BHP BILLITON LTD
Form 20-F
September 15, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED 30 JUNE 2008**

OR

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

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____

For the transition period from_____ to _____

Commission file number: 001-09526

BHP BILLITON LIMITED

(ABN 49 004 028 077)

(Exact name of Registrant as specified in its charter)

VICTORIA, AUSTRALIA
(Jurisdiction of incorporation or organisation)

180 LONSDALE STREET, MELBOURNE, VICTORIA

3000 AUSTRALIA
(Address of principal executive offices)

Commission file number: 001-31714

BHP BILLITON PLC

(REG. NO. 3196209)

(Exact name of Registrant as specified in its charter)

ENGLAND AND WALES
(Jurisdiction of incorporation or organisation)

NEATHOUSE PLACE, VICTORIA, LONDON, UNITED

KINGDOM
(Address of principal executive offices)

Securities registered or to be registered pursuant to section 12(b) of the Act.

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

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

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

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

None

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

None

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

	BHP Billiton Limited	BHP Billiton Plc
Fully Paid Ordinary Shares	3,358,359,496	2,231,121,202

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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3.	**Key Information**	
A	Selected financial information	1.4.1
B	Capitalisation and indebtedness	Not applicable
C	Reasons for the offer and use of proceeds	Not applicable
D	Risk factors	1.5
4.	**Information on the company**	
A	History and development of the company	2.2.1
B	Business overview	2.2.1 to 2.9
C	Organisational structure	2.12
D	Property, plant and equipment	2.2.2, 2.2.3, 2.2.4, 2.2.5, 2.2.6, 2.2.7, 2.2.8, 2.2.9, 2.2.10, 2.15.1, 2.15.2 and 3.7.2
4A.	**Unresolved staff comments**	None
5.	**Operating and financial review and prospects**	
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B	Liquidity and capital resources	3.7
C	Research and development, patents and licenses etc	2.5, 2.6, 2.7
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6.	**Directors, senior management and employees**	
A	Directors and senior management	4.1, 4.2
B	Compensation	6
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D	Employees	2.11, 7.8
E	Share ownership	7.19, 7.20
7.	**Major shareholders and related party transactions**	
A	Major shareholders	11.2
B	Related party transactions	3.9, Note 32 to the Financial Statements
C	Interests of experts and counsel	Not applicable
8.	**Financial Information**	
A	Consolidated statements and other financial information	F-1 to F-80
B	Significant changes	3.10
9.	**The offer and listing**	
A	Offer and listing details	11.1
B	Plan of distribution	Not applicable
C	Markets	11.1
D	Selling shareholders	Not applicable
E	Dilution	Not applicable
F	Expenses of the issue	Not applicable
10.	**Additional Information**	
A	Share capital	Not applicable

B	Memorandum and articles of association	2.14
C	Material contracts	2.13
D	Exchange controls	2.8.3
E	Taxation	11.5

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Item Number	Description	Report section reference
F	Dividends and paying agents	Not applicable
G	Statement by experts	Not applicable
H	Documents on display	2.14.13
I	Subsidiary information	3.9, Note 37 to the Financial Statements
11.	**Quantitative and qualitative disclosures about market risk**	3.7.4
12.	**Description of securities other than equity securities**	Not applicable
13.	**Defaults, dividend arrearages and delinquencies**	There have been no defaults, dividend arrearages or delinquencies
14.	**Material modifications to the rights of security holders and use of proceeds**	There have been no material modifications to the rights of security holders and use of proceeds since our last Annual Report
15.	**Controls and procedures**	5.11
16.		
16A.	**Audit committee financial expert**	5.5.1
16B.	**Code of ethics**	5.8
16C.	**Principal accountant fees and services**	5.11, Note 33 to the Financial Statements
16D.	**Exemptions from the listing standards for audit committees**	Not applicable
16E.	**Purchases of equity securities by the issuer and affiliated purchasers**	7.2
17.	**Financial statements**	Not applicable as Item 18 complied with
18.	**Financial statements**	F-1 to F-80, Exhibit 15.3
19.	**Exhibits**	13

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Information Relating to the US Offer for Rio Tinto plc

BHP Billiton Limited and BHP Billiton Plc (BHP Billiton) plan to register the offer and sale of securities it would issue to Rio Tinto plc US shareholders and Rio Tinto plc ADS holders by filing with the U.S. Securities and Exchange Commission (the SEC) a Registration Statement (the Registration Statement), which will contain a prospectus (the Prospectus), as well as other relevant materials. No such materials have yet been filed. This communication is not a substitute for any Registration Statement or Prospectus that BHP Billiton may file with the SEC.

U.S. INVESTORS AND U.S. HOLDERS OF RIO TINTO PLC SECURITIES AND ALL HOLDERS OF RIO TINTO PLC ADSs ARE URGED TO READ ANY REGISTRATION STATEMENT, PROSPECTUS AND ANY OTHER DOCUMENTS MADE AVAILABLE TO THEM AND/OR FILED WITH THE SEC REGARDING THE POTENTIAL TRANSACTION, AS WELL AS ANY AMENDMENTS AND SUPPLEMENTS TO THOSE DOCUMENTS, WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders will be able to obtain a free copy of the Registration Statement and the Prospectus as well as other relevant documents filed with the SEC at the SEC s website (http://www.sec.gov), once such documents are filed with the SEC. Copies of such documents may also be obtained from BHP Billiton without charge, once they are filed with the SEC.

Information for US Holders of Rio Tinto Limited Shares

BHP Billiton Limited is not required to, and does not plan to, prepare and file with the SEC a registration statement in respect of the Rio Tinto Limited Offer. Accordingly, Rio Tinto Limited shareholders should carefully consider the following:

The Rio Tinto Limited Offer will be an exchange offer made for the securities of a foreign company. Such offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document will be prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

Information Relating to the US Offer for Rio Tinto plc and the Rio Tinto Limited Offer for Rio Tinto shareholders located in the US

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since the issuers are located in a foreign country, and some or all of their officers and directors may be residents of foreign countries. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court s judgment.

You should be aware that BHP Billiton may purchase securities of either Rio Tinto plc or Rio Tinto Limited otherwise than under the exchange offer, such as in open market or privately negotiated purchases.

This Report is issued subject to the Important Notices appearing on page 188 of this Report.

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1 KEY INFORMATION

1.1 *Our business*

We are the world s largest diversified natural resources company, our objective being to create long-term value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

We have significant businesses producing alumina and aluminium, copper, energy (thermal) coal, iron ore, nickel, manganese, metallurgical coal, oil and gas and uranium, as well as gold, zinc, lead, silver and diamonds. We have approximately 41,000 employees, and 61,000 contractors, working in more than 100 operations in over 25 countries.

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 if they are 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 and secondary listings on the Frankfurt Stock Exchange in Germany and the Zurich Stock Exchange in Switzerland. BHP Billiton Plc has a primary 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 2008, we had a market capitalisation of approximately US$225 billion. For the year ended 30 June 2008, we reported revenue of US$59.5 billion, profit from operations of US$24.1 billion, net profit attributable to shareholders of US$15.4 billion and net operating cash flow of US$18.2 billion.

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

- Petroleum
- Aluminium
- Base Metals
- Diamonds and Specialty Products
- Stainless Steel Materials
- Iron Ore
- Manganese

Metallurgical Coal

Energy Coal

Pre-conditional offers for Rio Tinto

On 6 February 2008, we announced the terms of two inter-conditional offers for the entire ordinary share capital of Rio Tinto plc and Rio Tinto Limited, which, together with their respective subsidiaries operate as a single economic entity under a dual listed company structure known as Rio Tinto.

Rio Tinto is a leading international mining group, producing alumina and aluminium, bauxite, copper, diamonds, iron ore, metallurgical and energy coal and uranium as well as other base metals and industrial minerals. In 2007, Rio Tinto acquired Alcan, Inc., making its aluminium product group a global leader in aluminium. The total cost of the acquisition amounted to US$38.7 billion in cash, including fees.

Under the announced offers, we will offer 3.4 BHP Billiton shares for each Rio Tinto share tendered.

The offers are subject to certain pre-conditions relating to merger control and regulatory approvals in a number of jurisdictions, including the approval of anti-trust authorities in the European Union, the United States, Australia, Canada and South Africa and foreign investment authorities in Australia. On 2 July 2008, the US Department of Justice and the Federal Trade Commission granted early termination of the Hart-Scott-Rodino waiting period for the offers, which satisfied part of the merger control pre-conditions. We

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can only invoke a pre-condition to allow the offers not to proceed or to be withdrawn where it is of material significance to us in the context of the offers and the UK Panel on Takeovers and Mergers has given its prior approval.

Once the pre-conditions have been satisfied or waived, we will be obliged to make the offers on the terms announced (or terms not substantially less favourable to Rio Tinto shareholders). The offers will be subject to certain conditions being satisfied or waived, including:

- acceptances for more than 50 per cent of the ordinary shares in Rio Tinto plc and for more than 50 per cent of the publicly held shares in Rio Tinto Limited,
- the passing by BHP Billiton shareholders of all necessary resolutions to implement and effect the offers, and
- the receipt of all necessary outstanding regulatory approvals.

We believe the combination of BHP Billiton and Rio Tinto is a logical and compelling combination for both companies and will unlock unique value and substantial benefits to BHP Billiton shareholders and Rio Tinto shareholders. If we are successful in acquiring all of the shares of Rio Tinto on the announced terms, our current intention is to return up to US$30 billion to shareholders through a share buyback within 12 months of completion of the acquisition.

1.2 *Chairman s Review*

This year, we reported another record profit of US$15.4 billion, the seventh consecutive full-year profit increase. This represents a 602 per cent increase in attributable profit since 2001. Over the same period, Total Shareholder Returns, the movement in our share price plus dividends, have increased by 863 per cent, reflecting progressive dividend increases and the market value of the Company. We also rebased our dividend for the second successive year. This represents a 150 per cent increase over the past three years.

Unfortunately, mining stocks have seen a significant de-rating since May this year on the back of short-term uncertainty. This is disappointing for the management and shareholders of BHP Billiton.

While we expect commodity markets to remain volatile in the short term, we are confident that longer-term market fundamentals should support growth in commodity demand and, therefore, our revenues.

Margins and cash flow will be impacted by cost inflation. But our strategy to ensure we have a suite of long-life, low-cost assets, diversified by geography and commodity, that can be expanded and are largely export oriented, is proving successful at delivering consistent results for all our stakeholders.

To fully appreciate the role BHP Billiton and the resources industry generally is playing today, it is essential to look at what is happening to the world s economies.

Central to the world s economic growth is the development of the new economies China in particular, Russia, India and, to a lesser extent, Brazil. Counteracting these forces is the relative shrinkage of the United States economy and the lessening influence of the United Kingdom and Europe. Asia is becoming increasingly dominant, today accounting for nearly 30 per cent of global Gross Domestic Product (GDP).

These economic shifts are having many consequences. For BHP Billiton, rapid and continuing Asian growth has put pressure on demand for our products, which are essential for the building and production of city infrastructure and personal goods that characterise Asia s urbanisation and industrialisation.

I have no doubt that economic growth in the Asian region will slow at some point but, if I look at China specifically, the slow down is concentrated in regions oriented to the light export sector. The sectors of the economy oriented more towards domestic

consumption are still performing well despite increasing input costs, particularly for energy.

We expect Asian demand for our products to continue. Our response has been to streamline our business to enable us to produce as much product as fast as possible within the non-negotiable framework of the highest safety and environmental standards.

In operating our business at full capacity and continually seeking opportunities to increase the volumes of product available to our customers, it is the Board s duty to ensure we are creating real and tangible value for shareholders. We are proud to report that during the year we continued to deliver new projects to boost product volumes and we achieved strong profit margins across our businesses.

It is not only demand for our products that is being impacted by global economic shifts. As the world s largest diversified resources company, we are watching the creation of competitor companies that are spearheading the economic emergence of countries like Russia, Brazil and China.

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It is in this global context that the Board endorsed a proposal to combine BHP Billiton and Rio Tinto, two leading resources companies that together could help meet the developing economies demand for resources better and faster than the two companies do apart. A combined company would have a greater ability to develop the next generation of large-scale projects to provide greater volumes of product for the benefit of its customers, the communities in which it operates and its shareholders.

In making the pre-conditional offer for Rio Tinto, the Board remains absolutely focused on value for shareholders. We are confident that both sets of shareholders would share the value of a combined company.

On behalf of the Board, I want to thank our senior management team for their efforts this year. They have performed magnificently and, under the new leadership of Marius Kloppers, the Company has stepped up efforts to meet a new realm of global challenges and opportunities.

BOARD RENEWAL

Building an exceptional board is a cornerstone of an effective corporate governance system and planning for board renewal is a continuous process.

The process of putting together the best board for the business has to start with the business strategy and an assessment of the strengths and weaknesses of current members. New non-executive Directors must fill an essential role in line with the strategic intent of the business and bring to the Company the skills determined by the Board.

Attracting exceptional people will not of itself create exceptional directors; the candidates have to fit together as a team.

BHP Billiton has an exceptional group of high-performing, skilful, professional people, diverse in knowledge, gender and geography, who have overseen incredible growth in the business over the last seven years.

The tone at the top and within the Board has fostered an environment in which we are committed to high ethical standards, fairness, full compliance with legal requirements and resistance to market pressures for short-term results.

During the year, we engaged external search firms to assist with Board renewal, which resulted in the appointment of David Morgan, Keith Rumble and Alan Boeckmann. These non-executive Directors have the required functional expertise; they are independent of thought and satisfy the independence test of the various jurisdictional codes of corporate governance.

We also completed a review of the Board Committees, including an examination of the respective Committee charters, and a performance review of each Director, including the Chairman, to ensure that our Board criteria is maintained. These reviews were facilitated by external advisers.

In conclusion, it has been a stellar year for the Company and its stakeholders and I compliment my Board colleagues and senior management team for their commitment and dedication to the delivery of our strategy.

1.3 *Chief Executive Officer s Report*

BHP Billiton shareholders can look back on the 2008 financial year with a real sense of pride in what we ve achieved and in the performance of our people.

Since my appointment as CEO in October 2007, we have continued to follow our strategy to own and operate world-class assets across a diverse range of mineral, metal and energy products, focused on the upstream end of the production process. From the combination of our strategy, the efforts of our people and a favorable commodity price environment, we have been able to deliver record financial performance.

While we can report financial success, I regret to report we have not performed well on safety. In FY2008, 11 of our employees died at work. Many more lives will have been impacted, some forever, by these tragic and avoidable events. We have reflected deeply on what more we must do to reach our goal of Zero Harm. In FY2009, we are making even greater efforts to improve our safety performance.

Despite turbulent global economic conditions, we continue to see enormous opportunity for the Company. While continuing to further our existing strategy, we have refined our operational focus in order to give maximum clarity of responsibility to our operating units. We are also embracing the concept of simplicity even more deeply, ensuring that we focus our effort and resources on key opportunities and value drivers. For our shareholders, this means the Company is easier to understand, more focused and more valuable.

In the past year, our strategy has produced stronger annual production in 13 of our commodities, with record production in seven of those. This was achieved in an environment of industry-wide supply disruptions and input cost pressures. Our strong track record of project delivery also continued through the year, enabling, for example, our Western Australia Iron Ore business to post an eighth consecutive annual production record. A record performance in our Petroleum business reflected the successful commissioning of three new major projects. We expect volume growth from our Petroleum business to continue at around 10 per cent a year, a significant value creator at a time of historically high oil prices.

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Ten major projects, spanning five commodities, started production during the year. The Board approved a further seven for development, bringing our total number of projects in either execution or feasibility to 28, representing an expected capital investment of US$24.8 billion. We also have other medium-term growth options with expected capital commitments in excess of US$90 billion, spanning our existing commodity range and beyond.

Our results were outstanding in the context of a challenging supply environment which was characterised by unexpected disruptions, rising input prices, skills shortages and the further devaluation of the US dollar. Our strong performance demonstrates the power of our uniquely diversified and high-margin portfolio across the energy, steelmaking and non-ferrous product suites.

Given this future growth pipeline, you may question why we are pursuing a combination with Rio Tinto. Within our industry, the two companies are uniquely complementary, and, as such, we believe a combined company would unlock synergies and provide greater value than the two companies can provide separately. BHP Billiton does not need Rio Tinto to have a great future, but we believe the two companies combined will be better placed to meet the world s future need for our products.

We have a critical role in providing the raw materials for growth that so many economies need; economies going through industrialisation and urbanisation on a scale and intensity not experienced before. We are resourcing the future.

I have been fortunate to take the helm of a well-run business, focused on its customers needs, with a great team responding well to the opportunities for our sector. In a year s time, I hope to report we have been able to improve our Company even further.

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 2008 financial statements, together with the accompanying notes.

We prepare our 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. We publish our consolidated financial statements in US dollars.

	2008	2007[a]	2006[a]	2005[a]
Consolidated Income Statement (US$M except per share data)				
Revenue	**59,473**	47,473	39,099	31,150
Profit from operations	**24,145**	19,724	15,716	9,810
Profit attributable to members of BHP Billiton Group	**15,390**	13,416	10,450	6,396
Dividends per ordinary share paid during the period (US cents)	**56.0**	38.5	32.0	23.0
Dividends per ordinary share declared in respect of the period (US cents)	**70.0**	47.0	36.0	28.0
Earnings per ordinary share (basic) (US cents) [b]	**275.3**	229.5	173.2	104.4
Earnings per ordinary share (diluted) (US cents) [b]	**275.1**	229.0	172.4	104.0
Number of ordinary shares (millions)				
At period end	**5,589**	5,724	5,964	6,056
Weighted average	**5,590**	5,846	6,035	6,124
Diluted	**5,605**	5,866	6,066	6,156
Consolidated Balance Sheet (US$M)				
Total assets	**75,889**	61,404	51,343	45,077
Share capital	**2,861**	2,922	3,242	2,845
Total equity attributable to members of BHP Billiton Group	**38,335**	29,667	24,218	17,575
Other financial information				
Net operating cash flow (US$M)	**18,159**	15,957	11,325	9,117
Gearing [c]	**17.8%**	25.0%	27.2%	32.8%

(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 the years 2007 to 2005 that are affected by the policy change have been restated. Total assets for 2006 and 2005, Profit from operations for 2005 and Net operating cash flow for 2005 have been restated but are unaudited.

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

(c) Refer to section 10 Glossary for definitions

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.

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	2008	2007	2006
People and Licence to operate - Health, safety, environment and community			
Total Recordable Injury Frequency Rate (TRIFR) [a]	**5.9**	7.4	8.7
Voluntary community contribution (US$M) [a]	**141.0**	103.4	81.3
Production			
Total petroleum products (million barrels of oil equivalent)	**129.50**	116.19	117.36
Alumina (000 tonnes)	**4,554**	4,460	4,187
Aluminium (000 tonnes)	**1,298**	1,340	1,362
Copper cathode and concentrate (000 tonnes)	**1,375.5**	1,250.1	1,267.8
Nickel (000 tonnes)	**167.9**	187.2	176.2
Iron ore (000 tonnes)	**112,260**	99,424	97,072
Metallurgical coal (000 tonnes)	**35,193**	38,429	35,643
Energy coal (000 tonnes)	**80,868**	87,025	85,756

(a) Refer to section 10 Glossary for definitions

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 may negatively impact 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. Additionally, the volatility in prices for most of our commodities will occur. The synchronisation of global commodity markets and influence of demand from China has in recent years impacted and may continue to impact price volatility. The impact on global economic growth, particularly in the developed economies, of the US sub-prime-induced global liquidity crisis may impact demand and prices for commodities. The influence of hedge and other financial investment funds participating in commodity markets has increased in recent years contributing to higher levels of price volatility. 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.

Our profits may be negatively affected by currency exchange rate fluctuations

Our assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which we operate. Fluctuations in the exchange 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.

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 commodities in recent years has resulted in existing reserves being depleted at an accelerated rate. Because our revenues and profits are related to our oil and gas and minerals operations, our results and financial conditions are directly related to the success of our exploration and acquisition efforts, and our ability to replace existing reserves. The depletion of reserves has necessitated increased exploration adjacent to established operations and development of new operations in less-developed countries. Additionally these activities may increase land tenure, infrastructure and related political risks. The rapid growth in demand for mining and petroleum industry related technical skills, supplies and critical equipment has led to shortages and delays in these areas. 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.

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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. Reserve restatements could negatively affect our reputation, results, financial condition and prospects.

Reduction in Chinese demand may negatively impact our results

The Chinese market has become a significant source of global demand for commodities. China now represents in excess of 53 per cent of global seaborne iron ore demand, 25 per cent of copper demand, 24 per cent of nickel demand and 16 per cent of energy demand. China s demand for these commodities has been driving global materials demand over the past decade.

While this increase represents a significant business opportunity, our exposure to China s economic fortunes and economic policies has increased. Sales into China generated US$11.7 billion or 19.8 per cent of revenue in the year ended 30 June 2008.

In recent years, strong economic growth and infrastructure development in China has resulted in higher prices for the commodities we produce. A slowing in China s economic growth, potentially impacted by slowing developed economies, could result in lower prices for our products and therefore reduce our revenues.

In response to its increased demand for commodities, China is increasingly seeking strategic self-sufficiency in key commodities, including investments in additional developments in other countries. These investments may 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 some of 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, 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 one or more of these risks occurs at one of our major projects, it could have a negative effect on the operations in those countries as well as the Group s overall operating results and financial condition.

Our business could be adversely affected by new government regulation such as controls on imports, exports and prices, new forms or rates of taxation and royalties. 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.

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.

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 within five years and 26 per cent ownership within 10 years. If we are unable to convert our South African mining rights in accordance with the MPRDA and the Mining Charter, we could lose some of those rights.

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.

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, anticipated synergies and cost savings being delayed or not being achieved, uncertainty in sales proceeds from planned divestments, and planned expansion projects are delayed or higher cost than anticipated. These factors could negatively affect our financial condition and results of operations.

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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 health, safety, environment). 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 operations and expansion plans

The strong commodity cycle and large numbers of projects being developed in the resources industry has led to increased demand for and shortages in skilled personnel, contractors, materials and supplies that are required as critical inputs to our existing operations and planned developments. Labour unions may seek to secure an increased share of the economic rent in the current environment. A number of key cost inputs consumed in our operations are commodity price-linked and have consequently been impacted by the higher commodity price environment.

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 increase 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 have led, and could continue to lead to, increased capital and operating costs at existing operations, as well as impacting the cost and schedule of projects under development. Industrial action may impact our operations resulting in lost production and revenues.

Health, safety and environmental exposures and related regulations may impact our operations and reputation negatively

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

Potential health, safety and environmental events that may materially impact our operations include rockfall incidents in underground mining operations, aircraft incidents, light vehicle incidents, explosions or gas leaks, incidents involving mobile equipment, uncontrolled tailings breaches or escape of polluting substances.

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

We provide for mine and site remediation. We have mine closure plans for all of our operating and closed mine sites. 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.

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, remediation expenses and operational costs

could negatively affect our financial results.

We may continue to be exposed to increased operational costs due to the costs and lost time associated with the HIV/AIDS and malaria infection rate mainly within our African workforce. Because we operate globally, we may be affected by potential avian flu outbreaks in any of the regions in which we operate.

Despite our best efforts and best intentions, there remains a risk that health, safety and/or environmental incidents or accidents may occur that may negatively impact our reputation or licence to operate.

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Unexpected natural and operational catastrophes may impact our operations

We operate extractive, processing and logistical operations in many geographic locations both onshore and offshore. Our operational processes and geographic locations may be subject to operational accidents such as port and shipping incidents, fire and explosion, pitwall failures, loss of power supply, railroad incidents and mechanical failures. Our operations may also be subject to unexpected natural catastrophes such as earthquakes, flood, hurricanes and tsunamis. Existing business continuity plans and insurance arrangements may not provide protection for all of the costs that may arise from such events. The impact of these events could lead to disruptions in production and loss of facilities adversely affecting our financial results.

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

We are a major producer of energy-related products such as energy coal, oil, gas, liquefied natural gas and uranium. Energy is also a significant input in a number of the Group s mining and processing operations. There is a substantial weight of scientific evidence concluding that CO_2 emissions from fossil fuel based energy consumption contribute to global warming, greenhouse effects and climate change.

A number of governments or governmental bodies have introduced or are contemplating regulatory change in response to the impacts of climate change. The December 1997 Kyoto Protocol established a set of greenhouse gas emission targets for developed countries that have ratified the Protocol. 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 national emissions trading scheme by 2010 and a mandatory renewable energy target of 20 per cent by the year 2020. From a medium and long-term perspective, we are likely to see changes in the margins of our greenhouse-gas-intensive assets and energy-intensive assets as a result of regulatory impacts in the countries in which we operate. These regulatory mechanisms may be either voluntary or legislated and may impact our operations directly or indirectly via our customers. Inconsistency of regulations particularly between developed and developing countries may also change the attractiveness of the locations 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 cost, production and financial performance of our operations.

Our human resource talent pool may not be adequate to support the Group s growth

The current strong commodity cycle and our pipeline of development projects have increased demand for highly skilled executives and staff with relevant industry and technical experience. The inability of the Group and industry to attract and retain such people may adversely impact our ability to adequately resource development projects and fill roles and vacancies in existing operations. Similar shortages have also impacted and may continue to affect key engineering, technical service, construction and maintenance contractors utilised by us in development projects and existing operations. These shortages may adversely impact the cost and schedule of development projects and the cost and efficiency of existing 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 in 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 control over financial reporting, may not prevent future potential breaches of law, accounting or governance practice. Our business conduct and anti-trust protocols 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:

- our proposal to acquire Rio Tinto and associated capital management initiatives
- estimated reserves
- trends in commodity prices
- 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.

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 re 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 or the expansion of certain facilities or mines.

Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of operations, mines or facilities include our ability to profitably produce and transport the minerals, petroleum and/or metals extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the minerals, petroleum or metals we produce; activities of government authorities in 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.

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2 INFORMATION ON THE COMPANY

2.1 *BHP Billiton locations*

We extract and process minerals, oil and gas from our production operations located primarily in Australia, the Americas and southern Africa. We sell our product globally with our marketing activities centralised in Singapore, The Hague and Antwerp.

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BHP Billiton Locations

Offices

Ref	*Country*	*Location*
1	Angola	Saurimo[3]
2	Angola	Luanda[3]
3	Australia	Adelaide[2]
4	Australia	Brisbane[2]
		Melbourne[1] [2] [3]
5	Australia	(Global Headquarters)
6	Australia	Newcastle[2]
7	Australia	Perth[2] [3]
8	Belgium	Antwerp[2]
9	Brazil	Rio de Janeiro[2][3]
10	Burundi	Bujumbura[3]
11	Canada	Vancouver[3]
12	Chile	Santiago[1] [2] [3]
13	China	Beijing[2] [3]
14	China	Lanzhou[2]
15	China	Shanghai[2]
16	Columbia	Bogota[3]
17	DRC	Kinshasa & Lubumbashi[3]
18	Gabon	Libreville & Franceville[3]
19	Guinea	Conakry[3]
20	India	New Delhi[2]
21	Indonesia	Jakarta[2]
22	Japan	Tokyo[2]
23	Kazakhstan	Almaty[3]
24	Korea	Seoul[2]
25	Liberia	Monrovia[3]
26	Mongolia	Ulaanbaatar[3]
27	Netherlands	The Hague[2]
28	New Caledonia	Noumea[2]
29	Philippines	Manila[2]
30	Russia	Moscow[3]
31	Singapore	Singapore[2] [3]
32	South Africa	Johannesburg[1] [2] [3]
33	South Africa	Richards Bay[2]
34	Switzerland	Baar[2]
35	UK	London[1]
36	UK	Sheffield[2]
37	US	Houston[1][2]
38	US	Pittsburgh[2]

(1) Corporate Centres
(2) Marketing Offices
(3) Minerals Exploration Offices

Petroleum

Ref	Country	Site/ Asset	Description	Ownership
39	Algeria	Ohanet	Wet gas development	45%
40	Algeria	ROD	Onshore oil development, comprising development and production of six oil fields	45%
41	Australia	Bass Strait	Production of oil, condensate, LPG, natural gas and ethane	50%
42	Australia	Minerva	Operator of gas field development in the Otway Basin	90%
43	Australia	North West Shelf	One of Australia's largest resource projects, producing liquids, LNG and domestic gas	8.33-16.67%
44	Australia	Offshore Western Australia	Operator of Griffin and Stybarrow oil and gas development, and operator of Pyrenees project, currently under development	45-71.43%
45	Pakistan	Zamzama	Operator of onshore gas development	38.5%
46	Trinidad & Tobago	Angostura	Operator of oil and gas field	45%
47	UK	Bruce/Keith	Oil and gas production in the UK North Sea	16-31.83%
48	UK	Liverpool Bay	Operator of oil and gas developments in the Irish Sea	46.1%
49	US	Gulf of Mexico	Interests in several producing assets, including Atlantis, Neptune and Shenzi/Genghis Khan developments, and a significant exploration acreage position	4.95-100%

Aluminium

Ref	Country	Site/ Asset	Description	Ownership
50	Australia	Worsley	Integrated alumina refinery/bauxite mine	86%
51	Brazil	Alumar	Alumina refinery and aluminium smelter	36-40%
52	Brazil	MRN	Bauxite mine	14.8%
53	Guinea	Guinea Alumina Project	Integrated alumina refinery/bauxite mine (currently in definition stage)	33.3%
54	Mozambi-que	Mozal	Aluminium smelter	47.1%
55	South Africa	Hillside/ Bayside	Two aluminium smelters	100%
56	Suriname	Paranam	Alumina refinery and bauxite mines	45%

Base Metals

Ref	Country	Site/ Asset	Description	Ownership
57	Australia	Cannington	Silver, lead and zinc mine in northwest Queensland	100%
58	Australia	Olympic Dam	Underground copper/uranium mine in South Australia	100%
59	Chile	Cerro Colorado	Open-cut mine producing copper cathode	100%
60	Chile	Escondida	Copper mines, located in northern Chile	57.5%
61	Chile	Spence	Open-cut mine producing copper cathode	100%
62	Peru	Antamina	Copper and zinc mine	33.75%
63	US	Pinto Valley	Copper mine	100%

Diamonds and Specialty Products

Ref	Country	Site/Asset	Description	Ownership
64	Canada	EKATI	Diamond mine in Northwest Territories	80%

65	Canada	Potash	Greenfield potash project near Saskatoon, Saskatchewan	100%
66	South Africa	Richards Bay Minerals	Integrated titanium smelter/mineral sands mine	50%

Stainless Steel Materials

Ref	*Country*	*Site/Asset*	*Description*	*Ownership*
67	Australia	Nickel West	Nickel assets including Mt Keith and Leinster operations, Kalgoorlie nickel smelter and concentrator, Kwinana nickel refinery, Kambalda nickel concentrator, and Ravensthorpe nickel mine and processing facility	100%
68	Australia	Yabulu Refinery	Laterite nickel and cobalt processing plants northwest of Townsville	100%
69	Colombia	Cerro Matoso	Integrated ferronickel mining and smelting complex in northern Colombia	99.94%

Iron Ore

Ref	*Country*	*Site/Asset*	*Description*	*Ownership*
70	Australia	Western Australia Iron Ore	Integrated mine, rail and port operations in the Pilbara	85-100%
71	Brazil	Samarco	Integrated mine, pipeline and port operations producing iron ore pellets	50%

Manganese

Ref	*Country*	*Site/Asset*	*Description*	*Ownership*
72	Australia	GEMCO	Producer of manganese ore in the Northern Territory	60%
73	Australia	TEMCO	Producer of manganese alloys in Tasmania	60%
74	South Africa	Samancor Manganese	Integrated producer of manganese ore (Hotazel Manganese Mines), alloy (Metalloys) and manganese metal (Manganese Metal Company)	60%

Metallurgical Coal

Ref	*Country*	*Site/Asset*	*Description*	*Ownership*
75	Australia	Illawarra Coal	Three underground coal mines supplying metallurgical coal primarily to steel industry	100%
76	Australia	Queensland Coal	Production of metallurgical coal for steel industry, including new loading terminal at Hay Point	50-80%
77	Indonesia	Maruwai	Deposit in central and east Kalimantan (currently in development) with first production expected mid-2009	100%

Energy Coal

Ref	*Country*	*Site/Asset*	*Description*	*Ownership*
78	Australia	Hunter Valley Energy Coal	Mt Arthur Coal open-cut mine	100%
79	Colombia	Cerrejón	Export coal mine in La Guajira province	33.3%
80	South Africa	Energy Coal South Africa	Three energy coal mines	84-100%

81	US	New Mexico Coal	Mine-mouth operations	100%

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2.2 *Business overview*

2.2.1 History and development

Since 29 June 2001, we have operated under a Dual Listed Companies (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 2.12 Organisational structure 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.

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.

2.2.2 Petroleum Customer Sector Group

Our Petroleum CSG is a global oil and gas business with producing assets in six countries across six continents and exploration opportunities in a further six countries. If it were a stand-alone business, our Petroleum CSG would rank approximately 25th among listed oil and gas exploration and production companies (based on production volumes). We believe that being part of the BHP Billiton Group gives the business the financial resources, risk tolerance and global reach of a much larger company, enabling us to compete for access to large, complex opportunities with the industry super-majors. In addition, we have developed highly specialised capabilities in a number of areas, including deep water exploration and development. As a result, we are able to focus our exploration and development activities on large, potentially high-return opportunities, such as our current development projects in the Gulf of Mexico and offshore Western Australia.

We organise our Petroleum CSG on a functional basis, with exploration, development, production and marketing functions all led out of our Houston headquarters, using common systems and standards.

Our total oil and gas production in FY2008 was 129.5 million barrels of oil equivalent, an increase of 13 per cent over our total production of 115.05 million barrels of oil equivalent from continuing operations in FY2007. Given that our Atlantis project was ramping up during FY2008, our Neptune project in the Gulf of Mexico produced first oil in July 2008 and the Angel and North West Shelf Train 5 projects off Western Australia and the Shenzi project in the Gulf of Mexico are scheduled to commence operations in FY2009, we expect that our total production will continue to increase.

We sell our crude oil production to refiners around the world at market prices. Gas is generally marketed under long-term domestic contracts and we export LNG under long-term contracts. Almost three-quarters of our contracted LNG sales volumes are subject to contracts that are either within four years of expiry or contain provisions allowing prices to be reset. However, more than a quarter of our currently contracted volumes are subject to long-term fixed-price contracts, some of which were priced in a lower price environment. Our production assets 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 southeastern coast of the Australian mainland, for almost 40 years, having participated in the original discovery of hydrocarbons there 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 ashore to our Longford processing facility, from where we sell our production to domestic distributors under inflation-linked 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, which supplies gas to the Western Australian domestic market mainly under long-term contracts, and a series of LNG expansion phases, which supply LNG to buyers in Japan, Korea and China under a series

of long-term contracts. We also produce 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.

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Gulf of Mexico

Our production in the Gulf of Mexico has expanded significantly, with the Atlantis field and the Genghis Khan portion of the Shenzi field coming on line in FY2008 and the Neptune field commencing production in July 2008. We now operate five fields in the Gulf of Mexico, and hold non-operating minority interests in a further three fields. 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. Our Shenzi project is scheduled to commence operations in FY2009.

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 all of the Liverpool Bay gas by pipeline to E.ON s Connah s Quay power station. We own 46 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, a subsea tie-back, which is processed via the Bruce platform facilities.

Algeria

Our Algerian assets consist of our effective 45 per cent interest in the Ohanet wet gas development and our 45 per cent interest in ROD, the production sharing contract which consists of six satellite oil fields that pump oil back to a dedicated processing train.

Zamzama

We hold a 38.5 per cent interest in and operate the Zamzama gas project in Sindh province of Pakistan. During FY2008, Phase 2 of the project was completed. The design capacity of Zamzama is 470 MMcf/d of gas and 3,150 bbl/d of condensate. Gas is sold domestically.

Stybarrow

During FY2008, first oil was produced at Stybarrow, a nine well subsea development in approximately 825 metres of water approximately 65 kilometres offshore north Western Australia. The project uses a floating production storage and offtake facility with capacity of approximately 80 Mbbl of oil per day. We own 50 per cent of and operate the project.

Other Australia

We are the operator of the Griffin project (45 per cent BHP Billiton) interest where oil and gas are produced via the Griffin venture, a floating production, storage and offloading facility. We pipe natural gas to shore, where it is delivered directly into a pipeline and sold domestically. We also operate the Minerva gas field located offshore Victoria in which we hold a 90 per cent interest.

Trinidad

The Angostura project is an integrated oil and gas development located offshore east Trinidad. We are the operator of the field and have a 45 per cent interest in the production sharing contract for the project.

Information on Petroleum operations

Significant oil and gas assets

Production and reserve information for our most significant oil and gas assets are listed in the table below:

Asset	Location	FY2008 Net Production (MMboe)	Net Proved Reserves (MMboe)
Bass Strait	Offshore SE Australia	41	484
North West Shelf	Offshore NW Australia	29	407
Atlantis	Gulf of Mexico	8	101
Shenzi/Genghis Khan	Gulf of Mexico	1	25
Liverpool Bay and Bruce/Keith	United Kingdom	12	40
Ohanet and ROD	Algeria	8	25

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The following table contains additional details of our production operations. This table should be read in conjunction with the production and reserve tables.

Name, location and type of asset	Ownership and operation	Title/lease	Facilities
AUSTRALIA/ASIA			
Bass Strait Offshore Victoria, Australia Oil and gas production	We hold a 50% interest in the Bass Strait fields. Esso Australia owns the other 50% interest and is the operator. Oil Basins Ltd holds a 2.5% royalty interest in 18 of the production licences.	The venture holds 20 [1] production licences and two retention leases issued by the Commonwealth of Australia with expiry dates ranging between 2009 and 2019. [1] Includes one production licence with additional partner Santos Ltd	There are 20 producing fields with 21 offshore developments (14 steel jacket platforms, three subsea developments, two steel gravity based mono towers and two concrete gravity based platforms). Onshore infrastructure includes the Longford Facility, which includes three gas plants and liquid processing facilities, interconnecting pipelines, the Long Island Point LPG and crude oil storage facilities and an ethane pipeline. The Bass Strait production capacity is as follows: Crude 200 Mbbl/d Gas 1,075 MMcf/d LPG 5,150 tpd Ethane 850 tpd
North West Shelf (NWS) gas and gas liquids (LPG and condensate)	We are a participant in the North West Shelf (NWS) Project, an unincorporated joint venture.	The venture holds nine production licences issued by the Commonwealth of Australia, of which	Production from the North Rankin and Perseus fields is currently processed through the North Rankin A platform, which has the capacity to produce 2,300 MMcf/d of gas and 60 Mbbl/d of condensate.

North Rankin, Goodwyn, Perseus, Echo-Yodel and Angel fields offshore, Dampier in northwestern Australia Gas, LPG and condensate production and LNG liquefactions	We hold 8.33% of the original domestic gas joint venture. Our share of domestic gas production will progressively increase from 8.33% to 16.67% over the period from 2005 to approximately 2017. We also hold 16.67% of the Incremental Pipeline Gas (IPG) domestic gas joint venture, 16.67% of the original LNG joint venture, 12.5% of the China LNG joint venture, 16.67% of the LPG joint venture and approximately 15% of current condensate production. Other participants in the respective NWS joint ventures are subsidiaries of Woodside Energy, Chevron, BP, Shell, Mitsubishi/Mitsui and the China National Offshore Oil Corporation. Woodside Petroleum Ltd is the operator of the project.	six expire in 2022 and three expire five years after the end of production.	Production from the Goodwyn and Echo-Yodel fields is processed through the Goodwyn A platform, which has the capacity to produce 1,450 MMcf/d of gas and 110 Mbbl/d of condensate. Four subsea wells in the Perseus field are tied into the Goodwyn A platform. An onshore gas treatment plant at Withnell Bay has a current capacity to process approximately 600 MMcf/d of gas for the domestic market. An existing four train LNG plant has the capacity to produce an average rate of 33,000 tonnes of LNG per day.
North West Shelf crude oil Approximately 30 kilometres northeast of the North Rankin gas and condensate field, offshore Western Australia, Australia	We hold a 16.67% working interest in oil production from these fields. The other 83.33% is held by Woodside Energy 33.34%, with BP Developments Australia, Chevron Australia, and Japan Australia LNG (MIMI) each holding 16.67%.	The venture holds three production licences issued by the Commonwealth of Australia, with expiry dates ranging between 2012 and 2018.	The oil is produced to a floating production storage and offloading unit, the Cossack Pioneer, which has a capacity of 140 Mbbl/d and a storage capacity of 1.15 MMbbl of crude oil.

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
Crude oil production is from the Wanaea, Cossack, Lambert and Hermes oil fields	Woodside Petroleum Ltd is the operator of the project.		
Griffin Situated in the Carnarvon Basin, 62 kilometres offshore Western Australia, Australia Comprises the Griffin, Chinook and Scindian offshore oil and gas fields.	We hold a 45% interest in the Griffin Venture. The other 55% is held by Mobil Exploration and Producing Australia (35%) and Inpex Alpha (20%). We are the operator of the field.	The venture holds a production licence issued by the Commonwealth of Australia that expires in 2014. The licence may be renewed for a period covering five years after production ceases.	Oil and gas are produced via the Griffin venture, a floating production, storage and offloading facility. We pipe natural gas to shore, where it is delivered directly into a pipeline. The Griffin venture has an original production design capacity of 80 Mbbl/d of crude oil and 50 MMcf/d of gas.
Minerva Approximately 10 kilometres offshore in the Otway Basin of Victoria, Australia Single offshore gas reservoir with two compartments. Gas plant is situated approximately 4 kilometres inland from Port Campbell.	We hold a 90% share of the Minerva venture. The other 10% is held by Santos (BOL) Pty Ltd. We are the operator of the field.	The venture holds a production licence issued by the Commonwealth of Australia that expires five years after production ceases.	The Minerva development consists of two well completions in 60 metres of water. A single flow line transports gas to an onshore gas processing facility with an original production design capacity of 150 TJ/d and 600 bbl/d of condensate.
Stybarrow Situated in the Exmouth Sub-basin, 30 kilometres offshore Western Australia, Australia.	We own a 50% share of the Stybarrow venture. The other 50% interest is held by Woodside Energy. We are the operator of the field.	The venture holds a production licence issued by the Commonwealth of Australia that expires five years after production ceases.	Oil is produced by the Stybarrow development which comprises of a floating production, storage and offshore loading facility, nine subsea well completions (including five producers, three water injectors and one gas injector) in 850 metres of water.

Comprises the Stybarrow and Eskdale oil and gas fields. The Stybarrow project achieved first oil production on 17 November 2007.			The Stybarrow facility has a crude oil production and storage capacity of 80 Mbbl/d and 900 Mbbl respectively. Gas production is reinjected into the reservoirs.
Zamzama Dadu Block, Sindh Province, Pakistan Onshore gas wells	We hold a 38.5% interest in the joint venture. The other 61.5% is owned by ENI Pakistan (M) Ltd (17.75%), PKP Exploration Ltd (9.375%), PKP Exploration Ltd 2 (9.375%), and Government Holdings (25%). We are the operator.	20-year development and production lease starting April 2002 from the Government of Pakistan (with an option to extend five years beyond the 20-year term).	Zamzama currently consists of five production wells and four process trains, with a total design capacity of 470 MMcf/d of gas and 3,150 bbl/d of condensate.
AMERICAS			
Atlantis (Green Canyon 743) Gulf of Mexico, approximately 200	We hold a 44% working interest in the joint venture. The other owner is BP (56%).	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of a semi-submersible platform permanently moored in 2,155 metres of water. The facility has nameplate processing

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
kilometres offshore of Fourchon, Louisiana, US	BP is the operator.		capacity of 200 Mbbl/d of oil and 180 MMcf/d of gas.
Deepwater oil and gas field			Production commenced with the commissioning of wells and facilities in October 2007.
Mad Dog (Green Canyon 782)	We hold a 23.9% interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of an integrated truss spar equipped with facilities for simultaneous production and drilling operations, permanently moored in 1,310 metres of water.
Gulf of Mexico, approximately 210 kilometres offshore of Fourchon, Louisiana, US	The other owners are BP (60.5%) and Chevron (15.6%).		The facility has the capacity to process 100 Mbbl/d of oil and 60 MMcf/d of gas.
Deepwater oil and gas field	BP is the operator.		
West Cameron 76	We hold a 33.76% interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of two conventional gas platforms with a capacity of 120 MMcf/d of gas and 800 bbl/d of condensate.
Gulf of Mexico, approximately 20 kilometres offshore, Central Louisiana, US	The other owners are Eni Petroleum (40%), Merit Management Partners (15%) and Ridgewood Energy Company (11.24%).		
Offshore gas and condensate fields	We are the operator.		
Genesis (Green Canyon 205)	We hold a 4.95% interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of a floating cylindrical hull (spar) moored to the seabed with integrated drilling facilities and a capacity of 55 Mbbl/d of oil and 72 MMcf/d of gas.
Gulf of Mexico, approximately 155 kilometres offshore of Fourchon, Louisiana, US	The other owners are Chevron (56.67%) and ExxonMobil (38.38%).		

	Chevron is the operator.		
Deepwater oil and gas field			
Starlifter (West Cameron 77)	We hold a 30.95% interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of a single conventional gas platform with a capacity of 40 MMcf/d of gas and 450 bbl/d of condensate.
Gulf of Mexico, approximately 25 kilometres offshore, Central Louisiana, US	The other owners are McMoRan (33.75%), Seneca Resources (11.25%) Merit Management Partners (13.75%) and Ridgewood Energy Company (10.3%).		
Offshore gas and condensate field	During the year Newfield Exploration sold its interest to McMoRan and tendered its resignation as operator.		
	Following approval by the Minerals Management Service in February 2008, we took over as successor operator.		
Mustang (West Cameron 77)	We hold a 43.66% interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of a single conventional gas platform with a capacity of 40 MMcf/d of gas and 450 bbl/d of condensate.
Gulf of Mexico, approximately 25	The other owners are Eni Petroleum (22.4%), Merit		

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
kilometres offshore, Central Louisiana, US	Management Partners (19.4%) and Ridgewood Energy Company (14.54%).		
Offshore gas and condensate field	We are the operator.		
Neptune	We hold a 35% interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The project constructed a stand-alone tension-leg platform with a nominal capacity of 50 Mbbl/d of oil and 50 MMcf/d of gas. First oil was achieved on 6 July 2008 and nominal production capacity of 50Mbbl/d was achieved during the same month.
Gulf of Mexico, approximately 193 kilometres off the Louisiana coastline	The other owners are Marathon Oil (30%), Woodside Energy (20%) and Maxus US Exploration (15%).		
Deepwater oil and gas field	We are the operator.		
Greater Angostura	We hold a 45% interest in the joint venture.	The venture has entered into a production sharing contract with the Republic of Trinidad and Tobago that entitles the contractor to operate Angostura until 2021.	The Angostura development is an integrated oil and gas development. The infrastructure consists of a steel jacketed central processing platform with three satellite wellhead protector platforms and flow lines. A pipeline connects the processing platform to storage facilities at Guayaguayare, where an export pipeline has been installed to allow for offloading to tankers in Guayaguayare Bay.
Approximately 40 kilometres off the east coast of Trinidad	The other 55% is held by Total (30%) and Talisman Energy (25%).		
Shallow water oil and gas field	We are the operator.		The facility has the capacity to process 100 Mbbl/d of oil.
EUROPE/AFRICA/MIDDLE EAST			
Liverpool Bay	We hold a 46.1% interest in the joint venture. The other 53.9% is held by Eni.	The joint venture holds three production licences issued by	The Liverpool Bay asset is an integrated development of six fields.

Douglas and Douglas West oil fields, Hamilton, Hamilton North and Hamilton East gas fields, and Lennox oil and gas fields in the Irish Sea, approximately 10 kilometres off the northwest coast of England	We are the operator.	the Crown of the United Kingdom. One of these licences was extended in July 2007 for a further term which expires in 2025. The other licences expire in 2009 and 2016.	Oil from the Lennox and Douglas fields is treated at the Douglas complex and piped 17 kilometres to an oil storage barge for export by tankers. Gas from the Hamilton, Hamilton North, Hamilton East and Lennox fields is initially processed at the Douglas complex then piped by subsea pipeline to the Point of Ayr gas terminal for further processing. The facility has the capacity to produce 308 MMcf/d of gas and 70 Mbbl/d of oil and condensate.
Bruce/Keith North Sea, approximately 380 kilometres northeast offshore of Aberdeen, Scotland The Keith field is located adjacent to the Bruce field. Offshore oil and gas fields	We hold a 16% interest in the Bruce field. The other 84% is owned by BP (37%), Total (43.25%) and Marubeni (3.75%). BP is the operator of Bruce. We hold a 31.83% interest in the Keith field. The other 68.17% is owned by BP (34.84%), Total (25%) and Marubeni (8.33%). We are the operator of Keith.	The joint venture holds three production licences issued by the Crown of the United Kingdom, which expire in 2011, 2015 and 2018.	Production is via an integrated oil and gas platform. The throughput of the Bruce facility has, since 2002, been increased to 920 MMcf/d through de-bottlenecking and revising operating envelopes. The Keith field was developed as a tie-back to the Bruce platform facilities.

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
Ohanet Approximately 1,300 kilometres southeast of Algiers, Algeria Four wet gas fields	We have an effective 45% interest in the Ohanet joint venture. The other 55% is held by Japan Ohanet Oil and Gas Co. Ltd. (30%), Woodside Energy (Algeria) Pty. Ltd. (15%) and Petrofac Energy Developments (Ohanet) LLC (10%). The project is operated by a Sonatrach/BHP Billiton staffed organisation.	The venture is party to a risk service contract with the title holder Sonatrach that expires in 2011, with an option to extend under certain conditions. Under this contract, the Ohanet joint venture is reimbursed and remunerated for its investments in liquids.	Ohanet is a wet gas (LPG and condensate) development consisting of four gas and condensate reservoirs and a gas processing plant with the capacity to treat 20 MMcf/d of wet gas and 61 Mbbl/d of associated liquids (LPG and condensate).
ROD Integrated Development Berkine Basin, 900 kilometres southeast of Algiers, Algeria Six oil fields	We hold a 45% interest in the 401a/402a production sharing contract, with ENI holding the remaining 55%. We have an effective 38% interest in ROD unitised integrated development. ENI owns the remaining 62%. This interest is subject to a contractual determination to ensure that interest from participating association leases is accurately reflected. Future redetermination may be possible under certain conditions. A joint Sonatrach/ENI entity is the operator.	The venture is party to a production sharing contract with the title holder Sonatrach that expires in 2016, with an option for two five-year extensions under certain conditions.	Comprises the development and production of six oil fields, the largest two of which, ROD and SFNE, extend into the neighbouring blocks 403a and 403d. The ROD Integrated Development is being produced through a dedicated processing train located adjacent to BRN processing facilities on block 403, with the capacity to process approximately 80 Mbbl/d of oil.
Development projects			
Australia/Asia			

North West Shelf Train 5 expansion

The expansion of the existing LNG processing facilities located on the Burrup Peninsula continues with the construction of the fifth LNG train. In June 2005, our Board approved our 16.67 per cent share of investment in a fifth LNG train expansion of the existing LNG processing facilities located on the Burrup Peninsula, which will increase total LNG production capacity to 43,500 tonnes per day. Our share of development costs, based on the operator s estimate, is approximately US$350 million, with first production expected by end of first quarter FY2009.

North West Shelf Angel development

Development of the Angel gas and condensate field, approved in December 2005 is nearing completion. The development includes the installation of the venture s third major offshore production platform, which will have a capacity to produce 800 MMcf/d of gas and 50 Mbbl of condensate per day from the North West Shelf and associated infrastructure, including a new subsea 50 kilometre pipeline, that will be tied in to the first trunk line at the North Rankin platform. Our 16.67 per cent share of development costs, based on the operator s estimate, is approximately US$200 million. The project is on schedule and budget with first production expected by end of 2008.

North West Shelf North Rankin gas compression project

In March 2008, the Board approved the North West Shelf gas compression project to recover remaining lower pressure gas from the North Rankin and Perseus gas fields. A new gas compression platform, North Rankin B (NRB), capable of producing 2,500 MMcf/d of gas 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 bridge and operate as a single facility. Our 16.67 per cent share of development costs is approximately US$850 million. First gas is expected in 2012.

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

In July 2007, the Board approved the Pyrenees project to develop the WA-12-R permit portion of the Crosby, Stickle and Ravensworth oil fields in the Exmouth Sub-basin, off the northwest coast of Western Australia. Project costs for the WA-12-R permit portion of the Pyrenees development are approximately US$1.7 billion (approximately US$1.2 billion our share). The WA-155-P permit portion of the Pyrenees project was approved by the Board in November 2007, incorporating the remainder of the Ravensworth field as it straddles both WA-12-R and WA-155-P permits. The combined development consists of subsea production and injection wells tied back to a floating production storage and offloading (FPSO) facility with an oil processing capacity of 96 Mbbl/d. First production is expected during the second half of FY2010.

We own a 71.43 per cent operated interest in the WA-12-R permit, with Apache Energy Ltd owning the remaining 28.57 per cent. We own a 40 per cent operated interest in the WA-155-P permit, with Apache Energy Ltd owning 31.5 per cent and Inpex owning 28.5 per cent.

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. The first phase of the project includes two new subsea wells, three new pipelines and platform modifications to supply 10 Mbbl/d of condensate and 80 MMcf/d of gas. Gas and liquids will be processed via the existing Gippsland Joint Venture facilities. Our share of development costs, based on the operator s estimate, is approximately US$500 million. First production is expected in 2011.

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 Joint Venture.

Bass Strait Turrum field development

Further expansion of the Gippsland Basin facilities is underway with the Board approving the full field development of the Turrum oil and gas field in July 2008. Our 50 per cent share of the investment, based on the operator s estimate, is approximately US$625 million and consists of a new platform, Marlin B, linked by a bridge to the existing Marlin A platform. The Turrum field, which will supply 10 Mbbl/d of oil and 200 MMcf/d of gas, is located 42 kilometres from shore in approximately 60 metres of water. First production is expected in 2011.

Scarborough

We have a 50 per cent non-operated interest in the Scarborough gas field in WA-1-R (ExxonMobil holds the remaining 50 per cent and is the operator). We are still examining a number of concepts for field development.

United States

Shenzi/Genghis Khan

We have a 44 per cent interest, and will operate the Shenzi oil and gas project in the deepwater fields of Gulf of Mexico. Other owners of the project are Repsol (28 per cent) and Hess Corporation (28 per cent). The project is constructing a stand-alone tension-leg platform (TLP) with a nominal design capacity of 100 Mbbl/d and 50 MMcf/d of gas. The hull and topsides were installed in July 2008. Installation of subsea equipment and development drilling and completion of wells continues per the approved program. First oil through the Shenzi TLP for the Shenzi Development is expected by the end of FY2009.

The Genghis Khan field is part of the same geological structure as the Shenzi project. As with Shenzi, we are the operator of Genghis Khan and hold a 44 per cent interest. Co-venturers are Hess Corporation and Repsol YPF, each with 28 per cent. The Genghis Khan development consists of a 3,841 metres tie-back to the existing Marco Polo TLP, which is owned in a joint venture by Enterprise and Helix, and is operated by Anadarko. First oil through Marco Polo occurred in October 2007. Gross costs for the Shenzi/Genghis Khan field development (net of acquisition costs) are US$4.9 billion (US$2.2 billion our share).

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Exploration and appraisal

We are focused on finding significant discoveries through wildcat drilling. We have exploration interests throughout the world, particularly the Gulf of Mexico, Western Australia, Latin America and Malaysia. During the year, our gross expenditure on exploration was US$692 million. Our major exploration interests are as follows:

Australia/Asia

Thebe

The Thebe-1 exploration well was drilled in July 2007 and is located approximately 300 kilometres off the northwest coast of Western Australia in water depths of 1,173 metres and approximately 50 kilometres north of the Scarborough gas field. The well and subsequent evaluation confirmed a gas column encountered in the Exmouth Plateau of the Carnarvon Basin.

Thebe-2 Appraisal well was drilled in February 2008 to a depth of 2,550 metres to appraise the reservoir discovered by Thebe-1. The results confirmed the presence of a high quality reservoir. Both wells have been plugged and abandoned while further appraisal options are evaluated.

BHP Billiton is the operator of Thebe-1 and Thebe-2 and holds a 100 per cent interest in the field.

Browse

The Browse basin is comprised of the Torosa, Brecknock and Calliance fields and is operated by Woodside Petroleum. It is divided into two joint ventures: East Browse and West Browse. We have an 8.33 per cent non-operated interest in East Browse and a 20 per cent non-operated interest in West Browse. An appraisal program is in progress and concurrently the operator is evaluating options for field development through engineering and site selection studies.

Malaysia

In March 2007, we were awarded two offshore blocks in Malaysia. We are the operator of the blocks under two separate Production Sharing Contracts. The minimum exploration program includes the acquisition and processing of seismic data for approximately 2,300 square kilometres across the two blocks, and the drilling of four exploration wells within the first seven years of the contracts. The initial seismic acquisition program commenced in June 2008.

Americas Gulf of Mexico

Puma Green Canyon/Western Atwater Foldbelt exploration

The Puma-1 exploration well was drilled in January 2004. The well was drilled in 1,259 metres of water and encountered hydrocarbons in both the original hole and in two subsequent sidetrack bores. The first appraisal well was re-entered in January 2007 but did not encounter any commercial reserves and has been temporarily abandoned. A second appraisal well drilled in March 2007 also did not discover commercial reserves. An additional appraisal well is planned in FY2009 to further evaluate the Puma prospect.

Following an interim equity agreement, we hold a 29.8 per cent interest in Puma. The other 70.2 per cent is held by BP (46.2 per cent), Chevron (21.75 per cent) and Statoil (2.25 per cent), subject to future redetermination.

Knotty Head Green Canyon/Wester Atwater Foldbelt exploration

We currently own a 25 per cent interest in an exploration well on the Knotty Head Prospect, located in the Green Canyon area. Partners in the well are Nexen (25 per cent owner and operator), Anadarko (25 per cent) and Unocal (a wholly-owned subsidiary of Chevron (25 per cent)). Unocal spudded the exploration well in March 2005. The initial well was completed in mid-December 2005 followed by a sidetrack operation that was completed in early March 2006 to further evaluate the results of the discovery well. The well was drilled in 1,088 metres of water to a total depth of 10,422 metres and encountered hydrocarbons in both the original hole and the subsequent sidetrack. Additional appraisal work to further evaluate the economic potential of the prospect is in progress.

Americas Colombia

In June 2007, we signed a Joint Operating Agreement with Ecopetrol for the Fuerte Norte and Fuerte Sur blocks, located offshore in Colombia. We hold 75 per cent operated interest in each block with Ecopetrol holding the remaining 25 per cent. In October 2007 the Joint Venture entered into the second phase of the Exploration and Production Licences for the two Fuerte Blocks and subsequently undertook acquisition and processing of 3D seismic over the area.

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Americas Falkland Islands

In December 2007, we farmed into Northern and Southern area licences offshore of 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 includes the drilling of two wells in the first phase by the end of 2010.

Europe/Africa/Middle East

Namibia

We hold interests in two blocks located offshore in Namibia, known as the Northern and Southern Block, which we acquired in 2005. In November 2006, we farmed out a 25 per cent interest in these two blocks. Mitsui & Co Ltd acquired 15 per cent and the Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd acquired 10 per cent with an option to consider additional equity. We remain the operator and hold the remaining 75 per cent interest.

2.2.3 Aluminium Customer Sector Group

Our Aluminium business is a portfolio of assets at three stages of the aluminium value chain: we mine bauxite, we refine bauxite into alumina, and we smelt alumina into aluminium metal. We are the world s sixth-largest producer of aluminium, with total production in FY2008 of approximately 1.3 million tonnes of aluminium. We also produced approximately 16 million tonnes of bauxite and 4.6 million tonnes of alumina.

Approximately 55 per cent of our alumina production is used in our aluminium smelters and we sell 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.

As with our other businesses, our strategy with bauxite and alumina is to own large, low-cost assets that provide good returns through the investment cycle and provide us with options for brownfield development. With aluminium smelters, where the availability and cost of power are critical, our investment decisions have been driven in part by the availability of stranded power generation capacity. For example, both Hillside and Mozal were originally built when there was excess electricity generating capacity in southern Africa.

We have interests in two sets of integrated bauxite mining/alumina refining assets:

Boddington/Worsley

The Boddington bauxite mine in Western Australia supplies bauxite ore via a 51 kilometre long conveyor to the Worsley alumina refinery. Worsley is one of the largest and lowest-cost refineries in the world, and is currently undergoing a major expansion (see Development projects below). Our share of Worsley s FY2008 production was 3.035 million tonnes of alumina. Worsley s export customers include our own Hillside, Bayside and Mozal smelters in southern Africa. Boddington has a reserve life of 24.5 years at current production rates. We own 86 per cent of the mine and the refinery.

Onverdacht/Coermotibo/Paranam

We own a 45 per cent interest in a joint venture that operates bauxite mines in the Onverdacht and Coermotibo areas of Suriname and the nearby Paranam alumina refinery. We are working on other mining options in the area to continue feeding Paranam after the current mines are exhausted. Our share of Paranam s FY2008 production was 983,000 tonnes of alumina.

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

We have interests in the Alumar integrated alumina refinery/aluminium smelter and three stand-alone aluminium smelters:

Alumar

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 Sao Luis in the Maranhao province of Brazil. Alumar sources bauxite from MRN. Approximately 50 per cent of Alumar s alumina production is used to feed the smelter, while the remainder is exported. Our share of Alumar s FY2008 saleable production was 535,000 tonnes of alumina and 178,000 tonnes of aluminium. The Alumar refinery is currently undergoing a significant expansion (see Development projects below).

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Hillside and Bayside

Our Hillside and Bayside smelters are located at Richards Bay, South Africa. Hillside s capacity of approximately 704,000 tpa makes it the largest aluminium smelter in the southern hemisphere, and it is one of the most efficient. Following the closure of potlines B and C Bayside has smelting capacity of approximately 96,000 tpa, but it also uses its own aluminium and liquid aluminium from Hillside to produce a range of value-added products such as rod, slab and extrusion. Both operations import alumina from our Worsley refinery and 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 for which is linked to the South African and US producer price indices.

In January 2008, Eskom determined that it had insufficient power to meet the national demand in South Africa, and mandated an emergency 10 per cent reduction in power consumption by many large industrial users, including BHP Billiton. Although our contracts with Eskom specify that power supply to our aluminium smelters can only be interrupted approximately one per cent of the time per calendar year, we have respected the emergency situation faced by the country and reduced our demand by the requested 10 per cent. To achieve this in the most economically efficient way, we have closed the B and C potlines at Bayside, reducing production there by approximately 92,000 tpa. Across all three southern Africa smelters (including Mozal), we expect production loss to be just over 120,000 tpa. The production cuts occurred primarily at Bayside, a 100 per cent BHP Billiton owned facility. A production sharing adjustment is currently being established between the Mozal partners (47.1 per cent BHP Billiton) to compensate us for taking the majority of the power reduction at a 100 per cent owned facility.

Mozal

We own 47.1 per cent of and operate the Mozal aluminium smelter in Mozambique, which has a total capacity of approximately 563,000 tpa. Mozal sources power generated by Eskom via Motraco, a transmission joint venture between Eskom and the national electricity utilities of Mozambique and Swaziland. Tarriffs are fixed through to 2012 and will be linked to the LME aluminium price thereafter. Our share of Mozal s FY2008 production was 257,000 tonnes.

Information on the Aluminium CSG s bauxite mining operations

The following table contains additional details of our mining operations. This table should be read in conjunction with the production and reserve tables.

Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Boddington bauxite mine 123 kilometres southeast of Perth at Boddington, Western Australia, Australia Open-cut mine	We own 86% of the Worsley joint venture. The other 14% interest is owned by Sojitz Alumina Pty Ltd (4%), and Japan Alumina Associates (Australia) Pty Ltd (10%). Worsley Alumina Pty Ltd is the manager of the joint venture on behalf of the participants. Worsley Alumina Pty Ltd has the same ownership structure as the Worsley joint venture.	The Boddington bauxite mine opened in 1983 and was significantly extended in 2000.	The mine has a crushing plant with the capacity of approximately 13 mtpa of bauxite. Power is supplied from the Worsley alumina refinery site via a joint venture-owned powerline. A description of the Worsley alumina refinery can be found in the table below.

The mine is accessible by sealed public roads. The ore is transported to Worsley alumina refinery via a 51 kilometre overland conveyor.	We hold a 2,656 square kilometre mining lease from the Western Australian government and two sub leases totalling 855 square kilometres from Alcoa of Australia Limited. In 2004, we renewed the lease for a second 21-year term. A further 21-year renewal is available.		
Suriname Kaaimangrasie mine (Onverdacht)	We own 45% of the refining and mining joint venture. The other 55% interest is held by Suralco (a subsidiary of Alcoa World Alumina and Chemicals (AWAC), a venture of Alcoa and Alumina Limited).	The development of the Kaaimangrasie mine started in November 2005. Operations/delivery of bauxite to the refinery commenced in July 2006. The mine is scheduled to be operated until 2011.	Kaaimangrasie mine has a nominal production capacity of approximately 1.6 mtpa of bauxite; there are no processing facilities at the mine.
38 kilometres southeast of Paramaribo and 25 kilometres east of the Paranam refinery, Suriname			

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Open-cut mine	We manage all mining operations.		Electricity is sourced from Suralco and fuel sourced from an external provider.
The mine is accessible by a joint venture-owned haul road. The ore is hauled by truck over a distance of 25 kilometres to the Paranam refinery.	Suralco holds the exploitation licences, issued by the Government of Suriname, over the Kaaimangrasie deposit. These licences expire in 2032.		
Suriname Klaverblad mine (Onverdacht)	We own 45% of the refining and mining joint venture. The other 55% interest is held by Suralco.	The development of the Klaverblad mine started in July 2005. Delivery of bauxite to the refinery commenced in April 2007. The mine is scheduled to be operated until 2011.	Klaverblad mine has a nominal production capacity of approximately 1.4 mtpa of bauxite; there are no processing facilities at the mine.
23 kilometres southeast of Paramaribo and 13 kilometres east of the Paranam refinery, Suriname	We manage all mining operations.		Electricity is sourced from Suralco and fuel sourced from an external provider.
	Suralco holds the exploitation licences, issued by the Government of Suriname, over the Klaverblad deposit. These licences expire in 2032.		
Open-cut mine			
The mine is accessible by a joint venture-owned haul road. The ore is hauled by truck over a distance of 12 kilometres to the Paranam refinery.			

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Suriname **Coermotibo** 150 kilometres east of Paranam, Suriname Surface strip mine The mine is accessible by joint venture-owned haul roads The ore is hauled to the Coermotibo crushing and loading facility and subsequently barged along the Commewijne River to the Paranam refinery.	We own 45% of the Coermotibo joint venture. The other 55% interest is held by Suralco. We manage all mining operations. Suralco holds exploitation licences over the bauxite, issued by the Government of Suriname. These licences expire in 2032.	The Coermotibo mine started operations in 1991. Remnants mining will continue until July 2011.	Coermotibo mine has a nominal production capacity of 1.4 mtpa. There are primary crushing, beneficiation plant and barge loading facilities. Coermotibo generates its own electricity from power generators that run on diesel fuel.
MRN Oriximina, State of Pará, Brazil Open-cut mine	We own 14.8% of Mineração Rio do Norte S.A (MRN). The other 85.2% is owned by affiliates of Alcoa (18.2%), Rio Tinto (12%), Companhia Brasileira de Alumínio CBA (10%), VALE (40%) and Norsk Hydro (5%). MRN operates the mine.	Production started in 1979 and the last expansion occurred in 2003.	MRN beneficiation facilities consist of a crushing unit and a washing unit and a conveyor belt that transports the ore between the two units. The bauxite nominal production capacity is approximately 18 mtpa. MRN has its own power generation station using fuel oil.

The mine is accessible by joint venture-owned haul roads. A joint venture-owned railroad connects the 28 kilometres between the plant and the port.	MRN holds valid mining rights granted by the Brazilian Federal Government to all its reserves until exhaustion of the reserves.

Information on the Aluminium CSG s aluminium smelters and alumina refineries

Operation and location	Ownership, operation and title	Plant type/product	Capacity
Hillside aluminium smelter Richards Bay, 200 kilometres north of Durban, KwaZulu-Natal province, South Africa	We own and operate the smelter. We hold freehold title over the property, plant and equipment. We have long-term leases over the harbour facilities.	The Hillside smelter uses the Aluminium Pechiney AP35 technology to produce standard aluminium ingots and aluminium T-Bars.	The nominal production capacity of the smelter is 0.704 mtpa of primary aluminium. The plant s power requirements are sourced from the national power supplier Eskom under long-term contracts. The prices in the contract for Hillside 1 and 2 are linked to the LME price for aluminium, while the prices for Hillside 3 are linked to the SA and US PPI.

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Operation and location	Ownership, operation and title	Plant type/product	Capacity
Bayside aluminium smelter Richards Bay, 200 kilometres north of Durban, KwaZulu-Natal province, South Africa	We own and operate the smelter. We hold freehold title over the property, plant and equipment. We have long term leases over the harbour facilities.	The Bayside smelter currently uses Alusuisse pre-bake technology to produce primary aluminium. Potlines B and C were closed on 15 May 2008 which used Soderberg self-bake technology. Bayside uses its own aluminium and liquid aluminium acquired from Hillside to also produce a range of value added products, such as, rod, slab and extrusion.	The nominal potline production capacity is 0.095 mtpa of primary aluminium on the remaining Potline A. The plant s power requirements are sourced from the national power supplier Eskom, under a long-term contract with prices linked to the LME price for aluminium.
Mozal aluminium smelter 17 kilometres from Maputo, Mozambique	We hold a 47.1% interest in the Mozal joint venture and operate the smelter. The other 52.9% is owned by Mitsubishi (25%), Industrial Development Corporation of South Africa Limited (24%), and the Government of Mozambique (3.9%). The joint venture has a 50-year right to use the land, renewable for another 50 years under a government concession.	The Mozal aluminium smelter uses the Aluminium Pechiney AP35 technology to produce standard aluminium ingots.	The nominal production capacity of the smelter is 0.563 mtpa. The plant s power requirements are purchased from Motraco, under an agreement that provides for a fixed tariff for the majority of electricity through to 2012 and LME-linked pricing thereafter.
Worsley alumina refinery Approximately 55 kilometres northeast of Bunbury, Western Australia, Australia	We own 86% of this asset through the Worsley joint venture. The other 14% is owned by Sojitz Alumina Pty Ltd (4%), and Japan Alumina Associates (Australia) Pty Ltd (10%). Worsley Alumina Pty Ltd is the manager of the joint venture on behalf of the participants. Worsley Alumina Pty Ltd has the same	The Worsley alumina refinery uses the Bayer process to produce metallurgical grade alumina, which is used as feedstock for aluminium smelting.	The nominal production capacity is 3.5 mtpa. Power and steam needed for the refinery are provided by a joint venture-owned on-site coal power station and a non-joint venture-owned on-site gas fired steam power generation plant.

	ownership structure as the Worsley joint venture.		
	We hold a 2,480 hectare refinery lease from the Western Australian Government. In 2004, we renewed the lease for a second 21-year term. A further 21-year renewal is available.		
Paranam refinery Paranam, Suriname	We own 45% of the Paranam joint venture. The other 55% of the joint venture is owned by Suralco. Suralco manages the alumina refinery. The joint venture holds freehold title to the property, plant and equipment, in a 45-55% split between the two joint venture partners.	The Paranam alumina refinery utilises the Bayer process to produce metallurgical grade alumina, which is used as feedstock for aluminium smelting.	Capacity is 2.2 mtpa. The Paranam refinery generates its own power.

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Operation and location	Ownership, operation and title	Plant type/product	Capacity
Alumar São Luís, Maranhão, Brazil	The Alumar Consortium is an unincorporated joint venture that holds the smelter, refinery, ingot plant and support facilities.	The alumina refinery and aluminium smelter use Alcoa technology to produce alumina and aluminium ingots.	The refinery complex was last expanded in June 2005, achieving annual capacity of 1.5 mtpa.
	We own 40% of the aluminium smelter. The other 60% is owned by Alcoa Aluminio SA (Alcoa).		The smelter has a nominal capacity of approximately 0.45 mtpa of primary aluminium.
	We own 36% of the alumina refinery. The other 64% is owned by Alcoa and its affiliate Abalco SA (35.1% and 18.9% respectively) and Rio Tinto (10%).		The electricity requirements are supplied by Brazilian public power generation concessionaire Electronorte, pursuant to a 20-year contract.
	Alcoa operates both facilities.		
	The consortium comprises an integrated port, an alumina refinery and an aluminium smelter together with areas for the production of anodes and aluminium ingots.		
	All the above are freehold interests of the joint venture participants.		

Development projects

Alumar refinery expansion

A project is underway to expand the production capacity of the Alumar refinery by 2 mtpa to 3.5 mtpa (100 per cent capacity) at a cost of US$725 million (our share). The completion schedule and budget are currently under review following advice from the operator.

Worsley Efficiency and Growth Project

In May 2008, we announced approval for an expansion project to lift capacity of the Worsley refinery from 3.5 mtpa of alumina to 4.6 mtpa (100 per cent capacity) of alumina through expanded mining operations at Boddington, additional refinery capacity and upgraded port facilities. The project is budgeted to cost US$1.9 billion (our share) and be completed in the first half of calendar 2011.

Guinea Alumina

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

Bakhuis

We are undertaking a feasibility study into a new bauxite mine in the Bakhuis region of western Suriname and are in negotiations with the Government of Suriname in order to obtain the exploitation rights for the Bakhuis area.

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2.2.4 Base Metals Customer Sector Group

Our Base Metals CSG is one of the world s top 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, which is the world s largest single producer of copper, and Olympic Dam in South Australia, which is already a major producer of copper and uranium and has the potential to be significantly expanded.

In recent years, we have commissioned the Spence copper mine and the Escondida Sulphide Leach projects, and restarted operations at Pinto Valley as we have sought to maximise production during a period of high copper prices. Our total copper production in FY2008 was a record 1.3755 million tonnes, compared to 1.2501 million tonnes in FY2007, and a 58% increase over our production five years ago.

In addition to conventional mine development, we are also pursuing advanced treatment technologies, such as the leaching of low-grade chalcopyrite ores, which we believe has the potential to recover copper from ores which were 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 with prices based on the LME price for the contained metal three or four months after shipment, less treatment charges and refining charges (collectively referred to as TCRCs) that we negotiate with the smelters 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 rod and brass mills and casting plants around the world under annual contracts with premiums to LME prices. We sell uranium oxide to electricity generating utilities, principally in Western Europe, North America and North Asia. Traditionally, uranium sales have been under long-term fixed price contracts and the majority of our current production is committed under these contracts. Sales commitments under long term price contracts reduce over time and going forward we expect to see an increasing proportion of sales made with flexible pricing terms; for example, with a price linked to a spot index.

We have seven production assets:

Escondida

Our 57.5% owned and operated Escondida mine is the largest and one of the lowest-cost copper producers in the world. In FY2008, our share of Escondida s production was 679,500 tonnes of copper in concentrate and 131,600 tonnes of copper cathode. FY2008 saw the continued ramp-up of production from the sulphide leach plant, which was commissioned in July 2006. Current reserves will support mining for a further 24 years at current production rates. We have been working to address two potential

limitations on future production at Escondida: power and water. Together with our Cerro Colorado and Spence operations, Escondida draws its power from the northern Chilean grid. Restrictions in the supply of gas from Argentina have resulted in higher costs and power supply fluctuations. To ensure security of supply and competitive power costs in the long term we are supporting the construction of an LNG facility to supply gas to the northern grid system, which is scheduled for completion in 2010, and have signed off-take agreements underwriting the construction of a 460MW coal-fired power station, which is scheduled for completion in 2011. To address limitations on the availability of water, we carefully manage our use and re-use of available water, explore for alternative sources, and have built a desalination plant that currently provides water only to the sulphide leach plant but which could be expanded, if necessary. We believe that there is substantial scope for further expansion at Escondida (see Development projects below).

Olympic Dam

While it is already a significant producer of copper cathode and uranium oxide, and a refiner of smaller amounts of gold and silver bullion, we are currently 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). In FY2008, Olympic Dam produced 169,900 tonnes of copper cathode, 4,144 tonnes of uranium oxide, 80,517 ounces of gold and 780,000 ounces of silver.

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Antamina

We own 33.75% 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 12 years. Our share of Antamina s FY2008 production was 111,700 tonnes of copper in concentrate, and 83,521 tonnes of zinc in concentrate. In addition to its primary copper and zinc concentrate products, Antamina also produces smaller amounts of molybdenum and lead/bismuth concentrate.

Spence

We completed our wholly-owned greenfield Spence copper mine development in Chile and began ramping up cathode production in December 2006. During FY2008, we produced 142,700 tonnes of copper as we continue to ramp up to the nominal capacity of 200,000 tpa.

Cerro Colorado

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 FY2008 was 106,400 tonnes of copper cathode. Production has been adversely affected by the high clay content of the ores currently being mined. Our current mine plan sees production continuing until 2016, although we are currently evaluating the extent of hypogene mineralisation that may support extension options.

Cannington

Our wholly-owned Cannington mine in northwest Queensland has grown to become the world s largest and, we believe, one of the lowest cost producers of silver and lead. During FY2006 and FY2007, we undertook an extensive program of decline and stope access rehabilitation to improve safety conditions, which has positioned the mine to maintain production, offsetting natural grade decline over its remaining eight-year reserve life. In FY2008, Cannington produced concentrates containing 251,548 tonnes of lead, 60,969 tonnes of zinc, and approximately 35 million ounces of silver.

Pinto Valley

In addition to these assets and in response to high copper prices as a result of strong demand, during FY2008 we resumed sulphide mining, milling and concentrating operations at our previously idled Pinto Valley mine and began producing copper concentrate. In addition, we continue to produce copper cathode at the Pinto Valley site and the neighbouring Miami Unit from our ongoing Solvent Extraction Electrowinning (SXEW) operations. Current reserves will support mining for a further four years.

Information on the Base Metals CSG s mining operations

The following table contains additional details of our mining operations. This table should be read in conjunction with the production and reserve tables.

Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Copper			
Escondida	The mine is owned and operated by Minera Escondida Limitada.	Original construction of the operation was completed in 1990. The project has since undergone various	Escondida has two processing streams: two concentrator plants in which high-quality copper concentrate

Atacama Desert, at an altitude of approximately 3,100 metres and 170 kilometres southeast of Antofagasta, Chile Two open-cut pits The mine is accessible by public road.	We own 57.5% of Minera Escondida. The other 42.5% is owned by affiliates of Rio Tinto (30%), the JECO Corporation (10%), a consortium represented by Mitsubishi Corporation (7%), Mitsubishi Materials Corporation (1%), Nippon Mining and Metals (2%) and the International Finance Corporation (2.5%). Copper cathode is transported by privately-owned rail line to the Antofagasta port (government-operated) or Mejillones port (privately operated). Minera Escondida Limitada holds a mining concession from the Chilean state that remains valid indefinitely (subject to payment of annual fees).	expansion projects at an additional cost of US$2,571 million (100% terms) plus US$451 million (100% terms) for the construction of an oxide plant. In June 2006, the Escondida Sulphide Leach copper project achieved first production. Excluding the exchange impact of a stronger Chilean peso, the cost of the project was US$914 million (100% terms), compared to a budget of US$870 million. The final cost was US$1,017 million including the impact of foreign exchange.	is extracted from sulphide ore through a flotation extraction process; and two solvent extraction plants in which leaching, solvent extraction and electrowinning are used to produce copper cathode. Nominal production capacity is 3.2 mtpa of copper concentrate and 330,000 tonnes per annum of copper cathode. Separate transmission circuits provide power for the Escondida mine facilities. These transmission

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Copper concentrate is transported by Company-owned pipeline to its Coloso port facilities.			lines, which are connected to Chile s northern power grid, are Company-owned. Electricity is purchased under contracts with local generating companies.
Spence Atacama Desert, 150 kilometres northeast of Antofagasta, Chile Open-cut mine The mine is accessible by public road and privately-owned rail access. Copper cathode produced is transported by rail line to Mejillones port (privately operated) and to Antofagasta port on an exceptional basis.	We own and operate the mine (100%). We hold a mining concession from the Chilean state that remains valid indefinitely (subject to payment of annual fees).	Spence received Board approval for execution in October 2004. The project was completed within the US$990 million budget excluding foreign exchange impacts of a stronger Chilean peso. The cost including the impact of foreign exchange was US$1.1 billion. First ore was crushed in September 2006 with first copper produced in December 2006.	Spence has operations facilities to support the open-cut mining operations and ore processing/crushing operations. The crushed oxide and sulphide ores are leached on separate dynamic (on-off) leach pads. Chemical (acid) leaching is applied to oxide ores and bio-leaching is applied to supergene sulphide ores. Solvent extraction consists of four trains in a series-parallel configuration, with extraction stages for both oxide and sulphide Pregnant Leach Solution. A single electrowinning (EW) plant produces the copper cathode. We have an additional run of mine (ROM) heap leach to further recover copper from low-grade ores. Nominal capacity is 200,000 tonnes of copper cathode. Electrical power is supplied to the operation via a 70 kilometre high-voltage transmission line connected to Chile s northern power grid. This transmission line is Company-owned, and electricity is purchased under contracts from a local generating company.
Cerro Colorado Atacama Desert at an altitude of 2,600 metres, 120 kilometres east of	We own and operate the mine.	Commercial production at Cerro Colorado commenced in June 1994.	Cerro Colorado s facilities for this process include two primary, secondary and tertiary crushers, leaching pads and solvent extraction and electrowinning plants.

Iquique, Chile Open-cut copper mine The mine is accessible by public road. Copper cathode production is trucked to the port at Iquique, which is privately operated.	We hold a mining concession from the Chilean state that remains valid indefinitely (subject to payment of annual fees).	Expansions took place in 1995 and 1998 to increase the mine s crushing capacity, leach pad area and mine fleet. With these expansions, production was increased to 100,000 tonnes per annum. Production was then increased to the nameplate capacity of 120,000 tonnes per annum with optimisation and efficiency improvements. Due to lower copper grades of the ore the production is now approximately 105,000 tonnes per annum.	Electricity is supplied under long-term contracts to the facilities through the northern Chile power grid.

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Pinto Valley Located in the USA approximately 125 kilometres east of Phoenix, Arizona. The mine is accessible by public road. Cathode production is trucked to domestic customers in the United States and Concentrate production is trucked to San Manuel, Arizona where it is loaded on rail and transported to the Port of Guaymas in Mexico.	We own and operate 100% of Pinto Valley and we hold title to the land. Mining operations are contracted to The Washington Group, a subsidiary of URS.	Pinto Valley was acquired through the acquisition of Magma Copper Company in 1996. The sulphide mining operations were discontinued in 1998. During closure, the operation continued to produce small amounts of copper cathode through residual dump leaching SXEW operations. A Feasibility Study on a re-start of the sulphide mining operations was conducted in 2006. In January 2007, the Re-Start Project was approved. First concentrate production was achieved in October 2007.	Pinto Valley facilities include two SXEW operations at the Pinto Valley and Miami sites. Concentrate production facilities include a primary crusher, secondary and tertiary crushers, six ball mills and copper concentrate and molybdenum flotation circuits. Power is supplied to the site by the Salt River Project.
Copper uranium			
Olympic Dam 560 kilometres northwest of Adelaide, South Australia, Australia Underground mine	We own and operate Olympic Dam. The mining lease was granted by the Government of South Australia by an Act of Parliament for the period of 50 years from 1986, with a right of extension for a further period of 50 years in accordance with the Roxby	Production of copper began in 1988. Between 1989 and 1995, the production rate was increased, ultimately raising the ore mining capacity to approximately 3 mtpa.	The underground mine extracts copper uranium ore and hauls the ore by an automated train and trucking network feeding underground crushing, storage and ore hoisting facilities. The processing plant consists of two grinding circuits in which high-quality copper concentrate is extracted from sulphide ore through a flotation extraction process. The concentrate is fed into an Outokumpu flash furnace having a nominal concentrate smelting capacity of 450 ktpa to

	Downs (Indenture Ratification) Act 1982.	During 1997 through 1999 a major expansion was conducted to raise throughput from 3 mtpa to 9 mtpa.	produce copper anodes, then into an ISA electro-refinery to produce copper cathodes and slimes treated to recover gold and silver. The flotation tailings are further processed to produce electrowon cathode and high grade uranium oxide concentrates.
The mine is accessible by public road. Copper cathode and electrowon copper is transported by public road to public ports. Uranium oxide is transported by public road and rail to public ports.		In 2002, Olympic Dam completed an optimisation project. A new copper solvent extraction plant was commissioned in the first quarter of 2004.	Power for the Olympic Dam operations is supplied via a 275 kV powerline from Port Augusta, transmitted by ElectraNet.
		We acquired Olympic Dam as part of our acquisition of WMC in 2005.	

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Copper zinc			
Antamina 270 kilometres north of Lima at an altitude of 4,300 metres, Peru Open-cut mine The mine is accessible by a Company-maintained 115 kilometre access road. A 300 kilometre pipeline transports the copper and zinc concentrates to the port of Huarmey. The molybdenum and lead/bismuth concentrates are transported by truck to different locations for shipment.	Antamina is owned by Compañía Minera Antamina SA, in which we hold a 33.75% interest. The remaining interests are held by Xstrata (33.75%), Teck Cominco (22.5%) and Mitsubishi (10%). Antamina is the operator of the mine. Antamina holds mining rights from the Peruvian state over its mine and operations. These rights can be held indefinitely, contingent upon the annual payment of licence fees and the supply of information on investment and production.	The Antamina project achieved commercial production in October 2001.	The principal project facilities include a primary crusher, a nominal 70,000 tonnes per day concentrator, copper and zinc flotation circuits and a bismuth/ moly cleaning circuit, a 300 kilometre concentrate pipeline with single-stage pumping, and port facilities at Huarmey. The pipeline design throughput is 2.3 dry mtpa. Power to the mine site is being supplied under long-term contracts with individual power producers through a 58 kilometre 220 kV transmission line, which is connected to Peru s national energy grid.
Silver, lead and zinc			
Cannington	We own and operate Cannington.	The deposit was discovered in 1990. Concentrate	The beneficiation plant consists of a primary grinding circuit (AG mill), secondary grinding circuit (tower mill), pre-flotation circuit, fine lead

300 kilometres southeast of Mt Isa, Queensland, Australia	The Cannington deposit is contained within mining leases granted by the State of Queensland in 1994 and which expire in 2029.	production commenced in 1997.	flotation circuit, coarse lead flotation circuit, zinc flotation circuit, concentrate and tailings thickening, lead and zinc concentrate leaching circuits, lead and zinc concentrate filtration circuit and a paste plant.
Underground mine		In February 2003, the Cannington Growth Project commenced to improve mill throughput and metal recovery. The project was completed during FY2005.	Nominal capacity is 3.1 mtpa.
The mine is accessible by public road and a Company-owned airstrip.			A power station, consisting of a combination of gas-fired and diesel-fired engines, located at Cannington, is operated under contract to supply power solely to Cannington.
Product is transported 187 kilometres by road to Yurbi, a Company-owned loading facility, where it is loaded on public rail and transported to a public port at which we lease a berth.			

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Development projects

Olympic Dam

The pre-feasibility study into expansion options at Olympic Dam is currently being undertaken and is addressing production capacities, mining methods, processing (including smelting) options and supporting infrastructure requirements. The expansion is likely to convert Olympic Dam from an underground to an open cut mine. Our conceptual studies have indicated the potential for production capacity by the end of the last stage of development of approximately 730,000 tpa of copper, 19,000 tpa of uranium oxide and 800,000 ounces per year of gold. Olympic Dam is a relatively complex orebody, so there remains uncertainty about the size, cost, timing and eventual configuration of the expansion project. The project is still in pre-feasibility and development options are still being evaluated, and ultimately, the expansion project will depend upon Board approval of the final investment case and a range of regulatory and governmental approvals and agreements.

Escondida

Escondida is currently undertaking a pre-feasibility study into building a third concentrator plant. It has also been undertaking extensive exploration of the Escondida lease, and early drilling results suggest that there is extensive additional mineralisation in close proximity to existing infrastructure and processing facilities, including a new prospect known as Pampa Escondida. Further study will be required before we establish whether it can be economically extracted. Escondida is planning to invest an estimated US$327 million (US$188 million our share) in drilling, assaying and metallurgical test work across the mining lease over the next five years.

Resolution Copper

We hold a 45 per cent interest in the Resolution Copper project in Arizona, which is operated by our partner, Rio Tinto, which owns the other 55 per cent. Resolution Copper is currently undertaking a pre-feasibility study into a substantial underground copper mine and processing facility.

2.2.5 Diamonds and Specialty Products Customer Sector Group

Our Diamonds and Specialty Products CSG operates our diamonds and titanium minerals businesses, and is managing the development of a potentially substantial potash business.

Diamonds

The cornerstone of our diamonds business is the EKATI diamond mine in the Northwest Territories of Canada, of which we own 80 per cent. EKATI has produced an average of 3.0 million carats per year of rough diamonds over the last three years. However, 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) will fluctuate from year to year. Production at EKATI continues to transition from predominantly open-pit to a mix of open-pit and underground mining. During FY2008, we completed the Koala underground mine ahead of schedule and under budget. EKATI has a number of development options for future open-pit and underground mines to extend the life of the operation. The mine life based on current reserves and rate of production is 11 years.

Annual sales from EKATI (100 per cent terms) represent around 2.7 per cent of current world rough diamond supply by weight and 5.3 per cent by value. We sell most of our rough diamonds to international diamond buyers through our Antwerp sales office. We also sell a smaller amount of our diamond production to two Canadian manufacturers based in the Northwest Territories. We also sell polished diamonds, manufactured through contract polishing arrangements, through our CanadaMark and AURIAS brands.

We are also actively exploring for diamonds in a number of areas, particularly in Angola where we hold substantial exploration acreage. We believe there is significant potential in the diamonds business because of the increasing demand for diamond jewellery and the lack of significant new diamond discoveries. We believe that our experience operating EKATI provides us with a solid base for future operations.

Titanium minerals

Our interest in titanium minerals consists of our 50 per cent effective interest in Richards Bay Minerals (RBM) in South Africa and our 90 per cent interest in the Corridor Sands mineral sands project in Mozambique (see Development projects below).

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. The other 50 per cent of RBM is owned by Rio Tinto.

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In July 2008, RBM announced the signing of a Memorandum of Understanding for a 26 per cent broad-based black economic empowerment transaction. A consortium including investors, local communities and employees has been identified. Negotiations with the selected parties to agree the terms of the transaction are ongoing.

Potash

We believe that sound industry fundamentals, driven by rising demand for fertilisers, together with the resource attributes and capital-intensive nature of greenfield potash developments, make potash a suitable commodity for our portfolio. We have acquired substantial exploration acreage in the province of Saskatchewan, Canada, home to the largest and most productive potash basin in the world. We are currently studying development alternatives (see Development projects below).

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 and reserve tables.

Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Diamonds			
EKATI Diamond Mine 310 kilometres northeast of Yellowknife, Northwest Territories, Canada	We own an 80% interest in the Core Zone joint venture, which includes the existing operations. The remaining 20% interest is held by two individuals.	Construction began in 1997 and production from the first open-cut was initiated in 1997. The mine and processing plant began operation in mid 1998.	The processing plant consists of crushers, washers/scrubber and grinder and heavy media separator. The diamond recovery process makes use of magnetics and X-ray sorters. Nameplate capacity is 9,000 tonnes of ore per day.
Beartooth and Fox are open-cut mines and Panda and Koala are underground mines. The mines are accessible year round by contracted aircraft. Road access is available for approximately 10	We also own a 58.8% interest in the Buffer Zone joint venture, made up predominantly of exploration targets. We are the operators of the mines. Tenure is secured through ownership of mining leases granted by the Government of Canada. Mining leases have been granted for reserves until 2017.	In October 2001, we acquired Dia Met Minerals Ltd, bringing our interest in the Core Zone and Buffer Zone joint ventures up to 80% and 58.8% respectively. Current active mines include two open-cut (Beartooth and Fox) and two underground mines (Panda and Koala).	All the electric power is generated by our Company-owned and operated diesel power station. In addition, there is storage for approximately 90 million litres of diesel fuel on-site.

weeks per year via an ice road.

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Titanium Minerals			
Richards Bay Minerals Four beach sand dredge mines 10 to 50 kilometres north of Richards Bay, KwaZulu-Natal, South Africa The mine is accessible via public rail, road and port. The rail between the mine site, harbour and shipping facilities are owned by Spoornet and Portnet (both government business enterprises supplying services on behalf of the state). The roads accessing the smelter are government-owned.	RBM comprises two legal entities, Tisand (Pty) Ltd and Richards Bay Iron and Titanium (Pty) Ltd. Our share is 51% and 49.45% respectively. The remaining 49% and 50.55% are held by Rio Tinto. The overall net income is shared equally. RBM management independently operates the joint venture on behalf of the shareholders. RBM holds long-term renewable leases from the state of South Africa. These leases are subject to the South African Mining Charter and must be lodged for a conversion to a New Order Mining Right by no later than 30 April 2009 (refer to section 2.8 Government regulations).	Richards Bay Minerals was formed in 1976 to mine and beneficiate the sands in the coastal dunes. The mining operations were expanded to five, with the last mine added in 2000. In 2006, this was reduced to four, with the closure of one mining pond.	Mining is conducted largely by sand dredge mining, with minor supplementary dry mining. Gravity separation is then utilised to produce a heavy mineral concentrate. This concentrate is then trucked to a central processing plant to produce the finished products, being rutile and zircon and the ilmenite for smelter feed. The smelter processes the ilmenite to produce titanium dioxide slag, with a titanium dioxide of approximately 85% and high-purity iron. The nominal titanium slag capacity is 1.06 mtpa. The power for the operation is purchased from the South African grid.

Development projects

Corridor Sands

We are working on a pre-feasibility study for the Corridor Sands titanium minerals project in the Gaza province of southern Mozambique, which we acquired in the WMC transaction.

Potash

We are working on a pre-feasibility study for the Jansen project, a potentially substantial greenfield potash mine in the province of Saskatchewan, Canada. The Jansen project envisages the development of an underground mining operation, processing plant and associated infrastructure. While we are conducting the Jansen pre-feasibility study, we plan to pursue other potash projects in the

region.

EKATI expansions

We are working on pre-feasibility and concept studies for developments at EKATI. Because of the nature of the kimberlite pipes in which diamonds are found, individual pipes are relatively short-lived, so we are continually working on options to bring new pipes on-stream.

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2.2.6 Stainless Steel Materials Customer Sector Group

Our Stainless Steel Materials business 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. In addition, we supply nickel and cobalt to other markets including the specialty alloy, foundry, chemicals, and refractory material industries. We are the world s third-largest producer of nickel. Our nickel business has expanded rapidly with the acquisition of the former WMC nickel assets in 2005 and the development of Ravensthorpe and the Yabulu expansion. We have a number of options to continue expanding to meet the anticipated growth in stainless steel demand. We sell our nickel products under a mix of long-term, medium-term and spot contracts, with prices linked to the LME nickel price.

Our nickel business comprises three sets of assets:

Nickel West

Nickel West is the name for our wholly-owned Western Australian nickel assets, which consist of an integrated system of mines, concentrators, a smelter and refinery, together with our new Ravensthorpe nickel operation. We mine nickel bearing sulphide ore at our Mt Keith, Leinster and Cliffs operations north of Kalgoorlie, Western Australia. We operate concentrator plants at Leinster, which also concentrates ore from Cliffs, and at Mt Keith. Although its ore is relatively low grade, Mt Keith is a large open-cut nickel mine and the concentrator processes approximately 11.5 mtpa of ore. Leinster and Mt Keith have reserve lives of seven and 14 years, respectively at current rates of production, and both have options for further expansion. Cliffs is a new high grade underground mine with an expected reserve life of five years with extraction of ore commencing in FY2008.

We also operate the Kambalda concentrator south of Kalgoorlie, which processes material purchased from third parties.

We transport concentrate from Leinster, Mt Keith and Kambalda to our Kalgoorlie smelter, which processes it into nickel matte, containing approximately 68 per cent nickel. In FY2008, we exported approximately 31 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. In June 2008, we announced that we brought forward a planned furnace rebuild at the Kalgoorlie smelter and that, as a consequence, both the smelter and the Kwinana nickel refinery were shut down. The smelter furnace rebuild was completed after approximately three months, with the refinery scheduled to resume production by the end of September 2008.

Our Ravensthorpe nickel operation was commissioned during FY2008 and is in the process of ramping-up to full capacity. Ravensthorpe comprises a large open-cut laterite nickel mine and an enhanced pressure acid leach concentrator plant. We will ship the plant s production, a mixed hydroxide precipitate (MHP) containing approximately 40 per cent nickel, to the expanded Yabulu refinery (see below) for refining into nickel metal. Ravensthorpe has a reserve life of 21 years based on the expected rate of production when the ramp-up is complete.

Yabulu

This wholly-owned nickel refinery in Queensland, Australia began operations in 1974 to service the nearby nickel laterite Greenvale mine, which closed in 1993. Since then, it has continued to process laterite ores purchased from third party mines in New Caledonia, Indonesia and the Philippines. In FY2008, we completed a significant expansion of the refinery to give it the capacity to process MHP from Ravensthorpe. The expansion more than doubled the nickel production capacity of the plant to an estimated 76,000 tpa of contained nickel.

Cerro Matoso

Cerro Matoso, our 99.94 per cent owned nickel operation 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 one of the lowest-cost producers of ferronickel. The smelter produces high-purity, low-carbon ferronickel granules. Production in FY2008 was 41,800 tonnes of contained nickel, approximately 9,000 tonnes lower than FY2007 s production principally due to an industrial stoppage during FY2008. Cerro Matoso has an estimated reserve life of 42 years, based on current production levels. We are considering options that would expand processing capacity significantly (see Development projects below).

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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 and reserve tables.

Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Nickel			
Leinster 375 kilometres north of Kalgoorlie in Western Australia, Australia Open-cut and underground mines The mine is accessible by government-owned road and rail. Nickel concentrate is shipped by rail to the Kalgoorlie smelter.	We own and operate the mines at Leinster. We hold 21-year leases over the land from the Western Australian Government. The leases have expiry dates between 2009 and 2029. Further renewals are at the Government s discretion.	Production commenced in 1967. WMC purchased the Leinster nickel operations in 1988 from Mt Isa Mines and Western Selcast. In June 2005, we gained control of Nickel West (Leinster, Mt Keith and Cliffs) as part of the acquisition of WMC.	Concentration plant with an operating capacity of 3 mtpa of ore. Power at the Kambalda, Mt Keith, Leinster and Cliff s nickel operations and at the Kalgoorlie nickel smelter is primarily derived from on-site third party gas-fired turbines. Gas for these turbines is sourced by us from the North West Shelf gas fields. The existing gas supply contract terminates in October 2013. The gas is transported through the Goldfields Gas Pipeline, pursuant to an agreement with Southern Cross Energy that expires in January 2014.
Cliffs 430 kilometres north of Kalgoorlie in Western Australia, Australia	We own and operate the mine at Cliffs. We hold 21-year leases over the land from the Western Australian Government. The leases have expiry dates between 2025 and 2028.	Production commenced in 2008. In June 2005, we gained control of Nickel West (Leinster, Mt Keith and Cliffs) as part of the acquisition of WMC.	Power is currently sourced by diesel fuelled generators.

	Further renewals are at the Government s discretion.		
Underground mine			
The mine is accessible by government-owned road.			
Nickel ore is transported by road to the Leinster nickel operations for further processing.			
Mt Keith	We own and operate the mine at Mt Keith.	The Mt Keith mine was officially commissioned in January 1995 by WMC.	Concentration plant with a capacity of 11.5 mtpa of ore.
460 kilometres north of Kalgoorlie, Western Australia, Australia	We hold 21-year leases over the land from the Western Australian Government. The leases have expiry dates between 2009 and 2029. Further renewals are at the Government s discretion.	In June 2005, we gained control of Nickel West (Leinster, Mt Keith and Cliffs) as part of the acquisition of WMC.	Power is sourced from the same supplier under the same conditions as the Leinster mine.
Open-cut mine			
The mine is accessible by private road.			
Nickel concentrate is transported by road to Leinster nickel operations from where it is transported by public rail to Kalgoorlie smelter.			

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Ravensthorpe			
155 kilometres west of Esperance, Western Australia, Australia Open-cut mine The mine is accessible by government-owned road. Mixed hydroxide precipitate is transported by road to the deepwater Port of Esperance, where it is then shipped by sea to BHP Billiton s Yabulu Refinery.	We own and operate the mine at Ravensthorpe. We hold 21-year leases over the land from the Western Australian Government. Expiry dates of the leases range between 2019 and 2028. Further renewals are at the Government s discretion.	BHP Billiton announced approval of the Ravensthorpe Nickel Development Project in March 2004. Ravensthorpe was officially opened in May 2008. Total project cost was $2,086 million.	Ravensthorpe s processing plant has a capacity of up to 50,000 tpa of contained nickel and 1,400 tpa of cobalt. Ravensthorpe is a fully integrated operation, providing its own power. Ravensthorpe Nickel Operation uses the Enhanced Pressure Acid Leach (EPAL) process, which combines pressure acid leaching and atmospheric leaching to recover nickel and cobalt from laterite ores, producing a mixed hydroxide precipitate.
Cerro Matoso	We own 99.94% of CMSA. 0.06% is held by employees.	Mining commenced in 1980 and nickel production started in 1982 under Colombian Government, BHP Billiton and Hanna Mining ownership.	The ferronickel smelter and refinery are integrated with the mine.
Montelibano, Córdoba, Colombia Open-cut mine The mine is accessible by public highway.	Existing mining concession rights are renewable in 2012 with a 30-year extension period until 2042. Further extension is possible at that time.	In 1989, we increased our ownership to 53%, in 1997 to 99.8% and in 2007 to 99.94%.	Beneficiation plant for the mine consists of a primary and secondary crusher, which is sent to a stacker for ore stockpiling and blending. Process design capacity is 50,000 tpa. Actual capacity depends on nickel

Land on which reserves are located is owned.	In 1999, an expansion project to double installed capacity was started, and in January 2001 the first metal was tapped from this second line.	grade from the mine. Electricity is supplied from the national grid based on supply contracts negotiated for 5-year periods. The existing electricity supply contract terminates in December 2010. A pipeline supplies domestic natural gas for drier and kiln operation. The existing gas supply contract terminates in November 2008.

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Information on Stainless Steel Materials smelters, refineries and processing plants

Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Kambalda	We own and operate the Kambalda nickel concentrator.	Mill and concentrator plant producing concentrate containing approximately 13% nickel.	The Kambalda concentrator has a capacity of approximately 1.6 mtpa of ore. Power arrangements are the same as for the Leinster mine (see above).
56 kilometres south of Kalgoorlie, Western Australia, Australia	Ore is sourced through tolling and concentrate purchase arrangements with third parties in the Kambalda region.		
	We hold 21-year leases over the land from the Western Australian Government. The lease expiry dates range between 2010 and 2029. Further renewals are at the government s discretion.		
Kalgoorlie nickel smelter	We own and operate the Kalgoorlie nickel smelter operation and hold freehold title over the property.	The flash smelting process produces matte containing approximately 68% nickel.	The Kalgoorlie smelter has a capacity of 110,000 tpa of nickel matte.
Kalgoorlie, Western Australia, Australia			Power arrangements are the same as for the Leinster mine (see above).
Kwinana nickel refinery	We own and operate the Kwinana nickel refinery operation and hold freehold title over the property.	The refinery uses the Sherritt-Gordon ammonia leach process to convert nickel matte from the Kalgoorlie nickel smelter into LME-grade nickel briquettes and nickel powder.	The Kwinana nickel refinery has a capacity of approximately 65,000 tpa of nickel metal.

30 kilometres south of Perth, Western Australia, Australia		The refinery also produces a number of intermediate products, including copper sulphide, cobalt-nickel sulphide and ammonium sulphate.	Power generated by Southern Cross Energy in the goldfields is distributed across Western Power s network for use at the Kwinana nickel refinery. We purchase delivered gas for use at the Kwinana nickel refinery. This gas is sourced from North West Shelf gas fields and is transported by the Dampier to Bunbury natural gas pipeline and the Parmelia pipeline. The existing gas supply contract terminates in October 2013
Yabulu 25 kilometres northwest of Townsville, Queensland, Australia	We own and operate Yabulu and hold freehold title over the refinery property. The berth, ore handling facilities and fuel oil facilities at the Townsville port are situated on long-term leasehold land	Yabulu consists of a laterite nickel refinery and cobalt refinery. The Yabulu refinery has two major sections. We process nickel ore at the front end section using a reduction roast. The reduced nickel ore is put through an ammonia-ammonium carbonate leaching process before being combined with MHP at the back end section. The mixture	The Yabulu refinery has an annual production capacity of approximately 76,000 tonnes of nickel and 3,200 tonnes of cobalt. Currently, we source power and steam from a combination of on-site coal-fired and oil-fired boilers, electrical power from

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Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
		goes through a solvent extraction process that was developed and patented at the refinery. The metal refining separates the nickel and cobalt. Our cobalt purification plant produces a high-purity cobalt oxide hydroxide product.	Ergon Energy and coal seam gas from AGL Energy / Arrow Energy (50% owners). The existing gas supply contract terminates in May 2020. The existing coal supply contract terminates in March 2011, but can be extended.

Development projects

Perseverance Deeps

We are undertaking a feasibility study into extending the life of the existing high-grade sulphide Perseverance mine located at Leinster in Western Australia, by implementing a block cave mining method below 1.1 kilometres depth. If approved, the mine would deliver ore into the existing Nickel West infrastructure.

Cerro Matoso expansion options

We have undertaken conceptual studies on options for expanding production at Cerro Matoso, including building a third and fourth processing line and a heap leaching operation. If we successfully complete feasibility studies and BHP Billiton Board approval is given, these projects could result in Cerro Matoso s capacity more than doubling within 10 years.

2.2.7 Iron Ore Customer Sector Group

Our iron ore CSG consists of our Western Australia Iron Ore business (WAIO) and a 50 per cent interest in the Samarco joint venture in Brazil.

Western Australia Iron Ore

WAIO s operations involve a complex integrated system of seven mines, more than 1,000 kilometres of rail and port facilities, located in the Pilbara region of northern Western Australia.

In response to surging demand for iron ore, we have been rapidly expanding our WAIO operations. Since 2001, we have completed five expansion projects to increase our system production capacity from 69 mtpa to 129 mtpa (100 per cent basis). All of these projects have been completed on time and on budget. We now have a project underway to further increase system capacity to 155 mtpa by the end of FY2010. Additional projects now undergoing feasibility or pre-feasibility studies would, if approved and completed on schedule, increase system capacity to 300 mtpa by 2015. Our share of FY2008 production was approximately 103.8 million tonnes of ore.

Our Pilbara reserve base is relatively concentrated, allowing us to plan our development around a series of integrated mining hubs joined to the ore bodies by conveyor or spur line. The mining hub approach enables us to maximise the value of installed infrastructure by using the same processing plant and rail infrastructure for a number of ore bodies. Blending ore at the hub gives us greater flexibility to responding to changing customer requirements and changing properties in the ore being mined, as well as reducing the risk of port bottlenecks. In recent years, we have also driven operational efficiency by a number of business

improvement initiatives, such as our proprietary BLASOR development planning optimisation software, increased mining and processing automation, and using technology to increase the length and frequency of trains.

In conjunction with our capacity expansion, we have substantially expanded our reserve evaluation capability to improve our reserve knowledge and extend the life of our Pilbara reserves. In June 2008, we announced a 23 per cent increase in our ore reserve for our

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WAIO operations and we estimate that we have significant additional mineralisation. Our proven ore reserves are high grade, with average iron content ranging from 57.4 per cent at Yandi to 63.2 per cent at Mt Newman. The reserve lives of our mines at current production levels range from 12 years at Mt Goldsworthy (Northern) to 61 years at Jimblebar.

Most of our sales take place under long-term volume contracts with steel producers in North Asia. Prices are generally set through annual negotiations. In the longer term, we are promoting a shift away from annually negotiated prices to a system based on index prices.

Fortescue Metals Group has applied to the Australian National Competition Council for access to our rail infrastructure in the Pilbara. See Section 8 Legal Proceedings - Mt Newman and Goldsworthy railway lines. If FMG is successful in its application, its use of our railways may have a material adverse impact on our expected production from WAIO.

Samarco

We are a 50-50 joint venture partner with Vale at the Samarco operations in Brazil. During the 2008 fiscal year, Samarco completed an expansion project consisting of a third pellet plant, a mine expansion, a new concentrator, port enhancements and a second slurry pipeline. Our share of production in FY2008 was approximately 8.5 million tonnes of ore. Samarco has a reserve life of 21 years at current production rates.

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 and reserve tables.

Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Mt Newman joint venture Pilbara region, Western Australia, Australia Open-cut mine The mine is accessible by public road and Company-owned rail to the joint venture s Nelson Point shipping facility at Port Hedland.	We hold an 85% interest in the Mt Newman joint venture. The other 15% is held by Mitsui ITOCHU Iron (10%), ITOCHU Minerals and Energy of Australia (5%). We are the operators. Mining lease under the Iron Ore (Mt Newman) Agreement Act 1964, this expires in 2009 with the right to successive renewals of 21 years.	Production began at the Mt Whaleback orebody in 1969. Production continues to be sourced from the major Mt Whaleback orebody, complemented by production from orebodies 18, 23, 25, 29 and 30.	At Mt Whaleback, primary and secondary crushing plants (capacity of 35 mtpa); a heavy media beneficiation plant (capacity of 8 mtpa) and a train-loading facility. At orebody 25, an additional primary and secondary crushing plant (capacity of 8 mtpa). A crusher and train-loading facility at orebody 18. Power comes from Alinta Dewap s Newman gas-fired power station via Company-owned powerlines

			under long-term contracts.
Yandi joint venture Pilbara region, Western Australia, Australia Open-cut mine The mine is accessible by public road and Company-owned rail to the Nelson Point shipping facility at Port Hedland.	We hold an 85% interest in the Yandi joint venture. The other 15% is held by Mitsui Iron Ore Corporation (7%), ITOCHU Minerals and Energy of Australia (8%). An independent contract mining company is the operator of the mine. Mining lease under the Iron Ore (Marillana Creek) Agreement Act 1991 expires in 2012 with renewal right to a further 42 years.	We began development of the orebody in 1991. The first shipment occurred in 1992. Capacity was progressively expanded between 1994 and 2003 and is currently in excess of 42 mtpa.	Two processing plants and a primary crusher and overland conveyor are used to crush and screen ore and deliver it to one of two train-loading facilities. Power comes from Alinta Dewap s Newman gas-fired power station via Company-owned powerlines under long-term contracts.
Jimblebar Pilbara region, Western Australia, Australia Open-cut mine	We own 100% of the Jimblebar lease. We have a sublease agreement over the Wheelara deposit with ITOCHU Minerals and Energy of Australia, Mitsui Iron Ore and four separate subsidiaries of Chinese	Production at Jimblebar began in March 1989. The ore currently being produced is blended with ore produced from Mt Whaleback and satellite orebodies 18, 23, 25, 29 and 30 to create the Mt Newman blend.	Primary and secondary crushing plant (capacity of 8 mtpa). Power comes from Alinta Dewap s Newman gas-fired power station via Company-owned powerlines under long-term contracts.

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Name, location type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
The mine is accessible by public road and Company-owned rail to Port Hedland via a 30 kilometre spur line linking with the main Newman to Port Hedland railway.	steelmakers. As a consequence of this arrangement, we are entitled to 85% of production from the Wheelara sublease.		
	An independent contract mining company is the operator of the mine.		
	Mining lease under the Iron Ore (McCamey s Monster) Agreement Authorisation Act 1972 expires in 2009 with the rights to successive renewals of 21 years.		
Mt Goldsworthy joint venture	We hold an 85% interest in the Mt Goldsworthy joint venture. The other 15% is held by Mitsui Iron Ore Corporation (7%) and ITOCHU Minerals and Energy of Australia (8%).	Operations originally commenced at the Mt Goldsworthy project in 1966 and the Shay Gap mine in 1973. The original mine closed in 1982 and the associated Shay Gap mine closed in 1993. Since then, mining has continued from the adjacent Nimingarra and Yarrie areas.	The primary crushers at Yarrie and Nimingarra, with a combined capacity of 8 mtpa, have been placed into care and maintenance. Yarrie is currently using mobile in-pit crushing plant at a rate of 2 mtpa.
Pilbara region, Western Australia, Australia			
Open-cut mine includes Area C, Yarrie and Nimingarra.	An independent contract mining company is the operator of the mine.		An ore processing plant, primary crusher and overland conveyor are located at Area C with capacity of 42 mtpa.
The mine is accessible by public road and Company-owned rail to the joint venture s Finucane Island shipping facilities and the Nelson Point shipping facilities, both located at Port Hedland.	Four mineral leases under the Iron Ore (Mt Goldsworthy) Agreement Act 1964 and the Iron Ore (Goldsworthy Nimingarra) Agreement Act 1972, which have expiry dates between 2008 and 2028 with rights to successive renewals of 21 years.	We opened Area C mine in 2003.	Power for Yarrie and Nimingarra is sourced via overhead powerlines from the Port Hedland gas-fired powered station operated by Alinta Dewap under long term contracts.
Our railway spur links Area C mine to the Newman main line.			

	A number of smaller mining leases granted under the Mining Act 1978 in 2005.		Area C sources its power from the Newman gas-fired power station also operated by Alinta Dewap under long-term contracts.
Samarco Southeast Brazil Open-cut mine The mine is accessible by public road. Conveyor belts transport iron ore to the beneficiation plant and a 396 kilometre slurry pipeline transports pellet feed to the pellet plants on the coast. Iron pellets are exported via private port facilities.	We own 50% of Samarco. The other 50% is owned by Vale. Samarco is operated as an independent business with its own management team. The Brazilian Government has granted mining concessions to Samarco as long as it mines the Alegria complex according to an agreed plan.	Production began at the Germano mine in 1977 and at the Alegria complex in 1992. The Alegria complex has now replaced the depleted Germano mine. An expansion occurred in 1997 when a second pellet plant was built. In 2005, an optimisation project increased pellet feed and pellet production. The most recent expansion occurred in 2008 when a third pellet plant was built as well as a second pipeline.	There are two 396 kilometre iron ore slurry pipelines integrating the mining complex to pellet plants. With the addition of the third pellet plant expansion, Samarco has the capacity to process and pump a total of 24 million tonnes of ore concentrate a year and produce and ship approximately 21.6 million tonnes of pellets. Samarco holds interests in two hydroelectric power plants. These plants furnish approximately 19.2% of Samarco s electricity requirements. Samarco has signed two agreements expiring in 2014 to purchase remaining power needs from two local concessionaires that operate other hydro-electric power plants.

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Development projects

Western Australia Iron Ore

During FY2008 the Rapid Growth Project (RGP) 3 was completed and has delivered an additional 20 mtpa of capacity, bringing the total installed capacity in the business to 129 mtpa (100 per cent share). This has seen the delivery of additional mining and processing facilities at the Area C mine, together with expansions to the rail and port infrastructure, including the rebuilding of the C Berth at Finucane Island.

The Board approved project expenditure of US$1,850 million in March of 2007 for RGP 4. The focus of this expansion project is within the Newman area and is expected to increase installed capacity to 155 mtpa (100 per cent share) by early 2010.

A variety of feasibility studies are being undertaken as part of the plan to grow business capability to 300 mtpa by 2015, and of these, RGP5 is the most advanced. In January, the Board approved our share of pre-expenditure of US$1,100 million (US$930 million our share) to progress the project while the feasibility study is being completed.

Samarco

In October 2005, the Board approved construction of a third pellet plant at Ponta Ubu, together with a mine expansion, a new concentrator at Germano, port enhancements and a second slurry pipeline. The project has increased iron ore pellet capacity by 7.6 mtpa at a cost of US$1,480 million (US$740 million our share). Production commenced during in March 2008.

Guinea

We are currently carrying out concept studies in Guinea (West Africa) at our Nimba deposit to determine the economic viability, sustainability impacts and management implications of operations in this area.

2.2.8 Manganese Customer Sector Group

Our Manganese CSG operations produce a combination of ores, alloys and metal from sites in South Africa and Australia. We are the world s largest producer of seaborne manganese ore and in the top three global producers of manganese alloy.

Manganese alloy is a key input into the steel making process, and demand for manganese has reflected the growth in global steel production. Our 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 in the alloy process than the difference in grade.

Although our corporate strategy is to focus on upstream resources businesses, our low-cost alloy smelters have been significant contributors to our profit in recent years. In addition, they add value to the overall manganese business because they enable us to access markets with an optimal mix of ore and alloy, optimise production to best suit market conditions and give us insights into the performance of our ores in smelters that assist our ore marketing efforts.

In recent years, we have sold approximately 80 per cent of our ore production and used the remainder as feedstock in our alloy smelters. More then 90 per cent of our ore sales are priced quarterly or, occasionally, on a spot basis while the rest are priced annually.

We own all of our manganese mining assets and alloy plants through 60-40 joint ventures with Anglo-American known as Samancor Manganese. We are the operator of the assets in this joint venture. The Samancor Manganese joint venture also owns 51 per cent of the Manganese Metal Company, which operates a manganese metal plant in South Africa. Our manganese metal and alloy sales are principally to steelmakers, generally under long-term contracts that typically provide for quarterly price adjustments, either by negotiation or by reference to published market prices.

We have two mines at Hotazel in the Northern Cape province of South Africa and the GEMCO mine on Groote Eylandt in the Gulf of Carpentaria off northern Australia.

Hotazel

The Samancor Manganese joint venture owns the Mamatwan open-cut mine and the Wessels underground mine. These assets produced a record three million tonnes of ore during FY2008 and we have opportunities for further expansion. At current production rates, Mamatwan and Wessels have reserve lives of 14 and 20 years.

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GEMCO

As a result of its location near our own port facilities and its simple, open-cut mining operation, GEMCO is one of the lowest-cost manganese ore producers in the world. This, and its high-grade of ore and relative proximity to Asian export markets make it unique among the world s manganese mines. GEMCO produced over 3.5 million tonnes of ore in FY2008. At current production rates, it has a reserve life of 17 years. GEMCO currently has an expansion project underway and is studying another (see Development projects below).

We have alloy plants in Gauteng, South Africa (Metalloys/Advalloy) and Tasmania, Australia (TEMCO).

Metalloys/Advalloy

Samancor Manganese s Metalloys alloy plant, which includes the former Advalloy joint venture operation, is one of the largest manganese alloy producers in the world. Due to its size and access to high-quality feedstock from our Hotazel operations, it is also one of the lowest-cost alloy producers. Metalloys produces high and medium-carbon ferromanganese and silicomanganese.

TEMCO

TEMCO produces high-carbon ferromanganese, silicomanganese and sinter from ore shipped from GEMCO, primarily using hydro-electric power.

During FY2008, our South African mines and plants were affected by a mandatory 10 per cent reduction in electricity consumption as a result of generation constraints at the national power utility, Eskom. We have supplemented our power supply with additional diesel generation capacity and adjusted our product mix towards more energy efficient products. We expect to maintain overall production levels, although our costs will increase marginally.

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 and reserve tables below.

Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Hotazel Manganese Mines Kalahari Basin, South Africa Mamatwan is an open-cut mine.	Hotazel Manganese Mines, a division of Samancor Manganese, is the operator of Mamatwan and Wessels. To comply with the South African Mining Charter and scorecard, Samancor Manganese should obtain 15% Black Economic Empowerment (BEE) ownership of its Hotazel Manganese Mines by April 2009. Hotazel has reached agreement to pool its mineral	Mamatwan was commissioned in 1964. Wessels was commissioned in 1973.	Mamatwan s capacity is currently 2.8 mtpa of ore and sinter based on the current product mix at the mine. The beneficiation plant consists of primary, secondary and tertiary crushing with associated screening plants. There is a dense medium separator and a sinter plant with a capacity of 0.9 mtpa of sinter.

Wessels is an underground mine.	rights in a new vehicle that will have a 9% BEE shareholding. The transaction is pending government approval. Negotiations are underway with possible BEE partners for the balance of the 15% target.	Wessels has two loaders and four haulers with an annual capacity of approximately 0.9 mtpa of ore. The processing is a simple crushing and screening circuit consisting of primary and secondary crushing circuits with associated screening capacity.
The mines are accessible by rail and public road. Most ore and sinter products are transported by government-owned rail. Approximately one third of the ore produced is beneficiated locally with the balance exported via Port Elizabeth and Durban.		The power source is the national utility company Eskom. We have supplemented our power supply with additional back-up diesel generation capacity.

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Groote Eylandt Mining Company Pty Ltd (GEMCO) Groote Eylandt, Northern Territory, Australia Open-cut mine Ore is transported from the concentrator by road train directly to our shipping facilities at the port at Milner Bay.	We own 60% of GEMCO, which owns and operates the mine. The remaining 40% is owned by Anglo American. All leases situated on Aboriginal land held under the Aboriginal Land Rights (Northern Territory) Act 1976. Leases have been renewed for a period of 25 years from 2006.	The mine was first commissioned in 1965.	The beneficiation process consists of crushing, screening and dense media separation with lump and fines products being produced. The existing capacity is 3.4 mtpa. GEMCO owns and operates its own on-site diesel power generation facility.

Information on Manganese smelters, refineries and processing plants

Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Advalloy (Pty) Ltd Meyerton, South Africa	Samancor Manganese owns 100% of Advalloy. Samancor Manganese holds freehold title over the property, plant and equipment.	Manganese alloy plant uses an oxygen blast converter process producing refined manganese alloy from molten metal from the adjacent Metalloys smelter.	Advalloy has a capacity of 82,000 tonnes per annum of medium-carbon ferromanganese in various fractions. The power source is from Eskom.
Manganese Metal Company (Pty) Ltd Nelspruit, South Africa	Samancor Manganese owns 51% of Manganese Metal Company. Delta Plc indirectly owns the remaining 49%. Manganese Metal Company holds freehold title over the property, plant and equipment.	A manganese production plant at Nelspruit processing and electrowinning of manganese ore into electrolytic manganese metal (via a selenium-free hydrometallurgical electroplating extraction process).	Manganese Metal Company has a capacity to produce 27,000 tonnes per annum of electrolytic manganese metal. The power source is from Eskom.
	Metalloys is a division of Samancor Manganese.	Manganese alloy plant uses eight electric arc furnaces to	370,000 tonnes of high-carbon ferromanganese

Metalloys		produce manganese alloys such as high-carbon ferromanganese and silicomanganese.	(including hot metal) and 120,000 tonnes of silicomanganese in various fractions per annum.
Meyerton, South Africa	Samancor Manganese holds freehold title over the property, plant and equipment.		The power source is the national utility company Eskom plus 30 mw of internal power generation from waste gases.

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Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Tasmanian Electro Metallurgical Company Pty Ltd (TEMCO) Bell Bay, Tasmania, Australia	We own 60% of TEMCO. Anglo American owns the remaining 40%. Samancor Manganese manages the operations. TEMCO holds freehold title over the property, plant and equipment.	Four electric arc furnaces and a sinter plant produce ferroalloys, including high-carbon ferromanganese, silicomanganese and sinter.	Nominal capacity based on the 2007 product mix is 128,000 tonnes of high-carbon ferromanganese, 126,000 tonnes of silicomanganese and 336,000 tonnes of sinter per annum. TEMCO sources its electrical power from Aurora Energy, the state-owned power distribution and retailing company. Power in Tasmania is principally generated from hydro stations, but supplemented with a 240 mw gas generation station. TEMCO also self-generates 11mw for internal use from an on-site energy recovery unit.

Development projects

GEMCO expansion

We are currently expanding the capacity of GEMCO s processing plant by an estimated 1.0 mtpa at a cost of US$110 million (our share). We are undertaking a pre-feasibility study into further expansion options. The commissioning phase is due to start 30 April 2009 and the ramp-up is estimated to take two months from this date.

Hotazel Manganese Mines

Two expansion projects in South Africa are expected to add 1.0 mtpa of capacity (100 per cent, or about 0.6 mtpa BHP Billiton share) for less than US$50 million capital expenditure (BHP Billiton share).

2.2.9 Metallurgical Coal Customer Sector Group

Our Metallurgical Coal CSG is the world s largest supplier of seaborne metallurgical coal. Along with iron ore and manganese, metallurgical coal is a key input in the blast furnace production of steel, and, as a result, demand for metallurgical coal is exposed to the booming Chinese steel industry and the fast-growing Indian steel industry.

We have production assets in two major resource basins, the Bowen Basin in Central Queensland, Australia and the Illawarra region of New South Wales, Australia. We will shortly begin Stage 1 development in a third significant basin at Maruwai on the Indonesian island of Kalimantan.

Bowen Basin

Compared to competitive coal producing regions, the Bowen Basin is extremely well positioned to supply the seaborne market because of:

its high-quality metallurgical coals, which are more efficient in blast furnace use

the relatively low cost of production because of its extensive near-surface deposits

its geographical proximity to Asian customers

We enjoy 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 products from multiple mines to optimise the value of our production and satisfy customers.

Our Bowen Basin mines are owned through a series of joint ventures. We share 50-50 ownership with Mitsubishi Development Pty Ltd of the Goonyella Riverside, Peak Downs, Saraji, Norwich Park, Blackwater and Gregory Crinum mines, together with the Hay Point terminal. We own 80 per cent of the South Walker Creek and Poitrel mines, with Mitsui and Co. owning the other 20 per cent. All of these operations are managed by a BHP Billiton-Mitsubishi joint venture company known as BMA.

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We export Bowen Basin metallurgical coal, under long-term or annual volume contracts with prices negotiated yearly. Our customers are steel producers around the world, particularly in north Asia and India.

During the third quarter of FY2008, north Queensland was affected by two episodes of unusually heavy rain and flooding. As a result, mining operations were temporarily suspended, and we were forced to declare force majeure on our sales contracts from late January until early June 2008. Production has recovered strongly and operations are now almost back to full capacity. Total attributable production in FY2008 was approximately 27.9 million tonnes, compared with 31.5 million tonnes in FY2007. As a result of the delayed deliveries, we will be delivering approximately 1.4 million tonnes of coal during the first quarter of FY2009 at the substantially lower Japanese fiscal year 2007 prices.

Illawarra

We own and operate three underground coal mines in the Illawarra region of New South Wales, which primarily supply metallurgical coal to the nearby BlueScope Port Kembla steelworks under long-term volume contracts with annually negotiated prices. Total production in FY2008 was approximately 7.3 million tonnes.

Production figures for both the Bowen Basin and Illawarra include some energy coal (less than 7 per cent and 12 per cent, respectively).

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 and reserves tables.

Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Central Queensland **Coal Associates joint venture** Bowen Basin, Queensland, Australia Goonyella Riverside, Peak Downs, Saraji, Norwich Park and Blackwater are open-cut mines. Broadmeadow is a longwall underground mine.	We own 50% of the CQCA joint venture. Mitsubishi owns the other 50%. BMA operates the mines. Leases for the CQCA mines have expiry dates between 2008 and 2037 and are renewable for such further periods as the Queensland Government allows. The joint venture holds additional undeveloped leases in the Bowen Basin.	Goonyella mine, which commenced in 1971, merged with the adjoining Riverside mine in 1989 and is operated as the Goonyella Riverside mine. Reserves at the Riverside mine were depleted in 2005. Peak Downs commenced production in 1972. Saraji mine commenced production in 1974. Norwich Park commenced production in 1979. Blackwater mine commenced production in	All coal is beneficiated at on-site processing facilities, which have a combined capacity in excess of 51.5 mtpa. Power is sourced from the State of Queensland s electricity grid.

The mines are accessible by public road. All coal is transported on government-owned railways to the port of Hay Point near Mackay (incorporating CQCA s Hay Point Coal Terminal and the Dalrymple Bay Coal Terminal) and the port of Gladstone.		1967. South Blackwater and Blackwater mines were integrated from late 2000. Broadmeadow, an underground mine developed on the Goonyella mining lease, commenced longwall operations in August 2005.	
Gregory joint venture Bowen Basin, Queensland, Australia Gregory is an open-cut mine. Crinum is a longwall underground mine. The mines are accessible by public	We own 50% of the Gregory joint venture. Mitsubishi Development Pty Ltd owns the other 50%. BMA operates the mines. Leases have expiry dates between 2013 and 2027, and are renewable for such further periods as the Queensland Government allows.	The Gregory mine became operational in 1979. Crinum mine commenced longwall production in 1997.	All coal is beneficiated at on-site processing facilities, which have a combined capacity in excess of 5 mtpa. Power is sourced from the State of Queensland s electricity grid.

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
road. All coal is transported on government-owned railways to the port of Hay Point near Mackay (incorporating CQCA s Hay Point Coal Terminal and the Dalrymple Bay Coal Terminal) and the port of Gladstone.			
BHP Mitsui Coal joint venture Bowen Basin, Queensland, Australia South Walker Creek and Poitrel are open-cut mines. The mines are accessible by public road. All coal is transported on government-owned railways to the port of Hay Point near Mackay (incorporating CQCA s Hay Point Coal Terminal and the Dalrymple Bay Coal Terminal).	We own 80% of the BHP Mitsui Coal joint venture. Mitsui and Co owns the other 20%. BMA manages the mines, which are operated through independent contractors. Leases have expiry dates between 2008 and 2020, and are renewable for such further periods as the Queensland Government allows. The joint venture holds additional undeveloped leases in the Bowen Basin.	The joint venture commissioned Riverside, an open-cut mine, in 1983. Reserves were depleted in 2005. South Walker Creek became operational in 1996, producing pulverised coal injection (PCI) product and minor quantities of by-product energy coal. Construction for the Poitrel mine commenced in early 2006 and first coal was produced in October 2006. The mine has a production capacity of 3.0 mtpa of metallurgical and PCI coals.	South Walker Creek coal is beneficiated at on-site processing facilities with a capacity to produce 3.8 mtpa of coal. Poitrel mine has entered into a joint venture agreement with the adjacent Millennium Coal mine to share coal processing and rail loading facilities. Poitrel has access to 3.0 mtpa capacity from the processing facilities. Power is sourced from the State of Queensland s electricity grid.
Illawarra Coal Illawarra, New South Wales, Australia Underground mines All the mines are accessible by public road. All coal is transported by road or on government-owned railways to our major customer,	We are owner and operator of the Illawarra Coal mines. Leases have expiry dates between 2010 and 2026, with renewal rights under the NSW Mining Act 1992 for periods of 21 years.	Appin commenced in 1962 with longwall mining starting in 1969. West Cliff was commissioned in 1976. Elouera opened in 1993. Reserves were nearly depleted in 2005. In December 2007, the mine was sold to Gujarat NRE FCGL Pty Ltd.	Coal is beneficiated at two processing facilities with a capacity to produce approximately 8.0 mtpa. Power is sourced from the State of New South Wales electricity grid.

BlueScope Steel s Port Kembla steelworks or to Port Kembla for shipping.

Dendrobium Mine opened in FY 2005.

Development projects

Maruwai (Lampunut)

Maruwai is a large, high-quality, metallurgical coal deposit in Central and East Kalimantan provinces of Indonesia. Investment approval has been given for the Stage 1 development of the Maruwai metallurgical coal basin for a capital investment of approximately US$100 million.

The initial development project is the Haju open-cut mine and associated river port. The Haju mine is a small, discrete coal deposit that is expected to initially produce 1 mtpa of metallurgical coal, with expansion potential to 2 mtpa. First production is expected mid-2009. A feasibility study is currently underway for development of a 3-5 mtpa coal mine at the larger Lampunut deposit at Maruwai.

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Bowen Basin Expansions

BMA is investigating a number of brownfield and greenfield expansion options in the Bowen Basin. The most advanced of these are Daunia, which is in feasibility and Caval Ridge, in pre-feasibility. Daunia would produce 3 mtpa and is located to the east of the Poitrel mine, and Caval Ridge would be a 5.5 mtpa mine to the north of the Peak Downs mine. Both developments would include coal handling preparation plants. BMA is also considering the expansion of existing operations to add 2.5 mtpa to Peak Downs and up to 9 mtpa at Goonyella Riverside.

In addition, BMA has finalised an agreement to acquire the New Saraji exploration project from New Hope for approximately US$1 billion (BHP Billiton share). The agreement is subject to regulatory and third party approval. New Saraji is located to the east of the Saraji mine. The deal includes a 10 mtpa entitlement at Abbott Point port expansion.

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 United States. Our global portfolio of energy coal assets, our insights into the broader energy market through our sales of other fuels such as gas, uranium and oil, and our control of options for bulk freight provide our business with key advantages as a supplier. Like our other businesses, our Energy Coal CSG owns large, long-life assets with substantial options for expansion.

We generally make our domestic sales under long-term fixed-price contracts with power stations that are located in close proximity to the mine. We make export sales to power generators and some industrial users in Asia, Europe and the United States, 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 the index.

We recognise that the need to control carbon dioxide emissions has substantial implications for the use of thermal coal as an energy source. Our Company has committed to invest US$300 million over the five years from June 2007 to support the research, development and demonstration of low-emissions technologies, including clean coal and carbon sequestration technologies. We have also developed the capacity to offer our export customers emissions credits in conjunction with their coal purchases.

We operate three sets of assets: a group of mines and associated infrastructure collectively known as BHP Billiton Energy Coal South Africa (BECSA) our New Mexico Coal operations in the United States; and our Hunter Valley Energy Coal operations in New South Wales, Australia. We also own a one-third share of the Cerrejón Coal Company, which operates a coal mine in Colombia.

BHP Billiton Energy Coal South Africa

BECSA operates three coal mines in the Witbank region of Mpumalanga province of South Africa, which produced a total of approximately 45 million tonnes in FY2008. We have two major mine expansion projects underway in South Africa (see Development projects below). In FY2008, BECSA sold approximately 64 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, in which we own a 24 per cent share. The reserve lives of the BECSA mines at current production rates range from 12 to 27 years.

In May 2008, we announced an agreement to sell our previously wholly-owned Optimum colliery, together with 6.5 mtpa of Richards Bay Coal Terminal entitlement, to an entity controlled by a broad-based black economic empowerment consortium. The sale was completed in June 2008, however the economic impact of the agreement was as if it were concluded on 1 July 2007. In July 2007, we sold our previously wholly-owned Koornfontein mine to a broad-based black economic empowerment consortium. We continue to market the export production from both mines.

New Mexico Coal

We own and operate the Navajo mine, located on Navajo land in New Mexico, and the nearby San Juan mine. Each of these mines transports its production directly to a nearby power station. The reserve lives of Navajo and San Juan at current production rates are 25 and 12 years, respectively. We are considering expansion options at Navajo (see Development projects below).

Hunter Valley Energy Coal

Our Hunter Valley operating asset is the Mt Arthur open-cut coal mine, which produced approximately 11.8 million tonnes in FY2008 and has a reserve life at current production rates of 14 years. We also have a number of projects in feasibility or pre-feasibility that, if completed, will form part of the Hunter Valley Energy Coal portfolio, including an open-cut expansion of the existing operation and an underground expansion of Mt Arthur (see Development projects below). We deliver approximately one-third of Mt Arthur s production to local power stations and export the rest via the port of Newcastle.

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Cerrejón Coal Company

Cerrejón Coal Company owns and operates the largest open-cut export coal mine in the world in La Guajira province of Columbia, together with integrated rail and port facilities through which the majority of production is exported. In FY2008, Cerrejón completed an expansion that increased capacity to 32 mtpa (100 per cent terms). At that rate of production, Cerrejón has a reserve life of 25 years.

Information on Energy Coal mining operations

The following table contains additional details of our mining operations. The tables should be read in conjunction with the production and reserves tables.

Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
South Africa			
Khutala 100 kilometres east of Johannesburg, Gauteng Province, South Africa Combination of open-cut and underground mines The mine is accessible by public roads. Domestic coal is transported via overland conveyor to the Kendal Power Station.	We own and operate the mine at Khutala. BECSA is the holder of an Old Order Mining Right. An application for conversion to a New Order Mining Right, submitted in 2004, is still being processed (refer to section 2.8 Government regulations).	Khutala was commissioned in 1984. Open-cut operations began in 1996. The mining of a thermal/metallurgical coal deposit for a domestic market commenced in 2003.	Beneficiation facilities consist of a crushing plant, for the energy coal with a nominal capacity of 18 mtpa. A separate smaller crusher and wash plant with a nominal capacity of 0.6 mtpa is used to beneficiate the metallurgical coal supplied from the opencast operation. Power is supplied by Eskom under long term contracts.
Douglas/Middelburg 20 kilometres southeast of Witbank, Mpumalanga Province, South Africa	We own 84% of the Middelburg mine in a joint venture. The remaining 16% is owned by Xstrata Plc through Tavistock Collieries Plc.	Middelburg mine was commissioned in 1982. Middelburg Mine Services (MMS) and Duvha Opencast became one operation in FY1996.	Beneficiation facilities consist of the following: tips and crushing plants, two export wash plants, a middlings wash plant and a de-stone plant. The overall capacity is 30 mtpa. Power is supplied by Eskom under long term contracts.

Open-cut mine	We are the operator of the mine.
The mine is accessible by public roads.	BECSA and Tavistock Collieries are the holders of three Old Order Mining Rights (in respect of the Middelburg, Douglas and Kleinkopje Sections) in the joint venture ratio of 84:16. BECSA is the sole holder of an Old Order Mining Right in respect of the Albion Section. These Old Order Mining Rights must be lodged for a conversion to New Order Mining Rights by no later than 30 April 2009 (refer to section 2.8 Government regulations).
Export coal is transported to RBCT by rail, while the domestic coal is transported via conveyor belt to the nearby Duvha Power Station.	On 29 February 2008, we announced approval of the Douglas-Middelburg Optimisation (DMO) Project, with an expected capital investment of US$975 million.
	To facilitate the DMO project, which is to be developed and owned solely by BHP Billiton, the

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
	Douglas Tavistock Joint Venture (DTJV) will be restructured with each of the joint venture partners being allocated coal resources according to their ownership share. A number of regulatory approvals are being sought to give effect to this restructure.		
Optimum 200 kilometres east of Johannesburg in Mpumalanga Province, South Africa Open-cut mine Access to the mine is via public roads. Export coal is transported to RBCT by rail, while the domestic coal is transported via conveyor belt to the nearby Hendrina Power Station.	We owned and operated the mine at Optimum. On 14 May 2008 we announced that we reached agreement to sell Optimum. The fulfilment of certain regulatory requirements including the conversion and transfer of Optimum s mining rights in terms of the Minerals and Petroleum Resources Development Act 2002 and the approval of the South African Competition Commission has enabled the conclusion of the sale, effective 30 June 2008.	Optimum was commissioned in 1970.	Beneficiation facilities include tips and crushing plants, an export washing plant and a de-stone plant. The overall capacity is 17 mtpa. Power is supplied by Eskom under long term contracts.
Klipspruit 30 kilometres west of Witbank, Mpumalanga Province, South Africa Open-cut mine	We own and operate the mine at Klipspruit. BECSA is the holder of an Old Order Mining Right. An application for conversion to a New Order Mining Right was submitted in 2004 and is still being processed (refer	The project was approved by the Mpumalanga Department of Agriculture, Conservation and Environment in 2003. An initial mini-pit was started in August 2003 as a truck and shovel contractor operation.	Current beneficiation facilities consist of a tip and crushing plant, as well as an export wash plant 32 kilometres from the mine. The overall capacity is 4.8 mtpa. Power is suppled by Eskom under long-term contracts.

	to section 2.8 Government regulations).		
Access to the mine is via public roads.			
Export coal is transported to RBCT via Spoornet (a government business enterprise) railway.			
Australia			
Mt Arthur Coal	We own and operate the mine at Mt Arthur.	Coal production from the Mt Arthur area commenced in 2002	Main beneficiation facilities include coal handling, preparation and washing plants with a total capacity of 9.8 mtpa. Washery by-pass coal is also sold.
Approximately 125 kilometres from Newcastle, New South Wales, Australia	We hold various mining leases that expire between October 2010 and 2028.		Power is supplied by local energy providers, from the eastern Australia power grid.
Open-cut mine			
The mine is accessible by public road.			
Domestic coal is transported by an overland conveyor to Bayswater Power Station.			
Export coal is transported by a combination of private and public rail, approximately 125 kilometres to the port of Newcastle.			

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Name, location, type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
America			
BHP Navajo Coal Company 30 kilometres south west of Farmington, New Mexico, US Open-cut mine Navajo mine is accessible by public roads located on the Navajo Nation Indian Reservation. We transport all coal 25 kilometres from the production areas via our dedicated railroad to the Four Corners Power Plant (FCPP).	We own and operate the mine. The mine is subject to a long-term lease from the Navajo Nation. The lease continues for as long as coal can be economically produced and sold in paying quantities.	The mine has been in operation since 1963, and the contracts continue to 2016.	The mine has the capacity to produce and process 7.7 mtpa. Mined coal is sized and blended to contract specifications using stackers and reclaimers with no further beneficiation. Power is supplied from FCPP.
San Juan/La Plata Mines 25 kilometres west of Farmington, New Mexico, US The San Juan mine is accessible by public roads. Transport of coal to the San Juan Generating Station is by truck and conveyer belt.	We own and operate the mines. We hold mining leases from federal and state governments. The leases have five-year terms that are automatically extendable upon meeting minimum production criteria.	The San Juan mine began operating in 1974 as a surface mine. In October 2000, we approved the development of the San Juan underground mine to replace production from the existing San Juan and La Plata surface mines.	The mine has the capacity to produce 6.4 mtpa of coal. Mined coal is sized and blended to contract specifications using stockpiles with no further beneficiation. The La Plata Mine is undergoing final closure, which is expected to be complete by late 2008.
Colombia			
Cerrejón Coal Company Maicao, La Guajira province, Colombia	We own 33.33% of the Cerrejón Coal Company in a joint venture. The remaining 66.67% interest is owned by Anglo American Plc (33.33%) and Xstrata Plc (33.33%).	The original mine began as a joint venture between Exxon s Intercor and the Colombian Government entity Carbocol in 1976. Over time, the partners have changed, nearby	Beneficiation facilities include a crushing plant with a capacity of 32 mtpa and a washing plant. Electricity is supplied through the local Colombian power system.

Open-cut mine	Mining leases expire in 2034.	operations have been merged and progressive expansion resulted in the current 32 mtpa operation.

The export facility is 150 kilometres northeast of the mine on the Caribbean coast at Puerto Bolivar and is connected to the mine by a single-track railway. Access to the mine is via public roads and by charter aircraft to the mine s airstrip.

Development projects

Klipspruit

We are expanding the production capacity of BECSA s Klipspruit mine by approximately 3.2 mtpa to 8 mtpa. The project also involves the construction of a 16 mtpa coal processing plant on Klipspruit land as a 50-50 joint venture with Anglo Coal, which is constructing the plant. We expect to produce first coal in the second half of calendar 2009, and estimate our share of the cost of the project at US$450 million. We expect the expanded mine to have a reserve life of approximately 20 years.

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Douglas-Middelburg Optimisation Project

This project involves works to optimise the development of existing reserves across the Douglas and Middelburg collieries, the development of additional mining areas and the construction of a new 14 mtpa coal processing plant, which will replace the less efficient existing plant at Douglas. The work will enable us to maintain energy coal exports from the combined Douglas and Middelburg colliery at around current levels (approximately 10 mtpa) while also fulfilling our domestic contractual commitments. The expected capital investment is US$975 million and the new plant is scheduled to receive its first coal in mid-calendar 2010.

Navajo South

We are undertaking a feasibility study on a project called the Desert Rock project, which would expand the Navajo mine to supply a proposed new power station to be built immediately adjacent to the mine with up to 5.7 mtpa. The project schedule is tied to the approval process for the power station. The proposed power plant was granted a final air permit by the United States Environmental Protection Agency on 31 July 2008.

Mt Arthur open-cut expansion

We are undertaking a feasibility study into an open-cut expansion of the existing operation that is expected to increase export coal production by approximately 3.7 mtpa with first coal expected in the second half of calendar year 2010.

Mt Arthur underground

We are undertaking a feasibility study into a new underground mine that will share much of the existing Mt Arthur mine s infrastructure, including the coal preparation plant and rail loading facility.

Newcastle Third Export Coal Terminal

We are a 35.5% shareholder in a joint venture company that is constructing a new 30 mtpa export coal loading facility to supplement existing public facilities in the port of Newcastle. Our share of the construction cost is estimated at US$390 million. The first ship loading of coal is scheduled for late calendar year 2010.

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2.3 *Production*

2.3.1 Petroleum

The table below details our Petroleum CSG s historical net crude oil and condensate, natural gas and natural gas liquids production, primarily by asset, for each of the three years ended 30 June 2008, 2007 and 2006. 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		
	2008	2007	2006
Petroleum			
Crude oil and condensate			
(000 of barrels)			
Bass Strait	**12,843**	14,231	14,682
North West Shelf	**9,090**	10,765	9,119
Atlantis	**7,406**		
Shenzi	**548**		
Liverpool Bay & Bruce / Keith	**3,640**	4,656	5,699
ROD & Ohanet	**6,722**	7,591	7,446
Other Australia/Asia	**8,777**	1,365	1,600
Other Americas	**8,417**	6,560	7,327
Total crude oil and condensate	**57,443**	45,168	45,873
Natural gas (billion cubic feet)			
Bass Strait [1]	**123.93**	114.50	109.74
North West Shelf [1]	**108.49**	105.49	104.16
Atlantis	**3.73**		
Shenzi	**0.14**		
Liverpool Bay & Bruce / Keith	**45.21**	53.27	60.82
Other Australia/Asia	**78.44**	74.83	77.68
Other Americas	**8.07**	8.73	8.04
Total natural gas	**368.01**	356.82	360.44
Natural Gas Liquids (000 of barrels) [1]			
Bass Strait	**7,755**	7,756	7,740
North West Shelf	**1,498**	1,689	1,684
Liverpool Bay & Bruce / Keith	**426**	563	488
ROD & Ohanet	**1,045**	1,514	1,516
Total NGL	**10,724**	11,522	11,428
Total petroleum products production			
(million barrels of oil equivalent) [2]	**129.50**	116.19	117.36
Average sales price			
Oil and condensate (US$ per barrel)	**96.27**	63.87	61.90
Natural gas (US$ per thousand cubic feet)	**3.87**	3.19	3.33
Average production cost [3]			
US$ per barrel of oil equivalent (including indirect taxes)	**7.30**	7.16	6.40
US$ per barrel of oil equivalent (excluding indirect taxes)	**5.40**	5.50	5.01

(1) In FY2007 we began reporting LPG and Ethane Natural Gas Liquids (NGL), consistent with petroleum industry practice. Product-specific conversions are made and NGL are reported in barrels of oil equivalent. The 2006 comparatives have been restated.
(2) Total barrels of oil equivalent (boe) conversions based on the following: 6,000 scf of natural gas equals 1 boe.
(3) Average production costs include direct and indirect production costs relating to the production and transportation of hydrocarbons to the point of sale. This includes shipping where applicable. Average production costs have been shown excluding resource tax and including and excluding other indirect taxes and duties, and including the foreign exchange effect of translating local currency denominated costs and indirect taxes into US dollar.

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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 2008, 2007 and 2006. Production shows our share unless otherwise stated.

		BHP Billiton Group share of production Year ended 30 June		
By CSG by mineral	BHP Billiton interest %	**2008**	2007	2006
Aluminium CSG				
Alumina				
Production (000 tonnes)				
Worsley, Australia	86	**3,035**	2,956	2,763
Alumar, Brazil	36	**536**	526	503
Paranam, Suriname	45	**983**	978	921
Total alumina		**4,554**	4,460	4,187
Aluminium				
Production (000 tonnes)				
Hillside, RSA	100	**695**	704	700
Bayside, RSA	100	**168**	194	179
Mozal, Mozambique	47.1	**257**	265	262
Alumar, Brazil	40	**178**	177	178
Valesul, Brazil (1)	-	-	-	43
Total aluminium		**1,298**	1,340	1,362
Base Metals (2)				
Copper				
Payable metal in concentrate (000 tonnes)				
Escondida, Chile	57.5	**679.5**	638.9	671.0
Antamina, Peru	33.75	**111.7**	113.7	124.2
Pinto Valley, US	100	**26.8**	-	-
Tintaya, Peru (3)	-	-	-	64.5
Total copper concentrate		**818.0**	752.6	859.7
Cathode (000 tonnes)				
Escondida, Chile	57.5	**131.6**	126.1	66.7
Cerro Colorado, Chile (4)	100	**106.4**	105.8	94.1
Pinto Valley, US	100	**6.9**	7.6	8.2
Olympic Dam, Australia	100	**169.9**	182.5	204.3
Spence, Chile (5)	100	**142.7**	75.5	-
Tintaya, Peru (3)	-	-	-	34.8
Total copper cathode		**557.5**	497.5	408.1
Total copper		**1,375.5**	1,250.1	1,267.8
Uranium oxide				
Payable metal in concentrate (tonnes)				
Olympic Dam, Australia	100	**4,144**	3,486	3,936
Total uranium oxide		**4,144**	3,486	3,936
Zinc				
Payable metal in concentrate (000 tonnes)				
Antamina, Peru	33.75	**83.5**	73.0	40.3
Cannington, Australia	100	**61.0**	45.7	68.8
Total zinc		**144.5**	118.7	109.1
Silver				
Payable metal in concentrate (000 ounces)				
Escondida, Chile	57.5	**3,604**	3,514	3,379
Olympic Dam, Australia (refined silver)	100	**780**	814	884
Antamina, Peru	33.75	**3,505**	3,132	3,174
Cannington, Australia	100	**35,485**	29,105	38,447

Pinto Valley, US [6]	100	**113**	-	-	

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By CSG by mineral	BHP Billiton interest %	BHP Billiton Group share of production Year ended 30 June **2008**	2007	2006
Tintaya, Peru [3]	-	-	-	592
Total silver		**43,487**	36,565	46,476
Lead				
Payable metal in concentrate (000 tonnes)				
Antamina, Peru	33.75	**1.6**	1.5	-
Cannington, Australia	100	**251.5**	210.8	266.3
Total lead		**253.1**	212.3	266.3
Gold				
Payable metal in concentrate (000 ounces)				
Escondida, Chile	57.5	**79.7**	84.4	79.8
Olympic Dam, Australia (refined gold)	100	**80.5**	91.7	107.5
Pinto Valley, US	100	**1.7**	-	
Tintaya, Peru [3]	-		-	29.2
Total gold		**161.9**	176.1	216.5
Molybdenum				
Payable metal in concentrate (tonnes)				
Antamina, Peru	33.75	**2,542**	2,268	2,515
Total molybdenum		**2,542**	2,268	2,515
Diamonds and Specialty Products				
Production (000 carats)				
EKATI, Canada	80	**3,349**	3,224	2,561
Total diamonds		**3,349**	3,224	2,561
Titanium minerals [7] [8]				
Titanium slag [8]				
Production (000 tonnes)				
Richards Bay Minerals, RSA	50	**480**	465	435
Rutile [8]				
Production (000 tonnes)				
Richards Bay Minerals, RSA	50	**43**	35	36
Zircon [8]				
Production (000 tonnes)				
Richards Bay Minerals, RSA	50	**120**	120	118
Phosphates				
Production (000 tonnes)				
Southern Cross Fertiliser (formerly Queensland Fertilizer) [7][9][10]	100	-	84.3	861.3
Total phosphates		-	84.3	861.3
Stainless Steel Materials				
Nickel				
Production (000 tonnes)				
Cerro Matoso, Colombia	99.94	**41.8**	51.0	51.5
Nickel West, Australia	100	**98.1**	104.1	101.4
Yabulu, Australia	100	**28.0**	32.1	23.3
Total nickel		**167.9**	187.2	176.2
Cobalt				
Production (000 tonnes)				
Yabulu, Australia	100	**1.7**	1.7	1.0
Iron ore [11]				
Production (000 tonnes)				
Mt Newman, Australia	85	**30,330**	29,306	24,774
Jimblebar, Australia [12]	85	**5,119**	5,457	6,370
Mt Goldsworthy, Australia	85	**941**	1,227	6,241
Mt Goldsworthy, Area C joint venture, Australia [13][14]	85	**27,130**	20,086	17,988
Yandi, Australia [15]	85	**40,276**	35,548	34,196

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By CSG by mineral	BHP Billiton interest %	BHP Billiton Group share of production Year ended 30 June **2008**	2007	2006
Samarco, Brazil	50	**8,464**	7,800	7,503
Total iron ore		**112,260**	99,424	97,072
Manganese				
Manganese ores				
Saleable production (000 tonnes)				
Hotazel, South Africa [16]	60	**3,040**	2,570	2,300
GEMCO, Australia [16]	60	**3,535**	3,439	2,980
Total manganese ores		**6,575**	6,009	5,280
Manganese alloys				
Saleable production (000 tonnes)				
South Africa [16][17][18]	60	**513**	493	434
Australia [16]	60	**262**	239	218
Total manganese alloys		**775**	732	652
Metallurgical coal [19]				
Production (000 tonnes)				
Goonyella		**6,036**	7,352	7,267
Peak Downs		**4,094**	4,484	4,389
Saraji		**2,896**	3,397	2,634
Norwich Park		**2,026**	2,850	2,662
Blackwater		**5,632**	6,138	6,018
Gregory Joint Venture		**2,110**	2,462	2,610
Total BMA, Australia	50	**22,794**	26,683	25,580
Riverside			-	-
South Walker Creek		**2,862**	3,422	3,049
Poitrel		**2,270**	1,438	-
Total BHP Mitsui Coal, Australia [20]	80	**5,132**	4,860	3,049
Illawarra, Australia	100	**7,265**	6,886	7,014
Total metallurgical coal		**35,191**	38,429	35,643
Energy Coal				
Production (000 tonnes)				
Navajo	100	**7,533**	8,174	8,266
San Juan	100	**6,119**	6,906	7,080
New Mexico, US	100	**13,652**	15,080	15,346
Optimum	100	**11,302**	11,304	11,805
Middelburg	84	**12,113**	13,513	13,705
Douglas	84	**4,890**	5,218	5,123
Koornfontein	-	**-**	4,858	4,809
Khutala	100	**13,327**	13,526	13,625
Klipspruit	100	**3,440**	3,223	2,632
Zululand Anthracite Collieries	-	**-**	-	249
Total BECSA [21]	100	**45,072**	51,642	51,948
Mt Arthur Coal, Australia	100	**11,776**	10,897	9,146
Cerrejón Coal Company, Colombia	33.3	**10,368**	9,406	9,316
Total energy coal		**80,868**	87,025	85,756

(1) We completed the sale of Valesul in August 2006 with a 1 July 2006 effective date.
(2) Metal production is reported on the basis of payable metal.
(3) BHP Billiton sold Tintaya effective from 1 June 2006.
(4) Production at Cerro Colorado was temporarily suspended on 14 June 2005 following an earthquake. Production commenced at half capacity on 30 June 2005 and ramped up to pre-earthquake levels in February 2006.

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(5) Spence operations were commissioned during the December 2006 quarter
(6) Pinto Valley resumed concentrate operations during the December 2007 quarter.
(7) Amounts represent production for the preceding year ended 31 December.
(8) Data was sourced from the TZ Minerals International Pty Ltd Mineral Sands Annual Review 2008.
(9) We sold Southern Cross Fertiliser (formerly Queensland Fertilizer) in 2006.
(10) Includes di-ammonium phosphate and mono-ammonium phosphate.
(11) Iron ore production is reported on a wet tonnes basis with the exception of Samarco.
(12) The Jimblebar reserves listed include the Wheelarra Hill 3,4,5,6 and Hashimoto 1 and 2 deposits at Jimblebar, in which the Wheelarra joint venture participants (BHP Iron Ore (Jimblebar) (51%), ITOCHU Minerals and Energy (4.8%), Mitsui Iron Ore (4.2%) and subsidiaries from Chinese steelmakers Magang, Shagang, Tanggang and Wugang (10% each)) have a legal interest. At the commencement of the Wheelarra joint venture on 1 October 2005, the Wheelarra joint venture participants had a legal interest in 175 million dry metric tonnes of Jimblebar reserves (Wheelarra joint venture tonnes). The effect of the sales contracts entered into between the Wheelarra joint venture participants and the Mt Newman joint venture participants and other associated agreements is that BHP Billiton (as a Mt Newman joint venture participant) has an entitlement to 85% of these Wheelarra joint venture tonnes. This disclosure and the financial statements are prepared on this basis.
(13) The Mt Goldsworthy Area C reserves listed include C deposit within Area C in which the POSMAC joint venture participants (BHP Billiton Minerals Pty Ltd (65%), ITOCHU Minerals and Energy of Australia Pty Ltd (8%), Mitsui Iron Ore Corporation Pty Ltd (7%) and a subsidiary of POSCO (a Korean steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the POSMAC joint venture participants and the Mt Goldsworthy joint venture participants and other associated agreements is that BHP Billiton (as a Mt Goldsworthy joint venture participant) has an entitlement to 85% of the reserves in C deposit . This disclosure and the financial statements are prepared on this basis.
(14) Production statistics relate to pellet production and concentrate and screens product.
(15) The Yandi reserves listed include the Western 4 deposit in which the JFE Western 4 Joint Venture (JW4 JV) participants (BHP Billiton Minerals Pty Ltd (65%), ITOCHU Minerals and Energy of Australia Pty Ltd (8%), Mitsui Iron Ore Corporation Pty Ltd (7%) and a subsidiary of JFE Steel Corporation (a Japanese steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the JW4 joint venture participants and the Yandi joint venture participants and other associated agreements is that BHP Billiton (as a Yandi joint venture participant) has an entitlement to 85% of the reserves in the Western 4 deposit. This disclosure and the financial statements are prepared on this basis.
(16) Shown on 100% basis. BHP Billiton interest in saleable production is 60%.
(17) We purchased Mitsui s 50 % shareholding in Advalloy (Pty) Ltd, making Samancor Manganese the 100% owner of Advalloy in July 2006. Following this change in ownership, we report the MCFeMn production of Advalloy in the above table for FY2007. Prior to us holding 100% of Advalloy, we reported FeMn production transferred to Advalloy. If prior year production was restated to reflect the same basis, total manganese alloys production would have shown 632,000 tonnes in 2006.
(18) Production includes Medium Carbon Ferro Manganese.
(19) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.
(20) Shown on 100% basis. BHP Billiton interest in saleable production is 80%.
(21) Including 11.3 million tonnes of production from our South African Optimum operation (3.96 million tonnes export and 7.3 million tonnes domestic.) Earnings on these tonnes will be excluded as the entitlement to those earnings vested with the intended purchaser effective from 1 July 2007.

2.4 *Marketing*

Our customer-centric marketing activities are centralised in Singapore, The Hague and Antwerp. The focus of the Singapore office is on the Asian energy market, base metals, stainless steel materials and on carbon steelmaking raw materials. The emphasis in The Hague office is on aluminium, petroleum, energy marketing and freight. Our Antwerp office serves our diamonds customers around the world.

These three marketing offices incorporate all the functions required to manage product marketing and distribution from point of production to final customer delivery. In addition, specialised marketers are located in 21 regional offices around the globe. Our product offering is enhanced by our freight capability and expertise in trading and transaction structuring.

Energy Marketing

Energy Marketing has the responsibility of coordinating our marketing activities in the energy commodity markets, namely energy coal, European gas, emissions credits and electricity. This group is based in The Hague and is part of our marketing function.

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Energy Marketing is currently active in purchasing and selling third party gas and small amounts of electricity in the UK and emissions credits in Europe. Where required, Energy Marketing also buys or sells pipeline capacity to transport gas onto the UK gas grid. Most products are transacted over the counter and are principal-to-principal transactions in the wholesale market.

Freight

We have a centralised ocean freight business that manages our in-house freight requirements. The primary purpose of the freight business is to create competitive advantages for internal shipments through the procurement and operation of quality, cost-effective shipping and to contribute to our profitability by trading freight and carrying complementary external cargoes.

The freight business participates primarily in the dry bulk sector aligned with our major trades, and it handles approximately 120 million tonnes of cargo per year making the Group one of the world s largest users of dry bulk shipping. At any one time, we have approximately 120 ships employed. The majority of vessels are chartered under commercial terms and we hold equity interests in a small number of vessels. External freight revenue was US$1.4 billion for FY2008.

In addition to its freight management and trading activities, the freight business incorporates a skill base to manage its marine risk and provide technical support. It holds a number of marine-related investments, including a shareholding in shipping risk manager Rightships of Melbourne.

2.5 *Minerals exploration*

Our 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 large low-cost mining projects in a range of minerals, including diamonds, copper, nickel, bauxite, iron ore, manganese, coal and potash. The process of discovery runs from early-stage mapping through to drilling and evaluation. The program is global and prioritises targets based on our assessment of the relative attractiveness of each mineral.

We continue to pursue opportunities and build our position in prospective countries, including exploring for diamonds in Angola and copper in the Democratic Republic of Congo (DRC), Zambia, Kazakhstan, Chile and Australia. In nickel, we have a major brownfield exploration program focused on finding new nickel sulphide deposits to sustain and grow our existing operations in Western Australia. We are also actively exploring for nickel in Southeast Asia, Russia, China and East Africa. In the bulk commodities, activities are focused on a smaller number of highly prospective terrains in Australia, Southeast Asia, Russia, West and Central Africa and South America.

Our exploration activities are organised from six principal offices in Singapore, Perth (Australia), Johannesburg (South Africa), Moscow (Russia), Rio de Janeiro (Brazil) and Vancouver (Canada).

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

In FY2008, we spent US$658 million on minerals exploration. Of this, US$212 million was spent on greenfield exploration, US$258 million was spent on brownfield exploration (including US$90 million for Olympic Dam expansion) and US$188 million was spent on more advanced projects.

2.6 *Global Technology*

Global Technology activities cover the full spectrum of our value chain from exploration tools, mining and processing technologies and environmental solutions through to ensuring our customers have the technical support available in the use of our products.

Global Technology activities cover the following areas:

exploration, mining and mine optimisation

leaching and remediation

minerals separation and hydrometallurgy

process engineering

technical marketing

intellectual property

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In partnership with our businesses we aim to understand future trends and develop both existing and new technologies that can identify, evaluate and maximise the value of deposits.

Technical innovation is becoming increasingly important to support our low-cost production strategy. To maintain our reserves, we are currently developing technologies to treat complex lower-grade ores, technologies that will enable us to mine minerals at deeper levels, and tools to improve our mine planning capabilities. We also apply our knowledge and fundamental understanding of our products and how they perform in the customers processes to best serve our chosen markets and provide innovative customer solutions. In FY2008 activities were mainly focused on executing R&D projects for the businesses to support their expansion and growth strategies.

Global Technology has research and development centres in Australia (Newcastle and Perth) and South Africa (Johannesburg).

In FY2009 responsibility for Global Technology activities will transfer to CSGs and Group-wide Functions.

2.7 *Resource and Business Optimisation*

Resource and Business Optimisation (RBO) is a group of approximately 40 professionals that is responsible for leading a range of internal processes that are designed to promote Group-wide excellence in developing, managing and optimising our mineral resources. The group s professionals include experts in geology and mineral evaluation, mining and process engineering, project management and research & development. RBO s functions encompass the business improvement processes that we previously referred to under the Business Excellence banner.

Our Group-wide procedures provide for RBO involvement at significant stages of the asset development and asset acquisition processes, including resource evaluation and mine planning. Our procedures also embed RBO s involvement in reviewing business processes and management frameworks and implementing Group standards to drive operational and management excellence at our operating assets.

RBO also contains our reserve governance function, which is responsible for our internal and external ore reserve reporting processes.

2.8 *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 2.9 and 2.10 of this Report.

Of particular note are the following regulatory regimes:

2.8.1 South African Mining Charter and Black Economic Empowerment

In 2003 the 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

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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 Minerals and Energy of South Africa. In February 2007, the codes of good practice were gazetted, further crystallising 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 apply 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 historically disadvantaged South Africans in their mining operations by 30 April 2014, of which 15 per cent needs to be achieved by 30 April 2009.

BHP Billiton supports 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 company s strategic objectives and long-term sustainability in that country.

The principles of transformation and empowerment are in line with the BHP Billiton Charter, which underscores the organisation s Courage to Lead Change .

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.

2.8.2 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 Nuclear Non-Proliferation (Safeguards) Act 1987 (Cth) (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 Customs (Prohibited Exports) Regulations 1958 (Cth). The Export Permit is issued by the Minister for Industry, Tourism and Resources.

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.

2.8.3 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. However, 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 against certain countries, entities and individuals. 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, Cote d Ivoire, The Democratic People s Republic of Korea (North Korea), the Democratic Republic of Congo, Lebanon, Liberia, Iran, Sudan and the previous regimes of Iraq and Yugoslavia; (ii) officials of Belarus 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.

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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

The *Banking (Foreign Exchange) Regulations 1959* (Cth) may impose restrictions on certain financial transactions and require the consent of the Reserve Bank of Australia for the movement 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) and specified individuals associated with the Burmese regime. In addition, legislation and regulations are in place restricting transactions with certain individuals or entities linked with the Taliban, Al-Qaeda and other terrorist organisations, senior officials of the previous Government of Iraq and their immediate families, and certain entities and individuals associated with the Democratic Republic of Congo, Cote d Ivoire, Iran, Lebanon, Liberia and Sudan. 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, to the right of non-residents to hold or vote BHP Billiton Limited ordinary shares other than as set out below.

The Foreign Acquisitions and Takeovers Act 1975 (Cth) (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.

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; and

20 per cent in relation to BHP Billiton, 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.

2.9 *Sustainable Development - Health, Safety, Environment and Community*

One of our strategic drivers Licence to operate , recognises the intrinsic link between sound sustainability performance and long-term business viability. We aspire to Zero Harm for our people, our host communities and the environment and strive to achieve leading industry practice. Sound principles to govern safety, business conduct, social, environmental and economic activities are integral to the way we do business. As a global company, operating in many different countries, we are subject to extensive regulation surrounding 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

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requirements. We have a number of systems and supporting documents to implement our commitment to sustainable development. The Sustainability Committee of the Board continues to oversee the Group s sustainability strategy, policy, initiatives and activities. Management holds responsibility for our Health, Safety, Environment and Community performance and for driving our commitment to Zero Harm.

Our Charter highlights that we care as much about how results are obtained as we do about delivering good results. Our Health, Safety, Environment and Community Management Standards provide the basis for developing and applying management systems at all levels of our Company and are a driver of our contribution to sustainable development.

The Standards highlight four key components of sustainable development:

Health promoting and improving the health of our people and host communities

Safety providing a workplace where people can work without being injured

Environment promoting efficient resource use, reducing and preventing pollution and enhancing biodiversity protection

Community engaging with employees and contractors and with those affected by our operations, including host communities; and understanding, promoting and upholding fundamental human rights within our sphere of influence

Health

The health of our people is central to our business success. Our major challenge centres on reducing or eliminating occupational health exposures to airborne contaminants and noise. Such exposures currently necessitate the strict use of personal protective equipment to avoid adverse health effects. Malaria and HIV/AIDs remain a significant health issue for many of our operations, including those in South Africa, southern Mozambique and Pakistan, and areas where we have development activities such as Guinea and Angola. We continue to work to find the most effective ways to help address them, including offering voluntary HIV/AIDS testing and counselling and continuing to support a mosquito spraying program in southern Africa.

Safety

We experienced 11 fatalities in seven separate incidents during the year to 30 June 2008. We remain determined to do all in our power to eliminate fatalities from our operations. Our Fatal Risk Control Protocols continue to direct attention to identified risk areas and risk mitigation activities. While low injury frequency rates do not mean low fatality rates, we are pleased to report that, during FY2008, we improved our injury performance rate. Our Total Recordable Injury Frequency rate per one million hours worked decreased by 20 per cent, from 7.4 for FY2008 to 5.9. Our injury severity rate also reduced by some 20 per cent in FY2008 when compared to FY2007.

Environment

Mining, by its nature impacts the environment. Our operations are subject to various national and regional laws and regulations governing environmental protection, rehabilitation and closure. In line with our aspirational Zero Harm goal we run programs to improve our performance, set specific targets, such as for water consumption, land rehabilitation, energy use and air emissions, and track our progress against our targets. We believe that the risks of climate change associated with increasing greenhouse gas concentrations in the atmosphere need to be addressed through accelerated action. Behavioural change, innovation and technological progress are necessary to achieve stabilisation in a manner consistent with meeting natural resource and energy needs. We are working within our businesses and with governments, industry and other stakeholders to address this global challenge and find lasting solutions that are consistent with our goal of Zero Harm.

There were no reported significant environmental incidents in FY2008 as defined in the BHP Billiton HSEC consequence severity matrix.

Community

Our social licence to operate depends on our ability to operate all aspects of our business responsibly, including our ability to work effectively with our host communities. Regular, open and honest dialogue is the key to building strong relationships. Our community relations professionals are charged with developing and nurturing relationships with people impacted by, and interested in, our operations so we can understand their concerns, hopes and aspirations.

While our businesses tailor their community relations programs to suit the local context, our Health, Safety, Environment and Community Management Standards provide direction as to the critical activities that must be implemented by all our operations. For example, our sites are required to have community relations plans in place and to regularly review the effectiveness of communication, consultation and participation processes in collaboration with stakeholders.

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The Australian Energy Efficiency Opportunities (EEO) Program

The Australian government passed the EEO Act in 2006 to improve the identification and evaluation of energy efficiency opportunities by large energy using businesses and to encourage implementation of cost-effective energy efficiency opportunities.

During the past year, our Australian assets covered under the EEO program rigorously reviewed their energy consumption data and fully evaluated their opportunities for energy savings projects. More than 400 opportunities have been identified, with some 30 per cent either identified for implementation or being implemented. The remainder of opportunities are under investigation. The nature of opportunities for energy savings range from purchasing and installing new, more efficient equipment to improving maintenance and engineering processes.

Opportunities for working with local communities to raise awareness on how residents and businesses can use less energy have also been considered. The results of this program will be available publicly on the BHP Billiton website in December 2008. It is expected that applying what we have learned from the Australian EEO sites will contribute to our strategy for meeting our energy intensity target on a global basis.

2.10 *Closure and rehabilitation*

Comprehensive closure planning integrated into the business contributes to our vision of sustainable development and Zero Harm. Each of our controlled assets is responsible for developing closure plans that comply with legislative requirements, limit adverse environmental impacts, and consider stakeholders needs and aspirations, particularly with respect to end land use.

The BHP Billiton Closure Standard was rolled out to all our controlled assets two years ago. Our sites report against this standard, documenting the current status of closure plans, in annual closure summary reports.

In the interest of continual improvement, during the reporting period, we conducted a review of the Closure Standard. Representatives of the multi-functional teams involved in preparing our closure plans and estimating associated closure costs determined there was an opportunity to better integrate closure planning through our Life of Asset planning process.

Life of Asset planning is a disciplined procedure that occurs annually across the Company. Incorporating the Closure Standard requirements with Life of Asset planning procedures will assist closure planning considerations being incorporated in the Life of Asset plan.

A detailed protocol for auditing compliance with Closure Standard requirements was developed during the reporting period and trialled at our Queensland Coal group. The audit protocol will be implemented by our Group Audit Services function, further integrating closure planning as a way we do business.

BHP Billiton is responsible for a number of legacy sites that are in various stages of decommissioning, rehabilitation or post-closure care and maintenance. These sites are managed by our Customer Sector Groups, where closure is treated as a project.

Closure plans provide the basis for estimating the financial costs of closure. Information on our 2008 closure provisions can be found in notes 1 and 20 of the financial statements (section 9 of this Report).

2.11 *Employees*

In order to deliver on our aspiration to be the world s leading natural resources company, we need to act in a manner consistent with our Charter values, our clear strategic intent and our defined operating model. Under strong leadership, these elements constitute our way of doing things, The BHP Billiton Way.

Our operating model is designed to clearly define the respective accountabilities of the various segments of the Company. Specifically, it articulates the relationship between, and responsibilities of, the Group Functions, Minerals Exploration, our Customer Sector Groups and Marketing.

Strong leadership is a cornerstone of the success for any organisation. The BHP Billiton Leadership Model is designed to foster behaviours that lead to superior performance and allow each of our employees to start the day with a sense of purpose and end it

with a sense of accomplishment.

We are committed to ensuring our people reach their full potential, achieve job satisfaction and maximise their contribution. During the year, we consolidated our approach to talent management to further strengthen our talent pipeline.

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In order to be successful we continue to strive to identify, recruit, train, develop and retain a talented, diverse, mobile and motivated workforce. Recently, we have revised our employment recruitment branding, our performance review and enhancement processes, and also made changes to our remuneration structures.

We are committed to open, honest and productive relationships with our employees, based on the values of the BHP Billiton Charter. For further information on Employee policies and involvement refer to section 7.8 of this report.

During FY2008 we had an average of 41,732 employees working in over 25 countries and in more than 100 operations worldwide. We also have an estimated 61,000 contractors worldwide. Our workforce is made up of a wide variety of nationalities and cultures.

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

CSG	**2008**	2007	2006
Petroleum	**2,143**	2,299	2,182
Aluminium	**5,145**	4,903	5,838
Base Metals	**7,443**	6,545	6,521
Diamonds and Specialty Products	**2,043**	1,853	2,064
Stainless Steel Materials	**4,223**	3,626	2,927
Iron Ore	**3,105**	2,809	2,705
Manganese	**2,142**	2,076	2,223
Metallurgical Coal	**3,680**	3,564	3,534
Energy Coal	**9,183**	9,595	9,327
Group and unallocated	**2,625**	2,677	2,681
Total [(a)]	**41,732**	39,947	40,002

(a) 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. People employed by 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.

	2008	2007	2006
Australia	**15,426**	14,897	14,036
Southern Africa	**10,860**	11,414	10,793
South America	**9,342**	8,455	10,293
North America	**2,994**	2,898	2,567
Europe	**606**	586	589
Rest of World	**2,504**	1,697	1,724
Total	**41,732**	39,947	40,002

Approximately 47 per cent of our labour force is covered by collective agreements and we believe that our relations with our employees are generally positive. In the current year, we have had one significant strike, at the Colombian Cerro Matoso operation in February 2008 relating to the renewal of the collective agreement.

2.12 *Organisational structure*

2.12.1 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 Companies (DLC) merger in June 2001. Refer to note 37 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 are 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.

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2.12.2 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, and
- 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 are 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, and
- certain DLC equalisation principles must be observed. These are designed to ensure that for so long as the equalisation ratios between a BHP Billiton Limited share and a BHP Billiton Plc share is 1:1, then 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.

Additional documents which effect 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, and
- 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 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 was 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

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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.

2.13 *Material contracts*

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 2.12 of this Report. It is expected that these agreements will remain in effect until such time as a change in control of the BHP Billiton Group may occur.

Credit facility

On 5 February 2008, we entered into a multicurrency term and revolving facility and subscription agreement with Barclays Capital, BNP Paribas, Citibank Global Markets Limited, Goldman Sachs, HSBC Bank plc, Banco Santander, S.A., London Branch and UBS Limited to, among other things, meet potential funding requirements in relation to our offer to acquire Rio Tinto. The facility agreement provides for four debt facilities in an aggregate amount of US$55 billion as follows:

- a US$20 billion term loan facility with a term of 364 days, which may be extended (at our election) for a further 12 months and thereafter up to US$10 billion may be extended for a further six months (at our election) subject to payment of an extension fee;
- a US$15 billion term loan facility with a term of three years;
- a US$12.5 billion term loan facility with a term of five years; and
- a US$7.5 billion revolving facility with a term of five years incorporating Euro and US dollar swingline facilities.

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The proceeds of loans drawn under the facilities may be used for the following purposes:

- refinancing Rio Tinto s existing US$40 billion facility or any refinancing of such facility;
- financing any return of cash to our shareholders by way of a share buyback or otherwise;
- financing any cash consideration that may be offered to Rio Tinto shareholders pursuant to the acquisition;
- the payment of costs in connection with the acquisition; and
- in the case of the revolving facility, for the general corporate purposes of the BHP Billiton Group.

Loans drawn under the facilities bear interest at a margin over LIBOR.

The facility agreement contains customary representations and warranties, affirmative and negative covenants (including, among others, compliance with a leverage ratio, negative pledge and certain restrictions on disposals and subsidiary indebtedness), indemnities and events of default, each with appropriate carve-outs and materiality thresholds.

The facility agreement contains a requirement to prepay the US$20 billion term loan facility from proceeds of certain disposals and borrowings, subject to certain exceptions and thresholds.

2.14 *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 2.12.2 of this Report.

2.14.1 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 and do everything that is within the power of BHP Billiton, other than what is required to be exercised or done by BHP Billiton in a general meeting.

2.14.2 Power to issue securities

BHP Billiton may, pursuant to the Constitution and Articles of Association, issue any shares or other securities 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; and
- 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.

2.14.3 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.

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

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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

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.

We are, however, seeking shareholder approval at our 2008 Annual General Meetings to amend the Articles of BHP Billiton Plc to take account of changes to Directors interests rules introduced by the new UK Companies Act 2006. From 1 October 2008, the Companies Act 2006 will impose a duty on a Director of a company to which the Companies Act applies to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. This duty is not infringed if either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or if the matter has been authorised by the Directors. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where the company s articles contain such an enabling provision. The proposed amendment to the Articles of BHP Billiton Plc give the Directors authority to approve such situations and the ability to make regulations governing the way in which required disclosures and any following authorisation will be made to and by the Directors, giving greater flexibility and ensuring that the highest standard of corporate governance/best practice may be adhered to. Further details are set out in the Notices of Meeting for the 2008 Annual General Meetings.

2.14.4 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.

2.14.5 Retirement of Directors

At every annual general meeting one-third of the Directors or, if their number is not a multiple of three, then the number nearest to but not less than one-third, must retire from office. The Directors to retire are those longest in office since last being elected. As between Directors who were elected on the same day, the Directors to retire are determined by lot (in default of agreement between them). Further, a Director must retire from office at the conclusion of the third Annual General Meeting after which the Director was elected or re-elected. A retiring director is eligible for re-election.

The Board continues to have a policy that requires a non-executive Director who has served on the Board for nine years from the date of their first election to stand for annual re-election from the first Annual General Meeting after the expiration of their current term.

We are seeking shareholder approval at our 2008 Annual General Meetings to amend the Constitution of BHP Billiton Limited and the Articles of BHP Billiton Plc so that the cut-off date for Director nominations is measured from the earlier of the BHP Billiton Limited and the BHP Billiton Plc general meetings which is appropriate given the Dual Listed Company structure. Currently, the wording of the Constitution means that BHP Billiton Limited uses the nominations cut-off period contained in the ASX Listing Rules (i.e. 35 business days before the date of the BHP Billiton Limited meeting) which typically falls after the deadline for nominations as a director of BHP Billiton Plc. BHP Billiton Limited has in the past needed to seek ASX regulatory relief to avoid a situation in which a candidate could be eligible for election as a Director of BHP Billiton Limited but not as a Director of BHP Billiton Plc. If the proposed amendments are adopted, the cut-off date for both BHP Billiton Limited and BHP Billiton Plc will be 40 business days before the earlier of the BHP Billiton Limited and BHP Billiton Plc general meetings. Further details are set out in the Notices of Meeting for the 2008 Annual General Meetings.

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2.14.6 Rights attaching to shares

Dividend rights

By law, dividends on shares may only be paid out of profits available for distribution. 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 2.12.2 of this Report, certain matters may be decided as Joint Electorate Actions or Class Rights Actions.

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.

On a show of hands, every holder of a fully paid ordinary share present in person or by proxy, attorney or representative has one vote. Where a shareholder has appointed more than one person as representative, proxy or attorney for that shareholder, none of the representatives, proxies or attorneys are entitled to vote on a show of hands (see below). On a poll, however, votes may be given either personally or by proxy.

We are seeking shareholder approval at our 2008 Annual General Meetings to amend the Constitution of BHP Billiton Limited and the Articles of BHP Billiton Plc to bring the Constitution and the Articles in line with the new UK Companies Act 2006 by ensuring that where a shareholder appoints more than one proxy, the multiple proxies taken together have at least the same number of votes on a show of hands as the member who appointed them would have if he or she were present at the meeting. The proposed amendments are not considered to be of practical consequence given BHP Billiton s practice is to proceed directly to a poll on all items of business at general meetings. Further details are set out in the Notices of Meeting for the 2008 Annual General Meetings.

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.

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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.

2.14.7 Right on a return of assets on liquidation

On a return of assets on liquidation of BHP Billiton Limited, subject to the payment of all prior ranking amounts owed to all creditors of BHP Billiton Limited and preference shareholders, 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 (if any), 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.

2.14.8 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.

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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; and

- 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.

2.14.9 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.

2.14.10 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.

2.14.11 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; and

- by the holders of the issued shares of the affected class, either at a special meeting by resolution passed by not less than three-quarters of the holders present at the meeting and by voting, or in writing signed by the holders of at least three-quarters of the issued shares of that class.

However, we are seeking shareholder approval at our 2008 Annual General Meetings to amend the Constitution of BHP Billiton Limited and the Articles of BHP Billiton Plc to bring the above procedure in line with section 334 of the new UK Companies Act 2006 by requiring the proposed variation be approved by both the relevant Company and 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 in the class affected. Further details are set out in the Notices of Meeting for the 2008 Annual General Meetings.

2.14.12 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 Limited may appoint a person as a proxy to attend and vote for the shareholder in accordance with the law.

2.14.13 Limitations on rights to own securities

Neither the Constitution nor the Articles of Association 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 of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc, as well as relevant laws, are described in section 2.8 and 2.12.2 of this Report.

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2.14.14 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 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 November 2002, and those of BHP Billiton Plc since April 2003, are also available on the SEC website. American Depositary Shares representing ordinary shares of BHP Billiton Limited are listed on the NYSE, and its ordinary shares are listed on the ASX. American Depositary Shares representing ordinary shares of BHP Billiton Plc are also listed on the NYSE and its ordinary shares are admitted to the Official List of the UK Listing Authority (being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000), and to trading on the London Stock Exchange s market for listed securities.

2.15 Reserves

2.15.1 Petroleum reserves

Reserves and production

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

Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, the assessment of impairments and 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 producing reservoirs in the immediate area. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution, and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

The tables below detail estimated oil, condensate, NGL and gas reserves at 30 June 2008, 30 June 2007 and 30 June 2006, 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, fuel and flare volumes. Reserves include quantities of oil, condensate, NGL and gas that will be produced under several production and risk sharing arrangements that involve the BHP Billiton Group in upstream risks and rewards without transfer of ownership of the products. At 30 June 2008, approximately 6 per cent (2007: 9 per cent; 2006: 11 per cent) of proved developed and undeveloped oil, condensate and NGL reserves and 5 per cent (2007: 6 per cent; 2006: nil) 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.

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Millions of barrels	Australia/Asia	Americas	UK/Middle East	Total
Proved developed and undeveloped oil, condensate and NGL reserves [a]				
Reserves at 30 June 2005	**284.7**	**183.0**	**74.9**	**542.6**
Improved recovery	-	11.5	-	11.5
Revisions of previous estimates	52.4	0.6	(2.6)	50.4
Extensions and discoveries	-	2.6	-	2.6
Purchase/sales of reserves	-	(0.3)	-	(0.3)
Production [b]	(33.2)	(7.3)	(15.3)	(55.8)
Total changes	19.2	7.1	(17.9)	8.4
Reserves at 30 June 2006	**303.9**	**190.1**	**57.0**	**551.0**
Improved recovery	-	-	-	-
Revisions of previous estimates	13.6	(0.9)	5.6	18.3
Extensions and discoveries	50.9	1.7	-	52.6
Purchase/sales of reserves	-	(0.1)	-	(0.1)
Production [b]	(35.8)	(6.6)	(14.3)	(56.7)
Total changes	28.7	(5.9)	(8.7)	14.1
Reserves at 30 June 2007 [c]	**332.6**	**184.2**	**48.3**	**565.1**
Improved recovery	17.6	-	-	17.6
Revisions of previous estimates	20.0	16.2	(2.2)	34.0
Extensions and discoveries	26.6	23.4	-	50.0
Purchase/sales of reserves	-	-	-	-
Production [b]	(40.0)	(16.3)	(11.8)	(68.1)
Total changes	24.2	23.3	(14.0)	33.5
Reserves at 30 June 2008 [c]	**356.8**	**207.5**	**34.3**	**598.6**
Proved developed oil, condensate and NGL reserves [a]				
Reserves at 30 June 2005	180.5	18.3	74.5	273.3
Reserves at 30 June 2006	199.3	21.5	54.6	275.4
Reserves at 30 June 2007	180.8	35.3	46.0	262.1
Reserves at 30 June 2008	**190.9**	**99.6**	**30.6**	**321.1**

(a) In Bass Strait, the North West Shelf, Ohanet and the North Sea, NGL is extracted separately from crude oil and natural gas.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved oil, condensate and NGL reserves include 8.0 million barrels derived from probabilistic aggregation procedures.

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Billions of cubic feet	Australia/Asia [a]	Americas	UK/Middle East	Total
Proved developed and undeveloped natural gas reserves				
Reserves at 30 June 2005	**4,820.7**	**116.9**	**244.5**	**5,182.1**
Improved recovery	-	-	-	-
Revisions of previous estimates	4.0	6.5	34.7	45.2
Extensions and discoveries	-	1.3	-	1.3
Purchases/sales of reserves	-	(0.2)	-	(0.2)
Production [b]	(292.0)	(8.0)	(61.1)	(361.1)
Total changes	(288.0)	(0.4)	(26.4)	(314.8)
Reserves at 30 June 2006	**4,532.7**	**116.5**	**218.1**	**4,867.3**
Improved recovery	-	-	-	-
Revisions of previous estimates	15.3	(0.4)	1.4	16.3
Extensions and discoveries	-	280.7	-	280.7
Purchases/sales of reserves	(76.5)	(3.6)	-	(80.1)
Production [b]	(295.0)	(8.7)	(53.3)	(357.0)
Total changes	(356.2)	268.0	(51.9)	(140.1)
Reserves at 30 June 2007 [c]	**4,176.5**	**384.5**	**166.2**	**4,727.2**
Improved recovery	-	-	-	-
Revisions of previous estimates	22.7	(42.3)	62.2	42.6
Extensions and discoveries	239.8	17.1	-	256.9
Purchases/sales of reserves	-	-	-	-
Production [b]	(310.9)	(11.8)	(45.8)	(368.5)
Total changes	(48.4)	(37.0)	16.4	(69.0)
Reserves at 30 June 2008 [c]	**4,128.1**	**347.5**	**182.6**	**4,658.2**
Proved developed natural gas reserves				
Reserves at 30 June 2005	2,621.4	15.1	239.3	2,875.8
Reserves at 30 June 2006	2,286.4	16.5	206.4	2,509.3
Reserves at 30 June 2007	2,137.4	15.9	162.4	2,315.7
Reserves at 30 June 2008	**2,148.6**	**46.4**	**175.1**	**2,370.1**

(a) Production for Australia includes gas sold as LNG.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved natural gas reserves include 169.3 billion cubic feet derived from probabilistic aggregation procedures.

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2.15.2 Ore reserves

Ore Reserves are estimates of the amount of ore that can be economically and legally extracted and processed from our mining properties. In order to estimate reserves, assumptions 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 to be determined by analysing geological data such as drilling samples. Because the economic assumptions used to estimate reserves change from period to period, and because additional geological and operational data is generated during the course of operations, estimates of reserves may change from period to period. All of the Ore Reserve figures presented are reported in 100 per cent terms and represent estimates at 30 June 2008 (unless otherwise stated). All tonnes and grade information has been rounded, hence small differences may be present in the totals. Mine life is calculated as Total Reserve divided by the current approved nominal production rate.

Our 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 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 timeframe required by the current life-of-mine schedule.

The reported reserves contained in this annual report do not exceed the quantities that we estimate could be extracted economically if future prices were at similar levels to the average historical prices for traded metals for the three years to 31 December 2007, or for bulk commodities long-term contracted prices. However, we do not use a bauxite, aluminium or alumina price to determine bauxite reserves. The primary criteria for determining bauxite reserves are the feed specifications required by the captive alumina refinery. In addition to these specifications a number of modifying factors are used to differentiate bauxite reserves from other mineralised material. For our Manganese assets, historical benchmark contract price is used to determine reserves at only one asset (GEMCO). Geological stratigraphic controls, cut-off grade and plant feed requirements are used to determine reserves at our other Manganese assets.

Current operating costs have been matched to the average of historical or long-term contract prices in our test for impairment in accordance with Industry Guide 7. The reported reserves may differ in some respects from the reserves we report in our home jurisdictions of Australia and the UK. Those jurisdictions require the use of the Australasian Code for reporting of Mineral Resources and Ore Reserves, December 2004 (the JORC Code), which contemplates the use of reasonable investment assumptions in calculating reserve estimates.

The three-year historical average prices used for each commodity to test for impairment of the reserves of traded metals contained in this annual report are as follows:

Commodity Price	US$
Copper[1]	2.65/lb
Gold	582.11/oz
Nickel	11.52/lb
Silver	10.75/oz
Lead	0.73/lb
Zinc	1.19/lb
Uranium	58.16/lb

(1) All our copper operations have used a copper price at or below the three-year historical average copper price to estimate, or test for impairment of, the copper reserves disclosed in this report. The price used by each operation is disclosed in the footnotes to the Base Metals Ore Reserves table.

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Aluminium Customer Sector Group

Ore Reserves

The table below details the total Ore Reserves for the Aluminium Customer Sector Group estimated as at 30 June 2008 in 100 per cent terms (unless otherwise stated).

													As at 30 June 2007					
	Proved Ore Reserve				Probable Ore Reserve				Total Ore Reserve					Total Ore Reserve				
Type	Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	% Fe_2O_3	Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	% Fe_2O_3	Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	% Fe_2O_3	Mine life (years)	Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	% Fe_2O_3	M
erite	235	30.9	1.7	-	76	31.0	1.8	-	311	30.9	1.8	-	19	324	30.8	1.7	-	
N Washed	155	50.7	3.7	-	59	50.7	3.7	-	214	50.7	3.7	-	14	172	51.2	3.5	-	
erite	0.4	45.4	3.4	13.6	0.3	39.0	3.4	22	0.7	42.5	3.4	17.4	1	0.7	42.6	3.4	17.2	
erite	9.4	48.4	4.0	10.6	-	-	-	-	9.4	48.4	4.0	10.6	3	14	47.8	5.0	10.2	

(1) 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. 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 reliable suite of chemical and size distribution data.
Coermotibo	61m x 61m	122m x 122m
Onverdacht	61m x 61m	122m x 122m

(2) Metallurgical recoveries for the operations are:

Deposit	Estimated % metallurgical recovery of $A.Al_2O_3$

Worsley (Worsley Refinery)	90%
MRN (Alumar refinery)	94%
Coermotibo (Paranam Refinery)	92.30%
Onverdacht (Paranam Refinery)	92.30%

(3) $A.Al_2O_3$ is available alumina determined for expected refinery conditions. $R.SiO_2$ is silica that is reactive in the refinery process. Fe_2O_3 is iron oxide.

(4) For Worsley, MRN, Coermotibo and Onverdacht bauxite deposits the reserves are determined based on applicable $A.Al_2O_3$, $R.SiO_2$. For one of the Onverdacht deposits an Fe_2O_3 cut-off is also applied.

(5) Worsley The change in mine life is due to the approved production increase currently being installed and scheduled for operation in 2011.The Worsley Alumina Project expansion to 4.6 mtpa alumina (equivalent to 16.8 mtpa bauxite) was announced 1 May 2008.

(6) MRN The June 2008 increase in MRN Washed reserves largely reflects the promotion of the plateaux Arama, Greigh and part of Monte Branco to the reserve category following a 200m square grid drilling program. A small amount of the reserve increase is derived from Bela Cruz, Bacaba,Teofilo and Cipo plateaux following a review of the model. MRN Washed tonnes and grade represent expected product based on forecast beneficiated yield in the reserve area of 75%.

(7) The MRN reserves are located on mining leases that provide MRN the right to mine. In addition, MRN is required to obtain environmental approvals to allow infrastructure access and mining; these approvals are sought and approved on a staged basis as part of the normal course of business. Current mining areas have full environmental approval, MRN is progressing further approvals to cover the total reserve area within a timeframe required by the current life of mine schedule.

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Base Metals Customer Sector Group

Ore Reserves

The table below details the total Ore Reserves for the Base Metals Customer Sector Group estimated as a 30 June 2008 in 100 per cent terms (unless otherwise stated).

As at 30 June 2008		Proved Ore Reserve					Probable Ore Reserve					Total Ore Reserve					
Commodity Deposit (1,2,3)	**Ore Type**	**Millions of dry metric tonnes**	**% TCu**	**% SCu**			**Millions of dry metric tonnes**	**% TCu**	**% SCu**			**Millions of dry metric tonnes**	**% TCu**	**% SCu**			**Mine life (years)**
Copper																	
Escondida (4)	Oxide	95	0.86	-			49	1.07	-			144	0.93	-			24
	Sulphide	770	1.16	-			962	1.05	-			1,731	1.10	-			
	Sulphide leach	692	0.55	-			1,568	0.55	-			2,260	0.55	-			
Cerro Colorado (5)	Oxide	47	0.61	0.45			58	0.68	0.5			105	0.65	0.48			8
	Sulphide	28	0.74	0.14			20	0.66	0.16			48	0.71	0.15			
Spence (6)	Oxide	36	1.11	0.86			30	1.05	0.65			66	1.08	0.76			15
	Sulphide	123	1.24	-			83	0.79	-			205	1.06	-			
Pinto Valley (7)	Low-grade leach	7.0	0.21	-			8.0	0.20	-			15	0.21	-			4
	Sulphide	42	0.37	-			56	0.42	-			98	0.39	-			
	Sulphide stockpiles	446	0.11	-			-	-	-			446	0.11	-			
Copper Uranium		**Millions of dry metric tonnes**	**% Cu**	**kg/ tonne U_3O_8**	**g/t Au**	**g/t Ag**	**Millions of dry metric tonnes**	**% Cu**	**kg/ tonne U_3O_8**	**g/t Au**	**g/t Ag**	**Millions of dry metric tonnes**	**% Cu**	**kg/ tonne U_3O_8**	**g/t Au**	**g/t Ag**	
Olympic Dam (8)	Sulphide	221	1.97	0.59	0.73	3.99	253	1.77	0.61	0.79	3.91	473	1.86	0.60	0.76	3.95	43
Copper Zinc		**Millions of dry metric tonnes**	% Cu	% Zn	g/t Ag	% Mo	**Millions of dry metric tonnes**	**% Cu**	**% Zn**	**g/t Ag**	**% Mo**	**Millions of dry metric tonnes**	**% Cu**	**% Zn**	**g/t Ag**	**% Mo**	
Antamina (9)	Sulphide Cu only	39	1.15	0.21	9.1	0.033	253	1.10	0.15	9.7	0.035	292	1.11	0.16	9.6	0.035	12
	Sulphide Cu-Zn	24	1.11	3.1	22.6	0.009	85	1.14	2.66	19.1	0.009	109	1.13	2.75	19.9	0.009	
Silver Lead Zinc		**Millions of dry metric tonnes**	g/t Ag	% Pb	% Zn		**Millions of dry metric tonnes**	**g/t Ag**	**% Pb**	**% Zn**		**Millions of dry metric tonnes**	**g/t Ag**	**% Pb**	**% Zn**		
Cannington (10)	Sulphide	22	356	8.4	3.9		2.2	272	6.7	4.3		24	348	8.3	3.9		8

As at 30 June 2008		As at 30 June 2007 Total Ore Reserve				
Commodity Deposit (1,2,3)	**Ore Type**	**Millions of dry metric tonnes**	**% TCu**	**% SCu**	**Mine life (years)**	**BHP Billiton Interest %**
Copper						
Escondida (4)	Oxide	161	0.92	-	24	57.5
	Sulphide	1,743	1.15	-		
		2,395	0.55	-		

	Sulphide leach							
Cerro Colorado [5]	Oxide	113	0.66	0.50			9	100
	Sulphide	50	0.75	0.13				
Spence [6]	Oxide	70	1.23	0.80			16	100
	Sulphide	214	1.06	-				
Pinto Valley [7]	Low-grade leach	35	0.21	-			4	100
	Sulphide	87	0.41	-				
	Sulphide stockpiles	443	0.11	-				
Copper Uranium		**Millions of dry metric tonnes**		**kg/ tonne U_3O_8**	**g/t Au**	**g/t Ag**		
Olympic Dam [8]	Sulphide	399	1.87	0.58	0.68	4.0	36	100
Copper Zinc		**Millions of dry metric tonnes**	**% Cu**	**% Zn**	**g/t Ag**	**% Mo**		
Antamina [9]	Sulphide Cu only	303	1.14	0.16	9.6	0.04	13	33.75
	Sulphide Cu-Zn	118	1.12	2.84	20.2	0.01		
Silver Lead Zinc		**Millions of dry metric tonnes**	**g/t Ag**	**% Pb**	**% Zn**			
Cannington [10]	Sulphide	22	402	9.3	4.1		7	100

(1) %TCu per cent total copper, %SCu per cent soluble copper, %Cu per cent copper, kg/tonne U_3O_8 kilograms per tonne uranium oxide, g/tAu grams per tonne gold, g/tAg grams per tonne silver, %Zn per cent zinc, %Pb per cent lead, %Mo per cent molybdenum

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

	Proved Ore Reserves	**Probable Ore Reserves**
Escondida	Sulphide: 55m x 55m	Sulphide: 85m x 85m
	Sulphide leach: 60m x 60m	Sulphide leach: 95m x 95m
	Oxide: 45m x 45m	Oxide: 50m x 50m
Cerro Colorado	55m x 55m on first kriging pass	120m x 120m on second kriging pass
Spence	Oxides: less than approximately 50m continuous square grid Sulphides: less than approximately 75m continuous square grid	Oxides and Sulphides: less than approximately 100m continuous square grid, estimation on second kriging pass
Pinto Valley	60m x 120m rectangular grid	200m x 200m
Olympic Dam	Drilling grid of 20m to 30m	Drilling grid of 30m to 70m
Antamina	High-Grade Cu/Zn: 3 composites of the same grade zone and different holes within 30m, closest within 20m Low-Grade Cu/Zn: 3 composites of the same grade zone and different holes within 35m, closest within 25m.	3 composites of the same grade zone and different holes within 55m, closest within 40m, or 2 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	12.5m sectional x 15.0m vertical	25.0m sectional x 25.0m vertical

(3) Metallurgical recoveries for the operations are:

	% Metallurgical Recovery						
	Cu	**Ag**	**Pb**	**Zn**	**Au**	**U_3O_8**	**Mo**
Escondida	Sulphide: 85% of TCu						
	Sulphide Leach: 33% of TCu Oxide: 68% of TCu						
Cerro Colorado	74% of TCu						
Spence	Oxide: 82% of TCu						
	Sulphide: 81% of TCu						
Pinto Valley	Low-grade leach: 25%						
	Sulphide: 86.4%						
	Sulphide stockpiles: 3%						
Olympic Dam	95%	67%			66%	70%	
Antamina	Sulphide Cu: 94.4%						
	Sulphide Cu-Zn: 30%	Sulphide Cu: 84% Sulphide Cu-Zn: 20%		Sulphide Cu: 0% Sulphide Cu-Zn: 87%			Sulphide Cu: 60% Sulphide Cu-Zn: 0%
Cannington		84%	87%	76%			

(4) Escondida Changes in the Escondida reserves are mainly due to changes in the geological and geometallurgical model and resulting optimisation of the mine plan using updated cost and price assumptions, including a variable cut-off grade for sulphide mill ore. Oxide reserves scheduled for mining after closure of the oxide leach plant are reported as Sulphide Leach due to process destination. Part of the Sulphide Leach mining stockpile has been removed from Ore Reserve classification due to uncertainty in tonnage, grade and metallurgical properties pending additional study. The Cu price used for testing impairment of the Escondida Ore Reserve was US$2.65/lb.

(5) Cerro Colorado The Cu price used for testing impairment of the Cerro Colorado Ore Reserve was US$2.65/lb.

(6) Spence The Cu price used for testing impairment of the Spence Ore Reserve was US$2.65/lb.

(7) Pinto Valley Approval to re-open the Pinto Valley unit was given in December 2006 upon completion of a Feasibility Study of a mine and mill re-start. Mining activities were re-initiated in mid-June 2007, while milling started on schedule in October 2007. The changes in Ore Reserves are due to lowering the mill feed cut-off from 0.27%Cu in 2007 to 0.25%Cu, changed haulage ramp design and other mine parameters, and a revised deposit model, including revised classification. Mine life only considers the extraction of the intact sulphide ore. Copper recovery of the low-grade sulphide stockpiles is estimated from the expected leach production during mine life. The Cu price used for testing impairment of the Pinto Valley Ore Reserve was US$2.65/lb.

(8) Olympic Dam The increase in overall Ore Reserves is due to additional mineralised material being available for conversion to Proven and Probable Reserves. In addition, mining parameters for stope design and grade factors have also been updated following review of the previous 2 years reconciliation data.The Cu price used for testing impairment of the Olympic Dam Ore Reserve was Cu = US$2.65/lb.

(9) Antamina Reserves are reported on the basis of a reserve estimate completed in 2006, depleted by subsequent production.The Cu price used for testing impairment of the Antamina Ore Reserve was US$1.32/lb.

(10) Cannington Updated metal price assumptions have resulted in a lower cut-off grade and associated increase in Ore Reserves.

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Diamonds and Specialty Products Customer Sector Group

Ore Reserves

The table below details the total Ore Reserves for the Diamonds and Specialty Products Customer Sector Group estimated as at 30 June 2008 in 100 per cent terms (unless otherwise stated).

As at 30 June 2008								As at 30 June 2007			
		Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve			Total Ore Reserve		
Commodity Deposit[1,2]	Ore Type[3]	Millions of dry metric tonnes	Carats per tonne	Millions of dry metric tonnes	Carats per tonne	Millions of dry metric tonnes	Carats per tonne	Mine life (years)	Millions of dry metric tonnes	Carats per tonne	Mine life (years)	BHP Billiton Interest %
Diamonds[4]												
EKATI Core Zone	OC	19.1	0.3	15.5	0.6	34.6	0.4	10	36.5	0.4	12	80
	UG	3.9	0.9	5.2	0.9	9.1	0.9		10.5	0.9		
	SP			0.4	0.2	0.4	0.2		0.4	1.7		
		Millions of		Millions of		Millions of			Millions of			
Mineral Sands		tonnes		tonnes		tonnes			tonnes			
Richards Bay Minerals[5]	TiO_2 slag		5.6		19		24	24		25	24	50

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
EKATI Core Zone	less than 25m and up to 50m	less than 25m and up to 75m
Richards Bay Minerals	50m x 50m	800m x 100m

(2) Metallurgical recoveries for the operations are:

EKATI Core Zone	factors are assigned per geological domain and deposit
Richards Bay Minerals	45% including conversion to slag

(3) OC open-cut, UG underground, SP stockpile, TiO_2 titanium dioxide

(4) Diamond prices used for pit optimisations and Ore Reserves reflect Company determined long-term marketing conditions. As a result of changes in the plant, the diamond stone size cut-off for the reserves has been reduced from 2.0mm for the June 2007 estimate to an effective 1.5mm square aperture stone size cut-off for the June 2008 Reserve estimate.

(5) Richards Bay Minerals Reserves are reported in tonnes of slag as at 31 December 2007.

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Stainless Steel Materials Customer Sector Group

Ore Reserves

The table below details the total Ore Reserves for the Stainless Steel Materials Customer Sector Group estimated at 30 June 2008 in 100 per cent terms (unless otherwise stated).

As at 30 June 2008		Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve			As at 30 June 2007 Total Ore Reserve			
Commodity		Millions of dry metric		Millions of dry metric		Millions of dry metric		Mine Life	Millions of dry metric	%	Mine Life	BHP Billiton Interest
Deposit [1,2,3]	Ore Type	tonnes	% Ni	tonnes	% Ni	tonnes	% Ni	(years)	tonnes	Ni	(years)	%
Colombia												
Cerro Matoso [4]	Laterite	68	1.30	35	1.27	103	1.29	42	67	1.70	26	99.94
	SP	24	1.38			24	1.38		10	1.51		
	MNR - Ore	23	0.20			23	0.20		23	0.21		
Nickel West												
Leinster [5]	OC sulphide	3.3	1.33	0.4	0.94	3.7	1.30	7	0.7	1.7	6	100
	UG	6.4	1.81	4.4	1.90	11	1.85		13	1.8		
Mt Keith [6]	OC	135	0.58	2.0	0.45	137	0.58	14	164	0.57	17	100
	SP	27	0.52			27	0.52		30	0.51		
Cliffs	UG			1.6	3.6	1.6	3.6	5	1.7	3.4	5	100
Ravensthorpe	Laterite	107	0.73	120	0.6	227	0.66	21	235	0.67	23	100
	SP	8.0	0.77			8.0	0.77		3.0	0.75		

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

	Proved Ore Reserves	Probable Ore Reserves
Cerro Matoso	Less than 25m	Greater than 25m and less than 70m
Leinster	25m x 25m	25m x 50m
Mt Keith	60m x 40m	80m x 80m
Cliffs		50m x 50m
Ravensthorpe	40mE by 50mN	80mE by 100mN

(2) Metallurgical recoveries for the operations are:

Deposit	% Metallurgical Recovery Ni
Cerro Matoso	90% (Reserve to metal)

Leinster: UG	89% (Reserve to Ni in concentrate)
	85% (Reserve to Ni in concentrate)
OC	
Mt Keith: OC	65% (Reserve to Ni in concentrate)
	49% (Reserve to Ni in concentrate)
SP	
Cliffs	90% (Reserve to Ni in concentrate)
Ravensthorpe	50% (Reserve to Ni in concentrate)

(3) OC open-cut, UG underground, SP stockpile, MNR Ore Metal Nickel Recovery ore, %Ni per cent nickel

(4) Cerro Matoso The Ore Reserve has increased as a result of revised price assumptions reducing the Laterite ore cut-off grade used in the reserve estimation from 1.0% Ni to 0.6% Ni. In addition, revised metallurgical recovery parameters have also resulted in an increase to the reserve.

(5) Leinster Increases in open-cut Ore Reserves are due to lowering the cut-off grade from 0.8% Ni to 0.6% Ni based on revised economic parameters, and including a second cutback on the Rocky s Reward Open Pit.

(6) Mt Keith A mining study undertaken in 2007 has resulted in significant changes to the MKO pit stage designs. The resulting evaluation has determined that some of the deeper reserve, which was reclassified in the previous year from Proved Reserve to Probable Reserve, has been removed from the reserves as it is uneconomic under current economic conditions. The remainder of that Probable Reserve has been reclassified as Proven Reserves as a result of the pit stage redesign and due to the greater geotechnical knowledge of the project.

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Iron Ore Customer Sector Group

Ore Reserves

The table below details the total Ore Reserves for the Iron Ore Customer Sector Group estimated as at 30 June 2008 in 100 per cent terms (unless otherwise stated).

08																				As a Tota Ore Reser
	Proved Ore Reserve						Probable Ore Reserve						Total Ore Reserve							
Type	Millions of wet metric tonnes	% Fe	% P	% SiO_2	% Al_2O_3	% LOI	Millions of wet metric tonnes	% Fe	% P	% SiO_2	% Al_2O_3	% LOI	Millions of wet metric tonnes	% Fe	% P	% SiO_2	% Al_2OI	% LOI	Mine life[7]	Millior of we metri tonne
M	342	63.2	0.07	4.7	2.0	2.2	481	62.2	0.08	5.8	2.1	2.4	823	62.6	0.08	5.3	2.1	2.3	23	7
	23	61.6	0.06	3.0	1.6	6.8	42	62.0	0.07	2.8	1.8	6.2	65	61.9	0.07	2.9	1.7	6.4		
M	99	63.2	0.09	3.5	2.4	3.4	326	62.6	0.10	3.3	2.4	4.1	425	62.7	0.10	3.3	2.4	3.9	61	2
	8.9	59.5	0.06	9.6	1.7	3.0	15	59.1	0.05	10.8	1.1	2.4	24	59.2	0.05	10.4	1.3	2.6	12	3
M	53	62.6	0.14	2.9	1.9	5.0	127	61.7	0.13	3.7	2.1	5.2	180	62.0	0.13	3.5	2.0	5.1	18	
	180	62.4	0.06	2.8	1.6	5.8	216	61.4	0.06	3.6	1.9	6.1	396	61.9	0.06	3.2	1.8	6.0		4
	791	57.4	0.04	5.6	1.4	10.5	301	56.9	0.04	6.2	1.5	10.6	1,092	57.2	0.04	5.8	1.4	10.5	24	9
	Millions of dry metric tonnes	% Fe	% Pc				Millions of dry metric tonnes	% Fe	% Pc				Millions of dry metric tonnes	% Fe	% Pc					Millior of dr metri tonne
M	451	44.9	0.05				173	44.0	0.05				624	44.7	0.05				21	4

(1) The reserves are divided into joint ventures and material types that reflect the various products produced. The West Australian ore types are classified as per the host Archaean or Proterozoic banded iron formations. Ore types are BKM- Brockman, MM - Marra Mamba, NIM - Nimingarra, CID - Channel Iron Deposit. ROM - Run of Mine for Samarco, comprising itabirites and friable hematite ores.

(2) The reserve grades listed: Fe - iron, P - phosphorous, $Si0_2$ - silica, Al_2O_3 - alumina, LOI - loss ot ignition, 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%. Iron ore is marketed as Lump (direct blast furnace feed) and Fines (sinter blast feed). For Samarco: %Pc - phosphorous in concentrate, Samarco is marketed predominantly as direct reduction and blast furnace pellets.

(3) Metallurgical recovery is 100%, except for Mt Newman JV -Whaleback BKM where recovery is 92%. For Samarco, metallurgical recovery is 83.8%.

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

	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	AL North: 200m x 200m x 16m AL Center: 200m x 200m x 16m AL South: 200m x 200m x 16m	AL North: 400m x 400m x 16m AL Center: 400m x 400m x 16m AL South: 400m x 400m x 16m

(5) Some cut-off grades have been adjusted to align with revised product strategy. Cut-off grades used to estimate reserves: Mt Newman 50-62%Fe for BKM, 59%Fe for MM; Jimblebar 53%Fe for BKM; Mt Golduworthy 50%Fe for NIM, 57%Fe for MM, 59.5%Fe for BKM; Yandi 55-55.5%Fe for CID.

(6) Our Western Australian iron ore reserves are all located on State Agreement mining leases that guarantee the right to mine, except the Cattle Gorge mine (part of Mt Goldsworthy JV Northern), which is an operating mine on a standard Western Australian mining lease. We are required to obtain certain State Government approvals (including environmental and heritage clearances) before we commence mining operations on 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 timeframe required by the current life-of-mine schedule.

(7) Mine life (years) is calculated as Total Reserve divided by current approved nominal production rate.

(8) Changes to Mt Newman JV are due to additional deposit definition drilling, new geological interpretation and deposit models for Whaleback, OB24, OB25 Pit 4 and OB30, and changed MM and BKM (except Whaleback) cut-off grade from 60%Fe to 59%Fe.

(9) Changes to Jimblebar are due to additional deposit definition drilling, new geological interpretation, new deposit modelling and new pit designs for Jimblebar W1/2/3, and a change in cut-off grade from 60%Fe to 59%Fe.

(10) The Jimblebar Reserves listed include the Wheelarra Hill 3, 4 and Hashimoto 1 and 2 deposits at Jimblebar in which the Wheelarra Joint Venture participants (BHP Iron Ore (Jimblebar) Pty Ltd (51%), ITOCHU Minerals and Energy of Australia Pty Ltd (4.8%), Mitsui Iron Ore Corporation Pty Ltd (4.2%) and subsidiaries of Chinese steelmakers Magang, Shagang, Tanggang and Wugang (10% each)) have a legal interest. At the commencement of the Wheelarra Joint Venture on 1 October 2005, the Wheelarra Joint Venture participants had a legal interest in 175 million dry metric tonnes of Jimblebar Reserves (Wheelarra Joint Venture tonnes). The effect of the sales contracts entered into between the Wheelarra Joint Venture participants and the Mt Newman Joint Venture participants and other associated agreements is that BHP Billiton (as a Mt Newman Joint Venture participant) has an entitlement to 85% of these Wheelarra Joint Venture tonnes. This disclosure and the financial statements are prepared on this basis.

(11) Changes to Mt Goldsworthy JV Northern are due to the inclusion of Cundaline, Nimingarra A and B deposits, and a change in cut-off from 58%Fe to 50%Fe for Cattle Gorge.

(12) Changes to Mt Goldsworthy JV Area C are due to additional deposit definition drilling, new geological interpretation and deposit models for A Deposit, Packsaddle 1 and 3. New Reserve for Packsaddle 1 and 3 (BKM).

(13) The Area C Reserves listed include C Deposit within Area C in which the POSMAC Joint Venture participants (BHP Billiton Minerals Pty Ltd (68%), ITOCHU Minerals and Energy of Australia Pty Ltd (6.4%), Mitsui Iron Ore Corporation Pty Ltd (5.6%) and a subsidiary of POSCO (a Korean steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the POSMAC Joint Venture participants and the Mt Goldsworthy Joint Venture participants and other associated agreements is that BHP Billiton (as a Mt Goldsworthy Joint Venture participant) has an entitlement to 85% of the reserves in C Deposit. This disclosure and the financial statements are prepared on this basis.

(14) Changes to Yandi JV are due to a change in cut-off grade from 56%Fe to 55%Fe and 55.5%Fe, additional deposit definition drilling, new geological interpretation and deposit modelling for Yandi W1 and E4, and new pit designs.

(15) The Yandi Reserves listed include the Western 4 deposit in which the JFE Western 4 Joint Venture (JW4 JV) participants (BHP Billiton Minerals Pty Ltd (68%), ITOCHU Minerals and Energy of Australia Pty Ltd (6.4%), Mitsui Iron Ore Corporation Pty Ltd (5.6%) and a subsidiary of JFE Steel Corporation (a Japanese steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the JW4 JV participants and the Yandi Joint Venture participants and other associated agreements is that BHP Billiton (as a Yandi Joint Venture participant) has an entitlement to 85% of the Reserves in the Western 4 deposit. This disclosure and the financial statements are prepared on this basis.

(16) During the feasibility studies for the Third Pelletizing Plant Project, further drilling has confirmed a reserve for more than 20 years of mine life. The reported reserve is inside the 2027 pit designed for the Third Pelletizing Plant Project.

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Manganese Customer Sector Group

Ore Reserves

The table below details the Ore Reserve for the Manganese Customer Sector Group estimated as at 30 June 2008 in 100 per cent terms (unless otherwise stated).

		As at 30 June 2008										**As at 30 June 2007**				
		Proved Ore Reserve			**Probable Ore Reserve**			**Total Ore Reserve**				**Total Ore Reserve**				
Commodity Deposit [1,2,3]	**Ore Type**	**Millions of dry metric tonnes**	**% Mn**	**% Yield**	**Millions of dry metric tonnes**	**% Mn**	**% Yield**	**Millions of dry metric tonnes**	**% Mn**	**% Yield**	**Mine Life (years)**	**Millions of dry metric tonnes**	**% Mn**	**% Yield**	**Mine Life (years)**	**BHP Billiton Interest %**
Manganese																
GEMCO [4]	ROM	74	48.2	49	43	47.2	48	117	47.8	48	17	129	47.8	49	20	60
		Millions of dry metric tonnes	**% Mn**	**% Fe**	**Millions of dry metric tonnes**	**% Mn**	**% Fe**	**Millions of dry metric tonnes**	**% Mn**	**% Fe**		**Millions of dry metric tonnes**	**% W1 Lump**	**% Fe**		
Wessels [5,6,7]	ROM										20	11	48.3		17	54.6
	Lower Body-HG	3.4	47.5	10.6	9.2	47.9	10.7	13	47.8	10.7						
	Lower Body-LG	1.3	41.0	13.5	5.7	41.1	13.1	7.0	41.1	13.2						
		Millions of dry metric tonnes	**% Mn**	**% Fe**	**Millions of dry metric tonnes**	**% Mn**	**% Fe**	**Millions of dry metric tonnes**	**% Mn**	**% Fe**		**Millions of dry metric tonnes**	**% Mn**	**% Fe**		
Mamatwan [5,6,8]	ROM										**14**	47	37.2	4.84	**20**	**54.6**
	M, C and N Zones	38	37.8	4.5	7.9	36.8	4.3	46	37.6	4.4						
	X Zone	4.3	37.3	4.8	0.2	35.6	4.6	4.4	37.2	4.8						

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

	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 ±142m 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 ±142m spaced surface drill holes
Mamatwan	80m x 80m	160m x 160m

(2) Metallurgical recoveries for the operations are:

Deposit	**% Metallurgical Recovery**
GEMCO	See yield in the Reserves table
Wessels	76% recovery for W1 lump product
Mamatwan	94%

(3) ROM run of mine product, %Mn per cent manganese, %W1 lump Wessels main manganese lump product grade on a per cent basis

(4) GEMCO Manganese grades are given as per washed ore samples and should be read together with their respective yields.

(5) An agreement has been signed between Samancor Manganese and empowerment consortium Ntsimbintle Mining Pty Ltd. The Ntsimbintle agreement has been signed by both parties but remains subject to government approval which is believed to be administrative in nature. This transaction allows for the inclusion of part of the Prospecting Rights held by Ntsimbintle into the Wessels and Mamatwan Mining Areas in exchange for 9% equity in Hotazel Mines, thereby adding the mineralisation within the Ntsimbintle Prospecting Right to the Wessels and Mamatwan Mining Rights. The BHP Billiton share of Wessels and Mamatwan mines (Hotazel Manganese Mines) therefore drops from 60% to 54.6%. Reserve from the Ntsimbintle agreement area has not yet been included in this Ore Reserve statement.

(6) Wessels and Mamatwan The criteria for determining reserves at Wessels and Mamatwan are geological stratigraphic controls, cut-off grade and plant feed requirements. Plant feed requirements vary depending on the product specifications. Improvements in the rail system and inclusion of lower grade ores as discussed below has allowed production increases at both Wessels and Mamatwan and therefore changes in the mine life.

(7) Wessels Wessels Mine used to be a high-grade mine mean manganese content for W1 lump being 48%. As a result, only this high-grade portion was previously included in our reserve estimate and clasified as 'ROM' (now called Lower body-HG). A low-grade portion, W4 lump at a mean grade of 42.2% Mn (now called Lower body-LG), was not included in reserves as the selling of this product is dependent on marketing requirements. Positive changes in market conditions now allow for the inclusion of all grades above a cut-off of 37.5% Mn. This report reflects these increased tonnages. The traditional W1 lump at a mean grade of 48% Mn was also adjusted to 47% Mn.

(8) Mamatwan The X Zone has not previously been declared as Ore Reserve. This is lower grade material and has to be mined in the process of accessing the economic higher grade M, C and N Zones (previously called ROM). Due to positive market conditions, this X Zone material now has economic value.

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Metallurgical Coal Customer Sector Group

Metallurgical Coal Reserves

The table below details the total Coal Reserves for the Metallurgical Coal Customer Sector Group estimated as at 30 June 2008 in 100 per cent terms (unless otherwise stated).

As at 30 June 2008											As at 30 June 2007					
			Proved Coal Reserve	Probable Coal Reserve	Total Coal Reserve [3]	Total Marketable Reserves[3]					Total Marketable Reserves					
Commodity Deposit [1,2]	Mining Method	Coal Type	Millions of metric tonnes	Millions of metric tonnes	Millions of metric tonnes	Millions of metric tonnes	% Ash	% VM	% S	Mine Life (years)	Millions of metric tonnes	% Ash	% VM	% S	Mine Life (years)	BHP Billiton Interest %
Queensland Coal reserves at operating mines - CQCA JV																
Goonyella Riverside																
Broadmeadow [4]	OC	Met	375	99	474	372	9.1	23.2	0.52	32	349	9.1	23.4	0.52	29	50
	UG	Met	20	117	137	118	6.6	23.6	0.50		123	6.6	23.6	0.50		
Peak Downs [5]	OC	Met	265	686	950	535	9.2	21.0	0.60	59	473	9.4	20.6	0.60	52	50
Saraji [6]	OC	Met	207	217	424	252	9.8	18.4	0.60	31	176	9.7	18.5	0.60	22	50
Norwich Park [7]	OC	Met	78	100	178	125	10.2	14.8	0.70	21	86	10.2	17.6	0.70	16	50
Blackwater [8]	OC	Met/Th	98	198	295	254	8.8	25.8	0.50	20	256	10.2	25.3	0.42	19	50
Gregory JV																
Gregory Crinum	OC	Met/Th	0.8	4.4	5.2	4.2	7.5	33.1	0.60	6	5.5	7.4	33.3	0.60	7	50
	UG	Met/Th	-	35	35	30	7.5	33.0	0.60		30	7.5	33.1	0.60		
BHP Mitsui																
South Walker Ck	OC	Met/Th	38	3.2	41	31	8.4	12.7	0.39	8	35	8.5	12.9	0.37	10	80
Poitrel-Winchester	OC	Met/Th	43	25	67	53	8.5	23.8	0.36	17	51	8.5	23.8	0.36	17	80
Illawarra Coal, operating mines																
Appin [9]	UG	Met/Th	8.0	28	36	32	8.9	23.4	0.40	10	27	8.9	23.2	0.37	12	100
West Cliff	UG	Met/Th	3.6	12	16	13	8.9	21.5	0.40	5	17	8.9	21.6	0.37	7	100
Dendrobium	UG	Met/Th	3.2	42	45	33	9.5	23.6	0.60	13	32	9.5	23.5	0.58	15	100

(1) OC open-cut, UG underground, Met metallurgical coal, Th thermal coal, %VM per cent volatile matter, %S per cent sulphur

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
Goonyella Riverside Broadmeadow		

	Maximum 500m spacing of geophysically logged, analysed coreholes with >=95% recovery or <+/-10% expected error at 95% confidence on a 50m x 100m block, 3D seismic coverage for UG resources	500m to 1000m spacing of geophysically logged, analysed coreholes with > 95% recovery or +/-10% to +/-20% expected error at 95% confidence on a 50m x 100m block
Peak Downs, Saraji, Norwich Park, Blackwater, South Walker Creek	Maximum 500m spacing of geophysically logged, analysed coreholes with >=95% recovery	500m to 1000m spacing of geophysically logged, analysed coreholes with >=95% recovery
Gregory Crinum	Maximum 500m spacing of geophysically logged, analysed , coreholes with >=95% recovery, 3D seismic coverage for UG resources	500m to 1000m spacing of geophysically logged, analysed coreholes with >=95% recovery
Poitrel / Winchester	Maximum 650m spacing of geophysically logged, analysed , coreholes with >=95% recovery	650m to 1000m spacing of geophysically logged, analysed coreholes with >=95% recovery
Appin, West Cliff, Dendrobium	Maximum of 700m between data points	Maximum of 1000m between data points

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

(4) Goonyella Riverside Broadmeadow The combined OC and UG Marketable Coal Reserve has increased by 18 million metric tonnes (mt) compared to the June 2007 reserve. After FY2008 production depletion (12mt), the changes are attributed to the OC creek buffer exclusions (-22mt marketable coal), forecast improved mining recovery (11mt marketable coal), favourable economic assumptions (43mt marketable coal), and UG mined out adjustments (-2mt marketable coal).

(5) Peak Downs The 2008 reserves estimate is 535mt of marketable coal, which is an increase of 62mt of marketable coal compared to the 2007 reserve. After FY2008 production depletion (8mt marketable coal), the changes are attributed to update of the Caval Pit geological model (55mt marketable coal), additional surface rights (21mt marketable coal), mining recovery and mined out adjustments (-17mt marketable coal) and favourable economic assumptions (11mt marketable coal). The Caval Pit geological model was updated in March 2008.

(6) Saraji The 2008 reserves estimate is 252mt of marketable coal, which is an increase of 76mt of marketable coal compared to the 2007 reserve. After FY2008 production depletion (6mt marketable coal), the changes in reserve estimates are attributed to forecast improved mining recovery (22mt marketable coal), additional drilling and mine planning (73mt marketable coal), and others including a reserve limit adjustment (-13mt marketable coal).

(7) Norwich Park The 2008 reserves estimate is 125mt of marketable coal, which is an increase of 39mt of marketable coal compared to the 2007 reserve. After FY2008 production depletion (5mt marketable coal), the changes in reserve estimates are attributed to additional drilling and mine planning (23mt marketable coal), forecast improved mining recovery (6mt marketable coal), surface rights approval in Lotus (10mt marketable coal), favourable economic assumptions (3mt marketable coal) and a reserve limit adjustment (3mt marketable coal). This year's reserve includes the lower seams in Lotus and South Leichhardt pits.

(8) Blackwater The 2008 reserve includes the Blackwater and the South Blackwater deposits, which were reported separately in previous years. Additional drilling, improvements in mining recovery over the previous two years and a reallocation of the split between metallurgical and thermal coal products have resulted in a reduction in ash forecast in the marketable reserve compared to the June 2007 Marketable Coal Reserve.

(9) Appin The increase in reserves is a result of the reclassification of part of the geological model due to the exploration program carried out throughout the year.

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Energy Coal Customer Sector Group

Energy Coal Reserves

The tables below detail the total Coal Reserves for the Energy Coal Customer Sector Group estimated as at 30 June 2008 in 100 per cent terms (unless otherwise stated).

008												As at 30 June 2007					
		Proved Coal Reserve	Probable Coal Reserve	Total Coal Reserve (3)													
					Total Marketable Reserves (3,4)								Total Marketable Reserves(3,4)				
Mining Method (2)	Coal Type (2)	Millions of tonnes	Millions of tonnes	Millions of tonnes	Millions of tonnes	% Ash	% VM	% S	KCal/kg CV	Total Moisture (5)	Mine life (years)	Millions of tonnes	% Ash	% VM	% S	KCal/kg CV
ng																
UG	Th	73	1.0	74	74	19.0		0.70	5,600	9.9%	12	79	19.0	-	-	5,600
OC	Th	181	8.9	190	190	22.0		0.88	4,800	13.0%	25	205	-	-	0.85	4,800
g																
OC	Th	211	115	326	229	20.9	24.5	0.60	6,200	7.5%	27	0.9	15.3	26.4	0.50	6,600
UG	Th	-	-	-	-	-	-	-	-			2.4	15.2	25.5	0.68	6,600
OC	Met	4.9	-	4.9	3.9	18.0	30.5	1.73	6,200	8.0%	18	5.6	18.6	30.0	1.73	6,100
OC	Th	45	21	66	66	36.1	20.3	0.98	4,400	8.0%		62	36.8	20.5	0.99	4,400
UG	Th	170	-	170	170	33.9	20.9	0.90	4,500	8.0%		184	34.3	21.6	0.93	4,500
OC	Th	76	14	89	74	22.2	22.9	0.59	5,800	8.8%	12	83	21.8	23.0	0.57	5,800
OC	Th	268	-	268	193	22.4	23.0	0.82	6,000	6.8%	27	232	23.6	22.4	0.82	5,800
OC	Th	116	-	116	86	19.5	26.5	0.74	6,000	8.0%	7	97	19.6	26.5	0.74	6,000
OC	Th	178	35	213	168	17.2	30.8	0.7	6,500	8.4%	14	180	17.2	30.8	0.70	6,500
OC	Th	630	181	811	819	-	-	-	6,200	12.0%	25	893	-	-	-	6,200

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

Deposit	Proved Ore Reserves	Probable Ore Reserves
San Juan	0m - 500m	500m - 1000m
Navajo	Less than 500m	500m - 1000m
Douglas	A minimum of 8 drillholes per 100Ha	4-8 drillholes per 100Ha

Khutala	A minimum of 16 drillholes per 100Ha	5-16 drillholes per 100Ha
Middelburg	A minimum of 8 drillholes per 100Ha	4-8 drillholes per 100Ha
Optimum	A minimum of 16 drillholes per 100Ha	5-16 drillholes per 100Ha
Klipspruit	A minimum of 8 drillholes per 100Ha	4-8 drillholes per 100Ha
mt Arthur Coal	Less than 250m spacing	250m spacing and zones of increased structural activity
Cerrejon Coal Company	A minimum of 6 drillholes per 100Ha	2-6 drillholes per 100Ha

(2) OC open-cut, UG underground, Th thermal coal, Met metallurgical coal

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

(4) %VM per cent volatile matter, %S per cent sulphur, Kcal/kg CV kilo-calories per kilogram calorific value

(5) Coal moisture content is on an as received basis.

(6) Koornfontein The deposit was sold effective 1 July 2007 and is no longer reported.

(7) Douglas Approval of the Douglas Middelburg project has enabled an increase of 324 million tonnes (mt) in the open-cut Coal Reserves (228mt Marketable Reserves). Previously reported underground Coal Reserves have now been incorporated into the open-cut reserve. As a result of the Douglas Middelburg project, the Douglas Colliery and Middelburg Mine will be reported as a single entity from next year. The total complex is designed to supply coal until the cessation of the current ESKOM contract in 2034. The mine life for both Douglas and Middelburg is therefore stated as 27 years.

(8) Klipspruit Additional drilling has allowed the upgrading of 17mt of Probable Reserve to Proved Reserve.

(9) Middelburg The approval of the Douglas Middelburg optimisation project has provided increased confidence in the coal marketability and transfer of the Total Coal Reserve to Proved status.

(10) Optimum The operation has been sold, effective 1 July 2008.

(11) Cerrejón Coal Company The 74mt reduction in Marketable Coal Reserves compared to that reported in June 2007 is due to changes in the geological model as well as a change in modelling practices, reconciliation of the beneficiation plant recovery factors, revised moisture estimation and production depletion. The Cerrejón reserves are located on mining leases that provide Cerrejón the right to mine. In addition, Cerrejón is required to obtain environmental approvals to allow creek diversion for access and mining. These approvals are sought and approved in the normal course of business and in a time frame that meets the current life of mine schedule.

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3 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

3.1 Introduction

This Operating and financial review and prospects 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 IFRS as issued by the International Accounting Standards Board (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$225 billion as at 30 June 2008. We generated revenue of US$59.5 billion and profit attributable to shareholders of US$15.4 billion for FY2008.

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:

	Segment revenue by location of customer		
US$ million	**2008**	**2007**	**2006**
Europe	**14,349**	12,485	11,663
China	**11,670**	9,292	6,557
Japan	**6,885**	5,337	5,177
Other Asia	**6,411**	5,471	3,254
Australia	**5,841**	4,334	3,548
North America	**4,771**	3,205	2,615
South Korea	**3,700**	2,574	2,143
South America	**2,640**	1,966	1,848
Southern Africa	**2,003**	1,748	1,439
Rest of World	**1,203**	1,061	855
BHP Billiton Group	**59,473**	47,473	39,099

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

Customer Sector Group	**Principal activities**
Petroleum	Oil and gas exploration, production, development and marketing
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
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 and marketing of thermal (energy) coal

The work of our nine CSGs is supported by our Exploration and Marketing teams and other Group-wide 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, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

To achieve this we aim to own and operate a portfolio of upstream, large, long-life, low-cost, expandable, export-oriented assets across a diversified geographic and commodity base, and 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 arm
- 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 the six strategic drivers of our strategy:

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 that product 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 program has three priorities:

To reinvest in our extensive pipeline of world-class projects that carry attractive rates of return regardless of the economic climate.

To ensure a solid balance sheet.

To 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.

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3.3 Key measures

Our management and Board use a number of financial and operational measures to assess our performance.

Overall financial success We use several financial measures to measure the success of our overall strategy. The two key measures are profit attributable to members of the BHP Billiton Group and Underlying EBIT. Profit attributable to members of the BHP Billiton Group for FY2008 was US$15.4 billion, an increase of US$2.0 billion, or 14.7 per cent, from FY2007. Underlying EBIT for FY2008 was US$24.3 billion compared with US$20.1 billion in FY2007, an increase of 21.0 per cent. Underlying EBIT is the internally defined, key financial measure used by management for monitoring the performance of our operations. We explain the calculations and why we use this measure in section 3.6.1. Other measures in addition are as follows:

	30 June		
	2008	**2007**	**2006**
Net operating cash flow (US$M)	**18,159**	15,957	11,325
Gearing (1)	**17.8%**	25.0%	27.2%
Basic earnings per share (US cents)	**275.3**	229.5	173.2

(1) Refer to section 10 Glossary for definitions.

All measures show a strong performance in the context of a challenging supply environment. Refer to section 3.6 for a detailed analysis of the operating results.

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

People and Licence to operate These foundational strategic drivers bring together health, safety, environment and community related measures. These measures are a subset of the HSEC Targets Scorecard, which can be found in our full Sustainability Report at www.bhpbilliton.com.

On 1 July 2007, we introduced new five-year Health, Safety, Environment and Community targets; this is the first year we report against these targets.

We experienced 11 fatalities in seven separate incidents during FY2008, compared to eight fatalities in FY2007. We remain determined to do all in our power to eliminate fatalities from our operations. While low injury frequency rates do not mean low fatality rates, during FY2008, we improved our injury frequency rate. Our Total Recordable Injury Frequency Rate decreased by 20 per cent, from 7.4 per million hours worked for FY2007 to 5.9.

During FY2008, 207 new cases of occupational illness were reported Group-wide. This represents a 26 per cent reduction in the rate of illnesses per 10,000 employees against the target of a 30 per cent reduction by June 2012. There has been a 4.0 per cent increase in potential employee exposures over the occupational exposure limit (excluding noise) since 2007. Occupational exposure relates to instances where our people would be exposed if they were not wearing personal protection equipment. Refer to section 10 Glossary for definitions.

Our five-year targets include a six per cent reduction in greenhouse gas emissions per unit of production and a 13 per cent reduction in carbon-based energy use per unit of production, both by 30 June 2012. In FY2008, our carbon based energy intensity increased by one per cent. In FY2008, we experienced a five per cent increase in the greenhouse gas emissions intensity index for BHP Billiton s global sites. This was due, in part, to the switching of fuels used by third party electricity generators that serve our operations in Chile.

We have set a target to improve our use of recycled water relative to our use of high-quality water from the environment. Our aggregate target is to see a 10 per cent improvement by 2012 in the ratio of water recycled to high-quality water consumed. During the FY2008 period we made an improvement of seven per cent towards our target.

We have a five-year target to improve by 10 per cent the ratio of land rehabilitated compared to land disturbed. The FY2008 ratio has not changed since last year.

We continue to invest one per cent of our pre-tax profits (on a three-year rolling average) in community programs to ensure our host communities share in our success. During FY2008, this voluntary investment totalled US$141 million, comprising cash, in-kind support and administration costs. This is equivalent to 1.0 per cent of pre-tax profits, based on a three-year average of the profit before tax, as publicly reported in each of those years.

During the reporting period, our sites received 536 community complaints, a decrease from 543 during FY2007. Similar to the previous reporting year, the most common type of community complaints were related to noise and dust.

World-class assets Our diversified and high-margin portfolio, with an abundance of tier one resources in fiscally stable regimes, provides us with a unique set of options to deliver growth. In FY2008, annual production records were set in seven commodities and production increased in a further six. This provides a stable platform as we continue to develop and deliver world-class projects that are expected to add significant shareholder value.

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

	30 June		
	2008	2007	2006
World-class assets			
Production			
Total petroleum products (millions of barrels of oil equivalent)	**129.50**	116.19	117.36
Alumina (000 tonnes)	**4,554**	4,460	4,187
Aluminium (000 tonnes)	**1,298**	1,340	1,362
Copper cathode and concentrate (000 tonnes)	**1,375.5**	1,250.1	1,267.8
Nickel (000 tonnes)	**167.9**	187.2	176.2
Iron ore (000 tonnes)	**112,260**	99,424	97,072
Metallurgical coal (000 tonnes)	**35,193**	38,429	35,643
Energy coal (000 tonnes)	**80,868**	87,025	85,756

Financial strength and discipline Financial strength is measured by attributable profit and Underlying EBIT as overall measures, along with liquidity and capital management. Our solid A credit rating and net gearing and net debt are discussed in section 3.7.3 of this Report. The final dividend declared for FY2008 represents the thirteenth consecutive dividend increase, and the second consecutive year in which we have rebased our dividend. Since August 2004 we have announced capital management initiatives totalling US$17 billion, under which 680 million shares have been repurchased.

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.

	30 June		
	2008	2007	2006
Project pipeline and growth options (major projects)			
Number of projects approved during the year [1]	**8**	3	7
Number of projects currently under development approved in prior years	**6**	12	6
Number of completed projects [2]	**11**	1	4
Budgeted capital expenditure for projects approved in the year (US$M) [1]	**5,800**	2,355	5,048
Budgeted capital expenditure for projects under development approved in prior years (US$M)	**6,265**	10,426	4,455
Capital expenditure of completed projects (US$M) [2]	**7,967**	1,100	1,405

(1) Includes projects approved between end of the financial year and date of profit release.
(2) Includes projects completed between end of the financial year and date of profit release.

In addition to the above projects the Board approved pre-expenditure of US$930 million for Rapid Growth Project 5 (Western Australia Iron Ore).

3.4 External factors and trends affecting our results

The following section describes some of the external factors and trends that have 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 and financial instruments outstanding at 30 June 2008 may be found in note 26 Financial risk management in the financial statements.

Management monitors particular trends arising in the external factors with a view to managing the potential impact on 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

The 2008 financial year has seen higher average prices for most of our major commodities than in the prior year. Demand for raw materials in the emerging market economies has remained strong. In particular, China remains a key driver of global commodity consumption through its position as a net importer of raw materials. China s competitiveness and ability to innovate in downstream processing has been demonstrated again with sustained nickel pig iron production.

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In light of differing activity for the developed and emerging market economies, there have been mixed spot prices for key commodities. In particular, bulk and energy related commodities have tended to outperform the LME traded metals. We expect the effects of current weaknesses in the developed economies on demand for our commodities to be offset by ongoing demand from the emerging economies. Supply side pressures remain high and price outcomes have regularly been underestimated by industry observers. In the short-term, we expect prices to remain high relative to historical levels, albeit with higher volatility.

Looking to the longer term, demand for our commodities is expected to remain strong. We expect that higher long-run raw materials and energy prices and stronger producer currencies should place upward pressure on industry supply costs, and hence, prices of minerals commodities. We continue to expect that commodity prices will be driven by long-run marginal cost of supply.

The following table shows prices of our most significant commodities for each of the years ended 30 June 2008, 2007 and 2006. These prices represent the average quoted price except where indicated otherwise.

Commodity	**2008**	2007	2006
Crude oil (WTI) (US$/bbl)	**96.98**	63.00	64.41
Aluminium (LME) [(1)] (3mth) (US$/t)	**2,718**	2,699	2,260
Copper (LME) [(1)] (cash) (US¢/lb)	**353.10**	321.47	228.58
Nickel (LME) [(1)] (US$/lb)	**12.93**	17.15	7.03
Iron ore [(2)(3)] (US$/dmtu)	**1.4466**	0.8042	0.7345
Metallurgical coal [(3)(4)] (US$/t)	**300**	98	115
Energy coal (API4) (US$/t)	**94.60**	51.52	47.63

(1) Refer to section 10, Glossary for definitions.
(2) Newman fines price in Japan.
(3) Price represents that set in April of the relevant fiscal year.
(4) Prime hard coking coal worldwide.

The following summarises the trends of our most significant commodities for FY2008.

Oil: Crude oil prices continued their rise, to an average of US$96.98/bbl, up 54 per cent from a year ago. This is due to a confluence of factors such as sustained weakness in the US dollar, speculative activity, strong geopolitical factors in Iran and Nigeria and tightness in global refinery capacity. We believe that fundamentals remain supportive of the higher prices, as weakness in oil demand growth in the OECD region was offset by key players in the non-OECD region, namely by China, India and the Middle East. These non-OECD parties contributed strongly to the overall 86.6 MMbbl/d in oil demand. Although we expect an easing in fundamentals in 2009 on positive non-OPEC supply outlook and softening global demand caused by higher oil prices, prices should continue to be well supported in the short to medium term.

Aluminium: The aluminium market remained strong throughout FY2008. The benchmark three-month price on the LME for the final month of the fiscal year was US$3,005 per tonne, up from a price of US$2,788 per tonne for the opening month. For the fiscal year as a whole the LME three-month price averaged $2,718 per tonne compared to $2,699 per tonne in FY2007. Official LME stocks have risen over the course of FY2008. Prices have been supported by a combination of concerns relating to supply interruptions and rapid increases in production input costs, with energy being a central theme.

Copper: Copper demand, driven by China, grew close to four per cent year-on-year during the 2007 calendar year, with the International Copper Study Group (ICSG) estimating total global copper demand at 39.9 billion pounds. However, in the first three months of calendar year 2008, refined copper demand is estimated by the ICSG to have fallen by around one per cent year-on-year. Combined exchange stocks at LME/Comex/Shanghai fell during FY2008 by 134 million pounds, from 497 million pounds to 363 million pounds. LME cash prices in the first half of FY2008 averaged 337.9US¢/lb and despite weaker fundamentals in the second half of FY2008 prices averaged 368.3US¢/lb.

Nickel: Nickel prices have continued to demonstrate greater price volatility than most other metals, and the last year has been no exception with sharp falls in prices. The nickel price began FY2008 with a price of US$16.76/lb. A bearish outlook driven by a boom in nickel pig iron production in China and de-stocking in the global stainless steel industry led to a price decline through the first half of FY2008, with an average nickel price of US$13.54/lb. During the second half of FY2008, bearish sentiment in the investment community combined with a sustained increase in LME stock made the nickel price fall further to an average price of US$12.38/lb.

The nickel price closed at US$9.83/lb at the end of the year. LME nickel stocks increased from 19.5 million pounds at the start of the financial year to 103 million pounds at the end of FY2008.

Iron ore: Demand for iron ore continues to surge with imports by China expected to be higher by approximately 60 million tonnes in calendar year 2008 compared to 2007. However, supply is now beginning to catch up with demand at the close of FY2008 as expansion volumes from Vale, Rio Tinto, BHP Billiton, Fortescue Metals Group and Indian suppliers reach the market. Benchmark prices increased 96.5 per cent for lump and 79.9 per cent for fines effective from 1 April 2008, reflecting the continued optimism in the steel and iron ore markets. Spot market prices remain higher than benchmark prices for Australian suppliers with the newly established forward curve for iron ore prices currently showing US$170 175/dmt CFR China for the period to June 2009.

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Metallurgical coal: Markets remained very tight due to strong Indian demand and tightening Chinese markets, leading to a record contract price settlement for metallurgical coal, with an average price increase of 206 per cent effective from 1 April 2008. Chinese coke prices hit another record in excess of US$650 per tonne.

Energy coal: Global energy coal consumption has increased at an average rate of 7.4 per cent per annum since 2002. FY2008 witnessed strong growth in the energy sector on the back of significant rises in oil prices and this saw coal, despite the near record prices across all energy coal indices, remain the cheapest fossil fuel for electricity generation in most seaborne markets, ahead of gas and oil, even when emissions costs (credits) are accounted for. Energy coal prices continued to strengthen as global seaborne supply struggled to match strong growth in demand, particularly in the Pacific. Other factors contributing to high energy coal prices include a surge in freight rates, a weaker US dollar relative to some of the key coal exporting country currencies and equally large increases in global oil and gas prices.

The following table indicates the estimated impact on FY2008 profit after taxation of changes in the prices of our 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 FY2008 actual results and sales prices of our commodities under a mix of short-, medium- and long-term contracts. Movements in commodities prices can cause movements in exchange rates and vice versa. These sensitivities should therefore be used with care.

Estimated impact on FY2008 profit after taxation of changes of:	**US$M**
US$1/bbl on oil price	32
US¢1/lb on aluminium price	24
US¢1/lb on copper price	26
US¢1/lb on nickel price	2
US$1/t on iron ore price	62
US$1/t on metallurgical coal price	27
US$1/t on energy coal price	24

The impact of the commodity price movements in FY2008 is discussed in section 3.6 Operating results .

3.4.2 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 otherwise 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, Chilean peso and Brazilian real generally strengthened against the US dollar throughout FY2008, while the South African rand generally weakened.

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).

The following table indicates the estimated impact on FY2008 profit before taxation of a weakening of the US dollar against the Australian dollar or South African rand, which are the two principal currencies outside of the US dollar to which we are exposed in terms of our net monetary liabilities. The sensitivities give the estimated impact on profit before taxation based on the exchange rate movement in isolation. The sensitivities assume all variables except for exchange rate remain constant. As outlined above, there is an inter-relationship between currencies and commodity prices that is not reflected in the sensitivities below. Movements in commodities prices can cause movements in exchange rates and vice versa. These sensitivities should therefore be used with care.

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Estimated impact on FY2008 profit before taxation of a weakening US dollar against local currency:	US$ M
Australian dollar (US¢1/A$)	
Net monetary liabilities (1)	(18)
South African rand (0.2 rand/US$)	
Net monetary liabilities (1)	(13)
Rand debt (1)	(4)

(1) Impact based on difference in opening and closing exchange rates for the period.

The impact of exchange rate movements in the current year is discussed in section 3.6 Operating results .

3.4.3 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 26 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 2008, we had US$1.6 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.

3.4.4 Growth in product demand

The demand for our products is directly related to the strength of the global economy. However, the diversification of our portfolio of assets and commodities we extract limits the impact of a particular industry or region.

The global economy has remained resilient in the face of significant structural weaknesses in developed economies. The continuing massive industrialisation in China is providing solid support to the global economy.

Over the past financial year there has been considerable weakening in most major developed economies. The deflation of asset values within these economies has led to a reduction in wealth effect for consumers. This appears to have ended the past decade s unsustainable consumer debt driven economic growth, particularly in the US.

However, a direct spill over into emerging market economies has remained largely contained. Emerging market economies have contributed more than their industrial counterparts to global growth since the year 2000. Led by China and India, economic growth in these economies has been strong with solid support from growth in domestic demand and strong trading activity with other emerging market economies.

We expect short-term global economic growth to slow as developed economies experience further weakening in the coming quarters. Liquidity is likely to remain low, and risk premiums high for some time into the future. Rising inflation, particularly in food and energy, alongside weakening economic growth has restricted the flexibility of central banks to inject liquidity and stimulate their economies.

Higher inflation will also have a likely negative impact on emerging market economies through their adoption of tighter monetary policies. However, we believe that emerging market economies should remain relatively strong on the back of continued domestic infrastructure investment and regional trade. While short-term disruptions may occur, we expect that their long-term economic growth will remain robust as they continue on the path to industrialisation.

3.4.5 Operating costs and capital expenditures

Strong global demand for resources continues to provide cost challenges for the whole industry. Rising prices for inputs such as diesel, coke and explosives, labour and contractor charges, shipping and freight costs added to already tight market conditions. Severe weather disruptions in Queensland also had an adverse cost impact. However, our world-class orebodies, strong supplier relationships, internal systems, the capabilities of our people and our continuing focus on our Business Excellence improvement program have provided some relief against significant cost pressures.

3.4.6 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.

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3.4.7 Health, safety, environment and community

We aspire to Zero Harm to people, our host communities and the environment and strive to achieve leading industry practice. Sound principles to govern safety, business conduct, social, environmental and economic activities are integral to the way we do business. Our Charter highlights that we care as much about how results are obtained as we do about delivering good results. Our Health, Safety, Environment and Community Management Standards provide the basis for developing and applying management systems at all levels of our Company and are a driver of our contribution to sustainable development.

As a global company, operating in many different countries, we are subject to extensive regulation surrounding 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, and as a result, we may be exposed to increased litigation, compliance costs and unforeseen environmental remediation expenses, despite our best efforts to work with governments, community groups and scientists to keep pace with regulations, law and public expectation.

3.5 Application of critical accounting policies and estimates

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the 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 superannuation schemes
- provision for closure and rehabilitation
- taxation

In accordance with IFRS, we are required to include information regarding the nature of the judgements and estimates 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

During FY2008, we adopted the policy of recognising our proportionate interests in the assets, liabilities, revenues and expenses of jointly controlled entities. All such interests were previously equity accounted. Full details of the impact of this change in policy may be found in note 1 Accounting policies in the financial statements. Results for FY2007 and FY2006 have been restated on the same basis.

3.6.1 Consolidated results

Year ended 30 June 2008 compared with year ended 30 June 2007

We have achieved another year of record earnings, driven by excellent operating performance, cost control and the delivery of high-margin growth projects into strong market conditions.

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Annual production records were set in seven commodities and production increased in a further six commodities. Strong volume growth has allowed us to capture the benefits of very high prices. Most of the records were set in consecutive years, as we reaped the benefit of our drive to deliver consistent, predictable and sustainable performance across all of our businesses. This provides a stable platform as we continue to develop and deliver world-class projects that are expected to add significant shareholder value.

Our strong performance demonstrates the power of our uniquely diversified and high-margin portfolio across the energy, steelmaking and non-ferrous product suites. This performance also reflects the success of our unrelenting focus on our strategy to create lasting shareholder value by owning and operating a diversified portfolio of upstream, large, long-life, low-cost, expandable, export-oriented assets.

Our profit attributable to members of BHP Billiton of US$15.4 billion represents an increase of 14.7 per cent over the prior year. Attributable profit excluding exceptional items of US$15.4 billion represents an increase of 12.4 per cent over FY2007. It is our seventh consecutive record annual result, with record Underlying EBIT generated by the Petroleum, Base Metals, Iron Ore, Manganese and Energy Coal CSGs.

Revenue was US$59.5 billion, up 25.3 per cent from US$47.5 billion in the corresponding period.

On 18 August 2008, the Board declared a final dividend of 41.0 US cents per share, thus bringing the total dividends declared for FY2008 to 70.0 US cents per share. During the year, 96,904,086 shares, or 1.7 per cent of the issued share capital of the Group, were repurchased. Capital management initiatives are discussed in section 3.7.6 of this Report.

Year ended 30 June 2007 compared with year ended 30 June 2006

Our profit attributable to members of BHP Billiton of US$13.4 billion represented an increase of 28.4 per cent over FY2006. Attributable profit excluding exceptional items of US$13.7 billion represented an increase of 34.7 per cent over FY2006. Revenue was US$47.5 billion, up 21.4 per cent from US$39.1 billion in FY2006.

On 22 August 2007, the Board declared a final dividend of 27.0 US cents per share, bringing the total dividends declared for FY2007 to 47.0 US cents per share. During FY2007, we announced US$13 billion of capital management initiatives. Under that initiative, 287,820,269 shares, or 4.8 per cent of the issued share capital of the Group, were repurchased, at an approximate average price of US$20.26.

Underlying EBIT

In discussing the operating results of our business, we focus on a non-GAAP (IFRS or US) 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 on the face of 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.

Underlying EBIT is not a measure that is recognised under IFRS and it may differ from similarly titled measures reported by other companies.

The following table reconciles Underlying EBIT to profit from operations for the years ended 30 June 2008, 2007 and 2006.

Year ended 30 June	**2008**	2007	2006
	US$M	US$M	US$M
Underlying EBIT	**24,282**	20,067	15,277

Exceptional items (before taxation)	**(137)**	(343)	439
Profit from operations (EBIT)	**24,145**	19,724	15,716

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The following tables and commentary describe the approximate impact of the principal factors that affected Underlying EBIT for FY2008 and FY2007.

	US$M	US$M
Year ended 30 June 2007		**20,067**
Change in volumes:		
Increase in volumes	**805**	
Decrease in volumes	**(596)**	
New operations	**1,619**	**1,828**
Net price impact:		
Change in sales prices	**6,693**	
Price-linked costs	**(134)**	**6,559**
Change in costs:		
Costs (rate and usage)	**(1,183)**	
Exchange rates	**(1,133)**	
Inflation on costs	**(532)**	**(2,848)**
Asset sales		**28**
Ceased and sold operations		**(154)**
Exploration and business development		**(404)**
Other		**(794)**
Year ended 30 June 2008		**24,282**

	US$M	US$M
Year ended 30 June 2006		**15,277**
Change in volumes:		
Increase in volumes	**438**	
Decrease in volumes	**(220)**	
New operations	**368**	**586**
Net price impact:		
Change in sales price	**7,101**	
Price-linked costs	**(979)**	**6,122**
Change in costs:		
Cost (rate and usage)	**(859)**	
Exchange rates	**(271)**	
Inflation on costs	**(416)**	**(1,546)**
Asset sales		**(61)**
Ceased and sold operations		**(198)**
Exploration and business development		**(149)**
Other		**36**
Year ended 30 June 2007		**20,067**

Year ended 30 June 2008 compared with year ended 30 June 2007

Profit from operations (EBIT) for FY2008 was US$24.1 billion compared with US$19.7 billion in FY2007, an increase of 22.4 per cent. Underlying EBIT for FY2008 was US$24.3 billion compared with US$20.1 billion, an increase of 21.0 per cent.

Base Metals, Iron Ore, Manganese and Energy Coal had record Underlying EBIT at a time when prices were high, reflecting strong demand. In Petroleum, newly commissioned projects in fiscally stable regimes, 93.8 per cent operational up time and record high oil prices led to record Underlying EBIT. The following commentary details the approximate impact of the principal factors that affected EBIT and Underlying EBIT for FY2008 and FY2007.

Volumes

Strong volume growth reflected our commitment to deliver more product, more quickly to our customers. During the year we delivered strong growth in sales volumes, allowing us to take advantage of continued strong customer demand.

Newly commissioned petroleum projects and the continued ramp-up of the Spence (Chile) and Pinto Valley copper projects contributed US$1,619 million to Underlying EBIT.

Higher sales volumes of copper, iron ore, manganese ore, energy coal, diamonds, alumina, and aluminium increased Underlying EBIT by US$805 million. This was partially offset by lower nickel and metallurgical coal volumes, as well as oil and gas volumes from existing operations.

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Prices

Net changes in price increased Underlying EBIT by US$6,693 million (excluding the impact of newly commissioned projects). This was due to higher iron ore, oil, manganese, energy coal and base metals prices. Additional detail on the effect of price changes appears in the Customer Sector Group summary in section 3.6.2.

Higher price-linked costs reduced Underlying EBIT by US$134 million primarily due to higher royalties and LME-linked costs in the aluminium business. This was offset by decreased charges for third party nickel ore and more favourable rates for copper treatment and refining charges (TCRCs).

Costs

Strong global demand for resources continues to provide cost challenges for the whole industry. This is mainly due to shortages of skilled labour and rising prices for other inputs such as diesel, coke and explosives. However, our world-class orebodies, strong supplier relationships, systems and capabilities of our people have provided some relief against cost increases. In this environment, costs for the Group have increased by US$1,183 million.

Approximately US$575 million of the increase in costs was due to higher fuel, energy and raw materials costs. Severe weather interruptions in Queensland also had an adverse cost impact. Other areas of cost increase include labour and contractor charges and shipping and freight costs. Our continued focus on the Business Excellence improvement program has delivered US$225 million of cost reductions.

Exchange rates

Exchange rate movements had a negative impact on Underlying EBIT of US$1,133 million. All Australian operations were adversely impacted by the stronger Australian dollar, which reduced Underlying EBIT by US$986 million. The appreciation of South American currencies against the US dollar also adversely impacted Underlying EBIT by US$158 million.

Average and closing exchange rates for FY2008 and FY2007 are detailed in note 1 to the financial statements.

Inflation on costs

Inflationary pressures on input costs across all our businesses had an unfavourable impact on Underlying EBIT of US$532 million. These pressures were most evident in Australia and South Africa.

Asset sales

The sale of assets increased Underlying EBIT by US$28 million. This was mainly due to the sale of the Elouera mine (Illawarra Coal, Australia) and other Queensland Coal (Australia) mining leases. Asset sales in the corresponding period included the sale of one million tonnes of annual capacity at the Richards Bay Coal Terminal (South Africa), Moranbah Coal Bed Methane assets (Australia), the Koornfontein energy coal mine (South Africa) and the interest in Eyesizwe coal mine in South Africa.

Ceased and sold operations

The unfavourable impact of US$154 million was mainly due to lower insurance recoveries and movements in the closure and rehabilitation provisions for closed operations in the corresponding period.

Exploration and business development

We continued to focus on finding new long-term growth options for our business. Exploration expense was US$906 million during the year, an increase of US$284 million. We increased activity on nickel targets in Western Australia, Guatemala, Indonesia and the Philippines, on diamond targets in Angola and iron ore targets in Western Australia. The main expenditure for the Petroleum CSG was on targets in the Gulf of Mexico, Colombia and Australia.

Expenditure on business development was US$119 million higher than last year, mainly due to the pre-feasibility study on the Olympic Dam expansion along with earlier stage activities in Base Metals and Iron Ore.

Other

Other items decreased Underlying EBIT by US$794 million. The start-up of operations at Ravensthorpe and the Yabulu Expansion Project (both Australia) adversely impacted earnings by US$313 million and contribution from third party trading was US$458 million lower compared to last year.

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Year ended 30 June 2007 compared with year ended 30 June 2006

Profit from operations (EBIT) for FY2007 was US$19.7 billion compared with US$15.7 billion in FY2006, an increase of 25.5 per cent. Underlying EBIT for FY2007 was US$20.1 billion compared with US$15.3 billion, an increase of 31.4 per cent.

The increase in EBIT and Underlying EBIT was due primarily to higher commodity prices. Nickel, copper, aluminium, iron ore and petroleum product prices contributed significantly to the increase in revenue and Underlying EBIT. The following commentary details the approximate impact of the principal factors that affected EBIT and Underlying EBIT for FY2007 compared with FY2006.

Volumes

Continued strong demand underpinned increased sales volumes of metallurgical coal, petroleum products, nickel, manganese ore, alumina, zinc, iron ore, aluminium and energy coal, which contributed approximately US$438 million more (measured at FY2006 s average margins) to Underlying EBIT than in FY2006. Sales volumes of base metals were lower at Olympic Dam (Australia) due to a smelter shutdown and at Cannington (Australia) due to the temporary closure of the southern zone. However, this was more than offset by copper sales from Spence (Chile), which commenced operations in December 2006, and added US$363 million, and the ramp-up of the Sulphide Leach project at Escondida (Chile). We experienced a decrease in diamond sales for the year as a result of inventory sales in FY2006.

Prices

Net changes in prices increased Underlying EBIT by US$7,101 million. Lower prices for metallurgical coal and manganese ore had a negative impact. Additional detail on the effect of price changes appears in the Customer Sector Group summary in section 3.6.2.

Higher price-linked costs reduced Underlying EBIT by US$979 million with increased charges for third party nickel contributing US$658 million to this amount. Higher royalties for nickel, iron ore, and higher LME-linked power charges in aluminium were offset by lower metallurgical coal royalties (in line with lower prices) and more favourable rates for copper TCRCs, including the removal or limiting of price participation in new contracts.

Costs

Continued strong global demand for resources led to increased costs across the industry for labour, contractors, raw materials, fuel, energy and other input costs. In addition, port congestion and other third party infrastructure constraints resulted in increased demurrage costs and shipping, freight and other distribution charges. In this environment, our costs increased by US$859 million in FY2007 compared to FY2006.

Specific areas of cost increases include labour and contractor charges, consumables and fuels, business development expenditure, maintenance and other operating costs. Changed mining conditions, particularly at Cannington where we had a temporary closure of the southern zone and higher strip ratios at Queensland Coal (Australia), had a negative impact. However, we generated savings of US$203 million on our 2006 cost base through a wide range of business improvement initiatives across the Group.

Exchange rates

Exchange rate movements had a negative impact on Underlying EBIT of US$271 million. The stronger Australian dollar had a negative impact of US$478 million. This was partially offset by the favourable impact of a weaker South African rand on operating costs for our South African businesses. The Western Australian Iron Ore and Queensland Coal operations were both significantly impacted by the strength of the Australian dollar.

Average and closing exchange rates for FY2007 and FY2006 are detailed in note 1 to the financial statements.

Inflation on costs

Inflationary pressures on input costs across all of our businesses had an unfavourable impact on Underlying EBIT of US$416 million. These pressures were most evident in Australia and South Africa.

Asset sales

The sale of assets and interests decreased Underlying EBIT by US$61 million compared to FY2006. FY2007 was principally impacted by the sale of one million tonnes of annual capacity at the Richards Bay Coal Terminal (South Africa), the Moranbah Coal Bed Methane assets (Australia), the Koornfontein energy coal mine (South Africa), the interest in Eyesizwe (South Africa) and Alliance Copper (Chile). In FY2006, we had higher profits arising largely from the divestment of our interest in the Wonderkop chrome joint venture (South Africa), the Vincent Van Gogh undeveloped oil discovery (Australia) and the Green Canyon oil fields (US).

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Ceased and sold operations

FY2007 was negatively impacted by the loss of US$343 million of Underlying EBIT from Tintaya (Peru) (divested in June 2006) and the Southern Cross Fertiliser operations (Australia) (divested in August 2006). This was partly offset by a US$82 million year-on-year impact of movements in closure and rehabilitation provisions for closed operations.

Exploration and business development

Gross exploration expenditure increased to US$805 million during FY2007. We increased activity on nickel targets in Western Australia, Guatemala, Indonesia and the Philippines and on energy coal targets in New South Wales (Australia). This increased expenditure, however, was offset by a higher level of capitalisation of oil and gas exploration expenditure, primarily in Australia. This resulted in exploration expense being US$17 million lower than in FY2006.

Expenditure on business development was US$166 million higher than in FY2006 mainly due to the pre-feasibility study on the Olympic Dam expansion and other Base Metals activities.

Other

Other items increased Underlying EBIT by US$36 million. These included higher insurance recoveries than in FY2006, partially offset by a lower contribution from freight and other activities.

Net finance costs

Year ended 30 June 2008 compared with year ended 30 June 2007

Net finance costs increased to US$662 million, from US$512 million in the corresponding period. This was driven predominantly by lower capitalised interest and foreign exchange impacts.

Year ended 30 June 2007 compared with year ended 30 June 2006

Net finance costs decreased to US$512 million, from US$600 million in FY2006. This was driven predominantly by higher capitalised interest, partially offset by higher average interest rates and foreign exchange impacts.

Taxation expense

Year ended 30 June 2008 compared with year ended 30 June 2007

The total taxation expense on profit before tax was US$7,521 million, representing an effective rate of 32.0 per cent (calculated as total taxation expense divided by profit before taxation).

Excluding the impacts of royalty-related taxation, non-tax-effected foreign currency adjustments, translation of tax balances and other functional currency translation adjustments and exceptional items, the underlying effective tax rate was 30.4 per cent, compared to the UK and Australian statutory tax rate (28 and 30 per cent respectively). Royalty-related taxation represents an effective rate of 3.1 per cent for the current period.

Year ended 30 June 2007 compared with year ended 30 June 2006

The total taxation expense on profit before tax was US$5,716 million, representing an effective rate of 29.8 per cent (calculated as total taxation expense divided by profit before taxation).

When compared to the UK and Australian statutory tax rate (30 per cent), the effective tax rate included a benefit of 2.2 per cent due to the impact of foreign exchange and other translation adjustments (US$395 million), and a benefit of 1.4 per cent due to the recognition of prior year US tax benefits (US$282 million). Royalty-related taxation represented an effective rate of 2.1 per cent for FY2007.

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Exceptional items

Year ended 30 June 2008

Tax losses incurred by WMC Resources Ltd (WMC), acquired by BHP Billiton in June 2005, were not recognised as a deferred tax asset at acquisition pending a ruling application to the Australian Taxation Office. A ruling was issued during the year confirming the availability of those losses. This has resulted in the recognition of a deferred tax asset (US$197 million) and a consequential adjustment to deferred tax liabilities (US$38 million) through income tax expense at current Australian dollar/US dollar exchange rates. As a further consequence the Group has recognised an expense of US$137 million for a corresponding reduction in goodwill measured at the Australian dollar/US dollar exchange rate at the date of acquisition. Refer to note 5 Exceptional items in the financial statements for more information.

Year ended 30 June 2007

Impairment of South African coal operations - As part of our regular review of asset carrying values, a charge of US$176 million (before a taxation benefit of US$34 million) was recorded in relation to coal operations in South Africa.

Newcastle Steelworks rehabilitation - We recognised a charge of US$167 million (before a taxation benefit of US$50 million) for additional rehabilitation obligations in respect of former operations at the Newcastle Steelworks (Australia). The increase in obligations related to increases in the volume of sediment in the Hunter River requiring remediation and treatment and increases in treatment costs.

Year ended 30 June 2006

Sale of Tintaya - During June 2006, we sold our interest in the Tintaya copper mine in Peru (Base Metals). Gross consideration received was US$853 million before deducting intercompany trade balances. The net consideration of US$717 million (net of transaction costs) included US$634 million for shares plus the assumption of US$116 million of debt, working capital adjustments and deferred payments contingent upon future copper prices and production volumes. The profit on disposal was US$439 million (before a taxation charge of US$143 million).

3.6.2 Customer Sector Group summary

The following table provides a summary of the Customer Sector Group revenues and results for FY2008 and the two prior corresponding periods.

Revenues: [1]

Year ended 30 June US$M	**2008**	2007	2006
Petroleum	**9,547**	5,885	5,230
Aluminium	**5,746**	5,879	5,084
Base Metals	**14,774**	12,635	10,294
Diamonds and Specialty Products	**969**	893	1,263
Stainless Steel Materials	**5,088**	6,901	2,955
Iron Ore	**9,455**	5,524	4,782
Manganese	**2,912**	1,244	1,037
Metallurgical Coal	**3,941**	3,769	3,941
Energy Coal	**6,560**	4,576	3,965
Group and unallocated items [2][3]	**481**	167	548
BHP Billiton Group	**59,473**	47,473	39,099

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Results: [1]

Year ended 30 June	2008			2007			2006		
US$M	**Profit from operations (EBIT)**	**Adjustments in arriving at Underlying EBIT**	**Underlying EBIT**	Profit from operations (EBIT)	Adjustments in arriving at Underlying EBIT	Underlying EBIT	Profit from operations (EBIT)	Adjustments in arriving at Underlying EBIT	Underlying EBIT
Petroleum	**5,489**		**5,489**	3,014		3,014	2,968		2,968
Aluminium	**1,465**		**1,465**	1,856		1,856	1,186		1,186
Base Metals	**7,890**	**99**	**7,989**	6,875		6,875	5,873	(439)	5,434
Diamonds and Specialty Products	**189**		**189**	197		197	287		287
Stainless Steel Materials	**1,237**	**38**	**1,275**	3,675		3,675	878		878
Iron Ore	**4,631**		**4,631**	2,728		2,728	2,533		2,533
Manganese	**1,644**		**1,644**	253		253	132		132
Metallurgical Coal	**937**		**937**	1,247		1,247	1,834		1,834
Energy Coal	**1,057**		**1,057**	305	176	481	326		326
Group and unallocated items [2][3]	**(394)**		**(394)**	(426)	167	(259)	(301)		(301)
BHP Billiton Group	**24,145**	**137**	**24,282**	19,724	343	20,067	15,716	(439)	15,277

(1) Includes the sale of third party product.
(2) Exploration and technology activities, which were previously recognised as part of Group and unallocated items, are now recognised within relevant segments as a result of a change in management responsibilities over such activities. This change in segment reporting has been reflected in all periods presented.
(3) Includes consolidation adjustments, unallocated items and external sales from the Group's freight, transport and logistics operations and certain closed operations.

The changes in revenue, profit from operations (EBIT) and Underlying EBIT are discussed below. The changes in the non-GAAP measure of Underlying EBIT, also apply to the GAAP measure except where noted.

Petroleum

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$9,547 million for FY2008, an increase of US$3,662 million, or 62.2 per cent over the corresponding period. This was mainly due to higher average realised prices for petroleum products.

Total production for FY2008 was 129.5 million barrels of oil equivalent (boe) compared with total production in the corresponding period of 116.2 million boe. Strong growth in production was achieved due to the newly commissioned Stybarrow (Australia), Genghis Khan and Atlantis (both US), excellent operated performance and record natural gas volumes. Ramp up of these projects and future growth options will continue to increase the weighting of high margin liquids in our portfolio mix.

Both EBIT and Underlying EBIT were US$5,489 million, an increase of US$2,475 million, or 82.1 per cent over the corresponding period. There were no exceptional items in the current or prior period. The increase was due mainly to higher average realised prices for petroleum products, with higher average realised oil prices per barrel of US$96.27 (compared with US$63.87), higher average realised natural gas prices of US$3.87 per thousand standard cubic feet (compared with US$3.19) and higher average realised prices for liquefied natural gas of US$8.95 per thousand standard cubic feet (compared with US$6.97).

Gross expenditure on exploration was US$692 million, US$297 million higher than last year. Exploration expenditure charged to profit was US$359 million, including US$47 million of previously capitalised expenditure. During the year, we successfully captured significant acreage in the Gulf of Mexico lease sale process, made the large Thebe gas discovery (offshore Australia) and continued to build a solid portfolio of opportunities with seismic data acquired in Colombia, Malaysia, Falklands, Australia and the deepwater Gulf of Mexico.

In addition, for the second consecutive year we achieved greater than 100 per cent reserve replacement.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue was US$5,885 million for FY2007, an increase of US$655 million, or 12.5 per cent over FY2006. This was mainly due to higher average realised prices for most petroleum products.

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Total production for FY2007 was 116.2 million barrels of oil equivalent (boe) compared with total production in FY2006 of 117.4 million boe. During the year, we acquired a 44 per cent interest in the Genghis Khan oil and gas field. This development, together with Atlantis and Neptune (both Gulf of Mexico), commenced producing in FY2008, significantly increasing petroleum production.

Both EBIT and Underlying EBIT were US$3,014 million, an increase of US$46 million, or 1.5 per cent, compared to FY2006. There were no exceptional items in FY2007 or FY2006. The increase was due mainly to higher average realised prices for most petroleum products, with higher average realised oil prices per barrel of US$63.87 (compared with US$61.90), higher average realised prices for liquefied natural gas of US$6.97 per thousand standard cubic feet (compared with US$6.76), and higher average realised prices for liquefied petroleum gas of US$529.96 per tonne (compared to US$483.74 per tonne). This was partially offset by lower average realised natural gas prices of US$3.19 per thousand standard cubic feet (compared with US$3.33). The impact of foreign exchange (Australian dollar and UK pound sterling) and price-linked costs was unfavourable.

Gross expenditure on exploration of US$395 million was US$52 million lower than FY2006. Exploration expenditure charged to profit was US$334 million, including US$82 million of previously capitalised expenditure.

Aluminium

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$5,746 million for FY2008, a decrease of US$133 million, or 2.3 per cent, over the corresponding period.

Full year production records were achieved at Worsley (Australia), Paranam (Suriname) and Alumar (Brazil) increasing total alumina production to 4,554,000 tonnes in the current period, from 4,460,000 tonnes in FY2007. However, southern African smelters operated at reduced levels to comply with the mandatory reduction in power consumption reducing aluminium smelter production from 1,340,000 tonnes in FY2007 to 1,298,000 tonnes in FY2008.

Underlying EBIT and EBIT were US$1,465 million, a decrease of US$391 million, or 21 per cent, over the corresponding period. Unfavourable exchange rate movements as a result of a weaker US dollar and foreign exchange gains in the prior period associated with the Alumar (Brazil) refinery expansion had a negative impact on Underlying EBIT. The average LME aluminium price of US$2,668 per tonne was in line with last year s price of US$2,692 per tonne.

Underlying EBIT was adversely impacted by inflationary pressures and industry-wide cost escalation for energy and fuel, coke, pitch and caustic soda. The closure of Potlines B and C at Bayside also reduced Underlying EBIT. However an intensive focus on cost containment through various Business Excellence initiatives mitigated the full impact of cost increases.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue was US$5,879 million for FY2007, an increase of US$795 million, or 15.6 per cent, over FY2006.

Aluminium smelter production decreased slightly from 1,362,000 tonnes in FY2006 to 1,340,000 tonnes in FY2007, while alumina production increased to 4.5 million tonnes in FY2007, from 4.2 million tonnes in FY2006. Full year production records were achieved at Worsley (Australia), Paranam (Suriname) and Alumar (Brazil) refineries and the Hillside, Bayside and Mozal smelters (all southern Africa). The expansion at Worsley reached nameplate capacity in the fourth quarter.

Both EBIT and Underlying EBIT were US$1,856 million, an increase of US$670 million, or 56.5 per cent, compared with FY2006. There were no exceptional items in FY2007 or FY2006. Higher prices for aluminium and alumina had a favourable impact, with the average LME aluminium price increasing to US$2,692 per tonne (compared with US$2,244 per tonne in FY2006).

Favourable exchange rate movements as a result of a weaker rand and foreign exchange contracts associated with the Alumar refinery expansion increased Underlying EBIT. In FY2006 the write-down of our interest in Valesul to fair value, in line with the value achieved on its subsequent divestment, impacted Underlying EBIT unfavourably by US$50 million.

EBIT was adversely impacted by higher charges for electricity, depreciation, maintenance, raw materials and labour. Despite these higher costs, EBIT margins improved to 40 per cent (30 per cent in FY2006) and were at record levels. This improved translation of

higher prices to the bottom line reflected an intensive focus on cost containment through various Business Excellence initiatives. The contribution from third party trading was lower than in FY2006.

In April 2007, we announced the acquisition of a 33.3 per cent interest in Global Alumina s refinery project in Guinea, West Africa. The project, which is known as the Guinea Alumina project, comprises the design, construction and operation of a 3.3 mtpa alumina refinery, a 10 mtpa bauxite mine and associated infrastructure.

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Base Metals

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$14,774 million for FY2008, an increase of US$2,139 million, or 16.9 per cent, over the corresponding period. This revenue increase was mainly attributable to higher LME prices for copper, lead, silver, and gold and higher volumes, primarily due to the ramp-up of Sulphide Leach and Spence.

Payable copper production increased by 10 per cent to 1.375 million tonnes compared with 1.250 million tonnes in the corresponding period. Zinc production was 144,490 tonnes, an increase of 21.7 per cent compared with the corresponding period. Attributable uranium production at Olympic Dam (Australia) was 4,144 tonnes for the period compared with 3,486 tonnes for the corresponding period. Silver production was 43.5 million ounces, an increase of 18.9 per cent compared with 36.6 million ounces in the corresponding period. Lead production was 253,126 tonnes, an increase of 19.2 per cent compared with the corresponding period.

A third consecutive record copper production, from continuing operations, was achieved with the continued ramp-up of Escondida Sulphide Leach and Spence (Chile), and the commissioning of Pinto Valley (USA). Higher volumes were also reported at Cannington as the rehabilitation of ground support was successfully completed during FY2007.

EBIT was US$7,890 million, an increase of US$1,015 million, or 14.8 per cent, over the corresponding period. FY2008 included an exceptional charge of US$99 million, being adjustments to the acquisition accounting for WMC arising from the finalisation of a ruling on tax losses by the Australian Taxation Office. Underlying EBIT was US$7,989 million, an increase of US$1,114 million, or 16.2 per cent, over the corresponding period. This increase was predominantly attributable to higher production of copper, silver, lead and zinc. Higher average LME prices for copper of US$3.53/lb (compared to US$3.21/lb) as well as higher prices for silver, lead, molybdenum and gold, offset by lower prices for zinc, also contributed to the Underlying EBIT increase. Lower Treatment and Refining Charges also positively impacted Underlying EBIT.

These gains were partially offset by higher costs during the period, mostly due to higher energy, shipping, fuel, acid and labour charges. The effect of inflation and the weaker US dollar against the Australian dollar and Chilean peso also impacted negatively. Higher costs were partially mitigated by cost reductions achieved through several Business Excellence projects. In addition, the Olympic Dam Expansion pre-feasibility study expenditures have increased as the project studies progress, also reducing earnings. Underlying EBIT was also adversely impacted by the purchase of third party uranium from the spot market to meet contractual requirements.

Provisional pricing of copper shipments, including the impact of finalisations and revaluations of the outstanding shipments, resulted in the calculated average realised price being US$3.62/lb versus an average LME price of US$3.53/lb. The average realised price was US$3.24/lb in the corresponding period. The positive impact of provisional pricing for the period was US$225 million. Outstanding copper volumes, subject to the fair value measurement, amounted to 327,941 tonnes at 30 June 2008. These were revalued at a weighted average price of US$8,555 per tonne, or US$3.88/lb.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue was US$12,635 million for FY2007, an increase of US$2,341 million, or 22.7 per cent, over FY2006.

Payable copper production decreased by 1.4 per cent to 1.250 million tonnes compared with 1.268 million tonnes in the corresponding period mainly due to the divestment of Tintaya in July 2006. Zinc production was 118,700 tonnes, an increase of 8.8 per cent compared with FY2006. Attributable uranium production at Olympic Dam (Australia) was 3,486 tonnes for the period compared with 3,936 tonnes for FY2006. Silver production was 36.6 million ounces, a decrease of 21.3 per cent compared with 46.5 million ounces in FY2006. Lead production was 210,800 tonnes, a decrease of 20.8 per cent compared with FY2006.

EBIT and Underlying EBIT were US$6,875 million. This was an increase of US$1,002 million or 17.1 per cent for EBIT, and an increase of US$1,441 million or 26.5 per cent for Underlying EBIT over FY2006. There were no exceptional items in FY2007. FY2006 included the profit of US$439 million (before tax) on the sale of Tintaya, which is shown as an exceptional item. This increase was predominantly attributable to higher average LME prices for copper of US$3.21/lb (compared to US$2.28/lb) as well as higher prices for silver, zinc, lead and gold.

Record copper cathode production from continuing operations was achieved due to the ramp up of the Sulphide Leach Project at Escondida, the commissioning of Spence (Chile) in December 2006 and the recovery at Cerro Colorado (Chile) following the earthquake. This was partly reduced by lower volumes at Olympic Dam because of a scheduled smelter shutdown, lower head grades and lower tonnes milled. Lower volumes were also reported at Cannington as the rehabilitation of ground support was successfully completed during the period.

These gains were partially offset by higher labour and contractor costs, higher price-linked costs at Antamina (Peru), higher fuel and energy charges and the impact of industrial activity at Escondida. Increased expenditure on the Cannington rehabilitation project, and the combined effect of inflation and the impact of a stronger Australian dollar/US dollar exchange rate also negatively impacted the result. Higher costs were partially mitigated by cost reductions

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achieved through several improvement projects. In addition, the Olympic Dam expansion pre-feasibility study expenditures increased as project studies progressed. The cessation of the contribution from Tintaya (Peru), which was sold in June 2006, also reduced Underlying EBIT.

Provisional pricing of copper shipments, including the impact of finalisations and revaluations of the outstanding shipments, resulted in the calculated average realised price being US$3.24/lb versus US$2.66/lb in FY2006. The positive impact of provisional pricing for FY2007 was US$108 million. Outstanding copper volumes, subject to the fair value measurement, amounted to 346,610 tonnes at 30 June 2007. These were revalued at a weighted average price of US$7,152 per tonne or US$3.24/lb.

Diamonds and Specialty Products

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$969 million for FY2008, an increase of US$76 million, or 8.5 per cent over the corresponding period predominantly due to higher realised diamond prices.

EKATI diamond production was 3,349,000 carats, an increase of 3.9 per cent compared with the corresponding period mainly reflecting the increasing underground production and variations in the mix of ore processed.

EBIT and Underlying EBIT were US$189 million, a decrease of US$8 million, or 4.1 per cent over the corresponding period. There were no exceptional items in the current or corresponding periods. Strong operating earnings at EKATI (Canada) resulted from higher realised diamond prices and lower unit costs mainly due to higher value per carat and higher grade underground production, tight cost control and improved plant recoveries. Higher earnings were offset by an increase in exploration and development expense of US$63 million for diamonds (Angola), potash (Canada) and titanium minerals (Mozambique) and unfavourable exchange rate movements for the Canadian dollar against the US dollar.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue was US$893 million for FY2007, a decrease of US$370 million, or 29.3 per cent, compared with FY2006 predominantly due to the disposal of Southern Cross Fertilisers on 1 August 2006.

EKATI diamond production was 3,224,000 carats, an increase of 25.9 per cent compared with FY2006 mainly reflecting the increasing underground production and variations in the mix of ore processed.

EBIT and Underlying EBIT were US$197 million, a decrease of US$90 million, or 31.4 per cent, over FY2006. There were no exceptional items in FY2007 or FY2006. The reduction was due to lower sales volumes for diamonds (down 23 per cent following inventory sales in the prior year) and higher unit costs reflecting variations in the mix of ore processed. The cessation of earnings from the Southern Cross Fertiliser operation, which was sold effective 1 August 2006, also had a negative impact. This was partially offset by higher value per carat diamonds and good performance at Richards Bay Minerals (South Africa) with a firm market for metallic and zircon co-products.

Stainless Steel Materials

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$5,088 million in FY2008, a decrease of US$1,813 million, or 26.3 per cent, over the corresponding period.

Nickel production was 167,900 tonnes in the current period, a 10.3 per cent decrease from 187,200 tonnes in the corresponding period. Production for FY2008 was impacted by an industrial stoppage at Cerro Matoso (Colombia), wet weather interruptions at Yabulu (Australia) and scheduled maintenance across all operations. This was partially offset by strong production from the Kwinana Nickel Refinery (Australia) and the continued ramp-up of Ravensthorpe and the Yabulu Extension Project (both Australia). Towards the end of the fourth quarter of FY2008, Kalgoorlie Nickel Smelter (Australia) commenced a major rebuild of the furnace.

EBIT was US$1,237 million, a decrease of US$2,438 million, or 66.3 per cent, over the corresponding period. FY2008 included an exceptional charge of US$38 million, being adjustments to the acquisition accounting for WMC arising from the finalisation of a

ruling on tax losses by the Australian Taxation Office. There were no exceptional items in the corresponding period. Underlying EBIT for FY2008 was US$1,275 million, a reduction of US$2,400 million, or 65.3 per cent, below last year. This was mainly due to the lower average LME price for nickel of US$13.00/lb compared with US$17.21/lb in the prior year. Lower prices (net of price-linked costs) reduced Underlying EBIT by US$1,021 million.

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Higher operating costs had an adverse impact and were largely due to a strengthening Australian dollar and higher charges for fuel, energy and labour reflecting industry wide cost pressures. Costs were also impacted by the start-up of operations at Ravensthorpe and the Yabulu Extension Project, higher use of third party ore at Nickel West (Australia) and increased exploration activity in Australia, South America and Asia. In addition, sales volumes decreased reflecting lower production volumes as aforementioned.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue was US$6,901 million in FY2007, an increase of US$3,946 million, or 133.5 per cent, over FY2006.

Nickel production was 187,200 tonnes in FY2007, a 6.5 per cent increase from 176,200 tonnes in FY2006. The record production was driven by strong performances at all operations and at Yabulu (Australia), in particular, where annual production increased by almost 40 per cent.

EBIT and Underlying EBIT were a record US$3,675 million, an increase of US$2,797 million, or 318.6 per cent, over FY2006. Higher nickel and cobalt prices were the main contributors with an average LME nickel price of US$17.21/lb (compared with US$7.03/lb). The higher prices (net of price-linked costs) added US$3,109 million to Underlying EBIT.

Higher use of third party ore at Nickel West and higher costs at the Yabulu and Kwinana refinery (all Australia) impacted Underlying EBIT negatively as did the impact of the stronger Australian dollar/US dollar exchange rate on operating costs at the Australian operations. In addition, Underlying EBIT was impacted by higher electricity and gas costs at Cerro Matoso (Colombia) and higher maintenance and depreciation costs at Yabulu.

Exploration expenditure was higher than FY2006 due to increased activity in Western Australia, Indonesia, the Philippines and Guatemala. FY2006 included a US$61 million profit on the sale of our interest in the Wonderkop joint venture (South Africa).

Iron Ore

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$9,455 million for FY2008, an increase of US$3,931 million, or 71.2 per cent over the corresponding period.

A consecutive eighth production record was achieved at our Western Australian iron ore operation, following the successful commissioning of RGP3 and other business improvement initiatives. Western Australian iron ore production was 103.8 million wet tonnes (tonnes) an increase of 12.2 million tonnes or 13.3% on the previous financial year. Samarco (Brazil) operations also achieved record production as a result of production efficiencies and commissioning of the third pellet plant. Production of Samarco pellets and pellet feed was 8.5 million tonnes, an increase of 8.5 per cent from 7.8 million tonnes in the corresponding period. Record sales volumes reflect shipping efficiency, the RGP3 ramp-up and improvement initiatives.

EBIT and Underlying EBIT were US$4,631 million, an increase of US$1,903 million, or 69.8 per cent, over the corresponding period. This was driven by increased iron ore prices, higher sales volumes and higher priced spot sales.

Higher operating costs were largely attributable to the weaker US dollar against the Australian dollar and Brazilian real, higher price-linked costs, fuel, freight and demurrage. A number of cost saving initiatives in Western Australian iron ore operations such as negotiation of contract mining rates, strategic sourcing of input materials and services have partially mitigated the impact of external cost pressures on the business.

Depreciation was higher, due to the completion of our RGP3 project at Western Australia Iron Ore. This project was delivered on schedule and within budget in local currency.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue for FY2007 was US$5,524 million, an increase of US$742 million, or 15.5 per cent over FY2006.

Attributable Western Australia iron ore production was a record at 91.6 million wet tonnes, a slight increase compared to 89.6 million wet tonnes in FY2006. Production of Samarco (Brazil) pellets and pellet feed was 7.8 million tonnes, an increase of 4.0 per cent from 7.5 million tonnes in FY2006.

EBIT and Underlying EBIT were US$2,728 million up US$195 million, or 7.7 per cent, over FY2006. There were no exceptional items in either FY2007 or FY2006. The increase was driven mainly by increased prices, together with higher sales volumes.

Record sales reflected business improvement initiatives implemented to promote increased shipping efficiency.

Higher operating costs had an adverse impact during the period, largely attributable to the stronger Australian dollar/US dollar exchange rate, but also to higher contractor and labour costs, price-linked royalties, freight costs and demurrage. A number of initiatives were undertaken during the year to minimise the impact of external cost pressures on the business with the benefits mainly realised in the second six months of the year.

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Depreciation was higher due to the commissioning of the expanded capacity at Western Australia Iron Ore.

Manganese

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$2,912 million for FY2008, an increase of US$1,668 million, or 134.1 per cent over the corresponding period.

Manganese alloy production at 775,000 tonnes was 5.9 per cent higher than the previous year mainly as a result of operating efficiencies at the alloy plants and reduced down time for major rebuilds. Production was slightly offset by Metalloys Plant (South Africa) operating at lower levels to comply with the mandatory reduction in power consumption. Manganese ore production was 6.6 million tonnes, an increase of 9.4 per cent compared to the corresponding period. Both were production records.

EBIT and Underlying EBIT were US$1,644 million, an increase of US$1,391 million, or 550 per cent, over the corresponding period. Stronger demand drove increased sales volumes of manganese ore and higher prices for manganese ore and manganese alloy.

The positive EBIT result was slightly offset by increased distribution costs, unfavourable exchange rate impacts and higher ore development, coke and labour costs. A portion of the increase in costs was deliberately incurred to maximise production to take advantage of the high prices.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue for FY2007 was US$1,244 million, an increase of US$207 million, or 20.0 per cent, over FY2006.

Manganese alloy production was 732,000 tonnes, an increase of 12.3 per cent, compared with FY2006 of 652,000 tonnes. Manganese ore production reached a record 6.0 million tonnes, an increase of 729,000 tonnes or 13.8 per cent, compared with FY2006.

EBIT and Underlying EBIT were US$253 million, an increase of US$121 million, or 91.7 per cent, over FY2006. Stronger demand drove increased sales volumes of manganese ore and higher prices for manganese alloy. The favourable movement of the rand against the US dollar also contributed to this positive result.

Operating costs were lower resulting from production efficiencies, but were partly offset by increased freight and distribution costs.

Metallurgical Coal

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$3,941 million for FY2008, an increase of US$172 million, or 4.6 per cent over the corresponding period.

Production was 35.2 million tonnes in the current period, a decrease of 8.3 per cent compared with 38.4 million tonnes in the corresponding period.

EBIT and Underlying EBIT were US$937 million, a decrease of US$310 million, or 24.9 per cent over the corresponding period. The decrease in Underlying EBIT was mainly due to the significant rainfall events in January and February 2008 which unfavourably impacted sales volumes at Queensland Coal (Australia). This was partially offset by an increase in volumes from the full year of production from the Poitrel (Australia) mine.

Costs attributable to the recovery from the rainfall events at Queensland Coal were approximately US$40 million in the period, with an additional US$80 million of cost inefficiencies associated with lower volumes. Recovery efforts continue and on average, mines are operating at approximately 90 per cent capacity.

Other operating costs were higher due to increased demurrage and labour costs which were offset by improved mining conditions and operating efficiencies at Illawarra Coal. A weaker US dollar against the Australian dollar and inflationary pressures also had an

unfavourable impact on Underlying EBIT.

Higher average realised prices for metallurgical coal (three per cent) and thermal coal (52 per cent) had a favourable impact on the Underlying EBIT.

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Profits on the sale of the Elouera mine and the sale of mining leases to Millennium were realised in the current period.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue was US$3,769 million for FY2007, a decrease of US$172 million, or 4.4 per cent over FY2006.

Production was 38.4 million tonnes in FY2007, a 7.8 per cent increase compared with 35.6 million tonnes in FY2006.

EBIT and Underlying EBIT were US$1,247 million, a decrease of US$587 million. This was attributable mostly to lower prices for hard coking coal (down 10 per cent) and weak coking coal (down 32 per cent). Higher sales volumes at Queensland Coal and Illawarra Coal (Australia) impacted Underlying EBIT. The increase in sales volume at Queensland Coal was supported by the expanded capacity at our Hay Point coal terminal. Royalties were lower due to lower prices.

Operating costs were higher at Queensland Coal following the start-up of the new longwall panel at the Broadmeadow mine (Australia) as were demurrage costs as a result of third party rail and port constraints. Difficult mining conditions and an extended longwall change-out at Illawarra Coal also increased operating costs. A stronger Australian dollar to US dollar exchange rate had an unfavourable impact across our operations, as did inflationary pressure.

Depreciation and amortisation charges were higher due to commissioning of new projects during the year, the write-off of the coal dryer at Dendrobium (Australia) and higher amortisation of deferred development costs at Illawarra Coal.

Energy Coal

Year ended 30 June 2008 compared with year ended 30 June 2007

Revenue was US$6,560 million for FY2008, an increase of US$1,984 million, or 43.4 per cent over the corresponding period.

Production was 80.9 million tonnes in FY2008, a decrease of 7.0 per cent compared with 87.0 million tonnes in the corresponding period.

EBIT was US$1,057 million, an increase of US$752 million, or 246.6 per cent, compared with last year. FY2007 included an exceptional item at our South African operations a charge of US$176 million (before taxation benefit of US$34 million).

Underlying EBIT was US$1,057 million, an increase of US$576 million, or 119.8 per cent, over last year. The increase was mainly attributable to higher prices resulting from continued strong demand in the Atlantic and Pacific markets, record production at Hunter Valley Coal (Australia) and Cerrejón Coal (Colombia) and weakening of the South African rand against the US dollar.

This was partially offset by higher costs due to inflationary pressures, weakening of the US dollar against the Australian dollar and Colombian peso, and increased diesel, labour and contractors, maintenance and demurrage costs. Lower earnings from trading activities also negatively impacted Underlying EBIT.

The purchase price adjustments associated with the sale of the Optimum asset (South Africa), and the cessation of contribution from the Koornfontein mine (South Africa) following its divestment last year also reduced Underlying EBIT. The comparative period included US$67 million profit on the sale of Koornfontein, Eyesizwe investment and part of our Richards Bay Coal Terminal entitlement.

Year ended 30 June 2007 compared with year ended 30 June 2006

Revenue for FY2007 was US$4,576 million, an increase of US$611 million, or 15.4 per cent, from FY2006.

Production was 87.0 million tonnes in FY2007, an increase of 1.5 per cent compared with 85.8 million tonnes in FY2006.

EBIT was US$305 million, a decrease of US$21 million, or 6.4 per cent, compared with FY2006. FY2007 included an exceptional item resulting from our regular review of asset carrying values at our South African operations a charge of US$176 million (before

taxation benefit of US$34 million). There were no exceptional items in FY2006.

Underlying EBIT was US$481 million, an increase of US$155 million, or 47.6 per cent, over FY2006. The increase was mainly attributable to higher export prices resulting from continued strong demand and a favourable movement of the South African rand against the US dollar. The profit on divestment of Koornfontein, one million tonnes of Richards Bay Coal Terminal annual capacity and the Eyesizwe investment increased Underlying EBIT.

Despite adverse weather conditions in the last quarter and high demurrage costs in Australia, Hunter Valley Coal achieved record production volumes as well as increased cost efficiencies. At Cerrejón Coal (Colombia) higher volumes also had a favourable impact on results. In South Africa, unit costs were adversely affected by inflationary pressure, a redundancy provision for the closure of the Douglas underground mine and lower production as a result of safety interventions and equipment availability.

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The cessation of earnings from the Zululand Anthracite Colliery (South Africa) following its divestment during the prior year had a negative impact on the result.

Group and unallocated items

This category represents corporate activities, including Group Treasury, Freight, Transport and Logistics operations.

Year ended 30 June 2008 compared with year ended 30 June 2007

These corporate activities produced a loss before net finance costs and taxation of US$394 million in FY2008 compared to a loss of US$426 million in the corresponding period. FY2008 had no exceptional items whereas FY2007 included an exceptional item of US$167 million relating to rehabilitation obligations at the former Newcastle Steelworks operations.

Excluding exceptional items, corporate operating costs were US$394 million compared to US$259 million in the corresponding period, an increase of US$135 million. The higher costs resulted predominantly from unfavourable fluctuations in the Australian dollar to US dollar exchange rate. Higher costs for corporate projects and sponsorship also had an adverse impact.

Year ended 30 June 2007 compared with year ended 30 June 2006

These corporate activities produced a loss before net finance costs and taxation of US$426 million in FY2007 compared to a loss of US$301 million in FY2006. FY2007 includes an exceptional item of US$167 million (before tax of US$50 million) for additional rehabilitation obligations in respect of former operations at the Newcastle Steelworks.

Corporate operating costs, excluding exchange impacts, were US$231 million for FY2007 compared to US$251 million in FY2006, a decrease of US$20 million.

The current period benefited from lower insurance claims, offset by higher costs for corporate projects, sponsorships and regulatory compliance.

One-off costs in relation to the acquisition of WMC were incurred in FY2006. There were no similar costs in FY2007.

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 (which includes marketing of equity production) and third party products.

Year ended 30 June [a]	2008	2007	2006
	US$M	US$M	US$M
Group production			
Revenue	51,918	41,271	34,139
Related operating costs	(27,389)	(21,621)	(18,534)
Operating profit	24,529	19,650	15,605
Margin [b]	47.2%	47.6%	45.7%
Third party products			
Revenue	7,555	6,202	4,960
Related operating costs	(7,939)	(6,128)	(4,849)
Operating (loss)/profit	(384)	74	111
Margin [b]	(5.1)%	1.2%	2.2%

(a) Excluding exceptional items.

(b) Operating profit divided by revenue.

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We engage in third party product trading for two 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.

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.

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. These cash flows have been fundamental to our ability to internally fund our existing operations, maintain a pipeline of 28 growth projects, and return capital to shareholders through dividends and share buy-backs. 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 30 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.

	2008	2007	2006
	US$M	US$M	US$M
Net operating cash flows	18,159	15,957	11,325
Cash outflows from investing activities	(9,244)	(8,691)	(7,243)
Net proceeds from investing activities	180	378	1,100
Net investing cash flows	(9,064)	(8,313)	(6,143)
Net proceeds from/(repayment of) interest bearing liabilities	(750)	1,614	(1,245)
Share buy-back	(3,115)	(5,741)	(2,028)
Dividends paid	(3,250)	(2,339)	(2,126)
Other financing activities	(226)	(143)	(153)
Net financing cash flows	(7,341)	(6,609)	(5,552)
Net increase/(decrease) in cash and cash equivalents	**1,754**	**1,035**	**(370)**

Year ended 30 June 2008 compared with year ended 30 June 2007

Net operating cash flow after interest and tax increased by 13.8 per cent to US$18.2 billion. Higher profits increased cash generated from operating activities, offset by an increase in working capital (principally due to higher prices) and increased taxation payments.

Capital and exploration expenditure totalled US$8.9 billion for FY2008. Expenditure on major growth projects was US$5.3 billion, including US$1.6 billion on petroleum projects and US$3.8 billion on minerals projects. Capital expenditure on maintenance,

sustaining and minor capital items was US$2.2 billion. Exploration expenditure was US$1.4 billion, including US$0.5 billion which has been capitalised.

Financing cash flows include US$6.3 billion in relation to the capital management program and increased dividend payments.

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Year ended 30 June 2007 compared with year ended 30 June 2006

Net operating cash flow after interest and tax increased by 40.9 per cent to US$16.0 billion. Higher profits increased cash generated from operating activities, offset by an increase in working capital (principally due to higher prices) and increased taxation payments.

Capital and exploration expenditure totalled US$7.9 billion for FY2007. Expenditure on major growth projects was US$5.5 billion, including US$1.7 billion on petroleum projects and US$3.8 billion on minerals projects. Other capital expenditure on maintenance, sustaining and minor capital items was US$1.6 billion. Exploration expenditure was approximately US$800 million, including US$265 million, which has been capitalised. Other investing cash flows included the purchase of interests in the Genghis Khan oil field, and the Guinea Alumina project.

Financing cash flows include US$8.0 billion in relation to the capital management program and dividend payments.

3.7.2 Growth projects

We continue to invest substantially in our future. Our project pipeline focuses on high-margin opportunities that are expected to create significant future value. We have 28 projects in either execution or feasibility, which represents an expected capital investment of US$24.8 billion.

During the 2008 financial year we completed 10 major growth projects. In addition, Neptune (oil and gas) delivered first production on 6 July 2008.

Completed projects

Customer Sector Group	Project	Capacity [4]	Capital expenditure (US$M) [4]		Date of initial production [1]	
			Budget	Actual	Target	Actual
Base Metals	Pinto Valley (US) BHP Billiton 100%	70,000 tonnes per annum of copper in concentrate	140	144	Q4 2007	Q4 2007
Petroleum	Atlantis South (US) BHP Billiton 44%	200,000 barrels of oil and 180 million cubic feet of gas per day (100%)	1,630[3]	1,630[2]	H2 2007[3]	H2 2007
	Stybarrow (Australia) BHP Billiton 50%	80,000 barrels of oil per day (100%)	380	389	Q1 2008	