit, but is consistent with the role of the external statutory auditor. This category includes work that is reasonably related to the performance of an audit or review and is a logical extension of the audit or review scope, is of an assurance or compliance nature and is work that the External Auditor must or is best placed to undertake.
- Tax services – work of a tax nature that does not compromise the independence of the External Auditor.
- Other advisory services – work of an advisory nature that does not compromise the independence of the External Auditor.

Activities not listed specifically are therefore not 'pre-approved' and must be approved by the RAC prior to engagement, regardless of the dollar value involved. Additionally, any engagement for other services with a value over US$100,000, even if listed as a 'pre-approved' service, can only be approved by the RAC, and all engagements for other services, whether 'pre-approved' or not, and regardless of the dollar value involved, are reported quarterly to the RAC.

While not specifically prohibited by our policy, any proposed non-audit engagement of the External Auditor relating to internal control (such as a review of internal controls or assistance with implementing the regulatory requirements, including the Securities Exchange Act) must obtain specific prior approval by the RAC. With the exception of the external audit of the Group financial report, any engagement identified that contains an internal control-related element is not considered to be pre-approved. In addition, while the categories shown above include a list of certain pre-approved services, the use of the External Auditor to perform such services shall always be subject to our overriding governance practices as articulated in the policy.

An exception can be made to the above policy where such an exception is in our interests and appropriate arrangements are put in place to ensure the integrity and independence of the External Auditor. Any such exception requires the specific prior approval of the RAC and must be reported to the Board. No exceptions were approved during the year ended 30 June 2011.

In addition, the RAC approved no services during the year ended 30 June 2011 pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of the US Securities and Exchange Commission's (SEC) Regulation S-X.

Fees paid to the Group's External Auditor during the year for audit and other services were US$23.7 million, of which 60 per cent comprised audit fees, 30 per cent related to legislative requirements (including Sarbanes-Oxley) and 10 per cent were for other services. Details of the fees paid are set out in note 34 'Auditor's remuneration' to the financial statements.

Based on the review by the RAC, the Board is satisfied that the External Auditor is independent.

5.5.1 Risk and Audit Committee Report continued

Internal Audit

The Internal Audit function is carried out internally by Group Audit Services (GAS). The role of GAS is to determine whether risk management, control and governance processes are adequate and functioning. The Internal Audit function is independent of the External Auditor. The RAC reviews the mission and charter of GAS, the staffing levels and its scope of work to ensure that it is appropriate in light of the key risks we face. It also reviews and approves the annual internal audit plan.

The RAC also approves the appointment and dismissal of the Head of Group Risk Assessment and Assurance and assesses his or her performance, independence and objectivity. The role of the Head of Group Risk Assessment and Assurance includes achievement of the internal audit objectives, risk management policies and insurance strategy. The position is held by Stefano Giorgini. Mr Giorgini reports to senior management and has all necessary access to management and the right to see information and explanations, and has unfettered access to the RAC.

Effectiveness of systems of internal control and risk management

In delegating authority to the CEO, the Board has established CEO limits set out in the *Board Governance Document*. Limits on the CEO's authority require the CEO to ensure that there is a system of control in place for identifying and managing risk. The Directors, through the RAC, review the systems that have been established for this purpose and regularly review their effectiveness. These reviews include assessing whether processes continue to meet evolving external governance requirements.

The RAC is responsible for the oversight of risk management and reviews the internal controls and risk management systems. In undertaking this role the RAC reviews the following:

- procedures for identifying business and operational risks and controlling their financial impact on the Group and the operational effectiveness of the policies and procedures related to risk and control;
- budgeting and forecasting systems, financial reporting systems and controls;
- policies and practices put in place by the CEO for detecting, reporting and preventing fraud and serious breaches of business conduct and whistle-blowing procedures;
- procedures for ensuring compliance with relevant regulatory and legal requirements;
- arrangements for protecting intellectual property and other non-physical assets;
- operational effectiveness of the Business Group RAC structures;
- overseeing the adequacy of the internal controls and allocation of responsibilities for monitoring internal financial controls.

For further discussion on our approach to risk management, refer to section 5.6.

During the year, the Board conducted reviews of the effectiveness of the Group's system of internal controls for the financial year and up to the date of this Annual Report in accordance with the UK Corporate Governance Code (Turnbull Guidance) and the Principles and Recommendations published by the ASX Corporate Governance Council. These reviews covered financial, operational and compliance controls and risk assessment. During the year, management presented an assessment of the material business risks facing the Group and the level of effectiveness of risk management over the material business risks. The reviews were overseen by the RAC, with findings and recommendations reported to the Board. In addition to considering key risks facing the Group, the Board received an assessment of the effectiveness of internal controls over key risks identified through the work of the Board Committees. The Board is satisfied that the effectiveness of the internal controls has been properly reviewed.

Management's assessment of our internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934). Under the supervision and with the participation of our management, including our CEO and CFO, we have evaluated the effectiveness of the Group's internal control over financial reporting based on the framework and criteria established in Internal Controls – Integrated Framework, issued by the Sponsoring Organisation of the Treadway Commission (COSO). Based on this evaluation, management has concluded that internal control over financial reporting was effective as at 30 June 2011. There were no material weaknesses in the Group's internal controls over financial reporting identified by management.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and, even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

There have been no changes in our internal control over financial reporting during FY2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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5.5.1 Risk and Audit Committee Report continued

The CEO and CFO have certified to the Board that the financial statements are founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects.

During the year, the RAC reviewed our compliance with the obligations imposed by the US Sarbanes-Oxley Act, including evaluating and documenting internal controls as required by section 404 of the Act.

Management's assessment of our disclosure controls and procedures

Our management, with the participation of our CEO and CFO, has performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of 30 June 2011. Disclosure controls and procedures are designed to provide reasonable assurance that the material financial and non-financial information required to be disclosed by BHP Billiton, including in the reports that it files or submits under the US Securities Exchange Act of 1934, is recorded, processed, summarised and reported on a timely basis and that such information is accumulated and communicated to BHP Billiton's management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on the foregoing, our management, including the CEO and CFO, has concluded that our disclosure controls and procedures are effective in providing that reasonable assurance.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Further, in the design and evaluation of our disclosure controls and procedures, our management was necessarily required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

Assessment of RAC performance

During 2011, the Committee retained the services of the JCA Group, a UK based provider of board evaluation services, to assist with an externally facilitated review of the Committee's effectiveness. The Committee also assessed its performance in accordance with its Terms of Reference. As a result of its own assessment and feedback from the JCA Group, the Committee is satisfied it has met its Terms of Reference.

5.5.2 Remuneration Committee Report

The Remuneration Committee met eight times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1.

Remuneration Committee members during the year

Name	Status
John Buchanan (Chairman)	Member for whole period
Alan Boeckmann	Member to 23 March 2011
Carlos Cordeiro	Member for whole period
John Schubert	Member for whole period

Role and focus

The role of the Committee is to assist the Board in its oversight of:

- the remuneration policy and its specific application to the CEO and the CEO's direct reports, and its general application to all employees;
- the determination of levels of reward for the CEO and approval of reward to the CEO's direct reports;
- the annual evaluation of the performance of the CEO, by giving guidance to the Chairman;
- communication to shareholders regarding remuneration policy and the Committee's work on behalf of the Board, including the preparation of the Remuneration Report for inclusion in the Annual Report;
- compliance with applicable legal and regulatory requirements associated with remuneration matters.

Changes to Terms of Reference

During the year, in response to corporate governance reviews that had highlighted the continuing lack of diversity among experienced Director candidates in Australia and the UK, the Committee's Terms of Reference were reviewed to consider whether amendments were required to formalise diversity considerations. As a result, the Committee's Terms of Reference were amended so that its role includes assisting the Board in its oversight of the review, at least annually, of remuneration by gender, the relative proportion of men and women in the Group's workforce and the Group's progress in achieving its diversity objectives.

Activities undertaken during the year

Full details of the Committee's work on behalf of the Board are set out in the Remuneration Report in section 6.

During 2011, the Committee retained the services of the JCA Group to assist with an externally facilitated review of the Committee's effectiveness. The Committee also assessed its performance in accordance with its Terms of Reference. As a result of its own assessment and feedback from the JCA Group, the Committee is satisfied it has met its Terms of Reference.

5.5.3 Nomination Committee Report

The Nomination Committee met seven times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1.

Nomination Committee members during the year

Name	Status
Jacques Nasser (Chairman)	Member for whole period
John Buchanan	Member for whole period
John Schubert	Member for whole period

Role and focus

The role of the Committee is to assist in ensuring that the Board comprises individuals who are best able to discharge the responsibilities of a Director, having regard to the highest standards of governance, the strategic direction of the Group and the diversity aspirations of the Board. It does so by focusing on:

- assessing the skills, backgrounds, knowledge, experience and gender represented on the Board and identifying any inadequate representation of those attributes;
- retaining the services of independent search firms and identifying suitable candidates (possessing the skills identified by the skills assessment referred to above) for the Board;
- overseeing the review of the assessment of the performance of individual Directors and making recommendations to the Board on the endorsement of retiring Directors seeking re-election (see section 5.4.2);
- the plan for succession of the Chairman and the CEO and the periodic evaluation of it;
- the provision of appropriate training and development opportunities for Directors;
- supporting the Board in its review and, where appropriate, authorisation of actual and potential conflicts (see section 5.3.5);
- communicating to shareholders regarding the work of the Committee on behalf of the Board.

The Nomination Committee also has oversight of training and development activity for all Directors. The Board considers this enhances the Committee's ongoing consideration and review in relation to the appropriate skills mix for the Board.

Activities undertaken during the year

There were changes to the composition of the Board during the year. Shriti Vadera and Lindsay Maxsted joined the Board on 1 January 2011 and 23 March 2011, respectively. Alan Boeckmann retired from the Board on 23 March 2011. The Committee retained the services of Heidrick & Struggles and Egon Zehnder to assist in the identification of potential candidates for the Board. The Committee also oversaw the Director training and development program and the induction of new Directors (see section 5.3.8 for further information on Director induction and training).

The Committee's Terms of Reference were reviewed during the year to consider whether amendments were required to formalise diversity considerations. Amendments were subsequently made so that the diversity aspirations of the Board are expressly taken into account when identifying skills that may be required and suitable candidates.

During 2011, the Committee retained the services of the JCA Group to assist with an externally facilitated review of the Committee's effectiveness. The Committee also assessed its performance in accordance with its Terms of Reference. As a result of its own assessment and feedback from the JCA Group, the Committee is satisfied it has met its Terms of Reference.

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5.5.4 Sustainability Committee Report

The Sustainability Committee met seven times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1.

Sustainability Committee members during the year

Name	Status
John Schubert (Chairman)	Member for whole period
Malcolm Broomhead	Member for whole period
Keith Rumble	Member for whole period

Role and focus

The role of the Sustainability Committee is to assist the Board in its oversight of:

- the effectiveness of the Group's strategies, policies and systems associated with health, safety, environment and community (HSEC) matters;
- our compliance with applicable legal and regulatory requirements associated with HSEC matters;
- our performance in relation to HSEC matters;
- the performance and leadership of the HSEC function;
- HSEC risks;
- our annual Sustainability Report;
- communication to shareholders regarding the work of the Committee on behalf of the Board.

Sustainable development governance

Our approach to HSEC and sustainable development governance is characterised by:

- the Sustainability Committee overseeing the material HSEC matters and risks across the Group;
- business line management having primary responsibility and accountability for HSEC performance;
- the HSEC function providing advice and guidance directly, as well as through a series of networks across the business;
- seeking input and insight from external experts such as our Forum for Corporate Responsibility;
- clear links between remuneration and HSEC performance.

Activities undertaken during the year

During the year, the Sustainability Committee considered reports on strategic environmental issues, HSEC audits and trends, review of health and hygiene standards, learnings from fatal accidents and other incidents, and the potential impact of climate change regulation on the Group's portfolios and actions being taken to manage the implications of this regulation. It also reviewed the Group's performance against the HSEC public targets and the Key Performance Indicators for the HSEC function. The Committee also reviewed the performance of the Head of Group HSEC. The Committee reviewed and recommended to the Board the approval of the annual Sustainability Report for publication. The Sustainability Report identifies our targets for HSEC matters and our performance against those targets.

A copy of the Sustainability Report and further information can be found at *www.bhpbilliton.com/home/aboutus/sustainability/Pages/default.aspx*.

During 2011, the Committee retained the services of the JCA Group to assist with an externally facilitated review of the Committee's effectiveness. The Committee also assessed its performance in accordance with its Terms of Reference. As a result of its own assessment and feedback from the JCA Group, the Committee is satisfied it has met its Terms of Reference.

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5.6 Risk management

5.6.1 Approach to risk management

We believe that the identification and management of risk is central to achieving the corporate objective of delivering long-term value to shareholders. Each year, the Board reviews and considers the risk profile for the whole business. This risk profile covers both operational and strategic risks. The risk profile is assessed to ensure it supports the achievement of the Group's strategy while maintaining a strong 'A' credit rating.

The Board has delegated the oversight of risk management to the RAC although the Board retains overall accountability for the Group's risk profile. In addition, the Board specifically requires the CEO to implement a system of control for identifying and managing risk. The Directors, through the RAC, review the systems that have been established for this purpose and regularly review their effectiveness. The RAC regularly reports to the Board to enable it to review the Group's risk framework.

During the year, the RAC considered review processes for the nature and extent of material risks taken in achieving the corporate objective. These processes include the application of materiality and tolerance criteria to determine and assess material risks. Materiality criteria include maximum foreseeable loss and residual risk thresholds. Tolerance criteria additionally assess the control effectiveness of material risks.

The Group has established a Risk Management governance framework with supporting processes and performance requirements that provide an overarching and consistent approach for the identification, assessment and management of risks. Risks are ranked using a common methodology. Where a risk is assessed as material it is reported and reviewed by senior management. During the year, updated Risk Management Group Level Documents were approved and implemented across the Group.

Our Risk Management Policy can be found at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance/aspx.*

5.6.2 Business risks

The scope of our operations and the number of industries in which we operate and engage mean that a range of factors may impact our results. Material risks that could negatively affect our results and performance include:

- impacts arising from the global financial crisis;
- fluctuations in commodity prices;
- fluctuations in currency exchange rates;
- failure or non-performance of counterparties;
- failure to discover new reserves, maintain or enhance existing reserves or develop new operations;
- influence of demand from China;
- actions by governments, including additional taxation, infrastructure development, permitting requirements and political events in the countries in which we operate;
- inability to successfully integrate acquired businesses;
- inadequate human resource talent pool;
- impact of increased costs or schedule delays on development projects;
- inability to recover investments in mining and oil and gas projects;
- non-compliance with the Group's standards by non-controlled assets;
- operating cost pressures and shortages could negatively impact our operating margins and expansion plans;
- impact of health, safety, environmental and community exposures and related regulations on operations and reputation;
- unexpected natural and operational catastrophes;
- climate change, greenhouse effects and related regulations and taxes;
- breaches in information technology security;
- breaches in governance processes.

These risks are described in more detail in section 1.5.

5.6.3 Risk management governance structure

The principal aim of the Group's risk management governance structure and internal control systems is to identify, evaluate and manage business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

Management has put in place a number of key policies, processes, performance requirements and independent controls to provide assurance to the Board and the RAC as to the integrity of our reporting and effectiveness of our systems of internal control and risk management. The BHP Billiton Governance structure diagram in section 5.1 highlights the relationship between the Board and the various controls in the assurance process. Some of the more significant internal control systems include Board and management committees, Business Group RACs, the Risk Management Policy and internal audit.

Business Group Risk and Audit Committees

The Business Group RACs illustrated in the diagram in section 5.5.1 assist the RAC to monitor the Group's obligations in relation to financial reporting, internal control structure, risk management processes and the internal and external audit functions.

Board Committees

Directors also monitor risks and controls through the RAC, the Remuneration Committee and the Sustainability Committee.

Management Committees

Management committees also perform roles in relation to risk and control. Strategic risks and opportunities arising from changes in our business environment are regularly reviewed by the GMC and discussed by the Board. The Financial Risk Management Committee (FRMC) reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk, interest rate risk and insurance. Minutes of the GMC and the FRMC meetings are provided to the Board. The Investment Committee provides oversight for investment processes across the business and coordinates the investment toll-gating process for major investments. Reports are made to the Board on findings by the Investment Committee in relation to major capital projects.

5.7 Management

Below the level of the Board, key management decisions are made by the CEO, the GMC, other management committees and individual members of management to whom authority has been delegated. The diagram below describes the position of the CEO and three key management committees.

CHIEF EXECUTIVE OFFICER

- Holds delegated authority from the Board to achieve the corporate objective.
- Authority extends to all matters except those reserved for the Board's decision.
- CEO has delegated authority to management committees and individual members of management – but CEO remains accountable to Board for all authority delegated to him.

Group Management Committee

- Established by the CEO, the GMC is the Group's most senior executive body.
- Purpose is to provide leadership to the Group, determining its priorities and the way it is to operate, thereby assisting the CEO in pursuing the corporate objective.
- Is a forum to debate high-level matters important to the Group and to ensure consistent development of the Group's strategy.
- See section 4.2 for GMC members.

Financial Risk Management Committee

- Purpose is to assist the CEO to monitor and oversee the management of the financial risks faced by the Group, including:
  - commodity price risk;
  - currency risk;
  - interest rate risk;
  - counterparty credit risk;
  - financing risk;
  - insurance.

Investment Committee

- Purpose is to ensure rigorous and consistent investment processes are in place and working effectively, so that:
  - investments are aligned with Group's priorities and strategy;
  - key risks and opportunities are identified and managed;
  - shareholder value is maximised.

Performance evaluation for executives

The performance of executives and other senior employees is reviewed on an annual basis. For members of the GMC, this review includes their contribution, engagement and interaction at Board level. The annual performance review process that we employ considers the performance of executives against criteria designed to capture both 'what' is achieved and 'how' it is achieved. All performance assessments of executives consider how effective they have been in undertaking their role; what they have achieved against their specified key performance indicators; how they match up to the behaviours prescribed in our leadership model and how those behaviours align with *Our BHP Billiton Charter* values. The assessment is therefore holistic and balances absolute achievement with the way performance has been delivered. Progression within the Group is driven equally by personal leadership behaviours and capability to produce excellent results.

A performance evaluation as outlined above was conducted for all members of the GMC in FY2011. For the CEO, the performance evaluation was led by the Chairman of the Board on behalf of all the Non-executive Directors, drawing on guidance from the Remuneration Committee.

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5.8 Diversity at BHP Billiton

Corporate governance reviews have highlighted that there is a continuing lack of diversity among experienced Director candidates in Australia and the UK. The Board reviewed its existing practices during the year, including how the Board and the Nomination Committee take into account diversity criteria, including gender, nationality and geography, as part of a Director candidate's general background and experience. See section 5.3.3 for further detail about gender diversity on the Board. The review included an assessment of the Board Committees' Terms of Reference, and resulted in amendments to the Terms of Reference of the Nomination Committee and the Remuneration Committee to formalise diversity considerations. The BHP Billiton *Human Resources Policy* guides the Board and management in developing diversity objectives for the Group. The *Human Resources Policy* is supported by internal processes that set out measurable objectives to support the achievement of diversity across the Group.

Our Human Resources Policy can be found on our website at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx*.

Our approach to diversity is underpinned by key principles, including:

- a diverse workforce is necessary to the delivery of our strategy that is predicated on diversification by commodity, geography and market;
- our aspiration is to have a workforce that best represents the communities in which our assets are located and our employees live;
- actions that support our diversity aspirations should be consistent with our established approach to talent, performance and reward;
- achieving an appropriate level of diversity will require structured programs at an early career stage that ensure the development of necessary skills and experience for leadership roles;
- measurable objectives in support of diversity will be transparent, achievable over a period of time and fit for purpose;
- the set of measurable objectives will focus on (i) enabling a diverse workforce by way of removing barriers and (ii) establishing appropriate representation targets.

The key measurable objective for FY2011 was the development and implementation of diversity plans by each CSG, Minerals Exploration, Marketing and Group Function. Each group was required to develop a diversity plan that takes into account the diversity principles. The diversity composition of each was analysed to provide a base line in the areas of gender, age and nationality. This was a key input into the development of the plans and the means of highlighting the key diversity challenges to be addressed.

Completion of the diversity plans in FY2011 formed part of the performance requirements for each business and was taken into account in assessing bonus remuneration. Execution against those plans will be monitored and tracked in FY2012 and will again form part of the assessment of bonus remuneration.

Monitoring and tracking performance against plan is undertaken as part of the Group's internal compliance requirements.

Going forward, progress against each year's measurable objectives will be disclosed in the Annual Report, along with the proportion of women in our workforce, in senior management and on the Board. There are currently two women on the Board and the proportion of women in our workforce and in senior management is set out in section 2.8.3, where you can also find further information on diversity and our employee profile more generally.

5.9 Business conduct

Code of Business Conduct

We have published the BHP Billiton *Code of Business Conduct*. The *Code of Business Conduct* reflects *Our Charter* values of integrity, respect, trust and openness. It provides clear direction and advice on conducting business internationally, interacting with communities, governments and business partners and general workplace behaviour. The *Code of Business Conduct* applies to Directors and to all employees, regardless of their position or location. Consultants and contractors are also expected to act in accordance with the *Code of Business Conduct*.

The *Code of Business Conduct* can be found at our website at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/codeofbusconduct.aspx*.

Insider trading

We have a Securities Dealing Group Level Document that covers dealings by Directors and identified employees, is consistent with the UK Model Code contained in the Financial Services Authority Listing Rules and complies with the ASX Listing Rule requirements for a trading policy. The Securities Dealing document restricts dealings by Directors and identified employees in shares and other securities during designated prohibited periods and at any time that they are in possession of unpublished price-sensitive information.

A copy of the Securities Dealing Group Level Document can be found at our website at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx*.

Business Conduct Advisory Service

We have established a Business Conduct Advisory Service so that employees can seek guidance or express concerns on business-related issues and report cases of suspected misappropriations, fraud, bribery or corruption. Reports can be made anonymously and without fear of retaliation. Arrangements are in place to investigate such matters. Where appropriate, investigations are conducted independently. Levels of activity and support processes for the Business Conduct Advisory Service are monitored with activity reports presented to the Board. Further information on the Business Conduct Advisory Service can be found in the *Code of Business Conduct*.

Political donations

We maintain a position of impartiality with respect to party politics and do not make political contributions/donations for political purposes to any political party, politician, elected official or candidate for public office. We do, however, contribute to the public debate of policy issues that may affect our business in the countries in which we operate.

SEC investigation

An internal investigation is continuing into allegations of possible misconduct involving interactions with government officials. Following requests for information from the US Securities and Exchange Commission, the Group has disclosed to relevant authorities evidence that it has uncovered regarding possible violations of applicable anti-corruption laws involving interactions with government officials. The Group is continuing to cooperate with the relevant authorities. It is not possible at this time to predict the scope or duration of the investigation or its likely outcomes.

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5.10 Market disclosure

We are committed to maintaining the highest standards of disclosure ensuring that all investors and potential investors have the same access to high-quality, relevant information in an accessible and timely manner to assist them in making informed decisions. A Disclosure Committee manages our compliance with the market disclosure obligations and is responsible for implementing reporting processes and controls and setting guidelines for the release of information.

Disclosure Officers have been appointed in the Group's CSGs and Group Functions. These officers are responsible for identifying and providing the Disclosure Committee with material information about the activities of the CSG or functional areas using disclosure guidelines developed by the Committee.

To safeguard the effective dissemination of information we have developed a Market Disclosure and Communications document, which outlines how we identify and distribute information to shareholders and market participants.

A copy of the Market Disclosure and Communications document is available at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.*

Copies of announcements to the stock exchanges on which we are listed, investor briefings, half-yearly financial statements, the Annual Report and other relevant information are posted to the Group's website at *www.bhpbilliton.com*. Any person wishing to receive advice by email of news releases can subscribe at *www.bhpbilliton.com*.

5.11 Conformance with corporate governance standards

Our compliance with the governance standards in our home jurisdictions of Australia and the UK, and with the governance requirements that apply to us as a result of our New York Stock Exchange (NYSE) listing and our registration with the Securities and Exchange Commission (SEC) in the US, is summarised in this Corporate Governance Statement, the Remuneration Report, the Directors' Report and the financial statements.

The Listing Rules and the Disclosure and Transparency Rules of the UK Financial Services Authority require UK-listed companies to report on the extent to which they comply with the Main Principles and the provisions of the UK Corporate Governance Code (UK Code), and explain the reasons for any non-compliance. The UK Code is available at *www.frc.org.uk/corporate/ukcgcode.cfm*.

The Listing Rules of the ASX require Australian-listed companies to report on the extent to which they meet the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Principles and Recommendations) and explain the reasons for any non-compliance. The ASX Principles and Recommendations are available at *www.asx.com.au/about/corporate_governance/index.htm*.

Both the UK Code and the ASX Principles and Recommendations require the Board to consider the application of the relevant corporate governance principles, while recognising that departures from those principles are appropriate in some circumstances. We have complied with the provisions set out in the UK Code and with the ASX Principles and Recommendations throughout the financial period and have continued to comply up to the date of this Annual Report.

A checklist summarising our compliance with the UK Code and the ASX Principles and Recommendations has been posted to the website at *www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.*

BHP Billiton Limited and BHP Billiton Plc are registrants with the SEC in the US. Both companies are classified as foreign private issuers and both have American Depositary Receipts listed on the NYSE.

We have reviewed the governance requirements currently applicable to foreign private issuers under the Sarbanes-Oxley Act (US) including the rules promulgated by the SEC and the rules of the NYSE and are satisfied that we comply with those requirements.

Section 303A of the NYSE Listed Company Manual has instituted a broad regime of corporate governance requirements for NYSE-listed companies. Under the NYSE rules, foreign private issuers, such as ourselves, are permitted to follow home country practice in lieu of the requirements of Section 303A, except for the rule relating to compliance with Rule 10A-3 of the Securities Exchange Act of 1934 and certain notification provisions contained in Section 303A of the Listed Company Manual. Section 303A.11 of the Listed Company Manual, however, requires us to disclose any significant ways in which our corporate governance practices differ from those followed by US listed companies under the NYSE corporate governance standards. Following a comparison of our corporate governance practices with the requirements of Section 303A of the NYSE Listed Company Manual followed by domestic issuers, the following significant differences were identified:

- Our Nomination Committee's Terms of Reference (charter) do not include the purpose of developing and recommending to the Board a set of corporate governance principles applicable to the corporation. While we have a Nomination Committee, it is not specifically charged with this responsibility. We believe that this task is integral to the governance of the Group and is therefore best dealt with by the Board as a whole.
- Rule 10A-3 of the Securities Exchange Act of 1934 requires NYSE-listed companies to ensure that their audit committees are directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor unless the company's governing law or documents or other home country legal requirements require or permit shareholders to ultimately vote on or approve these matters. While the RAC is directly responsible for remuneration and oversight of the External Auditor, the ultimate responsibility for appointment and retention of External Auditors rests with our shareholders, in accordance with UK law and our constitutional documents. The RAC does, however, make recommendations to the Board on these matters, which are in turn reported to shareholders.

While the Board is satisfied with its level of compliance with the governance requirements in Australia, the UK and the US, it recognises that practices and procedures can always be improved, and there is merit in continuously reviewing its own standards against those in a variety of jurisdictions. The Board's program of review will continue throughout the year ahead.

5.12 Additional UK disclosure

The information specified in the UK Financial Services Authority Disclosure and Transparency Rules, DTR 7.2.6, is located elsewhere in this Annual Report. The Directors' Report, at section 7.23, provides cross-references to where the information is located.

This Corporate Governance Statement was approved by the Board on 6 September 2011 and signed on its behalf by:

Jacques Nasser AO
Chairman

6 September 2011

6 Remuneration Report

Using this Remuneration Report

The following guide is intended to help the reader to understand and navigate through this Remuneration Report, and to understand the linkages between BHP Billiton's remuneration strategy and the remuneration outcomes for Directors and senior executives. All acronyms used in the Remuneration Report are defined on this contents page or in section 10 of this Report.

Section		Subsection	What it covers	Section number
6.1	**Message from the Chairman**			
6.2	**Our approach to remuneration**	Our overarching remuneration principles	The key principles that underpin the Group's remuneration strategy.	6.2.1
		Our remuneration policy underpins our Group strategy	Shows how BHP Billiton's remuneration policy is linked to our strategic objectives and how remuneration is structured to reinforce achievement of these objectives.	6.2.2
		Our remuneration approach is focused on the long term	Explains how the structure of at risk remuneration encourages effective risk management and long-term decision-making by management.	6.2.3
		How remuneration is determined	Describes how the Remuneration Committee determines remuneration outcomes for members of the GMC.	6.2.4
		Remuneration mix	Describes the core components of Total Remuneration and their different roles.	6.2.5
		When remuneration is delivered	Explains the timing of the different components of remuneration and deferral to subsequent years.	6.2.6
		Fixed remuneration	Details the components of GMC remuneration that are not at risk.	6.2.7
		Short-term incentives (STI)	Outlines the key features of the Group Incentive Scheme (GIS) and Key Performance Indicators (KPIs) and STI rewards for GMC members.	6.2.8
		Long-term incentives (LTI)	Outlines the key features of the Long Term Incentive Plan (LTIP), LTI awards for GMC members and LTIP terms.	6.2.9
		Share ownership guidelines	Describes the Group's minimum shareholding requirements for the Chief Executive Officer (CEO) and other members of the GMC.	6.2.10
6.3	**Remuneration Governance**		Explains how the Board and Remuneration Committee make remuneration decisions, including the use of external remuneration consultants.	
6.4	**Executive remuneration disclosures**	Senior management in FY2011	Shows the individuals comprising the Key Management Personnel (KMP), which are the GMC, with a summary of key service contract terms (including termination entitlements).	6.4.1
		Statutory disclosures	Provides total remuneration for GMC members calculated pursuant to legislative and accounting requirements.	6.4.2
		Equity awards	Sets out the interests of GMC members resulting from BHP Billiton's remuneration programs (including those granted and vested during FY2011).	6.4.3
6.5	**Aggregate Directors' remuneration**		The total remuneration provided to executive and non-executive Directors.	
6.6	**Non-executive Director arrangements**	Non-executive Directors in FY2011	Shows the individual Non-executive Directors.	6.6.1
		Remuneration structure	Explains the basis on which Non-executive Director remuneration is set and outlines the components.	6.6.2
		Retirement benefits	Details the retirement benefits payable to participating Directors under the now-closed Retirement Plan.	6.6.3
		Statutory disclosures	Provides total remuneration for Non-executive Directors (calculated pursuant to legislative and accounting standards).	6.6.4

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6.1 Message from the Remuneration Committee Chairman

Dear Shareholder

I am pleased to introduce BHP Billiton's Remuneration Report for the year ended 30 June 2011.

In preparing the Report, we have maintained our approach of providing relevant performance and remuneration information, enabling shareholders to assess the linkages between executive remuneration, execution of the Group's strategy and Group performance. The Report contains the remuneration disclosures required by Australian and UK regulations. In addition, we have again reported the actual remuneration paid to our executive team during the year.

Over FY2011, the Committee has continued to apply the remuneration framework that has been in place since 2004. This has served us well, requiring minimal alteration during a period of considerable change. There are no changes proposed in our approach to remuneration for FY2012.

However, the tenth anniversary of the BHP and Billiton merger in June 2011 provides a fitting backdrop to consider the growth and development of the Group since that date and the opportunities and challenges ahead. We believe our remuneration strategy should reinforce sustainable, long-term value creation. To achieve our business goals, our remuneration must remain competitive to attract and retain talented executives, enabling us to realise our opportunities and further develop our business. Striking the appropriate balance between these considerations is important for the continued long-term success of the Group.

To ensure that our remuneration policy continues to reinforce the Group's strategies, the Committee has commenced a comprehensive review of our remuneration structures. We are reviewing the external environment within which we operate and how that environment may evolve. We will also consider the global market status, the risk environment and strategic priorities for BHP Billiton. Over the course of FY2012, we will progress this review, developing appropriate remuneration proposals that will support our focus on operational excellence, risk management and the execution of the Group's strategy.

We consider effective governance and clear reporting on remuneration essential to maintaining the strong level of support that shareholders have demonstrated for the Remuneration Report. As in prior years, the FY2011 Report is designed to be clear and concise, to meet regulatory requirements and, above all, provide you with the information required to consider the alignment of remuneration and the Group's success.

John Buchanan
Chairman, Remuneration Committee

6 September 2011

6.2 Our approach to remuneration

This section outlines the overarching Group strategy and the remuneration framework that guides decisions on remuneration design and outcomes for senior executives, including the GMC members. Details of GMC membership are included in section 6.4.1.

The information in this section demonstrates:

- how the remuneration strategy translates into practice for the members of the GMC;
- how executive remuneration is determined annually by the Remuneration Committee and Board;
- the impact of business and individual performance on remuneration outcomes.

The focus is on the remuneration outcomes provided to executives and is different from, and complementary to, the statutory and accounting view of remuneration as set out in section 6.4.2.

6.2.1 Our overarching remuneration principles

The key principles of our remuneration policy are unchanged and are to:

- support the execution of the Group's business strategy in accordance with a risk-appetite that is appropriate for the organisation;
- provide competitive rewards to attract, motivate and retain highly skilled executives willing to work around the world;
- apply demanding performance measures, including key financial and non-financial measures of performance;
- link a large component of pay to our performance and the creation of value for our shareholders;
- ensure remuneration arrangements are equitable and facilitate the deployment of people around our businesses;
- limit severance payments on termination to pre-established contractual arrangements (which do not commit us to making any unjustified payments).

The Remuneration Committee is confident that these principles continue to meet the Group's objectives.

6.2.2 Our remuneration policy underpins our Group strategy

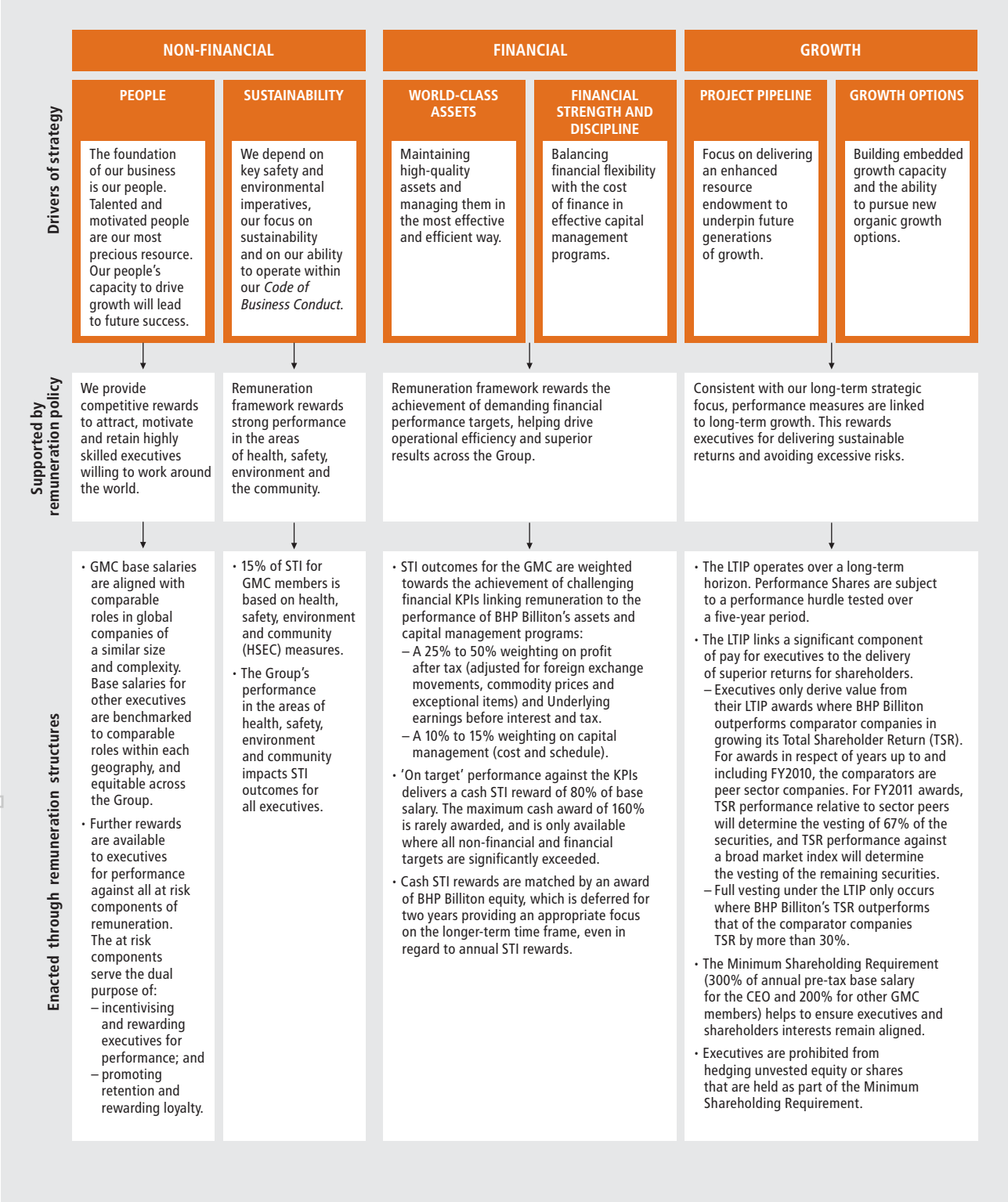
The Remuneration Committee recognises that the implementation of the Group's strategy and our ongoing performance depends on the quality and motivation of our people.

Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

Our strategy is to own and operate large, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our focus on the safety and health of our workforce, our fundamental drive for sustainability across all our business operations, our concern for the environment and communities within which we work, and our management of operational risks are reflected through our remuneration policy and structures.

The diagram below illustrates how BHP Billiton's remuneration policy and structures serve to support and reinforce the six key drivers of our strategy.



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6.2.3 Our remuneration approach is focused on the long term

The focus at BHP Billiton is on long-term sustainability and our remuneration frameworks are designed to ensure that executives take a long-term approach to decision-making and minimise activities that focus only on short-term results at the expense of longer-term business growth and success. The Remuneration Committee has considered the ways in which risk management and the long-term horizon are reflected throughout BHP Billiton's reward structure for all executives, and is satisfied that the approach reinforces the desired behaviours.

This is largely achieved through the Group's approach to STI and LTI rewards, which comprise a significant portion of total remuneration for the members of the GMC. The equity component of STI rewards is deferred for a two-year period, and performance under the LTIP is measured over a five-year period. The actual rewards received by members of the GMC therefore reflect the Group's performance and share price over an extended period.

It is the Remuneration Committee's view that this provides an appropriate focus on BHP Billiton's sustained performance beyond the end of the initial measurement period. This approach also provides a transparent mechanism for clawback or adjustment in the event of a restatement of Group results, through changes to the vesting or non-vesting of deferred equity.

In addition, STI and LTI outcomes are not driven by a purely formulaic approach. The Remuneration Committee applies qualitative judgement in determining STI and LTI outcomes, and may determine that rewards not be provided or vested in circumstances where it would be inappropriate or would provide unintended outcomes. The Remuneration Committee has no discretion to allow vesting when performance conditions have not been satisfied.

6.2.4 How remuneration is determined

The Remuneration Committee considers the appropriate Total Remuneration for each member of the GMC by examining the remuneration provided to comparable roles in organisations of similar global complexity, size, reach and industry.

Each year, the Remuneration Committee's independent adviser, Kepler Associates, sources and consolidates relevant remuneration data for appropriate roles, based on their analysis of relevant organisations and markets. The adviser prepares a comparison to current GMC remuneration, but does not make specific recommendations regarding individual executives' remuneration [1].

From this market comparison, the Remuneration Committee determines the appropriate Total Remuneration level for each individual, taking into account their location, skills, experience and performance within the Group. In doing so, the Remuneration Committee recognises that levels of remuneration should be sufficient to attract, motivate and retain highly skilled executives, but also that the Group should avoid paying more than is necessary for this purpose.

[1] For more information on the services provided to the Remuneration Committee by Kepler Associates, please refer to section 6.3.

6.2.5 Remuneration mix

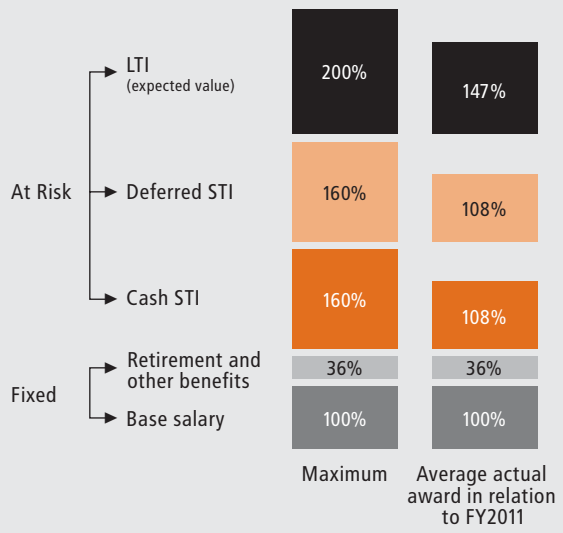
The Remuneration Committee then considers the appropriate mix and weighting of different remuneration components to make up Total Remuneration for GMC members. This includes fixed and at risk components, which are designed to deliver appropriate pay over a one-, three- and five-year time horizons.

While the Board recognises that market forces necessarily influence remuneration practices, it strongly believes that the fundamental driver of our remuneration structure should be business performance. Accordingly, while target remuneration is structured to attract and retain executives, the amount of remuneration actually received is dependent on the achievement of superior business and individual performance and on generating sustained shareholder value. At risk components therefore represent a significant portion of Total Remuneration and are subject to performance conditions and to ongoing service.

The components of Total Remuneration that are considered by the Remuneration Committee are:

- **Fixed remuneration** – determined relative to comparable roles in other companies and comprising base salary, pension/retirement benefits and other non-pensionable benefits such as medical and life insurance;
- **Short-term incentive (STI)** – intended to support a high-performance culture and delivered in cash with a matching award of Deferred Shares or Options;
- **Long-term incentive (LTI)** – appropriate to the long-term nature of business decision-making and delivered in Performance Shares with vesting determined under a five-year performance hurdle.

Remuneration mix for members of the GMC (shown as a percentage of base salary)



More detail in regard to each component is included in the following sections of this Remuneration Report.

Maximum and actual remuneration mix

The diagram to the left illustrates the relative proportion of these components for the members of the GMC.

Base salary forms the foundation of the remuneration mix and each of the other components is described as a percentage of base salary. The diagram therefore shows base salary as 100 per cent with each additional component relative to that base salary.

The first column of the diagram shows the mix that would have applied if the **maximum** at risk rewards had been earned and the second column shows the comparative **actual** Total Remuneration received in relation to FY2011 as shown in the table overleaf in section 6.2.6 (as an average across the seven GMC members).

6.2.6 When remuneration is delivered

The delivery time frame varies for different components of Total Remuneration.

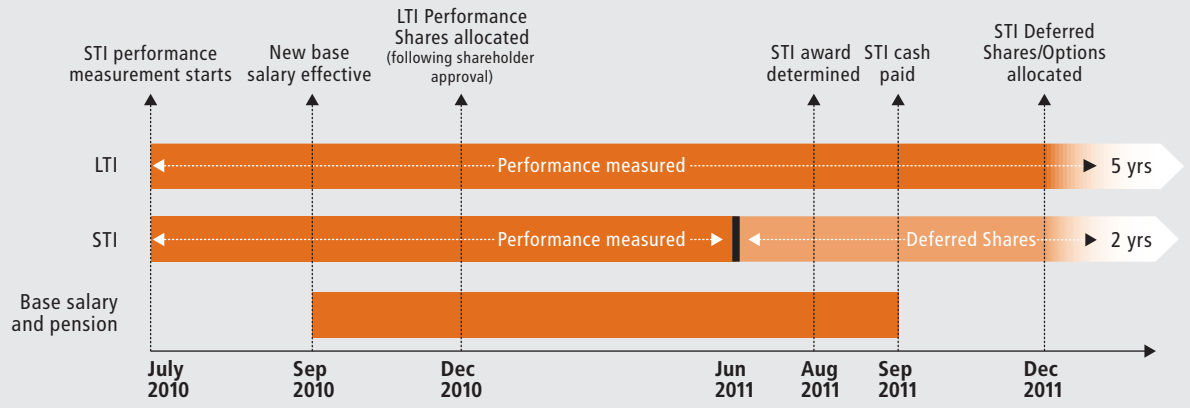
Total Remuneration is the key measure considered by the Remuneration Committee. The Total Remuneration for each member of the GMC in respect of the 2011 performance year was determined by the Committee over a series of meetings from July 2010. Total Remuneration is allocated across different elements of remuneration to reflect a focus on both short- and long-term performance, and delivery of these elements occurs over different time frames as shown in the table and diagram below. As set out in sections 6.2.7 to 6.2.9, the process followed by the Remuneration Committee for determining the Total Remuneration is as follows:

- A review of base salary effective from 1 September 2010 applying (along with the retirement benefits shown below) over the period from 1 September 2010 to 31 August 2011.
- A target STI is set for the 2011 financial year, to reflect performance from 1 July 2010 to 30 June 2011, with performance assessed in August 2011:
  - Cash awards will be provided in September 2011; and
  - Deferred Shares and/or Options are expected to be allocated in December 2011 following the Group's 2011 Annual General Meetings.
- An LTI award of Performance Shares is allocated in December 2010 following the Group's 2010 Annual General Meetings.

Non-statutory table: The following table shows Total Remuneration for the GMC as a result of the determinations of the Remuneration Committee. The crystallisation of the Deferred STI and the LTI awards will be after a two-year and five-year period respectively and will depend on performance and service conditions. Given the requirements to use Accounting Standards under the Australian Corporations Act 2001 and the UK Companies Act 2006 for determining and measuring executive remuneration, including allocation across the vesting period for longer-term incentives, the 'non-statutory remuneration' data set out below do not reconcile directly to the Statutory Total Remuneration Table as shown in section 6.4.2.

US dollars	Total Remuneration as determined by the Remuneration Committee in respect of FY2011	Base salary effective from 1 September 2010	Retirement benefits effective from 1 September 2010	Cash STI awards to be provided in September 2011	Deferred STI awards to be allocated in December 2011 (Face Value)	LTI awards allocated in December 2010 (Expected Value)
Marius Kloppers	10,994,689	2,130,000	852,000	2,351,448	2,351,448	3,309,793
Alberto Calderon	5,542,641	1,100,000	385,000	1,179,200	1,179,200	1,699,241
Andrew Mackenzie	5,571,241	1,100,000	396,000	1,188,000	1,188,000	1,699,241
Marcus Randolph	6,062,321	1,230,000	418,200	1,338,240	1,338,240	1,737,641
Alex Vanselow	5,614,041	1,100,000	418,000	1,179,200	1,179,200	1,737,641
Karen Wood	4,615,812	967,500	332,820	1,037,160	1,037,160	1,241,172
J Michael Yeager	6,167,417	1,240,000	443,920	1,372,928	1,372,928	1,737,641

Timeline for allocation of FY2011 Total Remuneration



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6.2.7 Fixed remuneration

Base salary

Base salary is reviewed annually and changes are effective from 1 September each year. It is benchmarked relative to comparable roles in global companies of similar complexity, size, reach and industry and reflects an individual's responsibilities, location, performance, qualifications and experience within the Group. Pay reviews also consider general economic conditions and salary reviews across the rest of the Group. It is stated and paid in US dollars for all GMC members.

Non-statutory table: Base salary amounts in the table below are effective 1 September and are not linked to any specific financial year. They therefore do not match with the 1 July 2010 to 30 June 2011 salaries shown in section 6.4.2.

US dollars	1 September 2009	1 September 2010	% change	1 September 2011	% change
Marius Kloppers	2,038,885	2,130,000	4.47	2,215,200	4.00
Alberto Calderon	1,057,000	1,100,000	4.07	1,144,000	4.00
Andrew Mackenzie	1,057,000	1,100,000	4.07	1,200,000	9.09
Marcus Randolph	1,182,751	1,230,000	3.99	1,279,200	4.00
Alex Vanselow	1,057,000	1,100,000	4.07	1,144,000	4.00
Karen Wood	930,000	967,500	4.03	1,006,200	4.00
J Michael Yeager	1,190,000	1,240,000	4.20	1,289,600	4.00

Retirement benefits

As part of fixed remuneration, all GMC members are entitled to retirement benefits under defined contribution plans (for all new entrants) and legacy defined benefit plans. Employees in legacy defined benefit plans continue to accrue benefits in those plans for past and future service unless they have elected to transfer to a defined contribution plan. The table below sets out the retirement benefits payable to each member of the GMC.

Name	Pension entitlement [1]	% of base salary
Marius Kloppers [2]	Defined Contribution	40.0
Alberto Calderon	Defined Contribution	35.0
Andrew Mackenzie	Defined Contribution	36.0
Marcus Randolph	Defined Contribution	34.0
Alex Vanselow	Defined Benefit	38.0
Karen Wood	Defined Contribution	34.4
J Michael Yeager	Defined Contribution	35.8

Notes

(1) Individuals are given a choice of funding vehicles: a defined contribution plan, an unfunded Retirement Savings Plan, an International Retirement Plan or a cash payment in lieu.

(2) Prior to his appointment as CEO, and under the terms of a pre-existing contract, Marius Kloppers had the choice of a (1) 'defined benefit', (2) 'defined contribution' underpinned by a defined benefit promise or (3) 'cash in lieu' pension entitlement for each year since 1 July 2001. He elected to take cash in lieu for each year except for FY2004 when he elected to take a defined contribution entitlement with a defined benefit underpin. Mr Kloppers retains the option to convert the entitlement accrued in the defined contribution fund to a defined benefit entitlement. Up until 2009, the value of his defined contribution entitlement exceeded the transfer value of the defined benefit underpin that he would be entitled to should he revert to the defined benefit promise, and as such the entitlement was treated on a defined contribution basis. However, as measured at 30 June 2011, the transfer value of the underpin (US$603,562) was greater than the defined contribution fund (US$530,780). This was also the case in 2009 and 2010. BHP Billiton expects that over the long term the value of the defined contribution element will revert to being in excess of the transfer value of the underpin and therefore continues to treat the entitlement on a defined contribution basis. Upon his succession as CEO on 1 October 2007, Mr Kloppers relinquished all future defined benefit entitlements.

Shareplus all-employee share purchase plan

Like all permanent employees, members of the GMC are eligible to participate in Shareplus, an all-employee share purchase plan. Participants in Shareplus contribute from their post-tax base salary (capped at US$5,000 per year) to acquire shares in BHP Billiton. Each of the GMC members chose to contribute the maximum allowable amount to the plan from their post-tax salary in FY2011.

Provided the participant remains employed by BHP Billiton on the third anniversary of the shares being acquired, the plan provides for a grant of matching shares on a 1:1 basis. The accounting value of the rights acquired is included in remuneration over the share purchase period in the table in section 6.4.2.

A grant of Matching Shares was made to participants (including the members of the GMC) on 1 April 2011, and details of the resulting share holdings for GMC members are shown in section 6.4.3. Further details regarding Shareplus are set out in note 32 'Employee share ownership plans' to the financial statements.

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6.2.8 Short-term incentives

An individual scorecard of measures is set for each executive at the commencement of each financial year under the Group Incentive Scheme (GIS).

These measures are linked to the achievement of the business strategy and financial outcomes and also individual non-financial objectives reflecting individual contribution to the business (as shown in the scorecard table below). These measures have been chosen as they reward members of the GMC for their overall performance in the current year, comprising both financial performance and delivery against measures that impact the long-term sustainability of the Group.

At the conclusion of the financial year, each executive's achievement against their measures is assessed by the Remuneration Committee and Board and their cash STI award is determined. The Board believes this method of assessment is transparent, rigorous and balanced, and provides an appropriate and objective assessment of performance.

Cash awards are paid in September following the release of the Group's annual results. The rules of the GIS outline the circumstances in which participants may be entitled to a cash award for the financial year in which they cease employment. Such circumstances depend on the reason for leaving. The only circumstance in which the Remuneration Committee has considered using its discretion to allow members of the GMC to receive a cash award in event of departure is for those individuals who have retired or are retiring.

The value of any cash STI award is matched by an equivalent face value of Deferred Shares (or an approximately equivalent value in Options, or a combination of the two, at the election of the participant) to which the executive will not have access for two years (unless they leave the Group under specific circumstances). More details on the terms of these awards are provided below. Deferred Shares and Options are allocated in December after the Annual General Meetings. Allocations to the CEO are subject to shareholder approval.

Details of the interests held in BHP Billiton by members of the GMC as a result of participation in the GIS are provided in section 6.4.3.

Timeline for FY2011 STI assessment and awards

Determining STI outcomes

The key measures for the GMC in FY2011 and the level of achievement against Group measures are set out below. The Remuneration Committee believes that the KPIs set and their relative weightings appropriately incentivise short-term performance.

The table below shows how, for the Group CEO and other Group Executives, all non-individual measures are assessed on a Group basis. For the Business CEOs, the weighting of assessment for measures is split between the Group and the businesses for which they are responsible as shown in the table below.

FY2011 key performance indicators	Weighting for Group CEO	Weighting for Business CEOs [1]		Weighting for other Group Executives [2]	FY2011 assessment for Group-based measures [3]
		Group	Business		
Health, safety, environment and community (HSEC) includes: • Total recordable injury frequency (TRIF) • Fatalities/Significant environmental incidents • HSE risk management • Human rights impact assessment • Environment and occupational health	15%	7.5%	7.5%	15%	The Sustainability and Remuneration Committees reviewed HSEC performance. The two fatalities arising in the Manganese business were tragic reminders for the need for constant management focus on safety and were at the forefront of consideration when determining the outcomes for the Group and businesses. Both Committees noted the good progress made on TRIF and, in particular, the strong progress in risk management, environmental risk control and employee health initiatives. Performance in HSEC was differentiated across the businesses with the overall Group result considered marginally above Target, performance in the Non-Ferrous Materials businesses and Petroleum considered to be between Target and Stretch and an outcome in Ferrous and Coal businesses of below Target.
Profit after tax (adjusted for foreign exchange, price and exceptional items)	50%	25%	–	35%	Performance was considered to be between Target and Stretch, reflecting positive outcomes against targets, primarily in respect of production volumes and cost management.

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6.2.8 Short-term incentives continued

Determining STI outcomes continued

FY2011 key performance indicators	Weighting for Group CEO	Weighting for Business CEOs [1]		Weighting for other Group Executives [2]	FY2011 assessment for Group-based measures [3]
		Group	Business		
Underlying EBIT for the relevant business(es) (adjusted for foreign exchange, price and exceptional items)	–	–	25%	–	Performance for each business varied with results for Petroleum and the Non-Ferrous Materials businesses being between Stretch and Exceptional reflecting positive outcomes against targets, primarily in respect of production volumes and cost management. Ferrous and Coal performance was between Target and Stretch.
Capital management – cost and schedule	15%	7.5%	7.5%	10%	With the exception of the Ferrous and Coal businesses that achieved a result above Stretch, the overall performance was below Target for a portfolio of eight major projects. This reflected the cost and schedule overruns experienced.
Individual measures based on contribution to management team, key project deliverables of each role, and the operating model (1SAP system, scalable organisational structure and people strategy including diversity)	20%	20%		40%	Personal performance of the CEO and other members of the GMC was strong across the range of personal measures.

Notes
(1) Applicable weightings for Andrew Mackenzie, Marcus Randolph and J Michael Yeager.
(2) Applicable weightings for Alberto Calderon, Alex Vanselow and Karen Wood.
(3) A performance range is set for each measure with the level of performance against each KPI determined as:
- **Threshold:** the minimum necessary to qualify for any reward.
- **Target:** where the performance requirements are met.
- **Stretch:** where the performance requirements are exceeded.
- **Exceptional:** where the performance requirements are significantly exceeded.

Actual STI provided for FY2011 performance

STI targets for FY2011 were set by the Remuneration Committee as part of Total Remuneration as described in section 6.2.6. The target cash award was 80 per cent of base salary for all members of the GMC, with a maximum cash award of 160 per cent of base salary for exceptional performance against all scorecard measures.

The following table shows the amount of at risk remuneration awarded by the Board as STI in cash (in September 2011) and in Deferred Shares and/or Options (to be allocated in December 2011) as a result of Group, business and individual performance against the above scorecard objectives.

As described above, the Deferred Share and/or Option awards shown below have not yet delivered any realised value to the executives, as they generally do not vest and cannot be exercised for at least two years from the end of the relevant financial year (i.e. the FY2011 awards are expected to vest in August 2013). The number and value of Deferred Shares and/or Options that **vested** during FY2011 are shown in section 6.4.3.

Non-statutory table: Cash STI rewards shown below are the same as those reported in section 6.4.2, but this table shows the market value of the Deferred Shares and/or Options at the time of allocation (rather than amortising the accounting value of each award over the relevant performance and service periods as per accounting standards).

US dollars	FY2010 Cash STI	FY2010 Deferred Shares and Options [1]	FY2010 Total	% of max FY2010	FY2011 Cash STI	FY2011 Deferred Shares and Options [1]	FY2011 Total	% of max FY2011
Marius Kloppers	2,330,527	2,330,527	4,661,054	71.4	2,351,448	2,351,448	4,702,896	69.0
Alberto Calderon	1,129,066	1,129,066	2,258,132	66.8	1,179,200	1,179,200	2,358,400	67.0
Andrew Mackenzie	1,120,620	1,120,620	2,241,240	66.3	1,188,000	1,188,000	2,376,000	67.5
Marcus Randolph	1,309,945	1,309,945	2,619,890	69.2	1,338,240	1,338,240	2,676,480	68.0
Alex Vanselow	1,120,610	1,120,610	2,241,220	66.3	1,179,200	1,179,200	2,358,400	67.0
Karen Wood	985,967	985,967	1,971,934	66.3	1,037,160	1,037,160	2,074,320	67.0
J Michael Yeager	1,336,407	1,336,407	2,672,814	70.2	1,372,928	1,372,928	2,745,856	69.2
Total			**18,666,284**				**19,292,352**	
Average [2]				**68.1**				**67.8**

Note
(1) The Deferred Shares and/or Options have the same values as the corresponding cash award. The actual number of Deferred Shares allocated is determined by dividing the relevant value by the share price at the time of allocation. The number of Options required to provide an approximately equivalent value will also be determined (should any members of the GMC nominate this alternative, or a combination of Deferred Shares and Options) based on a valuation calculated by Kepler Associates.
(2) The average percentage of maximum is graphed against Group earnings overleaf.

6.2.8 Short-term incentives continued

Relationship between STI rewards and Group performance

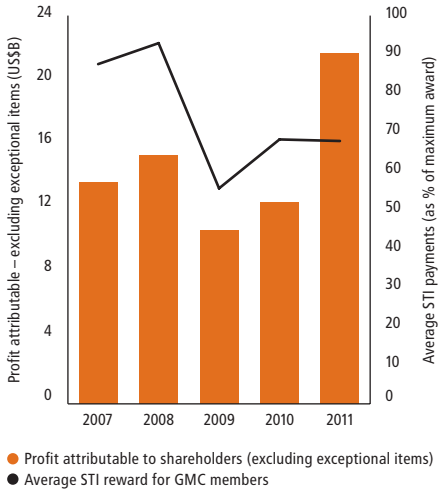
The following graphs are included as part of satisfying an Australian disclosure requirement to show the relationship between KMP remuneration and earnings.

As shown on the previous page of this report, STI rewards for members of the GMC are based on a balanced scorecard of key performance measures. A substantial component of each scorecard is based on measures that will drive the long-term success and sustainability of the Group, but which may not have a direct correlation to annual profitability.

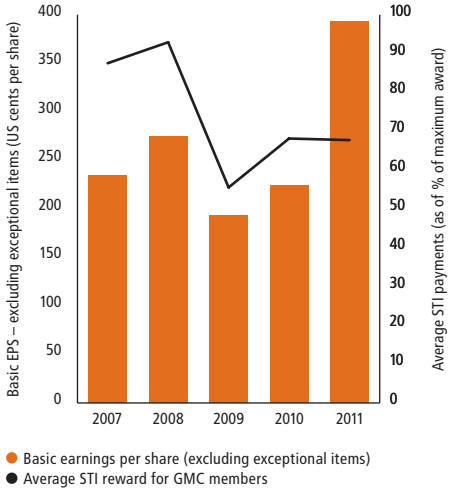
Only a proportion of STI outcomes are directly related to financial measures, and that proportion varies for different members of the GMC. The profit measure used for calculating scorecard outcomes (as defined in that section) is not the same as the disclosed profit attributable to shareholders used in the graph below.

Due to the factors described above, some correlation between STI outcomes and the measures used in the graphs below is evident over the last five years, but there is no guarantee that this will be the case in the future. Further details of the Group's attributable profit and basic earnings per share over the past five years can be found in section 1.4.1 of this Annual Report (including definitions of these terms).

Average STI reward for GMC members vs profit attributable to shareholders (excluding exceptional items)



Average STI reward for GMC members vs basic earnings per share (excluding exceptional items)



Terms of deferred STI

Each Deferred Share and each Option is a conditional right to acquire one ordinary BHP Billiton share upon satisfaction of the vesting conditions. They will not deliver any value to the holder for at least two years from the end of the financial year (unless the executive's employment with the Group ends earlier in specific circumstances such as on death, serious injury, disability or illness, retirement and redundancy/retrenchment).

The Remuneration Committee considers it as an important principle that Deferred Shares and Options will be forfeited by the individual in specific circumstances, including if they resign from the Group or are terminated for cause within the two-year vesting period. Deferred Shares are not ordinary shares and do not carry entitlements to ordinary dividends or other shareholder rights. Dividends are not received by the executives during the vesting period. However, a Dividend Equivalent Payment (as described in section 6.4.2) is made to cover the period between grant and exercise, but only on Deferred Shares and/or Options that have vested. This payment is not made in relation to any securities that are forfeited during the vesting period.

Deferred Shares that vest may be exercised at no cost to the participant. Options have an exercise price that reflects the market price of BHP Billiton shares at the time of allocation, and a greater number of Options are therefore allocated if an executive chooses this alternative. The Group's Securities Dealing Group Level Document governs and restricts dealing arrangements and the exercise of Deferred Shares and Options (as described in section 6.3).

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6.2.9 Long-term incentives

An allocation of Performance Shares is determined as part of Total Remuneration (relative to market as described in section 6.2.4) and provided to each member of the GMC under the Group's Long Term Incentive Plan (LTIP).

The purpose of the LTIP is to focus management's efforts on the achievement of sustainable long-term growth and success of the Group (including appropriate management of business risks) and to align senior executive rewards with sustained shareholder wealth creation through the relative TSR performance condition. TSR is detailed and described in the table of terms later in this section.

Details of the interests held in BHP Billiton by members of the GMC as a result of participation in the LTIP are provided in section 6.4.3.

LTI granted in December 2010

The following table shows the LTI awards determined by the Remuneration Committee as part of Total Remuneration for FY2011 and provided as an award of Performance Shares in December 2010 (following approval of the CEO's award by shareholders at the Annual General Meetings) to drive long-term performance of the Group over a five-year period (with comparative prior year data).

Whether the grants deliver any value to executives will not be determined until the end of the performance period. In order for any benefit to be obtained by the executives from the Performance Shares, the relative five-year TSR performance hurdle must be achieved over the period from 1 July 2010 to 30 June 2015, and the individual must remain employed by the Group (unless they leave the Group in specific circumstances as described in the table of terms later in this section).

Expected Value of LTI awards

The value of Performance Shares within the remuneration mix is based on the Expected Value of the Performance Shares (being a percentage of the share price).

Shareholders approved changes to the LTI plan at the 2010 Annual General Meetings, which applied to the December 2010 allocations. The impact of the changes and the new LTI terms are set out in detail in the table of terms later in this section. The table includes information on the Expected Value of the LTI awards, as calculated by Kepler Associates, which takes the performance hurdle into account along with other factors as described in the table. The Expected Value is used to represent the expected remuneration outcomes from the LTIP for the GMC members when the Remuneration Committee is considering Total Remuneration and the appropriate remuneration mix (as described in sections 6.2.5 and 6.2.6).

The changes in LTI terms from FY2011 resulted in an increase in the Expected Value of LTI awards from 31 per cent to 41 per cent of the face value of a BHP Billiton share. This has resulted in a reduction in the number of Performance Shares allocated as shown in the table below.

Non-statutory table: LTI awards shown below are included in the table in section 6.4.2, but this table shows the Expected Value of the awards as described above (rather than amortising the accounting value of each award over the relevant performance and service periods as per accounting standards).

Name	Number of Performance Shares allocated in December 2009	December 2009 Expected Value [1]	% of max December 2009 [3]	Number of Performance Shares allocated in December 2010	December 2010 Expected Value [2]	% of max December 2010 [3]
Marius Kloppers	250,000	2,864,636	70.3	200,000	3,309,793	77.7
Alberto Calderon	120,000	1,150,279	54.4	120,000	1,699,241	77.2
Andrew Mackenzie	120,000	1,150,279	54.4	120,000	1,699,241	77.2
Marcus Randolph	120,000	1,375,025	58.1	105,000	1,737,641	70.6
Alex Vanselow	120,000	1,375,025	65.0	105,000	1,737,641	79.0
Karen Wood	90,000	1,031,269	55.4	75,000	1,241,172	64.1
J Michael Yeager	120,000	1,375,025	57.8	105,000	1,737,641	70.1
Total	**940,000**	**10,321,538**		**830,000**	**13,162,370**	
Average			**59.3**			**73.7**

Notes

(1) December 2009 Expected Values are calculated by multiplying the closing share price on the grant date (being A$40.65 for BHP Billiton Ltd shares and £19.06 for BHP Billiton Plc shares) by the Expected Value factor of 31 per cent (as determined by Kepler Associates), converted to US dollars on the allocation date. The Expected Value for each executive therefore reflects the number of Performance Shares allocated, the entity over which they apply and the relevant exchange rates (where applicable).

(2) December 2010 Expected Values are calculated on a similar basis to that described in Note (1) above, except that the Expected Value for December 2010 allocations is calculated as 41 per cent of the average closing price (in US dollars) over the three months up to and including the grant date (being A$41.48 for BHP Billiton Ltd shares and £21.84 for BHP Billiton Plc shares). As the Expected Value of each Performance Shares is higher (relative to the prior year) even a reduced number of Performance Shares in December 2010 has provided an increased total value.

(3) The maximum award under the LTIP is an Expected Value of 200 per cent of base salary for the relevant year (as set out the terms table later in this section).

Proposed allocation of FY2012 LTI in December 2011

On the advice of the Remuneration Committee, the Board has approved an award of Performance Shares with an Expected Value (as described above the table) of US$3,441,000. This represents a small increase from the FY2011 LTI for the CEO (as shown in the table). The actual number of Performance Shares to be granted will depend on the share price and exchange rate over the three months up to the date of grant. At the time of determination by the Remuneration Committee, this value was equal to approximately 180,000 Performance Shares (compared with 200,000 in FY2011). This Expected Value was determined with the input of independent advisers and takes into account the appropriate level of total remuneration for the CEO, as assessed by reference to a number of factors, including the extent to which the total remuneration is market competitive. If approved by shareholders, the Performance Shares will be granted following the Annual General Meetings (i.e. in or around December 2011). The number of Performance Shares allocated will be notified to shareholders when provided, along with the number of Performance Shares, which will be granted to the other members of the GMC on the same date in respect of FY2012 LTI.

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6.2.9 Long-term incentives continued

LTI vesting outcomes and the delivery of LTIP rewards

The performance hurdle for the 2005 and 2006 LTIP awards requires BHP Billiton's TSR to exceed the weighted median TSR of a group of peer companies by 5.5 per cent per annum (on average over the five years) which is 30.7 per cent over five years. Details of the comparator group companies are set out in section 6.4.3.

2005 allocations under the LTIP – vested in FY2011

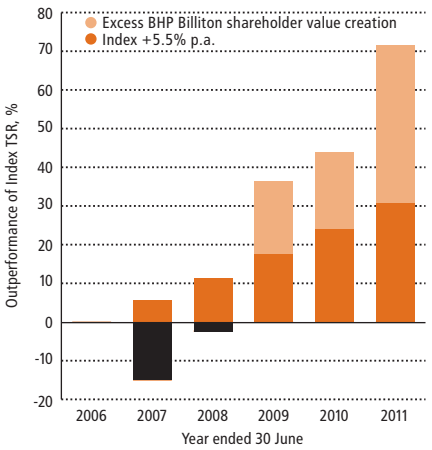
The 2005 LTIP vested in August 2010. The number and value of vested Performance Shares for each GMC member are provided in section 6.4.3. Over the performance period, BHP Billiton's TSR was 187.7 per cent. In contrast, the average TSR for the peer group against which the Group's performance was measured was 113.6 per cent. The impact of the Company's outperformance was to add US$59.2 billion of shareholder value from 1 July 2005 to 30 June 2010 over and above performance in line with the average of the peer group.

2006 allocations under the LTIP – tested to the end of FY2011

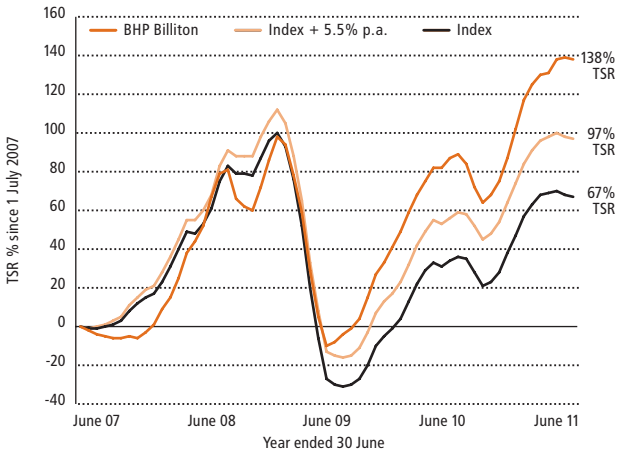
BHP Billiton's TSR performance from 1 July 2006 to 30 June 2011 was assessed as 138.3 per cent compared with an average TSR performance for the comparator group companies of 66.8 per cent. This outperformance of 71.5 per cent based on BHP Billiton's 1 July 2006 market capitalisation of US$122.7 billion represents outperformance of US$87.7 billion over and above performance in line with the average of the peer group.

The Remuneration Committee has considered the TSR outcome in the context of the Group's financial performance over the five-year performance period and determined that the recorded TSR outperformance is a genuine reflection of BHP Billiton's underlying financial outperformance. This qualitative judgement, which is applied before final vesting is confirmed, is an important risk management aspect to ensure that vesting is not simply driven by a formula that may give unexpected or unintended remuneration outcomes.

BHP Billiton outperformance of Index over the 2006 LTIP cycle (%, US$B)

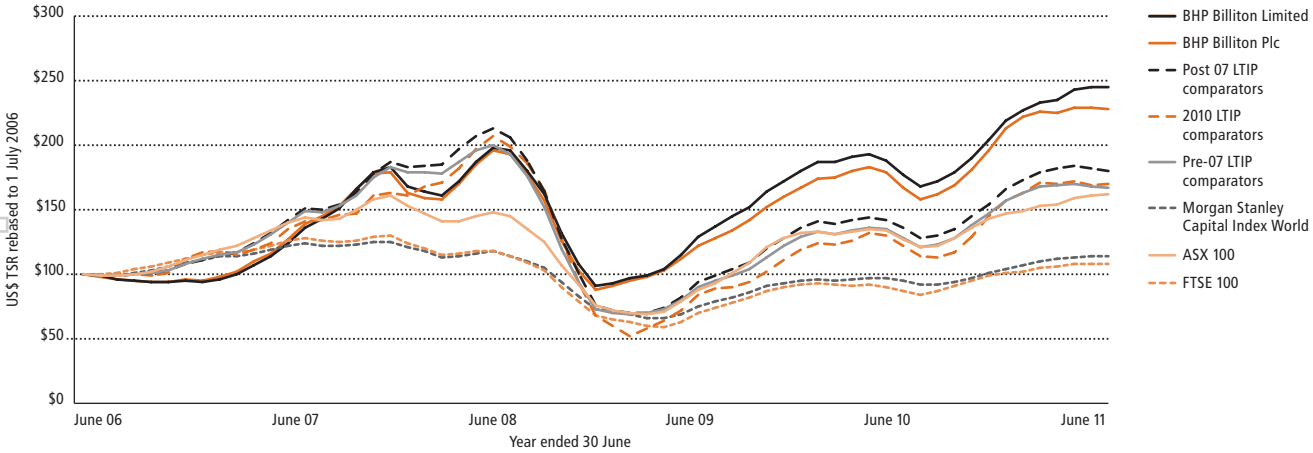


BHP Billiton vs. Index TSR performance over the 2006 LTIP cycle



The graph below highlights BHP Billiton's strong comparative performance against the LTIP comparator group companies and the ASX 100 and FTSE 100.

5-year TSR performance of BHP Billiton measured against the LTIP comparator groups and the ASX 100 and FTSE 100 (rebased in US$)



5-year share price and dividend history

		2007	2008	2009	2010	2011
BHP Billiton Limited (AUD)	Share price at beginning of year	$28.96	$35.38	$44.45	$33.96	$36.94
	Share price at end of year	$35.03	$43.70	$34.72	$37.65	$43.80
	Dividends paid	$0.50	$0.66	$1.12	$0.95	$0.95
BHP Billiton Plc (GBP)	Share price at beginning of year	£10.61	£13.76	£18.97	£13.75	£17.28
	Share price at end of year	£13.90	£19.20	£13.64	£17.54	£24.47
	Dividends paid	£0.20	£0.28	£0.51	£0.53	£0.58

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6.2.9 Long-term incentives continued

Terms of LTI and the performance hurdle

Each Performance Share is a conditional right to acquire one ordinary BHP Billiton share upon satisfaction of the vesting conditions. It will therefore not deliver any value to the holder for at least five years from the end of the financial year.

Upon vesting, Performance Shares become exercisable (at no cost to the participant) in accordance with the terms of grant and BHP Billiton's Securities Dealing Group Level Document (as described in section 6.3). Participants are prohibited from entering into hedge arrangements in respect of unvested Performance Shares. All other terms and details of the performance hurdle are outlined below.

Terms		
Duration of performance period	• Five years.	
Dividends	• Dividends are **not** received by the executive during the vesting period. • A Dividend Equivalent Payment (as described in section 6.4.2) will be provided when the vesting period is over and the executive exercises their Performance Shares. This payment is not made in relation to any securities that are forfeited during the vesting period.	
Performance condition	• BHP Billiton's TSR relative to TSR of comparator companies. TSR measures the return delivered to shareholders over a certain period through the change in share price and any dividends paid (which are notionally reinvested for the purposes of the calculation).[1]	
Averaging period for measuring TSR performance	• TSR for BHP Billiton and for each of the peer companies is averaged over a three-month period to help ensure that short-term fluctuations in the market do not affect the vesting results.[2]	
	LTI granted in December 2009 and prior	**LTI granted in December 2010**
Comparator companies (Index)	• Sector peer group.	• Sector peer group (determines vesting of 67% of the Performance Shares). • Broad stock market group (determines vesting of 33% of the Performance Shares), being the Morgan Stanley Capital Index World – a market capitalisation index that captures the performance of 1,500 stocks from around the world.[3]
Sector peer group composition	• Weighted 75% to mining and 25% to oil and gas.	• No change to weightings. Current oil and gas component expanded to include major companies, with a cap and collar mechanism to reduce sensitivity to any single constituent company.
Vesting scale	• No Performance Shares vest if BHP Billiton's TSR is at or below the Index TSR.	• No Performance Shares vest if BHP Billiton's TSR is below the Index TSR. • 25% of the Performance Shares vest if BHP Billiton's TSR is at the Index TSR.
	• For all Performance Shares to vest, BHP Billiton's TSR must exceed the Index TSR by an average of 5.5% per annum, which equates to exceeding the average TSR over the five-year performance period by 30.7%. Vesting occurs on a sliding scale between the Index TSR and the point of full vesting.	
Other vesting conditions	• In the event that the Remuneration Committee does not consider the level of vesting that would otherwise apply based on the Group's achievement of the TSR hurdle to be a true reflection of the long-term financial performance of the Group, it retains the discretion to lapse some or all of a participant's Performance Shares. This is an important mitigator against the risk of unintended vesting outcomes. • The Remuneration Committee also has the capacity to determine that vesting not be applied for any particular participant(s), should they consider that individual performance or other circumstances makes this an appropriate outcome. It is anticipated that this power would only be exercised in exceptional circumstances.	
Retesting if performance hurdle not met	• Not permitted.	
Maximum award each financial year	• An award not exceeding 200% of base salary at Expected Value. The Board determines an appropriate allocation for each individual each year. • Expected Value is the outcome weighted by probability, and takes into account the difficulty of achieving performance conditions and the correlation between these and share price appreciation (through a Monte Carlo simulation model). The valuation methodology also takes into account other factors, including volatility and forfeiture risk (including through failure to meet the service conditions). • Expected Value has been used because it enables the Remuneration Committee to determine LTI awards within target Total Remuneration, ensuring that awards are externally competitive.	
	LTI granted in December 2009 and prior	**LTI granted in December 2010**
Expected Value	• The Expected Value of each Performance Share (as calculated by Kepler Associates) was 31% of the market value of one ordinary BHP Billiton Ltd or BHP Billiton Plc share at the allocation date.	• The Expected Value of each Performance Share (as calculated by Kepler Associates) was 41% of the market value of one ordinary BHP Billiton Ltd or BHP Billiton Plc share at the allocation date.
Exercise period and Expiry Date	• Vested Performance Shares are able to be exercised for five years following the date that vesting is determined, with an Expiry Date at a date prior to the fifth anniversary of vesting.	
Treatment on departure	• The Remuneration Committee regards it as an important principle that where a participant resigns without the Remuneration Committees's consent or their employment is terminated for cause, they forfeit the entitlement to their unvested Performance Shares. • The rules of the LTIP provide that should a participant cease employment in specific circumstances, such as retirement, and with the consent of the Remuneration Committee would retain entitlements to a portion of the Performance Shares that have been granted, but that are not yet exercisable. The number of such Performance Shares would be pro-rated to reflect the period of service from the start of the relevant performance period to the date of departure and, after the employee's departure, would only vest and become exercisable to the extent that the performance hurdles are met. This ensures that any benefit received by the individual remains linked to their contribution to ongoing Group performance. • If a participant's employment ends due to death or disability, the Remuneration Committee may choose to allow retention and immediate vesting of all of the participant's Performance Shares.	

Notes

(1) TSR has been chosen as the most appropriate measure as it allows for an objective external assessment over a sustained period on a basis which is familiar to shareholders.

(2) Starting with awards to be allocated in December 2011, the averaging period will be doubled to six months as added security against short-term price fluctuations.

(3) As BHP Billiton's TSR performance relative to its peers tends to be counter-cyclical, the sector-based comparison used in isolation prior to 2010 resulted in less perceived value for executives and potential recruits at times when recruitment and retention pressures were greatest. As a result, the Remuneration Committee introduced a second TSR comparison based on a broad stock market index for assessing the Group's TSR performance in order to provide a fairer and more balanced measure of performance. The Morgan Stanley Capital Index World was chosen as a suitable broad stock market index for this second comparison.

6.2.10 Share ownership guidelines

The CEO is required to hold BHP Billiton securities with a value at least equal to 300 per cent of (i.e. three times) one year's pre-tax (gross) base salary under the Group's Minimum Shareholding Requirements policy. For other members of the GMC, the minimum requirement is 200 per cent of (i.e. two times) one year's pre-tax (gross) base salary. These requirements reflect a strengthening of the policy effective from 1 July 2010 (previously the guidelines were set as a percentage of net base salary). The value of the securities for the purposes of the policy is the market value of the underlying shares. Unvested securities do not qualify. All of the members of the GMC currently hold sufficient securities to meet these requirements.

Under the policy, employees are not required to meet the holding requirement before awards are allocated to them, but if they are not holding the required number of shares at the time of exercise of an award, then they will be prohibited from selling all of the underlying shares on exercise. GMC members are also not allowed to hedge or otherwise protect the value of unvested securities.

6.3 Remuneration governance

Board oversight

The Board is responsible for ensuring that the Group's remuneration structures are equitable and aligned with the long-term interests of BHP Billiton and its shareholders. In performing this function, it is critical that the Board is independent of management when making decisions affecting employee remuneration.

Accordingly, the Board has established a Remuneration Committee to assist it in making decisions affecting employee remuneration. The Remuneration Committee is comprised solely of Non-executive Directors, all of whom are independent. In order to ensure that it is fully informed when making remuneration decisions, the Remuneration Committee receives regular reports and updates from members of management (who the Remuneration Committee invites to attend meetings as and when appropriate) and can draw on services from a range of external sources, including remuneration consultants.

Remuneration Committee members	John Buchanan (Chairman) Alan Boeckmann (Member to 23 March 2011) Carlos Cordeiro John Schubert
Number of meetings in FY2011	Eight
Other individuals who regularly attended meetings [1]	Jacques Nasser (Chairman) Marius Kloppers (CEO) Karen Wood (Group Executive and Chief People and Public Affairs Officer) Gerard Bond (Head of Group HR from 6 September 2010) Richard Doody (Vice President Group Reward and Recognition) Jane McAloon (Group Company Secretary) Geof Stapledon (Group Manager Governance)

Note
[1] Other individuals who regularly attended meetings were not present when matters associated with their own remuneration were considered.

Remuneration Committee

The activities of the Remuneration Committee are governed by Terms of Reference (approved by the Board in March 2008), which are available on our website. The Remuneration Committee focuses on:

- remuneration policy and its specific application to the CEO and other members of the GMC, as well as the general application to all employees;
- the determination of levels of reward to the CEO and other members of the GMC;
- providing guidance to the Chairman on evaluating the performance of the CEO;
- effective communication with shareholders on the remuneration policy and the Remuneration Committee's work on behalf of the Board.

Use of remuneration consultants

The Board seeks and considers advice from independent remuneration consultants where appropriate. Remuneration consultants are engaged by and report directly to the Remuneration Committee. Potential conflicts of interest are taken into account when remuneration consultants are selected and their terms of engagement regulate their level of access to, and require their independence from, BHP Billiton's management. The advice and recommendations of external consultants are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Director.

Kepler Associates, who were appointed by the Remuneration Committee to act as independent remuneration advisers, provide specialist remuneration advice and do not provide other services to the Group. During the year, Kepler Associates provided advice and assistance to the Remuneration Committee on a wide range of matters, including:

- benchmarking of pay of senior executives against comparable roles at a range of relevant comparator groups, including sector and size peers;
- provision of information and commentary on global trends in executive remuneration;
- calculation of accounting fair values of equity awards and performance analysis for LTI awards;
- review of and commentary on management proposals;
- analysis and support in the review of LTI arrangements;
- other ad hoc support and advice as requested by the Remuneration Committee.

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6.3 Remuneration governance continued

Hedging of BHP Billiton shares and equity instruments

Employees are not allowed to protect the value of any unvested equity instruments allocated to them under employee programs or the value of shares and equity instruments held as part of meeting BHP Billiton's minimum shareholding requirements (as described in section 6.2.10).

Any securities that have vested and are no longer subject to restrictions or performance conditions may be subject to hedging arrangements, provided that consent is obtained from BHP Billiton in advance of the employee entering into the arrangement. Such arrangements need to be reported in the Remuneration Report, and no such arrangements were in place during FY2011 or at the date of this Annual Report.

BHP Billiton treats compliance with this policy as a serious issue, and takes appropriate measures to ensure that the policy is adhered to.

In addition, the Group has a policy that prohibits Non-executive Directors and senior executives from using BHP Billiton securities as collateral in any financial transaction, including margin loan arrangements.

6.4 Executive remuneration disclosures

This section provides full details of service contract terms, disclosed remuneration and equity holdings for members of the GMC.

6.4.1 Senior management in FY2011

Australian Accounting Standards and International Financial Reporting Standards require BHP Billiton to make certain disclosures for Key Management Personnel (KMP). KMP is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

For the purposes of this Remuneration Report, it has been determined that the KMP are the Directors and the members of the GMC who served during FY2011. In addition, the Australian Corporations Act 2001 requires BHP Billiton to make certain disclosures in respect of the top five highest paid executives below Board level. In FY2011, the five highest paid executives below Board level were all members of the GMC and therefore their remuneration details are already included in the KMP disclosures.

Details of the members of the GMC during FY2011 are set out in this table. Each individual was a member of the GMC for the whole of FY2011. Dates of appointment of all GMC members appear in section 4.2 of this Annual Report, and the dates of their current service contracts appear in the table on the right.

The service contracts for all members of the GMC have no fixed term. They typically outline the components of remuneration paid to the individual, but do not prescribe how remuneration levels are to be modified from year to year. The contracts are all capable of termination by BHP Billiton on 12 months' notice. The GMC member must give six months' notice. In addition, the Group retains the right to terminate a contract immediately by making a payment equal to 12 months' base salary plus retirement benefits for that period.

Name	Title	Date of contract
Marius Kloppers	Chief Executive Officer (CEO) and Executive Director	12 February 2008
Alberto Calderon	Group Executive and Chief Commercial Officer	16 January 2008
Andrew Mackenzie	Group Executive and Chief Executive Non-Ferrous Materials	14 November 2007
Marcus Randolph	Group Executive and Chief Executive Ferrous and Coal	13 December 2005
Alex Vanselow	Group Executive and Chief Financial Officer	14 June 2006
Karen Wood	Group Executive and Chief People and Public Affairs Officer	21 February 2006
J Michael Yeager	Group Executive and Chief Executive Petroleum	21 March 2006

6.4.2 Statutory disclosures

The table overleaf has been prepared in accordance with the requirements of the UK Companies Act 2006 (and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made thereunder) and the Australian Corporations Act 2001 and relevant accounting standards.

Explanation of share-based payments terms used in the table

Value of STI and Shareplus awards: The amounts shown in the table include:

- the estimated fair value of Deferred Shares and Options provided under the GIS as described in section 6.2.8, subsequent to meeting KPIs. The fair value of the Deferred Shares and Options is estimated at grant date by discounting the total value of the shares that will be issued in the future using the risk-free interest rate for the period to the date of award. From FY2011, there was a change in accounting policy to account for the Dividend Equivalent Payment (DEP) from cash settled to equity settled. The table overleaf incorporates this change with the 2010 value of Deferred Shares and Options under the GIS being restated to include the value of the DEP that will be received on exercise. Participants who were provided with awards under the GIS in previous years are entitled to a payment (upon exercise) in lieu of the dividends that would have been payable on ordinary BHP Billiton shares over the period from the allocation date to the time they exercise their awards. Deferred Shares and Options are equity-settled share-based payments. The actual Deferred Shares and Options will be awarded to participants following the 2011 Annual General Meetings (subject to shareholder approval for the CEO). Once awarded, the only vesting condition is for participants to remain in employment for two further years. Accordingly, the number of securities (if any) that will ultimately vest cannot be determined until the service period has been completed. The estimated fair value of the Deferred Shares and Options forms part of the STI at risk remuneration appearing throughout this Remuneration Report. The fair value of Deferred Shares and Options is apportioned to annual remuneration based on the expected future service period, which is normally three years. The vesting of Deferred Shares and Options may be accelerated in the event of leaving the Group, in which case the expected future service period is amended;
- the estimated fair value of rights to Matching Shares acquired during each share purchase period under the Shareplus program, as described in section 6.2.7. These rights are acquired on each of the quarterly share-purchase dates under the program (grant dates), and the fair value is apportioned to annual remuneration based on the future service period required for the Matching Shares to be allocated (i.e. the vesting date of the rights). Where entitlements to the Matching Shares are accelerated on leaving the Group, the expected future service period is amended.

Value of LTI awards: Performance Shares allocated under the LTIP as described in section 6.2.9 are defined as equity-settled share-based payments. The amount included in this column in respect of each LTI award is the estimated fair value of the Performance Shares as determined by Kepler Associates using a Monte Carlo simulation methodology taking account of the performance hurdle, the term of the award, the share price at grant date, the expected price volatility of the underlying share, the risk-free interest rate for the term of the award and the value of the DEP that will be received on exercise of the award. The 2010 figures in the table overleaf have been restated to include the change in accounting policy of DEP from cash settled to equity settled. The fair value of each award is apportioned to annual remuneration in equal amounts to each of the years in the expected future service period, which is normally five years. Where entitlements to Performance Shares are preserved on leaving the Group, the expected future service period is amended.

6.4.2 Total remuneration: statutory disclosures continued

The figures provided in the shaded columns of the statutory table below for share-based payments were not actually provided to the KMP during FY2011. These amounts are calculated in accordance with accounting standards and are the amortised accounting fair values of equity and equity-related instruments that have been granted to the executives, either in relation to FY2011 performance or that of prior financial years. Please refer to sections 6.2 and 6.4.3 for information on awards allocated during FY2011.

		Short-term benefits					Post-employment benefits	Share-based payments		
US dollars		Base Salary [1]	Annual cash bonus [2]	Non-monetary benefits [3]	Other benefits [4]	Subtotal: UK requirements	Retirement benefits [5]	Value of STI and Share plus awards [6]	Value of LTI awards [7]	Total: Australian requirements
Executive Director										
Marius Kloppers	**2011**	**2,114,814**	**2,351,448**	**85,708**	**–**	**4,551,970**	**845,926**	**2,002,603**	**4,233,635**	**11,634,134**
	2010	2,038,885	2,330,527	67,067	–	4,436,479	815,554	1,817,191	3,653,589	10,722,813
Other GMC members										
Alberto Calderon	**2011**	**1,092,833**	**1,179,200**	**20,489**	**177,009**	**2,469,531**	**382,492**	**1,082,048**	**1,878,134**	**5,812,205**
	2010	1,056,934	1,129,066	13,776	175,000	2,374,776	369,927	970,040	1,531,235	5,245,978
Andrew Mackenzie	**2011**	**1,092,833**	**1,188,000**	**3,112**	**–**	**2,283,945**	**393,420**	**917,887**	**5,806,514**	**9,401,766**
	2010	1,025,603	1,120,620	3,067	–	2,149,290	369,217	522,517	3,234,167	6,275,191
Marcus Randolph	**2011**	**1,222,125**	**1,338,240**	**78,520**	**2,839**	**2,641,724**	**415,523**	**1,121,021**	**2,231,715**	**6,409,983**
	2010	1,182,751	1,309,945	46,561	–	2,539,257	402,135	1,060,796	1,915,152	5,917,340
Alex Vanselow	**2011**	**1,092,833**	**1,179,200**	**80,356**	**800**	**2,353,189**	**415,277**	**985,468**	**2,313,101**	**6,067,035**
	2010	1,077,468	1,120,610	34,908	–	2,232,986	409,438	930,710	1,996,538	5,569,672
Karen Wood	**2011**	**961,250**	**1,037,160**	**–**	**–**	**1,998,410**	**330,670**	**861,644**	**1,766,402**	**4,957,126**
	2010	928,375	985,967	4,852	–	1,919,194	319,361	782,339	1,541,489	4,562,383
J Michael Yeager	**2011**	**1,231,667**	**1,372,928**	**17,057**	**66,767**	**2,688,419**	**440,937**	**1,192,946**	**2,289,142**	**6,611,444**
	2010	1,183,092	1,336,407	20,119	–	2,539,618	423,547	1,086,731	2,153,609	6,203,505

Notes

(1) Base salaries are generally reviewed on 1 September each year. Amounts shown in this table reflect the amounts paid over the 12-month period from 1 July to 30 June each year. From 1 September 2009, all GMC base salaries are expressed in US dollars. More detail is provided in section 6.2.7.

(2) Annual cash bonus is the cash portion of STI reward earned in respect of performance during each financial year as described in section 6.2.8, which shows the STI reward earned as a percentage of the maximum award, where the maximum possible award is 100 per cent. The remaining portion of the 100 per cent maximum has not been earned (i.e. it has been 'forfeited'). The minimum possible value awarded is nil. Actual payments are made in September, once performance has been assessed, e.g. in September 2011 for FY2011 awards. The equity portion of STI rewards are described in Note 6 below.

(3) Non-monetary benefits are non-pensionable and include such items as medical and other insurances and fees for professional services such as for tax advice.

(4) Other benefits are non-pensionable and include:
- A relocation allowance of US$175,000 for Alberto Calderon in each year in relation to a change in his place of employment from London to Melbourne.
- Payment of US$66,767 in lieu for leave accrued but not taken by J Michael Yeager in FY2011, as Group policy does not allow GMC members to roll forward annual leave entitlements from one financial year to the next.

(5) Retirement benefits are calculated as a percentage of base salary for each GMC member, as set out in the table in section 6.2.7.

(6) The amounts shown in this column are described on the previous page. Section 6.2.8 shows the STI reward earned as a percentage of the maximum award, where the maximum possible award is 100 per cent. The remaining portion of the 100 per cent maximum has not been earned (i.e. it has been 'forfeited'). These share-based payments may also be forfeited after allocation in specific circumstances as described in section 6.2.8 and therefore, the minimum possible value of the awards is nil. The maximum possible value cannot be determined as it depends on future share price movements, but is estimated by the fair value used for accounting purposes in this table. At the date of this Annual Report, GMC members had not made their elections for Deferred Shares and/or Options in regard to FY2011 STI rewards. In respect of FY2010 awards, Andrew Mackenzie elected to receive Options. The percentage of his remuneration in 2010 that was represented by these Options was 0.6 per cent. The actual number of Deferred Shares and Options allocated in respect of FY2010 awards is shown in section 6.4.3. Section 6.2.7 describes the Shareplus program and the contributions made during FY2011 by members of the GMC in relation to the rights to acquire Matching Shares, which are included as share-based remuneration in the table.

(7) The amounts shown in this column are described on the previous page. Section 6.2.9 shows the LTI provided as a percentage of the maximum award, where the maximum possible award is 100 per cent. The remaining portion of the 100 per cent maximum has not been earned (i.e. it has been 'forfeited'). These share-based payments may also be forfeited after allocation in specific circumstances as described in section 6.2.9 and therefore the minimum possible value of the awards is nil. The maximum possible value cannot be determined as it depends on future share price movements, but is estimated by the fair value used for accounting purposes in this table. Details of individual awards are set out in the LTIP table in section 6.4.3. This column also includes the amount allocated to remuneration for each year in respect of awards received by Andrew Mackenzie on commencement of employment with BHP Billiton (in addition to the cash payment shown in Note 4 above). These awards, are in the form of Performance Shares allocated on 4 December 2008 as shown in the final table in section 6.4.3 and conditional rights to receive cash sums under two phantom awards, which are treated as cash-settled share-based payments and are included in this column for the purposes of remuneration. The awards were approved by the Remuneration Committee for the purposes of compensating Mr Mackenzie for awards forgone by him as a result of leaving his former employer. The value and nature of the awards were determined by the Remuneration Committee as being an equivalent fair value as that forgone by Mr Mackenzie under the at risk remuneration arrangements operated by his former employer. In valuing the awards, the Remuneration Committee sought the advice of its independent adviser, Kepler Associates. Full details of the awards were disclosed in the FY2009 Annual Report.

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6.4.3 Equity awards

The following tables set out the interests held by members of the GMC in the Group's equity schemes. Each vested security can be exercised for one ordinary share in BHP Billiton Ltd or in BHP Billiton Plc. The value of securities over BHP Billiton Ltd shares is shown in Australian dollars and of securities over BHP Billiton Plc shares in Sterling.

Awards of Deferred Shares under the GIS

Each employee may nominate to receive GIS awards in the form of Deferred Shares (as shown in this table) or in the form of Options (as shown in the next table) or a combination thereof.

Name	Date of grant	At 1 July 2010	Granted	Vested	Lapsed	Exercised	At 30 June 2011	Date award may vest and becomes exercisable [1]	Market price on date of grant [2]	Market price on date of vesting [3]	Market price on date of exercise [4]	Aggregate gain of shares exercised [4]
Executive Director												
Marius Kloppers	6 Dec 2010	–	54,831	–	–	–	54,831	Aug 2012	A$44.53	–	–	–
	14 Dec 2009	46,951	–	–	–	–	46,951	Aug 2011	A$40.65	–	–	–
	4 Dec 2008	95,847	–	95,847	–	95,847	–	7 Sep 2010	A$27.50	A$38.44	A$37.91	A$3,633,560
Total		**142,798**	**54,831**	**95,847**	**–**	**95,847**	**101,782**					
Other members of the GMC												
Alberto Calderon	6 Dec 2010	–	30,495	–	–	–	30,495	Aug 2012	£24.40	–	–	–
	14 Dec 2009	33,343	–	–	–	–	33,343	Aug 2011	£19.06	–	–	–
	4 Dec 2008	–	–	–	–	–	–	–	–	–	–	–
Total		**33,343**	**30,495**	**–**	**–**	**–**	**63,838**					
Andrew Mackenzie	6 Dec 2010	–	22,700	–	–	–	22,700	Aug 2012	£24.40	–	–	–
	14 Dec 2009	12,476	–	–	–	–	12,476	Aug 2011	£19.06	–	–	–
Total		**12,476**	**22,700**	**–**	**–**	**–**	**35,176**					
Marcus Randolph	6 Dec 2010	–	30,819	–	–	–	30,819	Aug 2012	A$44.53	–	–	–
	14 Dec 2009	25,126	–	–	–	–	25,126	Aug 2011	A$40.65	–	–	–
	4 Dec 2008	45,027	–	45,027	–	45,027	–	7 Sep 2010	A$27.50	A$38.44	A$37.91	A$1,706,974
Total		**70,153**	**30,819**	**45,027**	**–**	**45,027**	**55,945**					
Alex Vanselow	6 Dec 2010	–	26,365	–	–	–	26,365	Aug 2012	A$44.53	–	–	–
	14 Dec 2009	27,727	–	–	–	–	27,727	Aug 2011	A$40.65	–	–	–
	4 Dec 2008	–	–	–	–	–	–	–	–	–	–	–
Total		**27,727**	**26,365**	**–**	**–**	**–**	**54,092**					
Karen Wood	6 Dec 2010	–	23,197	–	–	–	23,197	Aug 2012	A$44.53	–	–	–
	14 Dec 2009	23,686	–	–	–	–	23,686	Aug 2011	A$40.65	–	–	–
	4 Dec 2008	30,778	–	30,778	–	30,778	–	7 Sep 2010	A$27.50	A$38.44	A$37.91	A$1,166,794
Total		**54,464**	**23,197**	**30,778**	**–**	**30,778**	**46,883**					
J Michael Yeager	6 Dec 2010	–	31,442	–	–	–	31,442	Aug 2012	A$44.53	–	–	–
	14 Dec 2009	29,877	–	–	–	–	29,877	Aug 2011	A$40.65	–	–	–
	4 Dec 2008	56,373	–	56,373	–	56,373	–	7 Sep 2010	A$27.50	A$38.44	A$37.91	A$2,137,100
Total		**86,250**	**31,442**	**56,373**	**–**	**56,373**	**61,319**					

Notes

(1) The holding period for each award ends on 30 June in the year the award 'may vest and become exercisable' if the conditions for vesting are met (including the relevant service conditions). Under the GIS rules, awards will vest and become exercisable on, or as soon as practicable after, the first non-prohibited period date occurring after 30 June. The expiry date of awards is the day prior to the third anniversary of that vesting date.

(2) The market price shown for the December 2010 grant is the closing price of BHP Billiton shares on 6 December 2010. No price is payable by the individual for acquiring the Deferred Shares at the time of grant. The grant-date fair values of the awards are estimated as at the start of the vesting period, being 1 July 2010 and were A$37.11 and £16.95.

(3) All (100 per cent) of the Deferred Shares granted under the GIS in December 2008 became fully vested on 7 September 2010 as the service conditions were met as described in section 6.2.8. The price shown is the closing price of BHP Billiton shares on that date.

(4) The market price shown (and used for calculating the aggregate gain) is the closing price of BHP Billiton shares on the date that the individual exercised their Deferred Shares. No price is payable by the individual for exercising the Deferred Shares. One ordinary BHP Billiton share is acquired for each Deferred Share exercised. The amounts shown in this column do not include the value of the DEP paid on exercise of the awards as described in section 6.4.2. The DEP is included within the value of share-based payment remuneration in that section.

6.4.3 Equity awards continued

Awards of Options under the GIS

Each employee may nominate to receive GIS awards in the form of Options (as shown in this table) or in the form of Deferred Shares (as shown in the previous table) or a combination thereof.

Name	Date of grant	Exercise price payable [1]	At 1 July 2010	Granted	Vested	Lapsed	Exercised	At 30 June 2011	Date award may vest and becomes exercisable [2]	Market price on date of grant [3]	Market price on date of vesting	Market price on date of exercise	Aggregate gain of shares exercised
Alberto Calderon	4 Dec 2008	£10.89	143,227	–	143,277	–	143,277	–	7 Sep 2010	£10.60	£18.93	£18.93	£1,151,947
Andrew Mackenzie	6 Dec 2010	£23.71	–	30,389	–	–	–	30,389	Aug 2012	£24.40	–	–	–
	14 Dec 2009	£18.68	16,119	–	–	–	–	16,119	Aug 2011	£19.06	–	–	–
Total			**16,119**	**30,389**	**–**	**–**	**–**	**46,508**					
Alex Vanselow	4 Dec 2008	A$29.15	153,768	–	153,768	–	153,768	–	7 Sep 2010	A$27.50	$38.44	A$37.91	A$1,347,008

Notes
(1) The exercise price is determined by the weighted average price at which BHP Billiton shares were traded over the one week up to and including the date of grant. This is the amount payable by the individual to exercise each Option and to receive one ordinary BHP Billiton share for each Option exercised.
(2) The holding period for each award ends on 30 June in the year the award 'may vest and become exercisable' if the conditions for vesting are met (including the relevant service conditions). Under the GIS rules, awards will vest and become exercisable on, or as soon as practicable after, the first non-prohibited period date occurring after 30 June. The expiry date of awards is the day prior to the third anniversary of that vesting date.
(3) The market price shown for the December 2010 grant is the closing price of BHP Billiton shares on 6 December 2010. No price is payable by the individual for acquiring the Options at the time of grant. The grant-date fair value of the Options is estimated as at the start of the vesting period, being 1 July 2010, using a Black-Scholes model, was £4.54. The value of the underlying shares during the financial year is shown in the table at the top of page 152.

Awards of Matched Shares under the Shareplus all-employee share plan

Each member of the GMC may choose to participate in the Shareplus all-employee share plan on the same basis as other employees. Matched shares were allocated under the plan on 1 April 2011 in relation to contributions made from base salary during the 2008 Shareplus Plan Year (i.e. during the period from June 2008 to May 2009). Differences in exchange rates in relation to the base salaries of the GMC members and the currencies of each securities exchange result in minor differences in the numbers of shares allocated. GMC interests in BHP Billiton as a result of the plan are shown below. Further detail on Shareplus is provided in section 6.2.7.

Name	Allocation Date	At 1 July 2010	Number of shares granted [1]	Transferred from trust or sold	At 30 June 2011	Market price on date of allocation/vesting [2]
Marius Kloppers	1 Apr 2011	–	168	36	132	A$46.68
	1 Apr 2010	160	–	–	160	A$43.95
Total		**160**	**168**	**36**	**292**	
Alberto Calderon	1 Apr 2011	–	188	23	165	£25.12
	1 Apr 2010	156	–	–	156	£23.01
Total		**156**	**188**	**23**	**321**	
Marcus Randolph	1 Apr 2011	–	172	–	172	A$46.68
	1 Apr 2010	157	–	–	157	A$43.95
Total		**157**	**172**	**–**	**329**	
Alex Vanselow	1 Apr 2011	–	168	–	168	A$46.68
	1 Apr 2010	157	–	–	157	A$43.95
Total		**157**	**168**	**–**	**325**	
Karen Wood	1 Apr 2011	–	168	–	168	A$46.68
	1 Apr 2010	157	–	–	157	A$43.95
Total		**157**	**168**	**–**	**325**	
J Michael Yeager [3]	1 Apr 2011	–	210	64	146	US$48.42
Total		**–**	**210**	**64**	**146**	

Notes
(1) Matched Shares allocated upon the vesting of rights to these shares (acquired during the 2008 Shareplus Plan Year).
(2) The market price shown is the closing price of BHP Billiton shares on 1 April 2010 and 1 April 2011 respectively.
(3) J Michael Yeager was allocated 105 American Depositary Receipts (listed on the New York Stock Exchange) in April 2011 (and 67 American Depositary Receipts in April 2010), which are each equivalent to two ordinary BHP Billiton Ltd shares.

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6.4.3 Equity awards continued

Awards of Performance Shares under the LTIP

Name	Date of grant	At 1 July 2010	Granted	Vested	Lapsed	Exercised	At 30 June 2011	Date award may vest and become exercisable [1]	Market price on date of grant [2]	Market price on date of vesting [3]	Market price on date of exercise [4]	Aggregate gain of shares exercised [4]
Executive Director												
Marius Kloppers	6 Dec 2010	–	200,000	–	–	–	200,000	Aug 2015	A$44.53	–	–	–
	4 Dec 2009	250,000	–	–	–	–	250,000	Aug 2014	A$40.65	–	–	–
	4 Dec 2008	500,000	–	–	–	–	500,000	Aug 2013	A$27.50	–	–	–
	14 Dec 2007	333,327	–	–	–	–	333,327	Aug 2012	A$42.05	–	–	–
	7 Dec 2006	225,000	–	–	–	–	225,000	Aug 2011	£9.72	–	–	–
	5 Dec 2005	225,000	–	225,000	–	225,000	–	7 Sep 2010	£8.90	£18.93	£18.93	£4,259,250
Total		**1,533,327**	**200,000**	**225,000**	**–**	**225,000**	**1,508,327**					
Other members of the GMC												
Alberto Calderon	6 Dec 2010	–	120,000	–	–	–	120,000	Aug 2015	£24.40	–	–	–
	14 Dec 2009	120,000	–	–	–	–	120,000	Aug 2014	£19.06	–	–	–
	4 Dec 2008	225,000	–	–	–	–	225,000	Aug 2013	£10.60	–	–	–
	14 Dec 2007	211,993	–	–	–	–	211,993	Aug 2012	£15.45	–	–	–
	7 Dec 2006	80,000	–	–	–	–	80,000	Aug 2011	£9.72	–	–	–
	5 Dec 2005	40,000	–	40,000	–	40,000	–	7 Sep 2010	£8.90	£18.93	£18.93	£757,200
Total		**676,993**	**120,000**	**40,000**	**–**	**40,000**	**756,993**					
Andrew Mackenzie [5]	6 Dec 2010	–	120,000	–	–	–	120,000	Aug 2015	£24.40	–	–	–
	14 Dec 2009	120,000	–	–	–	–	120,000	Aug 2014	£19.06	–	–	–
	4 Dec 2008	325,839	–	–	–	–	325,839	Aug 2013	£10.60	–	–	–
Total		**445,839**	**120,000**	**–**	**–**	**–**	**565,839**					
Marcus Randolph	6 Dec 2010	–	105,000	–	–	–	105,000	Aug 2015	A$44.53	–	–	–
	14 Dec 2009	120,000	–	–	–	–	120,000	Aug 2014	A$40.65	–	–	–
	4 Dec 2008	225,000	–	–	–	–	225,000	Aug 2013	A$27.50	–	–	–
	14 Dec 2007	197,676	–	–	–	–	197,676	Aug 2012	A$42.05	–	–	–
	7 Dec 2006	175,000	–	–	–	–	175,000	Aug 2011	A$26.40	–	–	–
	5 Dec 2005	110,000	–	110,000	–	110,000	–	7 Sep 2010	A$22.03	A$38.44	A$37.91	A$4,170,100
Total		**827,676**	**105,000**	**110,000**	**–**	**110,000**	**822,676**					
Alex Vanselow	6 Dec 2010	–	105,000	–	–	–	105,000	Aug 2015	A$44.53	–	–	–
	14 Dec 2009	120,000	–	–	–	–	120,000	Aug 2014	A$40.65	–	–	–
	4 Dec 2008	225,000	–	–	–	–	225,000	Aug 2013	A$27.50	–	–	–
	14 Dec 2007	197,676	–	–	–	–	197,676	Aug 2012	A$42.05	–	–	–
	7 Dec 2006	225,000	–	–	–	–	225,000	Aug 2011	A$26.40	–	–	–
	5 Dec 2005	110,000	–	110,000	–	110,000	–	7 Sep 2010	A$22.03	A$38.44	A$37.91	A$4,170,100
Total		**877,676**	**105,000**	**110,000**	**–**	**110,000**	**872,676**					
Karen Wood	6 Dec 2010	–	75,000	–	–	–	75,000	Aug 2015	A$44.53	–	–	–
	1 Feb 2010	90,000	–	–	–	–	90,000	Aug 2014	A$40.65	–	–	–
	4 Dec 2008	175,000	–	–	–	–	175,000	Aug 2013	A$27.50	–	–	–
	14 Dec 2007	154,187	–	–	–	–	154,187	Aug 2012	A$42.05	–	–	–
	7 Dec 2006	175,000	–	–	–	–	175,000	Aug 2011	A$26.40	–	–	–
	5 Dec 2005	80,000	–	80,000	–	80,000	–	7 Sep 2010	A$22.03	A$38.44	A$37.91	A$3,032,800
Total		**674,187**	**75,000**	**80,000**	**–**	**80,000**	**669,187**					
J Michael Yeager	6 Dec 2010	–	105,000	–	–	–	105,000	Aug 2015	A$44.53			
	14 Dec 2009	120,000	–	–	–	–	120,000	Aug 2014	A$40.65	–	–	–
	4 Dec 2008	225,000	–	–	–	–	225,000	Aug 2013	A$27.50	–	–	–
	14 Dec 2007	187,702	–	–	–	–	187,702	Aug 2012	A$42.05	–	–	–
	7 Dec 2006	225,000	–	–	–	–	225,000	Aug 2011	A$26.40	–	–	–
	26 Apr 2006	325,000	–	325,000	–	325,000	–	7 Sep 2010	A$31.06	A$38.44	A$37.91	A$12,320,750
Total		**1,082,702**	**105,000**	**325,000**	**–**	**325,000**	**862,702**					

Notes

(1) The performance period for each award ends on 30 June in the year the award 'may vest and become exercisable' if the conditions for vesting are met (including if the relevant performance hurdle is achieved). Under the LTIP rules, awards will vest and become exercisable on, or as soon as practicable after, the first non-prohibited period date occurring after 30 June. The expiry date of awards is the day prior to the fifth anniversary of that vesting date.

(2) The market price shown for the December 2010 grant is the closing price of BHP Billiton shares on 6 December 2010. No price is payable by the individual for acquiring the Performance Shares at the time of grant. The accounting grant-date fair values of the awards are estimated as at the start of the vesting period, being 1 July 2010, using a Monte Carlo simulation, and were A$23.38 and £10.68.

(3) All (100 per cent) of the Performance Shares granted under the LTIP in December 2005 became fully vested on 7 September 2010 following the performance hurdle being fully achieved as described in section 6.2.9. The price shown is the closing price of BHP Billiton shares on that date.

(4) The market price shown (and used for calculating the aggregate gain) is the closing price of BHP Billiton shares on the date that the individual exercised their Performance Shares. No price is payable by the individual for exercising the Performance Shares. One ordinary BHP Billiton share is acquired for each Performance Share exercised. The amounts shown in this column do not include the value of DEP paid on exercise of the awards as described in section 6.4.2. The DEP is included within the value of the share-based payment remuneration in that section. The DEP in relation to the vested 225,000 Performance Shares for Marius Kloppers was US$757,125 (UK disclosure requirement).

(5) The awards allocated to Andrew Mackenzie on 4 December 2008 included 225,000 Performance Shares allocated to him as part of FY2009 Total Remuneration and a further 100,839 Performance Shares allocated to him on commencement with BHP Billiton, in relation to at risk rewards forfeited when he left his former employer. More information on Mr Mackenzie's commencement arrangements is included in Note 7 to the table in section 6.4.2.

6.4.3 Equity awards continued

Estimated value range of awards

The current face value of STI and LTI awards allocated during FY2011 and yet to vest (to be disclosed under the Australian Corporations Act 2001) is the number of awards as set out in the previous tables multiplied by the current share price of BHP Billiton Ltd or BHP Billiton Plc as applicable.

The actual value that may be received by participants in the future can not be determined as it is dependent on, and therefore fluctuates with, the share prices of BHP Billiton Limited and BHP Billiton Plc at the date that any particular award is exercised. The table below provides FY2011 share price details for BHP Billiton Limited and BHP Billiton Plc.

	30 June 2011	Highest	Lowest
BHP Billiton Limited	A$43.80	A$49.55	A$36.98
BHP Billiton Plc	£24.47	£26.32	£16.85

Comparator group for LTIP awards

The index of peer group companies for the LTIP since its implementation in 2004 is shown below:

	December 2004 to 2006	December 2007 to 2009	December 2010
Resources			
Alcan	x		
Alcoa	x	x	x
Alumina	x		
Anglo American	x	x	x
Cameco		x	x
Falconbridge	x		
Freeport McMoRan	x	x	x
Impala	x		
Inco	x		
Newmont Mining	x		
Norilsk	x	x	x
Peabody Energy		x	x
Phelps Dodge	x		
Rio Tinto	x	x	x
Southern Copper		x	x
Teck Cominco		x	x
Vale	x	x	x
Xstrata	x	x	x
Oil and Gas			
Apache		x	x
BG Group	x	x	x
BP	x		x
ConocoPhillips	x		
Devon Energy		x	x
Exxon Mobil	x		x
Marathon Oil	x		
Shell	x		x
Total	x		
Woodside Petroleum	x	x	x

A description of the performance hurdle applying to the LTIP Performance Shares is set out in section 6.2.9.

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6.5 Aggregate Directors' remuneration

This table sets out the aggregate remuneration of Executive and Non-executive Directors in accordance with the requirements of the UK Companies Act 2006 (and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made thereunder).

US dollars million	2010	2011
Emoluments	8	8
Termination payments	–	–
Awards vesting under LTI plans	7	10
Gains on exercise of Options	–	–
Pension contributions	3	1
Total	**18**	**19**

6.6 Non-executive Director arrangements

This section explains the remuneration policy, structure and outcomes for Non-executive Directors as listed below.

6.6.1 Non-executive Directors in FY2011

Details of the Non-executive Directors who held office during FY2011 are set out below. Except where otherwise indicated, the Directors held office for the whole of FY2011. Dates of appointment of all Directors appear in section 4.1 of this Annual Report.

Name	Title	Details if changed position during FY2011
Alan Boeckmann	Non-executive Director	Retired 23 March 2011
Malcolm Broomhead	Non-executive Director	
John Buchanan	Senior Independent Director	
Carlos Cordeiro	Non-executive Director	
David Crawford	Non-executive Director	
Carolyn Hewson	Non-executive Director	
Lindsay Maxsted	Non-executive Director	Appointed 23 March 2011
Wayne Murdy	Non-executive Director	
Jacques Nasser	Chairman	
Keith Rumble	Non-executive Director	
John Schubert	Non-executive Director	
Shriti Vadera	Non-executive Director	Appointed 1 January 2011

6.6.2 Remuneration structure

Our Non-executive Directors are paid in compliance with the UK Corporate Governance Code (2010) and the ASX Corporate Governance Council Principles of Good Corporate Governance (2007, with 2010 amendments).

The Board is conscious that, just as it must set remuneration levels to attract and retain talented executives, it must also ensure that remuneration rates for Non-executive Directors are set at a level that will attract and retain the calibre of Director necessary to contribute effectively to a high-performing Board. The remuneration levels reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Companies structure, the multiple stock exchange listings, the extent of the geographic regions in which the Group operates and the enhanced responsibilities associated with membership of Board Committees. They also reflect the considerable travel burden imposed on members of the Board. In setting the remuneration of the Directors, the Remuneration Committee takes into account the economic environment and the financial performance of the Group, along with pay and employment conditions of employees elsewhere in the Group.

Fees for the Non-executive Directors are determined by the Chairman and the CEO. The Non-executive Directors do not take part in these discussions. Fees for the Non-executive Directors and Chairman were reviewed in June 2011 and benchmarked against peer companies with the assistance of external advisers. The table on the following page sets out the fees before and after the 2011 review. The aggregate sum available to remunerate Non-executive Directors was approved by shareholders at the 2008 Annual General Meetings at US$3.8 million.

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6.6.2 Remuneration structure continued

Levels of fees and travel allowances for Non-executive Directors (in US dollars)	From 1 July 2008	From 1 July 2009	From 1 July 2010	From 1 July 2011
Base annual fee	140,000	140,000	154,000	170,000
Plus additional fees for:				
Senior Independent Director of BHP Billiton Plc	30,000	30,000	35,000	48,000
Committee Chair:				
Risk and Audit	50,000	50,000	55,000	60,000
Remuneration	35,000	35,000	40,000	45,000
Sustainability	35,000	35,000	40,000	45,000
Nomination	No additional fees	No additional fees	No additional fees	No additional fees
Committee membership:				
Risk and Audit	25,000	25,000	30,000	32,500
Remuneration	20,000	20,000	25,000	27,500
Sustainability	20,000	20,000	25,000	27,500
Nomination	No additional fees	No additional fees	No additional fees	No additional fees
Travel allowance:				
Greater than 3 but less than 10 hours*	7,000	7,000	7,000	7,000
10 hours or more*	15,000	15,000	15,000	15,000
Chairman's remuneration	1,000,000	1,000,000	1,000,000	1,100,000

*Until 30 June 2011, the time frames were 'Greater than 3 but less than 12 hours' and '12 hours or more'.

Non-executive Directors are not eligible to participate in any of our incentive arrangements. A standard letter of appointment has been developed for Non-executive Directors and is available on our website. Each Non-executive Director is appointed subject to periodic re-election by shareholders (see section 5 of this Annual Report for an explanation of the process). There are no provisions in any of the Non-executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

6.6.3 Retirement benefits

The following table sets out the accrued retirement benefits under the now-closed Retirement Plan of BHP Billiton Limited. The Retirement Plan was closed on 24 October 2003 and entitlements that had accumulated in respect of each of the participants were frozen. These will be paid on retirement. An earnings rate equal to the five-year Australian Government Bond Rate is being applied to the frozen entitlements from that date.

US dollars	Completed service at 30 June 2011 (years)	Increase in lump sum entitlement during the year [1]	Lump sum entitlement at [2]	
			30 June 2011	30 June 2010
David Crawford	17	144,726	582,572	437,846
John Schubert	11	72,317	291,100	218,783

Notes
(1) Since the closure of the Retirement Plan, no further entitlements have accrued. The movement reflects the application of the earnings rate and foreign exchange rate (the translation from Australian dollars to US dollars for the Remuneration Report) to the lump sum entitlement at the date of closure.
(2) Lump sum entitlements disclosure up to and including 2008 included compulsory Group contributions to the BHP Billiton Superannuation Fund. Accordingly, the entitlement amounts disclosed relate to the benefits under the Retirement Plan.

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6.6.4 Statutory disclosures

The table below has been prepared in accordance with the requirements of the UK Companies Act 2006 (and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made thereunder) and the Australian Corporations Act 2001, and relevant accounting standards.

		Short-term benefits						Post-employment benefits [2]		
US dollars		Fees	Committee Chair fees	Committee membership fees	Travel allowances	Other benefits (non-monetary) [1]	Subtotal: UK Requirements	Superannuation benefits	Retirement benefits	Total: Australian requirements
Alan Boeckmann [3]	**2011**	**112,188**	**–**	**18,212**	**44,000**	**–**	**174,400**	**–**	**–**	**174,400**
	2010	140,000	–	20,000	66,000	8,296	234,296	–	–	234,296
Malcolm Broomhead [4]	**2011**	**154,000**	**–**	**25,000**	**52,000**	**–**	**231,000**	**9,541**	**–**	**240,541**
	2010	35,376	–	5,054	–	–	40,430	2,131	–	42,561
John Buchanan	**2011**	**189,000**	**40,000**	**–**	**60,000**	**1,664**	**290,664**	**–**	**–**	**290,664**
	2010	170,000	35,000	–	68,000	1,327	274,327	–	–	274,327
Carlos Cordeiro	**2011**	**154,000**	**–**	**25,000**	**59,000**	**1,664**	**239,664**	**–**	**–**	**239,664**
	2010	140,000	–	20,000	89,000	–	249,000	–	–	249,000
David Crawford	**2011**	**154,000**	**55,000**	**–**	**52,000**	**–**	**261,000**	**11,162**	**–**	**272,162**
	2010	140,000	50,000	–	45,000	22,410	257,410	9,952	–	267,362
Carolyn Hewson [4]	**2011**	**154,000**	**–**	**30,000**	**37,000**	**–**	**221,000**	**9,808**	**–**	**230,808**
	2010	35,376	–	6,317	–	–	41,693	2,198	–	43,891
Lindsay Maxsted [3]	**2011**	**42,226**	**–**	**–**	**15,000**	**–**	**57,226**	**2,113**	**–**	**59,339**
Wayne Murdy	**2011**	**154,000**	**–**	**30,000**	**88,000**	**1,664**	**273,664**	**–**	**–**	**273,664**
	2010	140,000	–	25,000	81,000	24,932	270,932	–	–	270,932
Jacques Nasser [5]	**2011**	**1,000,000**	**–**	**–**	**97,000**	**1,889**	**1,098,889**	**–**	**–**	**1,098,889**
	2010	357,312	–	18,683	88,000	1,856	465,851	–	–	465,851
Keith Rumble	**2011**	**154,000**	**–**	**25,000**	**89,000**	**1,664**	**269,664**	**–**	**–**	**269,664**
	2010	140,000	–	20,000	81,000	17,879	258,879	–	–	258,879
John Schubert	**2011**	**154,000**	**40,000**	**25,000**	**52,000**	**–**	**271,000**	**14,037**	**–**	**285,037**
	2010	140,000	35,000	5,430	45,000	–	225,430	9,430	–	234,860
Shriti Vadera [3]	**2011**	**77,000**	**–**	**–**	**30,000**	**–**	**107,000**	**–**	**–**	**107,000**

Notes

(1) Other benefits include professional fees and reimbursements of the cost of travel, accommodation and subsistence for the Director and, where applicable, their spouse.

(2) In respect of superannuation benefits, BHP Billiton Limited makes superannuation contributions of nine per cent of fees paid in accordance with Australian superannuation legislation.

(3) FY2011 remuneration for Alan Boeckmann, Lindsay Maxsted, and Shriti Vadera relates to part of that year only, as they retired from, or joined, the Board during the year. Details of their dates of retirement or appointment are set out in section 6.6.1.

(4) FY2010 remuneration for Malcolm Broomhead, and Carolyn Hewson relates to part of that year only, as they joined the Board during that year.

(5) FY2010 remuneration for Jacques Nasser relates to part of the year as Non-executive Director (until 30 March 2010), and part of the year as Chairman (from 31 March 2010). The current Chairman's remuneration is set out in section 6.6.2.

This Report was approved by the Board on 6 September 2011 and signed on its behalf by:

John Buchanan
Chairman, Remuneration Committee

6 September 2011

7 Directors' Report

The information presented by the Directors in this Directors' Report relates to BHP Billiton Limited and BHP Billiton Plc and their subsidiaries. The Chairman's Review in section 1.2, Chief Executive Officer's Report in section 1.3 and section 1 Key information, section 2 Information on the Company, section 3 Operating and financial review and prospects and section 11 Shareholder information of this Annual Report are each incorporated by reference into, and form part of, this Directors' Report.

7.1 Principal activities, state of affairs and business review

The UK Companies Act 2006 requires this Directors' Report to include a fair review of the business of the Group during FY2011 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as the 'business review'). In addition to the information set out below, the information that fulfils the requirements of the business review can be found in the following sections of this Annual Report (which are each incorporated by reference into this Directors' Report):

Section	Reference
Key performance indicators	1.4 and 3.3
Risk factors	1.5
Business overview	2.2
Sustainable development	2.8
Employees	2.9
Financial review	3

A review of the operations of the Group during FY2011, the results of those operations during FY2011 and the expected results of those operations in future financial years, is set out in sections 1.2, 1.3, 2.2 and 3 and other material in this Annual Report. Information on the development of the Group and likely developments in future years also appear in those sections of this Annual Report. The Directors believe that to include further information on those matters and on the strategies and expected results of the operations of the Group in this Annual Report would be likely to result in unreasonable prejudice to the Group.

Our principal activities during FY2011 were minerals exploration, development, production and processing (in respect of bauxite, alumina, aluminium, copper, silver, lead, zinc, molybdenum, gold, iron ore, metallurgical coal, energy coal, nickel, manganese ore, manganese metal and alloys, diamonds, titanium minerals, potash and uranium), and oil and gas exploration, development and production. No significant changes in the nature of any of the Group's principal activities occurred during FY2011.

Significant changes in the state of affairs of the Group that occurred during FY2011 and significant post-balance date events are set out below and in sections 2.2 and 3 of this Annual Report.

- There were changes to the composition of the Board during FY2011. Alan Boeckmann retired from the Board on 23 March 2011. Shriti Vadera and Lindsay Maxsted were appointed to the Board with effect from 1 January 2011 and 23 March 2011 respectively, and have also been appointed members of the Risk and Audit Committee, with Mr Maxsted appointed as Chairman of the Risk and Audit Committee effective from 6 September 2011. Ms Vadera and Mr Maxsted will seek election at the 2011 Annual General Meetings.
- On 2 July 2010, we announced that BHP Billiton was encouraged by the Australian Government's decision to replace the proposed Resource Super Profits Tax with a proposed Minerals Resource Rent Tax on mined iron ore and coal from 1 July 2012. The Minerals Resource Rent Tax is subject to passing by the Australian Parliament and may differ (wholly or in part) in its final form. BHP Billiton will continue to work constructively with the Australian Government to ensure the detailed design of minerals taxation maintains the international competitiveness of the Australian resources industry into the future.
- On 24 September 2010, we announced approval for the development of the Macedon gas field in the Exmouth Sub-basin, Western Australia. BHP Billiton's expected share of costs is approximately US$1,050 million. The Macedon project is a joint venture between BHP Billiton (71.43 per cent) and Apache Northwest (28.57 per cent). First production is expected during CY2013.
- On 18 October 2010, BHP Billiton and Rio Tinto announced their joint decision to end plans for an iron ore production joint venture in the Pilbara in Western Australia following extensive discussions with regulators.
- On 15 November 2010, we announced the withdrawal of our offer to acquire all of the issued and outstanding common shares of Potash Corporation of Saskatchewan Inc. The all-cash offer was announced on 18 August 2010 and subsequently amended on 20 September 2010. BHP Billiton determined that the condition of its offer relating to receipt of a net benefit determination by the Minister of Industry under the Investment Canada Act could not be satisfied.
- On 20 January 2011, we announced the approval of increased capital expenditure for the Esso Australia operated Kipper and Turrum projects in the Gippsland Basin, offshore Victoria. Kipper's expenditure has increased to US$900 million (BHP Billiton share) and the facilities are now forecast to be completed in CY2012. Turrum's expenditure has been adjusted to US$1,350 million (BHP Billiton share) and is now forecast to begin production in CY2013.
- On 22 February 2011, we announced our agreement to acquire all of Chesapeake Energy Corporation's interests in the Fayetteville Shale, US, including the midstream pipeline system, for US$4.75 billion. Chesapeake's Fayetteville Shale assets include approximately 487,000 acres of leasehold and producing natural gas properties located in Arkansas, US.
- On 24 March 2011, we announced the approval of US$7.4 billion (BHP Billiton share US$6.6 billion) of capital investment to continue production growth in the Company's Western Australian Iron Ore operations. This followed an earlier announcement on 17 November 2010 of a further US$635 million (BHP Billiton share US$570 million) of capital expenditure. This additional capital expenditure will facilitate the ongoing development of important port, rail and Jimblebar mine infrastructure. The investment will deliver an integrated operation with capacity in excess of 220 million tonnes per annum (mtpa) on a 100 per cent basis.

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7.1 Principal activities, state of affairs and business review continued

- On 24 March 2011, we announced the approval of three metallurgical coal projects located in the Bowen Basin in Central Queensland. The projects will add 4.9 million tonnes (Mt) of annual mine capacity (100 per cent basis) through development of the Daunia operation and a new mining area at Broadmeadow. In addition, 11 Mt of annual port capacity (100 per cent basis) will be developed at the Hay Point Coal Terminal. The total investment is US$5 billion, of which BHP Billiton's share is US$2.5 billion.
- On 24 March 2011, we announced the approval of US$400 million investment to expand Hunter Valley Energy Coal in New South Wales. The expansion, known as the RX1 Project, will enable Mt Arthur Coal's run-of-mine thermal coal production to increase by 4 mtpa to approximately 24 mtpa.
- On 30 March 2011, we announced approval for the Escondida Ore Access project, which will relocate the crushing and conveying facilities currently located inside Escondida's main pit to improve access to higher-grade ore and thereby support higher production from 2013. The project is expected to cost US$554 million (US$319 million BHP Billiton share) and will be completed by mid CY2012.
- On 11 April 2011, we announced the completion of a US$6 billion off-market tender buy-back of BHP Billiton Limited shares. 147 million shares (4.4 per cent of BHP Billiton Limited's issued share capital) were bought back at a price of A$40.85 per share. BHP Billiton's capital management program for BHP Billiton Plc was reactivated on 16 November 2010 and expanded to US$10 billion to apply to the Group's issued capital on 16 February 2011. Completion of the expanded US$10 billion capital management program was announced on 30 June 2011.
- On 29 April 2011, we announced that the partners of Samarco had approved the US$3.5 billion (BHP Billiton share US$1.75 billion) Fourth Pellet Plant Project at Samarco in Brazil. The expansion will increase Samarco iron ore pellet production capacity by 8.3 mtpa to 30.5 mtpa (100 per cent basis).
- On 1 June 2011, we welcomed the High Court's decision in favour of BHP Billiton in its dispute with the Australian Taxation Office over certain tax issues relating to BHP Billiton's former Hot Briquetted Iron project. As a result of the resolution of the entire dispute with the Australian Taxation Office over these issues, an income tax credit of US$718 million has been recognised as an exceptional item in the financial results.
- On 23 June 2011, we announced the completion of the budget and schedule review for the Worsley Efficiency and Growth project. The capital cost estimate for the project, encompassing the development of the Marradong mine, refinery expansion and connection to a multi-fuel cogeneration unit, has increased to US$2,995 million (BHP Billiton share).
- On 23 June 2011, we announced the approval for US$488 million of further investment to support development of the Jansen Potash Project in Saskatchewan, Canada. This additional pre-commitment capital will fund site preparation and the procurement of long lead time items during the project's feasibility study. Based on the current schedule, Jansen is expected to start producing saleable potash in CY2015.
- On 9 August 2011, we signed a Heads of Agreement with Leighton Holdings to acquire the HWE Mining subsidiaries that provide contract mining services to our Western Australia Iron Ore operations. The purchase price is US$735 million, subject to working capital assumptions. The definitive agreements are subject to due diligence and relevant internal and regulatory approvals. It is expected to close during the fourth quarter of CY2011.
- On 18 August 2011, we arranged a new unsecured 364-day multicurrency term and revolving credit facility for an amount of US$7.5 billion consisting of two tranches: a US$5 billion term loan and US$2.5 billion revolving credit facility.
- On 21 August 2011, we announced the successful completion of the cash tender offer to acquire Petrohawk Energy Corporation in the US for US$38.75 per share, representing a total equity value of approximately US$12.1 billion and a total enterprise value of approximately US$15.1 billion, including the assumption of net debt. Combined with the Fayetteville Shale acquisition, this expands BHP Billiton's interest in US shale.

No other matter or circumstance has arisen since the end of FY2011 that has significantly affected or is expected to significantly affect the operations, the results of operations or state of affairs of the Group in future years.

7.2 Share capital and buy-back programs

The BHP Billiton share buy-back program was reactivated after being suspended since FY2008.

At the Annual General Meetings held in 2010, shareholders authorised BHP Billiton Plc to make on-market purchases of up to 223,112,120 of its ordinary shares, representing approximately 10 per cent of BHP Billiton Plc's issued share capital at that time. Shareholders will be asked at the 2011 Annual General Meetings to renew this authority.

During FY2011, 94.9 million ordinary shares in BHP Billiton Plc, with a nominal value of US$0.50 per share and representing 4.3 per cent of BHP Billiton Plc's issued share capital, were purchased by BHP Billiton Limited, and immediately transferred to BHP Billiton Plc for nil consideration and cancellation. These shares were bought back at an average price of £23.96 for an aggregate consideration of US$3,678 million to return value to shareholders under our capital management program. This represented a discount to the average BHP Billiton Limited share price over the buy-back period (being 16 November 2010 to 29 June 2011) of 16.4 per cent. The completion of this program was announced on 30 June 2011.

In February 2011, BHP Billiton Limited commenced an off-market share buy-back program under which 146.9 million shares of BHP Billiton Limited, representing 4.4 per cent of BHP Billiton Limited's issued share capital, were purchased off-market and cancelled. These shares were bought back at an average price of A$40.85 for an aggregate consideration of US$6.3 billion to return value to shareholders under our capital management program. This represented a discount to the BHP Billiton Limited market price of A$47.50 (volume weighted average price (VWAP) of BHP Billiton Limited ordinary shares over the five trading days up to and including the closing date of 8 April 2011) of 14 per cent. We did not make any on-market share purchases of BHP Billiton Limited shares during FY2011.

Some of our executives receive options over BHP Billiton shares as part of their remuneration arrangements. Entitlements may be satisfied by the transfer of existing shares, which are acquired on-market, or in respect of some entitlements, by the issue of new shares.

The shares in column 'A' below were purchased to satisfy awards made under the various BHP Billiton Limited and BHP Billiton Plc employee share schemes, and those shares purchased in BHP Billiton Limited and BHP Billiton Plc as part of our capital management program during FY2011.

7.2 Share capital and buy-back programs continued

Period	A Total number of shares purchased	B Average price paid per share [a] US$	C Total number of shares purchased as part of publicly announced plans or programs	D Maximum number of shares that may yet be purchased under the plans or program BHP Billiton Limited	 BHP Billiton Plc [b]
1 July 2010 to 31 July 2010	163,891	30.47	–	– [c]	223,112,120 [d]
1 Aug 2010 to 31 Aug 2010	3,663,275	32.01	–	– [c]	223,112,120 [d]
1 Sep 2010 to 30 Sep 2010	3,365,765	34.09	–	– [c]	223,112,120 [d]
1 Oct 2010 to 31 Oct 2010	1,275,444	36.88	–	– [c]	223,112,120 [d]
1 Nov 2010 to 30 Nov 2010	5,863,837	37.23	5,275,000	– [c]	217,837,120 [d]
1 Dec 2010 to 31 Dec 2010	1,929,884	40.28	1,550,007	– [c]	216,287,113 [d]
1 Jan 2011 to 31 Jan 2011	9,699,003	39.33	9,277,372	– [c]	207,009,741 [d]
1 Feb 2011 to 28 Feb 2011	7,962,036	40.52	7,719,003	– [c]	199,290,738 [d]
1 Mar 2011 to 31 Mar 2011	16,592,224	38.32	15,368,580	– [c]	183,922,158 [d]
1 Apr 2011 to 30 Apr 2011	156,648,900	43.09	156,296,296 [e]	– [c]	174,525,671 [d]
1 May 2011 to 31 May 2011	23,706,320	39.24	22,947,021	– [c]	151,578,650 [d]
1 June 2011 to 30 June 2011	23,626,827	37.69	23,402,278	– [c]	128,176,372 [d]
Total	**254,497,406**	**41.22**	**241,835,557**	**–**	**128,176,372** [d]

[a] The shares were purchased in the currency of the stock exchange on which the purchase took place, and the sale price has been converted into US dollars at the exchange rate on the day of the purchase.
[b] On 15 November 2010, the share buy-back program was reactivated.
[c] While BHP Billiton Limited is able to buy-back and cancel BHP Billiton Limited shares within the '10/12 limit' without shareholder approval in accordance with section 257B of the Australian Corporations Act 2001, BHP Billiton Limited has not resumed the on-market share buy-back program that was suspended as of 30 September 2007. Any future on-market share buy-back program will be conducted in accordance with the Australian Corporations Act 2001 and with the ASX Listing Rules.
[d] At the Annual General Meetings held during 2010, shareholders authorised BHP Billiton Plc to make on-market purchases of up to 223,112,120 of its ordinary shares, representing approximately 10 per cent of BHP Billiton Plc's issued share capital at that time.
[e] This number includes the 146.9 million shares purchased under the BHP Billiton Limited off-market buy-back.

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7.3 Results, financial instruments and going concern

Information about our financial position and financial results is included in the financial statements in this Annual Report. The income statement shows profit attributable to BHP Billiton members of US$23,648 million compared with US$12,722 million in 2010.

The Group's business activities, together with the factors likely to affect its future development, performance and position are discussed in section 3 of this Annual Report. In addition, section 5.6 and note 28 'Financial risk management' to the financial statements detail the Group's capital management objectives, its approach to financial risk management and exposure to financial risks, liquidity and borrowing facilities. Each of these sections is incorporated into, and forms part of, this Directors' Report.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going-concern basis of accounting in preparing the annual financial statements.

7.4 Directors

The Directors who served at any time during or since the end of the financial year were Jacques Nasser, Marius Kloppers, Alan Boeckmann, Malcolm Broomhead, John Buchanan, Carlos Cordeiro, David Crawford, Carolyn Hewson, Lindsay Maxsted, Wayne Murdy, Keith Rumble, John Schubert and Shriti Vadera. Further details of the Directors of BHP Billiton Limited and BHP Billiton Plc are set out in section 4.1 of this Annual Report. These details include the period for which each Director held office up to the date of this Directors' Report, their qualifications, experience and particular responsibilities, the directorships held in other listed companies since 1 July 2008, and the period for which each directorship has been held.

Mr Boeckmann retired as a Director of BHP Billiton Limited and BHP Billiton Plc with effect from 23 March 2011, having been a Director since September 2008.

Ms Vadera was appointed as a Director of BHP Billiton Limited and BHP Billiton Plc with effect from 1 January 2011 and Mr Maxsted was appointed a Director with effect from 23 March 2011.

The number of meetings of the Board and its Committees held during the year and each Director's attendance at those meetings are set out in sections 5.3.12 and 5.4.1 of this Annual Report.

7.5 Remuneration and share interests

7.5.1 Remuneration

The policy for determining the nature and amount of emoluments of members of the Group Management Committee (GMC) (including the Executive Director) and the Non-executive Directors and information about the relationship between that policy and our performance are set out in sections 6.2, 6.4 and 6.6 of this Annual Report.

The remuneration tables contained in sections 6.4 and 6.5 of this Annual Report set out the remuneration of members of the GMC (including the Executive Director) and the Non-executive Directors.

7.5.2 Directors

The tables contained in section 7.20 of this Directors' Report set out the relevant interests in shares in BHP Billiton Limited and BHP Billiton Plc of the Directors who held office during FY2011, at the beginning and end of FY2011, and in relation to all Directors in office as at the date of this Directors' Report, their relevant interests in shares in BHP Billiton Limited and BHP Billiton Plc as at the date of this Directors' Report. No rights or options over shares in BHP Billiton Limited and BHP Billiton Plc are held by any of the Non-executive Directors. Interests held by the Executive Director under share and option plans as at 30 June 2011 are set out in the tables showing interests in incentive plans contained in section 6.4.3 and note 30 'Key Management Personnel' in the financial statements of this Annual Report.

We have not made available to any Director any interest in a registered scheme.

The former Directors of BHP Limited participated in a retirement plan under which they were entitled to receive a payment on retirement calculated by reference to years of service. This plan was closed on 24 October 2003, and benefits accrued to that date are held by BHP Billiton Limited and will be paid on retirement. Further information about this plan and its closure are set out in section 6.6.3 of this Annual Report.

7.5.3 GMC members

The table contained in section 7.21 of this Directors' Report sets out the relevant interests held by members of the GMC (other than Directors) in shares of BHP Billiton Limited and BHP Billiton Plc at the beginning and end of FY2011, and at the date of this Directors' Report. Interests held by members of the GMC under share and option plans as at 30 June 2011 are set out in the tables showing interests in incentive plans contained in section 6.4.3 and note 30 'Key Management Personnel' in the financial statements of this Annual Report.

7.6 Secretaries

Jane McAloon is the Group Company Secretary. Details of her qualifications and experience are set out in section 4.1 of this Annual Report. The following people also act as the Company Secretaries of either BHP Billiton Limited or BHP Billiton Plc: Elisabeth Joyner, BA (Jurisprudence), LLM, FCIS, Deputy Company Secretary BHP Billiton Limited, and Geof Stapledon, BEc LLB (Hons), DPhil, FCIS, Deputy Company Secretary BHP Billiton Plc and Elizabeth Hobley, BA (Hons), ACIS, Deputy Company Secretary BHP Billiton Plc. Each such individual has experience in a company secretariat role arising from time spent in such roles within BHP Billiton, large listed companies or other relevant entities.

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7.7 Indemnities and insurance

Rule 146 of the BHP Billiton Limited Constitution and Article 146 of the BHP Billiton Plc Articles of Association require each Company to indemnify to the extent permitted by law, each Director, Secretary or executive officer of BHP Billiton Limited and BHP Billiton Plc respectively against liability incurred in, or arising out of, the conduct of the business of the Company or the discharge of the duties of the Director, Secretary or executive officer. The Directors named in section 4.1 of this Annual Report, the executive officers and the Company Secretaries of BHP Billiton Limited and BHP Billiton Plc have the benefit of this requirement, as do individuals who formerly held one of those positions.

In accordance with this requirement, BHP Billiton Limited and BHP Billiton Plc have entered into Deeds of Indemnity, Access and Insurance (Deeds of Indemnity) with each of their respective Directors. The Deeds of Indemnity are qualifying third party indemnity provisions for the purposes of the UK Companies Act 2006.

We have a policy that we will, as a general rule, support and hold harmless an employee, including an employee appointed as a Director of a subsidiary who, while acting in good faith, incurs personal liability to others as a result of working for us.

From time to time, we engage our External Auditor, KPMG, to conduct non-statutory audit work and provide other services in accordance with our policy on the provision of other services by the External Auditor. The terms of engagement include an indemnity in favour of KPMG:

- against all losses, claims, costs, expenses, actions, demands, damages, liabilities or any proceedings (liabilities) incurred by KPMG in respect of third party claims arising from a breach by the Group under the engagement terms;
- for all liabilities KPMG has to the Group or any third party as a result of reliance on information provided by the Group that is false, misleading or incomplete.

We have insured against amounts that we may be liable to pay to Directors, Company Secretaries or certain employees pursuant to Rule 146 of the Constitution of BHP Billiton Limited and Article 146 of the Articles of Association of BHP Billiton Plc or that we otherwise agree to pay by way of indemnity. The insurance policy also insures Directors, Company Secretaries and some employees against certain liabilities (including legal costs) they may incur in carrying out their duties for us.

We have paid premiums for this 'Directors and Officers' insurance of US$2,335,600 net during FY2011. Directors, Company Secretaries and employees contribute to the premium for this insurance.

No indemnity in favour of a current or former officer of BHP Billiton Limited or BHP Billiton Plc, or in favour of the External Auditor, has been called on during FY2011.

7.8 Employee policies and involvement

We are committed to open, honest and productive relationships with our employees. At BHP Billiton, we recognise the most important ingredient for success is our talented and motivated workforce, whose members demonstrate behaviours that are aligned to *Our Charter* values.

We have an integrated people strategy to effectively attract, retain and develop talented people. Our approach is outlined in our Human Resources Policy, the *Code of Business Conduct* and the Group Level Documents that prescribe what we will do and how we will do it. All of these documents are published and accessible to employees.

Effective communication and employee engagement is critical for maintaining open and productive relationships between leaders and employees. All employees receive communication on BHP Billiton goals and performance, as well as on important issues such as health and safety and the environment and the *Code of Business Conduct*. Our Code is founded on *Our Charter* values, which make an unqualified commitment to working with integrity. Communication is undertaken through a variety of channels, including the internet, intranet, email, newsletters and other means designed to cater for the local environment. These tools are also used to facilitate employee feedback, as are a variety of consultative processes. Dispute and grievance handling processes are also in place to assist in equitably addressing workplace issues in all businesses. A Business Conduct Advisory Service operates worldwide to allow concerns to be raised about conduct that is out of step with *Our Charter* values, our policies and procedures or the law.

Our all-employee share purchase plan, Shareplus, is available to all employees, except where local regulations limit operation of the scheme. In these instances, alternative arrangements are in place. As at 30 June 2011, approximately 43 per cent of employees were participants in Shareplus. The Shareplus employee plan is described in section 6.2.7 of this Annual Report. Short-term and long-term incentive schemes also operate across the Group. Rewards for individuals are predicated on the need to meet targets relating to our Company's performance in areas such as health, safety and achievement of financial measures and on the personal performance of each employee.

All employees are entitled to balanced and realistic feedback coupled with the identification of development and training needs to help maximise their performance and realise their full potential. In FY2011, 71 per cent of employees participated in a formal performance review process. Due to industrial agreements, not all employees are able to participate in individual performance reviews. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertake.

BHP Billiton is committed to developing and maintaining a diverse workforce and providing a work environment in which every employee is treated fairly and with respect. We work actively to avoid discrimination on any basis, including disability. Where an employee suffers some disability while they are employed, we work to identify roles that meet their skill, experience and capability, and in some cases offer retraining. We also work hard to offer flexible work practices, where this is possible, taking into account the needs of the employee and those of the particular workplace. Our remuneration policy and employment packages, which must comply with local regulations, are based on merit, aligned to our business requirements and sufficiently attractive to recruit and retain the best people.

Our employees can access our Annual Reports either via the intranet or hard copy.

7.9 Environmental performance

Particulars in relation to environmental performance are referred to in sections 2.8, 3.3, and 7.22 of this Annual Report and in the Sustainability Report, available at *www.bhpbilliton.com*.

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7.10 Corporate Governance

The UK Financial Services Authority's Disclosure and Transparency Rules (DTR 7.2) require that certain information be included in a corporate governance statement set out in the Directors' Report. BHP Billiton has an existing practice of issuing a separate corporate governance statement as part of its Annual Report. The information required by the Disclosure and Transparency Rules and the UK Financial Services Authority's Listing Rules (LR 9.8.6) is located in section 5 of this Annual Report, with the exception of the information referred to in DTR 7.2.6, which is located in section 7.23 of this Annual Report.

7.11 Dividends

A final dividend of 55.0 US cents per share will be paid on 29 September 2011. Details of the dividends paid and the dividend policy are set out in sections 3.7.6 and 11.3 of this Annual Report.

7.12 Auditors

A resolution to reappoint KPMG Audit Plc as the auditor of BHP Billiton Plc will be proposed at the 2011 Annual General Meetings in accordance with section 489 of the UK Companies Act 2006.

A copy of the declaration given by our External Auditor to the Directors in relation to the auditors' compliance with the independence requirements of the Australian Corporations Act 2001 and the professional code of conduct for External Auditors is set out on page 241 of this Annual Report.

Lindsay Maxsted was the only officer of BHP Billiton during FY2011 who was a director or partner of the Group's External Auditor at a time when the Group's External Auditor conducted an audit of the Group. Mr Maxsted's prior relationship with KPMG is set out in section 5.3.5 of the Annual Report. Mr Maxsted has not been part of the KPMG audit practice since 1980 and has not been in any way involved in, or able to influence, any audit activity associated with BHP Billiton.

Each person who held the office of Director at the date the Board resolved to approve this Directors' Report makes the following statements:

- so far as the Director is aware, there is no relevant audit information of which the Group's External Auditor is unaware;
- the Director has taken all steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Group's External Auditor is aware of that information.

7.13 Non-audit services

Details of the non-audit services undertaken by our External Auditor, including the amounts paid for non-audit services, are set out in note 34 'Auditor's remuneration' in the financial statements of this Annual Report. Based on advice provided by the Risk and Audit Committee, the Directors have formed the view that the provision of non-audit services is compatible with the general standard of independence for auditors, and that the nature of non-audit services means that auditor independence was not compromised. Further information about our policy in relation to the provision of non-audit services by the auditor is set out in section 5.5.1 of this Annual Report.

7.14 Value of land

Much of our interest in land consists of leases and other rights that permit the working of such land and the erection of buildings and equipment thereon for the purpose of extracting and treating minerals. Such land is mainly carried in the accounts at cost and it is not possible to estimate the market value, as this depends on product prices over the long term, which will vary with market conditions.

7.15 Political and charitable donations

No political contributions/donations for political purposes were made to any political party, politician, elected official or candidate for public office during FY2011.

In FY2011, we made charitable donations for the purposes of funding community programs in the United Kingdom of US$193,324 (cash) (2010: US$250,946) and worldwide, including in-kind support and administrative cost totalling US$195,544,063 (2010: US$200,452,251).

The total amount of charitable donations made worldwide in FY2011 includes US$30 million contributed to BHP Billiton Sustainable Communities (registered with the UK Charities Commission) established for the purposes of funding community investment globally.

7.16 Exploration, research and development

Companies within the Group carry out exploration and research and development necessary to support their activities. Further details are provided in sections 2.5 and 2.6 of this Annual Report.

7.17 Creditor payment policy

When we enter into a contract with a supplier, payment terms will be agreed when the contract begins and the supplier will be made aware of these terms. We do not have a specific policy towards our suppliers and do not follow any code or standard practice. However, we settle terms of payment with suppliers when agreeing overall terms of business, and seek to abide by the terms of the contracts to which we are bound. As at 30 June 2011, BHP Billiton Plc (the unconsolidated parent entity) had US$12,000 of trade creditors outstanding which represents one day of purchases outstanding in respect of costs, based on the total invoiced by suppliers during FY2011.

7.18 Class order

BHP Billiton Limited is a company of a kind referred to in Australian Securities and Investments Commission Class Order No. 98/100, dated 10 July 1998. Amounts in this Directors' Report and the financial statements, except estimates of future expenditure or where otherwise indicated, have been rounded to the nearest million dollars in accordance with that Class Order.

7.19 Proceedings on behalf of BHP Billiton Limited

No proceedings have been brought on behalf of BHP Billiton Limited, nor any application made under section 237 of the Australian Corporations Act 2001.

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7.20 Directors' shareholdings

The tables below set out information pertaining to the shares held by Directors in BHP Billiton Limited and BHP Billiton Plc.

BHP Billiton Limited shares	As at date of Directors' Report	As at 30 June 2011	As at 30 June 2010
Alan Boeckmann [1][2][3]	Not applicable	4,330	3,150
Malcolm Broomhead [2]	9,000	9,000	9,000
John Buchanan	–	–	–
Carlos Cordeiro [3]	6,550	6,550	6,550
David Crawford [2]	33,127	33,127	33,127
Carolyn Hewson [2]	7,000	3,500	2,000
Marius Kloppers [2][5][6]	171,325	124,374	28,264
Lindsay Maxsted [2][4]	3,000	–	–
Wayne Murdy [2][3]	8,000	4,030	4,030
Jacques Nasser [2][3]	10,400	5,600	5,600
Keith Rumble	–	–	–
John Schubert	23,675	23,675	23,675
Shriti Vadera	–	–	–

BHP Billiton Plc shares	As at date of Directors' Report	As at 30 June 2011	As at 30 June 2010
Alan Boeckmann [1][2][3]	Not applicable	5,880	3,680
Malcolm Broomhead	–	–	–
John Buchanan	20,000	20,000	20,000
Carlos Cordeiro	–	–	–
David Crawford [2]	6,000	6,000	6,000
Carolyn Hewson	–	–	–
Marius Kloppers [2][5][6]	688,895	608,591	548,678
Lindsay Maxsted	–	–	–
Wayne Murdy [2][3]	14,000	3,512	3,512
Jacques Nasser [2][3]	64,000	40,000	–
Keith Rumble [2]	14,500	12,200	12,200
John Schubert	–	–	–
Shriti Vadera [2][4]	5,000	5,000	–

(1) Alan Boeckmann retired from the Board on 23 March 2011. The disclosed holdings as at 30 June 2011 reflect his holdings as at the date of his respective retirement.
(2) Includes shares held in the name of spouse, superannuation fund, nominee and/or other controlled entities.
(3) All BHP Billiton Limited shares and BHP Billiton Plc shares are held in the form of American Depositary Shares: Alan Boeckmann (2,165 BHP Billiton Limited; 2,940 BHP Billiton Plc), Carlos Cordeiro (3,275 BHP Billiton Limited), Wayne Murdy (4,000 BHP Billiton Limited; 7,000 BHP Billiton Plc) and Jacques Nasser (5,200 BHP Billiton Limited; 32,000 BHP Billiton Plc).
(4) Director appointed to the Board during FY2011: Shriti Vadera (1 January 2011) and Lindsay Maxsted (23 March 2011).
(5) In addition to the shares specified above, Marius Kloppers held 1,385,434 options and rights over BHP Billiton Limited shares as at 30 June 2011 and 225,000 options and rights over BHP Billiton Plc shares as at 30 June 2011.
(6) In addition to the shares specified above, Marius Kloppers holds 1,338,483 options and rights over BHP Billiton Limited shares as at the date of this Report.

7.21 GMC members' shareholdings (other than Directors)

The following tables sets out information pertaining to the shares in BHP Billiton Limited and BHP Billiton Plc held by those senior executives who were members of the GMC during FY2011 (other than the Executive Director).

BHP Billiton Limited shares	As at date of Directors' Report	As at 30 June 2011	As at 30 June 2010
Alberto Calderon	–	–	–
Andrew Mackenzie	–	–	–
Marcus Randolph [1]	391,872	191,746	191,415
Alex Vanselow [1]	441,886	270,925	174,263
Karen Wood [1]	266,303	161,914	109,133
J Michael Yeager [1][2]	426,773	264,506	23,980

(1) Includes shares held in the name of spouse, superannuation fund and/or nominee.
(2) 870 BHP Billiton Limited shares are held in the form of 435 American Depositary Shares.

BHP Billiton Plc shares	As at date of Directors' Report	As at 30 June 2011	As at 30 June 2010
Alberto Calderon [1]	175,611	90,015	17,827
Andrew Mackenzie [1]	61,215	55,311	55,175
Marcus Randolph	–	–	–
Alex Vanselow	–	–	–
Karen Wood	–	–	–
J Michael Yeager	–	–	–

(1) Includes shares held in the name of spouse, superannuation fund and/or nominee.

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7.22 Performance in relation to environmental regulation

A significant environmental incident is one with a severity rating of four or above based on our internal severity rating scale (tiered from one to five by increasing severity). There were no significant incidents reported in FY2011.

Fines and prosecutions

In FY2011, BHP Billiton received a fine with a total value of US$2,454, levied in Chile.

Further information about our performance, including in relation to environmental regulation can be found in sections 2.8 and 3.3 of this Annual Report and in the Sustainability Report available at *www.bhpbilliton.com*.

7.23 Share capital, restrictions on transfer of shares and other additional information

Information relating to BHP Billiton Plc's share capital structure, restrictions on the holding or transfer of its securities or on the exercise of voting rights attaching to such securities and certain agreements triggered on a change of control, is set out in the following sections of this Annual Report:

- Section 2.1 (BHP Billiton locations)
- Section 2.7 (Government regulations)
- Section 2.10 (Organisational structure)
- Section 2.11 (Material contracts)
- Section 2.12 (Constitution)
- Section 5.4 (Board of Directors – Review, re-election and renewal)
- Section 7.2 (Share capital and buy-back programs)
- Section 11.2 (Share ownership)
- Note 19 'Share capital' and note 32 'Employee share ownership plans' in the financial statements of this Annual Report.

Further details of all options and rights outstanding as at the date of this Directors' Report, including shares issued upon exercise of options and rights, are set out in note 32 'Employee share ownership plans' in the financial statements of this Annual Report. Details of movements in share capital during and since the end of the financial year are set out in note 19 'Share capital' in the financial statements of this Annual Report.

Each of the above sections is incorporated by reference into, and forms part of, this Directors' Report.

The Directors' Report is made in accordance with a resolution of the Board.

Jacques Nasser AO
Chairman

Marius Kloppers
Chief Executive Officer

Dated: 6 September 2011

8 Legal proceedings

We are involved from time to time in legal proceedings and governmental investigations of a character normally incidental to our business, including claims and pending actions against us seeking damages or clarification of legal rights and regulatory inquiries regarding business practices. In many cases, insurance or other indemnification protection afforded to us relates to such claims and may offset the financial impact on the Group of a successful claim.

This section summarises the significant legal proceedings and investigations in which we are currently involved.

Rio Algom Pension Plan

In June 2003, Alexander E. Lomas, a retired member of the Pension Plan for Salaried Employees of Rio Algom Mines Limited (Plan), filed a Notice of Application in a representative capacity in the Ontario Superior Court of Justice Commercial List against Rio Algom Limited (RAL) and the Plan Trustee alleging certain improprieties in their administration of the Pension Plan and use of Pension Plan funds from January 1966 onward.

Mr Lomas seeks relief, both quantified and unquantified, for himself and those Plan members he purports to represent in respect of a number of alleged breaches committed by RAL, including allegations of breach of employment contracts, breach of trust, and breach of the Trust Agreement underlying the Pension Plan. In particular:

- Mr Lomas seeks US$115.26 million (C$121.6 million) on account of monies alleged to have been improperly paid out or withheld from the Pension Plan, together with compound interest calculated from the date of each alleged wrongdoing; and
- punitive, aggravated and exemplary damages in the sum of US$1.84 million (C$1.94 million).

Mr Lomas purports to represent members of the defined benefits portion of the Pension Plan. In 2005, the defined contribution members of the Pension Plan were included as parties to this action.

A motion to strike Mr Lomas' request for the winding-up of the Plan was heard on 27 November 2006. The court struck out part of Mr Lomas' claim, but allowed the remainder to proceed. RAL's appeal from that decision was dismissed, but further leave to appeal to the Ontario Court of Appeal was granted. On 10 March 2010, the Ontario Court of Appeal ruled in favour of RAL's motion to strike out that part of the plaintiff's claim that sought a court order to wind-up the Plan.

RAL has notified its insurers of the application and has advised other third parties of possible claims against them in respect of matters alleged in the application.

Class actions concerning Cerrejón privatisation

The non-government organisation, Corporación Colombia Transparente (CCT), brought three separate class actions (Popular Actions 1,029, 1,032 and 1,048) against various defendants in connection with the privatisation of 50 per cent of the Cerrejón Zona Norte mining complex in Colombia in 2002. Actions 1,029 and 1,048 were dismissed leaving only the action against Cerrejón Zona Norte SA (CZN). The mining complex is currently owned by CZN and Carbones del Cerrejón Limited (CDC). Our subsidiary Billiton Investment 3 BV owns a 33 per cent share in CDC, and our subsidiaries Billiton Investment 3 BV and Billiton Investment 8 BV (BHP Billiton Shareholders) collectively own a 33.33 per cent share in CZN.

CCT alleges, in part, that the defendants failed to comply with the privatisation process, and that the offer price for shares in CZN between Stages 1 and 2 of the privatisation process was not correctly adjusted for inflation.

Our share of the alleged adjustment of the CZN share price would be approximately US$4 million. In the alternative, CCT seeks declaration that the privatisation is null and void and forfeiture of the transfer price paid, of which our share would be approximately US$148 million. In both instances, CCT also seeks unquantified sanctions, including payment of stamp taxes, an award of 15 per cent of all monies recovered by the defendants, together with interest on all amounts at the maximum rate authorised by law.

The CZN action was dismissed on 18 February 2011, the Court determining that there were no irregularities in the privatisation of the Cerrejón Zona Norte mining complex.

CCT's request for a reconsideration of the judgment was denied. On 15 March 2011 CCT filed an appeal against the dismissal.

A separate class action (Popular Action no. 242) arising out of the privatisation of the Cerrejón Zona Norte mining complex has been brought by Mr Martín Nicolás Barros Choles, against various defendants including CDC.

Mr Choles claims that the transfer of rights by CDC to CZN was ineffective because it only involved a transfer of shares and not the transfer of the underlying rights in the properties and assets used in the Cerrejón Zona Norte mining complex. Consequently, he is seeking orders that CDC pays for the use and lease of the properties and assets until November 2009, and that from that date the properties and assets of the Cerrejón project revert to the State.

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Australian Taxation Office assessments

The Australian Taxation Office (ATO) issued amended assessments in prior years denying bad debt deductions arising from the investments in Beenup and Boodarie Iron and the denial of capital allowance claims made on the Boodarie Iron project. The Group challenged the assessments and was successful on all counts before the Full Federal Court. The ATO obtained special leave in September 2010 to appeal to the High Court in respect of the denial of capital allowance claims made on the Boodarie Iron project. The Group's position in respect of the capital allowance claims on the Boodarie Iron project was confirmed by the High Court in June 2011. As a result of these appeals, US$138 million was released from the Group's income tax provision in September 2010 and US$580 million in June 2011.

Petroleum Resource Rent Tax litigation

BHP Billiton Petroleum (Bass Strait) Pty Ltd is involved in litigation in the Federal Court of Australia, disputing whether certain receipts are subject to Petroleum Resource Rent Tax, as well as the ATO's assessment of the taxing point for Petroleum Resource Rent Tax purposes in relation to sales of gas and LPG produced from the Gippsland Joint Venture, and the treatment of gas used for electricity generation. The Federal Court's decision was handed down in April 2011, finding in favour of the Commissioner in respect of the taxing point and one of the receipts in issue. The Federal Court found in favour of BHP Billiton on another receipt issue and on the gas used for electricity generation issue. BHP Billiton has appealed to the Full Federal Court on the findings on which it was unsuccessful. The Commissioner has appealed on the receipt issue but not the gas used for electricity generation issue. The latter has resulted in the recognition of an income tax credit of approximately US$12 million in the 30 June 2011 financial results.

Petroleum Resource Rent Tax has been paid and expensed based on the ATO's assessment, and any success on the remaining issues in dispute will result in an income tax benefit.

Given the complexity of the matters under dispute, it is not possible at this time to accurately quantify the anticipated benefit.

As part of the May 2011 Federal Budget, the Australian Government announced that it will amend the tax law, with effect from 1 July 1990, to provide greater certainty around how the taxing point is calculated for the purposes of the Petroleum Resource Rent Tax. It stated that the amendments will provide further statutory support for the Federal Court's judgment above. The proposed legislative amendments are yet to be introduced.

North West Shelf Excise on Condensate litigation

BHP Billiton Petroleum (North West Shelf) Pty Ltd is involved in litigation in both the Federal Court of Australia and the Administrative Appeals Tribunal seeking orders that excise by-laws, enacted in 2008, prescribing a condensate production area for the purposes of the Excise Tariff Act incorrectly define the relevant fields.

As part of the May 2011 Federal Budget, the Australian Government announced that it would make several technical legislative amendments, with effect from 13 May 2008, to ensure that condensate production is subject to crude oil excise as announced in the 2008–09 Budget. The amendments include changes to the Excise Tariff Act to introduce a statutory definition of the production area 'Rankin Trend', and to ensure that production from 'Rankin Trend' does not represent 'exempt offshore oil and condensate'. These legislative amendments were introduced into Parliament on 6 July 2011 but are yet to be enacted.

9 Financial Statements

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Consolidated Income Statement for the year ended 30 June 2011

	Notes	2011 US$M	2010 US$M	2009 US$M
Revenue				
Group production		**67,903**	48,193	44,113
Third party products	2	**3,836**	4,605	6,098
Revenue	2	**71,739**	52,798	50,211
Other income	4	**531**	528	589
Expenses excluding net finance costs	5	**(40,454)**	(33,295)	(38,640)
Profit from operations		**31,816**	20,031	12,160
Comprising:				
Group production		**31,718**	19,920	11,657
Third party products		**98**	111	503
		31,816	20,031	12,160
Financial income	6	**245**	215	309
Financial expenses	6	**(806)**	(674)	(852)
Net finance costs	6	**(561)**	(459)	(543)
Profit before taxation		**31,255**	19,572	11,617
Income tax expense	7	**(6,481)**	(6,112)	(4,784)
Royalty related taxation (net of income tax benefit)	7	**(828)**	(451)	(495)
Total taxation expense	7	**(7,309)**	(6,563)	(5,279)
Profit after taxation		**23,946**	13,009	6,338
Attributable to non-controlling interests		**298**	287	461
Attributable to members of BHP Billiton Group		**23,648**	12,722	5,877
Earnings per ordinary share (basic) (US cents)	8	**429.1**	228.6	105.6
Earnings per ordinary share (diluted) (US cents)	8	**426.9**	227.8	105.4
Dividends per ordinary share – paid during the period (US cents)	9	**91.0**	83.0	82.0
Dividends per ordinary share – declared in respect of the period (US cents)	9	**101.0**	87.0	82.0

The accompanying notes form part of these financial statements.

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Consolidated Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	2011 US$M	2010 US$M	2009 US$M
Profit after taxation		**23,946**	13,009	6,338
Other comprehensive income				
Actuarial losses on pension and medical schemes		**(113)**	(38)	(227)
Available for sale investments:				
Net valuation (losses)/gains taken to equity		**(70)**	167	3
Net valuation (gains)/losses transferred to the income statement		**(47)**	2	58
Cash flow hedges:				
(Losses)/gains taken to equity		**–**	(15)	710
Realised losses transferred to the income statement		**–**	2	22
Unrealised gains transferred to the income statement		**–**	–	(48)
Gains transferred to the initial carrying amount of hedged items		**–**	–	(26)
Exchange fluctuations on translation of foreign operations taken to equity		**19**	1	27
Exchange fluctuations on translation of foreign operations transferred to the income statement		**–**	(10)	–
Tax recognised within other comprehensive income	7	**120**	111	(253)
Total other comprehensive income		**(91)**	220	266
Total comprehensive income		**23,855**	13,229	6,604
Attributable to non-controlling interests		**284**	294	458
Attributable to members of BHP Billiton Group		**23,571**	12,935	6,146

The accompanying notes form part of these financial statements.

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Consolidated Balance Sheet as at 30 June 2011

	Notes	2011 US$M	2010 US$M
ASSETS			
Current assets			
Cash and cash equivalents	23	**10,084**	12,456
Trade and other receivables	10	**8,197**	6,543
Other financial assets	11	**264**	292
Inventories	12	**6,154**	5,334
Current tax assets		**273**	189
Other		**308**	320
Total current assets		**25,280**	25,134
Non-current assets			
Trade and other receivables	10	**2,093**	1,381
Other financial assets	11	**1,602**	1,510
Inventories	12	**363**	343
Property, plant and equipment	13	**68,468**	55,576
Intangible assets	14	**904**	687
Deferred tax assets	7	**3,993**	4,053
Other		**188**	168
Total non-current assets		**77,611**	63,718
Total assets		**102,891**	88,852
LIABILITIES			
Current liabilities			
Trade and other payables	15	**9,718**	6,467
Interest bearing liabilities	16	**3,519**	2,191
Other financial liabilities	17	**288**	511
Current tax payable		**3,693**	1,685
Provisions	18	**2,256**	1,899
Deferred income		**259**	289
Total current liabilities		**19,733**	13,042
Non-current liabilities			
Trade and other payables	15	**555**	469
Interest bearing liabilities	16	**12,388**	13,573
Other financial liabilities	17	**79**	266
Deferred tax liabilities	7	**2,683**	4,320
Provisions	18	**9,269**	7,433
Deferred income		**429**	420
Total non-current liabilities		**25,403**	26,481
Total liabilities		**45,136**	39,523
Net assets		**57,755**	49,329
EQUITY			
Share capital – BHP Billiton Limited	19	**1,183**	1,227
Share capital – BHP Billiton Plc	19	**1,070**	1,116
Treasury shares	19	**(623)**	(525)
Reserves	20	**2,001**	1,906
Retained earnings	20	**53,131**	44,801
Total equity attributable to members of BHP Billiton Group		**56,762**	48,525
Non-controlling interests	20	**993**	804
Total equity		**57,755**	49,329

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 6 September 2011 and signed on its behalf by:

Jacques Nasser AO
Chairman

Marius Kloppers
Chief Executive Officer

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Consolidated Cash Flow Statement for the year ended 30 June 2011

	Notes	2011 US$M	2010 US$M	2009 US$M
Operating activities				
Profit before taxation		**31,255**	19,572	11,617
Adjustments for:				
Non-cash exceptional items		**(150)**	(255)	5,460
Depreciation and amortisation expense		**5,039**	4,759	3,871
Net gain on sale of non-current assets		**(41)**	(114)	(38)
Impairments of property, plant and equipment, financial assets and intangibles		**74**	35	190
Employee share awards expense		**266**	170	185
Financial income and expenses		**561**	459	543
Other		**(384)**	(265)	(320)
Changes in assets and liabilities:				
Trade and other receivables		**(1,960)**	(1,713)	4,894
Inventories		**(792)**	(571)	(116)
Trade and other payables		**2,780**	565	(847)
Net other financial assets and liabilities		**46**	(90)	(769)
Provisions and other liabilities		**387**	(306)	(497)
Cash generated from operations		**37,081**	22,246	24,173
Dividends received		**12**	20	30
Interest received		**107**	99	205
Interest paid		**(562)**	(520)	(519)
Income tax refunded		**74**	552	–
Income tax paid		**(6,025)**	(4,931)	(5,129)
Royalty related taxation paid		**(607)**	(576)	(906)
Net operating cash flows		**30,080**	16,890	17,854
Investing activities				
Purchases of property, plant and equipment		**(11,147)**	(9,323)	(9,492)
Exploration expenditure		**(1,240)**	(1,333)	(1,243)
Exploration expenditure expensed and included in operating cash flows		**981**	1,030	1,009
Purchase of intangibles		**(211)**	(85)	(141)
Investment in financial assets		**(238)**	(152)	(40)
Investment in subsidiaries, operations and jointly controlled entities, net of their cash		**(4,807)**	(508)	(286)
Payment on sale of operations		**–**	(156)	(126)
Cash outflows from investing activities		**(16,662)**	(10,527)	(10,319)
Proceeds from sale of property, plant and equipment		**80**	132	164
Proceeds from financial assets		**118**	34	96
Proceeds from sale or partial sale of subsidiaries, operations and jointly controlled entities, net of their cash		**–**	376	17
Net investing cash flows		**(16,464)**	(9,985)	(10,042)
Financing activities				
Proceeds from interest bearing liabilities		**1,374**	567	7,323
Proceeds from debt related instruments		**222**	103	354
Repayment of interest bearing liabilities		**(2,173)**	(1,155)	(3,748)
Proceeds from ordinary shares		**32**	12	29
Contributions from non-controlling interests		**–**	335	–
Purchase of shares by Employee Share Ownership Plan (ESOP) Trusts		**(469)**	(274)	(169)
Share buy-back – BHP Billiton Limited		**(6,265)**	–	–
Share buy-back – BHP Billiton Plc		**(3,595)**	–	–
Dividends paid		**(5,054)**	(4,618)	(4,563)
Dividends paid to non-controlling interests		**(90)**	(277)	(406)
Net financing cash flows		**(16,018)**	(5,307)	(1,180)
Net (decrease)/increase in cash and cash equivalents		**(2,402)**	1,598	6,632
Cash and cash equivalents, net of overdrafts, at the beginning of financial year		**12,455**	10,831	4,173
Effect of foreign currency exchange rate changes on cash and cash equivalents		**27**	26	26
Cash and cash equivalents, net of overdrafts, at the end of the financial year	23	**10,080**	12,455	10,831

The accompanying notes form part of these financial statements.

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Consolidated Statement of Changes in Equity for the year ended 30 June 2011

US$M	Attributable to members of the BHP Billiton Group						Non-controlling interests	Total equity
	Share capital – BHP Billiton Limited	Share capital – BHP Billiton Plc	Treasury shares	Reserves	Retained earnings	Total		
Balance as at 1 July 2010	1,227	1,116	(525)	1,906	44,801	**48,525**	804	**49,329**
Total comprehensive income	–	–	–	(66)	23,637	**23,571**	284	**23,855**
Transactions with owners:								
BHP Billiton Limited shares bought back and cancelled	(44)	–	–	–	(6,301)	**(6,345)**	–	**(6,345)**
BHP Billiton Plc shares bought back	–	–	(3,678)	–	–	**(3,678)**	–	**(3,678)**
BHP Billiton Plc shares cancelled	–	(46)	3,595	46	(3,595)	**–**	–	**–**
Purchase of shares by ESOP Trusts	–	–	(469)	–	–	**(469)**	–	**(469)**
Employee share awards exercised net of employee contributions	–	–	454	(121)	(294)	**39**	–	**39**
Employee share awards forfeited	–	–	–	(9)	9	**–**	–	**–**
Accrued employee entitlement for unvested awards	–	–	–	266	–	**266**	–	**266**
Distribution to option holders	–	–	–	(21)	–	**(21)**	(17)	**(38)**
Dividends	–	–	–	–	(5,126)	**(5,126)**	(90)	**(5,216)**
Equity contributed	–	–	–	–	–	**–**	12	**12**
Balance as at 30 June 2011	**1,183**	**1,070**	**(623)**	**2,001**	**53,131**	**56,762**	**993**	**57,755**
Balance as at 1 July 2009	1,227	1,116	(525)	1,305	36,831	39,954	757	40,711
Total comprehensive income	–	–	–	197	12,738	12,935	294	13,229
Transactions with owners:								
Purchase of shares by ESOP Trusts	–	–	(274)	–	–	(274)	–	(274)
Employee share awards exercised net of employee contributions	–	–	274	(88)	(178)	8	–	8
Employee share awards forfeited	–	–	–	(28)	28	–	–	–
Accrued employee entitlement for unvested awards	–	–	–	170	–	170	–	170
Issue of share options to non-controlling interests	–	–	–	43	–	43	16	59
Distribution to option holders	–	–	–	(10)	–	(10)	(6)	(16)
Dividends	–	–	–	–	(4,618)	(4,618)	(277)	(4,895)
Equity contributed	–	–	–	317	–	317	20	337
Balance as at 30 June 2010	1,227	1,116	(525)	1,906	44,801	48,525	804	49,329
Balance as at 1 July 2008	1,227	1,116	(514)	750	35,756	38,335	708	39,043
Total comprehensive income	–	–	–	404	5,742	6,146	458	6,604
Transactions with owners:								
Purchase of shares by ESOP Trusts	–	–	(169)	–	–	(169)	–	(169)
Employee share awards exercised net of employee contributions	–	–	158	(34)	(104)	20	–	20
Accrued employee entitlement for unvested awards	–	–	–	185	–	185	–	185
Dividends	–	–	–	–	(4,563)	(4,563)	(406)	(4,969)
Equity contributed	–	–	–	–	–	–	(3)	(3)
Balance as at 30 June 2009	1,227	1,116	(525)	1,305	36,831	39,954	757	40,711

The accompanying notes form part of these financial statements.

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1 Accounting policies

Dual Listed Companies' structure and basis of preparation of financial statements

Merger terms

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, and BHP Billiton Plc (previously known as Billiton Plc), a United Kingdom (UK) listed company, entered into a Dual Listed Company (DLC) merger. This was effected by contractual arrangements between the Companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the Group). Under the arrangements:

- the shareholders of BHP Billiton Limited and BHP Billiton Plc have a common economic interest in both Groups;
- the shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two Companies effectively vote on a joint basis;
- BHP Billiton Limited and BHP Billiton Plc have a common Board of Directors, a unified management structure and joint objectives;
- dividends and capital distributions made by the two Companies are equalised;
- BHP Billiton Limited and BHP Billiton Plc each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

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 make all or any portion of such a matching dividend, then BHP Billiton Limited or BHP Billiton Plc will, so far as it 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 DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated.

Accounting for the DLC merger

The basis of accounting for the DLC merger was established under Australian and UK Generally Accepted Accounting Practice (GAAP), pursuant to the requirements of the Australian Securities and Investments Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, and in accordance with the UK Companies Act 1985. In accordance with the transitional provisions of IFRS 1/AASB 1 'First-time Adoption of International Financial Reporting Standards', the same basis of accounting is applied under International Financial Reporting Standards. Accordingly, these financial statements consolidate the Group as follows:

- Results for the years ended 30 June 2011, 30 June 2010 and 30 June 2009 are of the consolidated entity comprising the BHP Billiton Limited Group and the BHP Billiton Plc Group.
- Assets and liabilities of the BHP Billiton Limited Group and the BHP Billiton Plc Group were consolidated at the date of the merger at their existing carrying amounts.

Selected financial information of the BHP Billiton Limited single parent entity is presented in note 36 to the financial statements. Financial statements of the BHP Billiton Plc single parent entity are presented on page 235 of the Annual Report.

Basis of preparation

This general purpose financial report for the year ended 30 June 2011 has been prepared in accordance with the requirements of the Australian Corporations Act 2001 and the UK Companies Act 2006 and with:

- Australian Accounting Standards, being Australian equivalents to International Financial Reporting Standards and interpretations as issued by the Australian Accounting Standards Board (AASB) effective as of 30 June 2011;
- International Financial Reporting Standards and interpretations as adopted by the European Union (EU) effective as of 30 June 2011;
- International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board effective as of 30 June 2011.

The above standards and interpretations are collectively referred to as 'IFRS' in this report.

The principal standards that have been adopted for the first time in these financial statements are:

- 'Improvements to IFRSs 2009'/AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' include a collection of minor amendments to IFRS. These amendments include a requirement to classify expenditures which do not result in a recognised asset as a cash flow from operating activities. This has resulted in exploration cash flows of US$1,030 million for the year ended 30 June 2010 (2009: US$1,009 million), which were not recognised as assets, being reclassified from net investing cash flows to net operating cash flows in the Consolidated Cash Flow Statement.

The following standards may have an impact on the Group in future reporting periods but are not yet effective:

- IFRS 9/AASB 9 'Financial Instruments' modifies the classification and measurement of certain classes of financial assets and liabilities;
- IFRS 10/AASB 10 'Consolidated Financial Statements' is a replacement of IAS 27/AASB 127 'Consolidations'. The revised standard introduces a new, single definition of control which may impact which entities are consolidated into the Group;
- IFRS 11/AASB 11 'Joint Ventures' modifies the definition of joint control and focuses on the rights and obligations of joint arrangements to determine the accounting treatment. It distinguishes between joint operations and joint ventures and may require use of the equity method for certain investments in jointly controlled entities which are currently proportionately consolidated;
- IFRS 13/AASB 13 'Fair Value Measurement' replaces fair value measurement guidance in individual IFRSs with a single source of fair value measurement guidance;
- Amendments to IAS 19/AASB 119 'Employee Benefits'. These amendments require all actuarial gains and losses to be recognised immediately in other comprehensive income and require the expected return on plan assets (recognised in the income statement) to be calculated based on the rate used to discount the defined benefit obligation.

These standards are available for early adoption in the 30 June 2011 financial year as permitted by the Australian Corporations Act 2001 but have not been applied in the preparation of these financial statements. None of these standards have been endorsed by the EU and hence are not available for early adoption in the EU. The potential impacts on the financial statements of the Group of adopting these standards have not yet been determined unless otherwise indicated.

Basis of measurement

The financial statements are drawn up on the basis of historical cost principles, except for derivative financial instruments and certain other financial assets which are carried at fair value.

Currency of presentation

All amounts are expressed in millions of US dollars, unless otherwise stated, consistent with the predominant functional currency of the Group's operations.

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1 Accounting policies continued

Change in accounting policy

The accounting policies have been consistently applied by all entities included in the Group consolidated financial statements and are consistent with those applied in all prior years presented other than changes required by the adoption of new and amended accounting standards as discussed above and a change in accounting policy relating to dividend equivalent payment entitlements of employee share awards.

As permitted by IFRS 2 'Share-based Payment', the Group has elected to incorporate the value of dividend equivalent payment entitlements into the grant date fair value of the associated equity-settled share-based payment awards. Previously, the Group elected to measure and recognise the dividend equivalent payment as a separate cash-settled share-based payment.

This change in accounting policy was made to simplify the administration and accounting for dividend equivalent payments and better integrate the accounting into the fair value basis of measuring employee share awards. Following this change in accounting policy, an employee benefit provision of US$75 million was reversed (US$16 million tax expense) and an additional share-based payments expense of US$48 million was recognised with a corresponding increase in the Employee share awards reserve (US$10 million income tax credit). Comparative amounts have not been restated.

Principles of consolidation

The financial statements of the Group include the consolidation of BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control exists where either parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences until the date control ceases. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests. The effects of all transactions between entities within the Group have been eliminated.

Joint ventures

The Group undertakes a number of business activities through joint ventures. Joint ventures are established through contractual arrangements that require the unanimous consent of each of the venturers regarding the strategic financial and operating policies of the venture (joint control). The Group's joint ventures are of two types:

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the proportionate consolidation method, whereby the Group's proportionate interest in the assets, liabilities, revenues and expenses of jointly controlled entities are recognised within each applicable line item of the financial statements. The share of jointly controlled entities' results is recognised in the Group's financial statements from the date that joint control commences until the date at which it ceases.

Jointly controlled assets

The Group has certain contractual arrangements with other participants to engage in joint activities involving the joint ownership of assets dedicated to the purposes of each venture. These arrangements do not create a jointly controlled entity as the venturers directly derive the benefits of operation of their jointly owned assets, rather than deriving returns from an interest in a separate entity.

The financial statements of the Group include its share of the assets in such joint ventures, together with the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to the Group's interest in the jointly controlled assets.

Business combinations

Business combinations that occurred between 1 July 2004 and 30 June 2009 were accounted for by applying the purchase method of accounting, whereby the purchase consideration of the combination is allocated to the identifiable net assets acquired. Business combinations prior to 1 July 2004 have been accounted for in accordance with the Group's previous policies under Australian GAAP and UK GAAP and have not been restated.

Business combinations in the current financial year are accounted for by applying the acquisition method of accounting, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured on the basis of fair value at the date of acquisition.

Goodwill

Where the fair value of consideration paid for a business combination exceeds the fair value of the Group's share of the identifiable net assets acquired, the difference is treated as purchased goodwill. Where the fair value of the Group's share of the identifiable net assets acquired exceeds the cost of acquisition, the difference is immediately recognised in the income statement. The recognition and measurement of goodwill attributable to a non-controlling interest in a business combination is determined on a transaction by transaction basis. Goodwill is not amortised, however its carrying amount is assessed annually against its recoverable amount as explained below under 'Impairment of non-current assets'. On the subsequent disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the profit or loss on disposal or termination.

Intangible assets

Amounts paid for the acquisition of identifiable intangible assets, such as software and licences, are capitalised at the fair value of consideration paid and are recorded at cost less accumulated amortisation and impairment charges. Identifiable intangible assets with a finite life are amortised on a straight-line basis over their expected useful life, which is typically no greater than eight years. The Group has no identifiable intangible assets for which the expected useful life is indefinite.

Foreign currencies

The Group's reporting currency and the functional currency of the majority of its operations is the US dollar as this is assessed to be the principal currency of the economic environments in which they operate.

Transactions denominated in foreign currencies (currencies other than the functional currency of an operation) are recorded using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at year end and the gains or losses on retranslation are included in the income statement, with the exception of foreign exchange gains or losses on foreign currency provisions for site closure and rehabilitation, which are capitalised in property, plant and equipment for operating sites.

Exchange variations resulting from the retranslation at closing rate of the net investments in subsidiaries and joint ventures arising after 1 July 2004 are accounted for in accordance with the policy stated below. Exchange variations arising before this date were transferred to retained earnings at the date of transition to IFRS.

Subsidiaries and joint ventures that have functional currencies other than US dollars translate their income statement items to US dollars at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at year end. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint ventures, together with differences between their income statement items translated at actual and closing rates, are recognised in the foreign currency translation reserve. For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognised in the income statement at the time of disposal.

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1 Accounting policies continued

Share-based payments

The fair value at grant date of equity settled share awards granted on or after 8 November 2002 is charged to the income statement over the period for which the benefits of employee services are expected to be derived. The corresponding accrued employee entitlement is recorded in the employee share awards reserve. The fair value of awards is calculated using an option pricing model which considers the following factors:

- exercise price
- expected life of the award
- current market price of the underlying shares
- expected volatility
- expected dividends
- risk-free interest rate
- market-based performance hurdles
- non-vesting conditions

For equity-settled share awards granted on or before 7 November 2002 and that remained unvested at 1 July 2004, the estimated cost of share awards is charged to the income statement from grant date to the date of expected vesting. The estimated cost of awards is based on the market value of shares at the grant date or the intrinsic value of options awarded, adjusted to reflect the impact of performance conditions, where applicable.

Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognised is proportionately reversed. Where awards are cancelled because non-market based vesting conditions are not satisfied, the amount that would have been recognised over the remaining vesting period is recognised immediately. Upon forfeiture and cancellation, the relevant balance in the reserve is transferred to retained earnings. Where shares in BHP Billiton Limited or BHP Billiton Plc are acquired by on-market purchases prior to settling vested entitlements, the cost of the acquired shares is carried as treasury shares and deducted from equity. When awards are satisfied by delivery of acquired shares, any difference between their acquisition cost and the remuneration expense recognised is charged directly to retained earnings. The tax effect of awards granted is recognised in income tax expense, except to the extent that the total tax deductions are expected to exceed the cumulative remuneration expense. In this situation, the excess of the associated current or deferred tax is recognised in other comprehensive income and forms part of the employee share awards reserve.

Sales revenue

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

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

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

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

Revenue is not reduced for royalties and other taxes payable from the Group's production.

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

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral and petroleum resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure (including amortisation of capitalised licence costs) is charged to the income statement as incurred except in the following circumstances, in which case the expenditure may be capitalised:

- In respect of minerals activities:
  - the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition; or
  - the existence of a commercially viable mineral deposit has been established;
- In respect of petroleum activities:
  - the exploration and evaluation activity is within an area of interest for which it is expected that the expenditure will be recouped by future exploitation or sale; or
  - exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible asset (such as licences). As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered it is charged to the income statement.

Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as assets under construction, and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as assets under construction. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets.

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1 Accounting policies continued

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment charges. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and the estimated future cost of closure and rehabilitation of the facility.

Other mineral assets

Other mineral assets comprise:

- Capitalised exploration, evaluation and development expenditure (including development stripping) for properties now in production;
- Mineral rights and petroleum interests acquired;
- Capitalised production stripping (as described below in 'Overburden removal costs').

Depreciation of property, plant and equipment

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine, field or lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date of commissioning. The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis using estimated lives indicated below. However, where assets are dedicated to a mine, field or lease and are not readily transferable, the below useful lives are subject to the lesser of the asset category's useful life and the life of the mine, field or lease:

- Buildings – 25 to 50 years
- Land – not depreciated
- Plant and equipment – 3 to 30 years straight-line
- Mineral rights and Petroleum interests – based on reserves on a unit of production basis
- Capitalised exploration, evaluation and development expenditure – based on reserves on a unit of production basis

Leased assets

Assets held under leases which result in the Group receiving substantially all the risks and rewards of ownership of the asset (finance leases) are capitalised at the lower of the fair value of the property, plant and equipment or the estimated present value of the minimum lease payments.

The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation.

Operating lease assets are not capitalised and rental payments are included in the income statement on a straight-line basis over the lease term. Provision is made for the present value of future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Impairment of non-current assets

Formal impairment tests are carried out annually for goodwill. Formal impairment tests for all other assets are performed when there is an indication of impairment. The Group conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists an estimate of the asset's recoverable amount is calculated, being the higher of fair value less direct costs to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result (usually lower) to a fair value calculation.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The impairment assessments are based on a range of estimates and assumptions, including:

Estimates/assumptions:	*Basis:*
• Future production	– proved and probable reserves, resource estimates and, in certain cases, expansion projects
• Commodity prices	– forward market and contract prices, and longer-term price protocol estimates
• Exchange rates	– current (forward) market exchange rates
• Discount rates	– cost of capital risk-adjusted appropriate to the resource

Overburden removal costs

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are initially capitalised as assets under construction. Capitalisation of development stripping costs ceases at the time that saleable material begins to be extracted from the mine. On completion of development, all capitalised development stripping included in assets under construction is transferred to other mineral assets.

Production stripping commences at the time that saleable materials begin to be extracted from the mine and normally continues throughout the life of a mine. The costs of production stripping are charged to the income statement as operating costs when the ratio of waste material to ore extracted for an area of interest is expected to be constant throughout its estimated life. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- All costs are initially charged to the income statement and classified as operating costs.
- When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised to other mineral assets.
- In subsequent years when the ratio of waste to ore is less than the estimated life-of-mine ratio, a portion of capitalised stripping costs is charged to the income statement as operating costs.

The amount of production stripping costs capitalised or charged in a financial year is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change.

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1 Accounting policies continued

Inventories

Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. For processed inventories, cost is derived on an absorption costing basis. Cost comprises cost of purchasing raw materials and cost of production, including attributable mining and manufacturing overheads.

Finance costs

Finance costs are generally expensed as incurred except where they relate to the financing of construction or development of qualifying assets requiring a substantial period of time to prepare for their intended future use.

Finance costs are capitalised up to the date when the asset is ready for its intended use. The amount of finance costs capitalised (before the effects of income tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of capitalised expenditure for the qualifying assets during the period.

Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantively enacted at the year end, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax assessment or deduction purposes. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains tax purposes, that amount is included in the determination of temporary differences. The tax effect of certain temporary differences is not recognised, principally with respect to goodwill; temporary differences arising on the initial recognition of assets or liabilities (other than those arising in a business combination or in a manner that initially impacted accounting or taxable profit); and temporary differences relating to investments in subsidiaries, jointly controlled entities and associates to the extent that the Group is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner and timing of realisation or settlement of the carrying amount of assets and liabilities, with the exception of items that have a tax base solely derived under capital gains tax legislation, using tax rates enacted or substantively enacted at period end. To the extent that an item's tax base is solely derived from the amount deductible under capital gains tax legislation, deferred tax is determined as if such amounts are deductible in determining future assessable income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and amended to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

Royalties and resource rent taxes are treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in expenses.

Provision for employee benefits

Provision is made in the financial statements for all employee benefits, including on-costs. In relation to industry-based long service leave funds, the Group's liability, including obligations for funding shortfalls, is determined after deducting the fair value of dedicated assets of such funds.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave obliged to be settled within 12 months of the reporting date, are recognised in sundry creditors or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave for which settlement within 12 months of the reporting date cannot be deferred is recognised in the current provision for employee benefits and is measured in accordance with annual leave described above. The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation, pensions and other post-retirement benefits

The Group operates or participates in a number of pension (including superannuation) schemes throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes are generally held separately from those of the Group and are administered by trustees or management boards.

For defined contribution schemes or schemes operated on an industry-wide basis where it is not possible to identify assets attributable to the participation by the Group's employees, the pension charge is calculated on the basis of contributions payable.

For defined benefit schemes, the cost of providing pensions is charged to the income statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets. Actuarial gains and losses are recognised directly in equity. An asset or liability is consequently recognised in the balance sheet based on the present value of defined benefit obligations, less any unrecognised past service costs and the fair value of plan assets, except that any such asset cannot exceed the total of unrecognised past service costs and the present value of refunds from and reductions in future contributions to the plan. Defined benefit obligations are estimated by discounting expected future payments using market yields at the reporting date on high-quality corporate bonds in countries that have developed corporate bond markets. However, where developed corporate bond markets do not exist, the discount rates are selected by reference to national government bonds. In both instances, the bonds are selected with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

Certain Group companies provide post-retirement medical benefits to qualifying retirees. In some cases the benefits are provided through medical care schemes to which the Group, the employees, the retirees and covered family members contribute. In some schemes there is no funding of the benefits before retirement. These schemes are recognised on the same basis as described above for defined benefit pension schemes.

Closure and rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies.

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1 Accounting policies continued

Provisions for the cost of each closure and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions, the principles of the Group's Charter and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements. The majority of the expenditure is expected to be paid over periods of up to 50 years with some payments into perpetuity.

Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, Group environmental policies which give rise to a constructive obligation.

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in financial expenses.

Closure and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of the related assets, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the income statement. In the case of closed sites, changes to estimated costs are recognised immediately in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include:

- revisions to estimated reserves, resources and lives of operations;
- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates;
- movements in interest rates affecting the discount rate applied.

Financial instruments

All financial assets are initially recognised at the fair value of consideration paid. Subsequently, financial assets are carried at fair value or amortised cost less impairment. Where non-derivative financial assets are carried at fair value, gains and losses on remeasurement are recognised directly in equity unless the financial assets have been designated as being held at fair value through profit or loss, in which case the gains and losses are recognised directly in the income statement. Financial assets are designated as being held at fair value through profit or loss when this is necessary to reduce measurement inconsistencies for related assets and liabilities. All financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate (initial cost) and subsequently carried at amortised cost.

Derivatives, including those embedded in other contractual arrangements but separated for accounting purposes because they are not clearly and closely related to the host contract, are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss on remeasurement depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The measurement of fair value is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates.

Forward exchange contracts held for hedging purposes are accounted for as either cash flow or fair value hedges. Interest rate swaps held for hedging purposes are generally accounted for as fair value hedges. Derivatives embedded within other contractual arrangements and the majority of commodity-based transactions executed through derivative contracts do not qualify for hedge accounting.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Any difference between the change in fair value of the derivative and the hedged risk constitutes ineffectiveness of the hedge and is recognised immediately in the income statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant and equipment purchases) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a hedged forecast transaction is no longer expected to occur, the cumulative hedge gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Available for sale and trading investments

Available for sale and trading investments are measured at fair value. Gains and losses on the remeasurement of trading investments are recognised directly in the income statement. Gains and losses on the remeasurement of available for sale investments are recognised directly in equity and subsequently recognised in the income statement when realised by sale or redemption, or when a reduction in fair value is judged to represent an impairment.

Application of critical accounting policies and estimates

The preparation of the consolidated financial statements requires management to make judgements and estimates and form 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 revenue and expenses during the periods presented therein. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes

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1 Accounting policies continued

to be reasonable under the circumstances, the results of which form the basis of the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements to interpret the data.

The Group determines and reports ore reserves in Australia and the UK under the principles incorporated in the Australasian Code for Reporting Exploration Results of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions when reporting reserves. As a result, management will form a view of forecast sales prices, based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future and as a result, those lower prices are used to estimate reserves under the JORC Code. Lower price assumptions generally result in lower estimates of reserves.

Reserve reporting requirements for SEC (United States of America) filings are specified in Industry Guide 7, which requires economic assumptions to be based on current economic conditions (which may differ from assumptions based on reasonable investment assumptions). Accordingly, for SEC filings, we test our reserve estimates derived under JORC against assumed 'current economic conditions'. 'Current economic conditions' are based on the three-year historical average contract prices for commodities, such as iron ore and coal, and the three-year historical average for commodities that are traded on the London Metal Exchange, such as copper and nickel. However, we only report a different reserve in the US if, based on the US SEC pricing assumptions test, the reserve will be lower than that reported under JORC in Australia and the UK.

Oil and gas reserves reported in Australia and the UK, and the US for SEC filing purposes are based on the average of prices prevailing on the first day of each month for the past 12 months as required under the SEC Rules 'Modernisation of Oil & Gas Reporting'. Reserves reported in prior periods are based on the prices prevailing at the time of the estimates as previously required by Statement of Financial Accounting Standards No. 69 'Disclosures about Oil and Gas Producing Activities', issued by the US Financial Accounting Standards Board.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying amounts may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recorded on the balance sheet or charged to the income statement may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying amount of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the income statement.

Property, plant and equipment – recoverable amount

In accordance with the Group's accounting policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'Reserve estimates' above), operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

Defined benefit pension schemes

The Group's accounting policy for defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in equity. Refer to note 29 for details of the key assumptions.

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1 Accounting policies continued

Provision for closure and rehabilitation

The Group's accounting policy for the recognition of closure and rehabilitation provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the closure and rehabilitation asset and provision. For closed sites, changes to estimated costs are recognised immediately in the income statement.

In addition to the uncertainties noted above, certain closure and rehabilitation activities are subject to legal disputes and depending on the ultimate resolution of these issues, the final liability for these matters could vary.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses, foreign tax credits and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Rounding of amounts

Amounts in these financial statements have, unless otherwise indicated, been rounded to the nearest million dollars.

Comparatives

Where applicable, comparatives have been adjusted to present them on the same basis as current period figures.

Exchange rates

The following exchange rates relative to the US dollar have been applied in the financial statements:

	Average year ended 30 June 2011	Average year ended 30 June 2010	Average year ended 30 June 2009	**As at 30 June 2011**	As at 30 June 2010	As at 30 June 2009
Australian dollar [(a)]	**0.99**	0.88	0.75	**1.07**	0.85	0.81
Brazilian real	**1.68**	1.80	2.08	**1.57**	1.81	1.95
Canadian dollar	**1.00**	1.06	1.16	**0.97**	1.06	1.16
Chilean peso	**486**	529	582	**470**	545	530
Colombian peso	**1,843**	1,970	2,205	**1,779**	1,920	2,159
South African rand	**7.01**	7.59	9.01	**6.80**	7.68	7.82
Euro	**0.73**	0.72	0.73	**0.69**	0.82	0.71
UK pound sterling	**0.63**	0.63	0.63	**0.62**	0.66	0.60

[(a)] Displayed as US$ to A$1 based on common convention.

2 Segment reporting

Business segments

The Group operates nine Customer Sector Groups aligned with the commodities which we extract and market, reflecting the structure used by the Group's management to assess the performance of the Group:

Customer Sector Group	Principal activities
Petroleum	Exploration, development and production of oil and gas
Aluminium	Mining of bauxite, refining of bauxite into alumina and smelting of alumina into aluminium metal
Base Metals	Mining of copper, silver, lead, zinc, molybdenum, uranium and gold
Diamonds and Specialty Products	Mining of diamonds and titanium minerals; potash development
Stainless Steel Materials	Mining and production of nickel products
Iron Ore	Mining of iron ore
Manganese	Mining of manganese ore and production of manganese metal and alloys
Metallurgical Coal	Mining of metallurgical coal
Energy Coal	Mining of thermal (energy) coal

Group and unallocated items represent Group centre functions. Exploration and technology activities are recognised within relevant segments.

It is the Group's policy that inter-segment sales are made on a commercial basis.

US$M	Petroleum	Aluminium	Base Metals	Diamonds and Specialty Products	Stainless Steel Materials	Iron Ore	Manga-nese	Metal-lurgical Coal	Energy Coal	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2011											
Revenue											
Group production	10,603	3,601	13,550	1,517	3,698	20,182	2,423	7,565	4,651	–	67,790
Third party products	127	1,620	602	–	158	93	–	–	851	385	3,836
Rendering of services	2	–	–	–	–	98	–	8	5	–	113
Inter-segment revenue	5	–	–	–	5	39	–	–	–	(49)	–
Total revenue [a]	**10,737**	**5,221**	**14,152**	**1,517**	**3,861**	**20,412**	**2,423**	**7,573**	**5,507**	**336**	**71,739**
Underlying EBITDA [b]	**8,319**	**596**	**7,525**	**779**	**990**	**13,946**	**780**	**3,027**	**1,469**	**(338)**	**37,093**
Depreciation and amortisation	(1,913)	(330)	(735)	(192)	(404)	(618)	(83)	(357)	(340)	(67)	(5,039)
Impairment (losses)/ reversals recognised	(76)	–	–	–	2	–	–	–	–	–	(74)
Underlying EBIT [b]	**6,330**	**266**	**6,790**	**587**	**588**	**13,328**	**697**	**2,670**	**1,129**	**(405)**	**31,980**
Comprising:											
Group production	6,325	275	6,796	587	583	13,296	697	2,670	1,058	(405)	31,882
Third party products	5	(9)	(6)	–	5	32	–	–	71	–	98
Underlying EBIT [b]	**6,330**	**266**	**6,790**	**587**	**588**	**13,328**	**697**	**2,670**	**1,129**	**(405)**	**31,980**
Net finance costs [c]											(561)
Exceptional items [d]											(164)
Profit before taxation											**31,255**
Capital expenditure	**1,984**	**1,329**	**1,404**	**319**	**651**	**3,627**	**276**	**1,172**	**754**	**94**	**11,610**
Total assets	**18,645**	**9,602**	**15,973**	**2,833**	**4,912**	**17,585**	**2,439**	**6,731**	**6,176**	**17,995**	**102,891**
Total liabilities	**4,500**	**1,606**	**3,118**	**664**	**1,579**	**3,652**	**1,049**	**2,088**	**2,386**	**24,494**	**45,136**

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2 Segment reporting continued

US$M	Petroleum	Aluminium	Base Metals	Diamonds and Specialty Products	Stainless Steel Materials	Iron Ore	Manga-nese	Metal-lurgical Coal	Energy Coal	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2010											
Revenue											
Group production	8,682	2,948	9,528	1,272	3,311	10,964	2,143	6,019	3,214	–	48,081
Third party products	86	1,405	881	–	306	67	7	–	1,051	802	4,605
Rendering of services	3	–	–	–	–	69	–	40	–	–	112
Inter-segment revenue	11	–	–	–	–	39	–	–	–	(50)	–
Total revenue [a]	8,782	4,353	10,409	1,272	3,617	11,139	2,150	6,059	4,265	752	52,798
Underlying EBITDA [b]	6,571	684	5,393	648	1,085	6,496	784	2,363	971	(482)	24,513
Depreciation and amortisation	(1,998)	(278)	(729)	(163)	(427)	(495)	(72)	(309)	(228)	(60)	(4,759)
Impairment (losses)/ reversals recognised	–	–	(32)	–	10	–	–	(1)	(13)	1	(35)
Underlying EBIT [b]	4,573	406	4,632	485	668	6,001	712	2,053	730	(541)	19,719
Comprising:											
Group production	4,570	393	4,639	485	646	6,003	717	2,053	642	(540)	19,608
Third party products	3	13	(7)	–	22	(2)	(5)	–	88	(1)	111
Underlying EBIT [b]	4,573	406	4,632	485	668	6,001	712	2,053	730	(541)	19,719
Net finance costs [c]											(459)
Exceptional items [d]											312
Profit before taxation											19,572
Capital expenditure	1,951	1,019	763	127	265	3,838	182	653	881	87	9,766
Total assets	12,733	8,078	14,970	2,588	4,507	13,592	2,082	5,597	5,425	19,280	88,852
Total liabilities	3,175	1,318	2,621	527	1,154	2,526	794	1,475	1,965	23,968	39,523

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2 Segment reporting continued

US$M	Petroleum	Aluminium	Base Metals	Diamonds and Specialty Products	Stainless Steel Materials	Iron Ore	Manga-nese	Metal-lurgical Coal	Energy Coal	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2009											
Revenue											
Group production	6,924	3,219	6,616	896	2,202	9,815	2,473	7,988	3,830	–	43,963
Third party products	192	932	488	–	112	132	63	18	2,694	1,467	6,098
Rendering of services	6	–	–	–	–	61	–	81	–	2	150
Inter-segment revenue	89	–	1	–	41	40	–	–	–	(171)	–
Total revenue [a]	7,211	4,151	7,105	896	2,355	10,048	2,536	8,087	6,524	1,298	50,211
Underlying EBITDA [b]	5,456	476	1,994	370	(366)	6,631	1,397	4,988	1,676	(347)	22,275
Depreciation and amortisation	(1,288)	(298)	(663)	(222)	(439)	(384)	(48)	(277)	(210)	(42)	(3,871)
Impairment (losses)/ reversals recognised	(83)	14	(39)	(3)	(49)	(18)	–	–	(6)	(6)	(190)
Underlying EBIT [b]	4,085	192	1,292	145	(854)	6,229	1,349	4,711	1,460	(395)	18,214
Comprising:											
Group production	4,081	202	1,326	145	(905)	6,022	1,358	4,704	1,174	(396)	17,711
Third party products	4	(10)	(34)	–	51	207	(9)	7	286	1	503
Underlying EBIT [b]	4,085	192	1,292	145	(854)	6,229	1,349	4,711	1,460	(395)	18,214
Net finance costs [c]											(543)
Exceptional items [d]											(6,054)
Profit before taxation											11,617
Capital expenditure	1,905	863	1,018	112	685	1,922	279	1,562	876	114	9,336
Total assets	12,444	7,575	14,812	2,073	4,767	8,735	1,454	4,929	4,555	17,426	78,770
Total liabilities	3,388	1,242	2,995	292	1,482	1,501	571	1,249	2,004	23,335	38,059

[a] Revenue not attributable to reportable segment reflects sales of freight and fuel to third parties.
[b] Underlying EBIT is earnings before net finance costs, taxation and any exceptional items. Underlying EBITDA is Underlying EBIT, before depreciation, amortisation and impairments.
[c] Refer to note 6.
[d] Refer to note 3.

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2 Segment reporting continued

Geographical information

	Revenue by location of customer		
	2011 US$M	2010 US$M	2009 US$M
Australia	**5,487**	4,515	4,621
UK	**1,043**	1,289	3,042
Rest of Europe	**8,370**	8,554	7,764
China	**20,261**	13,236	9,873
Japan	**9,002**	5,336	7,138
Rest of Asia	**15,805**	9,840	9,280
North America	**6,167**	5,547	4,020
South America	**2,592**	2,013	1,652
Southern Africa	**1,548**	1,227	1,374
Rest of world	**1,464**	1,241	1,447
	71,739	52,798	50,211

	Non-current assets by location of assets		
	2011 US$M	2010 US$M	2009 US$M
Australia	**42,723**	35,267	28,779
UK	**229**	316	245
North America	**11,719**	7,143	7,382
South America	**10,125**	9,230	9,163
Southern Africa	**5,944**	5,466	4,286
Rest of world	**849**	733	976
Unallocated assets [(a)]	**6,022**	5,563	5,453
	77,611	63,718	56,284

[(a)] Unallocated assets predominantly include deferred tax assets and other financial assets.

3 Exceptional items

Exceptional items are those items where their nature and amount is considered material to the financial statements. Such items included within the Group's profit for the year are detailed below.

Year ended 30 June 2011	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Withdrawn offer for PotashCorp	(314)	–	(314)
Newcastle steelworks rehabilitation	150	(45)	105
Release of income tax provisions	–	718	718
Reversal of deferred tax liabilities	–	1,455	1,455
	(164)	2,128	1,964

Exceptional items are classified by nature of expense as follows:

Year ended 30 June 2011 US$M	External services	Closure and rehabilitation provisions released	Gross
Withdrawn offer for PotashCorp	(314)	–	(314)
Newcastle steelworks rehabilitation	–	150	150
	(314)	150	(164)

Withdrawn offer for Potash Corporation of Saskatchewan Inc. (PotashCorp):

The Group withdrew its offer for PotashCorp on 15 November 2010 following the Board's conclusion that the condition of the offer relating to receipt of a net benefit as determined by the Minister of Industry under the Investment Canada Act could not be satisfied. The Group incurred fees associated with the US$45 billion debt facility (US$240 million), investment bankers', lawyers' and accountants' fees, printing expenses and other charges (US$74 million) in progressing this matter during the period up to the withdrawal of the offer, which were expensed as operating costs in the year ended 30 June 2011.

Newcastle steelworks rehabilitation:

The Group recognised a decrease of US$150 million (US$45 million tax charge) to rehabilitation obligations in respect of former operations at the Newcastle steelworks (Australia) following a full review of the progress of the Hunter River Remediation Project and estimated costs to completion.

Release of income tax provisions:

The Australian Taxation Office (ATO) issued amended assessments in prior years denying bad debt deductions arising from the investments in Beenup and Boodarie Iron and the denial of capital allowance claims made on the Boodarie Iron project. The Group challenged the assessments and was successful on all counts before the Full Federal Court. The ATO obtained special leave in September 2010 to appeal to the High Court in respect of the denial of capital allowance claims made on the Boodarie Iron project. The Group's position in respect of the capital allowance claims on the Boodarie Iron project was confirmed by the High Court in June 2011. As a result of these appeals, US$138 million was released from the Group's income tax provision in September 2010 and US$580 million in June 2011.

Reversal of deferred tax liabilities:

Consistent with the functional currency of the Group's operations, eligible Australian entities elected to adopt a US dollar tax functional currency from 1 July 2011. As a result, the deferred tax liability relating to certain US dollar denominated financial arrangements has been derecognised, resulting in a credit to income tax expense of US$1,455 million.

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3 Exceptional items continued

Year ended 30 June 2010	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Pinal Creek rehabilitation	186	(53)	133
Disposal of Ravensthorpe nickel operations	653	(196)	457
Restructuring of operations and deferral of projects	(298)	12	(286)
Renegotiation of power supply agreements	(229)	50	(179)
Release of income tax provisions	–	128	128
	312	(59)	253

Exceptional items are classified by nature of expense as follows:

Year ended 30 June 2010 US$M	(Impairment)/ impairment reversal of property, plant and equipment	Closure and rehabilitation provisions released	Funding received for past and future rehabilitation costs	Contract cancellation, redundancy and other restructuring costs (incurred)/ released	Embedded derivative revaluations	Gross
Renegotiation of power supply agreements	–	–	–	–	(229)	(229)
Restructuring of operations and deferral of projects	(292)	–	–	(6)	–	(298)
Disposal of the Ravensthorpe nickel operations	611	–	–	42	–	653
Pinal Creek rehabilitation	–	130	56	–	–	186
	319	130	56	36	(229)	312

Pinal Creek rehabilitation:

On 22 February 2010 a settlement was reached in relation to the Pinal Creek (US) groundwater contamination which resulted in other parties taking on full responsibility for groundwater remediation and partly funding the Group for past and future rehabilitation costs. As a result, a gain of US$186 million (US$53 million tax expense) was recognised reflecting the release of rehabilitation provisions and cash received.

Disposal of Ravensthorpe nickel operations:

On 9 December 2009, the Group announced it had signed an agreement to sell the Ravensthorpe nickel operations (Australia). The sale was completed on 10 February 2010. As a result of the sale, impairment charges recognised as exceptional items in the financial year ended 30 June 2009 were partially reversed totalling US$611 million (US$183 million tax expense). In addition, certain obligations that remained with the Group were mitigated and related provisions released; together with minor net operating costs this resulted in a gain of US$42 million (US$13 million tax expense).

Restructuring of operations and deferral of projects:

Continuing power supply constraints impacting the Group's three Aluminium smelter operations in southern Africa, and temporary delays with the Guinea Alumina project, gave rise to charges for the impairment of property, plant and equipment and restructuring provisions. A total charge of US$298 million (US$12 million tax benefit) was recognised by the Group in the year ended 30 June 2010.

Renegotiation of power supply arrangements:

Renegotiation of long-term power supply arrangements in southern Africa impacted the value of embedded derivatives contained within those arrangements. A total charge of US$229 million (US$50 million tax benefit) was recognised by the Group in the year ended 30 June 2010.

Release of income tax provisions:

The ATO issued amended assessments in prior years denying bad debt deductions arising from the investments in Hartley, Beenup and Boodarie Iron and the denial of capital allowance claims made on the Boodarie Iron project. BHP Billiton lodged objections and was successful on all counts in the Federal Court and the Full Federal Court. The ATO has not sought to appeal the Boodarie Iron bad debt disallowance to the High Court which resulted in a release of US$128 million from the Group's income tax provisions. The ATO sought special leave to appeal to the High Court in relation to the Beenup bad debt disallowance and the denial of the capital allowance claims on the Boodarie Iron project and was granted special leave only in relation to the denial of the capital allowance claims on the Boodarie Iron project.

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3 Exceptional items continued

Year ended 30 June 2009	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Suspension of Ravensthorpe nickel operations	(3,615)	1,076	(2,539)
Announced sale of Yabulu refinery	(510)	(175)	(685)
Withdrawal or sale of other operations	(665)	(23)	(688)
Deferral of projects and restructuring of operations	(306)	86	(220)
Newcastle steelworks rehabilitation	(508)	152	(356)
Lapsed offers for Rio Tinto	(450)	93	(357)
	(6,054)	1,209	(4,845)

Exceptional items are classified by nature of expense as follows:

Year ended 30 June 2009 US$M	Impairments of property, plant and equipment [a]	Closure and rehabilitation provisions	Contract cancellation, redundancy and other closure costs	Inventory impairments	Rio Tinto offer costs	Gross
Suspension of Ravensthorpe nickel operations	(3,260)	–	(228)	(127)	–	(3,615)
Announced sale of Yabulu refinery	(510)	–	–	–	–	(510)
Withdrawal or sale of other operations	(463)	(34)	(137)	(31)	–	(665)
Deferral of projects and restructuring of operations	(217)	–	(80)	(9)	–	(306)
Newcastle steelworks rehabilitation	–	(508)	–	–	–	(508)
Lapsed offers for Rio Tinto	–	–	–	–	(450)	(450)
	(4,450)	(542)	(445)	(167)	(450)	(6,054)

[a] Impairments recorded in respect of Ravensthorpe nickel operations have been calculated by reference to fair value less costs to sell, based on an internal valuation. Impairments recorded in respect of Yabulu refinery have been calculated with respect to the sale proceeds expected to be received.

Suspension of Ravensthorpe nickel operations:

On 21 January 2009, the Group announced the suspension of operations at Ravensthorpe nickel operations (Australia) and as a consequence stopped the processing of the mixed nickel cobalt hydroxide product at Yabulu (Australia). As a result, an impairment charge and increased provisions for contract cancellation, redundancy and other closure costs of US$3,615 million (US$1,076 million tax benefit) were recognised. This exceptional item did not include the loss from operations of Ravensthorpe nickel operations of US$173 million.

Announced sale of Yabulu refinery:

On 3 July 2009, the Group announced the sale of the Yabulu nickel operations. As a result, impairment charges of US$510 million (US$ nil tax benefit) were recognised in addition to those recognised on suspension of the Ravensthorpe nickel operations. As a result of the sale, deferred tax assets of US$175 million were no longer expected to be realised by the Group and were recognised as a charge to income tax expense. The remaining assets and liabilities of the Yabulu operations were classified as held for sale as at 30 June 2009.

Withdrawal or sale of other operations:

As part of the Group's regular review of the long-term viability of operations, a total charge of US$665 million (US$23 million tax expense) was recognised primarily in relation to the decisions to cease development of the Maruwai Haju trial mine (Indonesia), sell the Suriname operations, suspend copper sulphide mining operations at Pinto Valley (US) and cease the pre-feasibility study at Corridor Sands (Mozambique). The remaining assets and liabilities of the Suriname operations were classified as held for sale as at 30 June 2009.

Deferral of projects and restructuring of operations:

As part of the Group's regular review of the long-term viability of continuing operations, a total charge of US$306 million (US$86 million tax benefit) was recognised primarily in relation to the deferral of expansions at the Nickel West operations (Australia), deferral of the Guinea Alumina project (Guinea) and the restructuring of the Bayside Aluminium Casthouse operations (South Africa).

Newcastle steelworks rehabilitation:

The Group recognised a charge of US$508 million (US$152 million tax benefit) for additional rehabilitation obligations in respect of former operations at the Newcastle steelworks (Australia). The increase in obligations related to changes in the estimated volume of sediment in the Hunter River requiring remediation and treatment, and increases in estimated treatment costs.

Lapsed offers for Rio Tinto:

The Group's offers for Rio Tinto lapsed on 27 November 2008 following the Board's decision that it no longer believed that completion of the offers was in the best interests of BHP Billiton shareholders. The Group incurred fees associated with the US$55 billion debt facility (US$156 million cost, US$31 million tax benefit), investment bankers', lawyers' and accountants' fees, printing expenses and other charges (US$294 million cost, US$62 million tax benefit) in progressing this matter over the 18 months up to the lapsing of the offers, which were expensed in the year ended 30 June 2009.

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4 Other income

	2011 US$M	2010 US$M	2009 US$M
Dividend income	**12**	16	33
Royalties	**27**	12	11
(Losses)/gains on sale of property, plant and equipment	**(12)**	76	48
Gains on sale of investments	**53**	22	8
Gains/(losses) on sale of subsidiaries and operations	**–**	16	(18)
Commission income	**142**	118	106
Insurance recoveries	**10**	21	88
Other income	**299**	247	313
Total other income	**531**	528	589

5 Expenses

	2011 US$M	2010 US$M	2009 US$M
Changes in inventories of finished goods and work in progress	**(394)**	(501)	(11)
Raw materials and consumables used	**8,148**	6,371	6,227
Employee benefits expense	**5,299**	4,661	4,147
External services (including transportation)	**11,705**	9,538	9,725
Third party commodity purchases	**3,758**	4,478	5,785
Net foreign exchange losses/(gains)	**1,074**	112	(324)
Research and development costs before crediting related grants	**74**	65	156
Fair value change on derivatives [(a)]	**63**	259	(560)
Impairment of available for sale financial assets	**–**	2	71
Government royalties paid and payable	**2,887**	1,653	1,905
Depreciation and amortisation expense	**5,039**	4,759	3,871
Exploration and evaluation expenditure incurred and expensed in the current period	**981**	1,030	1,009
Exploration and evaluation expenditure previously capitalised, written off as unsuccessful or abandoned [(b)]	**73**	256	96
Impairment of property, plant and equipment [(b)]	**11**	89	4,439
Reversal of previously written off capitalised exploration and evaluation expenditure	**–**	(1)	–
Reversal of previously impaired property, plant and equipment [(b)]	**(10)**	(630)	–
Impairment of goodwill and other intangible assets	**–**	–	34
Operating lease rentals	**451**	390	409
All other operating expenses	**1,295**	764	1,661
Total expenses	**40,454**	33,295	38,640

	2011 US$M	2010 US$M	2009 US$M
Aggregate employee benefits expense			
Wages, salaries and redundancies	**4,834**	4,271	3,877
Employee share awards [(c)]	**199**	210	164
Social security costs	**18**	13	15
Pensions and other post-retirement obligations costs – refer to note 29	**406**	336	289
	5,457	4,830	4,345
Less employee benefits expense classified as exploration and evaluation expenditure above	**158**	169	198
Employee benefits expense	**5,299**	4,661	4,147

(a) Fair value change on derivatives includes realised losses of US$40 million (2010: US$95 million realised losses; 2009: US$219 million realised losses) and unrealised losses of US$23 million (2010: US$164 million unrealised losses; 2009: US$779 million unrealised gains).
(b) Includes exceptional items of US$ nil (2010: US$319 million; 2009: US$4,450 million). Refer to note 3.
(c) Employee share awards expense is US$199.140 million (2010: US$210.490 million; 2009: US$163.820 million).

6 Net finance costs

	2011 US$M	2010 US$M	2009 US$M
Financial expenses			
Interest on bank loans and overdrafts [a]	**19**	24	47
Interest on all other borrowings [a]	**471**	460	527
Finance lease and hire purchase interest	**12**	14	15
Dividends on redeemable preference shares	**–**	–	1
Discounting on provisions and other liabilities	**411**	359	315
Discounting on post-retirement employee benefits	**128**	130	132
Interest capitalised [b]	**(256)**	(301)	(149)
Fair value change on hedged loans	**(140)**	131	390
Fair value change on hedging derivatives	**110**	(138)	(377)
Exchange variations on net debt	**51**	(5)	(49)
	806	674	852
Financial income			
Interest income [c]	**(141)**	(117)	(198)
Expected return on pension scheme assets	**(104)**	(98)	(111)
	(245)	(215)	(309)
Net finance costs	**561**	459	543

[a] Includes interest expense on financial liabilities carried at amortised cost of US$161 million (2010: US$274 million; 2009: US$338 million).
[b] Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalisation rate representing the average interest rate on such borrowings. For the year ended 30 June 2011, the capitalisation rate was 2.87 per cent (2010: 3.5 per cent; 2009: 4.25 per cent).
[c] Includes interest income on financial assets carried at amortised cost of US$141 million (2010: US$117 million; 2009: US$198 million).

7 Income tax and deferred tax

	2011 US$M	2010 US$M	2009 US$M
Total taxation expense comprises:			
Current tax expense	**8,845**	5,395	6,078
Deferred tax expense	**(1,536)**	1,168	(799)
	7,309	6,563	5,279
Total taxation expense attributed to geographical jurisdiction			
UK	**21**	178	319
Australia	**3,503**	3,798	3,158
Rest of world	**3,785**	2,587	1,802
	7,309	6,563	5,279

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7 Income tax and deferred tax continued

	2011		2010		2009	
	%	US$M	%	US$M	%	US$M
Factors affecting income tax expense for the period						
Income tax expense differs to the standard rate of corporation tax as follows:						
Profit before taxation		**31,255**		19,572		11,617
Tax on profit at standard rate of 30 per cent	**30.0**	**9,377**	30.0	5,872	30.0	3,485
Investment and development allowance	**(1.0)**	**(298)**	(1.4)	(279)	(1.2)	(142)
Amounts (over)/under provided in prior years [(a)]	**(1.3)**	**(397)**	(1.0)	(181)	0.1	16
(Initial recognition)/derecognition of tax assets	**–**	**(13)**	(0.2)	(42)	2.5	290
Non-deductible depreciation, amortisation and exploration expenditure	**0.4**	**109**	0.5	92	0.7	91
Tax rate differential on foreign income	**(0.1)**	**(32)**	0.5	94	(0.2)	(26)
Tax on remitted and unremitted foreign earnings	**0.8**	**251**	1.1	221	1.7	196
Non tax-effected operating losses and capital gains	**0.3**	**108**	0.8	152	2.9	338
Exchange variations and other translation adjustments	**(4.7)**	**(1,473)**	0.5	106	3.8	444
Tax rate changes	**0.1**	**17**	0.1	17	–	–
Other [(b)]	**(3.7)**	**(1,168)**	0.3	60	0.8	92
Income tax expense	**20.8**	**6,481**	31.2	6,112	41.1	4,784
Royalty related taxation (net of income tax benefit)	**2.6**	**828**	2.3	451	4.3	495
Total taxation expense	**23.4**	**7,309**	33.5	6,563	45.4	5,279

(a) Includes exceptional items of US$718 million (2010: US$128 million; 2009: US$ nil) for the release of tax provisions following the Group's position being confirmed with respect to ATO amended assessments. Refer to note 3.

(b) Includes exceptional items of US$1,455 million (2010: US$ nil; 2009: US$ nil) for the reversal of deferred tax liabilities following the election of eligible Australian entities to adopt a USD tax functional currency. Refer to note 3.

Income tax recognised in components of other comprehensive income is as follows:

	2011 US$M	2010 US$M	2009 US$M
Income tax effect of:			
Actuarial losses on pension and medical schemes	**26**	15	62
Available for sale investments:			
Net valuation losses/gains taken to equity	**37**	(16)	(21)
Net valuation gains/losses transferred to the income statement	**–**	–	–
Cash flow hedges:			
Losses/gains taken to equity	**–**	5	(245)
Realised losses transferred to the income statement	**–**	(1)	(7)
Unrealised gains transferred to the income statement	**–**	–	15
Gains transferred to the initial carrying amount of hedged items	**–**	–	5
Exchange fluctuations on translation of foreign operations taken to equity	**–**	–	–
Exchange fluctuations on translation of foreign operations transferred to the income statement	**–**	–	–
Employee share awards taken directly to retained earnings on exercise	**70**	39	27
Accrued employee entitlements for unvested awards	**(13)**	69	(89)
Total income tax credit/(charge) relating to components of other comprehensive income [(a)]	**120**	111	(253)

(a) Included within total income tax relating to components of other comprehensive income is US$47 million relating to deferred taxes and US$73 million relating to current taxes (2010: US$75 million and US$36 million; 2009: US$(297) million and US$44 million).

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7 Income tax and deferred tax continued

The movement for the year in the Group's net deferred tax position is as follows:

	2011 US$M	2010 US$M	2009 US$M
Net deferred tax asset/(liability)			
At the beginning of the financial year	**(267)**	872	370
Income tax credit/(charge) recorded in the income statement	**1,536**	(1,168)	799
Income tax credit/(charge) recorded directly in equity	**47**	75	(297)
Acquisitions and disposals of subsidiaries and operations	**–**	(49)	6
Exchange variations and other movements	**(6)**	3	(6)
At the end of the financial year	**1,310**	(267)	872

The composition of the Group's net deferred tax asset and liability recognised in the balance sheet and the deferred tax expense (credited)/charged to the income statement is as follows:

	Deferred tax assets		Deferred tax liabilities		(Credited)/charged to the income statement		
	2011 US$M	2010 US$M	2011 US$M	2010 US$M	2011 US$M	2010 US$M	2009 US$M
Type of temporary difference							
Depreciation	**(679)**	(805)	**1,429**	2,661	**(1,364)**	938	692
Exploration expenditure	**657**	555	**2**	(15)	**(84)**	(112)	(95)
Employee benefits	**228**	216	**(292)**	(232)	**(59)**	49	39
Closure and rehabilitation	**715**	401	**(1,351)**	(1,123)	**(544)**	(119)	(128)
Resource rent tax	**459**	223	**1,187**	657	**294**	175	(256)
Other provisions	**123**	94	**(97)**	(76)	**(43)**	14	(28)
Deferred income	**80**	69	**(6)**	(49)	**32**	(60)	(293)
Deferred charges	**(134)**	(36)	**491**	421	**169**	(11)	47
Investments, including foreign tax credits	**1,607**	1,592	**773**	612	**146**	(69)	(179)
Foreign exchange gains and losses	**(93)**	29	**669**	1,026	**(234)**	353	(316)
Non tax-depreciable fair value adjustments, revaluations and mineral rights	**(30)**	(23)	**122**	179	**(51)**	(148)	119
Tax-effected losses	**964**	1,600	**–**	(17)	**666**	(242)	(378)
Other	**96**	138	**(244)**	276	**(464)**	400	(23)
Total	**3,993**	4,053	**2,683**	4,320	**(1,536)**	1,168	(799)

	2011 US$M	2010 US$M
Unrecognised deferred tax assets		
Tax losses and tax credits	**1,598**	652
Investments in subsidiaries and jointly controlled entities	**7**	6
Other deductible temporary differences	**3,112**	2,189
Total unrecognised deferred tax assets	**4,717**	2,847
Unrecognised deferred tax liabilities		
Investments in subsidiaries and jointly controlled entities	**2,096**	1,782
Total unrecognised deferred tax liabilities	**2,096**	1,782

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7 Income tax and deferred tax continued

Tax losses

At 30 June 2011, the Group had income and capital tax losses with a tax benefit of US$1,254 million (2010: US$437 million) which are not recognised as deferred tax assets. The Group recognises the benefit of tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions. The gross amount of tax losses carried forward that have not been tax effected expire as follows:

Year of expiry	Australia US$M	UK US$M	Rest of world US$M	Total losses US$M
Income tax losses				
Not later than one year	–	–	2	2
Later than one year and not later than two years	–	–	38	38
Later than two years and not later than five years	–	–	214	214
Later than five years and not later than ten years	–	–	89	89
Later than ten years and not later than twenty years	–	–	163	163
Unlimited	–	764	53	817
	–	764	559	1,323
Capital tax losses				
Unlimited	2,873	–	100	2,973
Gross amount of tax losses not recognised	**2,873**	**764**	**659**	**4,296**
Tax effect of total losses not recognised	**862**	**200**	**192**	**1,254**

Tax credits

At 30 June 2011, the Group had US$344 million of tax credits that have not been recognised (2010: US$215 million).

Deductible temporary differences

At 30 June 2011, the Group had deductible temporary differences for which deferred tax assets of US$3,119 million (2010: US$2,195 million) have not been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The deductible temporary differences do not expire under current tax legislation.

Temporary differences associated with investments in subsidiaries and jointly controlled entities

At 30 June 2011, deferred tax liabilities of US$2,096 million (2010: US$1,782 million) associated with undistributed earnings of subsidiaries and jointly controlled entities have not been recognised because the Group is able to control the timing of the reversal of the temporary differences and it is not probable that such differences will reverse in the foreseeable future.

8 Earnings per share

	2011	2010	2009
Basic earnings per ordinary share (US cents)	**429.1**	228.6	105.6
Diluted earnings per ordinary share (US cents)	**426.9**	227.8	105.4
Basic earnings per American Depositary Share (US cents) [a]	**858.2**	457.2	211.2
Diluted earnings per American Depositary Share (US cents) [a]	**853.8**	455.6	210.8
Basic earnings (US$M)	**23,648**	12,722	5,877
Diluted earnings (US$M) [b]	**23,648**	12,743	5,899

The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

Weighted average number of shares	**2011 Million**	2010 Million	2009 Million
Basic earnings per ordinary share denominator	**5,511**	5,565	5,565
Shares and options contingently issuable under employee share ownership plans [c]	**29**	30	33
Diluted earnings per ordinary share denominator [d]	**5,540**	5,595	5,598

[a] Each American Depositary Share (ADS) represents two ordinary shares.

[b] Diluted earnings are calculated after adding back dividend equivalent payments of US$ nil (2010: US$21 million; 2009: US$22 million) that would not be made if potential ordinary shares were converted to fully paid. As permitted by IFRS 2 'Share-based Payment', from 1 July 2010 the Group has elected to incorporate the value of dividend equivalent payment entitlements into the grant date fair value of the associated equity-settled share-based payment awards. Previously, the Group elected to measure and recognise the dividend equivalent payment as a separate cash-settled share-based payment. Comparative amounts have not been restated.

[c] The calculation of the number of ordinary shares used in the computation of basic earnings per share is the aggregate of the weighted average number of ordinary shares of BHP Billiton Limited and BHP Billiton Plc outstanding during the period after deduction of the number of shares held by the Billiton share repurchase scheme, the Billiton Employee Share Ownership Plan Trust, and the BHP Bonus Equity Plan Trust and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are shares contingently issuable under Employee Share Ownership Plans.

[d] Diluted earnings per share calculation excludes 464,369 of instruments (2010: 2,177,884; 2009: nil) which are considered antidilutive.

9 Dividends

	2011 US$M	2010 US$M	2009 US$M
Dividends paid/payable during the period			
BHP Billiton Limited	**3,076**	2,787	2,754
BHP Billiton Plc – Ordinary shares	**2,003**	1,831	1,809
– Preference shares [a]	**–**	–	–
	5,079	4,618	4,563
Dividends declared in respect of the period			
BHP Billiton Limited	**3,331**	2,921	2,754
BHP Billiton Plc – Ordinary shares	**2,183**	1,920	1,809
– Preference shares [a]	**–**	–	–
	5,514	4,841	4,563

	2011 US cents	2010 US cents	2009 US cents
Dividends paid during the period (per share)			
Prior year final dividend	**45.0**	41.0	41.0
Interim dividend	**46.0**	42.0	41.0
	91.0	83.0	82.0
Dividends declared in respect of the period (per share)			
Interim dividend	**46.0**	42.0	41.0
Final dividend	**55.0**	45.0	41.0
	101.0	87.0	82.0

Dividends are declared after period end in the announcement of the results for the period. Interim dividends are declared in February and paid in March. Final dividends are declared in August and paid in September. Dividends declared are not recorded as a liability at the end of the period to which they relate. Subsequent to year end, on 24 August 2011, BHP Billiton declared a final dividend of 55.0 US cents per share (US$2,943 million), which will be paid on 29 September 2011 (2010: 45.0 US cents per share – US$2,504 million; 2009: 41.0 US cents per share – US$2,281 million).

Each American Depositary Share (ADS) represents two ordinary shares of BHP Billiton Limited or BHP Billiton Plc. Dividends declared on each ADS represent twice the dividend declared on BHP Billiton ordinary shares.

BHP Billiton Limited dividends for all periods presented are, or will be, fully franked based on a tax rate of 30 per cent.

	2011 US$M	2010 US$M	2009 US$M
Franking credits as at 30 June	**3,971**	3,861	2,506
Franking credits arising from the payment of current tax payable	**3,218**	818	1,265
Total franking credits available [b]	**7,189**	4,679	3,771

[a] 5.5 per cent dividend on 50,000 preference shares of £1 each declared and paid annually (2010: 5.5 per cent; 2009: 5.5 per cent).
[b] The payment of the final 2011 dividend declared after 30 June 2011 will reduce the franking account balance by US$757 million.

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10 Trade and other receivables

	2011 US$M	2010 US$M
Current		
Trade receivables	**6,219**	5,092
Provision for doubtful debts	**(151)**	(147)
Total trade receivables	**6,068**	4,945
Employee Share Plan loans [a]	**3**	3
Other receivables	**2,126**	1,595
Total current receivables [b]	**8,197**	6,543
Non-current		
Employee Share Plan loans [a]	**21**	21
Interest bearing loans receivable	**1,044**	683
Other receivables	**1,028**	677
Total non-current receivables [b]	**2,093**	1,381

	2011 US$M	2010 US$M
Movement in provision for doubtful debts		
At the beginning of the financial year	**147**	176
Charge/(credit) for the year:		
Underlying charge to the income statement	**5**	4
Released to the income statement	**(1)**	(19)
Utilised	**–**	(14)
At the end of the financial year	**151**	147

[a] Under the terms of the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are full recourse and are available to fund the purchase of such shares for a period of up to 20 years, repayable by application of dividends or an equivalent amount. Refer to note 32.

[b] Disclosures relating to receivables from related parties are set out in note 31.

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11 Other financial assets

	2011 US$M	2010 US$M
Current		
At fair value		
Cross currency and interest rate swaps	**49**	23
Forward exchange contracts	**26**	28
Commodity contracts	**173**	240
Other derivative contracts	**16**	1
Total current other financial assets	**264**	292
Non-current		
At fair value		
Cross currency and interest rate swaps	**705**	595
Commodity contracts	**41**	42
Other derivative contracts	**114**	111
Shares – available for sale	**580**	657
Other investments – available for sale [(a)]	**162**	105
Total non-current other financial assets	**1,602**	1,510

[(a)] Includes investments held by BHP Billiton Energy Coal South Africa Rehabilitation Trust Fund. The future realisation of this investment is intended to fund environmental obligations relating to the closure of the South African coal operations, and consequently this investment, while under the Group's control, is not available for the general purposes of the Group. Any income from this investment is reinvested or applied to meet these obligations. The Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under non-current provisions. Refer to note 18.

12 Inventories

		2011 US$M	2010 US$M
Current			
Raw materials and consumables	– at net realisable value [(a)]	**4**	–
	– at cost	**1,960**	1,518
		1,964	1,518
Work in progress	– at net realisable value [(a)]	**4**	18
	– at cost	**2,315**	2,129
		2,319	2,147
Finished goods	– at net realisable value [(a)]	**136**	300
	– at cost	**1,735**	1,369
		1,871	1,669
Total current inventories		**6,154**	5,334
Non-current			
Raw materials and consumables	– at cost	**142**	124
Work in progress	– at cost	**209**	209
Finished goods	– at cost	**12**	10
Total non-current inventories		**363**	343

[(a)] US$23 million of inventory write-downs were recognised during the year (2010: US$33 million; 2009: US$219 million). Inventory write-downs of US$8 million made in previous periods were reversed during the year (2010: US$21 million; 2009: US$1 million).

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13 Property, plant and equipment

Year ended 30 June 2011	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	Total US$M
Cost						
At the beginning of the financial year	6,148	50,560	15,750	10,719	1,968	85,145
Additions	38	1,596	499	11,003	281	13,417
Acquisitions of subsidiaries and operations	5	673	4,125	–	–	4,803
Disposals	(35)	(694)	(51)	(7)	(114)	(901)
Exchange variations taken to reserve	2	199	30	–	–	231
Transfers and other movements	1,743	7,329	(78)	(9,194)	(4)	(204)
At the end of the financial year	7,901	59,663	20,275	12,521	2,131	102,491
Accumulated depreciation						
At the beginning of the financial year	1,965	22,520	4,422	–	662	29,569
Charge for the year	321	3,991	625	–	66	5,003
Impairments for the year	–	11	–	–	73	84
Reversals of impairments	–	(10)	–	–	–	(10)
Disposals	(26)	(619)	(51)	–	(113)	(809)
Exchange variations taken to reserve	–	167	26	–	–	193
Transfers and other movements	14	(32)	11	–	–	(7)
At the end of the financial year	2,274	26,028	5,033	–	688	34,023
Net book value at 30 June 2011	5,627	33,635	15,242	12,521	1,443	68,468

Year ended 30 June 2010	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	Total US$M
Cost						
At the beginning of the financial year	5,708	47,533	14,812	8,298	1,444	77,795
Additions	53	975	622	9,452	314	11,416
Acquisitions of subsidiaries and operations	–	–	508	–	–	508
Disposals	(117)	(870)	(6)	–	(24)	(1,017)
Disposals of subsidiaries and operations	(352)	(2,348)	(109)	(5)	–	(2,814)
Exchange variations taken to reserve	(1)	(179)	(38)	2	(1)	(217)
Transfers and other movements	857	5,449	(39)	(7,028)	235	(526)
At the end of the financial year	6,148	50,560	15,750	10,719	1,968	85,145
Accumulated depreciation						
At the beginning of the financial year	2,168	22,141	4,113	–	341	28,763
Charge for the year	235	3,813	618	–	66	4,732
Impairments for the year	3	86	–	–	256	345
Reversals of impairments	(121)	(426)	(83)	–	(1)	(631)
Disposals	(85)	(770)	(6)	–	(24)	(885)
Disposals of subsidiaries and operations	(239)	(1,925)	(26)	–	–	(2,190)
Exchange variations taken to reserve	–	(166)	(35)	–	–	(201)
Transfers and other movements	4	(233)	(159)	–	24	(364)
At the end of the financial year	1,965	22,520	4,422	–	662	29,569
Net book value at 30 June 2010	4,183	28,040	11,328	10,719	1,306	55,576

14 Intangible assets

	2011			2010		
	Goodwill US$M	**Other intangibles US$M**	**Total US$M**	Goodwill US$M	Other intangibles US$M	Total US$M
Cost						
At the beginning of the financial year	**370**	**497**	**867**	398	426	824
Additions	**–**	**211**	**211**	–	85	85
Disposals	**–**	**(3)**	**(3)**	–	(8)	(8)
Exchange variations taken to reserve	**–**	**2**	**2**	–	(1)	(1)
Transfers and other movements	**–**	**37**	**37**	(28)	(5)	(33)
At the end of the financial year	**370**	**744**	**1,114**	370	497	867
Accumulated amortisation and impairments						
At the beginning of the financial year	**–**	**180**	**180**	–	163	163
Charge for the year	**–**	**36**	**36**	–	27	27
Disposals	**–**	**(2)**	**(2)**	–	(8)	(8)
Exchange variations taken to reserve	**–**	**1**	**1**	–	(1)	(1)
Transfers and other movements	**–**	**(5)**	**(5)**	–	(1)	(1)
At the end of the financial year	**–**	**210**	**210**	–	180	180
Total intangible assets [(a)]	**370**	**534**	**904**	370	317	687

[(a)] The Group's aggregate net book value of goodwill is US$370 million (2010: US$370 million), representing less than one per cent of net equity at 30 June 2011 (2010: less than one per cent). The goodwill is allocated across a number of cash generating units (CGUs) in different Customer Sector Groups, with no CGU or Customer Sector Group accounting for more than US$150 million of total goodwill.

15 Trade and other payables

	2011 US$M	2010 US$M
Current		
Trade creditors	**6,667**	4,470
Other creditors	**3,051**	1,997
Total current payables	**9,718**	6,467
Non-current		
Other creditors	**555**	469
Total non-current payables	**555**	469

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16 Interest bearing liabilities

	2011 US$M	2010 US$M
Current		
Unsecured bank loans	**484**	393
Notes and debentures	**2,458**	1,424
Secured bank loans	**160**	184
Finance leases	**63**	63
Secured other	**18**	–
Unsecured other	**332**	126
Unsecured bank overdrafts and short-term borrowings	**4**	1
Total current interest bearing liabilities	**3,519**	2,191
Non-current		
Unsecured bank loans	**526**	361
Notes and debentures	**10,122**	12,012
Secured bank loans [(a)]	**580**	424
Redeemable preference shares [(b)]	**15**	15
Finance leases	**129**	162
Unsecured other [(a)]	**448**	250
Secured other [(a)]	**568**	349
Total non-current interest bearing liabilities	**12,388**	13,573

(a) Includes US$591 million (2010: US$324 million) proportionate share of bank loans and other borrowings arranged by jointly controlled entities to fund the financing of joint venture partners. While the Group chose to finance the joint ventures directly and not to participate in the external borrowing programs arranged by the joint ventures, the Group recognises its share of those borrowings on proportionate consolidation of the assets and liabilities of each venture (refer to note 1). A corresponding amount of interest bearing loans receivable is recognised in other receivables (refer to note 10), reflecting the direct funding of the Group's contribution to each joint venture.

(b) Comprises 150 (2010: 150) Series A preferred shares issued by BHP Billiton Foreign Holdings Inc. at US$100,000 each fully paid, cumulative, non-participating. The shares are redeemable at par at the option of BHP Billiton Foreign Holdings Inc. after 3 August 2013 and at the option of the holder of the shares after 3 February 2016.

17 Other financial liabilities

	2011 US$M	2010 US$M
Current		
Cross currency and interest rate swaps	**53**	282
Forward exchange contracts	**3**	6
Commodity contracts	**196**	194
Other derivative contracts	**36**	29
Total current other financial liabilities	**288**	511
Non-current		
Cross currency and interest rate swaps	**–**	174
Commodity contracts	**23**	41
Other derivative contracts	**56**	51
Total non-current other financial liabilities	**79**	266

18 Provisions

	2011 US$M	2010 US$M
Current		
Employee benefits [a]	**1,334**	1,054
Restructuring [b]	**40**	55
Closure and rehabilitation [c]	**378**	378
Post-retirement employee benefits [d]	**21**	18
Other	**483**	394
Total current provisions	**2,256**	1,899
Non-current		
Employee benefits [a]	**209**	257
Restructuring [b]	**38**	49
Closure and rehabilitation [c]	**7,615**	6,264
Post-retirement employee benefits [d]	**694**	621
Other	**713**	242
Total non-current provisions	**9,269**	7,433

(a) The expenditure associated with total employee benefits will occur in a pattern consistent with when employees choose to exercise their entitlement to benefits.
(b) Total restructuring provisions include provision for business terminations of US$13 million (2010: US$15 million).
(c) Total closure and rehabilitation provisions include provision for closed sites of US$1,753 million (2010: US$1,973 million).
(d) The provision for post-retirement employee benefits includes pension liabilities of US$273 million (2010: US$295 million) and post-retirement medical benefit liabilities of US$442 million (2010: US$344 million). Refer to note 29. The non-current provision includes Non-executive Directors' retirement benefits of US$1 million (2010: US$1 million).

	Employee benefits US$M	Restructuring US$M	Closure and rehabilitation US$M	Post-retirement employee benefits US$M	Other US$M	Total US$M
At the beginning of the financial year	**1,311**	**104**	**6,642**	**639**	**636**	**9,332**
Amounts capitalised	**–**	**–**	**1,293**	**–**	**–**	**1,293**
Acquisition of subsidiaries and operations	**–**	**–**	**4**	**–**	**–**	**4**
Charge/(credit) for the year:						
Underlying	**978**	**39**	**184**	**67**	**792**	**2,060**
Discounting	**–**	**7**	**404**	**128**	**–**	**539**
Expected return on pension scheme assets	**–**	**–**	**–**	**(104)**	**–**	**(104)**
Exchange variations	**225**	**22**	**269**	**47**	**49**	**612**
Released during the year	**(56)**	**(54)**	**(413)**	**–**	**(119)**	**(642)**
Actuarial loss taken to retained earnings	**–**	**–**	**–**	**113**	**–**	**113**
Exchange variations taken to reserve	**–**	**–**	**16**	**2**	**–**	**18**
Utilisation	**(917)**	**(40)**	**(407)**	**(181)**	**(158)**	**(1,703)**
Transfers and other movements	**2**	**–**	**1**	**4**	**(4)**	**3**
At the end of the financial year	**1,543**	**78**	**7,993**	**715**	**1,196**	**11,525**

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19 Share capital

	BHP Billiton Limited			BHP Billiton Plc		
	2011 US$M	2010 US$M	2009 US$M	**2011 US$M**	2010 US$M	2009 US$M
Share capital						
Balance at the beginning of the financial year	**1,227**	1,227	1,227	**1,116**	1,116	1,116
Shares bought back and cancelled [a]	**(44)**	–	–	**(46)**	–	–
Balance at the end of the financial year	**1,183**	1,227	1,227	**1,070**	1,116	1,116
Treasury shares						
Balance at the beginning of the financial year	**(1)**	(1)	(1)	**(524)**	(524)	(513)
Purchase of shares by ESOP Trusts	**(351)**	(216)	(132)	**(118)**	(58)	(37)
Employee share awards exercised following vesting	**351**	216	132	**103**	58	26
Shares bought back [a]	**–**	–	–	**(3,678)**	–	–
Shares cancelled [a]	**–**	–	–	**3,595**	–	–
Balance at the end of the financial year	**(1)**	(1)	(1)	**(622)**	(524)	(524)

	BHP Billiton Limited			BHP Billiton Plc [b]		
	2011 Shares [c]	2010 Shares [c]	2009 Shares [c]	**2011 Shares [c]**	2010 Shares [c]	2009 Shares [c]
Share capital issued						
Ordinary shares fully paid	**3,211,654,687**	3,358,444,496	3,358,444,496	**2,138,367,191**	2,231,121,202	2,231,121,202
Comprising						
– Shares held by the public	**3,211,607,567**	3,358,397,376	3,358,397,376	**2,110,963,849**	2,206,076,344	2,206,130,916
– Treasury shares	**47,120**	47,120	47,120	**27,403,342**	25,044,858	24,990,286
Ordinary shares paid to A$1.36	**–**	110,000	110,000			
Special Voting Share of no par value [d]	**1**	1	1			
5.5% Preference shares of £1 each [e]				**50,000**	50,000	50,000
Special Voting Share of US$0.50 par value [d]				**1**	1	1

	BHP Billiton Limited			BHP Billiton Plc		
	2011 Shares	2010 Shares	2009 Shares	**2011 Shares**	2010 Shares	2009 Shares
Movement in shares held by the public						
Opening number of shares	**3,358,397,376**	3,358,397,376	3,358,260,180	**2,206,076,344**	2,206,130,916	2,206,662,027
Partly paid shares becoming fully paid [f]	**110,000**	–	85,000	**–**	–	–
Purchase of shares by ESOP Trusts	**(8,997,229)**	(6,304,733)	(5,274,136)	**(3,664,620)**	(2,081,566)	(1,447,706)
Employee share awards exercised following vesting	**8,997,229**	6,304,733	5,326,332	**3,487,873**	2,026,994	916,595
Shares bought back [a]	**(146,899,809)**	–	–	**(94,935,748)**	–	–
Closing number of shares [g]	**3,211,607,567**	3,358,397,376	3,358,397,376	**2,110,963,849**	2,206,076,344	2,206,130,916

19 Share capital continued

	BHP Billiton Limited			BHP Billiton Plc		
	2011 Shares	2010 Shares	2009 Shares	**2011 Shares**	2010 Shares	2009 Shares
Movement in Treasury shares						
Opening number of shares	**47,120**	47,120	99,316	**25,044,858**	24,990,286	24,459,175
Purchase of shares by ESOP Trusts	**8,997,229**	6,304,733	5,274,136	**3,664,620**	2,081,566	1,447,706
Employee share awards exercised following vesting	**(8,997,229)**	(6,304,733)	(5,326,332)	**(3,487,873)**	(2,026,994)	(916,595)
Shares bought back [a]	**–**	–	–	**94,935,748**	–	–
Shares cancelled [a]	**–**	–	–	**(92,754,011)**	–	–
Closing number of shares	**47,120**	47,120	47,120	**27,403,342**	25,044,858	24,990,286

	BHP Billiton Limited		
	2011 Shares	2010 Shares	2009 Shares
Movement in shares partly paid to A$1.36			
Opening number of shares	**110,000**	110,000	195,000
Partly paid shares becoming fully paid [f]	**(110,000)**	–	(85,000)
Closing number of shares	**–**	110,000	110,000

[a] On 15 November 2010, BHP Billiton announced the reactivation of the remaining US$4.2 billion component of its previously suspended US$13 billion buy-back program and subsequently announced an expanded US$10 billion capital management program on 16 February 2011. This expanded program was completed on 29 June 2011 through a combination of on-market and off-market buy-backs. In accordance with the UK Companies Act 2006 and with the resolutions passed at the 2010 Annual General Meetings, BHP Billiton Limited purchased fully paid shares in BHP Billiton Plc on-market and then transferred those shares to BHP Billiton Plc for nil consideration and cancellation. BHP Billiton Plc shares bought back as part of this program but not cancelled at 30 June 2011 are accounted for as Treasury shares within the share capital of BHP Billiton Plc. An off-market tender buy-back of BHP Billiton Limited shares was completed on 11 April 2011. In accordance with the structure of the buy-back, US$44 million was allocated to the share capital of BHP Billiton Limited and US$6,301 million was allocated to retained earnings. These shares were then cancelled. Details of the purchases are shown in the table below. Cost per share represents the average cost per share for BHP Billiton Plc shares and final cost per share for BHP Billiton Limited shares.

Year ended	Shares purchased	Number	Cost per share	Total cost US$M	Purchased by: BHP Billiton Limited Shares	BHP Billiton Limited US$M	BHP Billiton Plc Shares	BHP Billiton Plc US$M
30 June 2011	BHP Billiton Plc	94,935,748	£23.96 [i]	3,678	94,935,748	3,678	–	–
	BHP Billiton Limited	146,899,809	A$40.85	6,345	146,899,809	6,345	–	–

[i] Cost per share represents the average cost per share paid on-market by BHP Billiton Limited for BHP BIlliton Plc shares in 2011. Since the commencement of the buy-back in 2006 the average cost per share was £15.67.

[b] An Equalisation Share (US$0.50 par value) has been authorised to be issued to enable a distribution to be made by BHP Billiton Plc Group to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The Constitution of BHP Billiton Limited allows the Directors of that Company to issue a similar Equalisation Share. There has been no movement in this class of share.

[c] The total number of BHP Billiton Limited shares of all classes is 3,211,654,688 of which 99.99 per cent are ordinary shares fully paid (2010: 3,358,554,497, 99.99 per cent; 2009: 3,358,554,497, 99.99 per cent). The total number of BHP Billiton Plc shares of all classes is 2,138,417,192, of which 99.99 per cent are ordinary shares of US$0.50 par value (2010: 2,231,171,203, 99.99 per cent; 2009: 2,231,171,203, 99.99 per cent). Any surplus remaining after payment of preferred distributions shall be payable to the holders of BHP Billiton Limited and BHP Billiton Plc ordinary shares in equal amounts per share.

[d] Each of BHP Billiton Limited and BHP Billiton Plc issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Limited and BHP Billiton Plc on Joint Electorate Actions. There has been no movement in these shares.

[e] Preference shares have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority to the holders of any other class of shares in BHP Billiton Plc on a return of capital or winding up. The holders of preference shares have limited voting rights if payment of the preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference shareholders. There has been no movement in these shares, all of which are held by JP Morgan plc.

[f] During the year ended 30 June 2011, 110,000 partly paid shares were paid up and become fully paid shares. 70,000 of these partly paid shares were also entitled to 79,928 bonus shares which were satisfied via on-market purchase.

[g] During the period 1 July 2011 to 6 September 2011, 36,418 fully paid ordinary shares in BHP Billiton Limited were issued on the exercise of Group Incentive Scheme awards.

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20 Other equity

	2011 US$M	2010 US$M	2009 US$M
Reserves			
Share premium account [a]			
Balance at the beginning of the financial year	**518**	518	518
Balance at the end of the financial year	**518**	518	518
Foreign currency translation reserve [b]			
Balance at the beginning of the financial year	**15**	24	(3)
Exchange fluctuations on translation of foreign operations taken to equity	**19**	1	27
Exchange fluctuations on translation of foreign operations transferred to the income statement	**–**	(10)	–
Total other comprehensive income	**19**	(9)	27
Balance at the end of the financial year	**34**	15	24
Employee share awards reserve [c]			
Balance at the beginning of the financial year	**557**	434	372
Deferred tax arising on accrued employee entitlement for unexercised awards	**(13)**	69	(89)
Total other comprehensive income	**(13)**	69	(89)
Accrued employee entitlement for unvested awards	**266**	170	185
Employee share awards exercised	**(121)**	(88)	(34)
Employee share awards forfeited	**(9)**	(28)	–
Balance at the end of the financial year	**680**	557	434
Hedging reserve – cash flow hedges [d]			
Balance at the beginning of the financial year	**–**	9	(417)
Net (loss)/gain on cash flow hedges taken to equity	**–**	(15)	710
Net realised losses on cash flow hedges transferred to the income statement	**–**	2	22
Net unrealised gains on cash flow hedges transferred to the income statement	**–**	–	(48)
Net gains on cash flow hedges transferred to the initial carrying amount of hedged items	**–**	–	(26)
Deferred tax relating to cash flow hedges	**–**	4	(232)
Total other comprehensive income	**–**	(9)	426
Balance at the end of the financial year	**–**	–	9
Financial assets reserve [e]			
Balance at the beginning of the financial year	**348**	202	162
Net valuation (losses)/gains on available for sale investments taken to equity	**(71)**	160	3
Net valuation (gains)/losses on available for sale investments transferred to the income statement	**(38)**	2	58
Deferred tax relating to revaluations	**37**	(16)	(21)
Total other comprehensive income	**(72)**	146	40
Balance at the end of the financial year	**276**	348	202
Share buy-back reserve [f]			
Balance at the beginning of the financial year	**118**	118	118
BHP Billiton Plc shares cancelled	**46**	–	–
Balance at the end of the financial year	**164**	118	118
Non-controlling interest contribution reserve [g]			
Balance at the beginning of the financial year	**350**	–	–
Issue of share options to non-controlling interests	**–**	43	–
Distribution to option holders	**(21)**	(10)	–
Equity contributed	**–**	317	–
Balance at the end of the financial year	**329**	350	–
Total reserves	**2,001**	1,906	1,305

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20 Other equity continued

	2011 US$M	2010 US$M	2009 US$M
Retained earnings			
Balance at the beginning of the financial year	**44,801**	36,831	35,756
Profit for the year	**23,648**	12,722	5,877
Actuarial losses on pension and medical schemes	**(105)**	(38)	(224)
Tax recognised directly in other comprehensive income	**94**	54	89
Total comprehensive income	**23,637**	12,738	5,742
Dividends	**(5,126)**	(4,618)	(4,563)
BHP Billiton Limited share buy-back – refer to note 19	**(6,301)**	–	–
BHP Billiton Plc share buy-back – refer to note 19	**(3,595)**	–	–
Employee share awards exercised, net of employee contributions and forfeitures	**(285)**	(150)	(104)
Balance at the end of the financial year	**53,131**	44,801	36,831

	2011 US$M	2010 US$M	2009 US$M
Non-controlling interests			
Balance at the beginning of the financial year	**804**	757	708
Profit for the year	**298**	287	461
Actuarial losses on pension and medical schemes	**(8)**	–	(3)
Net valuation gains on available for sale investments taken to equity	**1**	7	–
Net valuation gains on available for sale investments transferred to the income statement	**(9)**	–	–
Tax recognised directly in other comprehensive income	**2**	–	–
Total comprehensive income	**284**	294	458
Issue of share options to non-controlling interests	**–**	16	–
Distribution to option holders	**(17)**	(6)	–
Dividends	**(90)**	(277)	(406)
Equity contributed	**12**	20	(3)
Balance at the end of the financial year	**993**	804	757

(a) The share premium account represents the premium paid on the issue of BHP Billiton Plc shares recognised in accordance with the UK Companies Act 2006.
(b) The foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Group into US dollars.
(c) The employee share awards reserve represents the accrued employee entitlements to share awards that have been charged to the income statement and have not yet been exercised.
(d) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts the income statement, or is recognised as an adjustment to the cost of non-financial hedged items.
(e) The financial assets reserve represents the revaluation of available for sale financial assets. Where a revalued financial asset is sold or impaired, the relevant portion of the reserve is transferred to the income statement.
(f) The share buy-back reserve represents the par value of BHP Billiton Plc shares which were purchased and subsequently cancelled. The cancellation of the shares creates a non-distributable reserve.
(g) The non-controlling interest contribution reserve represents the excess of consideration received over the book value of net assets attributable to the equity instruments held by non-controlling interests.

21 Contingent liabilities

Contingent liabilities at balance date, not otherwise provided for in the financial statements, are categorised as arising from:

	2011 US$M	2010 US$M
Jointly controlled entities		
Bank guarantees [(a)]	**12**	7
Actual or potential litigation [(b)]	**1,384**	878
Other	**1**	–
	1,397	885
Subsidiaries and jointly controlled assets (including guarantees)		
Bank guarantees [(a)]	**1**	1
Actual or potential litigation [(b)]	**693**	455
Other	**4**	3
	698	459
Total contingent liabilities	**2,095**	1,344

(a) The Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance in the normal course of business.
(b) Actual or potential litigation amounts relate to a number of actions against the Group, none of which are individually significant and where the liability is not probable and therefore the Group has not provided for such amounts in these financial statements. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included in the table above.

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22 Commitments

	2011 US$M	2010 US$M
Capital expenditure commitments		
Due not later than one year	**5,307**	4,311
Due later than one year and not later than two years	**1,419**	491
Due later than two years and not later than three years	**531**	171
Due later than three years and not later than four years	**35**	16
Due later than four years and not later than five years	**1**	–
Total capital expenditure commitments	**7,293**	4,989
Lease expenditure commitments		
Finance leases		
Due not later than one year	**88**	95
Due later than one year and not later than two years	**54**	60
Due later than two years and not later than three years	**50**	51
Due later than three years and not later than four years	**51**	49
Due later than four years and not later than five years	**46**	49
Due later than five years	**93**	140
Total commitments under finance leases	**382**	444
Future financing charges	**(93)**	(111)
Right to reimbursement from joint venture partner	**(97)**	(108)
Finance lease liability	**192**	225
Operating leases [(a)]		
Due not later than one year	**861**	695
Due later than one year and not later than two years	**640**	580
Due later than two years and not later than three years	**453**	601
Due later than three years and not later than four years	**208**	255
Due later than four years and not later than five years	**192**	98
Due later than five years	**1,197**	830
Total commitments under operating leases	**3,551**	3,059
Other expenditure commitments [(b)]		
Due not later than one year	**3,473**	2,793
Due later than one year and not later than two years	**1,486**	1,291
Due later than two years and not later than three years	**947**	1,111
Due later than three years and not later than four years	**564**	768
Due later than four years and not later than five years	**546**	444
Due later than five years	**2,059**	1,923
Total commitments for other expenditure	**9,075**	8,330

(a) Operating leases are entered into as a means of acquiring property, plant and equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Certain leases contain extension and renewal options.
(b) Other expenditure commitments include the supply of goods and services, royalties, exploration expenditure and chartering costs.

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23 Notes to the consolidated cash flow statement

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents include highly liquid investments that are readily convertible to cash and with a maturity of less than 90 days, bank overdrafts and interest bearing liabilities at call.

	2011 US$M	2010 US$M	2009 US$M
Cash and cash equivalents comprise:			
Cash	**1,361**	1,369	1,156
Short-term deposits	**8,723**	11,087	9,677
Total cash and cash equivalents [(a)]	**10,084**	12,456	10,833
Bank overdrafts and short-term borrowings – refer to note 16	**(4)**	(1)	(2)
Total cash and cash equivalents, net of overdrafts	**10,080**	12,455	10,831

[(a)] Cash and cash equivalents include US$170 million (2010: US$330 million; 2009: US$368 million) which is restricted by legal or contractual arrangements.

Significant non-cash investing and financing transactions

Property, plant and equipment of US$2 million (2010: US$56 million; 2009: US$59 million) was acquired under finance leases.

Property, plant and equipment of US$ nil (2010: US$236 million; 2009: US$ nil) was acquired under vendor financing arrangements.

Disposal of subsidiaries and operations

The Group disposed of the following subsidiaries and operations during the year ended:

30 June 2011

- There were no disposals of subsidiaries or operations.

30 June 2010

- Esidulini game reserve
- Kendilo coal operation
- Manganese Metal Company (Pty) Ltd
- Pering mine
- Ravensthorpe nickel operations
- Suriname Bauxite Mines and the Paranam Refinery
- Yabulu nickel refinery

30 June 2009

- BHP Asia Pacific Nickel Pty Ltd
- Mayaniquel SA
- Minera Geleen SA
- PT Gag Nickel
- Sociedad Contractual Minera Otway

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23 Notes to the consolidated cash flow statement continued

The carrying amount of assets and liabilities disposed are as follows:

	2011 US$M	2010 US$M	2009 US$M
Cash and cash equivalents	–	137	–
Trade and other receivables	–	11	1
Inventories	–	169	–
Current tax assets	–	9	–
Other current assets	–	11	6
Property, plant and equipment	–	682	35
Trade and other payables	–	(66)	(1)
Interest bearing liabilities	–	(27)	–
Current tax payable	–	(1)	–
Provisions	–	(590)	–
Net identifiable assets [(a)]	–	335	41
Gross consideration	–	351	23
Less cash balances disposed of	–	(137)	–
Net consideration	–	214	23
Comprising of:			
– Cash	–	214	17
– Deferred consideration	–	–	6
Total net consideration received	–	214	23
Gains/(losses) on sale of subsidiaries and operations	–	16	(18)

(a) Net identifiable assets disposed of in the year ended 30 June 2010 include property, plant and equipment of US$58 million, current tax assets of US$9 million and provisions of US$301 million classified as held for sale in 2009.

Acquisition of subsidiaries and operations

The Group acquired the following subsidiaries and operations during the year ended:

30 June 2011

- Other than the business combination described in note 24, there were no acquisitions of subsidiaries or operations.

30 June 2010

- 100 per cent of Athabasca Potash Inc.
- 100 per cent of United Minerals Corporations NL

30 June 2009

- 100 per cent of Anglo Potash Limited

The fair values of assets and liabilities acquired, excluding those acquired through business combinations (refer to note 24), are as follows:

	2011 US$M	2010 US$M	2009 US$M
Property, plant and equipment	–	508	270
Net identifiable assets	–	508	270
Consideration paid	–	508	270

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24 Business combinations

Business combination during the year ended 30 June 2011

On 31 March 2011, the Group completed the acquisition of 100 per cent of Chesapeake Energy Corporation's (Chesapeake) interests in its Fayetteville Shale gas assets, and associated midstream pipeline system (Fayetteville Shale gas business), located in Arkansas (US), for US$4,819 million. The acquisition was funded from the Group's cash resources.

The Fayetteville Shale upstream gas assets include approximately 487,000 acres of leasehold and producing natural gas properties and approximately 3,000 wells of which the Group operates approximately 800 wells. Midstream assets consist of gas gathering systems including extensive pipeline infrastructure and associated compression stations. The acquisition marks the entry of the Group into the shale gas business in the US.

Acquisition-related costs of US$17 million have been expensed and included in other operating expenses in the Consolidated Income Statement and in operating cash flows in the Consolidated Cash Flow Statement.

The provisionally determined fair values of the identifiable assets and liabilities acquired comprising the Fayetteville Shale gas business as of the date of the acquisition are as follows:

	2011 US$M
Property, plant and equipment	4,803
Inventories	3
Trade and other receivables [a]	38
Trade and other payables	(21)
Provisions	(4)
Net identifiable assets	**4,819**
Consideration paid [b]	**4,819**

[a] This represents the gross contractual amount for trade and other receivables.
[b] Including US$12 million accrued as at 30 June 2011.

Provisional estimates of fair value of the identifiable assets and liabilities approximate the consideration paid to Chesapeake and therefore no goodwill or bargain purchase gain has been recognised in respect of the acquisition. The fair values are provisional due to the complexity of the valuation process. The finalisation of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition.

From the date of the acquisition to 30 June 2011, Fayetteville contributed revenue of US$107 million and a net profit of US$26 million to the Group. The results of the combined Group and Fayetteville Shale gas business for the year ended 30 June 2011, as though the acquisition had occurred as of the beginning of that period, has not been presented. The Group considered that compiling such information was impracticable owing to the lack of suitable information for the Fayetteville Shale gas business for the nine months preceding the acquisition.

Business combination subsequent to the year ended 30 June 2011

On 14 July 2011, the Group announced it had entered into a definitive agreement to acquire Petrohawk Energy Corporation (Petrohawk) by means of an all-cash tender offer for all of the issued and outstanding shares of Petrohawk to be followed by a second-step merger, representing a total equity value of approximately US$12.1 billion and a total enterprise value of approximately US$15.1 billion, including the assumption of net debt. On 21 August 2011, the Group announced that all conditions to the closing of the tender offer to acquire all outstanding shares of common stock of Petrohawk for US$38.75 per share net to the seller in cash, without interest, less any applicable withholding taxes, have been satisfied. The acquisition date of Petrohawk by the Group was 20 August 2011 and the transaction closed on 25 August 2011.

The Group has entered into certain retention arrangements with the employees of Petrohawk. Pursuant to these arrangements, the Group will make retention payments at different intervals subject to mandatory service requirements and grant restricted share awards in BHP Billiton Limited with vesting dates ranging from 31 December 2012 to 22 August 2014. All cash amounts paid to employees will be accounted for as a post-combination employee benefit expense. Payments of US$13.8 million have been made since the acquisition date.

Petrohawk is an oil and natural gas company based in the United States. It owns a number of shale gas assets in Texas and Louisiana and associated midstream pipeline systems. The transaction provides BHP Billiton with operated positions in the resource areas of the Eagle Ford, Haynesville shale and the Permian Basin. Due to the timing of the transaction, management is in the preliminary stages of determining values of the assets and liabilities acquired and the associated accounting for the business combination. Accordingly, certain disclosures relating to the business combination such as the fair value of net assets acquired and acquisition-related transaction costs have not been presented.

There were no business combinations entered into by the Group in the previous financial year.

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25 Subsidiaries

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

Name	Country of incorporation	Principal activity	The Group's effective interest 2011 %	2010 %
BHP Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
BHP Billiton Aluminium (RAA) Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
BHP Billiton Aluminium (Worsley) Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
BHP Billiton Canada Inc.	Canada	Diamond mining	**100**	100
BHP Billiton Direct Reduced Iron Pty Ltd	Australia	Hot briquette iron plant (closed)	**100**	100
BHP Billiton Energy Coal Australia Pty Ltd	Australia	Holding company	**100**	100
BHP Billiton Energy Coal South Africa Limited	South Africa	Coal mining	**100**	100
BHP Billiton Finance BV	Netherlands	Finance	**100**	100
BHP Billiton Finance Ltd	Australia	Finance	**100**	100
BHP Billiton Finance (USA) Ltd [(a)]	Australia	Finance	**100**	100
BHP Billiton Foreign Holdings Inc.	US	Holding company	**100**	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton International Services Limited	UK	Service company	**100**	100
BHP Billiton Iron Ore Pty Limited	Australia	Service company	**100**	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	**100**	100
BHP Billiton Marketing Inc.	US	Marketing and trading	**100**	100
BHP Billiton Metais SA	Brazil	Alumina refining and aluminium smelting	**100**	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore, coal, silver, lead and zinc mining	**100**	100
BHP Billiton Mitsui Coal Pty Ltd	Australia	Coal mining	**80**	80
BHP Billiton Nickel West Pty Ltd	Australia	Nickel mining, smelting, refining and administrative services	**100**	100
BHP Billiton Olympic Dam Corporation Pty Ltd	Australia	Copper and uranium mining	**100**	100
BHP Billiton Petroleum (Americas) Inc.	US	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Arkansas) Inc.	US	Hydrocarbons production	**100**	–
BHP Billiton Petroleum (Australia) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (Colombia) Corporation	Canada	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Deepwater) Inc.	US	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (Fayetteville) LLC	US	Hydrocarbons exploration and production	**100**	–
BHP Billiton Petroleum (GOM) Inc.	US	Hydrocarbons exploration	**100**	100
BHP Billiton Petroleum (North West Shelf) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum Great Britain Limited	UK	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons development and production	**100**	100
BHP Billiton Petroleum (New Ventures) Corporation	Canada	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Sabah) Corporation	Canada	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Victoria) Pty Ltd	Australia	Hydrocarbons development	**100**	100
BHP Billiton SA Holdings Limited	South Africa	Holding company	**100**	100
BHP Billiton SA Limited	South Africa	Holding and service company	**100**	100
BHP Billiton Shared Business Services Pty Ltd	Australia	Service company	**100**	100
BHP Billiton Shared Services Malaysia Sdn. Bhd.	Malaysia	Service company	**100**	100
BHP Billiton SSM Development Pty Ltd	Australia	Holding company	**100**	100
BHP Billiton (Trinidad – 2c) Limited	Canada	Hydrocarbons development	**100**	100
BHP Billiton World Exploration Inc.	Canada	Minerals exploration	**100**	100
BHP Canadian Diamonds Company	Canada	Diamond mining	**100**	100
BHP Chile Inc.	US	Service company	**100**	100
BHP Coal Holdings Pty Limited	Australia	Holding company	**100**	100
BHP Coal Pty Limited	Australia	Holding company and coal mining	**100**	100
BHP Copper Inc.	US	Holding company and copper mining	**100**	100
BHP Escondida Inc.	US	Holding company	**100**	100
BHP Iron Ore (Jimblebar) Pty Ltd	Australia	Iron ore mining	**100**	100
BHP Navajo Coal Company	US	Coal mining	**100**	100

25 Subsidiaries continued

Name	Country of incorporation	Principal activity	The Group's effective interest 2011 %	2010 %
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Queensland Coal Investments Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHPB Freight Pty Ltd	Australia	Transport services	**100**	100
Billiton Aluminium SA Limited	South Africa	Aluminium smelting	**100**	100
Billiton Marketing Holding BV	Netherlands	Holding company	**100**	100
Broken Hill Proprietary (USA) Inc.	US	Service company	**100**	100
Cerro Matoso SA	Colombia	Nickel mining and ferro-nickel smelting	**99.9**	99.9
Coal Mines Australia Pty Ltd	Australia	Coal exploration	**100**	100
Compañía Minera Cerro Colorado Limitada	Chile	Copper mining	**100**	100
Dendrobium Coal Pty Ltd	Australia	Coal mining	**100**	100
Endeavour Coal Pty Ltd	Australia	Coal mining	**100**	100
Groote Eylandt Mining Company Pty Ltd	Australia	Manganese mining	**60**	60
Hillside Aluminium Limited	South Africa	Aluminium smelting	**100**	100
Hotazel Manganese Mines (Proprietary) Limited [b]	South Africa	Manganese ore mining and processing	**54.6**	54.6
Hunter Valley Energy Coal Pty Ltd	Australia	Coal mining	**100**	100
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	**100**	100
Illawarra Services Pty Ltd	Australia	Coal mining	**100**	100
Minera Spence SA	Chile	Copper mining	**100**	100
Rio Algom Limited	Canada	Holding company	**100**	100
Samancor AG	Switzerland	Marketing	**60**	60
Samancor Manganese Proprietary Limited	South Africa	Manganese mining and manganese alloys	**60**	60
San Juan Coal Company	US	Coal mining	**100**	100
Tasmanian Electro Metallurgical Company Pty Ltd	Australia	Manganese alloys	**60**	60
UMAL Consolidated Pty Ltd	Australia	Holding company and coal mining	**100**	100
United Iron Pty Ltd	Australia	Iron ore exploration	**100**	100
WMC Finance (USA) Limited	Australia	Finance	**100**	100

[a] BHP Billiton Finance (USA) Ltd is 100 per cent owned by BHP Billiton Limited. BHP Billiton Limited and BHP Billiton Plc have each fully and unconditionally guaranteed BHP Billiton Finance (USA) Ltd's debt securities.
[b] The Group's effective interest in Hotazel Manganese Mines (Proprietary) Limited will reduce to 44.4 per cent pursuant to a Broad Based Black Economic Empowerment transaction in South Africa.
[c] A complete list of the Group's subsidiaries and jointly controlled entities will be attached to BHP Billiton Plc's annual return made to the UK Registrar of Companies.

26 Interests in jointly controlled entities

The Group's significant interests in jointly controlled entities, which are those with the most significant contribution to the Group's net profit or net assets, are listed below. All entities included below are subject to joint control as a result of governing contractual arrangements.

Major shareholdings in jointly controlled entities	Country of incorporation	Principal activity	Reporting date [a]	Ownership interest [a] 2011 %	2010 %
Caesar Oil Pipeline Company LLC	US	Hydrocarbons transportation	31 May	**25**	25
Cleopatra Gas Gathering Company LLC	US	Hydrocarbons transportation	31 May	**22**	22
Guinea Alumina Corporation Ltd	British Virgin Islands	Bauxite mine and alumina refinery prospect	31 Dec	**33.33**	33.33
Mozal SARL	Mozambique	Aluminium smelting	30 June	**47.1**	47.1
Compañía Minera Antamina SA	Peru	Copper and zinc mining	30 June	**33.75**	33.75
Minera Escondida Limitada [b]	Chile	Copper mining	30 June	**57.5**	57.5
Phola Coal Processing Plant (Pty) Ltd	South Africa	Coal handling and processing plant	30 June	**50**	50
Richards Bay Minerals [c]	South Africa	Mineral sands mining and processing	31 Dec	**37.76**	37.76
Samarco Mineração SA	Brazil	Iron ore mining	31 Dec	**50**	50
Carbones del Cerrejón LLC	Anguilla	Coal mining in Colombia	31 Dec	**33.33**	33.33
Newcastle Coal Infrastructure Group Pty Limited	Australia	Coal export terminal	30 June	**35.5**	35.5

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26 Interests in jointly controlled entities continued

	Group share	
	2011 US$M	2010 US$M
Net assets of jointly controlled entities		
Current assets	**3,743**	3,352
Non-current assets	**8,232**	7,212
Current liabilities	**(2,560)**	(2,162)
Non-current liabilities	**(3,409)**	(2,388)
Net assets	**6,006**	6,014

	Group share		
	2011 US$M	2010 US$M	2009 US$M
Share of jointly controlled entities' profit			
Revenue	**11,600**	8,642	6,130
Net operating costs	**(5,443)**	(4,597)	(4,103)
Operating profit	**6,157**	4,045	2,027
Net finance costs	**(368)**	(68)	(129)
Income tax expense	**(1,462)**	(903)	(465)
Profit after taxation	**4,327**	3,074	1,433

	Group share	
	2011 US$M	2010 US$M
Share of contingent liabilities and expenditure commitments relating to jointly controlled entities		
Contingent liabilities	**1,397**	885
Capital expenditure commitments	**1,156**	274
Other expenditure commitments	**867**	1,455

(a) The ownership interest at the Group's and the jointly controlled entity's reporting date are the same. When the annual financial reporting date is different to the Group's, financial information is obtained as at 30 June in order to report on a consistent annual basis with the Group's reporting date.

(b) While the Group holds a 57.5 per cent interest in Minera Escondida Limitada, the entity is subject to effective joint control due to participant and management agreements which result in the operation of an Owners' Council, whereby significant commercial and operational decisions are determined on aggregate voting interests of at least 75 per cent of the total ownership interest. Accordingly the Group does not have the ability to unilaterally control, and therefore consolidate, the investment in accordance with IAS 27/AASB 127 'Consolidated and Separate Financial Statements'.

(c) Richards Bay Minerals comprises two legal entities, Richards Bay Mining (Proprietary) Limited and Richards Bay Titanium (Proprietary) Limited, in each of which the Group has a 50 per cent interest and which function as a single economic entity. After deducting non-controlling interests in subsidiaries of Richards Bay Minerals, the Group's economic interest in the operations of Richards Bay Minerals is 37.76 per cent.

(d) A complete list of investments in subsidiaries and jointly controlled entities will be attached to BHP Billiton Plc's annual return made to the UK Registrar of Companies.

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27 Interests in jointly controlled assets

The principal jointly controlled assets in which the Group has an interest and which are proportionately consolidated in the financial statements are as follows:

Name	Country of operation	Principal activity	The Group's effective interest	
			2011 %	2010 %
Atlantis	US	Hydrocarbons exploration and production	**44**	44
Bass Strait	Australia	Hydrocarbons production	**50**	50
Fayetteville – refer to note 24	US	Hydrocarbons exploration and production	**0.03–100**	–
Liverpool Bay	UK	Hydrocarbons production	**46.1**	46.1
Mad Dog	US	Hydrocarbons exploration and production	**23.9**	23.9
Minerva	Australia	Hydrocarbons exploration and production	**90**	90
Neptune	US	Hydrocarbons exploration and production	**35**	35
North West Shelf	Australia	Hydrocarbons production	**8.33–16.67**	8.33–16.67
Ohanet	Algeria	Hydrocarbons exploration and production	**45**	45
Pyrenees	Australia	Hydrocarbons exploration and production	**40–71.43**	40–71.43
ROD Integrated Development	Algeria	Hydrocarbons exploration and production	**38–45**	38–45
Shenzi	US	Hydrocarbons exploration and production	**44**	44
Stybarrow	Australia	Hydrocarbons exploration and production	**50**	50
Greater Angostura	Trinidad and Tobago	Hydrocarbons production	**45**	45
Zamzama	Pakistan	Hydrocarbons exploration and production	**38.5**	38.5
Alumar	Brazil	Alumina refining	**36**	36
		Aluminium smelting	**40**	40
Worsley	Australia	Bauxite mining and alumina refining	**86**	86
EKATI	Canada	Diamond mining	**80**	80
Mt Goldsworthy	Australia	Iron ore mining	**85**	85
Mt Newman	Australia	Iron ore mining	**85**	85
Yandi	Australia	Iron ore mining	**85**	85
Central Queensland Coal Associates	Australia	Coal mining	**50**	50
Gregory	Australia	Coal mining	**50**	50

	2011 US$M	2010 US$M
Share of contingent liabilities and capital expenditure commitments relating to jointly controlled assets		
Contingent liabilities [(a)]	**299**	120
Capital expenditure commitments [(a)]	**4,329**	4,103

[(a)] Included in contingent liabilities and capital expenditure commitments for the Group. Refer to notes 21 and 22 respectively.

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28 Financial risk management

The Group financial risk management strategy

The financial risks arising from the Group's operations comprise market, liquidity and credit risk. These risks arise in the normal course of business, and the Group manages its exposure to them in accordance with the Group's Portfolio Risk Management Strategy. The objective of the strategy is to support the delivery of the Group's financial targets while protecting its future financial security and flexibility by taking advantage of the natural diversification provided by the scale, diversity and flexibility of the Group's operations and activities.

A Cash Flow at Risk (CFaR) framework is used to measure the aggregate and diversified impact of financial risks upon the Group's financial targets. The principal measurement of risk is CFaR measured on a portfolio basis – which is defined as the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent. The CFaR framework includes Board-approved limits on the quantum of the CFaR relative to the Group's financial targets.

Market risk

The Group's activities expose it to market risks associated with movements in interest rates, foreign currencies and commodity prices. Under the strategy outlined above, the Group seeks to achieve financing costs, currency impacts, input costs and commodity prices on a floating or index basis. This strategy gives rise to a risk of variability in earnings which is measured under the CFaR framework.

In executing the strategy, financial instruments are potentially employed in three distinct but related activities. The following table summarises these activities and the key risk management processes.

Activity	Key risk management processes
1 Risk mitigation Hedging of revenues with financial instruments may be executed to mitigate risk at the portfolio level when CFaR exceeds the Board-approved limits. Similarly, and on an exception basis, hedging for the purposes of mitigating risk related to specific and significant expenditure on investments or capital projects will be executed if necessary to support the Group's strategic objectives.	• Assessment of portfolio CFaR against Board-approved limits • Execution of transactions within approved mandates
2 Economic hedging of commodity sales, operating costs and debt instruments Where group commodity production is sold to customers on pricing terms that deviate from the relevant index target, and where a relevant derivatives market exists, financial instruments may be executed as an economic hedge to align the revenue price exposure with the index target. Where debt is issued in a currency other than the US dollar and/or at a fixed interest rate, fair value hedges may be executed to align the debt exposure with the Group's functional currency of US dollars and/or to swap to a floating interest rate.	• Assessment of portfolio CFaR against Board-approved limits • Measuring and reporting the exposure in customer commodity contracts and issued debt instruments • Executing hedging derivatives to align the total group exposure to the index target
3 Strategic financial transactions Opportunistic transactions may be executed with financial instruments to capture value from perceived market over/under valuations.	• Exposures managed within value at risk and stop loss limits • Execution of transactions within approved mandates

Primary responsibility for identification and control of financial risks, including authorising and monitoring the use of financial instruments for the above activities and stipulating policy thereon, rests with the Financial Risk Management Committee under authority delegated by the Group Management Committee.

28 Financial risk management continued

Interest rate risk

The Group is exposed to interest rate risk on its outstanding borrowings and investments from the possibility that changes in interest rates will affect future cash flows or the fair value of fixed interest rate financial instruments. Interest rate risk is managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit.

The majority of the Group's debt is raised under central borrowing programs. The Group has entered into interest rate swaps and cross currency interest rate swaps to convert most of the centrally managed debt into US dollar floating interest rate exposures. As at 30 June 2011, the Group holds US$827 million (2010: US$2,577 million) of centrally managed fixed interest rate borrowings that have not been swapped to floating interest rates, arising principally from debt raised prior to the DLC merger. The Group's earnings are sensitive to changes in interest rates on the floating interest rate component of the Group's net borrowings.

The fair value of interest rate swaps, cross currency interest rate swaps, currency swaps and forward exchange contracts in fair value hedge relationships used to hedge both interest rate and foreign currency risks are as follows:

	Fair value	
	2011 US$M	2010 US$M
Interest rate swaps		
US dollar swaps		
Pay floating/receive fixed		
Not later than one year	**49**	13
Later than one year but not later than two years	**109**	90
Later than two years but not later than five years	**248**	200
Later than five years	**172**	288
Cross currency interest rate swaps		
Euro to US dollar swaps		
Pay floating/receive fixed		
Not later than one year	**–**	10
Later than two years but not later than five years	**134**	17
Euro to US dollar swaps		
Pay fixed/receive fixed		
Later than two years but not later than five years	**42**	–
Later than five years	**–**	(174)
Forward exchange contracts		
Euro to US dollar foreign exchange contract		
Pay US dollar/receive Euro		
Not later than one year	**(53)**	(282)
Total fair value of derivatives	**701**	162

Based on the net debt position as at 30 June 2011, taking into account interest rate swaps and cross currency interest rate swaps, it is estimated that a one percentage point increase in the US LIBOR interest rate will decrease the Group's profit after taxation and equity by US$25 million (2010: decrease of US$2 million). This assumes that the change in interest rates is effective from the beginning of the financial year and the fixed/floating mix and balances are constant over the year. However, interest rates and the net debt profile of the Group may not remain constant in the coming financial year and therefore such sensitivity analysis should be used with care.

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28 Financial risk management continued

Currency risk

The US dollar is the functional currency of most operations within the Group and as a result currency exposures arise from transactions and balances in currencies other than the US dollar. The Group's potential currency exposures comprise:

- translational exposure in respect of non-functional currency monetary items
- transactional exposure in respect of non-functional currency expenditure and revenues

The Group's foreign currency risk is managed as part of the Portfolio Risk Management Strategy within the overall CFaR limit.

Translational exposure in respect of non-functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation are periodically restated to US dollar equivalents, and the associated gain or loss is taken to the income statement. The exception is foreign exchange gains or losses on foreign currency provisions for closure and rehabilitation at operating sites which are capitalised in property, plant and equipment.

The following table shows the foreign currency risk arising from financial assets and liabilities which are denominated in currencies other than the functional currency of the operations.

	Net financial assets/(liabilities) – by currency of denomination					
2011	**US$ US$M**	**A$ US$M**	**SA rand US$M**	**GBP US$M**	**Other US$M**	**Total US$M**
Functional currency of Group operation						
US dollars	**–**	**(4,344)**	**187**	**23**	**(1,414)**	**(5,548)**
Australian dollars	**(1)**	**–**	**–**	**–**	**–**	**(1)**
UK pounds sterling	**(3)**	**–**	**–**	**–**	**–**	**(3)**
	(4)	**(4,344)**	**187**	**23**	**(1,414)**	**(5,552)**

	Net financial assets/(liabilities) – by currency of denomination					
2010	US$ US$M	A$ US$M	SA rand US$M	GBP US$M	Other US$M	Total US$M
Functional currency of Group operation						
US dollars	–	(1,398)	90	31	(942)	(2,219)
Australian dollars	(1)	–	–	–	–	(1)
UK pounds sterling	4	–	–	–	–	4
	3	(1,398)	90	31	(942)	(2,216)

The principal non-functional currencies to which the Group is exposed are the Australian dollar, South African rand and UK pound sterling. Based on the Group's net financial assets and liabilities as at 30 June 2011, a weakening of the US dollar against these currencies as illustrated in the table below, with all other variables held constant, would increase/(decrease) profit after taxation and equity as follows:

	2011 US$M		2010 US$M	
Currency movement	**Profit after taxation**	**Equity**	Profit after taxation	Equity
1 cent movement in Australian dollar	**(33)**	**(33)**	(9)	(8)
0.2 rand movement in South African rand	**(7)**	**4**	(2)	5
1 pence movement in UK pound sterling	**–**	**–**	–	–

The Group's financial asset and liability profile may not remain constant, and therefore these sensitivities should be used with care.

Transactional exposure in respect of non-functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by some operations in currencies other than their functional currency. To a lesser extent, certain sales revenue is earned in currencies other than the functional currency of operations, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation. These currency risks are managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit. When required under this strategy the Group enters into forward exchange contracts.

The net fair value of forward exchange contracts outstanding to manage short-term foreign currency cash flows relating to operating activities is an asset of US$23 million (2010: an asset of US$22 million).

28 Financial risk management continued

Commodity price risk

Contracts for the sale and physical delivery of commodities are executed whenever possible on a pricing basis intended to achieve a relevant index target. Where pricing terms deviate from the index, derivative commodity contracts are used when available to return realised prices to the index. Contracts for the physical delivery of commodities are not typically financial instruments and are carried in the balance sheet at cost (typically at nil); they are therefore excluded from the fair value and sensitivity tables below. Accordingly, the financial instrument exposures set out in the tables below do not represent all of the commodity price risks managed according to the Group's objectives. Movements in the fair value of contracts included in the tables below are offset by movements in the fair value of the physical contracts, however only the former movement is recognised in the Group's income statement prior to settlement. The risk associated with commodity prices is managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit.

Financial instruments with commodity price risk included in the following tables are those entered into for the following activities:

- economic hedging of prices realised on commodity contracts as described above
- purchases and sales of physical contracts that can be cash-settled
- derivatives embedded within other supply contracts

All such instruments are carried in the balance sheet at fair value.

Forward commodity and other derivative contracts

	2011		2010	
	Fair value of asset US$M	**Fair value of liability US$M**	Fair value of asset US$M	Fair value of liability US$M
Aluminium	**7**	**30**	21	26
Copper	**111**	**102**	83	84
Zinc	**2**	**2**	29	19
Lead	**6**	**8**	40	26
Silver	**18**	**27**	4	9
Nickel	**25**	**13**	47	36
Iron ore	**2**	**5**	–	2
Energy coal	**16**	**41**	21	31
Metallurgical coal	**–**	**–**	–	2
Petroleum	**4**	**24**	–	33
Gas	**129**	**52**	111	31
Freight	**24**	**7**	38	13
Other	**–**	**–**	–	3
Total	**344**	**311**	394	315
Comprising:				
Current	**189**	**232**	241	223
Non-current	**155**	**79**	153	92

The Group's exposure at 30 June 2011 to the impact of movements in commodity prices upon the financial instruments, other than those designated as embedded derivatives, is set out in the following table.

		2011		2010	
	Units of exposure	**Net exposure receive/ (deliver)**	**Impact on equity and profit after taxation of 10% movement in market price US$M**	Net exposure receive/ (deliver)	Impact on equity and profit after taxation of 10% movement in market price US$M
Aluminium	'000 tonnes	**(74)**	**(18)**	(8)	(2)
Copper	'000 tonnes	**29**	**27**	20	18
Zinc	'000 tonnes	**(8)**	**(2)**	4	–
Lead	'000 tonnes	**(9)**	**(2)**	(13)	–
Silver	Million ounces	**(1)**	**(1)**	(3)	(3)
Nickel	'000 tonnes	**(1)**	**(3)**	(1)	(2)
Iron ore	'000 tonnes	**1,102**	**18**	273	3
Energy coal	'000 tonnes	**1,089**	**13**	1,370	13
Petroleum	'000 barrels	**25**	**2**	–	–
Gas	'000 therms	**–**	**–**	–	–
Freight	Time charter days	**(1,823)**	**(3)**	(1,490)	(4)
	'000 voyage charter tonnes	**165**	**–**	510	1

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28 Financial risk management continued

Provisionally priced commodity sales contracts

Not included in the above tables are provisionally priced sales volumes for which price finalisation, referenced to the relevant index, is outstanding at balance date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value as part of trade receivables. The Group's exposure at 30 June 2011 to the impact of movements in commodity prices upon provisionally invoiced sales volumes is set out in the following table.

		2011		2010	
	Units of exposure	**Net exposure receive/ (deliver)**	**Impact on equity and profit after taxation of 10% movement in market price US$M**	Net exposure receive/ (deliver)	Impact on equity and profit after taxation of 10% movement in market price US$M
Copper	'000 tonnes	**(239)**	**(145)**	(237)	(100)

The sensitivities in the above tables have been determined as the absolute impact on fair value of a 10 per cent increase in commodity prices at each reporting date, while holding all other variables, including foreign currency and exchange rates, constant.

The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange can impact commodity prices. The sensitivities should therefore be used with care.

Liquidity risk

The Group's liquidity risk arises from the possibility that it may not be able to settle or meet its obligations as they fall due and is managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit. Operational, capital and regulatory requirements are considered in the management of liquidity risk, in conjunction with short- and long-term forecast information.

Additional liquidity risk arises on debt related derivatives due to the possibility that a market for derivatives might not exist in some circumstances. To counter this risk the Group only uses derivatives in highly liquid markets.

During the year ended 30 June 2011, Moody's Investors Service made no change to the Group's long-term credit rating of A1 (the short-term credit rating is P-1). Standard & Poor's made no change to the Group's long-term credit rating of A+ (the short-term credit rating is A-1). The Group's strong credit profile, diversified funding sources and committed credit facilities ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Group's policy on counterparty credit exposure ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

There were no defaults on loans payable during the period.

Standby arrangements and unused credit facilities

Details of major standby and support arrangements are as follows:

	Facility available 2011 US$M	**Used 2011 US$M**	**Unused 2011 US$M**	Facility available 2010 US$M	Used 2010 US$M	Unused 2010 US$M
Revolving credit facility [(a)]	**4,000**	**–**	**4,000**	3,000	–	3,000
Other facilities [(b)]	**61**	**–**	**61**	58	–	58
Total financing facilities	**4,061**	**–**	**4,061**	3,058	–	3,058

(a) The multi-currency revolving credit facility is available for general corporate purposes and matures in December 2015. This facility is used for general corporate purposes and as backup for the commercial paper programs. The interest rates under this facility are based on an interbank rate plus a margin. The applicable margin is typical for a credit facility extended to a company with the Group's credit rating.

(b) Other bank facilities are arranged with a number of banks with the general terms and conditions agreed on a periodic basis.

28 Financial risk management continued

Maturity profile of financial liabilities

The maturity profile of the Group's financial liabilities based on the contractual amounts, taking into account the derivatives related to debt, is as follows:

2011	Bank loans, debentures and other loans US$M	Expected future interest payments US$M	Derivatives related to net debt US$M	Other derivatives US$M	Obligations under finance leases US$M	Other financial liabilities US$M	Total US$M
Due for payment:							
In one year or less or on demand	3,702	720	54	247	67	9,429	14,219
In more than one year but not more than two years	1,946	588	–	44	34	44	2,656
In more than two years but not more than three years	2,715	499	–	6	30	33	3,283
In more than three years but not more than four years	179	369	–	4	31	7	590
In more than four years but not more than five years	2,971	347	–	9	53	29	3,409
In more than five years	3,733	867	–	4	38	381	5,023
	15,246	3,390	54	314	253	9,923	29,180
Carrying amount	15,700	–	53	314	192	9,921	26,180

2010	Bank loans, debentures and other loans US$M	Expected future interest payments US$M	Derivatives related to net debt US$M	Other derivatives US$M	Obligations under finance leases US$M	Other financial liabilities US$M	Total US$M
Due for payment:							
In one year or less or on demand	2,038	741	(54)	241	77	6,245	9,288
In more than one year but not more than two years	2,286	689	346	37	64	30	3,452
In more than two years but not more than three years	1,827	567	10	19	23	5	2,451
In more than three years but not more than four years	2,837	475	10	10	23	4	3,359
In more than four years but not more than five years	134	357	11	11	23	–	536
In more than five years	5,841	1,124	143	3	85	323	7,519
	14,963	3,953	466	321	295	6,607	26,605
Carrying amount	15,524	–	456	321	225	6,770	23,296

The amounts presented in the tables above comprise the contractual undiscounted cash flows, and therefore will not always agree with the amounts presented in the balance sheet. The Group holds derivatives related to net debt, commodities and currencies that are classified as other financial assets when they are expected to generate cash inflows (refer to note 11).

Credit risk

Credit risk arises from the non-performance by counterparties of their contractual financial obligations towards the Group. To manage credit risk the Group maintains Group-wide procedures covering the application for credit approvals, granting and renewal of counterparty limits and daily monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The maximum exposure to credit risk is limited to the total carrying value of relevant financial assets on the balance sheet as at the reporting date.

The Group's credit risk exposures are categorised under the following headings:

Counterparties

The Group conducts transactions with the following major types of counterparties:

- *Receivables counterparties*
  The majority of sales to the Group's customers are made on open terms.
- *Payment guarantee counterparties*
  A proportion of sales to Group customers occur via secured payment mechanisms.
- *Derivative counterparties*
  Counterparties to derivative contracts consist of a diverse number of financial institutions and industrial counterparties in the relevant markets.
- *Cash investment counterparties*
  As part of managing cash flow and liquidity, the Group holds short-term cash investments with a range of approved financial institutions.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

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28 Financial risk management continued

Geographic

The Group trades in all major geographic regions. Countries in which the Group has a significant credit risk exposure include South Africa, Australia, the US, Japan and China. Where appropriate, secured payment mechanisms and other risk mitigation instruments are used to protect revenues from credit risk losses.

Industry

In line with our asset portfolio, the Group sells into a diverse range of industries and customer sectors. This diversity means that the Group is not materially exposed to any individual industry or customer.

The following table shows the Group's receivables at the reporting date that are exposed to credit risk and the ageing and impairment profile thereon.

2011	Gross amount US$M	Receivables past due and impaired US$M	Receivables neither past due nor impaired US$M	Receivables past due but not impaired			
				Less than 30 days US$M	31 to 60 days US$M	61 to 90 days US$M	Over 90 days US$M
Trade receivables	6,219	151	5,782	230	3	4	49
Other receivables	4,242	20	3,880	74	6	13	249
Total	**10,461**	**171**	**9,662**	**304**	**9**	**17**	**298**

2010	Gross amount US$M	Receivables past due and impaired US$M	Receivables neither past due nor impaired US$M	Receivables past due but not impaired			
				Less than 30 days US$M	31 to 60 days US$M	61 to 90 days US$M	Over 90 days US$M
Trade receivables	5,092	147	4,907	27	6	1	4
Other receivables	2,994	15	2,864	32	10	3	70
Total	8,086	162	7,771	59	16	4	74

Receivables are deemed to be past due or impaired with reference to the Group's normal terms and conditions of business. These terms and conditions are determined on a case-by-case basis with reference to the customer's credit quality and prevailing market conditions. Receivables that are classified as 'past due' in the above tables are those that have not been settled within the terms and conditions that have been agreed with that customer. For an analysis of movements in impaired trade receivables, refer to note 10.

The credit quality of the Group's customers is monitored on an ongoing basis and assessed for impairment where indicators of such impairment exist. The solvency of each debtor and their ability to repay the receivable is considered in assessing receivables for impairment. In certain circumstances the Group may seek collateral as security for the receivable. Where receivables have been impaired, the Group actively seeks to recover the amounts in question and enforce compliance with credit terms.

No other financial assets were past due or impaired at 30 June 2011 (30 June 2010: nil).

Fair values

All financial assets and financial liabilities, other than derivatives, are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortised cost, as indicated in the tables below.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. This measurement of fair value is principally based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values. In the case of US$827 million (2010: US$2,577 million) of centrally managed fixed rate debt not swapped to floating rate, the fair value at 30 June 2011 is US$977 million (2010: US$3,031 million).

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28 Financial risk management continued

Financial assets and liabilities

2011	Notes	Loans and receivables US$M	Available for sale securities US$M	Held at fair value through profit or loss US$M	Other financial assets and liabilities at amortised cost US$M	Total US$M
Financial assets						
Cash and cash equivalents	23	10,084	–	–	–	10,084
Trade and other receivables [a]	10	7,600	–	1,003	–	8,603
Cross currency and interest rate swaps	11	–	–	754	–	754
Forward exchange contracts	11	–	–	26	–	26
Commodity contracts	11	–	–	214	–	214
Other derivative contracts	11	–	–	130	–	130
Interest bearing loans receivable	10	1,044	–	–	–	1,044
Shares	11	–	580	–	–	580
Other investments	11	–	162	–	–	162
Total financial assets		18,728	742	2,127	–	21,597
Non-financial assets						81,294
Total assets						102,891
Financial liabilities						
Trade and other payables [b]	15	–	–	–	9,906	9,906
Cross currency and interest rate swaps	17	–	–	53	–	53
Forward exchange contracts	17	–	–	3	–	3
Commodity contracts	17	–	–	219	–	219
Other derivative contracts	17	–	–	92	–	92
Unsecured bank overdrafts and short-term borrowings	16	–	–	–	4	4
Unsecured bank loans	16	–	–	–	1,010	1,010
Notes and debentures [c]	16	–	–	–	12,580	12,580
Secured bank and other loans	16	–	–	–	1,326	1,326
Redeemable preference shares	16	–	–	–	15	15
Finance leases	16	–	–	–	192	192
Unsecured other	16	–	–	–	780	780
Total financial liabilities		–	–	367	25,813	26,180
Non-financial liabilities						18,956
Total liabilities						45,136

[a] Excludes input taxes of US$643 million included in other receivables. Refer to note 10.
[b] Excludes input taxes of US$367 million included in other payables. Refer to note 15.
[c] Includes US$11,753 million of centrally managed fixed rate debt swapped to floating rate under fair value hedges, and is consequently fair valued for interest rate risk.

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28 Financial risk management continued

Financial assets and liabilities continued

2010	Notes	Loans and receivables US$M	Available for sale securities US$M	Held at fair value through profit or loss US$M	Other financial assets and liabilities at amortised cost US$M	Total US$M
Financial assets						
Cash and cash equivalents	23	12,456	–	–	–	12,456
Trade and other receivables [a]	10	5,938	–	812	–	6,750
Cross currency and interest rate swaps	11	–	–	618	–	618
Forward exchange contracts	11	–	–	28	–	28
Commodity contracts	11	–	–	282	–	282
Other derivative contracts	11	–	–	112	–	112
Interest bearing loans receivable	10	683	–	–	–	683
Shares	11	–	657	–	–	657
Other investments	11	–	105	–	–	105
Total financial assets		19,077	762	1,852	–	21,691
Non-financial assets						67,161
Total assets						88,852
Financial liabilities						
Trade and other payables [b]	15	–	–	–	6,755	6,755
Cross currency and interest rate swaps	17	–	–	456	–	456
Forward exchange contracts	17	–	–	6	–	6
Commodity contracts	17	–	–	235	–	235
Other derivative contracts	17	–	–	80	–	80
Unsecured bank overdrafts and short-term borrowings	16	–	–	–	1	1
Unsecured bank loans	16	–	–	–	754	754
Notes and debentures [c]	16	–	–	–	13,436	13,436
Secured bank and other loans	16	–	–	–	957	957
Redeemable preference shares	16	–	–	–	15	15
Finance leases	16	–	–	–	225	225
Unsecured other	16	–	–	–	376	376
Total financial liabilities		–	–	777	22,519	23,296
Non-financial liabilities						16,227
Total liabilities						39,523

[a] Excludes input taxes of US$491 million included in other receivables. Refer to note 10.
[b] Excludes input taxes of US$181 million included in other payables. Refer to note 15.
[c] Includes US$10,847 million of centrally managed fixed rate debt swapped to floating rate under fair value hedges, and is consequently fair valued for interest rate risk.

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28 Financial risk management continued

Valuation hierarchy

The carrying amount of financial assets and liabilities measured at fair value is principally calculated with reference to quoted prices in active markets for identical assets or liabilities. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Movements in the fair value of financial assets and liabilities may be recognised through the income statement or in other comprehensive income. The following table shows the Group's financial assets and liabilities carried at fair value with reference to the nature of valuation inputs used.

2011	Level 1 [a] US$M	Level 2 [b] US$M	Level 3 [c] US$M	Total US$M
Financial assets and liabilities				
Trade and other receivables	–	1,003	–	1,003
Cross currency and interest rate swaps	–	701	–	701
Forward exchange contracts	–	23	–	23
Commodity contracts	–	(5)	–	(5)
Other derivative contracts	–	(4)	42	38
Investments – available for sale	10	172	560	742
Total	10	1,890	602	2,502

2010	Level 1 [a] US$M	Level 2 [b] US$M	Level 3 [c] US$M	Total US$M
Financial assets and liabilities				
Trade and other receivables	–	812	–	812
Cross currency and interest rate swaps	–	162	–	162
Forward exchange contracts	–	22	–	22
Commodity contracts	–	47	–	47
Other derivative contracts	–	(9)	41	32
Investments – available for sale	13	112	637	762
Total	13	1,146	678	1,837

[a] Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
[b] Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).
[c] Valuation is based on inputs that are not based on observable market data.

Level 3 financial assets and liabilities

The following table shows the movements in the Group's Level 3 financial assets and liabilities.

	2011 US$M	2010 US$M
Balance at the beginning of the financial year	678	590
Additions	78	141
Disposals	(38)	(8)
Realised gains/(losses) recognised in the income statement [a]	12	(229)
Unrealised (losses)/gains recognised in the income statement [a]	(11)	21
Unrealised (losses)/gains recognised in other comprehensive income [b]	(116)	147
Transfers to receivables	(1)	–
Transfers from property, plant and equipment	–	16
Balance at the end of the financial year	602	678

[a] Realised and unrealised gains and losses recognised in the income statement are recorded in expenses. Refer to note 5.
[b] Unrealised gains and losses recognised in other comprehensive income are recorded in the financial assets reserve. Refer to note 20.

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28 Financial risk management continued

Sensitivity of Level 3 financial assets and liabilities

The carrying amount of financial assets and liabilities that are valued using inputs other than observable market data are calculated using appropriate valuation models, including discounted cash flow modelling, with inputs such as commodity prices, foreign exchange rates and inflation. The potential effect of using reasonably possible alternative assumptions in these models, based on a change in the most significant input by 10 per cent while holding all other variables constant, is shown in the following table. Significant inputs are assessed individually for each financial asset and liability.

		Profit after taxation		Equity	
2011	**Carrying value US$M**	**10% increase in input US$M**	**10% decrease in input US$M**	**10% increase in input US$M**	**10% decrease in input US$M**
Financial assets and liabilities					
Other derivative contracts	**42**	**(24)**	**24**	**(24)**	**24**
Investments – available for sale	**560**	**–**	**–**	**67**	**(88)**
Total	**602**	**(24)**	**24**	**43**	**(64)**

		Profit after taxation		Equity	
2010	Carrying value US$M	10% increase in input US$M	10% decrease in input US$M	10% increase in input US$M	10% decrease in input US$M
Financial assets and liabilities					
Other derivative contracts	41	(20)	21	(20)	21
Investments – available for sale	637	–	–	128	(140)
Total	678	(20)	21	108	(119)

Capital management

The Group's strategy is focused on owning and operating large, long-life, low-cost, expandable, upstream assets and the Group continually reviews its portfolio to identify assets which do not fit this strategy. The Group will invest capital in assets where they fit our strategy. The Group's priorities for cash flow are:

- reinvestment in projects that carry attractive rates of return regardless of the economic climate
- commitment to a solid 'A' credit rating
- returning excess capital to shareholders firstly with its progressive dividends policy and thereafter via dividends and capital management (for example share buy-backs)

The Group monitors capital using a gearing ratio, being the ratio of net debt to net debt plus net assets.

	2011 US$M	2010 US$M
Cash and cash equivalents	**(10,084)**	(12,456)
Current debt	**3,519**	2,191
Non-current debt	**12,388**	13,573
Net debt	**5,823**	3,308
Net assets	**57,755**	49,329
Gearing	**9.2%**	6.3%

29 Pension and other post-retirement obligations

Defined contribution pension schemes and multi-employer pension schemes

The Group contributed US$336 million (2010: US$276 million; 2009: US$231 million) to defined contribution plans and multi-employer defined contribution plans. These contributions are expensed as incurred.

Defined benefit pension schemes

The Group has closed all defined benefit schemes to new entrants. Defined benefit pension schemes remain operating in Australia, the US, Canada, South America, Europe and South Africa for existing members. Full actuarial valuations are prepared and updated annually to 30 June by local actuaries for all schemes. The Projected Unit Credit valuation method is used. The Group operates final salary schemes that provide final salary benefits only, non-salary related schemes that provide flat dollar benefits and mixed benefit schemes that consist of a final salary defined benefit portion and a defined contribution portion.

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29 Pension and other post-retirement obligations continued

Defined benefit post-retirement medical schemes

The Group operates a number of post-retirement medical schemes in the US, Canada and South Africa. Full actuarial valuations are prepared by local actuaries for all schemes. All of the post-retirement medical schemes in the Group are unfunded.

The following tables set out details in respect of the Group's defined benefit pension and post-retirement medical schemes.

Balance sheet disclosures

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension schemes		Post-retirement medical schemes	
	2011 US$M	2010 US$M	**2011 US$M**	2010 US$M
Present value of funded defined benefit obligation	**1,948**	1,673	**–**	–
Present value of unfunded defined benefit obligation	**95**	89	**437**	343
Fair value of defined benefit scheme assets	**(1,866)**	(1,547)	**–**	–
Scheme deficit	**177**	215	**437**	343
Unrecognised surplus	**80**	69	**–**	–
Unrecognised past service credits	**–**	–	**5**	1
Adjustment for employer contributions tax	**16**	11	**–**	–
Net liability recognised in the balance sheet	**273**	295	**442**	344

The Group has no legal obligation to settle these liabilities with any immediate contributions or additional one-off contributions. The Group intends to continue to contribute to each defined benefit pension and post-retirement medical scheme in accordance with the latest recommendations of each scheme actuary.

Income statement disclosures

The amounts recognised in the income statement are as follows:

	Defined benefit pension schemes			Post-retirement medical schemes		
	2011 US$M	2010 US$M	2009 US$M	**2011 US$M**	2010 US$M	2009 US$M
Current service cost	**62**	54	58	**5**	6	5
Interest cost	**105**	108	110	**23**	22	22
Expected return on pension scheme assets	**(104)**	(98)	(111)	**–**	–	–
Past service costs	**1**	–	1	**3**	–	(5)
(Gains)/losses on settlements/curtailments	**(1)**	–	(4)	**–**	(7)	3
Total expense	**63**	64	54	**31**	21	25
– Recognised in employee benefits expense	**62**	54	55	**8**	6	3
– Recognised in net finance costs	**1**	10	(1)	**23**	22	22
– Recognised in other income	**–**	–	–	**–**	(7)	–

Statement of Comprehensive Income (SOCI) disclosures

The amounts recognised in the Statement of Comprehensive Income are as follows:

	Defined benefit pension schemes			Post-retirement medical schemes		
	2011 US$M	2010 US$M	2009 US$M	**2011 US$M**	2010 US$M	2009 US$M
Actuarial losses/(gains)	**51**	(1)	239	**68**	25	–
Limit on net assets and other adjustments	**(6)**	14	(12)	**–**	–	–
Total amount recognised in the SOCI	**45**	13	227	**68**	25	–
Total cumulative amount recognised in the SOCI [(a)]	**313**	268	255	**120**	52	27

[(a)] Cumulative amounts are calculated from the transition to IFRS on 1 July 2004.

The actual return on assets for the defined benefit pension schemes is as follows:

	Defined benefit pension schemes		
	2011 US$M	2010 US$M	2009 US$M
Actual return on assets	**136**	175	(117)

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29 Pension and other post-retirement obligations continued

The changes in the present value of defined benefit obligations are as follows:

	Defined benefit pension schemes		Post-retirement medical schemes	
	2011 US$M	2010 US$M	**2011 US$M**	2010 US$M
Defined benefit obligation at the beginning of the financial year	**1,762**	1,736	**343**	310
Current service cost	**62**	54	**5**	6
Interest cost	**105**	108	**23**	22
Contributions by scheme participants	**3**	3	**–**	–
Actuarial losses on benefit obligation	**83**	76	**68**	25
Benefits paid to participants	**(159)**	(164)	**(22)**	(18)
Past service costs	**1**	–	**3**	–
Curtailment gains	**(1)**	–	**–**	(7)
Exchange variations	**187**	2	**19**	5
Other adjustments	**–**	(53)	**(2)**	–
Defined benefit obligation at the end of the financial year	**2,043**	1,762	**437**	343

The changes in the fair value of scheme assets for defined benefit pension schemes are as follows:

	Defined benefit pension schemes	
	2011 US$M	2010 US$M
Fair value of scheme assets at the beginning of the financial year	**1,547**	1,455
Expected return on scheme assets	**104**	98
Actuarial gains on scheme assets	**32**	77
Employer contributions	**159**	162
Contributions by scheme participants	**3**	3
Benefits paid	**(159)**	(164)
Exchange variations	**157**	(1)
Other adjustments	**23**	(83)
Fair value of scheme assets at the end of the financial year	**1,866**	1,547

The fair values of defined benefit pension scheme assets segregated by major asset class are as follows:

	Fair Value	
	2011 US$M	2010 US$M
Asset class		
Bonds	**1,193**	884
Equities	**393**	391
Property	**19**	22
Cash and net current assets	**61**	49
Insured annuities	**190**	187
Other	**10**	14
Total	**1,866**	1,547

Scheme assets classified as 'Other' as at 30 June 2011 primarily comprise investments in private equity in Australia.

The fair value of scheme assets includes no amounts relating to any of the Group's own financial instruments or any of the property occupied by or other assets used by the Group.

The investment strategy is determined by each plan's fiduciary body in consultation with the Group. In general, the investment strategy for each plan is set by reference to the duration and risk profile of the plan, as well as the plan's solvency level.

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29 Pension and other post-retirement obligations continued

Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages) for defined benefit pension schemes are as follows:

	Australia		Americas		Europe		South Africa	
	2011 %	2010 %	**2011 %**	2010 %	**2011 %**	2010 %	**2011 %**	2010 %
Discount rate	**5.1**	5.4	**5.0**	5.5	**5.6**	5.3	**8.6**	8.8
Future salary increases	**4.3**	4.0	**4.6**	4.5	**5.0**	4.7	**7.6**	6.9
Future pension increases	**n/a**	n/a	**4.0**	4.0	**2.7**	2.6	**6.1**	5.9
Expected rate of return on pension scheme assets	**5.9**	5.8	**5.2**	5.9	**5.3**	5.6	**8.7**	9.4

The principal actuarial assumptions at the reporting date (expressed as weighted averages) for post-retirement medical schemes are as follows:

	Americas		South Africa	
	2011 %	2010 %	**2011 %**	2010 %
Discount rate	**4.8**	5.2	**8.6**	9.0
Medical cost trend rate (ultimate)	**4.2**	4.2	**7.7**	7.3

Assumptions regarding future mortality can be material depending upon the size and nature of the plan liabilities. Post-retirement mortality assumptions in the Americas, Europe and South Africa are based on post-retirement mortality tables that are standard in these regions.

The overall expected rate of return on assets is the weighted average of the expected rate of return on each applicable asset class and reflects the long-term target asset allocation as at the reporting date. For bonds, the expected rate of return reflects the redemption yields available on corporate and government bonds, as applicable, as at the reporting date. For all other asset classes, the expected rate of return reflects the rate of return expected over the long term.

For the main funds, these tables imply the following expected future lifetimes (in years) for employees aged 65 as at the balance sheet date: US males 19.8, US females 21.6; Canadian males 19.4, Canadian females 21.8; Netherlands males 21.4, Netherlands females 23.9; UK males 22.5, UK females 24.9; South African males 18.0, South African females 22.3.

The present value of defined benefit obligations, fair value of scheme assets and associated experience adjustments for the defined benefit pension and post-retirement medical schemes are shown for the current year and the previous four years as follows:

	Defined benefit pension schemes				
	2011 US$M	2010 US$M	2009 US$M	2008 US$M	2007 US$M
Present value of defined benefit obligation	**2,043**	1,762	1,736	1,889	1,787
Fair value of defined benefit scheme assets	**(1,866)**	(1,547)	(1,455)	(1,768)	(1,756)
Deficit in the schemes	**177**	215	281	121	31
Experience gain/(loss) adjustments to scheme liabilities	**1**	16	(2)	(8)	7
Experience gain/(loss) adjustments to scheme assets	**32**	77	(228)	(130)	101

	Post-retirement medical schemes				
	2011 US$M	2010 US$M	2009 US$M	2008 US$M	2007 US$M
Present value of defined benefit obligation	**437**	343	310	328	380
Experience (loss)/gain adjustments to scheme liabilities	**(3)**	(7)	4	8	1

Experience adjustments to scheme liabilities do not include the effect of changes in actuarial assumptions.

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29 Pension and other post-retirement obligations continued

Estimated contributions for the defined benefit pension and post-retirement medical schemes are as follows:

	Defined benefit pension schemes US$M	Post-retirement medical schemes US$M
Estimated employer contributions for the year ending 30 June 2012	125	25
Estimated contributions by scheme participants for the year ending 30 June 2012	3	–

The impact of a one percentage point variation in the medical cost trend rate (for the post-retirement medical schemes) on the Group's results is as follows:

	2011 US$M	2010 US$M
Effect of an increase in the medical cost trend of 1% point on:		
Total of current service and interest cost	**5**	3
Defined benefit obligation	**49**	31
Effect of a decrease in the medical cost trend of 1% point on:		
Total of current service and interest cost	**(4)**	(3)
Defined benefit obligation	**(40)**	(26)

30 Key Management Personnel

Key Management Personnel compensation comprises:

	2011 US$	2010 US$	2009 US$
Short-term employee benefits	**22,482,359**	21,851,956	20,015,590
Post-employment benefits	**3,270,906**	5,281,930	2,870,982
Share-based payments	**28,682,260**	23,196,103	19,127,612
Total	**54,435,525**	50,329,989	42,014,184

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30 Key Management Personnel continued

Equity Instrument disclosures relating to Key Management Personnel

BHP Billiton Limited ordinary shares under award

	Scheme	At 30 June 2009	Granted	Lapsed	Exercised/ Matched	**At 30 June 2010**
Marius Kloppers	LTIP Performance	833,327	250,000	–	–	**1,083,327**
	GIS Deferred	123,429	46,951	–	27,582	**142,798**
	Shareplus	328	194	–	160	**362**
Marcus Randolph	LTIP Performance	817,676	120,000	–	110,000	**827,676**
	GIS Deferred	68,675	25,126	–	23,648	**70,153**
	Shareplus	329	190	–	157	**362**
Alex Vanselow	LTIP Performance	867,676	120,000	–	110,000	**877,676**
	GIS Deferred	24,847	27,727	–	24,847	**27,727**
	Shareplus	325	193	–	157	**361**
Karen Wood	LTIP Performance	664,187	90,000	–	80,000	**674,187**
	GIS Deferred	89,150	23,686	–	58,372	**54,464**
	PSP	25,846	–	–	25,846	**–**
	Shareplus	325	193	–	157	**361**
J. Michael Yeager	LTIP Performance	962,702	120,000	–	–	**1,082,702**
	GIS Deferred	82,833	29,877	–	26,460	**86,250**
	Shareplus	344	138	–	134	**348**
	Total	4,561,999	854,275	–	487,520	**4,928,754**

BHP Billiton Limited ordinary shares under option

	Scheme	At 30 June 2009	Granted	Lapsed	Exercised	**At 30 June 2010**
Alex Vanselow	GIS Options	153,768	–	–	–	**153,768**
	Total	153,768	–	–	–	**153,768**

BHP Billiton Plc ordinary shares under award

	Scheme	At 30 June 2009	Granted	Lapsed	Exercised/ Matched	**At 30 June 2010**
Marius Kloppers	LTIP Performance	675,000	–	–	225,000	**450,000**
Alberto Calderon	LTIP Performance	556,993	120,000	–	–	**676,993**
	GIS Deferred	29,133	33,343	–	29,133	**33,343**
	Shareplus	344	193	–	156	**381**
Andrew Mackenzie	LTIP Performance	325,839	120,000	–	–	**445,839**
	GIS Deferred	–	12,476	–	–	**12,476**
	Shareplus	–	175	–	–	**175**
	Total	1,587,309	286,187	–	254,289	**1,619,207**

BHP Billiton Plc ordinary shares under option

	Scheme	At 30 June 2009	Granted	Lapsed	Exercised	**At 30 June 2010**
Alberto Calderon	GIS Options	143,227	–	–	–	**143,227**
Andrew Mackenzie	GIS Options	–	16,119	–	–	**16,119**
	Total	143,227	16,119	–	–	**159,346**

[a] All awards and options that are vested are exercisable.

No options have been granted to Key Management Personnel since the end of the financial year. Further information on options and rights, including grant dates and exercise dates regarding options granted to Key Management Personnel under the employee share ownership plan, is set out in note 32.

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Granted	Lapsed	Exercised/ Matched	At 30 June 2011	Vested during the year ended 30 June 2010	Vested during the year ended 30 June 2011	Vested at 30 June 2010 [a]	Vested at 30 June 2011 [a]
200,000	–	–	1,283,327	–	–	–	–
54,831	–	95,847	101,782	27,582	95,847	–	–
131	–	168	325	160	168	–	–
105,000	–	110,000	822,676	110,000	110,000	–	–
30,819	–	45,027	55,945	23,648	45,027	–	–
132	–	172	322	157	172	–	–
105,000	–	110,000	872,676	110,000	110,000	–	–
26,365	–	–	54,092	24,847	–	–	–
132	–	168	325	157	168	–	–
75,000	–	80,000	669,187	80,000	80,000	–	–
23,197	–	30,778	46,883	19,643	30,778	–	–
–	–	–	–	–	–	–	–
132	–	168	325	157	168	–	–
105,000	–	325,000	862,702	–	325,000	–	–
31,442	–	56,373	61,319	26,460	56,373	–	–
108	–	210	246	134	210	–	–
757,289	–	853,911	4,832,132	422,945	853,911	–	–

Granted	Lapsed	Exercised	At 30 June 2011	Vested during the year ended 30 June 2010	Vested during the year ended 30 June 2011	Vested at 30 June 2010 [a]	Vested at 30 June 2011 [a]
–	–	153,768	–	–	153,768	–	–
–	–	153,768	–	–	153,768	–	–

Granted	Lapsed	Exercised/ Matched	At 30 June 2011	Vested during the year ended 30 June 2010	Vested during the year ended 30 June 2011	Vested at 30 June 2010 [a]	Vested at 30 June 2011 [a]
–	–	225,000	225,000	225,000	225,000	–	–
120,000	–	40,000	756,993	–	40,000	–	–
30,495	–	–	63,838	17,207	–	–	–
149	–	188	342	156	188	–	–
120,000	–	–	565,839	–	–	–	–
22,700	–	–	35,176	–	–	–	–
136	–	–	311	–	–	–	–
293,480	–	265,188	1,647,499	242,363	265,188	–	–

Granted	Lapsed	Exercised	At 30 June 2011	Vested during the year ended 30 June 2010	Vested during the year ended 30 June 2011	Vested at 30 June 2010 [a]	Vested at 30 June 2011 [a]
–	–	143,227	–	–	143,227	–	–
30,389	–	–	46,508	–	–	–	–
30,389	–	143,227	46,508	–	143,227	–	–

30 Key Management Personnel continued

Equity holdings and transactions

The movement during the financial year in the number of ordinary shares of the Group held directly, indirectly or beneficially, by each specified Key Management Personnel, including their personally related entities were as follows:

BHP Billiton Limited shares [a]	Held at 30 June 2009 [b]	Purchases	Received on exercise/ matching of options or rights	Disposals	**Held at 30 June 2010 [b]**	**Purchases**	**Received on exercise/ matching of options or rights**	**Disposals**	**Held at 30 June 2011 [b]**
Marius Kloppers	328	194	27,742	–	**28,264**	**131**	**96,015**	**36**	**124,374**
Marcus Randolph	117,420	190	133,805	60,000	**191,415**	**132**	**155,199**	**155,000**	**191,746**
Alex Vanselow	99,888	193	135,004	60,822	**174,263**	**132**	**263,936**	**167,406**	**270,925**
Karen Wood	71,959	193	164,375	127,394	**109,133**	**132**	**110,946**	**58,297**	**161,914**
J. Michael Yeager	6,958	138	26,594	9,710	**23,980**	**108**	**381,583**	**141,165**	**264,506**
Paul Anderson	106,000	–	–	–	**106,000**				
Don Argus	321,890	7,300	–	–	**329,190**				
Alan Boeckmann	–	3,150	–	–	**3,150**	**1,180**	**–**	**–**	**4,330**
Malcolm Broomhead [c]	9,000	–	–	–	**9,000**	**–**	**–**	**–**	**9,000**
Carlos Cordeiro	6,550	–	–	–	**6,550**	**–**	**–**	**–**	**6,550**
David Crawford	33,127	–	–	–	**33,127**	**–**	**–**	**–**	**33,127**
E. Gail de Planque	5,180	–	–	–	**5,180**				
Carolyn Hewson [c]	2,000	–	–	–	**2,000**	**1,500**	**–**	**–**	**3,500**
David Jenkins	2,066	–	–	–	**2,066**				
Lindsay Maxsted					**–**	**–**	**–**	**–**	**–**
David Morgan	156,758	–	–	–	**156,758**				
Wayne Murdy	4,030	–	–	–	**4,030**	**–**	**–**	**–**	**4,030**
Jacques Nasser	5,600	–	–	–	**5,600**	**–**	**–**	**–**	**5,600**
John Schubert	23,675	–	–	–	**23,675**	**–**	**–**	**–**	**23,675**

BHP Billiton Plc shares [a]	Held at 30 June 2009 [b]	Purchases	Received on exercise/ matching of options or rights	Disposals	**Held at 30 June 2010 [b]**	**Purchases**	**Received on exercise/ matching of options or rights**	**Disposals**	**Held at 30 June 2011 [b]**
Marius Kloppers	443,520	–	225,000	119,842	**548,678**	**–**	**225,000**	**165,087**	**608,591**
Alberto Calderon	344	193	29,289	11,999	**17,827**	**149**	**183,415**	**111,376**	**90,015**
Andrew Mackenzie	55,000	175	–	–	**55,175**	**136**	**–**	**–**	**55,311**
Paul Anderson	4,000	–	–	–	**4,000**				
Don Argus	–	21,740	–	–	**21,740**				
Alan Boeckmann	–	3,680	–	–	**3,680**	**2,200**	**–**	**–**	**5,880**
John Buchanan	20,000	–	–	–	**20,000**	**–**	**–**	**–**	**20,000**
David Crawford	–	6,000	–	–	**6,000**	**–**	**–**	**–**	**6,000**
David Jenkins	10,000	–	–	–	**10,000**				
Wayne Murdy	–	3,512	–	–	**3,512**	**–**	**–**	**–**	**3,512**
Jacques Nasser	–	–	–	–	**–**	**40,000**	**–**	**–**	**40,000**
Keith Rumble	12,200	–	–	–	**12,200**	**–**	**–**	**–**	**12,200**
Baroness Shriti Vadera [d]					**5,000**	**–**	**–**	**–**	**5,000**

[a] All interests are beneficial and includes holdings of American depositary shares and shares held in the name of the spouse, superannuation fund and/or nominee.
[b] Closing balances represent the holding at year end or the holding at date of appointment or resignation as a KMP.
[c] Ms Hewson's and Mr Broomhead's balance reflects their holdings at appointment date, 31 March 2010.
[d] Baroness Vadera's balance reflects her holding at appointment date, 1 January 2011.

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30 Key Management Personnel continued

Directors and their personally related entities receive the same dividends and bonus share entitlements as those available to other holders of the same class of shares.

Refer to note 32 for details of the employee share ownership plans referred to above.

Transactions with Key Management Personnel

During the year, there were no purchases from the Group (2010: US$ nil; 2009: Alex Vanselow US$29,613).

There are no amounts payable at 30 June 2011 (2010: US$ nil).

Loans with Key Management Personnel

There are US$ nil loans (2010: US$ nil) with Key Management Personnel.

Transactions with personally related entities

A number of Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. One of those entities, Fluor Corporation, was considered to be a personally related entity of Mr Alan Boeckmann until Mr Boeckmann's resignation as an Executive Director of Fluor Corporation on 2 February 2011. During the period in which Fluor Corporation was considered a personally related entity, Fluor Corporation provided products and services to the Group totalling US$244.767 million (2010: US$426.368 million; 2009: US$222.821 million) in accordance with normal terms and conditions. As at 30 June 2011, no amounts were owed by the Group to personally related entities (2010: Fluor Corporation US$7.083 million).

31 Related party transactions

Subsidiaries

The percentage of ordinary shares held in significant subsidiaries is disclosed in note 25 to the financial statements.

Jointly controlled entities

The percentage interest held in significant jointly controlled entities is disclosed in note 26 to the financial statements.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 30 to the financial statements.

Transactions with related parties

	Jointly controlled entities [a]		Other related parties [b]	
	2011 US$M	2010 US$M	**2011 US$M**	2010 US$M
Sales of goods/services	**295.683**	233.026	**1.841**	–
Purchases of goods/services	**434.758**	346.156	**–**	–
Interest income	**31.319**	20.970	**–**	–
Loans made to related parties	**292.247**	323.688	**–**	–

[a] Disclosures in respect of transactions with jointly controlled entities represent the amount of such transactions which do not eliminate on proportionate consolidation.
[b] Excludes transactions with post-employment benefit plans for the benefit of Group employees. These are shown in note 29.

Transactions between each parent company and its subsidiaries, which are related parties of that company, are eliminated on consolidation and are not disclosed in this note.

Outstanding balances with related parties

	Jointly controlled entities [a]		Other related parties	
	2011 US$M	2010 US$M	**2011 US$M**	2010 US$M
Trade amounts owing to related parties	**228.852**	44.561	**–**	–
Other amounts owing to related parties	**41.544**	–	**–**	–
Trade amounts owing from related parties	**96.604**	38.566	**–**	–
Other amounts owing from related parties	**657.456**	323.688	**–**	–

[a] Disclosures in respect of amounts owing to/from jointly controlled entities represent those balances which do not eliminate upon proportionate consolidation.

Terms and conditions

Sales to and purchases from related parties of goods and services are made in arm's length transactions at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash.

Other amounts owing from related parties represent secured loans made to jointly controlled entities under co-funding arrangements. Such loans are made on an arm's length basis with interest charged at market rates and are due to be repaid between 22 December 2014 and 30 June 2030.

No guarantees are provided or received for any related party receivables or payables.

No provision for doubtful debts has been recognised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

32 Employee share ownership plans

Employee share awards – current plans

2011	Number of awards on issue at the beginning of the financial year	Number of awards issued during the year	Number of awards vested and exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards vested and exercisable at the end of the financial year
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares [a]	2,591,472	166,654	1,747,477	31,117	979,532	659,511
Group Incentive Scheme Options [a]	1,605,668	–	663,815	6,493	935,360	935,360
– weighted average exercise price – A$	31.51	–	28.77	29.15	33.47	33.47
– weighted average share price – A$			42.25			
– weighted average contractual term for outstanding options – days					–	
Group Incentive Scheme Performance Shares [a]	3,541	–	3,541	–	–	–
Group Short Term Incentive Plan Deferred Shares [a]	867,717	939,359	118,628	38,926	1,649,522	–
Group Short Term Incentive Plan Options [a]	247,906	87,254	–	–	335,160	–
– weighted average exercise price – A$	38.41	41.78	–	–	39.29	–
– weighted average share price – A$			–			
– weighted average contractual term for outstanding options – days					150	
Long Term Incentive Plan Performance Shares [a]	17,790,696	590,000	4,382,309	466,968	13,531,419	1,223,312
Management Award Plan Restricted Shares [a]	4,408,244	2,452,996	283,648	369,983	6,207,609	–
Shareplus Matched Shares [b]	2,432,760	1,076,579	1,095,254	259,901	2,154,184	–
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares	842,747	53,195	522,227	14,974	358,741	259,727
Group Incentive Scheme Options	1,248,847	30,389	766,831	22,262	490,143	443,635
– weighted average exercise price – £	11.38	23.71	11.22	8.82	12.51	11.52
– weighted average share price – £			20.95			
– weighted average contractual term for outstanding options – days					293	
Group Short Term Incentive Plan Deferred Shares	420,997	359,440	58,953	6,174	715,310	–
Group Short Term Incentive Plan Options	29,457	66,555	–	–	96,012	–
– weighted average exercise price – £	16.44	22.08	–	–	20.35	–
– weighted average share price – £			–			
– weighted average contractual term for outstanding options – days					307	
Long Term Incentive Plan Performance Shares	7,024,705	240,000	1,616,087	187,245	5,461,373	712,042
Management Award Plan Restricted Shares	1,810,541	848,950	101,921	199,490	2,358,080	–
Shareplus Matched Shares	607,931	260,990	285,382	66,748	516,791	–

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32 Employee share ownership plans continued

Fair value and assumptions in the calculation of fair value

2011	Weighted average fair value of awards granted during the year [c] US$	Risk-free interest rate [d]	Estimated life of awards	Share price at grant date	Estimated volatility of share price [e]	Dividend yield
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares	31.71	n/a	3 years	A$37.11	n/a	2.69%
Group Incentive Scheme Options	–	–	–	–	–	–
Group Short Term Incentive Plan Deferred Shares	31.71	n/a	3 years	A$37.11	n/a	2.69%
Group Short Term Incentive Plan Options	8.84	4.80%	3 years	A$37.11	30.0%	2.69%
Long Term Incentive Plan Performance Shares	19.48	1.85%	5 years	A$37.11	33.0%	2.69%
Management Award Plan Restricted Shares	30.84	n/a	3 years	A$37.11	n/a	2.69%
Shareplus Matched Shares	39.02	4.26%	3 years	A$47.29	n/a	2.87%
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares	25.98	n/a	3 years	£16.95	n/a	2.91%
Group Incentive Scheme Options	6.98	2.23%	3 years	£16.95	35.0%	2.91%
Group Short Term Incentive Plan Deferred Shares	25.98	n/a	3 years	£16.95	n/a	2.91%
Group Short Term Incentive Plan Options	6.98	2.23%	3 years	£16.95	35.0%	2.91%
Long Term Incentive Plan Performance Shares	15.93	1.85%	5 years	£16.95	33.0%	2.91%
Management Award Plan Restricted Shares	25.21	n/a	3 years	£16.95	n/a	2.91%
Shareplus Matched Shares	35.45	3.19%	3 years	£22.95	n/a	3.24%

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32 Employee share ownership plans continued

Employee share awards – current plans

2010	Number of awards on issue at the beginning of the financial year	Number of awards issued during the year	Number of awards vested and exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards vested and exercisable at the end of the financial year
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares	3,709,437	153,367	1,249,998	21,334	2,591,472	671,873
Group Incentive Scheme Options	1,985,321	–	321,509	58,144	1,605,668	525,536
– weighted average exercise price – A$	29.92	–	22.14	29.15	31.51	36.36
– weighted average share price – A$			44.76			
– weighted average contractual term for outstanding options – days					56	
Group Incentive Scheme Performance Shares	77,651	–	63,242	10,868	3,541	3,541
Group Short Term Incentive Plan Deferred Shares	–	891,037	20,081	3,239	867,717	–
Group Short Term Incentive Plan Options	–	268,558	–	20,652	247,906	–
– weighted average exercise price – A$	–	38.41	–	38.41	38.41	–
– weighted average share price – A$			–			
– weighted average contractual term for outstanding options – days					420	
Long Term Incentive Plan Performance Shares	20,331,131	700,000	2,771,669	468,766	17,790,696	760,150
Management Award Plan Restricted Shares	2,352,947	2,413,149	129,160	228,692	4,408,244	–
Shareplus Matched Shares	2,082,831	1,469,556	952,917	166,710	2,432,760	–
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares	1,468,731	45,819	666,987	4,816	842,747	206,894
Group Incentive Scheme Options	1,413,717	16,119	144,884	36,105	1,248,847	296,106
– weighted average exercise price – £	11.14	18.68	10.72	8.09	11.38	12.53
– weighted average share price – £			18.11			
– weighted average contractual term for outstanding options – days					56	
Group Incentive Scheme Performance Shares	41,022	–	36,188	4,834	–	–
Group Short Term Incentive Plan Deferred Shares	–	424,555	–	3,558	420,997	–
Group Short Term Incentive Plan Options	–	32,989	–	3,532	29,457	–
– weighted average exercise price – £	–	16.44	–	16.44	16.44	–
– weighted average share price – £			–			
– weighted average contractual term for outstanding options – days					420	
Long Term Incentive Plan Performance Shares	8,258,750	240,000	1,185,345	288,700	7,024,705	338,954
Management Award Plan Restricted Shares	959,610	962,000	21,151	89,918	1,810,541	–
Shareplus Matched Shares	616,595	332,151	292,899	47,916	607,931	–

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32 Employee share ownership plans continued

Fair value and assumptions in the calculation of fair value

2010	Weighted average fair value of awards granted during the year [c] US$	Risk-free interest rate [d]	Estimated life of awards	Share price at grant date	Estimated volatility of share price [e]	Dividend yield
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares	25.22	n/a	3 years	A$33.90	n/a	3.98%
Group Incentive Scheme Options	–	–	–	–	–	–
Group Short Term Incentive Plan Deferred Shares	25.22	n/a	3 years	A$33.90	n/a	3.98%
Group Short Term Incentive Plan Options	7.37	5.35%	3 years	A$33.90	35.0%	3.98%
Long Term Incentive Plan Performance Shares	9.49	2.58%	5 years	A$33.90	31.0%	3.98%
Management Award Plan Restricted Shares	24.21	n/a	3 years	A$33.90	n/a	3.98%
Shareplus Matched Shares	33.59	2.51%	3 years	A$44.29	n/a	3.28%
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares	21.83	n/a	3 years	£14.25	n/a	3.58%
Group Incentive Scheme Options	6.59	3.02%	3 years	£14.25	40.0%	3.58%
Group Short Term Incentive Plan Deferred Shares	21.83	n/a	3 years	£14.25	n/a	3.58%
Group Short Term Incentive Plan Options	6.59	3.02%	3 years	£14.25	40.0%	3.58%
Long Term Incentive Plan Performance Shares	8.32	2.58%	5 years	£14.25	31.0%	3.58%
Management Award Plan Restricted Shares	21.04	n/a	3 years	£14.25	n/a	3.58%
Shareplus Matched Shares	28.63	3.42%	3 years	£19.44	n/a	2.97%

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32 Employee share ownership plans continued

Employee share awards – current plans

2009	Number of awards on issue at the beginning of the financial year	Number of awards issued during the year	Number of awards vested and exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards vested and exercisable at the end of the financial year
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares	3,422,157	1,980,820	1,621,584	71,956	3,709,437	874,599
Group Incentive Scheme Options	1,331,293	1,182,159	522,906	5,225	1,985,321	483,068
– weighted average exercise price – A$	25.05	29.15	15.95	11.11	29.92	22.74
– weighted average share price – A$			35.14			
– weighted average contractual term for outstanding options – days					340	
Group Incentive Scheme Performance Shares	639,287	–	523,548	38,088	77,651	77,651
Long Term Incentive Plan Performance Shares	20,260,877	1,350,000	7,750	1,271,996	20,331,131	–
Management Award Plan Restricted Shares	–	2,484,233	15,556	115,730	2,352,947	–
Shareplus Matched Shares	985,333	1,270,067	91,125	81,444	2,082,831	–
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares	1,456,483	679,170	599,621	67,301	1,468,731	367,762
Group Incentive Scheme Options	641,124	957,588	172,951	12,044	1,413,717	289,088
– weighted average exercise price – £	10.60	10.89	7.90	8.59	11.14	8.81
– weighted average share price – £			14.34			
– weighted average contractual term for outstanding options – days					364	
Group Incentive Scheme Performance Shares	150,687	–	101,865	7,800	41,022	41,022
Long Term Incentive Plan Performance Shares	8,194,079	550,839	–	486,168	8,258,750	–
Management Award Plan Restricted Shares	–	1,052,500	8,666	84,224	959,610	–
Shareplus Matched Shares	305,468	405,841	68,280	26,434	616,595	–

Fair value and assumptions in the calculation of fair value

2009	Weighted average fair value of awards granted during the year [c] US$	Risk-free interest rate [d]	Estimated life of awards	Share price at grant date	Estimated volatility of share price [e]	Dividend yield
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares	24.94	6.39%	3 years	n/a	n/a	n/a
Group Incentive Scheme Options	8.46	6.39%	3 years	A$44.40	30.0%	2.05%
Long Term Incentive Plan Performance Shares	15.74	3.30%	5 years	A$44.40	28.9%	2.05%
Management Award Plan Restricted Shares	39.97	n/a	3 years	A$44.40	n/a	2.05%
Shareplus Matched Shares	23.79	5.93%	3 years	A$42.06	n/a	1.47%
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares	19.90	5.69%	3 years	n/a	n/a	n/a
Group Incentive Scheme Options	6.34	5.69%	3 years	£18.41	35.0%	1.65%
Long Term Incentive Plan Performance Shares	13.55	3.30%	5 years	£18.41	28.9%	1.65%
Management Award Plan Restricted Shares	34.84	n/a	3 years	£18.41	n/a	1.65%
Shareplus Matched Shares	19.82	6.52%	3 years	£17.44	n/a	1.53%

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32 Employee share ownership plans continued

Employee share awards – past plans [f]

2011	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Limited						
Employee Share Plan Options	**865,295**	**–**	**580,445**	**–**	**284,850**	**284,850**
– weighted average exercise price – A$	**8.37**	**–**	**8.41**	**–**	**8.30**	**8.30**
Employee Share Plan Shares	**8,210,218**	**–**	**1,249,799**	**–**	**6,960,419**	**6,960,419**
Executive Share Scheme Partly Paid Shares	**189,918**	**–**	**189,918**	**–**	**–**	**–**
Performance Share Plan Performance Rights	**58,563**	**–**	**–**	**–**	**58,563**	**58,563**
BHP Billiton Plc						
Co-Investment Plan	**22,996**	**–**	**4,640**	**16,111**	**2,245**	**2,245**

2010	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Limited						
Employee Share Plan Options	1,632,133	–	766,838	–	865,295	865,295
– weighted average exercise price – A$	8.38	–	8.39	–	8.37	8.37
Employee Share Plan Shares	9,134,763	–	924,545	–	8,210,218	8,210,218
Executive Share Scheme Partly Paid Shares	189,918	–	–	–	189,918	189,918
Performance Share Plan Performance Rights	95,038	–	36,475	–	58,563	58,563
BHP Billiton Plc						
Co-Investment Plan	24,047	–	1,051	–	22,996	22,996

2009	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Limited						
Employee Share Plan Options	4,620,131	–	2,229,098	758,900	1,632,133	1,632,133
– weighted average exercise price – A$	7.59	–	7.25	6.10	8.38	8.38
Employee Share Plan Shares	11,039,818	–	1,905,055	–	9,134,763	9,134,763
Executive Share Scheme Partly Paid Shares	274,918	–	85,000	–	189,918	189,918
Performance Share Plan Performance Rights	357,607	–	262,569	–	95,038	95,038
BHP Billiton Plc						
Co-Investment Plan	27,776	–	3,729	–	24,047	24,047
Restricted Share Scheme	76,633	–	26,915	49,718	–	–

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32 Employee share ownership plans continued

Employee share awards – summary [h] [i]

Month of issue	Awards outstanding at: 30 June 2011	Awards outstanding at: 6 September 2011	Exercise price [g]	Exercise period/release date
BHP Billiton Limited				
Employee Share Plan Options				
November 2001	247,590	247,590	A$8.30	Oct 2004 – Sep 2011
November 2001	37,260	37,260	A$8.29	Oct 2004 – Sep 2011
	284,850	**284,850**		
Employee Share Plan Shares				
October 1997	1,257,026	1,232,245	–	Oct 1997 – Oct 2017
May 1995	2,088,436	2,061,589	–	May 1995 – May 2015
May 1994	1,465,808	1,443,092	–	May 1994 – May 2014
May 1993	1,171,944	1,153,358	–	May 1993 – May 2013
May 1992	977,205	966,880	–	May 1992 – May 2012
	6,960,419	**6,857,164**		
Group Incentive Scheme				
Deferred Shares				
December 2010	166,654	166,654	–	Aug 2012 – Aug 2015
December 2009	153,367	–	–	Aug 2011 – Aug 2014
December 2008	431,398	385,211	–	Aug 2010 – Aug 2013
December 2007	172,905	148,403	–	Aug 2009 – Aug 2012
December 2006	55,208	–	–	Aug 2008 – Aug 2011
Options				
December 2008	652,626	638,078	A$29.15	Aug 2010 – Aug 2013
December 2007	280,171	280,171	A$43.61	Aug 2009 – Aug 2012
December 2006	2,563	–	A$26.28	Aug 2008 – Aug 2011
	1,914,892	**1,618,517**		
Group Short Term Incentive Plan				
Deferred Shares				
December 2010	895,530	887,571	–	Aug 2012 – Aug 2015
December 2009	753,992	480,135	–	Aug 2011 – Aug 2014
Options				
December 2010	87,254	87,254	A$41.78	Aug 2012 – Aug 2015
December 2009	247,906	247,906	A$38.41	Aug 2011 – Aug 2014
	1,984,682	**1,702,866**		
Long Term Incentive Plan Performance Shares				
December 2010	590,000	590,000	–	Aug 2015 – Aug 2020
December 2009	700,000	700,000	–	Aug 2014 – Aug 2019
December 2008	1,350,000	1,350,000	–	Aug 2013 – Aug 2018
December 2007	4,914,986	4,906,318	–	Aug 2012 – Aug 2017
December 2006	4,753,121	2,049,987	–	Aug 2011 – Aug 2016
December 2005	888,647	752,272	–	Aug 2010 – Aug 2015
December 2004	334,665	321,065	–	Aug 2009 – Aug 2014
	13,531,419	**10,669,642**		
Management Award Plan				
December 2010	2,354,574	2,324,170	–	Aug 2013 – Aug 2016
December 2009	2,064,218	2,013,441	–	Aug 2012 – Aug 2015
November 2008 and March 2009	1,788,817	1,073,329	–	Aug 2011 – Aug 2014
	6,207,609	**5,410,940**		
Performance Share Plan Performance Rights				
November 2001 (LTI)	58,563	–	–	Oct 2004 – Aug 2011
	58,563	**–**		
Shareplus				
September 2010 to June 2011	1,018,079	1,000,601	–	Apr 2013
September 2009 to June 2010	1,136,105	1,121,243	–	Apr 2012
	2,154,184	**2,121,844**		

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32 Employee share ownership plans continued

Employee share awards – summary [h] [i] continued

Month of issue	Awards outstanding at: 30 June 2011	Awards outstanding at: 6 September 2011	Exercise price [g]	Exercise period/release date
BHP Billiton Plc				
Co-Investment Plan				
October 2001	2,245	1,739	–	Oct 2003 – Sep 2011
	2,245	**1,739**		
Group Incentive Scheme				
Deferred Shares				
December 2010	53,195	53,195	–	Aug 2012 – Aug 2015
December 2009	45,819	–	–	Aug 2011 – Aug 2014
December 2008	176,212	170,185	–	Aug 2010 – Aug 2013
December 2007	74,678	66,332	–	Aug 2009 – Aug 2012
December 2006	8,837	–	–	Aug 2008 – Aug 2011
Options				
December 2010	30,389	30,389	£23.71	Aug 2012 – Aug 2015
December 2009	16,119	16,119	£18.68	Aug 2011 – Aug 2014
December 2008	355,021	338,249	£10.89	Aug 2010 – Aug 2013
December 2007	56,566	56,566	£16.51	Aug 2009 – Aug 2012
December 2006	32,048	–	£9.72	Aug 2008 – Aug 2011
	848,884	**731,035**		
Group Short Term Incentive Plan				
Deferred Shares				
December 2010	341,196	341,196	–	Aug 2012 – Aug 2015
December 2009	374,114	226,914	–	Aug 2011 – Aug 2014
Options				
December 2010	66,555	66,555	£22.08	Aug 2012 – Aug 2015
December 2009	29,457	29,457	£16.44	Aug 2011 – Aug 2014
	811,322	**664,122**		
Long Term Incentive Plan Performance Shares				
December 2010	240,000	240,000	–	Aug 2015 – Aug 2020
December 2009	240,000	240,000	–	Aug 2014 – Aug 2019
December 2008	550,839	550,839	–	Aug 2013 – Aug 2018
December 2007	1,818,784	1,808,701	–	Aug 2012 – Aug 2017
December 2006	1,899,708	1,034,129	–	Aug 2011 – Aug 2016
December 2005	505,125	460,375	–	Aug 2010 – Aug 2015
December 2004	206,917	187,917	–	Aug 2009 – Aug 2014
	5,461,373	**4,521,961**		
Management Award Plan				
December 2010	813,150	808,994	–	Aug 2013 – Aug 2016
December 2009	806,722	803,278	–	Aug 2012 – Aug 2015
November 2008 and March 2009	738,208	497,500	–	Aug 2011 – Aug 2014
	2,358,080	**2,109,772**		
Shareplus				
September 2010 to June 2011	246,437	239,306	–	Apr 2013
September 2009 to June 2010	270,354	263,764	–	Apr 2012
	516,791	**503,070**		

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32 Employee share ownership plans continued

(a) Awards were made to senior management under four active employee ownership plans in BHP Billiton for the year ended 30 June 2011: the Long Term Incentive Plan (LTIP), Group Incentive Scheme (GIS), Management Award Plan (MAP) and Group Short Term Incentive Plan (GSTIP). These awards take the form of Performance Shares, Deferred Shares and/or Options, and Restricted Shares in either BHP Billiton Limited or BHP Billiton Plc. Awards made are subject to performance hurdles (LTIP) and service conditions (all plans). Subject to the performance conditions and service conditions being met and the extent to which they are met, the awards will vest and the participant will become entitled to the appropriate number of ordinary shares or, if relevant, entitled to exercise options over the relevant number of ordinary shares. Awards under the plans do not confer any rights to participate in a share issue; however, there is discretion under each of the plans to adjust the awards in response to a variation of BHP Billiton's share capital. A description of the plans follows:

(i) **GIS and GSTIP**

The GIS awards are split equally between a cash award (being a percentage of base salary) and a grant of Deferred Shares and/or Options. The GSTIP is a replacement plan to the GIS for certain employees below the GMC and was first introduced during the year ended 30 June 2009. Awards are split equally between a cash award (being a percentage of base salary) and a grant of Deferred Shares and/or Options. Deferred Shares and/or Options are subject to a two-year vesting period before they can be exercised. If, during that period, an individual resigns without the Remuneration Committee's consent, or is dismissed for cause, their entitlement is forfeited. Deferred Shares and/or Options in respect of the year ended 30 June 2011 will be awarded during the year ending 30 June 2012.

(ii) **LTIP and MAP**

The LTIP awards are in the form of Performance Shares, and are awarded annually. The performance hurdle applicable to the awards granted requires the Group's Total Shareholder Return (TSR) over a five-year performance period to be greater than a combination of the weighted average TSR of a peer group of companies and of the Morgan Stanley Capital Index World. To the extent that the performance hurdle is not achieved, awards are forfeited. There is no retesting. For all Performance Shares to vest, the Group's TSR must exceed the weighted average TSR of the Index by a specified percentage, determined each year by the Remuneration Committee. Since the establishment of the LTIP in 2004, this percentage has been set each year at 5.5 per cent. For performance between the weighted average TSR of the Index and 5.5 per cent per annum above the Index, vesting occurs on a sliding scale.

The MAP is a replacement plan to the LTIP for employees below the GMC. Under the MAP participants receive an Award of Restricted Shares, the number of which is determined by role, performance and organisational level. There are no performance conditions attached to the Award and all the shares that have been granted will vest at the end of three years providing participants remain in employment over that time.

Participants in all award plans are eligible to receive a payment equal to the dividend amount that would have been earned on the underlying shares represented by the Deferred Shares, Options, Restricted Shares and Performance Shares awarded to those participants (the Dividend Equivalent Payment). The Dividend Equivalent Payment is made to the participants once the underlying shares are issued or transferred to them. No Dividend Equivalent Payment is made in respect of Deferred Shares, Options and Performance Shares that lapse.

(b) Shareplus, an all-employee share purchase plan, commenced in April 2007. Employees may contribute up to US$5,000 to acquire shares (Acquired Shares) in any Plan year. On the third anniversary of the start of a Plan year, the Company will match the number of Acquired Shares held by the employee at that time with Matched Shares. The employees have no beneficial entitlement to the Matched Shares until they are awarded. Acquired Shares are purchased on a quarterly basis. Employees can sell their Acquired Shares at any time. If, prior to the third anniversary, an individual sells their Acquired Shares, resigns without the Remuneration Committee's consent or is dismissed for cause, their entitlement to Matched Shares is forfeited.

(c) The fair value of awards as presented in the tables above represents the fair value at grant date. The fair values of awards granted were estimated using a Monte Carlo simulation methodology, Black-Scholes option pricing technique and net present value technique.

(d) The risk-free interest rate used is an applicable government bond rate.

(e) Historical volatility has been used to estimate the volatility of the share price.

(f) Awards issued under these plans occurred before 7 November 2002 and as such are exempt from the provisions of IFRS 2 'Share-based Payment'. Details of these plans have been provided here for information purposes only.

(g) Exercise price on awards issued is equal to the exercise price as per awards outstanding.

(h) Shares issued on exercise of BHP Billiton's employee share ownership plans include shares purchased on-market.

(i) In respect of employee share awards, the Group utilises the following trusts:

(i) The Billiton Employee Share Ownership Plan Trust is a discretionary trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The trustee is an independent company, resident in Jersey. The trust uses funds provided by BHP Billiton Plc and/or its subsidiaries as appropriate to acquire ordinary shares to enable awards to be made or satisfied under the LTIP, MAP, GIS, GSTIP, RSS, CIP, Shareplus and other employee share schemes operated by BHP Billiton Plc from time to time. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value. The Trust has waived its rights to dividends on shares held to meet future awards under Shareplus.

(ii) The BHP Performance Share Plan Trust is a discretionary trust established to distribute shares under selected BHP Billiton Limited employee share plan schemes. The trustee of the trust is BHP Billiton Employee Plan Pty Ltd, an Australian company. The trust uses funds provided by BHP Billiton Limited and/or its subsidiaries to acquire shares on market to satisfy exercises made under the LTIP, MAP, GIS, GSTIP and PSP.

(iii) The BHP Billiton Limited Executive Incentive Scheme Trust is a discretionary trust established for the purposes of holding shares in BHP Billiton Limited to satisfy exercises made under the LTIP, MAP, GIS, GSTIP, Shareplus and other employee share schemes operated by BHP Billiton Limited from time to time.

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33 Employees

	2011 Number	2010 Number	2009 Number
Average number of employees [a]			
Petroleum	**2,308**	2,178	2,105
Aluminium	**4,599**	4,471	4,938
Base Metals	**7,602**	7,434	7,731
Diamonds and Specialty Products	**1,737**	1,689	1,923
Stainless Steel Materials	**3,412**	3,481	4,039
Iron Ore	**4,047**	3,624	3,254
Manganese	**2,426**	2,549	2,532
Metallurgical Coal	**4,019**	3,533	3,892
Energy Coal	**8,752**	8,762	8,437
Group and unallocated	**1,855**	1,849	2,139
	40,757	39,570	40,990

[a] Average employee numbers include Executive Directors, 100 per cent of employees of subsidiary companies, and our share of proportionately consolidated entities and operations. Part-time employees are included on a full-time equivalent basis. Employees of businesses acquired or disposed of during the year are included for the period of ownership. People employed by contractors are not included.

34 Auditor's remuneration

	2011 US$M	2010 US$M	2009 US$M
Fees payable to the Group's auditor for audit services			
Audit of the Group's annual report	**4.216**	4.135	4.011
Audit of subsidiaries and associates pursuant to legislation [a]	**10.069**	10.428	11.312
Total audit services	**14.285**	14.563	15.323
Fees payable to the Group's auditor for other services			
Other services pursuant to legislation [b]	**7.034**	5.744	6.050
Other services relating to taxation [c]	**–**	0.065	0.068
Other services relating to corporate finance [d]	**1.243**	2.308	3.571
All other services [e]	**1.104**	1.021	0.762
Total other services	**9.381**	9.138	10.451
Total fees	**23.666**	23.701	25.774

All amounts were paid to KPMG or KPMG affiliated firms.

[a] This amount primarily includes the statutory audit of subsidiaries and other audit work performed in relation to the Group's Annual Report by KPMG non-head office teams, as well as audit fees of US$0.045 million (2010: US$0.093 million; 2009: US$0.079 million) for pension funds. For UK purposes this would be classified as a separate component of 'other services'.
[b] Mainly comprises review of half year reports, audit work in relation to compliance with section 404 of the US Sarbanes-Oxley Act and assurance in respect of the Group's sustainability reporting.
[c] Mainly comprises tax compliance services.
[d] Mainly comprises services in connection with acquisitions, divestments and debt raising transactions.
[e] Mainly comprises advice on accounting matters and performing other procedures of an audit nature.

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35 Subsequent events

On 9 August 2011, the Group signed a Heads of Agreement with Leighton Holdings to acquire the HWE Mining subsidiaries that provide contract mining services to its Western Australia Iron Ore operations. The Heads of Agreement relates to the mining equipment, people and related assets that service the Area C, Yandi and Orebody 23/25 operations. These operations collectively account for almost 70 per cent of Western Australia Iron Ore's total material movement. The purchase price is US$735 million (A$705 million), subject to working capital adjustments. Subject to due diligence, definitive agreements and relevant internal and regulatory approvals, the transaction is expected to close during the fourth quarter of calendar year 2011.

On 18 August 2011, the Group arranged a new unsecured 364-day multicurrency term and revolving credit facility for an amount of US$7.5 billion consisting of two tranches: a US$5 billion term loan and US$2.5 billion revolving credit facility.

On 21 August 2011, the Group announced that all conditions to the closing of the tender offer to acquire all of the issued and outstanding shares of Petrohawk have been satisfied and on 25 August 2011, the Group announced that the acquisition was completed. Refer to note 24 for more information.

Other than the matters outlined above or elsewhere in these financial statements, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

36 BHP Billiton Limited

BHP Billiton Limited does not present unconsolidated parent company financial statements. Selected financial information of the BHP Billiton Limited parent company is as follows:

	2011 US$M	2010 US$M
Income Statement information for the year ended 30 June 2011		
Profit after taxation for the year	**14,102**	7,501
Total comprehensive income	**14,164**	7,403
Balance Sheet information as at 30 June 2011		
Current assets	**6,264**	16,045
Total assets	**43,554**	51,243
Current liabilities	**10,296**	22,574
Total liabilities	**18,254**	30,536
Share capital	**894**	938
Employee share awards reserve	**527**	435
Retained earnings	**23,879**	19,334
Total equity	**25,300**	20,707

Parent company guarantees

BHP Billiton Limited has guaranteed certain financing arrangements available to subsidiaries of US$5,081 million at 30 June 2011 (2010: US$5,824 million).

Under the terms of a deed poll guarantee, the Company has guaranteed certain current and future liabilities of BHP Billiton Plc. At 30 June 2011, the guaranteed liabilities amounted to US$35 million (2010: US$14 million).

BHP Billiton Limited and BHP Billiton Plc have severally, fully and unconditionally guaranteed the payment of the principal and premium, if any, and interest, including certain additional amounts which may be payable in respect of the notes issued by BHP Billiton Finance (USA) Ltd. BHP Billiton Limited and BHP Billiton Plc have guaranteed the payment of such amounts when they become due and payable, whether on an interest payment date, at the stated maturity of the notes, by declaration or acceleration, call for redemption or otherwise. At 30 June 2011, the guaranteed liabilities amounted to US$6,225 million (2010: US$6,825 million).

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BHP Billiton Plc

BHP Billiton Plc is exempt from presenting an unconsolidated parent company profit and loss account in accordance with section 408 of the UK Companies Act 2006. BHP Billiton Plc is required to present its unconsolidated parent company balance sheet and certain notes to the balance sheet on a stand-alone basis as at 30 June 2011 and 2010.

BHP Billiton Plc (unconsolidated parent company) Balance Sheet

		BHP Billiton Plc	
	Notes	**2011 US$M**	2010 US$M
Fixed assets			
Investments			
Subsidiaries	2	**3,131**	3,131
		3,131	3,131
Current assets			
Amounts owed by Group undertakings – amounts due within one year		**2,722**	2,766
Debtors and prepayments		**1**	1
Cash including money market deposits		**3**	3
		2,726	2,770
Creditors – amounts falling due within one year	3	**(1,017)**	(1,055)
Net current assets		**1,709**	1,715
Total assets less current liabilities		**4,840**	4,846
Provisions for liabilities and charges	4	**(23)**	–
Net assets before pension liabilities		**4,817**	4,846
Pension liabilities	4, 8	**(11)**	(9)
Net assets after pension liabilities		**4,806**	4,837
Capital and reserves			
Called up share capital	5	**1,070**	1,116
Treasury shares	5	**(539)**	(524)
Share premium account	5	**518**	518
Share buy-back reserve	5	**164**	118
Profit and loss account	5	**3,593**	3,609
Equity shareholders' funds	5	**4,806**	4,837

The BHP Billiton Plc unconsolidated parent company financial statements were approved by the Board of Directors on 6 September 2011 and signed on its behalf by:

Jacques Nasser AO
Chairman

Marius Kloppers
Chief Executive Officer

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1 Principal accounting policies

(i) Basis of accounting

The BHP Billiton Plc entity accounts are prepared in accordance with the UK Companies Act 2006 and applicable UK Generally Accepted Accounting Practice (UK GAAP) using the historical cost convention and have been applied on a consistent basis with the year ended 30 June 2010.

The Company has applied the exemption within FRS 29 'Financial Instruments: Disclosures' available to parent entity accounts presented in consolidated financial statements that are publicly available where disclosures are presented on a group basis. The Group's financial risk management disclosures are presented in note 28 of the consolidated financial statements of the BHP Billiton Group.

(ii) Foreign currencies

The accounting policy is consistent with the Group's policy set out in note 1 of the consolidated financial statements of the BHP Billiton Group.

(iii) Investments

Fixed asset investments are stated at cost less provisions for impairments. Fixed asset investments are assessed to ensure carrying amounts do not exceed estimated recoverable amounts. The carrying amount of each income generating unit is reviewed at least annually to evaluate whether the carrying amount is recoverable, or 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 on the amount by which the asset carrying amount exceeds the higher of net realisable 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.

(iv) Deferred taxation

Tax-effect accounting is applied in respect of corporation tax. Full provision is made for deferred tax liabilities and deferred tax assets that represent the tax effect of timing differences which arise from the recognition in the accounts of items of revenue and expense in periods different to those in which they are taxable or deductible for corporation tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the timing differences are expected to reverse.

(v) Share-based payments

The accounting policy is consistent with the Group's policy set out in note 1 of the consolidated financial statements of the BHP Billiton Group and is applied with respect to all rights and options granted over BHP Billiton Plc shares including those granted to employees of other Group companies. However, the cost of rights and options granted is recovered from subsidiaries of the Group where the participants are employed. Details of the Employee Share Ownership Plans and the Billiton Employee Share Ownership Plan Trust (the 'Trust') are contained in note 32 of the consolidated financial statements of the BHP Billiton Group. BHP Billiton Plc is the Trust's sponsoring company and so the financial statements of BHP Billiton Plc represent the combined financial statements of the Company and the Trust.

(vi) Revenue recognition

Interest income is recognised on an accruals basis. Dividend income is recognised on declaration by subsidiaries.

(vii) Treasury shares

The consideration paid for the repurchase of BHP Billiton Plc shares which are held as treasury shares is recognised as a reduction in shareholders' funds and represents a reduction in distributable reserves.

(viii) Pension costs and other post-retirement benefits

The accounting policy is consistent with the Group's policy set out in note 1 of the consolidated financial statements of the BHP Billiton Group.

2 Fixed assets

At 30 June 2011 the Company held an investment of US$3,131 million (2010: US$3,131 million) in BHP Billiton Group Ltd which represents 100 per cent of the ordinary shares on issue and US$73,710 (2010: US$73,710) in BHP Billiton Finance Plc which represents 99 per cent of the ordinary shares on issue. BHP Billiton Group Ltd and BHP Billiton Finance Plc are included in the consolidation of the BHP Billiton Group.

3 Creditors – amounts falling due within one year

	2011 US$M	2010 US$M
Amounts owed to Group undertakings [(a)]	**1,015**	1,050
Accruals	**2**	5
Total creditors	**1,017**	1,055

[(a)] The audit fee payable in respect of the audit of the BHP Billiton Plc parent company financial statements was a nominal amount (refer to note 34 of the BHP Billiton Group financial statements for fees for the Group as a whole). This has been included within amounts owed to Group undertakings.

4 Provisions for liabilities and charges

	Pension liabilities US$M	Employee benefits US$M	Total US$M
At 1 July 2010	**9**	**–**	**9**
Charge for the year	**1**	**24**	**25**
Actuarial loss taken to profit and loss account reserve	**1**	**–**	**1**
Utilisation	**–**	**(1)**	**(1)**
At 30 June 2011	**11**	**23**	**34**

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5 Shareholders' funds

	Share capital US$M	Treasury shares [b] US$M	Share premium account US$M	Share buy-back reserve US$M	Profit and loss account US$M	Total US$M
Balance at 1 July 2010	**1,116**	**(524)**	**518**	**118**	**3,609**	**4,837**
Profit for the financial year [a]	–	–	–	–	**2,037**	**2,037**
Actuarial loss on pension plan	–	–	–	–	**(1)**	**(1)**
Total recognised gains for the financial year	–	–	–	–	**2,036**	**2,036**
Dividends for the financial year	–	–	–	–	**(2,017)**	**(2,017)**
Share cancellation	**(46)**	–	–	**46**	–	–
Purchase of shares by ESOP trusts	–	**(118)**	–	–	–	**(118)**
Accrued entitlement for unvested employee share awards	–	–	–	–	**63**	**63**
Employee share awards exercised following vesting, net of employee contributions and forfeitures	–	**103**	–	–	**(98)**	**5**
Net movement for the financial year	**(46)**	**(15)**	–	**46**	**(16)**	**(31)**
Balance at 30 June 2011	**1,070**	**(539)**	**518**	**164**	**3,593**	**4,806**

[a] Profit for the financial year ended 30 June 2010 was US$3,520 million.
[b] Shares held by the Billiton Employee Share Ownership Plan Trust for 2011 were 1,107,947 shares with a market value of US$27 million (2010: 931,200 shares with a market value of US$24 million).

6 Parent company guarantees

Under the terms of a deed poll guarantee, BHP Billiton Plc has guaranteed certain current and future liabilities of BHP Billiton Limited. At 30 June 2011, the guaranteed liabilities amounted to US$5,891 million (2010: US$6,770 million).

BHP Billiton Plc and BHP Billiton Limited have severally, fully and unconditionally guaranteed the payment of the principal and premium, if any, and interest, including certain additional amounts which may be payable in respect of the notes issued by BHP Billiton Finance (USA) Ltd. BHP Billiton Plc and BHP Billiton Limited have guaranteed the payment of such amounts when they become due and payable, whether on an interest payment date, at the stated maturity of the notes, by declaration or acceleration, call for redemption or otherwise. At 30 June 2011, the guaranteed liabilities amounted to US$6,225 million (2010: US$6,825 million).

7 Financing facilities

BHP Billiton Plc is a party to a revolving credit facility. Refer to note 28 of the BHP Billiton Group financial statements.

8 Pension liabilities

The BHP Billiton Group operates the UK Executive fund in the UK. A full actuarial valuation is prepared by the independent actuary to the fund as at 30 June 2011. The Group operates final salary schemes that provide final salary benefits only, non-salary related schemes that provide flat dollar benefits and mixed benefit schemes that consist of a final salary defined benefit portion and a defined contribution portion.

Amounts recognised in the balance sheet are as follows:

	2011 US$M	2010 US$M
Present value of funded defined benefit obligation	**17**	15
Fair value of defined benefit scheme assets	**(6)**	(6)
Scheme deficit	**11**	9
Net liability recognised in the balance sheet	**11**	9

The changes in the present value of defined benefit obligations are as follows:

	2011 US$M	2010 US$M
Defined benefit obligation at the beginning of the financial year	**15**	14
Interest cost	**1**	1
Actuarial loss on benefit obligations	**1**	2
Benefits paid to participants	**(1)**	(1)
Currency exchange losses/(gains)	**1**	(1)
Defined benefit obligation at the end of the financial year	**17**	15

8 Pension liabilities continued

The changes in the fair value of scheme assets are as follows:

	2011 US$M	2010 US$M
Fair value of scheme assets at the beginning of the financial year	**6**	5
Actuarial gain on scheme assets	**–**	1
Fair value of scheme assets at the end of the financial year	**6**	6

The fair values of defined benefit pension scheme assets segregated by major asset class and the expected rates of return are as follows:

	2011 US$M	2010 US$M	2011 %	2010 %
Bonds	**4**	1	**4.1**	4.3
Equities	**1**	2	**8.1**	8.3
Cash and net current assets	**–**	–	**4.1**	4.3
Other	**1**	3	**5.4**	5.5
Total	**6**	6	**6.2**	5.1

The overall expected rate of return on assets is the weighted average of the expected rate of return on each applicable asset class and reflects the long-term target asset allocation as at the reporting date. For bonds, the expected rate of return reflects the redemption yields available on corporate and government bonds, as applicable, as at the reporting date. For all other asset classes, the expected rate of return reflects the rate of return expected over the long term.

The actual return on assets for the year ended 30 June 2011 is US$1 million (2010: US$1 million).

The major assumptions used by the actuary are as follows:

	2011 %	2010 %
Salary increases	**n/a**	5.0
Pension increases	**3.5**	3.5
Discount rate	**5.4**	5.5
Inflation	**3.5**	3.5

The primary post-retirement mortality tables used are PNA00U2011 with an allowance for medium cohort improvement factors. These tables are standard mortality tables.

The present value of defined benefit obligations, fair value of scheme assets and associated experience adjustments are shown for the current year and the previous four years as follows:

	2011 US$M	2010 US$M	2009 US$M	2008 US$M	2007 US$M
Present value of defined benefit obligation	**17**	15	14	17	17
Fair value of defined benefit scheme assets	**(6)**	(6)	(5)	(6)	(7)
Scheme deficit	**11**	9	9	11	10
Experience adjustments to scheme liabilities	**1**	2	(1)	–	–
Experience adjustments to scheme assets	**–**	1	–	(1)	1

9 Employee numbers

	2011 Number	2010 Number
Average number of employees during the year including Executive Directors	**1**	1

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Directors' declaration

In accordance with a resolution of the Directors of the BHP Billiton Group, the Directors declare that:

(a) in the Directors' opinion the financial statements and notes, set out on pages 161 to 238 are in accordance with the UK Companies Act 2006 and the Australian Corporations Act 2001, including:
   (i) Complying with the applicable Accounting Standards; and
   (ii) Giving a true and fair view of the financial position of each of BHP Billiton Limited, BHP Billiton Plc, the BHP Billiton Group and the undertakings included in the consolidation taken as a whole as at 30 June 2011 and of their performance for the year ended 30 June 2011;

(b) the financial report also complies with International Financial Reporting Standards, as disclosed in note 1;

(c) the Directors' Report includes a fair review of the development and performance of the business and the financial position of the BHP Billiton Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces; and

(d) in the Directors' opinion there are reasonable grounds to believe that each of the BHP Billiton Group, BHP Billiton Limited and BHP Billiton Plc will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Australian Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Board of Directors.

Jacques Nasser AO
Chairman

Marius Kloppers
Chief Executive Officer

Dated this 6th day of September 2011

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Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. References to the 'Group and parent company financial statements' are made in relation to the Group and individual parent company financial statements of BHP Billiton Plc.

UK company law requires the Directors to prepare Group and parent company financial statements for each financial year. The Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements must, in accordance with IFRS as adopted by the EU and applicable law, present fairly the financial position and performance of the Group; references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements must, in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the state of affairs of the parent company at the end of the financial year and of the profit or loss of the parent company for the financial year.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the UK Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Lead Auditor's Independence Declaration

under Section 307C of the Australian Corporations Act 2001

To the Directors of BHP Billiton Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Australian Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of BHP Billiton and the entities it controlled during the year.

KPMG

Martin Sheppard
Partner

Melbourne
6 September 2011

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Independent auditors' reports

of KPMG Audit Plc ('KPMG UK') to the members of BHP Billiton Plc and of KPMG ('KPMG Australia') to the members of BHP Billiton Limited

For the purpose of these reports, the terms 'we' and 'our' denote KPMG UK in relation to UK responsibilities and reporting obligations to the members of BHP Billiton Plc and KPMG Australia in relation to Australian responsibilities and reporting obligations to the members of BHP Billiton Limited.

The BHP Billiton Group ('the Group') consists of BHP Billiton Plc, BHP Billiton Limited and the entities they controlled from time to time during the financial year.

We have audited the Group financial report as at and for the year ended 30 June 2011 comprising the consolidated balance sheet and the consolidated statements of: income, comprehensive income, cash flows and changes in equity, together with the summary of accounting policies and other explanatory notes. In addition, we have audited the Directors' Remuneration Report for the year ended 30 June 2011. KPMG UK has also audited the company financial report of BHP Billiton Plc for that year. KPMG Australia has also audited the Directors' declaration.

KPMG UK's report is made solely to BHP Billiton Plc's members, as a body, in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and, in respect of the opinions in relation to International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and the non-statutory remuneration disclosures, on terms that have been agreed. KPMG Australia's report is made solely to BHP Billiton Limited's members, as a body, in accordance with the Australian Corporations Act 2001 and, in respect of the opinion in relation to the non-statutory remuneration disclosures, on terms that have been agreed. Our audit work has been undertaken so that we might state to the members of each company respectively those matters we are required to state to them in an auditor's report and those matters that we have each agreed to state to them respectively in this report in respect of the opinions in relation to IFRSs as issued by the IASB and the non-statutory remuneration disclosures, and for no other purpose. Accordingly, each of KPMG UK and KPMG Australia makes the following statement: to the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for our report, or for the opinions we have formed.

Directors' responsibility

The statement of Directors' responsibilities on page 240 describes the Directors' responsibility for the preparation of the Annual Report including the financial reports. The Directors are responsible for preparing the financial reports to give a true and fair view in accordance with the applicable financial reporting framework and for establishing the internal controls they determine necessary to enable them to be free from material misstatement whether due to fraud or error. In addition, the Directors are responsible for preparing the non-statutory remuneration disclosures included in the Directors' Remuneration Report in accordance with the basis of preparation set out therein.

Auditors' responsibility

Our responsibility is to audit the financial reports and the Directors' Remuneration Report in accordance with International Standards on Auditing (UK and Ireland) and Australian Auditing Standards, which includes compliance with relevant ethical standards, and to express our opinions thereon.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial reports and the Directors' Remuneration Report, sufficient to give reasonable assurance that the financial reports and the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and BHP Billiton Plc's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation and basis of preparation of the financial reports and of the Directors' Remuneration Report.

In addition, we read all the financial and non-financial information in the financial reports to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. The auditor considers internal control relevant to the entity's preparation of the financial reports and the Directors' Remuneration Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions of KPMG UK to the members of BHP Billiton Plc

Opinion on the financial reports

In our opinion:

- the financial reports give a true and fair view of the state of the Group's and of BHP Billiton Plc's affairs as at 30 June 2011 and of the Group's profit for the year then ended;
- the Group financial report has been properly prepared, in all material respects, in accordance with IFRSs as adopted by the EU;
- the BHP Billiton Plc company financial report has been properly prepared, in all material respects, in accordance with UK Generally Accepted Accounting Practice; and
- the financial reports have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial report, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial report, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the EU, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial report has been properly prepared, in all material respects, in accordance with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited, excluding the non-statutory remuneration disclosures, has been properly prepared, in all material respects, in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial reports are prepared is consistent with the financial reports; and
- the information given in the Corporate Governance Statement pursuant to rules 7.2.5 and 7.2.6 of the Disclosure and Transparency Rules is consistent with the financial reports.

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Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by BHP Billiton Plc, or returns adequate for our audit have not been received from branches not visited by us; or
- the BHP Billiton Plc company financial report and the part of the Directors' Remuneration Report to be audited, excluding the non-statutory remuneration disclosures, are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- a separate Corporate Governance Statement has not been prepared by the company; or
- we have not received all the information and explanations we require for our audit.

Under the UK Listing Rules we are required to review:

- the Directors' statement, set out in section 7.3 of the Directors' Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to BHP Billiton Plc's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Opinion on non-statutory remuneration disclosures

In our opinion, the non-statutory remuneration disclosures set out in the Directors' Remuneration Report of the Group for the year ended 30 June 2011 have been properly prepared, in all material respects, in accordance with the basis of preparation set out therein.

Simon Figgis (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

London
6 September 2011

Opinions of KPMG Australia to the members of BHP Billiton Limited

Opinion on the financial report

In our opinion:

(a) the Group financial report, including the Directors' declaration, is in accordance with the Australian Corporations Act 2001, including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Australian Corporations Regulations 2001;

(b) the Group financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Opinion on the Directors' Remuneration Report

In our opinion, the Directors' Remuneration Report of the Group for the year ended 30 June 2011, excluding the non-statutory remuneration disclosures, complies with section 300A of the Australian Corporations Act 2001.

Opinion on non-statutory remuneration disclosures

In our opinion, the non-statutory remuneration disclosures set out in the Directors' Remuneration Report of the Group for the year ended 30 June 2011 have been properly prepared, in all material respects, in accordance with the basis of preparation set out therein.

KPMG

Martin Sheppard
Partner

Melbourne
6 September 2011

Supplementary oil and gas information – unaudited

Reserves and production

Proved oil and gas reserves and net crude oil and condensate, natural gas, LNG and NGL production information is included in the 'Petroleum Reserves' and 'Production' sections of this Annual Report.

Capitalised costs relating to oil and gas production activities

The following table shows the aggregate capitalised costs relating to oil and gas exploration and production activities and related accumulated depreciation, depletion, amortisation and valuation allowances.

	Australia US$M	United States US$M	Other [a] US$M	Total US$M
Capitalised cost				
2011				
Unproved properties	**321**	**3,143**	**116**	**3,580**
Proved properties	**10,935**	**9,248**	**4,304**	**24,487**
Total costs	**11,256**	**12,391**	**4,420**	**28,067**
Less: Accumulated depreciation, depletion, amortisation and valuation allowances	**(5,285)**	**(3,183)**	**(3,601)**	**(12,069)**
Net capitalised costs	**5,971**	**9,208**	**819**	**15,998**
2010				
Unproved properties	276	711	61	1,048
Proved properties	9,578	6,373	4,071	20,022
Total costs	9,854	7,084	4,132	21,070
Less: Accumulated depreciation, depletion, amortisation and valuation allowances	(4,608)	(2,373)	(3,237)	(10,218)
Net capitalised costs	5,246	4,711	895	10,852
2009				
Unproved properties	224	606	24	854
Proved properties	8,269	5,818	4,115	18,202
Total costs	8,493	6,424	4,139	19,056
Less: Accumulated depreciation, depletion, amortisation and valuation allowances	(4,008)	(1,216)	(3,232)	(8,456)
Net capitalised costs	4,485	5,208	907	10,600

[a] See section 2.2.2 for a description of Petroleum's activities.

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Costs incurred relating to oil and gas property acquisition, exploration and development activities

The following table shows costs incurred relating to oil and gas property acquisition, exploration and development activities (whether charged to expense or capitalised). Amounts shown include interest capitalised.

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activities and drilling of exploratory wells. Development costs were all incurred to develop booked proved undeveloped reserves.

	Australia US$M	United States US$M	Other US$M	Total US$M
2011				
Acquisitions of proved property	**–**	**2,334**	**–**	**2,334**
Acquisitions of unproved property	**30**	**2,469**	**8**	**2,507**
Exploration [(a)]	**187**	**137**	**351**	**675**
Development	**1,454**	**558**	**127**	**2,139**
Total costs [(b)]	**1,671**	**5,498**	**486**	**7,655**
2010				
Acquisitions of proved property	–	–	–	–
Acquisitions of unproved property	–	40	–	40
Exploration [(a)]	109	371	371	851
Development	1,297	525	184	2,006
Total costs [(b)]	1,406	936	555	2,897
2009				
Acquisitions of proved property	–	–	–	–
Acquisitions of unproved property	–	60	–	60
Exploration [(a)]	86	183	219	488
Development	1,153	807	115	2,075
Total costs [(b)]	1,239	1,050	334	2,623

(a) Represents gross exploration expenditure.
(b) Total costs include US$7,095 million (2010: US$2,260 million; 2009: US$2,223 million) capitalised during the year.

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Results of operations from oil and gas producing activities

The following information is similar to the disclosures in note 2 to the financial statements 'Segment reporting' but differs in several respects as to the level of detail and geographic information. Amounts shown in the following table exclude financial income, financial expenses, and general corporate overheads.

Income taxes were determined by applying the applicable statutory rates to pre-tax income with adjustments for permanent differences and tax credits. Certain allocations of tax provisions among geographic areas were necessary and are based on management's assessment of the principal factors giving rise to the tax obligation.

Revenues include sales to affiliates but amounts are not significant.

	Australia US$M	United States US$M	Other US$M	Total US$M
2011				
Oil and gas revenue	**6,370**	**2,938**	**1,302**	**10,610**
Production costs	**(590)**	**(353)**	**(231)**	**(1,174)**
Exploration expenses	**(159)**	**(104)**	**(296)**	**(559)**
Depreciation, depletion and amortisation	**(851)**	**(893)**	**(230)**	**(1,974)**
Production taxes [a]	**(332)**	**–**	**(38)**	**(370)**
	4,438	**1,588**	**507**	**6,533**
Income taxes	**(1,068)**	**(566)**	**(452)**	**(2,086)**
Royalty related taxes [b]	**(734)**	**–**	**(9)**	**(743)**
Results of oil and gas producing activities [c]	**2,636**	**1,022**	**46**	**3,704**
2010				
Oil and gas revenue	4,321	3,177	1,198	8,696
Production costs	(586)	(275)	(216)	(1,077)
Exploration expenses	(60)	(248)	(329)	(637)
Depreciation, depletion and amortisation	(597)	(1,179)	(212)	(1,988)
Production taxes [a]	(264)	–	(8)	(272)
	2,814	1,475	433	4,722
Income taxes	(815)	(516)	(326)	(1,657)
Royalty related taxes [b]	(397)	–	14	(383)
Results of oil and gas producing activities [c]	1,602	959	121	2,682
2009				
Oil and gas revenue	4,337	1,439	1,243	7,019
Production costs	(376)	(172)	(206)	(754)
Exploration expenses	(55)	(123)	(222)	(400)
Depreciation, depletion and amortisation	(553)	(560)	(248)	(1,361)
Production taxes [a]	(293)	–	(9)	(302)
	3,060	584	558	4,202
Income taxes	(928)	(214)	(347)	(1,489)
Royalty related taxes [b]	(470)	–	(11)	(481)
Results of oil and gas producing activities [c]	1,662	370	200	2,232

[a] Includes royalties and excise duty.
[b] Includes petroleum resource rent tax and petroleum revenue tax where applicable.
[c] Amounts shown exclude financial income, financial expenses and general corporate overheads and, accordingly, do not represent all of the operations attributable to the Petroleum segment presented in note 2 to the financial statements. There are no non-controlling equity interests.

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Standardised measure of discounted future net cash flows relating to proved oil and gas reserves (Standardised measure)

The purpose of this disclosure is to provide data with respect to the estimated future net cash flows from future production of proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas.

The Standardised measure is based on the Group's estimated proved reserves, (as presented in section 2.14.1 'Petroleum Reserves') and this data should be read in conjunction with that disclosure, which is hereby incorporated by reference into this section. The Standardised measure is prepared on a basis which presumes that year-end economic and operating conditions will continue over the periods in which year end proved reserves would be produced. The effects of future inflation, future changes in exchange rates, expected future changes in technology, taxes, operating practices and any regulatory changes have not been included.

The Standardised measure is prepared by projecting the estimated future annual production of proved reserves owned at period end and pricing that future production to derive future cash inflows. Estimates of future cash flows for 2011 and 2010 are computed using the average first-day-of-the-month price during the 12-month period for 2011 and 2010 respectively and using the year-end prices for 2009. Future price increases for all periods presented are considered only to the extent that they are provided by fixed and determinable contractual arrangements in effect at year end and are not dependent upon future inflation or exchange rate changes.

Future cash inflows for all periods presented are then reduced by future costs of producing and developing the year-end proved reserves based on costs in effect at year end without regard to future inflation or changes in technology or operating practices. Future development costs include the costs of drilling and equipping development wells and construction of platforms and production facilities to gain access to proved reserves owned at year end. They also include future costs, net of residual salvage value, associated with the abandonment of wells, dismantling of production platforms and rehabilitation of drilling sites. Future cash inflows are further reduced by future income taxes based on tax rates in effect at year end and after considering the future deductions and credits applicable to proved properties owned at year end. The resultant annual future net cash flows (after deductions of operating costs including resource rent taxes, development costs and income taxes) are discounted at 10 per cent per annum to derive the Standardised measure.

There are many important variables, assumptions and imprecisions inherent in developing the Standardised measure, the most important of which are the level of proved reserves and the rate of production thereof. The Standardised measure is not an estimate of the fair market value of the BHP Billiton Group's oil and gas reserves. An estimate of fair value would also take into account, among other things, the expected recovery of reserves in excess of proved reserves, anticipated future changes in prices, costs and exchange rates, anticipated future changes in secondary tax and income tax rates and alternative discount factors representing the time value of money and adjustments for risks inherent in producing oil and gas.

	Australia US$M	United States US$M	Other US$M	Total US$M
Standardised measure				
2011				
Future cash inflows	**51,067**	**35,004**	**6,109**	**92,180**
Future production costs	**(18,143)**	**(8,757)**	**(1,247)**	**(28,147)**
Future development costs	**(8,935)**	**(6,909)**	**(530)**	**(16,374)**
Future income taxes	**(5,481)**	**(4,699)**	**(2,121)**	**(12,301)**
Future net cash flows	**18,508**	**14,639**	**2,211**	**35,358**
Discount at 10 per cent per annum	**(7,955)**	**(6,937)**	**(546)**	**(15,438)**
Standardised measure	**10,553**	**7,702**	**1,665**	**19,920**
2010				
Future cash inflows	41,544	19,792	5,810	67,146
Future production costs	(15,618)	(3,060)	(1,336)	(20,014)
Future development costs	(6,933)	(3,733)	(607)	(11,273)
Future income taxes	(4,502)	(3,888)	(1,852)	(10,242)
Future net cash flows	14,491	9,111	2,015	25,617
Discount at 10 per cent per annum	(6,092)	(3,560)	(538)	(10,190)
Standardised measure	8,399	5,551	1,477	15,427
2009				
Future cash inflows	36,016	13,463	6,354	55,833
Future production costs	(14,198)	(1,778)	(1,340)	(17,316)
Future development costs	(7,699)	(2,053)	(672)	(10,424)
Future income taxes	(3,314)	(2,647)	(1,989)	(7,950)
Future net cash flows	10,805	6,985	2,353	20,143
Discount at 10 per cent per annum	(4,877)	(2,619)	(642)	(8,138)
Standardised measure	5,928	4,366	1,711	12,005

Standardised measure of discounted future net cash flows relating to proved oil and gas reserves (Standardised measure) continued

Changes in the Standardised measure are presented in the following table. The beginning of year and end of year totals are shown after reduction for income taxes and these, together with the changes in income tax amounts, are shown as discounted amounts (at 10 per cent per annum). All other items of change represent discounted amounts before consideration of income tax effects.

	2011 US$M	2010 US$M	2009 US$M
Changes in the Standardised measure			
Standardised measure at the beginning of the year	**15,427**	12,005	26,616
Revisions:			
Prices, net of production costs	**8,667**	4,029	(21,588)
Revisions of quantity estimates [(a)]	**2,879**	2,716	1,100
Accretion of discount	**2,233**	1,751	3,998
Changes in production timing and other [(b)]	**(3,866)**	(89)	(3,690)
	25,340	20,412	6,436
Sales of oil and gas, net of production costs	**(8,375)**	(6,964)	(5,421)
Acquisitions of reserves-in-place	**1,079**	–	–
Sales of reserves-in-place	**–**	–	–
Development costs incurred which reduced previously estimated development costs	**2,138**	2,006	2,075
Extensions, discoveries, and improved recoveries, net of future costs	**855**	1,375	1,056
Changes in future income taxes	**(1,117)**	(1,402)	7,859
Standardised measure at the end of the year	**19,920**	15,427	12,005

(a) Changes in reserves quantities are shown in the Petroleum Reserves tables in section 2.14.1.
(b) Includes the effect of foreign exchange and changes in future development costs.

Accounting for suspended exploratory well costs

Refer to Accounting Policies 'Exploration and evaluation expenditure' for a discussion of the accounting policy applied to the cost of exploratory wells. Suspended wells are also reviewed in this context.

The following tables provide the changes to capitalised exploratory well costs that were pending the determination of proved reserves for the three years ended 30 June 2011, 30 June 2010 and 30 June 2009.

	2011 US$M	2010 US$M	2009 US$M
Movement in capitalised exploratory well costs			
Balance at the beginning of the year	**482.3**	299.7	245.9
Additions to capitalised exploratory well costs pending the determination of proved reserves	**114.2**	214.8	122.4
Capitalised exploratory well costs charged to expense	**(47.1)**	1.0	(68.6)
Capitalised exploratory well costs reclassified to wells, equipment, and facilities based on the determination of proved reserves	**–**	(33.2)	–
Balance at the end of the year	**549.4**	482.3	299.7

The following table provides an ageing of capitalised exploratory well costs, based on the date the drilling was completed, and the number of projects for which exploratory well costs has been capitalised for a period greater than one year since the completion of drilling.

	2011 US$M	2010 US$M	2009 US$M
Ageing of capitalised exploratory well costs			
Exploratory well costs capitalised for a period of one year or less	**114.2**	213.0	83.0
Exploratory well costs capitalised for a period greater than one year	**435.2**	269.3	216.7
Balance at the end of the year	**549.4**	482.3	299.7

	2011	2010	2009
Number of projects that have been capitalised for a period greater than one year	**11**	8	7

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Drilling and other exploratory and development activities

The number of crude oil and natural gas wells drilled and completed for each of the last three years was as follows:

	Net Exploratory Wells			Net Development Wells			
	Productive	Dry	Total	Productive	Dry	Total	Total
Year ended 30 June 2011							
Australia	**–**	2	**2**	5	1	**6**	**8**
United States	**–**	–	**–**	21	1	**22**	**22**
Other	**–**	1	**1**	1	–	**1**	**2**
Total	**–**	**3**	**3**	**27**	**2**	**29**	**32**
Year ended 30 June 2010							
Australia	1	–	1	11	1	12	13
United States	–	1	1	1	–	1	2
Other	–	2	2	1	–	1	3
Total	1	3	4	13	1	14	18
Year ended 30 June 2009							
Australia	–	1	1	8	–	8	9
United States	–	1	1	6	1	7	8
Other	–	–	–	4	–	4	4
Total	–	2	2	18	1	19	21

The number of wells drilled refers to the number of wells completed at any time during the respective year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for production of oil or gas, or, in the case of a dry well, to reporting to the appropriate authority that the well has been abandoned.

An exploratory well is a well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. A development well is a well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

A productive well is an exploratory, development or extension well that is not a dry well. A dry well (hole) is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Oil and gas properties, wells, operations, and acreage

The following tables show the number of gross and net productive crude oil and natural gas wells and total gross and net developed and undeveloped oil and natural gas acreage as at 30 June 2011. A gross well or acre is one in which a working interest is owned, while a net well or acre exists when the sum of fractional working interests owned in gross wells or acres equals one. Productive wells are producing wells and wells mechanically capable of production. Developed acreage is comprised of leased acres that are within an area by or assignable to a productive well. Undeveloped acreage is comprised of leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil and gas, regardless of whether such acres contain proved reserves.

The number of productive crude oil and natural gas wells in which we held an interest at 30 June 2011 was as follows:

	Crude Oil Wells		Natural Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Australia	280	139	103	36	**383**	**175**
United States	51	16	3,017	693	**3,068**	**709**
Other	72	31	82	29	**154**	**60**
Total	**403**	**186**	**3,202**	**758**	**3,605**	**944**

Of the productive crude oil and natural gas wells, 34 (Net: 15) had multiple completions.

Developed and undeveloped acreage (including both leases and concessions) held at 30 June 2011 was as follows:

	Developed Acreage		Undeveloped Acreage	
Thousands of acres	Gross	Net	Gross	Net
Australia	2,093	840	4,788	2,325
United States	698	291	2,099	1,292
Other [(a)]	435	182	48,861	27,203
Total [(b)]	**3,226**	**1,313**	**55,748**	**30,820**

(a) Primarily consists of acreage in South Africa, Colombia, Philippines, Malaysia, Vietnam and India.
(b) Approximately 9,618,769 gross acres (6,165,000 net acres) will expire in 2012, 725,000 gross acres (304,000 net acres) will expire in 2013 and 22,510,000 gross acres (12,241,000 net acres) will expire in 2014.

10 Glossary

10.1 Non-mining terms

A$
Australian dollars being the currency of the Commonwealth of Australia.

American Depositary Receipt (ADR)
Instruments that trade on the NYSE.

American Depositary Share (ADS)
An American Depositary Share is a share issued under a deposit agreement that has been created to permit US-resident investors to hold shares in non-US companies and trade them on the stock exchanges in the US. One ADS is equal to two BHP Billiton Limited or BHP Billiton Plc ordinary shares. ADSs are evidenced by American Depositary Receipts, or ADRs, which are the instruments that trade on the NYSE.

All Publishers Index (API)
Thermal coal price index as published by Argus Media and IHS McCloskey for:

Northwestern Europe – CIF Amsterdam–Rotterdam–Antwerp (API 2);

South Africa – FOB Richard's Bay (API 4);

Australia – FOB Newcastle (API 6).

BHP Billiton
Being both companies in the dual listed company structure, BHP Billiton Limited and BHP Billiton Plc.

BHP Billiton Limited share
A fully paid ordinary share in the capital of BHP Billiton Limited.

BHP Billiton Limited shareholders
The holders of BHP Billiton Limited shares.

BHP Billiton Limited special voting share
A single voting share issued to facilitate joint voting by shareholders of BHP Billiton Limited on Joint Electorate Actions.

BHP Billiton Plc equalisation share
A share that has been authorised to be issued to enable a distribution to be made by BHP Billiton Plc Group to the BHP Billiton Limited Group should this be required under the terms of the DLC merger.

BHP Billiton Plc 5.5 per cent preference share
Shares that have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority of any other class of shares in BHP Billiton Plc on a return of capital or winding up.

BHP Billiton Plc share
A fully paid ordinary share in the capital of BHP Billiton Plc.

BHP Billiton Plc shareholders
The holders of BHP Billiton Plc shares.

BHP Billiton Plc special voting share
A single voting share issued to facilitate joint voting by shareholders of BHP Billiton Plc on Joint Electorate Actions.

Board
The Board of Directors of BHP Billiton.

CEO
Chief Executive Officer.

Cost and freight (CFR) (... named port of destination)
The seller must pay the costs and freight necessary to bring the goods to the named port of destination, but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. The CFR term requires the seller to clear the goods for shipment.

Co-Investment Plan (CIP)
Legacy employee share scheme.

Community investment
Contributions made to support communities in which we operate. Our contributions to community programs comprise cash, in-kind support and administration costs. Our targeted level of contribution is one per cent of pre-tax profit calculated on the average of the previous three years' pre-tax profit.

Customer Sector Group (CSG)
A product based global business unit.

CY20XX
Refers to the calendar year ending 31 December 20XX, where XX is the two-digit number of the year.

Deferred share
A nil-priced option or a conditional right to acquire a share issued under the rules of the GIS.

Dividend Record Date
The date, determined by a company's board of directors, by when an investor must be recorded as an owner of shares in order to qualify for a forthcoming dividend.

DLC merger
The Dual Listed Company merger between BHP Billiton Limited and BHP Billiton Plc on 29 June 2001.

DLC structure
The corporate structure resulting from the DLC merger.

Employee Share Plan (ESP)
A legacy employee share plan that commenced under the jurisdiction of BHP Limited prior to the formation of BHP Billiton.

Extractive Industries Transparency Initiative (EITI)
An international initiative dedicated to the enhancement of transparency around the payments of taxes and royalties derived from resource development.

Expected value
Expected value of a share incentive – the average outcome weighted by probability. This measure takes into account the difficulty of achieving performance conditions and the correlation between these and share price appreciation. The valuation methodology also takes into account factors such as volatility, forfeiture risk, etc.

Free prior and informed consent (FPIC)
A principle requiring that individuals and communities should be informed – in appropriate, accessible language, – about projects that might take place on their land. It also guarantees that they are given the opportunity to give or withhold their consent to a project before it commences.

Free on board (FOB) (... named port of shipment)
The seller delivers when the goods pass the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport.

FY20XX
Refers to the financial year ending 30 June 20XX, where XX is the two-digit number for the year.

GAAP
Generally accepted accounting principles.

Gearing
Gearing is defined as the ratio of net debt to net debt plus net assets.

Group
BHP Billiton Limited, BHP Billiton Plc and their subsidiaries.

Group Incentive Scheme (GIS)
Current employee share scheme.

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10.1 Non-mining terms continued

Group Level Document (GLD)
The documents that give effect to the mandatory requirements arising from the BHP Billiton Operating Model. They articulate the scope and mandate of the Group Functions as approved by the GMC. They describe the mandatory minimum performance requirements and accountabilities for definitive business processes, functions and activities across BHP Billiton.

Greenhouse Gas (GHG) intensity indices
The GHG intensity indices are determined by dividing the annual greenhouse gas emissions OR energy use by the annual units of production for individual assets, then aggregating the results for the Group.

International Financial Reporting Standards (IFRS)
Accounting standards as issued by the International Accounting Standards Board.

JV
Joint venture.

Key Management Personnel (KMP)
Persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly (including Executive Directors), and Non-executive Directors.

Key Performance Indicator (KPI)
Used to measure the performance of the Group, individual businesses and executives in any one year.

London Metal Exchange (LME)
London Metal Exchange – A London exchange which trades metals (e.g. lead, zinc, aluminium and nickel) in forward and option markets.

Long Term Incentive Plan (LTIP)
Current employee share scheme.

Major capital projects
Capital projects in the Feasibility or Execution phase where our share of capital expenditure to project completion is greater than US$250 million.

Market value
The market value based on closing prices, or, in instances when an executive exercises and sells shares, the actual sale price achieved.

New York Mercantile Exchange (NYMEX)
A New York physical futures exchange which trades energy commodities (i.e. crude oil and natural gas) and precious metals in futures and options markets.

Occupational exposure limit (OEL)
The concentration of a substance or agent, exposure to which, according to current knowledge, should not cause adverse health effects nor cause undue discomfort to nearly all workers.

Occupational illness
An occupational illness is an illness that occurs as a consequence of work-related activities or exposure. It includes acute or chronic illnesses or diseases, which may be caused by inhalation, absorption, ingestion or direct contact.

Option
A right to acquire a share on payment of an exercise price issued under the rules of the GIS.

Performance share
A nil-priced option or a conditional right to acquire a share, subject to a Performance Hurdle, issued under the rules of the LTIP.

Performance share plan (PSP)
An employee share plan that commenced under the jurisdiction of BHP Limited or Billiton Plc and prior to the formation of BHP Billiton. Legacy share scheme.

Project investment
Total budgeted capital expenditure on growth projects under development at year-end. Refer to section 3.7.2 Growth projects, for a full listing of these growth projects.

Quality of life indicators
Measures of people's overall well-being including material well-being (standard of living) and non-material components such as the quality of the environment, national security, personal safety, and political and economic freedoms.

Quoted
In the context of American Depositary Shares (ADS) and listed investments, the term 'quoted' means 'traded' on the relevant exchange.

Resource Endowment initiative (REi)
An initiative of the ICMM to enhance industry's socio-economic contribution to the countries and communities where organisations such as BHP Billiton operate, by better understanding the factors that either inhibit or promote social and economic development linked to large-scale mining projects.

Restricted Share Scheme (RSS)
Legacy employee share scheme.

Return on capital employed (ROCE)
Return on capital employed is calculated as earnings from operations, excluding exceptional items and net finance costs (after tax), divided by average capital employed. Average capital employed is calculated as net assets less net debt.

Shareplus
All employee share purchase plan.

Significant environmental incident
A significant environmental incident is an occurrence that has resulted in or had the potential to cause significant environmental harm. Our definition of 'significant' is conservative to ensure all learnings are captured from relevant HSEC incidents. Such an incident is rated at level 3 or above on the BHP Billiton HSEC Consequence Severity Table which may be viewed at our website, *www.bhpbilliton.com*.

SME reg'd member
Registered member of the Society of Mining, Metallurgy and Exploration.

STRATE
Share Transactions Totally Electronic is a South African electronic settlement and depository system for dematerialised equities.

Total recordable injuries frequency (TRIF)
The sum of (fatalities + lost-time cases + restricted work cases + medical treatment cases) x 1,000,000 ÷ actual hours worked. Stated in units of per million hours worked.

Total shareholder return (TSR)
The change in share price plus dividends.

Underlying EBIT margin
Calculated as Underlying EBIT (as defined in section 3.3), excluding third party EBIT, divided by revenue net of third party product revenue.

US$
The Group's reporting currency and the functional currency of the majority of its operations is the US dollar as this is assessed to be the principal currency of the economic environments in which they operate.

West Texas Intermediate (WTI)
A crude stream produced in Texas and southern Oklahoma which serves as a reference or 'marker' for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma.

10.2 Mining and mining-related terms

2D
Two dimensional.

3D
Three dimensional.

Alumina
Aluminium oxide (Al_2O_3). Alumina is produced from bauxite in the refining process. Alumina is then converted (reduced) in an electrolysis cell to produce aluminium metal.

Ash
Inorganic material remaining after combustion.

Bauxite
Chief ore of aluminium.

Beneficiation
The process of separating ore from gangue prior to subsequent processing of the beneficiated ore.

Bio-leaching
Use of naturally occurring bacteria, to leach a metal from ore; for example, copper, zinc, uranium, nickel and cobalt from a sulphide mineral.

Brownfield
An exploration or development project located within an existing mineral province which can share infrastructure and management with an existing operation.

Coal Reserves
The same meaning as Ore Reserves, but specifically concerning coal.

Coking coal
By virtue of its carbonisation properties, is used in the manufacture of coke, which is used in the steelmaking process. Coking coal may also be referred to as metallurgical coal.

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

Copper cathode
Electrolytically refined copper that has been deposited on the cathode of an electrolytic bath of acidified copper sulphate solution. The refined copper may also be produced through leaching and electrowinning.

Crude oil
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.

Cut-off grade
A nominated grade above which is defined some mineral aspect of the reserve or resource. For example, the lowest grade of mineralised material that qualifies as economic for estimating an Ore Reserve.

ECSA
Engineering Council of South Africa.

Electrowinning/electrowon
An electrochemical process in which metal is recovered by dissolving a metal within an electrolyte and plating it onto an electrode.

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

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

FAusIMM
Fellow of the Australasian Institute of Mining and Metallurgy.

Flotation
A method of selectively recovering minerals from finely ground ore using a froth created in water by specific reagents. In the flotation process, certain mineral particles are induced to float by becoming attached to bubbles of froth and the unwanted mineral particles sink.

Grade
The relative quantity, or the percentage, of metal or mineral content in an orebody.

Greenfield
The development or exploration located outside the area of influence of existing mine operations/infrastructure.

Head grade
The average grade of ore delivered to a process for mineral extraction.

Heap leach(ing)
A process used for the recovery of metals such as copper, nickel, uranium and gold from low-grade ores. The crushed material is laid on a slightly sloping, impermeable pad and leached by uniformly trickling (gravity fed) a chemical solution through the beds to ponds. The metals are recovered from the solution.

Ilmenite
The principle ore of titanium composed of iron, titanium and oxygen ($FeTiO_3$).

Indicated Resource
That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.

Inferred Resource
That part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence.

Kriging
A geostatistical method of estimating mine reserves based on a mathematical function known as a semivariogram.

Leaching
The process by which a soluble metal can be economically recovered from minerals in ore by dissolution.

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

Liquefied petroleum gas (LPG)
Consists of propane and butane and a small amount (less than two per cent) of ethane that has been liquefied through pressurisation. One tonne of LPG is approximately equivalent to 11.6 barrels.

MAIG
Member of the Australian Institute of Geoscientists.

MAusIMM
Member of the Australasian Institute of Mining and Metallurgy.

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.

Metallurgical coal
A broader term than coking coal, which includes all coals used in steelmaking, such as coal used for the pulverised coal injection process.

Measured Resource
That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.

NAPEGG
Northwest Territories Association of Professional Geologists and Geoscientists.

Natural Gas Liquids (NGL)
Natural Gas Liquids, which include Propane, Butane and Ethane.

Mineralisation
Any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest.

Open-cut/open-pit (OC/OP)
Surface working in which the working area is kept open to the sky.

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

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10.2 Mining and mining-related terms continued

Probable Ore Reserves
The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified (JORC 2004).

Proved oil and gas reserves
Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain.

Proved Ore Reserves
The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified (JORC 2004).

Reserve life
Current stated ore reserves divided by the current approved nominated production rate as at the end of the financial year.

Run of mine product (ROM)
Product mined in the course of regular mining activities.

Rutile
It is an ore of titanium composed of titanium and oxygen (TiO_2).

SACNASP
South African Council for Natural Scientific Professions.

Solvent extraction
A method of separating one or more metals from a leach solution by treating with a solvent that will extract the required metal, leaving the others. The metal is recovered from the solvent by further treatment.

Spud
Commence drilling of an oil or gas well.

Stockpile (SP)
An accumulation of ore or mineral built up when demand slackens or when the treatment plant or beneficiation equipment is incomplete or temporarily unable to process the mine output; any heap of material formed to create a buffer for loading or other purposes or material dug and piled for future use.

Tailing
Those portions of washed or milled ore that are too poor to be treated further or remain after the required metals and minerals have been extracted.

Titanium Slag
85 per cent TiO_2 smelter product.

Total Coal Reserves
Run of mine reserves as outputs from the mining activities.

Total Marketable Reserves
Product reserves as outputs from processing plant which includes sizing and beneficiation.

Total Ore Reserves
Proved Ore Reserves plus Probable Ore Reserves.

Total Resource
Is the Sum of Inferred, Indicated and Measured Resource.

Underground (UG)
Natural or man-made excavation under the surface of the Earth.

Zircon
It is the chief ore of zirconium composed of zirconium, silicon and oxygen ($ZrSiO_4$).

10.3 Chemical terms

$A.Al_2O_3$
Available alumina

Ag
silver

Al_2O_3
alumina

Anth
anthracite

Au
gold

cpt
carats per tonne

Cu
copper

CV
calorific value

Fe
iron

Fe_2O_3
iron oxide

insols
insolubles

K_2O
potassium oxide

LOI
Loss on ignition refers to loss of mass (dry basis) during the assaying process.

Met
metallurgical coal

MgO
magnesium oxide

Mn
manganese

Mo
molybdenum

Ni
nickel

Pb
lead

P
phosphorous

Pc
phosphorous in concentrate

$R.SiO_2$
reactive silica

S
sulphur

SCu
soluble copper

SiO_2
silica

TCu
total copper

Th
thermal coal

TiO_2
titanium oxide

U_3O_8
uranium oxide

VM
volatile matter

Zn
zinc

10.4 Units of measure

bbl/d
Barrels per day

boe
Barrel oil equivalent

dmt
Dry metric tonne

dmtu
Dry metric tonne unit

g/t
Grams per tonne

ha
Hectare

kcal/kg
Kilocalories per kilogram

kg/tonne or kg/t
Kilograms per tonne

km
Kilometre

kV
Kilovolt

kt
Kilotonne

kdwt
Thousand deadweight tonnes

m
Metre

Ml
Megalitre

Mt
Millions of tonnes

mm
Millimetre

MMboe
Million barrels oil equivalent

MMBtu
Million British Thermal Units

MMcf/d
Million cubic feet per day

Mbbl/d
Thousand barrels per day

MMbbl/d
Million barrels per day

MMcm/d
Million cubic metres per day

mtpa
Million tonnes per annum

MW
Megawatt

psi
Pounds per square inch

scf
Standard cubic feet

TJ
Terajoule

TJ/d
Terajoules per day

tpa
Tonnes per annum

tpd
Tonnes per day

tph
Tonnes per hour

wmt
Wet metric tonnes

11 Shareholder information

11.1 Markets

BHP Billiton Limited has a primary listing on the Australian Securities Exchange (ASX) in Australia and BHP Billiton Plc has a premium listing on the UK Listing Authority's Official List and its ordinary shares are admitted to trading on the London Stock Exchange (LSE). BHP Billiton Plc also has a secondary listing on the Johannesburg Stock Exchange (JSE) in South Africa.

In addition, BHP Billiton Limited and BHP Billiton Plc are listed on the New York Stock Exchange (NYSE) in the US. Trading on the NYSE is via American Depositary Shares (ADSs), each representing two ordinary shares evidenced by American Depositary Receipts (ADRs). Citibank N.A. is the Depositary for both ADR programs. BHP Billiton Limited's ADSs have been listed for trading on the NYSE (ticker BHP) since 28 May 1987 and BHP Billiton Plc's since 25 June 2003 (ticker BBL).

11.2 Share ownership

Share capital

The details of the share capital for both BHP Billiton Limited and BHP Billiton Plc are presented in note 19 'Share capital' in the financial statements.

Major shareholders

The tables in sections 7.20 and 7.21 of this Annual Report present information pertaining to the shares held by Directors and members of the Group Management Committee (GMC) in BHP Billiton Limited and BHP Billiton Plc.

Neither BHP Billiton Limited nor BHP Billiton Plc is directly or indirectly controlled by another corporation or by any government. Other than as described in section 2.10.2, no major shareholder possesses voting rights that differ from those attaching to all of BHP Billiton Limited's voting securities.

BHP Billiton Limited

The tables in sections 7.20 and 7.21 of this Annual Report show the holdings for Directors and members of the GMC of BHP Billiton Limited, as a group, of BHP Billiton Limited's voting securities. No person beneficially owned more than five per cent of BHP Billiton Limited's voting securities. The following table shows holdings of five per cent or more of voting rights in BHP Billiton Limited's shares as notified to BHP Billiton Limited under the Corporations Act 2001, Section 671B.

Title of class	Identity of person or group	Date of notice received	Date of change	Number owned	Percentage of total voting rights [2]		
					2011	2010	2009
Ordinary shares	BlackRock Investment Management (Australia) Limited [1]	4 January 2010	2 December 2009	183,990,864	5.73%	5.48%	–

(1) On 2 December 2009, the Barclays Global Investors business was acquired by BlackRock Investment Management (Australia) Limited. The combined holdings of BlackRock Investment Management (Australia) Limited following this acquisition triggered this disclosure.
(2) The percentage quoted are based on the total voting rights of BHP Billiton Limited as at the date of the Annual Report each year of 3,211,691,105 (2011) and 3,358,359,496 (2010).

BHP Billiton Plc

The following table shows holdings of three per cent or more of voting rights in BHP Billiton Plc's shares as notified to BHP Billiton Plc under the UK Disclosure and Transparency Rule 5. [1]

Title of class	Identity of person or group	Date of last notice		Number owned	Percentage of total voting rights [2]		
		Date received	Date of change		2011	2010	2009
Ordinary shares	Legal & General Group Plc [3]	17 February 2010	16 February 2010	88,103,187	4.17%	3.99%	4.54%
Ordinary shares	BlackRock, Inc. [4]	3 December 2009	1 December 2009	213,014,043	10.08%	9.65%	–

(1) There has been no change in the holdings of three per cent or more of the voting rights in BHP Billiton Plc's shares notified to BHP Billiton Plc as at the date of this Report.
(2) The percentages quoted are based on the total voting rights of BHP Billiton Plc as at the date of the Annual Report each year of 2,112,071,796 (2011), 2,207,007,544 (2010) and 2,207,007,544 (2009) respectively. The percentages for 2011 take into account the buyback of BHP Billiton Plc shares completed since the notifications were made.
(3) The notification received from Legal & General Group Plc was a group disclosure covering the interests of Legal & General Group Plc and its subsidiaries.
(4) On 1 December 2009, the Barclays Global Investors business was acquired by BlackRock, Inc. The combined holdings of BlackRock, Inc following this acquisition triggered this disclosure.

The following table shows holdings of Directors and members of the GMC of BHP Billiton Plc who were in office as at 30 June 2011, as a group, of BHP Billiton Plc's voting securities as at that date. [1]

Title of class	Identity of person or group	Number owned	Percentage of total voting rights at 30 June 2011 [2]
Ordinary shares	Directors and Executives as a group	840,652	0.04%

(1) As at the date of this Report, the Directors and members of the GMC who were in office at 30 June 2011 held 0.05 per cent of the total voting rights of BHP Billiton Plc (Number owned: 1,049,221).
(2) The percentages quoted are based on the total voting rights of BHP Billiton Plc of 2,114,253,533 (at 30 June 2011) and 2,112,071,796 at the date of this Report.

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11.2 Share ownership continued

Twenty largest shareholders as at 26 August 2011 (as named on the Register of Shareholders)

BHP Billiton Limited	Number of fully paid shares	% of issued capital
1. HSBC Australia Nominees Pty Ltd	557,639,660	17.36
2. J P Morgan Nominees Australia Limited	367,083,966	11.43
3. National Nominees Ltd	322,837,804	10.05
4. Citicorp Nominees Pty Limited <BHP Billiton ADR Holders A/C>	211,082,608	6.57
5. Citicorp Nominees Pty Limited	134,103,375	4.18
6. Australian Mutual Provident Society	78,570,157	2.45
7. J P Morgan Nominees Australia Limited <Cash Income A/C>	59,699,015	1.86
8. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	21,495,590	0.67
9. Potter Warburg Nominees Pty Ltd	15,296,927	0.48
10. Australian Foundation Investment Company Limited	14,257,441	0.44
11. Queensland Investment Corporation	11,396,183	0.35
12. Perpetual Trustee Australia Group	9,425,426	0.29
13. Australian Reward Investment Alliance	9,020,225	0.28
14. ARGO Investments Limited	7,813,209	0.24
15. RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	7,742,455	0.24
16. Bond Street Custodians Limited	7,483,839	0.23
17. RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	6,531,782	0.20
18. UBS Nominees Pty Ltd	5,073,010	0.16
19. INVIA Custodian Pty Limited	4,731,057	0.15
20. Computershare Nominees CI Ltd <ASX Shareplus Control A/C>	4,726,717	0.15
	1,856,010,446	**57.78**

BHP Billiton Plc	Number of fully paid shares	% of issued capital
1. PLC Nominees (Proprietary) Limited	421,314,153	19.72
2. GEPF Equity	84,777,543	3.97
3. State Street Nominees Limited < OM02>	75,724,298	3.54
4. Chase Nominees Limited <LEND>	72,729,606	3.40
5. National City Nominees Limited	61,844,575	2.90
6. Chase Nominees Limited	61,096,900	2.86
7. Nortrust Nominees Limited	53,287,271	2.49
8. HSBC Global Custody Nominee (UK) Limited <357206>	51,073,913	2.39
9. The Bank of New York (Nominees) Limited	39,211,464	1.84
10. BNY Mellon Nominees Limited <BSDTGUSD>	39,058,277	1.83
11. Nutraco Nominees Limited <781221>	36,800,000	1.72
12 Nortrust Nominees Limited <SLEND>	35,994,595	1.68
13. Vidacos Nominees Limited <CLRLUX2>	35,514,442	1.66
14. Lynchwood Nominees Limited <2006420>	34,565,090	1.62
15. State Street Nominees Limited <OM04>	34,383,999	1.61
16. Industrial Development Corporation	33,804,582	1.58
17. State Street Nominees Limited <OD64>	33,673,463	1.58
18. Vidacos Nominees Limited <FGN>	25,979,661	1.22
19. Chase Nominees Limited <BGILIFEL>	23,910,630	1.12
20. State Street Nominees Limited <6H1E>	18,306,000	0.86
	1,273,050,462	**59.59**

11.2 Share ownership continued

US share ownership as at 30 June 2011

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers	% of issued capital	Shareholders Numbers	%	Shares Numbers	% of issued capital
Classification of holder								
Registered holders of voting securities	1,879	0.32	5,592,195	0.17	71	0.35	208,255	0.01
ADR holders	1,168	0.20	206,187,970 [(a)]	6.42	171	0.84	62,259,902 [(b)]	2.91

[(a)] These shares translate to 103,093,985 ADRs.
[(b)] These shares translate to 31,129,951 ADRs.

Distribution of shareholders and shareholdings as at 26 August 2011

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Registered address								
Australia	574,229	96.11	3,141,088,437	97.80	253	1.23	1,160,582	0.05
New Zealand	14,236	2.38	38,432,854	1.20	32	0.15	107,250	0.01
United Kingdom	3,383	0.57	10,963,904	0.34	17,888	86.99	1,680,002,743	78.64
United States	1,867	0.31	5,493,051	0.17	68	0.33	165,261	0.01
South Africa	121	0.02	220,481	0.01	1,367	6.65	436,372,576	20.43
Other	3,622	0.61	15,492,378	0.48	956	4.65	18,377,042	0.86
Total	597,458	100.00	3,211,691,105	100.00	20,564	100.00	2,136,185,454	100.00

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers [(a)]	%	Shareholders Numbers	%	Shares Numbers	%
Size of holding								
1 – 500 [(b)]	267,118	44.71	60,994,963	1.90	10,791	52.48	2,737,804	0.13
501 – 1,000	113,931	19.07	88,334,332	2.75	4,270	20.76	3,175,107	0.15
1,001 – 5,000	167,404	28.02	376,705,139	11.73	3,439	16.72	7,098,410	0.33
5,001 – 10,000	28,137	4.70	198,905,703	6.19	461	2.24	3,255,880	0.15
10,001 – 25,000	15,452	2.59	232,539,570	7.24	377	1.83	6,046,164	0.28
25,001 – 50,000	3,444	0.58	117,670,365	3.66	224	1.09	8,138,452	0.38
50,001 – 100,000	1,265	0.21	86,605,095	2.70	246	1.20	17,704,552	0.83
100,001 – 250,000	497	0.08	72,035,148	2.24	264	1.28	43,028,762	2.01
250,001 – 500,000	114	0.02	39,621,594	1.23	172	0.84	62,374,367	2.92
500,001 – 1,000,000	38	0.01	24,529,965	0.76	106	0.52	75,080,870	3.52
1,000,001 and over	58	0.01	1,913,749,231	59.60	214	1.04	1,907,545,086	89.30
Total	597,458	100.00	3,211,691,105	100.00	20,564	100.00	2,136,185,454	100.00

[(a)] One share entitles the holder to one vote.
[(b)] Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A$500) based on the market price of A$38.64 as at 26 August 2011 was 4,061.

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Classification of holder								
Corporate	133,906	22.41	2,205,096,399	68.66	10,972	53.36	2,122,564,541	99.36
Private	463,552	77.59	1,006,594,706	31.34	9,592	46.64	13,620,913	0.64
Total	597,458	100.00	3,211,691,105	100.00	20,564	100.00	2,136,185,454	100.00

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11.3 Dividends

Policy

We have a progressive dividend policy that seeks to steadily increase or at least to maintain the dividend in US dollars at each half yearly payment.

We declare our dividends and other distributions in US dollars as it is our main functional currency. BHP Billiton Limited pays its dividends in Australian dollars, UK pounds sterling, New Zealand dollars or US dollars, depending on the country of residence of the shareholder. BHP Billiton Plc pays its dividends in UK pounds sterling to shareholders registered on its principal register in the UK and in South African rand to shareholders registered on its branch register in South Africa. If shareholders on the UK register wish to receive dividends in US dollars they must complete an appropriate election form and return it to the BHP Billiton Share Registrar no later than close of business on the Dividend Record Date.

Payments

BHP Billiton Limited shareholders may have their cash dividends paid directly into a nominated bank, building society or credit union, depending on the shareholder's country of residence as shown below.

Country where shareholder is resident	Financial institution
Australia	Bank, building society, credit union
UK	Bank, building society
New Zealand	Bank
US	Bank

Shareholders from the abovementioned locations who do not provide their direct credit details and shareholders with registered addresses outside Australia, UK, New Zealand and US will receive dividend payments by way of a cheque in Australian dollars.

BHP Billiton Plc shareholders may have their cash dividends paid directly into a bank or building society by completing a dividend mandate form which is available from the BHP Billiton Share Registrar in the UK or South Africa.

11.4 Share price information

The following tables show the share prices for the period indicated for ordinary shares and ADSs for each of BHP Billiton Limited and BHP Billiton Plc. The share prices are the highest and lowest closing market quotations for ordinary shares reported on the Daily Official List of the Australian and London Stock Exchanges respectively, and the highest and lowest closing prices for ADSs quoted on the NYSE, adjusted to reflect stock dividends.

BHP Billiton Limited

BHP Billiton Limited		Ordinary shares High A$	Ordinary shares Low A$	American Depositary Shares[1] High US$	American Depositary Shares[1] Low US$
FY2006		32.00	18.09	49.21	27.35
FY2007		35.38	23.86	60.39	36.19
FY2008		49.55	31.00	95.00	52.27
FY2009		44.40	21.10	82.86	24.62
FY2010	First quarter	39.59	32.14	68.89	49.54
	Second quarter	43.12	36.20	77.90	62.63
	Third quarter	44.47	39.20	81.80	67.90
	Fourth quarter	44.63	36.28	82.86	58.44
FY2011	First quarter	41.55	36.98	76.97	62.42
	Second quarter	46.47	39.46	92.92	76.38
	Third quarter	47.36	42.97	96.02	84.88
	Fourth quarter	49.55	41.36	102.68	88.38

BHP Billiton Limited	Ordinary shares High A$	Ordinary shares Low A$	American Depositary Shares[1] High US$	American Depositary Shares[1] Low US$
Month of January 2011	46.05	44.25	92.91	87.20
Month of February 2011	47.36	44.62	95.69	91.45
Month of March 2011	47.25	42.97	96.02	84.88
Month of April 2011	49.55	45.83	102.68	96.84
Month of May 2011	46.15	42.97	100.16	90.55
Month of June 2011	44.53	41.36	94.63	88.38
Month of July 2011	44.95	41.42	96.80	89.65
Month of August 2011	42.30	36.60	90.72	71.88

(1) Each ADS represents the right to receive two BHP Billiton Limited ordinary shares.

The total market capitalisation of BHP Billiton Limited at 30 June 2011 was A$140.6 billion (US$150.6 billion equivalent), which represented approximately 9.52 per cent of the total market capitalisation of all companies listed on the ASX. The closing price for BHP Billiton Limited ordinary shares on the ASX on that date was A$43.80.

11.4 Share price information continued

BHP Billiton Plc

BHP Billiton Plc		Ordinary shares High UK pence	Ordinary shares Low UK pence	American Depositary Shares[1] High US$	American Depositary Shares[1] Low US$
FY2006		1,211.50	722.00	45.50	25.90
FY2007		1,390.00	853.00	56.40	33.20
FY2008		2,196.00	1,183.00	85.62	47.83
FY2009		1,841.00	752.50	74.18	21.16
FY2010	First quarter	1,766.00	1,287.50	58.69	41.88
	Second quarter	2,012.50	1,627.00	64.66	51.93
	Third quarter	2,268.50	1,824.50	68.88	57.26
	Fourth quarter	2,334.50	1,735.00	70.95	49.45
FY2011	First quarter	2,038.50	1,684.50	64.61	51.61
	Second quarter	2,616.00	2,026.50	80.91	64.18
	Third quarter	2,561.00	2,213.50	82.38	70.53
	Fourth quarter	2,631.50	2,244.00	85.47	72.95

BHP Billiton Plc	Ordinary shares High UK pence	Ordinary shares Low UK pence	American Depositary Shares[1] High US$	American Depositary Shares[1] Low US$
Month of January 2011	2,553.50	2,379.00	80.36	75.20
Month of February 2011	2,561.00	2,337.50	82.38	76.29
Month of March 2011	2,491.50	2,213.50	80.97	70.53
Month of April 2011	2,631.50	2,454.50	85.47	80.31
Month of May 2011	2,487.00	2,304.00	83.30	74.46
Month of June 2011	2,452.00	2,244.00	78.43	72.95
Month of July 2011	2,521.50	2,273.00	80.69	73.72
Month of August 2011	2,258.00	1,846.00	74.02	57.61

[1] Each ADS represents the right to receive two BHP Billiton Plc ordinary shares.

The total market capitalisation of BHP Billiton Plc at 30 June 2011 was £51.8 billion (US$83.3 billion equivalent), which represented approximately 2.65 per cent of the total market capitalisation of all companies listed on the LSE. The closing price for BHP Billiton Plc ordinary shares on the LSE on that date was £24.52.

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11.5 American Depositary Receipt (ADR) fees and charges

Depositary fees

Citibank, N.A. (Citibank) serves as the depositary bank for both of our American Depositary Receipt (ADR) programs. ADR holders agree to the terms in the deposit agreement filed with the Securities and Exchange Commission for depositing American Depositary Shares (ADSs) or surrendering shares for cancellation and for certain services as provided by Citibank. Holders are required to pay all fees for general depositary services provided by Citibank in each of the BHP Billiton ADR programs, as set forth in the tables below.

Standard depositary fees:

Depositary service	Fee payable by the ADR holders
Issuance of ADSs upon deposit of Shares	Up to US$5.00 per 100 ADSs (or fraction thereof) issued
Delivery of Deposited Securities against surrender of ADSs	Up to US$5.00 per 100 ADSs (or fraction thereof) surrendered
Distribution of Cash Distributions	No fee

Corporate actions depositary fees:

Depositary service	Fee payable by the ADR holders
Cash Distributions (i.e. sale of rights, other entitlements, return of capital)	Up to US$2.00 per 100 ADSs (or fraction thereof) held
Distribution of ADSs pursuant to exercise of rights to purchase additional ADSs Excludes stock dividends and stock splits	Up to US$5.00 per 100 ADSs (or fraction thereof) held
Distribution of securities other than ADSs or rights to purchase additional ADSs (i.e. spin-off shares)	Up to US$5.00 per 100 ADSs (or fraction thereof) held
Distribution of ADSs pursuant to an ADR ratio change in which Shares are not distributed	No fee

Fees payable by the Depositary to the Issuer

Citibank has reimbursed BHP Billiton US$2.2 million in FY2011 for ADR program related expenses for both of BHP Billiton's ADR programs (FY2010 US$2.6 million). ADR program related expenses include legal and accounting fees, listing fees, expenses related to investor relations in the US, fees payable to service providers for the distribution of material to ADR holders, expenses of Citibank, as administrator of the ADS Direct Plan and expenses to remain in compliance with applicable laws.

Citibank has further agreed to waive other ADR program related expenses for FY2011 amounting to less than US$0.02 million which are associated with the administration of the ADR programs (FY2010 less than US$0.02 million).

Our ADR programs trade on the New York Stock Exchange under the stock tickers BHP and BBL for the Limited and Plc programs, respectively. As of 30 June 2011, there were 103,093,985 shares outstanding in the BHP Billiton Limited ADR program and 31,129,951 shares outstanding in the BHP Billiton Plc ADR program. Both of the ADR programs have a 2:1 ordinary shares to ADR ratio.

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11.6 Taxation

The taxation discussion below describes the material Australian income tax, UK tax and US federal income tax consequences to a US holder (as hereinafter defined) of owning BHP Billiton Limited ordinary shares or ADSs or BHP Billiton Plc ordinary shares or ADSs. Accordingly, the following discussion is not relevant to non-US holders of BHP Billiton Limited ordinary shares or ADSs or BHP Billiton Plc ordinary shares or ADSs.

The discussion is based on the Australian, UK and US tax laws currently in effect, as well as on the double taxation convention between Australia and the US (the Australian Treaty), the double taxation convention between the UK and the US (the UK Treaty) and the estate tax convention between the UK and the US (the UK–US Inheritance and Gift Tax Treaty). These laws are subject to change, possibly on a retroactive basis. For purposes of this discussion, a US holder is a beneficial owner of ordinary shares or ADSs who is, for US federal income tax purposes: (i) a citizen or resident alien of the US, (ii) a corporation (or other entity treated as a corporation for US federal income tax purposes) that is created or organised under the laws of the US or any political subdivision thereof, (iii) an estate the income of which is subject to US federal income taxation regardless of its source, or (iv) a trust (A) if a court within the US is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of its substantial decisions or (B) that has made a valid election to be treated as a US person for tax purposes.

We recommend that holders of ordinary shares or ADSs consult their own tax advisers regarding the Australian, UK and US federal, state and local tax and other tax consequences of owning and disposing of ordinary shares and ADSs in their particular circumstances.

Shareholdings in BHP Billiton Limited

Australian taxation

In this section, references to 'resident' and 'non-resident' refer to residence status for Australian income tax purposes.

Dividends

Dividends (including other distributions treated as dividends for Australian tax purposes) paid by BHP Billiton Limited to a US holder who or which is a resident of Australia, or whose holding is effectively connected with a permanent establishment in Australia, may be subject to income tax.

Under the Australian Treaty, dividends paid by BHP Billiton Limited to a US holder who or which is eligible for treaty benefits and whose holding is not effectively connected with a permanent establishment in Australia or, in the case of a shareholder who performs independent personal services from a 'fixed base' situated therein, is not connected with that 'fixed base', may be subject to Australian withholding tax at a rate not exceeding 15 per cent of such gross dividend.

The payment of Australian income tax by an Australian company, such as BHP Billiton Limited, generates a 'franking credit' for the company. Broadly, an amount of tax paid by the company flows through to shareholders (as a franking credit) when the company pays a dividend which is franked by the company. Fully franked dividends paid to non-resident shareholders are not subject to withholding tax.

Dividends paid to non-residents of Australia are also exempt from withholding tax to the extent to which such dividends are declared by BHP Billiton Limited to be conduit foreign income (CFI). CFI is made up of certain amounts that are earned by BHP Billiton Limited that are not subject to tax in Australia, such as dividends remitted to Australia by foreign subsidiaries.

Any part of a dividend paid to a US holder that is not 'franked' and is not CFI will generally be subject to Australian withholding tax unless a specific exemption applies.

Sale of ordinary shares and ADSs

A US holder who or which is a resident of Australia (other than certain temporary residents) may be liable for income tax on any profit on disposal of ordinary shares or ADSs, or Australian capital gains tax on any gain on disposal of ordinary shares or ADSs acquired after 19 September 1985.

No income or other tax is payable on any profit on disposal of ordinary shares or ADSs held by a US holder who or which is a non-resident of Australia except if the profit is of an income nature and sourced in Australia, or the sale is subject to Australian capital gains tax because the ordinary shares or ADSs are 'taxable Australian property'. Under the Australian Treaty, if the profit is sourced in Australia, it will not be taxable in Australia if it represents business profits of an enterprise carried on by a US holder entitled to treaty benefits and the enterprise does not carry on business in Australia through a permanent establishment situated in Australia. Australian capital gains tax will not generally apply to a disposal of the ordinary shares or ADSs by a US holder who or which is a non-resident of Australia unless the shares or ADSs have been acquired after 19 September 1985 and:

- the ordinary shares or ADSs have been used by the US holder in carrying on a trade or business through a permanent establishment in Australia;
- the US holder (together with associates) directly or indirectly owns or owned 10 per cent or more of the issued share capital of BHP Billiton Limited at the time of the disposal or throughout a 12-month period during the two years prior to the time of disposal and the market values of BHP Billiton Limited's assets that are taxable Australian real property at the time of disposal exceeds the market values of BHP Billiton Limited's assets that are not taxable Australian real property at that time; or
- the US holder is an individual who elected on becoming a non-resident of Australia to continue to have the ordinary shares or ADSs subject to Australian capital gains tax.

Gift, estate and inheritance tax

Australia does not impose any gift, estate or inheritance taxes in relation to gifts of shares or ADSs or upon the death of a shareholder.

Stamp duty

An issue or transfer of BHP Billiton Limited shares or ADSs does not require the payment of Australian stamp duty.

US taxation

This section describes the material US federal income tax consequences to a US holder of owning ordinary shares or ADSs. It applies only to ordinary shares or ADSs that are held as capital assets for tax purposes. This section does not apply to a holder of ordinary shares or ADSs who is a member of a special class of holders subject to special rules, including a dealer in securities, a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings, a tax-exempt organisation, a life insurance company, a person liable for alternative minimum tax, a person who actually or constructively owns 10 per cent or more of the voting stock of BHP Billiton Limited, a person who holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction, or a person whose functional currency is not the US dollar.

11.6 Taxation continued

If a partnership holds the ordinary shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ordinary shares or ADSs should consult its tax adviser with regard to the US federal income tax treatment of an investment in the ordinary shares or ADSs.

This section is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

In general, for US federal income tax purposes, a holder of ADSs will be treated as the owner of the ordinary shares represented by those ADSs. Exchanges of ordinary shares for ADSs, and ADSs for ordinary shares, will generally not be subject to US federal income tax.

Dividends

Under US federal income tax laws and subject to the passive foreign investment company (PFIC) rules discussed below, a US holder must include in its gross income the gross amount of any dividend paid by BHP Billiton Limited out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). The holder must include any Australian tax withheld from the dividend payment in this gross amount even though the holder does not in fact receive it. The dividend is taxable to the holder when the holder, in the case of ordinary shares, or the Depositary, in the case of ADSs, actually or constructively receives the dividend.

Dividends paid to a non-corporate US holder on shares or ADSs in taxable years beginning before 1 January 2013 will be taxable at the rate applicable to long-term capital gains (generally at a rate of 15 per cent) provided that the US holder holds the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and does not enter into certain risk reduction transactions with respect to the shares or ADSs during the abovementioned holding period. In addition, a non-corporate US holder that elects to treat the dividend income as 'investment income' pursuant to Section 163(d)(4) of the US Internal Revenue Code will not be eligible for the reduced rate of taxation. In the case of a corporate US holder, dividends on shares and ADSs are taxed as ordinary income and will not be eligible for the dividends received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the holder's tax basis, determined in US dollars, in the ordinary shares or ADSs and thereafter as a capital gain.

The amount of any cash distribution paid in any foreign currency will be equal to the US dollar value of such currency, calculated by reference to the spot rate in effect on the date such distribution is received by the US holder or, in the case of ADSs, by the Depositary, regardless of whether and when the foreign currency is in fact converted into US dollars. If the foreign currency is converted into US dollars on the date received, the US holder generally should not recognise foreign currency gain or loss on such conversion. If the foreign currency is not converted into US dollars on the date received, the US holder will have a basis in the foreign currency equal to its US dollar value on the date received, and generally will recognise foreign currency gain or loss on a subsequent conversion or other disposal of such currency. Such foreign currency gain or loss generally will be treated as US source ordinary income or loss.

Subject to certain limitations, Australian tax withheld in accordance with the Australian Treaty and paid over to Australia will be creditable against your US federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are taxed at the capital gains rate. To the extent a refund of the tax withheld is available to a US holder under Australian law or under the Australian Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the holder's US federal income tax liability. A US holder that does not elect to claim a US foreign tax credit may instead claim a deduction for Australian income tax withheld, but only for a taxable year in which the US holder elects to do so with respect to all foreign income taxes paid or accrued in such taxable year.

Dividends will be income from sources outside the US, and generally will be 'passive category' income or, for certain taxpayers, 'general category' income, which are treated separately from each other for the purpose of computing the foreign tax credit allowable to a US holder. In general, your ability to use foreign tax credits may be limited and is dependent on your particular circumstances. US holders should consult their own tax advisers with respect to these matters.

Sale of ordinary shares and ADSs

Subject to the PFIC rules discussed below, a US holder who sells or otherwise disposes of ordinary shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and the holder's tax basis, determined in US dollars, in those ordinary shares or ADSs. The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The capital gain of a non-corporate US holder is generally taxed at preferential rates where the holder has a holding period greater than 12 months in the shares or ADSs sold. There are limitations on the deductibility of capital losses.

The US dollar value of any foreign currency received upon a sale or other disposition of ordinary shares or ADSs will be calculated by reference to the spot rate in effect on the date of sale or other disposal (or, in the case of a cash basis or electing accrual basis taxpayer, on the settlement date). A US holder will have a tax basis in the foreign currency received equal to that US dollar amount, and generally will recognise foreign currency gain or loss on a subsequent conversion or other disposal of the foreign currency. This foreign currency gain or loss generally will be treated as US source ordinary income or loss.

Passive Foreign Investment Company Rules

We do not believe that the BHP Billiton Limited ordinary shares or ADSs will be treated as stock of a PFIC for US federal income tax purposes, but this conclusion is a factual determination that is made annually at the end of the year and thus may be subject to change. If BHP Billiton Limited were treated as a PFIC, any gain realised on the sale or other disposition of ordinary shares or ADSs would in general not be treated as a capital gain. Instead, a US holder would be treated as if it had realised such gain and certain 'excess distributions' ratably over its holding period for the ordinary shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, dividends received with respect to ordinary shares or ADSs would not be eligible for the special tax rates applicable to qualified dividend income if BHP Billiton Limited were a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead would be taxable at rates applicable to ordinary income. Assuming the shares or ADSs are 'marketable stock', a US holder may mitigate the adverse tax consequences described above by electing to be taxed annually on a mark-to-market basis with respect to such shares or ADSs.

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11.6 Taxation continued

Shareholdings in BHP Billiton Plc

UK taxation

Dividends

Under UK law, no UK tax is required to be withheld at source from dividends paid on ordinary shares or ADSs.

Sale of ordinary shares and ADSs

US holders will not be liable for UK tax on capital gains realised on disposal of ordinary shares or ADSs unless:

- they are resident or ordinarily resident in the UK; or
- they carry on a trade, profession or vocation in the UK through a branch or agency for the year in which the disposal occurs and the shares or ADSs have been used, held or acquired for the purposes of such trade (or profession or vocation), branch or agency. In the case of a trade, the term 'branch' includes a permanent establishment.

An individual who ceases to be resident in the UK for tax purposes while owning shares or ADSs and then disposes of those shares or ADSs while not UK resident may become subject to UK tax on capital gains if he/she subsequently becomes treated as UK resident again before five complete UK tax years of non-UK residence have elapsed from the date he/she left the UK. In this situation US holders will generally be entitled to claim US tax paid on such a disposition as a credit against any corresponding UK tax payable.

UK inheritance tax

Under the current UK–US Inheritance and Gift Tax Treaty, ordinary shares or ADSs held by a US holder who is domiciled for the purposes of the UK–US Inheritance and Gift Tax Treaty in the US, and is not for the purposes of the UK–US Inheritance and Gift Tax Treaty a national of the UK, will generally not be subject to UK inheritance tax on the individual's death or on a chargeable gift of the ordinary shares or ADSs during the individual's lifetime, provided that any applicable US federal gift or estate tax liability is paid, unless the ordinary shares or ADSs are part of the business property of a permanent establishment of the individual in the UK or, in the case of a shareholder who performs independent personal services, pertain to a fixed base situated in the UK. Where the ordinary shares or ADSs have been placed in trust by a settlor who, at the time of settlement, was a US resident shareholder, the ordinary shares or ADSs will generally not be subject to UK inheritance tax unless the settlor, at the time of settlement, was not domiciled in the US and was a UK national. In the exceptional case where the ordinary shares or ADSs are subject to both UK inheritance tax and US federal gift or estate tax, the UK–US Inheritance and Gift Tax Treaty generally provides for double taxation to be relieved by means of credit relief.

UK stamp duty and stamp duty reserve tax

UK stamp duty or stamp duty reserve tax (SDRT) will, subject to certain exemptions, be payable on any issue or transfer of shares to the Depositary or their nominee where those shares are for inclusion in the ADR program at a rate of 1.5 per cent of their price (if issued), the amount of any consideration provided (if transferred on sale) or their value (if transferred for no consideration). From 1 October 2009, this 1.5 per cent charge has generally ceased to apply to issues of shares into EU depositary receipt systems and into EU clearance systems. However, the 1.5 per cent charge continues to apply to the issue of shares to a clearance service or a depositary receipt issuer located outside the EU. No SDRT would be payable on the transfer of an ADS. No UK stamp duty should be payable on the transfer of an ADS provided that the instrument of transfer is executed and remains at all times outside the UK. Transfers of ordinary shares to persons other than the Depositary or their nominee will give rise to stamp duty or SDRT at the time of transfer. The relevant rate is currently 0.5 per cent of the amount payable for the shares. The purchaser normally pays the stamp duty or SDRT.

Special rules apply to transactions involving intermediates and stock lending.

US taxation

This section describes the material US federal income tax consequences to a US holder of owning ordinary shares or ADSs. It applies only to ordinary shares or ADSs that are held as capital assets for tax purposes. This section does not apply to a holder of ordinary shares or ADSs that is a member of a special class of holders subject to special rules, including a dealer in securities, a trader in securities who elects to use a mark-to-market method of accounting for its securities holdings, a tax-exempt organisation, a life insurance company, a person liable for alternative minimum tax, a person who actually or constructively owns 10 per cent or more of the voting stock of BHP Billiton Plc, a person who holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction, or a person whose functional currency is not the US dollar.

If a partnership holds the ordinary shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ordinary shares or ADSs should consult its tax adviser with regard to the US federal income tax treatment of an investment in the ordinary shares or ADSs.

This section is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

In general, for US federal income tax purposes, a holder of ADSs will be treated as the owner of the ordinary shares represented by those ADSs. Exchanges of ordinary shares for ADSs, and ADSs for ordinary shares will generally not be subject to US federal income tax.

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11.6 Taxation continued

Dividends

Under US federal income tax laws and subject to the PFIC rules discussed below, a US holder must include in its gross income the gross amount of any dividend paid by BHP Billiton Plc out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). The dividend is taxable to the holder when the holder, in the case of ordinary shares, or the Depositary, in the case of ADSs, actually or constructively receives the dividend.

Dividends paid to a non-corporate US holder on shares or ADSs in taxable years beginning before 1 January 2013 will be taxable at the rate applicable to long-term capital gains (generally at a rate of 15 per cent) provided that the US holder holds the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date, and does not enter into certain risk reduction transactions with respect to the shares or ADSs during the abovementioned holding period. In addition, a non-corporate US holder that elects to treat the dividend income as 'investment income' pursuant to Section 163(d)(4) of the Internal Revenue Code will not be eligible for the reduced rate of taxation. In the case of a corporate US holder, dividends on shares and ADSs are taxed as ordinary income and will not be eligible for the dividends received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the holder's tax basis, determined in US dollars, in the ordinary shares or ADSs and thereafter as a capital gain.

The amount of any cash distribution paid in any foreign currency will be equal to the US dollar value of such currency, calculated by reference to the spot rate in effect on the date such distribution is received by the US holder or, in the case of ADSs, by the Depositary, regardless of whether and when the foreign currency is in fact converted into US dollars. If the foreign currency is converted into US dollars on the date received, the US holder generally should not recognise foreign currency gain or loss on such conversion. If the foreign currency is not converted into US dollars on the date received, the US holder will have a basis in the foreign currency equal to its US dollar value on the date received, and generally will recognise foreign currency gain or loss on a subsequent conversion or other disposal of such currency. Such foreign currency gain or loss generally will be treated as US source ordinary income or loss.

Dividends will be income from sources outside the US, and generally will be 'passive category' income or, for certain taxpayers, 'general category' income, which are treated separately from each other for the purpose of computing the foreign tax credit allowable to a US holder. In general, your ability to use foreign tax credits may be limited and is dependent on your particular circumstances. US holders should consult their own tax advisers with respect to these matters.

Sale of ordinary shares and ADSs

Subject to the PFIC rules discussed below, a US holder who sells or otherwise disposes of ordinary shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and the holder's tax basis, determined in US dollars, in those ordinary shares or ADSs. The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The capital gain of a non-corporate US holder is generally taxed at preferential rates where the holder has a holding period greater than 12 months in the shares or ADSs sold. There are limitations on the deductibility of capital losses.

The US dollar value of any foreign currency received upon a sale or other disposition of ordinary shares or ADSs will be calculated by reference to the spot rate in effect on the date of sale or other disposal (or, in the case of a cash basis or electing accrual basis taxpayer, on the settlement date). A US holder will have a tax basis in the foreign currency received equal to that US dollar amount, and generally will recognise foreign currency gain or loss on a subsequent conversion or other disposal of the foreign currency. This foreign currency gain or loss generally will be treated as US source ordinary income or loss.

Passive Foreign Investment Company Rules

We do not believe that the BHP Billiton Plc ordinary shares or ADSs will be treated as stock of a PFIC for US federal income tax purposes, but this conclusion is a factual determination that is made annually at the end of the year and thus may be subject to change. If BHP Billiton Plc were treated as a PFIC, any gain realised on the sale or other disposition of ordinary shares or ADSs would in general not be treated as a capital gain. Instead, a US holder would be treated as if it had realised such gain and certain 'excess distributions' ratably over its holding period for the ordinary shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, dividends received with respect to ordinary shares or ADSs would not be eligible for the special tax rates applicable to qualified dividend income if BHP Billiton Plc were a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead would be taxable at rates applicable to ordinary income. Assuming the shares or ADSs are 'marketable stock', a US holder may mitigate the adverse tax consequences described above by electing to be taxed annually on a mark-to-market basis with respect to such shares or ADSs.

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11.7 Ancillary information for our shareholders

Information for BHP Billiton Limited and BHP Billiton Plc shareholders is provided in the BHP Billiton Group Annual Report 2011 and the Summary Review 2011.

The Annual Report provides the detailed financial data and information on the BHP Billiton Group's performance required to comply with the reporting regimes in Australia, UK and the US. There are no specific disclosure requirements for the Summary Review, which is published as an investor communication for shareholders.

Shareholders of BHP Billiton Limited will receive a copy of the Annual Report or the Summary Review if they have requested a copy. Shareholders of BHP Billiton Plc will receive the Annual Report if they have requested a copy. ADR holders may view all documents online at *www.bhpbilliton.com* or opt to receive a hard copy by application to the appropriate BHP Billiton Share Registrar.

Change of shareholder details and enquiries

Shareholders wishing to contact BHP Billiton on any matter relating to their shares or ADR holdings are invited to telephone the appropriate office of the BHP Billiton Share Registrar or Transfer Office listed on the inside back cover of the Annual Report.

Please ensure any changes to your shareholding details are notified to the relevant Registrar in a timely manner.

Shareholders can also access their current shareholding details and change many of these details online via BHP Billiton's website *www.bhpbilliton.com*. The website requires you to quote your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) in order to access this information.

Alternative access to the Annual Report and Summary Review

We offer an alternative for all shareholders who wish to be advised of the availability of the Annual Report and Summary Review through our website via an email notification. By providing an email address through our website, shareholders will be notified by email when the Annual Report and Summary Review have been released. Shareholders will also receive notification of other major BHP Billiton announcements by email. If you require further information or you would like to make use of this service, please visit our website *www.bhpbilliton.com*.

ADR holders wishing to receive a hard copy of the Annual Report 2011 can do so by accessing *citibank.ar.wilink.com* or by calling Citibank Shareholder Services during business hours. ADR holders may also contact the adviser that administers their investments. Holders of BHP Billiton Plc shares dematerialised into STRATE should liaise directly with their Central Securities Depository Participant (CSDP) or broker.

Key dates for shareholders

The following table sets out future dates in the next financial and calendar year of interest to our shareholders. If there are any changes to these dates, all relevant stock exchanges (see section 11.1) will be notified.

Date	Event
29 September 2011	Final Dividend Payment Date
20 October 2011	BHP Billiton Plc Annual General Meeting in London **Venue:** The Queen Elizabeth II Conference Centre Broad Sanctuary Westminster London SW1P 3EE UK Time: 11.00am (local time) Details of the business of the meeting are contained in the separate Notice of Meeting
17 November 2011	BHP Billiton Limited Annual General Meeting in Melbourne **Venue:** Melbourne Convention and Exhibition Centre 1 Convention Centre Place Melbourne Australia Time: 10.30am (local time) Details of the business of the meeting are contained in the separate Notice of Meeting
8 February 2012	Interim Results Announced
2 March 2012	Interim Dividend Record Date
22 March 2012	Interim Dividend Payment Date
22 August 2012	Annual Results Announced

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Corporate Directory

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Jane McAloon

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Cover story
BHP Billiton's Stainless Steel Materials business is the world's fourth largest nickel producer and a global supplier of nickel to the stainless steel industry. Operations are located in Australia and Colombia. Our cover picture is taken at Mt Keith, one of Nickel West's operations in Western Australia.

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Receive your reports electronically

The BHP Billiton Group produces an Annual Report, a Summary Review and a Sustainability Report, which are posted on the internet. Shareholders are encouraged to visit *www.bhpbilliton.com* to inspect the electronic versions of these publications and provide feedback to the Company.

BHP Billiton is a Dual Listed Company comprising BHP Billiton Limited and BHP Billiton Plc. The two entities continue to exist as separate companies but operate as a combined Group known as BHP Billiton.

The headquarters of BHP Billiton Limited and the global headquarters of the combined BHP Billiton Group are located in Melbourne, Australia. BHP Billiton Plc is located in London, UK. Both companies have identical Boards of Directors and are run by a unified management team. Throughout this Report, the Boards are referred to collectively as the Board. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

Throughout this Annual Report, the terms BHP Billiton, the Company and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHP Billiton Plc and subsidiary companies.

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