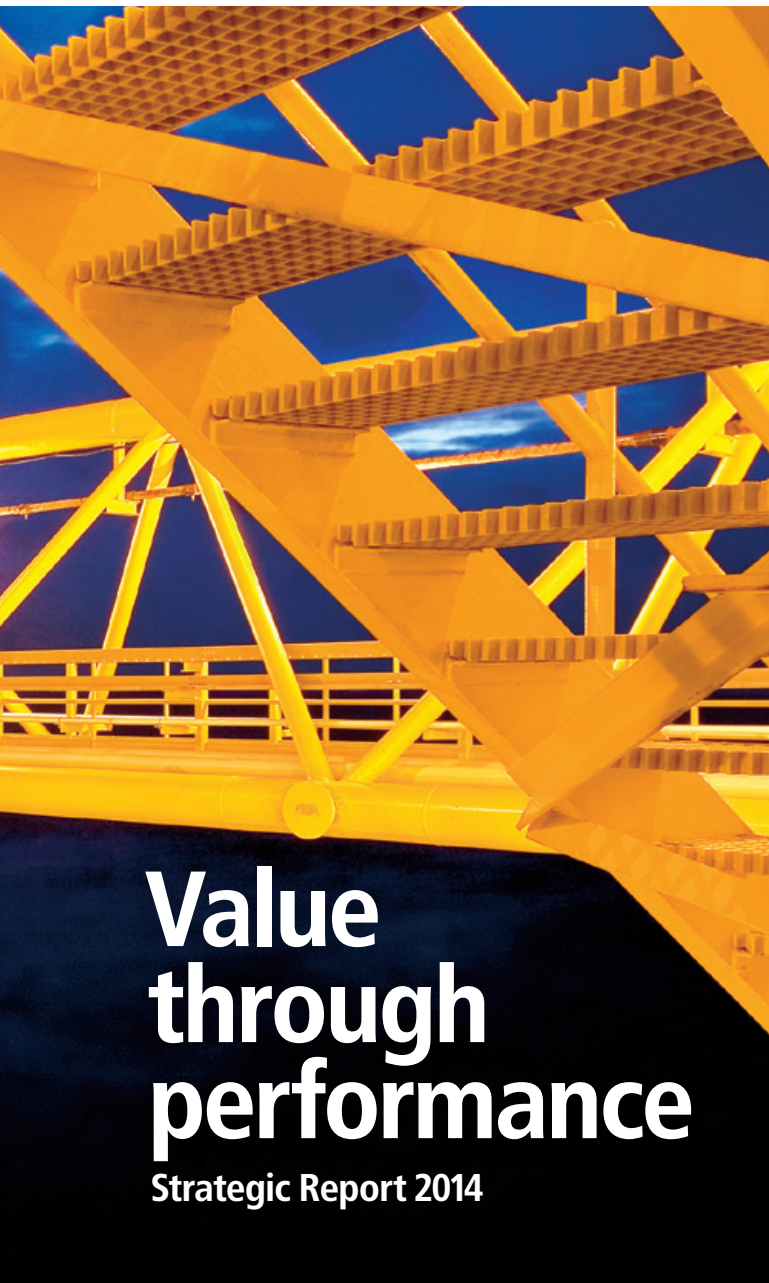




bhpbilliton
resourcing the future



Value through performance

Strategic Report 2014



Our Charter

We are BHP Billiton, a leading global resources company.

Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our Values

Sustainability

Putting health and safety first, being environmentally responsible and supporting our communities.

Integrity

Doing what is right and doing what we say we will do.

Respect

Embracing openness, trust, teamwork, diversity and relationships that are mutually beneficial.

Performance

Achieving superior business results by stretching our capabilities.

Simplicity

Focusing our efforts on the things that matter most.

Accountability

Defining and accepting responsibility and delivering on our commitments.

We are successful when:


Our people start each day with a sense of purpose and end the day with a sense of accomplishment.

Our communities, customers and suppliers value their relationships with us.

Our asset portfolio is world-class and sustainably developed.

Our operational discipline and financial strength enables our future growth.

Our shareholders receive a superior return on their investment.



Andrew Mackenzie
Chief Executive Officer

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered office: 171 Collins Street, Melbourne, Victoria 3000, Australia. BHP Billiton Plc. Registration number 3196209. Registered in England and Wales. Registered office: Neathouse Place, London SW1V 1LH, United Kingdom. Each of BHP Billiton Limited and BHP Billiton Plc are members of the BHP Billiton Group, which is headquartered in Australia. BHP Billiton is a Dual Listed Company comprising BHP Billiton Limited and BHP Billiton Plc. The two entities continue to exist as separate companies but operate as a combined Group known as BHP Billiton.

The headquarters of BHP Billiton Limited and the global headquarters of the combined BHP Billiton Group are located in Melbourne, Australia. BHP Billiton Plc is located in London, United Kingdom. Both companies have identical Boards of Directors and are run by a unified management team. Throughout this publication, the Boards are referred to collectively as the Board. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

Throughout this Strategic Report, the terms BHP Billiton, the Company and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHP Billiton Plc and subsidiary companies.



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Accessing information on BHP Billiton

📄 All up-to-date shareholder information is available online at www.bhpbilliton.com

Online shareholder services

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- register to receive electronic shareholder communications
- update your records (including address and direct credit details)
- access all your securities in one portfolio by setting up a personal account
- vote online

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Reports and presentations

Company overview

(including *Our BHP Billiton Charter*, Structure and Governance)

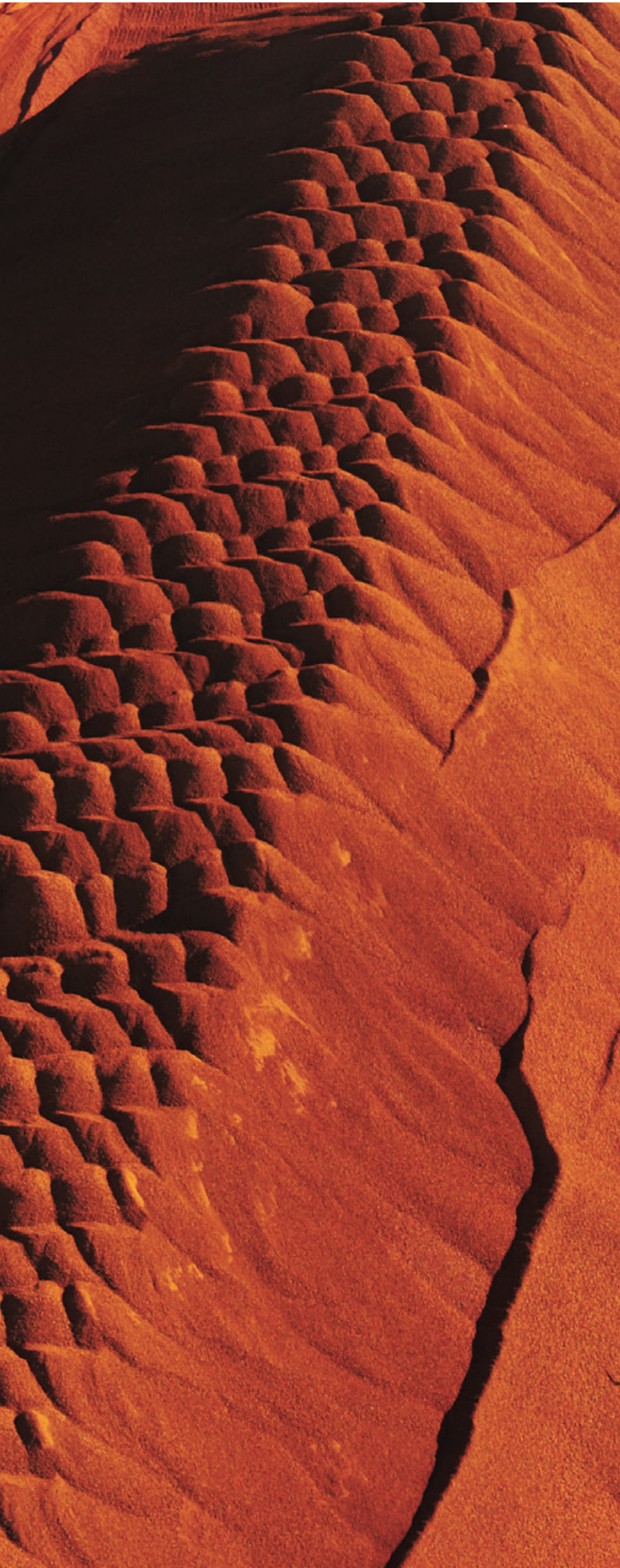
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1 Strategic Report

1.1 Our Company

1.1.1 Group overview

We are BHP Billiton, a leading global resources company. We are among the world's top producers of major commodities, including iron ore, metallurgical and energy coal, conventional and unconventional oil and gas, copper, aluminium, manganese, uranium, nickel and silver.

Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market. Our portfolio of high-quality growth opportunities positions BHP Billiton to continue to meet the changing needs of our customers and the resource demands of emerging and developed economies at every stage of their growth.

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 principally through Singapore and Houston, United States. In FY2014, our workforce consisted of approximately 123,800 employees and contractors at 130 locations in 21 countries.

The safety and health of our people and of the broader communities in which we operate are central to the success of our organisation. Regardless of where our people are located, the area of the organisation in which they work or the type of work they undertake, we strive to create an environment that is free from occupational illness or injury.

The long-term nature of our operations allows us to build collaborative community relationships. Our size and scope mean we can make a meaningful contribution to communities in which we operate, while we support the continued development of global economic growth.

We have strong governance processes in place, high standards of ethical and responsible behaviour, and we are an active contributor to societal development. We care as much about how results are achieved as we do about the results themselves. Our BHP Billiton *Code of Business Conduct* and specific internal policies prohibit bribery and corruption in all our business dealings regardless of the country or culture within which our people work.



1.1.2 Our structure

BHP Billiton operates under a Dual Listed Company (DLC) structure, with two parent companies BHP Billiton Limited and BHP Billiton Plc operated as a single economic entity, run by a unified Board and management team. Our headquarters are located in Melbourne, Australia.

BHP Billiton Limited has a primary listing on the Australian Securities Exchange (ASX) in Australia. BHP Billiton Plc has a premium listing on the UK Listing Authority's Official List and its ordinary shares are admitted to trading on the London Stock Exchange (LSE) in the United Kingdom and a secondary listing on the Johannesburg Stock Exchange (JSE) 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 United States.

Our Operating Model describes the way the Company is organised and sets out the relationship between the Businesses, Group Functions and Marketing. The Operating Model defines how we work, how we are organised and how we measure performance.

- **Businesses:** Our assets, operations and interests are separated into five business units. These Businesses are: Petroleum and Potash; Copper; Iron Ore; Coal; and Aluminium, Manganese and Nickel. The Operating Model has been designed to ensure that decision-making remains as close to the Businesses as possible.
- **Group Functions:** Group Functions support the Businesses and operate under a defined set of accountabilities authorised by the Group Management Committee (GMC). Our Group Functions are primarily located in Melbourne, London and Singapore.
- **Marketing:** Marketing is responsible for selling our products and for the purchase of all major raw materials; managing the supply chain from assets to markets and raw materials from suppliers to assets; achieving market clearing prices for the Group's products; managing price risk; and developing a single Company view of the markets.

The core principles of the Operating Model include mandatory performance requirements, common organisational design, common systems and processes, and common planning and reporting.

The Operating Model is designed to deliver a simple and scalable organisation to achieve a sustainable improvement in productivity by providing performance transparency, eliminating duplication of effort and enabling the more rapid identification and deployment of best practice.

1.1.3 Strategic context

The mineral and energy commodities we produce are crucial at all stages of economic development. Emerging economies require construction materials like steel as their populations expand and new cities and heavy industry develop. As economies grow and people become wealthier, a consumer economy emerges and steel intensity slows while demand increases for materials that are used in consumer goods, such as copper. Agricultural demand increases steadily with income.

Access to energy underpins economic development. The most rapid demand growth comes at the earliest stages when people first gain access to modern energy supplies. In the next 20 years, we expect 1.7 billion people to gain access to electricity for the first time. Reliable and affordable energy supports the development of industry and as incomes rise, more people can buy consumer goods, like cars and appliances, further increasing the demand for energy.

We are proud that the supply of our products supports global economic growth and development, with the associated reduction in poverty and improvement in living standards. Continued global development depends on access to affordable energy and other critical resources.

Demand for energy is widely expected to increase by more than 30 per cent in the next 20 years, with two thirds of new demand originating from Asia and half from China and India. Africa is expected to see the fastest growth, albeit from a lower base. The way these regions meet their energy needs will significantly influence commodity demand.

Every nation will choose a different mix of energy sources, which balances affordability and security of supply. The Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency and others believe that over the next few decades fossil fuels will remain central to the energy mix as their affordability and the scale of existing infrastructure make them hard to practically replace, although their exact percentage varies across a range of scenarios.

Our strategy is tied to economic growth in both emerging and developed economies. Sustainable growth requires an effective response to climate change. BHP Billiton accepts the IPCC's assessment of climate change science, which has found that warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable. We believe that the world must pursue the twin objectives of limiting climate change to the lower end of the IPCC emission scenarios in line with current international agreements, while providing access to the affordable energy required to continue the economic growth essential for maintaining living standards and alleviating poverty.

The global challenge of climate change remains a priority for us. Our approach to investment decision-making and portfolio management and the diversity of our overall portfolio positions us not only to manage and respond to changes, but also to capture opportunities to grow shareholder value over time. We are taking action by focusing on reducing our emissions, increasing our preparedness for physical climate impacts and working with others, including industry and governments, to support effective responses to climate change. We support development of a long-term policy framework that uses a portfolio of complementary measures, including a price on carbon that addresses competitiveness concerns, support for energy efficiency and low emissions technologies, and measures to build resilience. A price on carbon is an effective measure to drive greenhouse gas emission reductions and technological innovation. To effectively address the challenge of climate change, there must be a significant focus on developing and deploying low-emissions technologies. We will, through material investments in low-emissions technology, contribute to reducing emissions from fossil fuels.

1.1.4 FY2014 performance highlights

Performance highlights during FY2014 included the following:

9 per cent reduction

Total recordable injury frequency. No fatalities at our operated assets.

121 US cents

Total dividend per share, an increase of four per cent.

US\$179 billion

Market capitalisation as at 30 June 2014.

US\$2.9 billion

Sustainable productivity-led gains delivered during FY2014.

US\$67.2 billion

Revenue increased by two per cent.

9 per cent increase

Production increase on a copper equivalent basis. Record production at 12 operations and across four commodities.

US\$25.4 billion

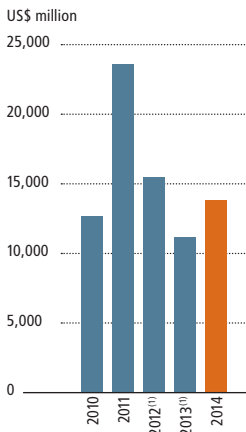
Net operating cash flow increased by 26 per cent.

1.7 million tonnes reduction

Greenhouse gas emissions (CO₂-e).

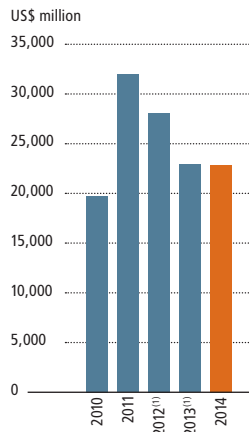
Attributable profit

US\$13.8 billion



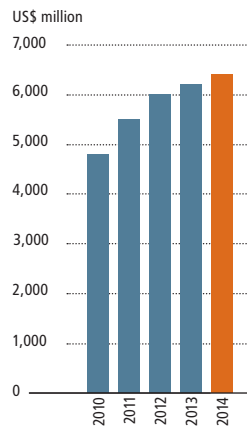
Underlying EBIT

US\$22.9 billion



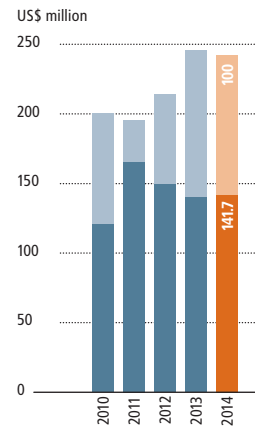
Dividends determined

US\$6.4 billion



Community investment

US\$241.7 million



● BHP Billiton corporate charitable entities
● Expenditure⁽²⁾

(1) Restated in the Financial Statements (refer to Annual Report 2014) to be disclosed on the same basis as FY2014.

(2) Includes BHP Billiton's equity share for both operated and non-operated joint venture operations.

1.1.5 About this Strategic Report

This Strategic Report meets the requirements of the Strategic Reporting required by the UK Companies Act and the Operating and Financial Review required by the Australian Corporations Act.

This Strategic Report provides insight into BHP Billiton's strategy, operating and business model and objectives. It describes the principal risks the Company faces and how these risks might affect our future prospects. It also gives our perspective on our recent operational and financial performance.

We intend this disclosure to assist shareholders and other stakeholders to understand and interpret the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) included in the Annual Report 2014. The basis of preparation of the Consolidated Financial Statements is set out in note 1 'Accounting policies' to the Financial Statements in the Annual Report 2014. To obtain full details of the financial and operational performance of BHP Billiton this Strategic Report should be read in conjunction with the Consolidated Financial Statements and accompanying notes.

We have excluded certain information from this Strategic Report on the basis that including the information would cause unreasonable prejudice to the Group. This is because such disclosure could be misleading due to the fact it is premature or preliminary in nature, relates to commercially sensitive contracts, would undermine confidentiality between the Group, and its suppliers and clients, or would otherwise unreasonably damage the business. The categories of information omitted include forward looking estimates and projections prepared for internal management purposes, information regarding the Group's assets and projects, which is developing and susceptible to change, and information relating to commercial contracts and pricing modules.

Section 1 of the Annual Report 2014 constitutes our Strategic Report 2014. References to sections beyond section 1 are references to sections in the Annual Report 2014. Shareholders may obtain a hard copy of the Annual Report free of charge by contacting our registrars, whose details are set out in our Corporate Directory at the end of the Annual Report 2014.

 The Annual Report 2014 is available online at www.bhpbilliton.com.

1.1.6 Forward looking statements

This Strategic Report contains forward looking statements, including statements regarding trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; closure or divestment of certain operations or facilities (including associated costs); anticipated production or construction commencement dates; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; provisions and contingent liabilities; and tax and regulatory developments.

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

These forward looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this Strategic 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 Strategic Report will be based, in part, upon the market price of the minerals, metals or petroleum products produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project, the expansion of certain facilities or mines, or the continuation of existing operations.

Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of operations, mines or facilities include our ability to profitably produce and transport the minerals, petroleum and/or metals extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the minerals, petroleum or metals we produce; activities of government authorities in the countries where we are exploring or developing projects, facilities or mines, including increases in taxes, changes in environmental and other regulations and political uncertainty; labour unrest; and other factors identified in the risk factors in section 1.7.2 of this Strategic Report.

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

Past performance cannot be relied on as a guide to future performance.

1.1.7 Proposed demerger of assets

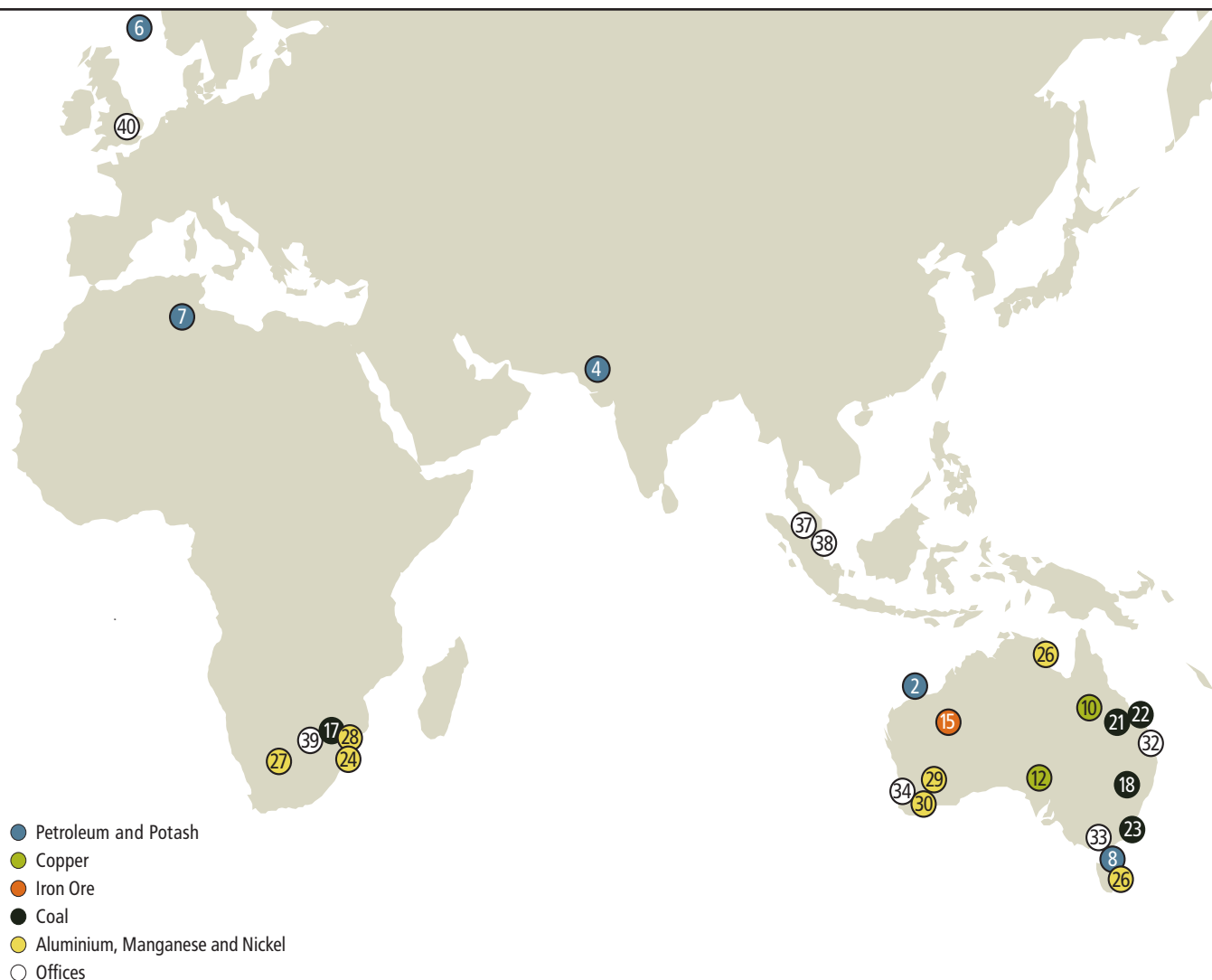
On 19 August 2014, we announced plans to create an independent global metals and mining company based on a selection of BHP Billiton's high-quality aluminium, coal, manganese, nickel and silver assets. Separating these assets via a demerger has the potential to unlock shareholder value by significantly simplifying the BHP Billiton Group and creating a new company specifically designed to enhance the performance of its assets.

Once simplified, BHP Billiton will be almost exclusively focused on our large, long-life iron ore, copper, coal, petroleum and potash basins. With fewer assets and a greater upstream focus, we plan to reduce costs and improve the productivity of our largest Businesses more quickly. As a result, our portfolio is expected to generate growth in free cash flow and a superior return on investment.

A final Board decision on the proposed demerger will only be made once the necessary government, taxation, regulatory and other third party approvals are secured on satisfactory terms. Once the necessary approvals are in place, shareholders will have the opportunity to vote on the proposed demerger.

 For additional information on the proposed demerger of assets, refer to section 1.6.4 of this Strategic Report

1.2 BHP Billiton locations



PETROLEUM AND POTASH

Ref	Country	Asset	Description	Ownership
1	US	Onshore US	Onshore shale liquids and gas fields in Arkansas, Louisiana and Texas	<1–100%
2	Australia	Australia Production Unit	Operated offshore oil fields and onshore gas processing facilities in Western Australia and Victoria	40–90%
3	US	Gulf of Mexico Production Unit	Operated offshore oil and gas fields in the Gulf of Mexico	35–44%
4	Pakistan	Pakistan Production Unit	Operated onshore oil and gas fields	38.5%
5	Trinidad and Tobago	Trinidad Production Unit	Operated offshore oil and gas fields	45%
6	UK	UK Production Unit ⁽¹⁾	Operated offshore oil and gas fields	16–46.1%
7	Algeria	Algeria Joint Interest Unit ⁽²⁾	Joint interest onshore oil and gas unit	38%
8	Australia	Australia Joint Interest Unit ⁽²⁾	Joint interest offshore oil and gas fields in Bass Strait and North West Shelf	8.3–50%
9	US	Gulf of Mexico Joint Interest Unit ⁽²⁾	Joint interest offshore oil and gas fields in the Gulf of Mexico	5–44%

(1) Liverpool Bay was divested in FY2014.

(2) Non-operated joint venture.

(3) Completed sale of Navajo Mine and will retain control until final transfer.

Locations are current at 11 September 2014.

COPPER

Ref	Country	Asset	Description	Ownership
10	Australia	Cannington	Silver, lead and zinc mine located in northwest Queensland	100%
11	Chile	Escondida	The world's largest copper producing mine, located in northern Chile	57.5%
12	Australia	Olympic Dam	Australia's biggest underground copper mine, also producing uranium, gold and silver	100%
13	Chile	Pampa Norte	Consists of the Cerro Colorado and Spence open-cut mines, producing copper cathode in northern Chile	100%
14	Peru	Antamina ⁽²⁾	Open-cut copper and zinc mine, located in northern Peru	33.8%

IRON ORE

Ref	Country	Asset	Description	Ownership
15	Australia	Western Australia Iron Ore	Integrated iron ore mines, rail and port operations in the Pilbara region of Western Australia	85%
16	Brazil	Samarco ⁽²⁾	Open-cut iron ore mine, concentrators and pelletising facilities	50%



COAL

Ref	Country	Asset	Description	Ownership
17	South Africa	Energy Coal South Africa	Open-cut and underground energy coal mines and processing operations	50–90%
18	Australia	New South Wales Energy Coal	Open-cut energy coal mine and coal preparation plant in New South Wales	100%
19	US	New Mexico Coal ⁽³⁾	Two energy coal mines in New Mexico	100%
20	Colombia	Cerrejón ⁽²⁾	Open-cut energy coal mine with integrated rail and port operations	33.3%
21	Australia	BHP Billiton Mitsubishi Alliance	Open-cut and underground metallurgical coal mines in the Queensland Bowen Basin and Hay Point Coal Terminal	50%
22	Australia	BHP Billiton Mitsui Coal	Two open-cut metallurgical coal mines in the Bowen Basin, Central Queensland	80%
23	Australia	Illawarra Coal	Underground metallurgical coal mines in southern New South Wales, with access to rail and port facilities	100%

ALUMINIUM, MANGANESE AND NICKEL

Ref	Country	Asset	Description	Ownership
24	South Africa	Aluminium South Africa	One aluminium smelter at Richards Bay	100%
25	Colombia	Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in northern Colombia	99.9%
26	Australia	Manganese Australia	Producer of manganese ore in the Northern Territory and manganese alloys in Tasmania	60%

ALUMINIUM, MANGANESE AND NICKEL continued

Ref	Country	Asset	Description	Ownership
27	South Africa	Manganese South Africa	Integrated producer of manganese ore and alloy	44.4–60%
28	Mozambique	Mozal	Aluminium smelter near Maputo	47.1%
29	Australia	Nickel West	Integrated sulphide mining, concentrating, smelting and refining operation in Western Australia	100%
30	Australia	Worsley	Integrated bauxite mine and alumina refinery in Western Australia	86%
31	Brazil	Alumar ⁽²⁾	Aluminium refinery and smelter	36–40%

BHP BILLITON PRINCIPAL OFFICE LOCATIONS

Ref	Country	Location	Office
32	Australia	Brisbane	Coal Head Office
33	Australia	Melbourne	Global Headquarters
34	Australia	Perth	Aluminium, Manganese and Nickel Head Office Iron Ore Head Office
35	Canada	Saskatoon	Potash Head Office
36	Chile	Santiago	Copper Head Office
37	Malaysia	Kuala Lumpur	Global Shared Services Centre
38	Singapore	Singapore	Marketing Head Office
39	South Africa	Johannesburg	Corporate Office
40	UK	London	Corporate Office
41	US	Houston	Petroleum Head Office
42	US	New York	Corporate Office

1.3 Chairman's Review



Dear Shareholder

I am pleased to report that your Company delivered strong performance this past financial year. BHP Billiton reported an Attributable profit of US\$13.8 billion and Net operating cash flow of US\$25.4 billion. These strong results were underpinned by increased production and productivity-led cost efficiencies.

Our balance sheet remains strong and we have maintained our solid 'A' credit rating. The full-year progressive base dividend was increased by 4.3 per cent to 121 US cents per share. At the same time, the Company has continued to invest in high-return growth options within the existing portfolio.

Markets for our commodities have been affected by the mixed global economic environment, with solid but moderately slower Chinese growth, underlying momentum in the United States and some positive signs in Japan, while the European Union has remained weak. Overall, demand for our commodities continues to be strong, underpinning the long-term outlook for our portfolio of products.

We continuously review our strategy against changes in the external environment, including climate change. We consider various scenarios and the risks and opportunities facing the natural resources sector and seek to optimise the investments we make on behalf of shareholders.

Our position on climate change is clear. Sustainable growth requires an effective response to climate change. We accept the Intergovernmental Panel on Climate Change's assessment that warming of the climate is unequivocal, the human influence is clear and the physical impacts are unavoidable. We believe that the Board's approach to strategy, investment decision-making and portfolio management, as well as the diversity of our overall portfolio, positions us to manage and respond to changes and capture opportunities to grow shareholder value over time. We believe that the resilience of our portfolio under a range of climate change scenarios is underpinned by its diversity and by the relatively short pay-back periods for most of our present and future investments in fossil fuels production. BHP Billiton is committed to reducing greenhouse gas emissions in its own operations, to actively participating in the development and deployment of low-emissions technologies and to being a leader in our sector on climate change action and advocacy.

Next year marks the 130th anniversary of the founding and stock exchange listing of The Broken Hill Proprietary Company Limited. Over these years the Company has reshaped its business to maintain its industry leadership. We moved from mining silver, lead and zinc at Broken Hill, to producing steel, and then to petroleum in Bass Strait, iron ore in the Pilbara, metallurgical coal in the Bowen Basin and copper in the Andes.

For the past 10 years we have also been simplifying our portfolio and looking at ways to make your Company simpler and more productive. In the last two years alone we have sold US\$6.7 billion of assets at attractive prices. This year, we have proposed another step in our evolution with the demerger of selected aluminium, coal, manganese, nickel and silver assets. This proposed demerger will allow BHP Billiton to improve the productivity of our largest businesses more quickly and create a new global metals and mining company specifically designed to enhance the performance of the demerged assets. All BHP Billiton shareholders would retain their existing shares in BHP Billiton and receive shares in the new company pro rata with your BHP Billiton shareholding. Following the demerger, BHP Billiton would seek to steadily increase or at least maintain its dividend per share in US dollar terms – implying a higher payout ratio. Subject to final Board approval to proceed, shareholder approval and the receipt of satisfactory third party approvals, the demerger is expected to be completed in the first half of the 2015 calendar year.

Against the backdrop of external and organisational change, we continue to be guided by *Our BHP Billiton Charter*, which defines our values. Our first Charter value is Sustainability and we maintain a relentless focus on the health and safety of our people and the communities in which we operate. This year, we reported a record low total recordable injury frequency and no fatalities at our operated assets during the period. While this is an encouraging result, our efforts to protect the health and safety of our people will be unrelenting.

We are committed to making a positive contribution to the communities where we live and conduct our business. This year, we contributed one per cent of pre-tax profit, investing US\$242 million across a wide range of programs and activities to support our communities. These funds support local programs, such as the LEAD project which seeks to improve the lives of smallholder farmers in the rural Maputo Province of Mozambique; an innovative education program in Pakistan that has seen 800 children graduate from the program with another 2,000 currently studying in 13 model schools; the ANDA project which addresses the needs of people displaced by conflict and vulnerable communities in the Cordoba District of Colombia to complement poverty reduction efforts by the national government; and Bush Blitz, a unique species discovery program in Australia.

Our community programs are in addition to the US\$9.9 billion in taxes and royalties we paid to governments and our broader economic contribution in terms of jobs, capital investment and support of local businesses.

I would like to take this opportunity to acknowledge David Crawford who will retire from the BHP Billiton Board in November 2014. David has served with distinction on the board of BHP and BHP Billiton for 20 years. In announcing our plans to create an independent global metals and mining company we said that David would become the new company's inaugural chairman. His skills and experience make David the right person to guide the new company through its entry into the global resources sector.

In line with our planned approach to Board succession, we have appointed Malcolm Brinded to the Board as a Non-executive Director and member of the Sustainability Committee. Malcolm's deep experience in energy, governance and sustainability will make a significant contribution to the Board.

In summary, a strong management team and over 123,000 talented employees and contractors in 21 countries have improved safety, increased production and delivered more value for shareholders and all our stakeholders. Your Company does make a positive difference. BHP Billiton helps lift living standards for people around the world and we work hard to add value to the communities, regions and countries where we live and do business.

Jac Nasser AO
Chairman

1.4 Chief Executive Officer's Report



I am pleased to report that BHP Billiton delivered a strong set of financial results in FY2014, with improvements in operating performance and safety supported by a continued focus on productivity. This performance was achieved against a background of improving economic conditions in the United States, Japan and the European Union, solid but slower Chinese economic growth and a decline in key commodity prices in a highly competitive global marketplace.

In a year of record production we had no fatalities at our operated assets and improved our total recordable injury frequency performance by nine per cent to 4.2 injuries per million hours worked. While we are encouraged to have recorded a year without fatalities, we must never rest on past performance. We will continue to relentlessly identify and manage material health and safety risks to protect our people and communities.

Annual production records were achieved at 12 of our operations and across four commodities. Western Australia Iron Ore and Queensland Coal both increased annual production volume by more than 20 per cent as we delivered more tonnes from existing infrastructure and growth projects ahead of schedule. These results were supported by our Onshore US petroleum asset delivering a 73 per cent increase in petroleum liquids production.

Our safety performance improves through our continued focus on accelerating sustainable improvements in productivity by finding more efficient and effective ways of performing day-to-day operations. We delivered more than US\$6.6 billion of sustainable productivity-led gains over the last two years. There are more achievements in productivity still to come as our teams continue to innovate and learn from each other, replicating best practice and operating on a common data platform across the organisation.

We continue to invest selectively in those projects that meet our demanding criteria. In FY2014, we reduced our share of exploration and capital expenditure by 32 per cent to US\$15.2 billion and expect this to decline to US\$14.8 billion in FY2015. This approach has increased internal competition for capital, improved our capital efficiency and provides for long-term, sustainable shareholder value.

In August 2014, we announced a proposal to create an independent global metals and mining company based on a selection of BHP Billiton's high-quality aluminium, coal, manganese, nickel and silver assets. Separating these assets via a demerger has the potential to unlock shareholder value by significantly simplifying the BHP Billiton Group and creating two portfolios of complementary assets. Once simplified, BHP Billiton would be almost exclusively focused on our large, long-life iron ore, copper, coal, petroleum and potash basins. With fewer assets and a greater upstream focus, BHP Billiton would be able to reduce costs and improve the productivity of our largest businesses more quickly. The proposed demerger remains subject to the receipt of satisfactory third party approvals, final Board approval and shareholder vote.

In addition to our work to simplify BHP Billiton's portfolio, we continue to support the communities where we operate. We support local economies through employment, infrastructure development, taxes and royalties, as well as purchasing local goods and services. We are part of these communities and we strive to be a positive and active participant in community life. In FY2014, our voluntary community investment amounted to US\$242 million.

We are proud that the supply of our products supports global economic growth and development, with the associated reduction in poverty and improvement in living standards. Continued global development depends on access to affordable energy and other critical resources.

Sustainable growth requires an effective response to climate change. We accept the Intergovernmental Panel on Climate Change's assessment that warming of the climate is unequivocal, the human influence is clear, and physical impacts are unavoidable. We are taking action by focusing on reducing our emissions, increasing our preparedness for physical climate impacts and working with others, including industry and governments, to support effective responses to climate change. We will, through material investments in low-emissions technology, contribute to reducing emissions from fossil fuels. We view climate change as a critical element in our approach to risk management across our business.

In everything we do, we are guided by *Our BHP Billiton Charter* values of Sustainability, Integrity, Respect, Performance, Simplicity and Accountability. These are the foundation of who we are, and how we perform our role as an active and engaged corporate citizen. I am honoured to be part of a company where we live our values every day.

Finally, I would like to thank all our suppliers, customers, host communities and shareholders for their continued support over the past year as we strive to be a valued partner of choice. I would especially like to thank our employees and contractors whose commitment and contribution is the cornerstone of the success of this Company.

A handwritten signature in black ink that reads "Andrew S Mackenzie". The signature is written in a cursive, slightly slanted style.

Andrew Mackenzie
Chief Executive Officer

1.5 Our strategy and business model



1.5.1 Our consistent strategy

Our purpose

Our corporate purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

Our strategy

Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our unique position in the resources industry is due to our proven and consistent strategy. In line with our strategy, we pursue growth opportunities consistent with our core skills of:

- evaluating, developing and extracting resources in our Businesses;
- distributing and selling our products, and managing financial risk associated with our revenue through Marketing;
- defining and governing world-class functional standards, which are implemented Group-wide through our Group Functions.

We operate in a dynamic external environment and this strategy has delivered strong company performance over time which, in turn, underpins the creation of long-term sustainable value for our shareholders, customers, employees and the communities in which we operate. We aim to deliver long-term sustainable value rather than focusing on short-term returns.

Our values

In pursuing our strategy through all stages of the economic and commodity cycles, we are guided by *Our BHP Billiton Charter* values of Sustainability, Integrity, Respect, Performance, Simplicity and Accountability.

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

Operational capability is fundamental to our strategy. It is reflected in *Our Charter*, in particular our values of Performance – achieving superior business results by stretching our capabilities, and Simplicity – focusing our efforts on the things that matter most.

Our success factors

We are successful when:

- our people start each day with a sense of purpose and end the day with a sense of accomplishment;
- our communities, customers and suppliers value their relationships with us;
- our asset portfolio is world-class and sustainably developed;
- our operational discipline and financial strength enables our future growth; and
- our shareholders receive a superior return on their investment.

Our key performance indicators presented in section 1.10 of this Strategic Report enable our Group Management Committee (GMC) to measure our performance.

1.5.2 Our business model



Exploration and evaluation

- **Discovery through brownfield and greenfield exploration.**
- **Evaluating our portfolio.**
- **Divestment and acquisition.**

Over the past six years, brownfield exploration has increased our reserve base around our portfolio of existing assets in large resource basins, which now provide us with significant growth opportunities. This has allowed us to reduce brownfield exploration expenditure and rationalise our greenfield exploration program to focus on copper in Chile and Peru and conventional oil and gas, predominantly offshore in the Gulf of Mexico and Western Australia.

We evaluate the results of our brownfield and greenfield exploration to identify future growth projects consistent with our strategy to own and operate large, long-life, low-cost, expandable, upstream assets. We also continually evaluate our portfolio and consider divestment and acquisition opportunities.

Extraction, processing and transportation

- **Open-pit and underground mining.**
- **Extracting conventional and unconventional oil and gas.**
- **Processing and refining.**

Across our global operations, the diversification of our portfolio of assets by commodity, geography and market continues to be one of our differentiating features. Our goal is to safely operate all our assets at capacity through mining, extracting, processing and transporting commodities.

We continue to set production records at a number of assets. Through the development and use of standard operating practices and technology, we are driving efficiencies through improved capital intensity, labour productivity and increased utilisation of plant and machinery.

Our extraction and processing activities are mindful of our ongoing sustainability obligations, including rehabilitation at the end of the asset life.

Development

- **Evaluating and developing projects.**

The evaluation and development of large-scale resource projects generates significant value for BHP Billiton. We have a number of high-quality growth projects currently under development. We also have a large number of growth opportunities in our project pipeline in varying stages of evaluation.

In our development process, these projects progress through feasibility to execution only after external approvals. Our rigorous internal review process requires projects to pass through various tollgates for internal approvals at each stage, including Board approval for major projects.

Potential expansion projects must compete for capital in BHP Billiton and are only approved if they meet our strict criteria for investment.

Marketing and logistics

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

- **Selling the Group's products and purchasing all major raw materials.**
- **Supporting the Businesses to maximise the value of upstream resources.**
- **Managing the supply chain to customers.**
- **Achieving market clearing prices for the Group's products.**
- **Developing the Group-wide view of the markets and future pricing.**

The primary hub for our marketing activities is Singapore, while our marketing of oil and gas is headquartered in Houston, United States. In addition, we have marketers located close to our customers in 14 cities around the world.

Marketing's responsibilities require an active presence in the various commodities markets, the global freight market and the crude and gas pipeline transportation market, through which we manage the supply chain for our products and develop strong integrated relationships between our Businesses and our customers.

Our market insight is strengthened by the multi-commodity nature of our organisation, our proximity to our customers and the flow of information in our centralised marketing structure.

A description of our risk factors, including those that impact our business model, and our approach to risk management are presented in section 1.7 of this Strategic Report.

1.5.3 External factors and trends

Economic outlook

The global economy grew at a moderate rate in FY2014. Momentum in the United States, Japan and the United Kingdom was underpinned by central bank monetary policy. Europe's economy improved marginally, although the recovery was constrained by high levels of unemployment. Emerging markets, including China, experienced a moderate slowdown.

In a relative sense, the Chinese economy continues to grow strongly with signs that it is rebalancing. Consumption continued to be supported by higher household incomes while fixed asset investment softened, led by the property sector, as the central bank restricted access to credit. Rapid credit growth in the non-bank financial sector remained an important concern for policy makers.

We remain confident in the short-term to medium-term outlook for the Chinese economy. Measured stimulus recently introduced by the government demonstrates their commitment to maintain economic growth above seven per cent. We believe consumption and services will continue to increase in importance, while the market's role in allocating capital will be enhanced. Greater transparency within the fiscal system is also expected to reshape the relationship between central and local government.

The underlying performance of the US economy continued to improve despite the significant disruption caused by severe weather in the March 2014 quarter. The curtailment of quantitative easing appears to have had a limited impact on sentiment as a solid increase in demand reflects a stronger labour market, rising disposable incomes, and higher equities and housing prices. Business investment has been a weak link in the recovery so far as companies have responded slowly to better economic conditions, despite higher levels of profitability. An increase in capital spending by the global business community will be required to sustain the recovery in the medium term.

The Japanese economy has responded strongly to expansionary monetary and fiscal policy over the past year. Investment spending and wages increased as corporate profits benefited from the depreciation of the Yen, while an increase in the national sales tax in April had a limited impact on consumption. These factors have increased the potential for faster growth in the short term, although a longer-term, sustainable recovery will be contingent on the scale and speed of structural reform.

With regard to the global economy, stronger US growth and an associated tightening of monetary policy could result in the rapid outflow of capital from emerging economies. However, developing nations with sound macroeconomic fundamentals would be less likely to experience a severe impact from this transition.

1.5.4 Corporate planning

At BHP Billiton, we have a long-standing and robust corporate planning process, which is central to the effective development and delivery of our strategy.

Our planning process continuously reviews our strategy against a constantly changing external environment and the risks and opportunities this presents, to optimise both our returns to our shareholders, and our broader contribution to society.

Core principles

The corporate planning process is designed with the following core principles:

- Board and GMC ownership and regular review of strategy and strategic priorities.
- Clear accountabilities – regular engagement through 'Appraisals' by the GMC with the Businesses, Marketing and Group Functions.
- Alignment – consistent and integrated Business, Marketing and Group Functions planning process with individual plans aggregated to form the overall corporate plan.
- Long to short – long-term strategic plans are followed by short-term delivery plans.
- Robustness – our plan should be resilient under both a range of long-term scenarios and short-term shock events.

Climate change

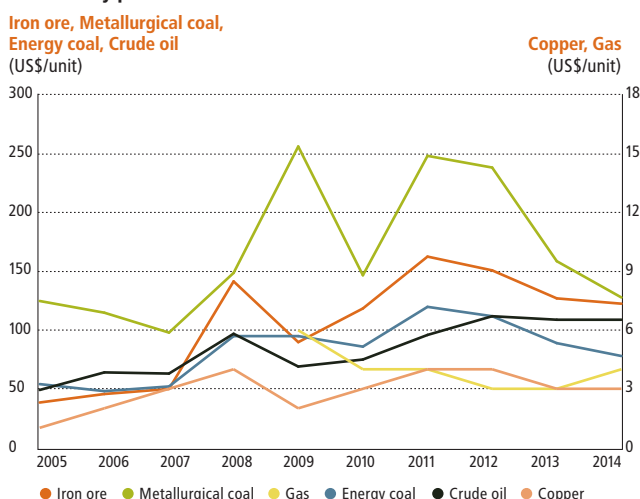
The physical impacts of climate change on our operations are uncertain and particular to geographic circumstances. In addition, a number of national governments have already introduced or are contemplating the introduction of regulatory responses to greenhouse gas emissions from the combustion of fossil fuels to address the impacts of climate change. These physical effects and regulatory responses may adversely impact the productivity and financial performance of our operations.

Other external factors and trends

A number of external factors and trends have had and may continue to have a material impact on our financial condition and results of operations, as described in section 1.15.1 of this Strategic Report. These factors include commodity prices, exchange rates, changes in product demand and supply, and operating costs.

The chart below presents the price movements in our core Business commodities over the past 10 years. Over this period we have benefited from generally rising commodity prices while our diversified portfolio provides resilience to decreases in the price of some commodities.

Commodity prices 2005–2014



A summary of the pricing trends for our most significant commodities for FY2014 is presented in section 1.15.1 of this Strategic Report.

Corporate planning framework

An annual Board strategic planning review is the start of each corporate planning cycle, where the GMC and the Board actively discuss the Group's strategy. A key outcome is the CEO Message to all employees which sets the long-term direction of the Group and aligns expectations.

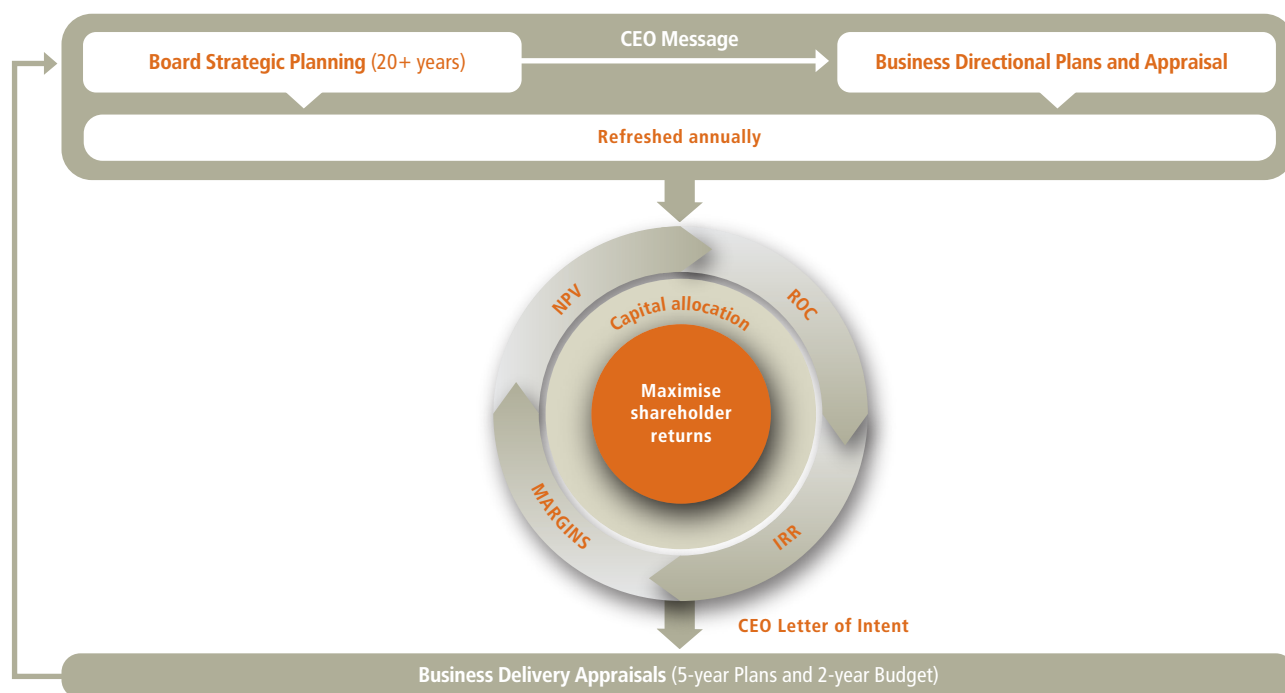
The Directional Planning (long-term strategic planning) phase begins with the CEO Message and the issuing of long-term scenarios. Businesses use the CEO Message and scenarios to prepare their Directional Plans, which include life of asset resource plans. Plans are discussed with the GMC at the Business Directional Appraisals.

We prepare a Group-wide 20-year Plan which includes input from the Businesses' Directional Plans. A total annual capital allocation limit is set to maximise total shareholder returns, while ensuring financial risks are appropriately mitigated. Within this capital ceiling, major growth options are optimally sequenced over the 20-year Plan through our capital allocation process.

The capital allocation process includes analysis of net present value (NPV), internal rates of return (IRR), return on capital (ROC) and margin analysis to inform decision-making. This process is further described in section 1.6.3 of this Strategic Report. All available

1.5.4 Corporate planning *continued*

The flowchart below illustrates our corporate planning framework.



growth options are assessed and prioritised to generate a high-value and capital-efficient portfolio which provides flexibility to return excess cash to shareholders. The increased competition for capital has improved our capital productivity.

The Delivery Planning (short-term to mid-term planning) phase begins with the CEO Letter of Intent which provides capital guidance and sets the context for the Business five-year plans and two-year budgets. Again, plans are discussed with the GMC, this time at the Business Delivery Appraisals.

We believe that the rigour of our corporate planning process, combined with the flexibility it provides the Group to quickly respond to an inherently dynamic external environment, is essential to maximise total shareholder returns.

Scenarios

The corporate planning process is underpinned by scenarios that encompass a wide spectrum of potential outcomes for key global uncertainties driven by factors external to BHP Billiton. Designed to interpret technical, economic, political and global governance trends facing the resources industry, the scenarios offer a means by which to explore potential portfolio discontinuities and opportunities, as well as to test the robustness of decisions.

It should be noted that the scenarios do not constitute preferred outcomes for BHP Billiton. The Company's approach to critical global challenges, such as the importance of addressing climate change, continues to be based on *Our Charter* values, including our value of Sustainability. Our position on climate change is discussed further in section 1.6.1 of this Strategic Report.

The starting point of our scenario development is the construction of a Central Case, built through an in-depth, bottom up analysis using rigorous processes, benchmarked with external views, thoroughly reviewed and endorsed annually by the GMC and the Board. Currently our Central Case considers expected levels of US economic recovery, progressive development of China and India, integration of developing economies into a multi-polar economic environment, as well as action on climate change centred on national policies with short-term prioritisation to adaptation and a long-term shift to mitigation.

The scenarios are designed to be divergent, but also plausible and internally consistent, spanning different potential future

business environments. A description of the key characteristics of each of our scenarios is summarised below:

- Good global growth underpinned by significant technological breakthroughs. Climate change science and need to act is acknowledged globally, resulting in global cooperation to mitigate carbon emissions and consumer pull for green products and services.
- Strong global growth, liberal trade flows, significant investment in research and technology underpinned by high gross domestic product (GDP), and a coordinated response to addressing climate change.
- Solid economic growth, potential new supply from key resource basins failing to meet expectations, climate change remains a secondary issue with research focused on adaptive technology to address greater pollution, and renewable energy technologies progressing above expectations.
- A future state enmeshed in stagnation and protectionism, regional conflicts abound, domestic resources are prioritised for consumption even if sub-economic, low investment in research and development, and climate change commitments are abandoned in favour of adaptation.

Alongside scenarios, associated signposts (trends) and triggers (events) allow early awareness for the potential advent of a scenario, offering a powerful decision-making tool. For example, rising GDP per capita in key commodity importing countries is a signpost to an earlier shift to consumption driven economies. Another example of a potential trigger is if an accord on climate change were to be ratified during the 2015 United Nations Framework Convention on Climate Change Conference of the Parties, and then enacted globally.

We believe that our uniquely diversified portfolio is robust, both across these scenarios, and also shorter-term shock events. As an example, in a severely carbon constrained world, we believe there is significant upside for our potash and uranium commodities, and also for our high-quality hard coking coal (lower smelting emissions) and iron ore lump product (direct blast furnace feed), while copper is resilient. In aggregate these mitigate potential negative impacts in other commodities, given the relatively short pay-back periods for most present and future investments in fossil fuel production. Conversely, our portfolio allows us to capture upsides in an environment where developing countries experience strong global growth.

1.6 Strategic priorities



Our Group Management Committee (GMC) maintains a strong focus on the following strategic priorities in order to execute the Company's strategy. A number of these priorities are monitored by the GMC using the key performance indicators as presented in section 1.10 of this Strategic Report.

1.6.1 Continue to operate sustainably

We will continue to operate sustainably with our focus on the following areas:

Protect our people and improve the health and safety of our operations

The health, safety and wellbeing of our people are central to the success of our organisation. Regardless of where our people are located or the type of work they undertake, we strive to create a working environment that is free from occupational illness or injury. Identifying and managing material risk is a critical component of our management approach. By understanding and managing our risks, we provide greater protection for our people, communities and assets.


Support sustainable development of our host communities


We are a global company that values our host communities. We strive to be part of the communities in which we operate and through all our interactions seek to foster meaningful long-term relationships, which respect local cultures and create lasting benefits. Our contribution to our host communities is broad ranging. Through employment, taxes and royalties, we support local, regional and national economies. We purchase local goods and services and develop infrastructure that benefits entire communities.

We voluntarily invest one per cent of our pre-tax profit (calculated on the average of the previous three years' pre-tax profit) in community programs that aim to have a long-lasting, positive impact on people's quality of life. This includes implementing new and supporting existing community projects. During FY2014, our voluntary community investment totalled US\$241.7 million, comprising US\$141.7 million in cash, in-kind support and administrative costs, and a US\$100 million contribution to the BHP Billiton Foundation.

Strategic approach to climate change

As energy demand continues to increase, the global challenge of climate change remains a priority for our organisation. We are taking action by focusing on reducing our emissions, increasing our preparedness for physical climate impacts and working with others, including industry and governments, to support effective responses to climate change. Our approach to investment decision-making and portfolio management and the diversity of our overall portfolio positions us not only to manage and respond to change, but also to capture opportunities to grow shareholder value over time.

 Further information on our sustainability commitments, standards and performance can be found in section 1.14 of this Strategic Report

 Additional information is also available in the Sustainability Report 2014, which can be found online at www.bhpbilliton.com.

Our position on climate change

We accept the Intergovernmental Panel on Climate Change's (IPCC's) assessment of climate change science which has found that warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable.

We believe that:

- ▶ The world must pursue the twin objective of:
 - limiting climate change to the lower end of the IPCC emission scenarios in line with current international agreements; while
 - providing access to the affordable energy required to continue the economic growth essential for maintaining living standards and alleviating poverty.
- ▶ Under all current plausible scenarios, fossil fuels will continue to be a significant part of the energy mix for decades.
- ▶ There needs to be an acceleration of effort to drive energy efficiency, develop and deploy low-emissions technology and adapt to the impacts of climate change.
- ▶ There should be a price on carbon, implemented in a way that addresses competitiveness concerns and achieves lowest cost emissions reductions.

We will:

- ▶ continue to take action to reduce our emissions;
- ▶ build resilience of our operations, investments, communities and ecosystems to climate change impacts;
- ▶ recognising their role as policy makers, seek to enhance the global response by engaging with governments;
- ▶ work in partnership with resource sector peers to improve sectoral performance and increase industry's influence in policy development to deliver effective long-term regulatory responses;
- ▶ through material investments in low-emission technology, contribute to reducing emissions from the use of fossil fuels.

1.6.2 Creating a more productive organisation

We are focused on achieving sustainable improvement in productivity across all aspects of our business. We believe our systems, structures, culture, people and portfolio should enable the creation of a competitive advantage by working smarter to safely deliver greater volume growth from existing plant and equipment at lower unit costs.

During the past year, we have continued to implement and embed our Operating Model, which guides how we work, defines how we are organised and enables the measurement of operational and financial performance across the Group. The Operating Model lays the foundation for sustainable productivity gains by supporting the building of capability, eliminating the duplication of effort and enabling the rapid identification and deployment of best practices.

Recognising that culture also drives performance, BHP Billiton is continuing to create an inclusive environment where every employee feels engaged. We want our people to feel listened to, be motivated to contribute to their potential and work together to unlock world-class productivity from the ground up. We support the development of our people and encourage our teams to learn from each other, identify more productive ways of working and achieve functional excellence across the Group.

Following the October 2013 completion of our deployment of 1SAP, our single Group-wide common enterprise resource planning system, we are now using common world-class business processes, standard metrics and reports that are supported by robust data. The implementation of 1SAP across the organisation supports our ability to pursue sustained improvement through the application of standard processes and performance transparency.

Our long-term commitment to improve productivity across the organisation has the potential to create significant value for shareholders and other stakeholders. Our focus on productivity has already resulted in significant improvement in operating performance at each of our major Businesses this year, with a nine per cent increase in Group production (on a copper equivalent basis) and record output at 12 operations. During FY2014, we delivered US\$2.9 billion of benefits attributable to productivity initiatives. This means we have now delivered more than US\$6.6 billion of benefits attributable to productivity initiatives over the last two years.

Case study: Cost and time reductions in Petroleum's Onshore US shale drilling and completions



In FY2014, rig mobilisation times have been cut by 12 per cent and overall drilling costs per well have decreased by 15 per cent.

Objective: To reduce the time and cost required to put each well online.

Approach: Opportunities were identified through statistical analysis and comparison against internal best practice and external benchmarks. Improvements in performance were sought in three areas: engineering (changes in the design

of each well); operations (changes in how operations are conducted in the field); and supply (shifts in what and how goods and services are procured and delivered).

Outcomes: Rig mobilisation times have been cut by 12 per cent in FY2014 through the development and implementation of an optimised rig move procedure.

The average drilling time for a shale gas well has declined in FY2014, while the productivity of hydraulic fracturing crews (stages completed per crew per month) has grown in FY2014.

Productivity results: Overall, total Onshore US shale drilling costs per well decreased by 15 per cent in FY2014.

1.6.3 Disciplined approach to capital management

Our priorities for capital management remain unchanged. The quality of our assets and adherence to our strategy has differentiated our performance and maximised shareholder returns by allocating capital in a disciplined manner.

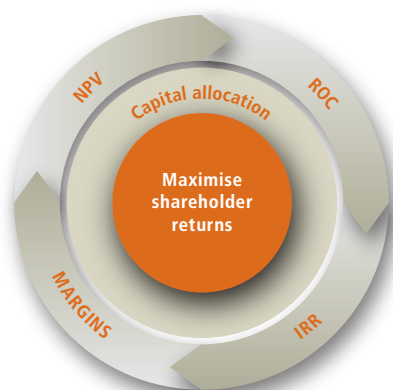
Our diversified and high-margin portfolio delivers a higher return on capital with lower volatility, when compared with many peers. Over the last 10 years, we have returned US\$64 billion to shareholders in the form of dividends and buy-backs.

Many of the areas to which we direct our cash flow are interconnected. In order to make capital allocation decisions we test each decision against a range of short-term and long-term criteria across several scenarios. We aim to optimise for net present value (NPV), return on capital (ROC), internal rate of return (IRR) and margin, while remaining mindful of portfolio construction and cash flow at risk. No single metric can dominate the process given the potential to create imbalances and all alternatives, including an investment in our own shares, actively compete.

Our portfolio remains a key point of difference. However, because it is opportunity-rich, capital discipline is more important. By reducing annual expenditure, we have created even more competition for capital and we have sharpened our focus on our core commodities and our high-margin major basins.

Given our portfolio of long-life orebodies, we also consider the value of future options as we must preserve their value at low cost.

Our approach to capital management is illustrated in the diagram below.



The following factors are considered when making capital allocation decisions:

A strong balance sheet

Our solid 'A' credit rating provides flexibility and access to debt capital markets. The Group's balance sheet continued to strengthen during FY2014. As at 30 June 2014, net debt was US\$25.8 billion, a decrease of US\$1.7 billion compared to the net debt position at 30 June 2013. As at 30 June 2014, the Group's cash and cash equivalents on hand were US\$8.8 billion.

During FY2014, the Group issued a four tranche Global Bond totalling US\$5 billion comprising US\$500 million Senior Floating Notes due 2016 paying interest at three-month US dollar LIBOR plus 25 basis points, US\$500 million 2.050 per cent Senior Notes due 2018, US\$1.5 billion, 3.850 per cent Senior Notes due 2023, and US\$2.5 billion 5.000 per cent Senior Notes due 2043.

These funds and our balance sheet capacity were used to meet a series of financing commitments, including debt repayments of US\$7.2 billion and dividend payments of US\$6.4 billion.

Progressive base dividend

BHP Billiton has a progressive dividend policy. The aim of this policy is to steadily increase or at least maintain our base dividend in US dollars at each half-yearly payment. Our progressive base dividend is the minimum annual distribution that a shareholder should expect and is expected to grow broadly in accordance with the growth of our business.

On 19 August 2014, the Board determined a final dividend for the year of 62 US cents per share. Together with the interim dividend of 59 US cents per share paid to shareholders on 26 March 2014, this brought the total dividend determined for the year to 121 US cents per share, a 4.3 per cent increase over the previous year's full-year dividend of 116 US cents per share.

Year ended 30 June	2014	2013	2012
Dividends determined in respect of the period (US cents per share)			
Interim dividend	59.0	57.0	55.0
Final dividend	62.0	59.0	57.0
	121.0	116.0	112.0

1.6.3 Disciplined approach to capital management *continued*

Internal competition for capital investment

By reducing annual capital expenditure and increasing competition for capital within the Group, we have prioritised higher quality growth at a higher average rate of return on incremental investment. We continue to invest selectively in those projects that meet our criteria.

During FY2014, eight projects were completed, including:

- Macedon (Petroleum), which delivered first petroleum production in the September 2013 quarter. Our share of development costs was approximately US\$1.2 billion.
- North West Shelf North Rankin B Gas Compression (Petroleum), which delivered first gas production in the December 2013 quarter. Our share of development costs was approximately US\$721 million as of 30 June 2014.
- Jumblebar mine expansion (Iron Ore), which delivered first iron ore production in the September 2013 quarter. Our share of development costs was approximately US\$3.4 billion.
- Port blending facilities and rail yard (Iron Ore), which was completed in the December 2013 quarter. The project was delivered at a cost of US\$1.1 billion (BHP Billiton share US\$916 million).
- Samarco fourth pellet plant (Iron Ore), which delivered first iron ore pellet production in the March 2014 quarter. The final spend of the project was US\$3.2 billion (BHP Billiton share US\$1.6 billion).
- Caval Ridge (Coal), which delivered first metallurgical coal production in the June 2014 quarter. BHP Billiton's share of the project's cost was US\$1.9 billion.

Eight major projects were in execution at 30 June 2014. Seven of our development projects are brownfield in nature, which are inherently lower risk than new greenfield projects.

Capital expenditure

Capital and exploration expenditure is disclosed for each Business in the table below.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Capital and exploration expenditure⁽¹⁾			
Petroleum and Potash	7,070	8,439	7,063
Copper	3,873	4,204	3,889
Iron Ore	3,118	6,196	4,745
Coal	2,379	3,665	3,277
Aluminium, Manganese and Nickel	542	950	2,020
Group and unallocated items	21	140	136
BHP Billiton Group	17,003	23,594	21,130

(1) Capital expenditure is presented on a cash basis and excludes capitalised interest, but includes capitalised exploration. Exploration expenditure is capitalised in accordance with our accounting policies, as set out in note 1 'Accounting policies' in the Financial Statements contained in the Annual Report 2014.

Capital expenditure encompasses expenditure on major projects, as set out in section 2.4 of the Annual Report 2014, and capital expenditure on sustaining and other items.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Capital expenditure			
Growth	13,130	18,678	14,994
Sustaining and other	2,863	3,565	3,643
Total	15,993	22,243	18,637
Exploration expenditure			
Petroleum	600	675	1,355
Minerals	410	676	1,138
Total	1,010	1,351	2,493
Total capital and exploration expenditure (cash basis)	17,003	23,594	21,130
Add: equity accounted investments	871	1,493	1,164
Less: capitalised deferred stripping	(1,421)	(1,650)	(1,531)
Less: non-controlling interests	(1,272)	(1,146)	(970)
Total capital and exploration expenditure (BHP Billiton share)	15,181	22,291	19,793

BHP Billiton's share of capital and exploration expenditure declined by 32 per cent during FY2014 to US\$15.2 billion. Our rate of investment is expected to decline further in FY2015 with planned capital and exploration expenditure of approximately US\$14.8 billion (BHP Billiton share).

 A detailed discussion of our project pipeline (including projects approved after 30 June 2014) is located in section 2.4 of the Annual Report 2014

Returning excess capital to shareholders

During the last 10 years, we supplemented our progressive base dividend by returning excess capital to shareholders and returned US\$23 billion in the form of buy-backs, which is almost 35 per cent of total capital returned.

We have now returned US\$64 billion in the form of dividends and buy-backs over the last 10 years, equivalent to an underlying payout ratio of approximately 50 per cent.

We continue to focus on the things we can control to maximise free cash flow, like productivity and the rate at which we invest. The pace at which our balance sheet strengthens, however, will also depend on external factors like prices and foreign exchange rates. We monitor this closely and seek to return excess cash consistently and predictably.

1.6.4 Active management of our portfolio

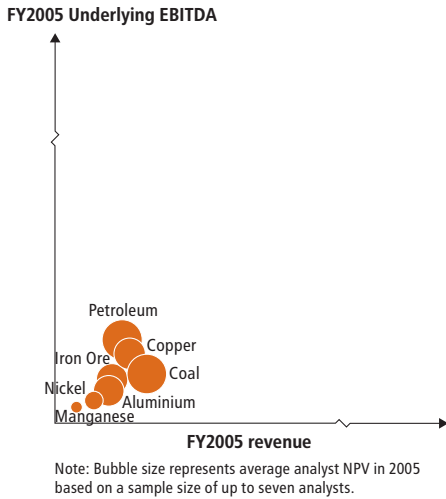
We are concentrating our efforts on those basins where we enjoy economies of scale and a competitive advantage. Our focus on four major Businesses of Iron Ore, Petroleum, Copper, and Coal, with Potash as a potential fifth, provides the benefits of diversification.

Proposed demerger of assets

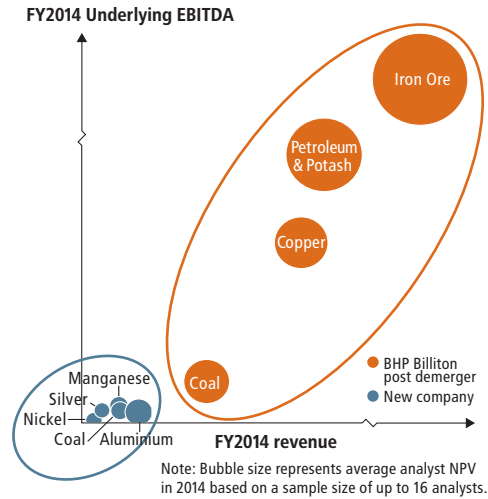
On 19 August 2014, we announced a plan to create an independent global metals and mining company based on a selection of our high-quality aluminium, coal, manganese, nickel and silver assets.

As a result of the growth of our major Businesses and the Group's substantial investment in recent years, BHP Billiton now has two great companies embedded within its portfolio. Separating these assets via a demerger has the potential to unlock shareholder value by significantly simplifying the Group.

BHP Billiton portfolio FY2005



Core BHP Billiton⁽¹⁾ and new company portfolios



BHP Billiton's continued diversification

If the demerger is approved, we would focus almost exclusively on our large, long-life iron ore, copper, coal, petroleum and potash basins. By concentrating on the development and operation of these basins, BHP Billiton expects to reduce costs and improve productivity more quickly.

Following the demerger, BHP Billiton would have a simpler portfolio with fewer assets and a greater focus on upstream operations.

BHP Billiton would remain:

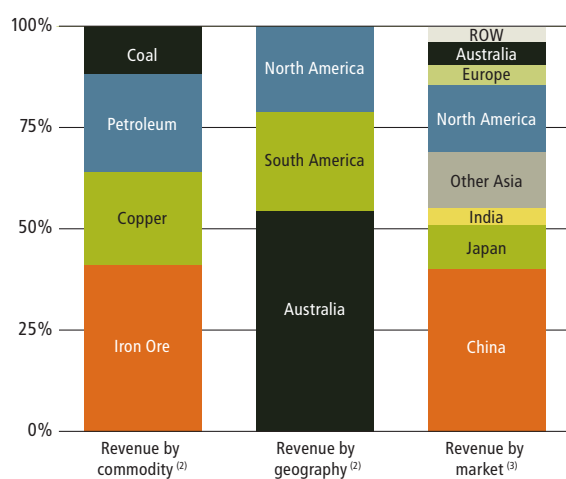
- the largest exporter of metallurgical coal;
- a global top three producer of iron ore;
- a global top four exporter of copper concentrate;
- the largest overseas investor in onshore US shale;
- the developer of the world's best undeveloped potash resource in Saskatchewan, Canada.

Consistent with our established strategy, our Core Portfolio⁽¹⁾ provides broad exposure to steelmaking raw materials, copper, energy and potentially agricultural markets and will remain diversified by commodity, geography and market.

Our Charter values and commitment to putting health and safety first, being environmentally responsible and supporting the communities in which we operate will remain unchanged.

We will continue to simplify our portfolio and as part of this process are reviewing our Nickel West, New Mexico Coal and smaller petroleum assets.

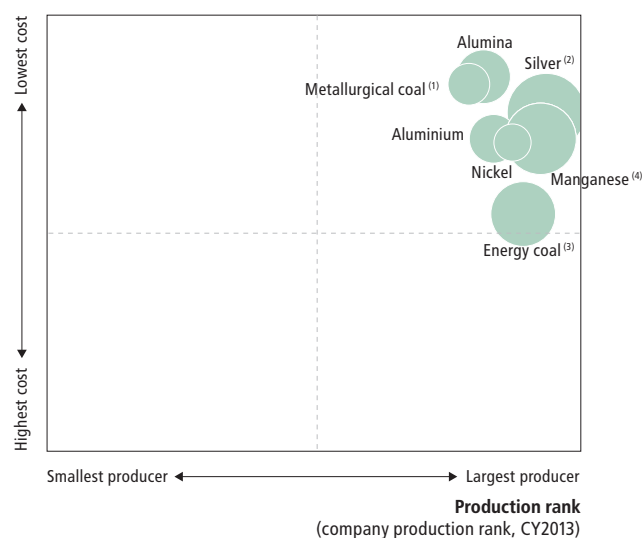
(core portfolio⁽¹⁾, % contribution)



(1) Core assets include: Western Australia Iron Ore, Samarco, Queensland Coal, NSW Energy Coal, Cerrejón, Escondida, Olympic Dam, Pampa Norte, Antamina, Onshore US, Shenzi, Mad Dog, Atlantis, Angostura, North West Shelf, Bass Strait, Pyrenees, Macedon and Jansen Project.
 (2) FY2014 revenue excluding third party trading activities.
 (3) Revenue by market represents location of customer.

1.6.4 Active management of our portfolio *continued*

New company position on the cash cost curve, CY2013



Source: Wood Mackenzie, AME, CRU, BHP Billiton (for EBITDA only).
Note: Bubble size represents FY2014 Underlying EBITDA.

- (1) Metallurgical coal (Illawarra) shown on margin curve position to account for coal quality differentials.
- (2) Silver cost position based on mining cost by commodity rather than by-product credits.
- (3) Energy coal export tonnage rank and cash cost curve position for the export thermal coal market.
- (4) Manganese revenue and Underlying EBITDA is included on a proportional consolidation (60 per cent interest) basis. Statutory reporting has historically been on a full consolidation basis.

A new global metals and mining company

The new company would have assets in five countries. Many of its operations are among the most competitive in their industries and in FY2014 its portfolio would have generated revenues of nearly US\$10 billion. Its assets would include:

- BHP Billiton's integrated Aluminium business;
- Cannington silver;
- Energy Coal South Africa;
- Illawarra metallurgical coal;
- Cerro Matoso nickel;
- BHP Billiton's Manganese business.

The new company's portfolio of assets is positioned in the first or second quartile of industry cost curves.

By tailoring its approach, and retaining some elements of BHP Billiton's common systems and processes, the new company would be designed to operate safely, reduce overheads and deliver improved performance.

Management, board and listings

It is proposed that the Chairman of the new company would be David Crawford, who will retire from the BHP Billiton Board in November 2014. Graham Kerr, BHP Billiton's Chief Financial Officer, would assume the role of Chief Executive Officer of the new company, based in Perth. It is intended that Keith Rumble will become a Non-executive Director of the new company that BHP Billiton plans to form in the proposed demerger. Mr Rumble would retire from the BHP Billiton Board at the time the shareholders vote on this demerger proposal. The BHP Billiton Board also intends to nominate Xolani Mkhwanazi, currently BHP Billiton's Chairman South Africa, as a Non-executive Director of the new company.

The importance of South Africa to the new company would be reflected in the formation of its board and management team, as well as its commitment to the country's economic development and transformation objectives.

The new company is intended to be listed on the Australian Securities Exchange (ASX) with an inward secondary listing on the Johannesburg Stock Exchange (JSE).


A responsible operator

The new company would be committed to responsible environmental management, the safe operation of its assets and to making a positive contribution to its host communities and nations. BHP Billiton's existing community commitments will be fulfilled, while the new company would foster its own partnerships and establish its own community programs.

BHP Billiton shareholders

BHP Billiton Limited and Plc shareholders would be entitled to 100 per cent of the shares in the new listed company through a pro rata, in-specie distribution, as well as retaining their existing shares in the Group.

Subject to final Board approval to proceed, shareholder approval and the receipt of satisfactory third party approvals, the demerger is expected to be completed in the first half of the 2015 calendar year.

 Additional information on the proposed demerger of assets is available online at www.bhpbilliton.com.

Targeted divestment program

We also continue to execute a targeted divestment program, with major transactions totalling US\$6.7 billion completed since FY2013. The transactions completed during FY2014 included:

- the sale of the Pinto Valley mining operation and the associated San Manuel Arizona Railroad Company to Capstone Mining Corp for an aggregate cash consideration of US\$653 million;
- the sale of our interest in our Onshore US South Midland shale operation, located in the Permian Basin, to EP Energy for a cash consideration of US\$153 million;
- the sale of Liverpool Bay, comprising a 46.1 per cent interest in five producing offshore oil and gas fields in the Irish Sea, United Kingdom and the Point of Ayr onshore processing plant in northern Wales and associated infrastructure. The sale was completed on 31 March 2014 to ENI ULX Limited for a cash consideration of US\$29 million; and
- the extension of our Western Australia Iron Ore long-term joint venture relationship with ITOCHU and Mitsui to include Jimblebar, following the issuing of equity on 10 July 2013 in a subsidiary company, for which BHP Billiton received a total consideration of US\$1.5 billion in shares and loans of the subsidiary.

1.7 Our management of risk

1.7.1 Approach to risk management

We believe the identification and management of risk is central to achieving our corporate purpose of creating long-term shareholder value.

Risk can present itself in many forms, has the potential to impact our health and safety, environment, community, reputation, regulatory, market and financial performance and thereby the achievement of our corporate purpose.

By understanding and managing risk, we provide greater certainty and confidence for our shareholders, employees, customers, suppliers, and for the communities in which we operate. Successful risk management can be a source of competitive advantage.

Our risks are viewed and managed on a Group-wide basis. The natural diversification in our portfolio of commodities, geographies, currencies, assets and liabilities is a key element in our risk management approach.

Risk management is embedded in our critical business activities, functions and processes. Materiality and our tolerance for risk are key considerations in our decision-making.

Risk issues are identified, analysed and assessed in a consistent manner. Performance requirements exist for the identification, assessment, control and monitoring of material risk issues that could threaten our corporate purpose and business plans.

These include:

- The potential for impacts on the achievement of our corporate purpose and business plans is identified through risk assessments using approved materiality and tolerability criteria. The severity of any risk event is assessed according to a matrix that describes the degree of harm, injury or loss from the most severe impact associated with that risk event, assuming reasonable effectiveness of controls.
- A risk assessment (risk identification, risk analysis, including likelihood and impact assessment and risk evaluation) is conducted for material risk issues.
- Risk controls are designed, implemented, operated and assessed to produce a residual risk that is tolerable. Performance standards are established for critical controls over material risks with supporting verification processes.

We have established processes that apply when entering or commencing new activities in high-risk countries. Risk assessments and a supporting risk management plan are required to ensure that potential reputation, legal, business conduct and corruption-related exposures are managed and legislative compliance is maintained, including relevant anti-corruption legislation and the application of any sanctions or trade embargoes.

 *Our risk management governance approach is described in sections 3.14.1 and 3.15 of the Annual Report 2014*

1.7.2 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 that may have an adverse effect on our results and operations. The following describes the material risks that could affect BHP Billiton.

External risks

Fluctuations in commodity prices and impacts of ongoing global economic volatility may negatively affect our results, including cash flows and asset values

The prices we obtain for our oil, gas and minerals are determined by, or linked to, prices in world markets, which have historically been subject to substantial volatility. Our usual policy is to sell our products at the prevailing market prices. The diversity provided by our relatively broad portfolio of commodities does not insulate the effects of price changes. Fluctuations in commodity prices can occur due to price shifts reflecting underlying global economic and geopolitical factors, industry demand, increased supply due to the development of new productive resources, technological change, product substitution and national tariffs. We are particularly exposed to price movements in iron ore, coal, copper, and oil and gas. For example, a US\$1 per tonne decline in the average iron ore price and US\$1 per barrel decline in the average oil price would have an estimated impact on FY2014 profit after taxation of US\$112 million and US\$54 million, respectively. Volatility in global economic growth, particularly in the developing economies, has the potential to adversely impact future demand and prices for commodities. The impact of potential long-term sustained price shifts and short-term price volatility, including the effects of unwinding the sustained monetary stimulus in the United States, creates the risk that our financial and operating results including cash flows and asset values, will be materially and adversely affected by unforeseen declines in the prevailing prices of our products.

Our financial results may be negatively affected by currency exchange rate fluctuations

Our assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which we operate. Fluctuations in the exchange rates of those currencies may have a significant impact on our financial results. The US dollar is the currency in which the majority of our sales are denominated. Operating costs are influenced by the currencies of those countries where our mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian dollar, South African rand, Chilean peso, Brazilian real and US dollar are some of the currencies influencing our operating costs. Over recent years, higher exchange rates (compared to the US dollar) of currencies in which the majority of our operating costs are incurred have and may continue to adversely impact our profit margins. Given the dominant role of the US currency in our affairs, the US dollar is the currency in which we present financial performance. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. From time to time, we consider currency protection measures appropriate in specific commercial circumstances, subject to strict limits established by our Board.

1.7.2 Risk factors *continued*

External risks *continued*

Reduction in Chinese demand may negatively impact our results

The Chinese market has been driving global materials demand and pricing over the past decade. Sales into China generated US\$23.3 billion (FY2013: US\$20.1 billion) or 34.7 per cent (FY2013: 30.4 per cent) of our revenue in FY2014. The FY2014 sales into China by Business included 64.9 per cent Iron Ore, 17.8 per cent Copper, 8.5 per cent Coal, 6.6 per cent Aluminium, Manganese and Nickel and 2.2 per cent Petroleum. A slowing in China's economic growth could result in lower prices and less demand for our products and negatively impact our results, including cash flows.

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

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

Our operations are based on material long-term investments that are dependent on long-term fiscal stability and could be adversely impacted by changes in fiscal legislation. The natural resources industry continues to be regarded as a source of tax revenue and can also be impacted by broader fiscal measures applying to business generally.

Our business could be adversely affected by new government regulations, such as controls on imports, exports, prices and greenhouse gas emissions. Increasing requirements relating to regulatory, environmental and social approvals can potentially result in significant delays in construction and may adversely affect 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 or subject to legislative change. These may adversely impact the efficient operations and expansion of our Businesses.

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

These regulations are complex, difficult to predict and outside our control and could negatively affect our Company, future results and our financial condition.

Business risks

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

The demand for our products and production from our operations results in existing reserves being depleted over time. As our revenues and profits are derived from our oil and gas and minerals operations, our results and financial condition are directly related to the success of our exploration and acquisition efforts, and our ability to generate reserves to meet our production requirements. Exploration activity occurs adjacent to established operations and in new regions, in developed and less-developed countries. These activities may increase land tenure, infrastructure and related political risks. A failure in our ability to discover or acquire new resources, maintain 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.

Future deterioration in commodities pricing may make some existing reserves uneconomic. Our actual drilling activities and future drilling budget will depend on our mineral inventory size and quality, drilling results, commodity prices, drilling and production costs, availability of drilling services and equipment, lease expirations, transportation pipelines and other infrastructure constraints, regulatory approvals and other factors.

There are numerous uncertainties inherent in estimating mineral and oil and gas reserves. Geological assumptions about our mineralisation that are valid at the time of estimation may change significantly when new information becomes available. Estimates that the indicated amount of reserves will be recovered or that it will be recovered at the cost we anticipate are based on uncertain assumptions. The uncertain global financial outlook may affect economic assumptions related to reserve recovery and may require reserve restatements. Reserve restatements could negatively affect our results and prospects.

Potential changes to our portfolio of assets through acquisitions and divestments may have a material adverse effect on our future results and financial condition

We regularly review the composition of our asset portfolio and from time to time may add assets to the portfolio or divest assets from the portfolio. There are a number of risks associated with such acquisitions or divestments. These include adverse market reaction to such changes or the timing or terms on which such changes are made, the imposition of adverse regulatory conditions and obligations, commercial objectives not being achieved as expected, unforeseen liabilities arising from such changes to the portfolio, sales revenues and operational performance not meeting our expectations, anticipated synergies or cost savings being delayed or not being achieved, inability to retain key staff and transaction-related costs being more than anticipated. These factors could negatively affect our reputation, future results and financial condition.

Increased costs and schedule delays may adversely affect our development projects

Although we devote significant time and resources to our project planning, approval and review process, many of our development projects are highly complex and rely on factors that are outside our control, which may cause us to underestimate the cost or time required to complete a project. For instance, accidents during development projects may cause setbacks or cost overruns, required licences, permits or authorisations to build a project may be unobtainable at anticipated costs, or may be obtained only after significant delay and market conditions may change making a project less profitable than initially projected.

In addition, we may fail to manage projects as effectively as we anticipate and unforeseen challenges may emerge.

Any of these may result in increased capital costs and schedule delays at our development projects, adversely affecting our development projects and impacting anticipated financial returns.

1.7.2 Risk factors continued

Financial risks

If our liquidity and cash flow deteriorate significantly it could adversely affect our ability to fund our major capital programs

We seek to maintain a solid 'A' credit rating as part of our strategy. However, fluctuations in commodity prices and the ongoing global economic volatility may adversely impact our future cash flows and ability to access capital from financial markets at acceptable pricing. If our key financial ratios and credit rating are not maintained, our liquidity and cash reserves, interest rate costs on borrowed debt, future access to financial capital markets and the ability to fund current and future major capital programs could be adversely affected.

We may not recover our investments in mining, oil and gas assets, which may require financial write-downs

One or more of our assets 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 cause us to fail to recover all or a portion of our investment in mining and oil and gas assets and may require financial write-downs, including goodwill adversely impacting our financial results.

Operational risks

Cost pressures and reduced productivity could negatively impact our operating margins and expansion plans

Cost pressures may continue to occur across the resources industry. As the prices for our products are determined by the global commodity markets in which we operate, we do not generally have the ability to offset these cost pressures through corresponding price increases, which can adversely affect our operating margins. Notwithstanding our efforts to reduce costs and a number of key cost inputs being commodity price-linked, the inability to reduce costs and a timing lag may adversely impact our operating margins for an extended period.

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

Our Australian-based operations may continue to be affected by the Australian Fair Work Act 2009 as labour agreements expire and Businesses are required to collectively bargain with unions. In some instances, labour unions are pursuing wage claims in the bargaining process, and/or claims about union involvement in operational decision-making. Claims or labour disputes may adversely affect productivity and costs. Industrial action in pursuit of claims associated with the bargaining process has occurred or been threatened in some Businesses, and is likely to continue to occur as unions press claims as part of the collective bargaining process.

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

Unexpected natural and operational catastrophes may adversely impact our operations

We operate extractive, processing and logistical operations in many geographic locations, both onshore and offshore. Our key port facilities are located at Port Hedland and Hay Point in Australia. We have 11 underground mines, including seven underground coal mines. Our operational processes may be subject to operational accidents, such as port and shipping incidents, underground mine and processing plant fire and explosion, open-cut pit wall failures, loss of power supply, railroad incidents, loss of well control,

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

We contract with a large number of commercial and financial counterparties, including end-customers, suppliers and financial institutions. Global economic volatility continues to strain global financial markets, with tighter liquidity in China and uncertain business conditions generally. We maintain a 'one book' approach with commercial counterparties to ensure all credit exposures are quantified. Our existing counterparty credit controls may not prevent a material loss due to credit exposure to a major customer or financial counterparty. In addition, customers, suppliers, contractors or joint venture partners may fail to perform against existing contracts and obligations. Non-supply of key inputs, such as tyres, mining and mobile equipment, diesel and other key consumables, may unfavourably impact costs and production at our operations. These factors could negatively affect our financial condition and results of operations.

environmental pollution and mechanical critical equipment failures. Our operations may also be subject to unexpected natural catastrophes, such as earthquakes, flood, hurricanes and tsunamis. Our northwest Western Australia iron ore, Queensland coal and Gulf of Mexico oil and gas operations are located in areas subject to cyclones or hurricanes. Our Chilean copper operations are located in a known earthquake and tsunami zone. Based on our risk management and concerns about the value of external insurance in the natural resource sector, our risk financing (insurance) approach is to minimise or not to purchase external insurance for certain risks, including property damage, business interruption, construction-related risk, marine cargo and primary liability risks. Existing business continuity plans may not provide protection for all of the costs that arise from such events. The impact of these events could lead to disruptions in production, increased costs and loss of facilities more than offsetting external premiums saved, which would adversely affect our financial results and prospects. Where external insurance is purchased, third party claims arising from these events may exceed the limit of liability of the insurance policies we have in place.

Our non-operated assets may not comply with our standards

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

Breaches in our information technology security processes may adversely impact our business activities

We maintain global information technology (IT) systems, consisting of infrastructure, applications and communications networks to support our business activities. These systems could be subject to security breaches (e.g. cyber-crime) resulting in theft, disclosure or corruption of information, including information relating to acquisitions and divestments, strategic decision-making, non-public investment market communications or commercially sensitive information relating to major contracts. Security breaches could also result in misappropriation of funds or disruptions to our operations.

1.7.2 Risk factors *continued*

Sustainability risks

Safety, health, environmental and community impacts, incidents or accidents and related regulations may adversely affect our people, operations and reputation or licence to operate

Safety

Potential safety events that may have a material adverse impact on our operations include fire, explosion or rock fall incidents in underground mining operations, personnel conveyance equipment failures in underground operations, aircraft incidents, incidents involving light vehicles and mining mobile equipment, ground control failures, well blowouts, explosions or gas leaks, and accidents involving inadequate isolation and working from heights or lifting operations.

Health

Health risks faced include fatigue, musculoskeletal illnesses and occupational exposure to noise, silica, manganese, diesel exhaust particulate, fluorides, coal tar pitch, nickel and sulphuric acid mist. Longer-term health impacts may arise due to unanticipated workplace exposures or historical exposures of our workforce to hazardous substances. These effects may create future financial compensation obligations.

Infectious diseases such as malaria may have a material adverse impact upon our workers or on our communities, primarily in Africa. Because we operate globally, we may be affected by potential pandemic influenza outbreaks, such as A(H1N1) and avian flu, in any of the regions in which we operate.

Environment

Environmental incidents have the potential to lead to material adverse impacts on our operations. These include uncontrolled tailings containment breaches, subsidence from mining activities, escape of polluting substances and uncontrolled releases of hydrocarbons.

Our operations by their nature have the potential to adversely impact biodiversity, water resources and related ecosystem services. Changes in scientific understanding of these impacts, regulatory requirements or stakeholder expectations may prevent or delay project approvals and result in increased costs for mitigation, offsets or compensatory actions.

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

Community

Local communities may become dissatisfied with the impact of our operations or oppose our new development projects, including through litigation, potentially affecting costs and production, and in extreme cases viability. Community related risks may include community protests or civil unrest, and may cause delays to proposed developments. Our operations or activities also risk inadvertent breaches of human rights or other international laws or conventions.

HSE legislation

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

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

Hydraulic fracturing

Our Onshore US operations involve hydraulic fracturing, an essential and common practice in the oil and gas industry to stimulate production of natural gas and oil from dense subsurface rock formations. Hydraulic fracturing involves using water, sand and a small amount of chemicals to fracture the hydrocarbon-bearing rock formation, to allow flow of hydrocarbons into the wellbore. We routinely apply hydraulic fracturing techniques in our drilling and completion programs.

Attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques. Increased regulation could impose more stringent permitting, public disclosure and well construction requirements on hydraulic fracturing operations. In the United States, the hydraulic fracturing process is typically regulated by relevant US state regulatory bodies. Some states are considering changes to regulations in relation to permitting, public disclosure, and/or well construction requirements on hydraulic fracturing and related operations, including the possibility of outright bans on the process. Arkansas, Louisiana and Texas (the states in which we currently operate) have adopted various laws, regulations or issued regulatory guidance concerning hydraulic fracturing.

Several US federal agencies are also reviewing or advancing regulatory proposals concerning hydraulic fracturing and related operations. The US Environmental Protection Agency (EPA) commenced a study of the potential impacts of hydraulic fracturing activities on drinking water resources and issued a non-determinative Progress Report in December 2012. A draft report, not including prospective case study work, is expected in late CY2014. The EPA is expected to issue a final report for peer review in CY2016. The EPA's Office of Inspector General is researching the EPA's and states' ability to manage potential threats to water resources from hydraulic fracturing, with a possible longer-term study to follow. The US Bureau of Land Management (BLM) is planning to issue a revised proposed rule in CY2014 that would impose new requirements on hydraulic fracturing operations conducted on federal lands, including the disclosure of chemicals used, wellbore integrity, water use and disposal of flow back water. Activity at the federal level, including the ongoing EPA study, BLM rules and other analysis by federal and state agencies to assess the impacts of hydraulic fracturing could spur additional legislative or regulatory actions.

While we have not experienced a material delay or substantially higher operating costs as a result of current regulatory requirements in our Onshore US operations, we cannot predict whether additional federal, state or local laws or regulations will be enacted and what such actions would require or prohibit. Additional legislation or regulation could subject our operations to delays and increased costs, or prohibit certain activities, which could adversely affect the financial performance of our Onshore US operations.

Due to the nature of our operations, HSEC incidents or accidents and related regulations may adversely affect our reputation or licence to operate.

Climate change may impact the value of our Company, and our operations and markets

The physical impacts of climate change and various regulations that seek to address climate change may negatively affect our operations, productivity and the markets in which we sell our products. According to the Intergovernmental Panel on Climate Change (IPCC), fossil fuel-related emissions are a significant source of greenhouse gases contributing to climate change. We produce fossil fuels such as coal, oil and gas for sale to customers, and we use fossil fuels in our mining and processing operations either directly or through the purchase of fossil fuel-based electricity.

1.7.2 Risk factors continued

Sustainability risks continued

A number of national governments have already introduced or are contemplating the introduction of regulatory responses to greenhouse gas emissions from the combustion of fossil fuels to address the impacts of climate change. This includes countries where we have operations such as Australia, the United States, South Africa and Chile, as well as customer markets such as China, India and Europe. From a medium to long-term perspective, we are likely to see some adverse changes in the cost position of our greenhouse gas-intensive assets and energy-intensive assets as a result of regulatory impacts in the countries where we operate. These proposed regulatory mechanisms may impact our operations directly or indirectly through our suppliers and customers.

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. For example, the Australian Government repealed a carbon tax in 2014, the South African Government plans to introduce a carbon tax beginning in 2016 and carbon pricing is being discussed as part of a broader tax reform package in Chile.

There is a potential gap between the current valuation of fossil fuel reserves on the balance sheets of companies and in global equities markets and the reduced value that could result if a significant proportion of reserves were rendered incapable of extraction in an economically viable fashion due to regulatory or market responses to climate change. In such a scenario, reserve assets held on our balance sheet may need to be impaired or written off and our inability to make productive use of such assets may also negatively impact our financial condition and results.

Changing consumer demand towards alternative energy supply options could present a threat to existing fossil fuel markets.

The physical effects of climate change on our operations may include changes in rainfall patterns, water shortages, rising sea levels, increased storm intensities and higher temperatures. These effects may adversely impact the financial performance of our operations.

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

We operate in a global environment that encompasses multiple jurisdictions and complex regulatory frameworks. Our governance and compliance processes, which include the review of internal controls over financial reporting and specific internal controls in relation to offers of things of value to government officials and representatives of state-owned enterprises, may not prevent future potential breaches of law, accounting or governance practice. Our *Code of Business Conduct*, together with our mandatory policies, such as the anti-corruption, trade and financial sanctions and competition policies, may not prevent instances of fraudulent behaviour and dishonesty nor guarantee compliance with legal or regulatory requirements. This may lead to regulatory fines, disgorgement of profits, litigation, loss of operating licences or reputational damage.

1.7.3 Management of principal risks

The scope of our operations and the number of industries in which we operate and engage mean that a range of factors may impact our results. Material risks that could negatively affect our results and performance are described in section 1.7.2 of this Strategic Report. Our approach to managing these risks is outlined below.

Principal risk area	Risk management approach
<p>External risks Risks arise from falls in commodity prices and demand in major markets (such as China or Europe) or changes in currency exchange rates and actions by governments and political events that impact long-term fiscal stability.</p>	<p>The diversification of our portfolio of commodities, geographies and currencies is a key strategy for reducing the effects of volatility. Section 1.15.1 of this Strategic Report describes external factors and trends affecting our results and note 29 'Financial risk management' to the Financial Statements in the Annual Report 2014 outlines the Group's financial risk management strategy, including market, commodity, and currency risk. The Financial Risk Management Committee oversees these risks as described in sections 3.15 and 3.16 of the Annual Report 2014. We also engage with governments and other key stakeholders to ensure the potential adverse impacts of proposed fiscal, tax, resource investment, infrastructure access and regulatory changes are understood and where possible mitigated.</p>
<p>Business risks Risks include the inherent uncertainty of identifying and proving reserves, adding and divesting assets and managing our capital development projects.</p>	<p>The Group Resource and Business Optimisation function provides governance and technical leadership for Mineral Resource development and Ore Reserves reporting as described in section 2.3.2 of the Annual Report 2014. Our governance over reporting of Petroleum reserves is described in section 2.3.1 of the Annual Report 2014.</p> <p>We have established investment approval processes that apply to all major capital projects and asset divestment and acquisitions. The Investment Committee oversees these as described in sections 3.15 and 3.16 of the Annual Report 2014. The Group Project Management function additionally seeks to ensure that projects are safe, predictable and competitive. We have established project hubs as operating centres for the study and execution of a pipeline of major capital projects using a program management approach.</p>

1.7.3 Management of principal risks *continued*

Principal risk area	Risk management approach
<p>Financial risks</p> <p>Continued volatility in global financial markets may adversely impact future cash flows, our ability to adequately access and source capital from financial markets and our credit rating. Volatility may impact planned expenditures, as well as the ability to recover investments in mining and oil and gas projects. In addition, the commercial counterparties (customers, suppliers and financial institutions) we transact with may, due to adverse market conditions, fail to meet their contractual obligations.</p>	<p>We seek to maintain a solid 'A' credit rating, supported by our portfolio risk management strategy. As part of this strategy, commodity prices and currency exchange rates are not hedged, and wherever possible we take the prevailing market price. We use Cash Flow at Risk analysis to monitor volatilities and key financial ratios. Credit limits and review processes are required to be established for all customers and financial counterparties. The Financial Risk Management Committee oversees these as described in sections 3.15 and 3.16 of the Annual Report 2014. Note 29 'Financial risk management' to the Financial Statements outlines our financial risk management strategy and can be found in our Annual Report 2014.</p>
<p>Operational risks</p> <p>Operating cost pressures and reduced productivity could negatively impact operating margins and expansion plans. Non-operated assets may not comply with our standards. Unexpected natural and operational catastrophes may adversely impact our operations. Breaches in IT security processes may adversely impact the conduct of our business activities.</p>	<p>We seek to ensure that adequate operating margins are maintained through our strategy to own and operate large, long-life, low-cost and expandable upstream assets.</p> <p>The Group's concentrated effort to reduce operating costs and drive productivity improvements has realised tangible results, with a reduction in controllable costs.</p> <p>The capability to sustain productivity improvements is being further enhanced through continued refinements to our Operating Model. The Operating Model is designed to deliver a simple and scalable organisation, providing a competitive advantage through defining work, organisation and performance measurements. Defined global business processes, including 1SAP, provide a standardised way of working across the organisation. Common processes generate useful data and improve operating discipline. Global sourcing arrangements have been established to ensure continuity of supply and competitive costs for key supply inputs. We seek to influence the application of our standards to non-operated assets.</p> <p>Through the application of our risk management processes, we identify catastrophic operational risks and implement the critical controls and performance requirements to maintain control effectiveness. Business continuity plans are required to be established to mitigate consequences. Consistent with our portfolio risk management approach, we continue to be largely self-insured for losses arising from property damage, business interruption and construction.</p> <p>IT security controls to protect IT infrastructure, applications and communication networks and respond to security incidents are in place and subject to regular monitoring and assessment. To maintain adequate levels of protection, we also continue to monitor the development of threats in the external environment and assess potential responses to those threats.</p>
<p>Sustainability risks</p> <p>HSEC incidents or accidents and related regulations may adversely affect our people, operations and reputation or licence to operate. The potential physical impacts and related responses to climate change may impact the value of our Company, and operations and markets. Given we operate in a challenging global environment straddling multiple jurisdictions, a breach of our governance processes may lead to regulatory penalties and loss of reputation.</p>	<p>Our approach to sustainability risks is reflected in <i>Our Charter</i> and described in section 1.14 of this Strategic Report. A comprehensive set of Group Level Documents (GLDs) set out Group-wide HSEC-related performance requirements to ensure effective management control of these risks.</p> <p>Our approach to corporate planning, investment decision-making and portfolio management provides a focus on the identification, assessment and management of climate change risks. We have been applying an internal price on carbon in our investment decisions for more than a decade. Through a comprehensive and strategic approach to corporate planning, we work with a broad range of scenarios to assess our portfolio, including consideration of a broad range of potential policy responses to and impacts from climate change. Our models suggest that BHP Billiton's portfolio diversification results in the resilience of our overall asset valuation through all these scenarios.</p> <p>As with our other risks, for climate change risk our <i>Risk Management</i> GLD provides the framework for risk management. Internal audits are conducted to test compliance with GLD requirements and action plans are developed to address any gaps. Key findings are reported to senior management and reports are considered by relevant Board committees. Our <i>Code of Business Conduct</i> sets out requirements related to working with integrity, including dealings with government officials and third parties. Processes and controls are in place for the internal control over financial reporting, including under Sarbanes-Oxley. We have also established anti-corruption and antitrust related performance requirements, which are overseen by the Legal and Compliance function. Additionally, the Disclosure Committee oversees our compliance with securities dealing obligations and continuous and periodic disclosure obligations as described in sections 3.15 and 3.16 of the Annual Report 2014.</p>

1.8 Our approach to corporate governance

At BHP Billiton, we have a governance framework that goes beyond an interest in governance for its own sake or the need to simply comply with regulatory requirements. Instead, we believe high-quality governance supports long-term value creation. Simply put, we think good governance is good business, and our approach is to adopt what we consider to be the better of the prevailing governance standards in Australia, the United Kingdom and the United States.

In the same spirit, we do not see governance as just a matter for the Board. Good governance is also the responsibility of senior management and is embedded throughout the organisation.

The diagram below describes the governance framework at BHP Billiton. It shows the interaction between the shareholders and the Board, demonstrates how the Board Committee structure facilitates the interaction between the Board and the CEO and illustrates the flow of delegation from shareholders. We have robust processes in place to ensure the delegation flows through the Board and its committees to the CEO and the GMC and into the organisation. At the same time, accountability flows back upwards from the Company to shareholders. This process helps to ensure alignment with shareholders.

As part of our corporate planning cycle, we have embedded a range of scenarios that are reviewed annually and updated by the Group with the GMC's involvement. The scenarios, and the governance process supporting them, also form part of the Board agenda.

These scenarios provide a lens to assess the performance of our business portfolio. They include assumptions around carbon and commodity prices, currencies, costs and tax rates and ranges for a number of risks that face the Group, including climate change, global growth, levels of trade, geopolitical situation and technology focus. All of the scenarios are used to inform BHP Billiton's strategy and the resilience of our diversified asset portfolio over the short and long term.


As we set out in section 3 of the Annual Report 2014, while the five committees have accountability for making recommendations to the Board on certain matters, such as remuneration and sustainability, we ensure all Board members have oversight and the opportunity for full discussion of those issues through the committee report-out process to the full Board.

Our Charter is core to the governance framework of BHP Billiton. It embodies our corporate purpose, strategy and values, and defines when we are successful. We foster a culture that values and rewards high ethical standards, personal and corporate integrity and respect for others.

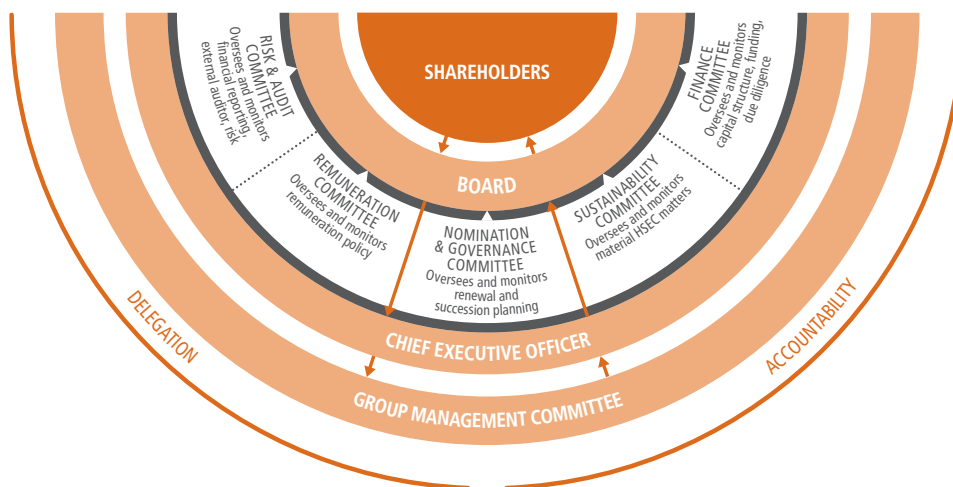
We live the values enshrined in *Our Charter* and adhere to the standards of conduct required by our *Code of Business Conduct*.

Part of the Board's commitment to high-quality governance is expressed through the approach BHP Billiton takes to engaging and communicating with shareholders. We encourage shareholders to make their views known to us.

Our shareholders are based across the globe. Outside of the Annual General Meetings (AGMs), which are an important step in the governance and investor engagement process, the Board uses a range of formal and informal communication channels to understand shareholder views to ensure it can represent shareholders in governing BHP Billiton. Regular proactive engagement with institutional shareholders and investor representative organisations takes place in Australia, South Africa, the United Kingdom and the United States. The purpose of these meetings is to discuss the full range of governance issues, as well as the broad strategy of the Group. They offer an important opportunity to build relationships and to engage directly with governance managers, fund managers and governance advisers.

 For more information on our corporate governance processes, refer to section 3 of the Annual Report 2014

BHP Billiton governance structure



1.9 Our approach to remuneration

Our Remuneration Committee recognises that remuneration has an important role to play in supporting the implementation and achievement of the Group's strategy and our ongoing performance, aligning the activities of management to the interests of shareholders, and in supporting *Our BHP Billiton Charter*. The remuneration policy is reviewed annually and, where appropriate, fine-tuned to ensure that it continues to be effective in achieving these goals.

Remuneration at BHP Billiton

The key principles of our remuneration policy, which remain unchanged, are to:

- support the execution of the Group's business strategy in accordance with a risk framework that is appropriate for the organisation;
- provide competitive rewards to attract, motivate and retain highly skilled executives willing to work around the world;
- apply demanding performance measures, including key financial and non-financial measures of performance;
- link a significant component of pay to our performance and the creation of value for our shareholders from relative outperformance;
- ensure remuneration arrangements are equitable and facilitate the deployment of people around the Group;
- limit severance payments on termination to pre-established contractual arrangements (which do not commit us to making any unjustified payments).

Link to strategy

Our Charter sets out our purpose, strategy, values and how we measure our success. In framing how we remunerate our executives, we are guided by the measures of success contained in *Our Charter*. They are designed to ensure that executives take a long-term approach to decision-making and to minimise activities that focus only on short-term results at the expense of longer-term business growth and success. The Committee has considered the ways in which risk management and the long-term horizon are reflected throughout BHP Billiton's remuneration arrangements for all executives, and is satisfied that our approach reinforces the desired behaviours.

This is largely achieved through the Group's approach to short-term and long-term incentive awards, which comprise a significant portion of total remuneration for our Chief Executive Officer, Andrew Mackenzie, and other members of the Group Management Committee (GMC). The equity component of the short-term incentive award is deferred for a two-year period, and performance under the long-term incentive plan is measured over a five-year period. The actual rewards received by Mr Mackenzie and other members of the GMC therefore reflect the Group's performance and share price over an extended period.

Our approach

There have been no substantial changes to our underlying approach – we ensure that remuneration outcomes reflect the performance of the Group, Businesses and individuals. This approach has enjoyed a strong level of support from shareholders, with a vote in favour for the Remuneration Report of 97 per cent at last year's Annual General Meetings.

Our approach to incentive structures has been in place for more than a decade and has served both shareholders and participants well, delivering remuneration outcomes to executives aligned to the performance of the Group and of individuals. BHP Billiton adopted the deferral of a substantial portion of short-term incentive awards in equity in 2003, and a five-year term for long-term incentive awards in 2004. These approaches, which were then market leading, have since become more prevalent and acknowledged as best practice.

Notwithstanding our stable approach, the Committee and the Board continue to pay close attention to shareholders' views so they can be factored into the Group's future approach.

Summary

Our fundamental philosophies and approaches to remuneration have not changed – we trust that you will agree that our long held, consistent approach to aligning remuneration to performance has served shareholders well.

 For more information on our remuneration policies and the remuneration outcomes for members of the GMC and Non-executive Directors, refer to section 4 of the Annual Report 2014

1.10 Key performance indicators

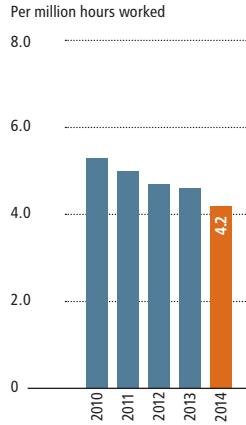
Our key performance indicators (KPIs) enable us to measure our financial and sustainable development performance. Their relevance to our strategy and our performance against these measures in FY2014 are explained below.

These KPIs are used as measures, directly and indirectly, in the short-term and/or long-term incentive arrangements for remuneration of senior executives. Certain KPIs (denoted with this symbol **§**) are used directly to calculate incentive outcomes and others (denoted with this symbol **§**) are considered more broadly in determining final overall results. Our Remuneration Report is contained in section 4 of the Annual Report 2014 and provides information on our overall approach to remuneration of executives, including remuneration policies and the remuneration outcomes for members of the GMC and Non-executive Directors.

§ For information on our remuneration policies and the remuneration outcomes for members of GMC and Non-executive Directors, refer to section 4 of the Annual Report 2014

1.10.1 Sustainability KPIs

TRIF **§**



Definition

Total recordable injury frequency (TRIF) is an indicator in highlighting broad personal injury trends and is calculated based on the number of recordable injuries per million hours worked. This data only includes wholly owned and operated assets or assets operated in a joint venture operation from 1 July 2012 to 30 June 2014.

Link to strategy

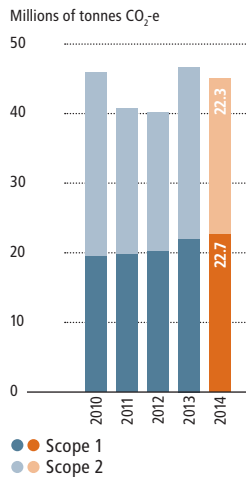
Our overriding commitment is to ensuring the safety and health of our people and this is supported by *Our Charter* value of Sustainability.

FY2014 performance

Our TRIF has improved by 21 per cent over the last five years. During FY2014, we improved our TRIF by nine per cent and had no fatalities at our operated assets.

§ For information on our approach to health and safety and our performance, refer to section 1.14 of this Strategic Report

GHG emissions **§**



Definition

Greenhouse gas (GHG) emissions are measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol. This data only includes wholly owned and operated assets or assets operated in a joint venture operation from 1 July 2012 to 30 June 2014.

Link to strategy

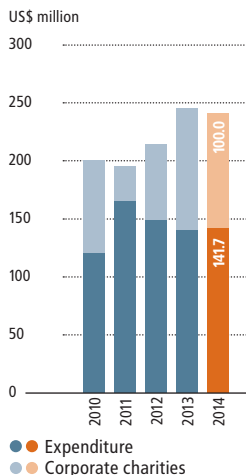
The global challenge of climate change remains a priority for our organisation and is core to our strategic decision-making. Our GHG emissions are monitored and our performance is tracked against our target.

FY2014 performance

The Group's GHG emissions declined by 1.7 Mt CO₂-e to 45.0 Mt CO₂-e, which keeps our emissions in line to achieve our target.

§ For additional information on our GHG emissions, including a description of Scope 1 and Scope 2 GHG emissions, refer to section 1.14.4 of this Strategic Report

Community investment **§**



Definition

Our voluntary community investment comprising cash, in-kind support, administrative costs and contributions to the BHP Billiton Foundation and BHP Billiton Sustainable Communities (our corporate charities). Includes BHP Billiton's equity share for both operated and non-operated joint venture operations.

Link to strategy

We believe that in addition to operating a responsible and ethical company, we can make a broader contribution to the communities in which we operate and support *Our Charter* value of Sustainability.

FY2014 performance

Our voluntary community investment totalled US\$241.7 million, comprising US\$141.7 million in cash, in-kind support and administrative costs, and a US\$100 million contribution to the BHP Billiton Foundation.

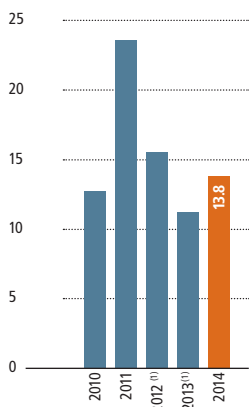
§ For additional information on our community investment, refer to section 1.14 of this Strategic Report

1.10.2 Financial KPIs

Attributable profit



US\$ billion



Definition

Attributable profit represents Profit after taxation attributable to members of BHP Billiton Group.

Link to strategy

This is a key financial measure that provides insight on the amount of profit available to distribute to shareholders, which aligns to our purpose as presented in *Our Charter*.

FY2014 performance

Attributable profit increased by 23 per cent to US\$13.8 billion, benefiting from a reduction in the Group's effective tax rate to 31.5 per cent.

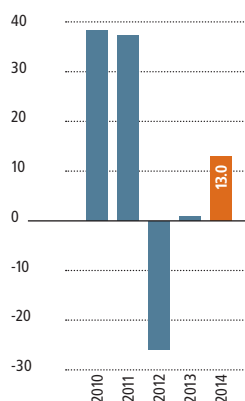
For our Consolidated Financial Statements, refer to section 7 of the Annual Report 2014

1.10.3 Capital management KPIs

Total Shareholder Return (TSR)



% change from previous year (3-month average)



Definition

TSR shows the total return to the shareholder during the year. It combines both movements in share prices and dividends paid (which are assumed to be reinvested).

Link to strategy

TSR measures performance of the organisation in terms of shareholder wealth generation, which aligns to our purpose as presented in *Our Charter*, and enables the comparison of our performance with that of our peer companies.

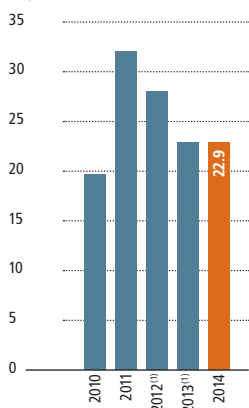
FY2014 performance

TSR grew 13 per cent as a result of increases in both the BHP Billiton share price and the dividends paid. BHP Billiton outperformed its peer companies by 17.8 per cent from 1 July 2009 to 30 June 2014.

Underlying EBIT



US\$ billion



Definition

Underlying EBIT is earnings before net finance costs, taxation and any exceptional items.

Link to strategy

This is a key financial measure used across the Group. It gives insight to cost management, production growth and performance efficiency.

FY2014 performance

Underlying EBIT was unchanged for the year at US\$22.9 billion as benefits attributable to productivity initiatives during the period totalling US\$2.9 billion and further volume increases from the successful commissioning and ramp-up of our low-risk, brownfield development projects of US\$1.9 billion were offset by the decrease in commodity prices, impact of inflation on costs and an increase in our depreciation and amortisation expense.

For a reconciliation of Underlying EBIT to Profit from operations, refer to section 1.11 of this Strategic Report. For our Consolidated Financial Statements, refer to section 7 of the Annual Report 2014

Long-term credit rating



Standard & Poor's

2014 **A+**

2013 **A+**

2012 **A+**

2011 **A+**

2010 **A+**

Moody's

2014 **A1**

2013 **A1**

2012 **A1**

2011 **A1**

2010 **A1**

Definition

Credit ratings are forward looking opinions about credit risk. Standard & Poor's and Moody's credit ratings express the opinion of each agency about the ability and willingness of BHP Billiton to meet its financial obligations in full and on time.

Link to strategy

One of BHP Billiton's priorities for capital management is to maintain a solid 'A' credit rating, which indicates the strength of our balance sheet.

FY2014 performance

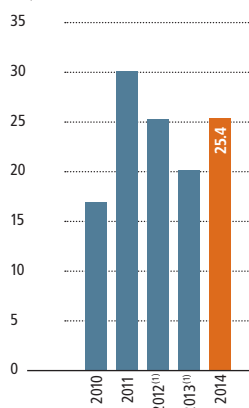
BHP Billiton has maintained a long-term credit rating of A+ from Standard & Poor's and A1 from Moody's over the last five years.

For additional information on our liquidity and capital resources, refer to section 1.15.5 of this Strategic Report

Net operating cash flow



US\$ billion



Definition

Net operating cash flow represents the cash generated by the Group's consolidated operations, after dividends received, interest, taxation and royalty-related taxation. This figure excludes cash flows relating to investing and financing activities.

Link to strategy

Net operating cash flow provides insight into how we are managing costs and increasing efficiency and productivity across the Company.

FY2014 performance

Net operating cash flows after interest and tax increased by 26 per cent to US\$25.4 billion. A US\$2.6 billion increase in cash generated from operations (after changes in working capital balances) and a US\$2.1 billion decrease in net taxes paid were the major contributors to the strong increase.

For our Consolidated Financial Statements, refer to section 7 of the Annual Report 2014

(1) Restated in the Financial Statements (refer to Annual Report 2014) to be disclosed on the same basis as FY2014.

1.11 Summary of consolidated performance

1.11.1 Selected financial information

Our selected financial information reflects the operations of the BHP Billiton Group, and should be read in conjunction with the FY2014 Financial Statements, together with the accompanying notes in the Annual Report 2014.

We prepare our consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and as outlined in note 1 'Accounting policies' to the Financial Statements in the Annual Report 2014. We publish our consolidated Financial Statements in US dollars.

Comparative financial information for FY2013 and FY2012 has been restated for the effects of new accounting standards and interpretations which are effective in the financial year commencing from 1 July 2013 relating to:

- IFRS 10/AASB 10 'Consolidated Financial Statements' which is a replacement of IAS 27/AASB 127 'Consolidated and Separate Financial Statements';
- IFRS 11/AASB 11 'Joint Arrangements' which is a replacement of IAS 31/AASB 131 'Joint Ventures';
- IAS 28 'Investments in Associates and Joint Ventures' which is a replacement of IAS 28 'Accounting for Investments in Associates';
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine';
- IFRS 13/AASB 13 'Fair Value Measurement'; and
- Amendments to IAS 19/AASB 119 'Employee Benefits'.

The Group has also changed its Exploration and Evaluation Expenditure policy from 1 July 2013 such that all acquisitions of exploration leases are classified as intangible exploration assets or tangible exploration assets based on the nature of the assets acquired. For further detail of the nature and the impact of these changes, on comparative financial information, refer to note 37 'Impact of new accounting standards and change in accounting policies' to the Financial Statements in the Annual Report 2014.

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

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M	2011 ⁽⁵⁾ US\$M	2010 ⁽⁵⁾ US\$M
Consolidated Income Statement					
Revenue	67,206	65,953	70,477	71,739	52,798
Profit from operations	23,412	21,002	24,600	31,816	20,031
Profit attributable to members of BHP Billiton Group	13,832	11,223	15,473	23,648	12,722
Dividends per ordinary share – paid during the period (US cents)	118.0	114.0	110.0	91.0	83.0
Dividends per ordinary share – determined in respect of the period (US cents)	121.0	116.0	112.0	101.0	87.0
Earnings per ordinary share (basic) (US cents) ⁽¹⁾	260.0	210.9	290.7	429.1	228.6
Earnings per ordinary share (diluted) (US cents) ⁽¹⁾	259.1	210.2	289.4	426.9	227.8
Number of ordinary shares (millions)					
– At period end	5,348	5,348	5,348	5,350	5,589
– Weighted average	5,321	5,322	5,323	5,511	5,565
– Diluted	5,338	5,340	5,346	5,540	5,595
Consolidated Balance Sheet					
Total assets	151,413	139,178	129,201	102,920	88,852
Share capital (including share premium)	2,773	2,773	2,773	2,771	2,861
Total equity attributable to members of BHP Billiton Group	79,143	70,667	65,526	56,762	48,525
Other financial information					
Underlying EBITDA ⁽²⁾	32,359	30,308	34,617	37,093	24,513
Underlying EBIT ⁽²⁾	22,861	22,930	28,086	31,980	19,719
Underlying attributable profit ⁽²⁾	13,447	12,208	17,173	21,684	12,469
Underlying basic earnings per share (US cents)	252.7	229.4	322.6	393.5	224.1
Capital and exploration expenditure (BHP Billiton share) ⁽³⁾	15,181	22,291	19,793	12,387	10,656
Net operating cash flow ⁽⁴⁾	25,364	20,154	25,259	30,080	16,890

(1) For more information on earnings per share refer to note 8 'Earnings per share' to the Financial Statements in the Annual Report 2014.

(2) Underlying attributable profit, Underlying EBIT and Underlying EBITDA are used to reflect the underlying performance of BHP Billiton. Underlying attributable profit is Attributable profit excluding any exceptional items. Underlying EBIT is earnings before net finance costs, taxation and any exceptional items. Underlying EBITDA is Underlying EBIT before depreciation, impairments and amortisation. We believe that Underlying attributable profit, Underlying EBIT and Underlying EBITDA provide useful information, but should not be considered as an indication of, or as an alternative to, Attributable profit as an indicator of actual operating performance or as an alternative to cash flow as a measure of liquidity. Underlying EBIT and Underlying EBITDA are included in the FY2014 Consolidated Financial Statements (refer Annual Report 2014) as required by IFRS 8 'Operating Segments'.

(3) Represents the share of capital and exploration expenditure attributable to BHP Billiton shareholders on a cash basis. Includes BHP Billiton proportionate share of equity accounted investments; excludes capitalised deferred stripping and non-controlling interests. FY2011 and FY2010 data has not been restated and represents the capital and exploration expenditure of the Group on a cash basis, as published.

(4) Net operating cash flows are after net interest and taxation. On 1 July 2010, the Group adopted the policy of classifying exploration cash flows which are not recognised as assets as Net operating cash flows. Previously such cash flows were classified as Net investing cash flows. The change in policy arose from amendments to IAS7/AASB7 'Cash Flows'. Comparative figures have been restated.

(5) FY2011 and FY2010 data has not been restated for the effects of new accounting standards and interpretations and other voluntary changes in accounting policy, which are effective in the financial year commencing from 1 July 2013.

1.11.1 Selected financial information *continued*

Non-IFRS measures

We use a number of non-IFRS measures to assess our performance. Non-IFRS measures are defined as follows:

- Underlying attributable profit – comprises Profit after taxation attributable to members of BHP Billiton Group less exceptional items as described in note 3 'Exceptional items' to the Financial Statements in the Annual Report 2014.
- Underlying basic earnings per share – represents basic earnings per share excluding any exceptional items.
- Underlying EBITDA interest coverage – for the purpose of deriving interest coverage, net interest comprises Interest on bank loans and overdrafts, Interest on all other borrowings, Finance lease and hire purchase interest less Interest income.
- Adjusted effective tax rate – comprises Total taxation expense excluding remeasurement of deferred tax assets associated with the Minerals Resource Rent Tax (MRRT), exceptional items and exchange rate movements included in taxation expense divided by Profit before taxation and exceptional items.
- Underlying EBIT margin – comprises Underlying EBIT excluding third party product profit from operations, divided by revenue excluding third party product revenue.
- Underlying EBITDA margin – comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.
- Underlying return on capital – represents net profit after tax excluding exceptional items and net finance costs (after tax), divided by average capital employed. Capital employed is net assets before net debt.
- Free cash flow – comprises Net operating cash flows less Net investing cash flows.
- Net debt – comprises Interest bearing liabilities less Cash and cash equivalents.
- Net operating assets – represents operating assets net of operating liabilities, including the carrying value of equity accounted investments and predominantly excludes cash balances, interest bearing liabilities and deferred tax balances. The carrying value of investments accounted for using the equity accounted method represents the balance

of the Group's investment in equity accounted investments, with no adjustment for any cash balances, interest bearing liabilities and deferred tax balances of the associate.

Financial results for year ended 30 June 2014 compared with year ended 30 June 2013

Revenue in FY2014 was US\$67.2 billion, an increase of US\$1.2 billion, or 1.9 per cent, from US\$66.0 billion in the corresponding period. The revenue increase was primarily reflected in the Iron Ore and Petroleum and Potash Businesses, with increases of US\$2.8 billion and US\$1.6 billion, respectively. These increases were offset by decrease in revenue in our Copper Business of US\$669 million, in our Coal Business of US\$780 million, in our Aluminium, Manganese and Nickel Business of US\$867 million and by the loss of revenue of our disposed former Diamonds and Specialty Products Business of US\$325 million.

The increase in revenue in Iron Ore was primarily due to an increase in sales volumes of 17 per cent to 202 Mt, which contributed to an increase in revenue of US\$3.2 billion, partially offset by a six per cent decline in average realised price of iron ore to US\$103 per wet metric tonne (FOB), which reduced revenue by US\$522 million. The increase in revenue in Petroleum was primarily due to an increase in volume of four per cent in FY2014 to 246 MMBoe, which contributed to an increase in revenue of US\$1.4 billion, and to higher realised prices, which contributed to an additional increase of US\$219 million. The decrease in other businesses mainly reflected lower realised prices in our Copper Business (US\$1.2 billion), Coal Business (US\$1.4 billion) and Aluminium, Manganese and Nickel Business (US\$394 million).

Overall the US\$1.2 billion increase in revenue in FY2014 can be attributed to US\$5.5 billion related to increased volumes, which are within our control, offset primarily by US\$3.3 billion related to prices, which are uncontrollable, US\$494 million for ceased and sold operations, and US\$202 million for exchange rates.

Total expenses decreased from US\$50.0 billion in FY2013 to US\$46.5 billion in FY2014. Excluding exceptional items, the majority of which related to impairments in FY2013, total expenses have increased by US\$1.6 billion or 3.5 per cent during FY2014 from US\$45.0 billion to US\$46.5 billion.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Raw materials and consumables used	8,842	8,926	8,128
Employee benefits expense	6,903	7,168	6,035
External services (including transportation) ⁽¹⁾	11,736	12,478	14,293
Third party commodity purchases	2,935	2,759	3,402
Net foreign exchange losses/(gains)	100	(284)	(571)
Fair value change on derivatives	(120)	79	(141)
Government royalties paid and payable	2,760	2,562	2,880
Depreciation and amortisation expense	8,701	7,031	6,431
Exploration and evaluation expenditure	716	1,047	1,644
Impairment of assets ⁽²⁾	797	5,496	3,763
Operating lease rentals	759	776	658
Other operating expenses ⁽³⁾	2,384	2,002	2,122
Total expenses	46,513	50,040	48,644
Less exceptional items	–	(5,087)	(3,786)
Total expenses excluding exceptional items	46,513	44,953	44,858

(1) Includes exceptional items of US\$ nil (2013: US\$96 million; 2012: US\$ nil).

(2) Includes exceptional items of US\$ nil (2013: US\$5,149 million; 2012: US\$3,663 million).

(3) Includes exceptional items of US\$ nil (2013: credit of US\$158 million; 2012: US\$ nil).

The majority of the increase relates to non-cash expenses for depreciation and amortisation (US\$1.7 billion), impairments not classified as exceptional items (US\$450 million) and changes to provisions for mine site rehabilitation (US\$300 million). Increases in other non-cash charges also included provisions for restructuring and a lower capitalisation rate for deferred stripping at Escondida and Pampa Norte. Increases in costs attributable to inflation were US\$805 million.

Higher expenses associated with increased production across our four major Businesses of US\$2.6 billion were more than offset by reduced operating costs. Our focus on reducing operating costs through productivity initiatives saw cost efficiencies in our Businesses, in particular our Coal Business.

1 Strategic Report continued

1.11.1 Selected financial information continued

Reductions in expenses (excluding exceptional items) were evident in Employee benefit expense (US\$265 million), External services (US\$646 million), Exploration and evaluation expenditure (US\$331 million) and Raw materials and consumables (US\$84 million). In total operating costs were aided by favourable exchange rate impacts of US\$2.0 billion.

Other income decreased from US\$3.9 billion in FY2013 to US\$1.5 billion. Excluding exceptional items, the majority of which relates to gains on the sale of assets, other income increased from US\$788 million to US\$973 million.

Profit from operations increased by US\$2.4 billion, or 11 per cent, from US\$21.0 billion to US\$23.4 billion. Exceptional items during FY2014 comprised a gain on sale of our Pinto Valley mining operation of US\$551 million, compared with net exceptional charges of US\$1.9 billion in FY2013. In that context, in FY2014 Profit from operations excluding exceptional items, which we refer to as Underlying EBIT, declined by 0.3 per cent, or US\$69 million, to US\$22.9 billion.

Underlying EBIT

In discussing the operating results of the Group, we focus on a financial measure we refer to as Underlying EBIT. Underlying EBIT is the key measure that management uses internally to assess the performance of our Businesses, 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 level rather than an operational level.

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.

The following table reconciles Underlying EBIT to Profit from operations.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Underlying EBIT	22,861	22,930	28,086
Exceptional items (before taxation) – refer section 1.15.3	551	(1,928)	(3,486)
Profit from operations (EBIT)	23,412	21,002	24,600

Attributable profit increased by 23 per cent to US\$13.8 billion due to a decrease of the Group's effective tax rate from 35.0 per cent to 31.5 per cent. Attributable profit excluding exceptional items (comprising Profit after taxation attributable to members of BHP Billiton Group less exceptional items) of US\$13.4 billion increased due to a decrease in the Group's adjusted effective tax rate from 34.2 per cent to 32.5 per cent.

Net operating cash flows after interest and tax increased by 26 per cent to US\$25.4 billion in FY2014. A US\$2.6 billion increase in cash generated from operations (after changes in working capital balances) and a US\$2.1 billion decrease in net taxes paid were the major contributors to the strong increase. We delivered a substantial US\$8.1 billion increase in free cash flow, being Net operating cash flows less Net investing cash flows, despite weaker commodity prices. In this context, capital and exploration expenditure (BHP Billiton share) declined by 32 per cent to US\$15.2 billion in the period.

We finished the period with net debt of US\$25.8 billion (2013: US\$27.5 billion), which included finance leases of US\$1.3 billion (2013: US\$137 million), for a gearing ratio of 23 per cent (2013: 27 per cent).

Further analysis of Underlying EBIT for the Businesses is included in section 1.12 and for the Group in section 1.15.3 of this Strategic Report.

1.11.2 Production performance

A summary of our production volumes for FY2014 and the previous two financial years is shown below. Further details appear in section 2.2 of the Annual Report 2014.

Year ended 30 June	2014	2013	2012
Total Petroleum production (MMboe)	246	236	222
Copper (kt)	1,727	1,689	1,468
Iron ore (kt)	203,564	169,856	159,478
Metallurgical coal (kt)	45,078	37,650	33,230
Energy coal (kt)	73,492	72,445	74,267
Alumina (kt)	5,178	4,880	4,152
Aluminium (kt)	1,174	1,179	1,153
Manganese ores (kt)	8,302	8,517	7,931
Manganese alloys (kt)	646	608	602
Nickel (kt)	143	154	158

1.11.3 Projects and pipeline

Our project pipeline focuses on commodities that are expected to be high-margin and create significant future value. During FY2014, eight projects were completed for a total capital expenditure (subject to finalisation) of US\$10.3 billion. At the end of FY2014, we had seven major projects under development in execution and one other project in pre-development phase with a combined budget of US\$14.1 billion. This budget does not include an additional US\$4.0 billion of capital expenditure that we expect to spend in FY2015 on development of our Onshore US Asset.

For more information on our major projects and pipeline refer to section 1.12 of this Strategic Report.

For more information on our major projects and pipeline refer to sections 2.1 and 2.4 of the Annual Report 2014.

1.12 Our Businesses

The description of our Businesses and a discussion of their performance is set out below.

For further information on our assets, production, results and reserves and resources refer to section 2 of the Annual Report 2014.

For further information on the financial results of our Businesses, refer to note 2 'Segment reporting' to the Financial Statements in the Annual Report 2014.

1.12.1 Revenue and Underlying EBIT performance by Business

The following tables provide a summary of Revenue and Underlying EBIT for FY2014 and the two prior corresponding periods of our Businesses and the Group. Our use of Underlying EBIT is explained in section 1.11.1 of this Strategic Report.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Revenue ⁽¹⁾			
Petroleum and Potash	14,833	13,224	12,933
Copper	13,868	14,537	13,553
Iron Ore	21,356	18,593	20,605
Coal	9,115	9,895	12,512
Aluminium, Manganese and Nickel	8,411	9,278	9,911
Group and unallocated items ⁽²⁾	(377)	426	963
BHP Billiton Group	67,206	65,953	70,477

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Underlying EBIT			
Petroleum and Potash	5,287	5,636	6,033
Copper	5,080	5,639	5,313
Iron Ore	12,102	11,109	14,044
Coal	386	595	2,612
Aluminium, Manganese and Nickel	307	158	(24)
Group and unallocated items ⁽²⁾	(301)	(207)	108
BHP Billiton Group	22,861	22,930	28,086

(1) Includes the sale of third party products.

(2) Includes the Group's diamonds business (divested effective 10 April 2013), interest in titanium minerals (divested effective 3 September 2012), non-Potash corporate costs incurred by the former Diamonds and Specialty Products Business, consolidation adjustments, unallocated items and external sales of freight and fuel via the Group's transport and logistics operations.

Year ended 30 June 2014 compared with year ended 30 June 2013

Underlying EBIT for FY2014 was US\$22.9 billion, basically unchanged from FY2013.

A substantial reduction in commodity prices reduced Underlying EBIT by US\$3.4 billion. This was offset by cost improvements which underpinned a decrease in operating cash costs of US\$1.5 billion and a decrease in exploration and business development costs of US\$398 million. In addition, higher volumes attributed to our development projects coming online and through productivity efficiencies at existing assets, primarily in Iron Ore and Petroleum, contributed an additional US\$2.9 billion to Underlying EBIT. This was offset by increased depreciation and amortisation which reduced Underlying EBIT by US\$1.7 billion.

The use of the term operating cash costs is described in section 1.15.3 of this Strategic Report.

1.1.2 Petroleum and Potash Business



Our Petroleum and Potash Business headquartered in Houston, United States, comprises conventional and non-conventional operations located in six countries throughout the world and a potash project based in Saskatchewan, Canada.

RESULTS

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Revenue	14,833	13,224	12,933
Underlying EBIT	5,287	5,636	6,033
Capital expenditure	6,423	7,675	5,488
Net operating assets	39,514	37,525	33,583
Total petroleum production (MMboe)	246	236	222

Our Petroleum Business includes exploration, development, production and marketing activities. We have a high-quality resource base concentrated in the United States and Australia. Our core production operations are primarily located in the US Gulf of Mexico, Onshore US and in Australia. We also have operations in Trinidad and Tobago, Pakistan, Algeria and the United Kingdom. We produce crude oil and condensate, natural gas and natural gas liquids (NGLs). Our petroleum portfolio consisted of conventional oil and gas operations up until 2011, when we moved into the unconventional shale business. Our Onshore US operations evolved from the acquisition of the Fayetteville shale assets from Chesapeake Energy Corporation and the acquisition of Petrohawk Energy Corporation.

A summary of our Petroleum and Potash Business' assets, capital projects and FY2014 performance is presented below.

Description of the Petroleum Business

Our production operations include the following:

Gulf of Mexico (United States)

We operate two fields in the Gulf of Mexico (Shenzi with a 44 per cent interest and Neptune with a 35 per cent interest) and hold non-operating interests in three other fields (Atlantis with a 44 per cent interest, Mad Dog with a 23.9 per cent interest, and Genesis with a 4.95 per cent interest). We have ongoing infill drilling in our Gulf of Mexico fields. We completed water injection development projects at Shenzi and Atlantis in CY2013. All the fields are located between 155 and 210 kilometres offshore of the US state of Louisiana. 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. Production in FY2014 was 36.1 million barrels of oil equivalent (MMboe) up from 30.6 MMboe in FY2013.

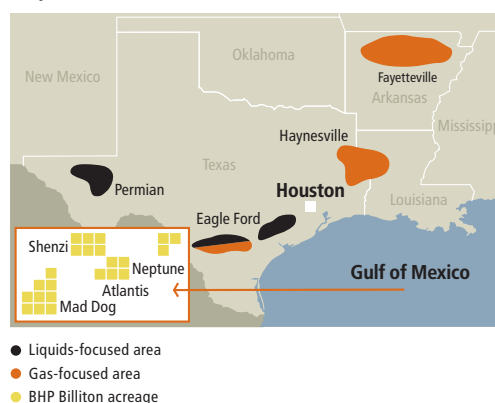
Onshore US (United States)

We produce oil, condensate, NGLs and natural gas in four shale areas: Eagle Ford, Permian, Haynesville and Fayetteville. The Eagle Ford area has two sections, Black Hawk and Hawkville. Much of the Eagle Ford and Permian areas are focused on hydrocarbon liquids. The Haynesville and Fayetteville areas are focused on natural gas. Our combined leasehold acreage onshore in the United States is approximately 1.2 million net acres. Our ownership interests in those leases range from less than one per cent to 100 per cent. At 30 June 2014, we held an interest in approximately 7,700 gross wells and approximately 2,600 net wells. We acted as joint venture operator for approximately 32 per cent of our gross wells. Production in FY2014 was 108.1 MMboe, up from 99.2 MMboe in FY2013.

Oil and gas production from our onshore shale areas is sold domestically in the United States, via connections to intrastate and interstate pipelines. Prices for oil, NGLs and natural gas are based on US regional price indices, including West Texas Intermediate prices for oil, Henry Hub prices for natural gas and Mont Belvieu prices for NGLs.

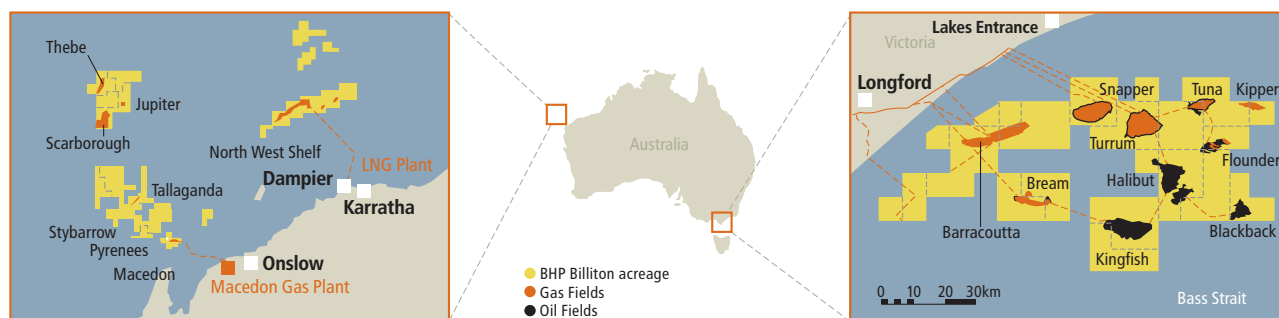
During FY2014, we sold our interest in our Onshore US South Midland shale operation, located in the Permian Basin, to EP Energy for a cash consideration of US\$153 million.

Map of Onshore US and Gulf of Mexico



1.12.2 Petroleum and Potash Business continued

Map of North West Shelf and Bass Strait



Bass Strait (Australia)

Together with our 50–50 joint venture partner, Esso Australia (a subsidiary of ExxonMobil), through the Gippsland Basin Joint Venture, we participated in the original discovery of hydrocarbons in 1965 and we have been producing oil and gas from Bass Strait for more than 40 years. The Bass Strait operations are located between 25 and 80 kilometres off the southeastern coast of Australia.

We sell the majority of our Bass Strait crude oil and condensate production to refineries along the east coast of Australia under 12-month term contracts. The contract price is based on the average Dated Brent price. Gas is piped onshore to the joint venture's Longford processing facility, from which we sell our share of production to domestic distributors under contracts with periodic price reviews.

Production in FY2014 was 34.0 MMboe, down from 36.0 MMboe in FY2013.

North West Shelf (Australia)

We are a joint venture participant in the North West Shelf Project, located approximately 125 kilometres northwest of Dampier in Western Australia. The North West Shelf Project was developed in phases: the domestic gas phase supplies gas to the Western Australia domestic market, mainly under long-term contracts, and a series of liquefied natural gas (LNG) expansion phases supplying LNG to buyers in Japan, South Korea and China under a series of long-term contracts. Gas from North West Shelf is piped to the Karratha Gas Plant for processing. We are also a joint venture partner in four nearby oil fields. All North West Shelf gas and oil joint ventures are operated by Woodside. Production in FY2014 was 28.8 MMboe, down from 30.1 MMboe in FY2013.

Pyrenees (Australia)

We operate six oil fields in Pyrenees, which are located offshore approximately 23 kilometres northwest of Northwest Cape, Western Australia. We had an effective 62 per cent interest in the fields as at 30 June 2014, based on inception to-date production from two permits in which we have interests of 71.43 per cent and 40 per cent, respectively. The project uses a floating, production, storage and off-take (FPSO) facility. The crude oil produced is sold internationally on the spot market. Production in FY2014 was 7.5 MMboe, down from 8.5 MMboe in FY2013.

Macedon (Australia)

We are the operator of Macedon (71.43 per cent interest), an offshore gas field located approximately 75 kilometres west of Onslow, Western Australia, and a gas processing facility onshore approximately 17 kilometres southwest of Onslow. The operation achieved first gas in August 2013 and consists of four subsea wells, with gas piped onshore to the processing plant. After processing, the gas is delivered into a pipeline and sold domestically under long-term contracts. First year production was 5.5 MMboe.

Greater Angostura (Trinidad and Tobago)

We operate the Greater Angostura field (45 per cent interest in the production sharing contract), an integrated oil and gas development, located offshore, 40 kilometres east of Trinidad. The crude oil is sold on a spot basis to international markets, while the gas is sold domestically under term contracts. Production in FY2014 was 7.5 MMboe, up from 7.4 MMboe in FY2013.

Other

We are the operator at the following operations: Minerva (90 per cent interest), a gas field located 11 kilometres south-southwest of Port Campbell in western Victoria, the Zamzama gas project (38.5 per cent interest) in the Sindh province of Pakistan and the Keith oil and gas field (31.83 per cent interest) in the North Sea. We have non-operating interests in ROD Integrated Development (38 per cent interest), which consists of six satellite oil fields in Algeria, and in the Bruce oil and gas field (16 per cent interest) in the North Sea. Production in FY2014 was 17.3 MMboe, down from 22.3 MMboe in FY2013.

More information on our assets and operations is presented in section 2.1.1 of the Annual Report 2014

Completed development projects

Macedon

Macedon is a domestic gas development that consists of a 200 million cubic feet per day (MMcf/d) stand-alone gas plant, four subsea production wells, a 90-kilometre 20-inch wet gas pipeline and a 67-kilometre 20-inch sales gas pipeline. The project was approved in August 2010. First gas occurred in August 2013.

North West Shelf North Rankin gas compression

The North West Shelf gas compression project was approved by the Board in March 2008 to recover remaining lower pressure gas from the North Rankin and Perseus gas fields. The project consisted of a new gas compression platform, North Rankin B, capable of processing 2,500 MMcf/d of gas, which was constructed adjacent to the existing North Rankin A platform, 135 kilometres offshore from Karratha on the northwest coast of Western Australia. The two platforms are connected by a 100-metre long bridge and operate as a single facility. First gas production occurred in October 2013. This project is operated by Woodside, with an equally shared interest between Woodside, BHP Billiton, BP, Chevron, MIMI and Shell.

Development projects in execution at year-end

North West Shelf Greater Western Flank–A

The North West Shelf Greater Western Flank–A (GWF-A) gas project was approved by the Board in November 2011 to recover gas from the near field Goodwyn H and Tidepole fields. The project consists of a five well subsea tie-back of the Goodwyn H and Tidepole fields to the Goodwyn A platform. The Goodwyn A platform is located in 130 metres of water, approximately 130 kilometres offshore from Karratha on the northwest coast of Australia. First gas production is expected in CY2016. Woodside is the operator and we own a 16.67 per cent interest.

Bass Strait Longford Gas Conditioning

The Longford Gas Conditioning Plant (LGCP) Project was approved by the Board in December 2012 to enable the production of Turrum reserves plus the production of Kipper and other undeveloped high carbon dioxide content hydrocarbons. The project scope includes a carbon dioxide extraction facility, brownfield tie-ins, an electrical upgrade and multiple supporting utilities. First gas production is expected in CY2016.

1.1.2 Petroleum and Potash Business continued

Onshore US Development

Drilling and development investment for Onshore US in FY2014 was US\$4.2 billion, down from US\$4.7 billion in FY2013, with US\$3.6 billion (FY2013: US\$3.8 billion) spent in the liquids-focused areas of Eagle Ford and Permian, and US\$0.6 billion (FY2013: US\$0.9 billion) in the gas-focused areas of Haynesville and Fayetteville. The expenditure primarily related to drilling and completion activities at all four areas. Our onshore drilling activity in FY2014 resulted in 413 net development wells completed, primarily in the Eagle Ford and Permian areas.

Of the US\$4.2 billion, approximately US\$400 million was invested in the installation of more than 200 kilometres of pipeline infrastructure and additional gas processing facilities, primarily in our Eagle Ford and Permian areas. The majority of drilling and completion activity in Onshore US was directed towards the liquids-focused Eagle Ford and Permian areas to capitalise on the stronger liquid prices as compared with natural gas prices. At the end of FY2014, more than 85 per cent of drilling activity was conducted in these areas.

 *More information on our development and capital projects is presented in section 2.4 of the Annual Report 2014*

Exploration and evaluation

Our exploration strategy is to focus on material opportunities, at high working interest, with a bias for liquids and operatorship. While the majority of our expenditure occurs in our two principal offshore areas of activity, the Gulf of Mexico and Western Australia, we also have exploration activities in Trinidad and Tobago, Brazil, South Africa, South East Asia and Onshore US.

We then perform development evaluation activities to determine the technical feasibility and commercial viability of prospective projects after exploration and appraisal.

 *More information on our development evaluation activities and exploration is presented in section 2.1.1 of the Annual Report 2014*

Description of the Potash Business

Jansen Potash Project

Our Potash strategy is to build a material industry position over the long term.

We hold exploration permits and mining leases, issued by the Government of Saskatchewan, covering more than 14,000 square kilometres of mineral rights in the province of Saskatchewan in Canada. We have progressively explored our permit areas over the past seven years and continue to evaluate their economic development potential. We are converting our exploration permits to long-term leases as these permits mature in order to enable further evaluation. To date, we have secured 4,400 square kilometres under long-term mining leases.

We believe our Jansen Potash Project, a greenfield potash project in south-central Saskatchewan, is the world's best undeveloped potash resource and is likely to be a low-cost source of supply once fully developed. Investment in Jansen could underpin a potential fifth pillar of BHP Billiton, given the opportunity to develop a multi-decade, multi-mine basin in Saskatchewan.

On 20 August 2013, we announced an additional US\$2.6 billion investment for Jansen, bringing total approved spending to US\$3.8 billion. This investment is funding the excavation and lining of the Project's production and service shafts, and the installation of surface infrastructure and utilities. The level of expenditure on the Jansen Potash Project in FY2014 was US\$596 million.

With our investment premised on the attractive longer-term market fundamentals for potash, we will continue to modulate the pace of development as we seek to time our entrance to meet market demand. The introduction of one or more minority partners, consistent with our approach for certain of our other resource operations, will be considered at the appropriate time.

On the basis of our current projections and assuming Board approval, the Jansen mine is likely to ramp-up to its nameplate capacity of approximately 10 Mtpa of agricultural grade potassium chloride in the decade beyond 2020.

Performance

Petroleum and Potash revenue increased by US\$1.6 billion to US\$14.8 billion, mainly due to Onshore US, which increased by 43 per cent to US\$4.3 billion, and Atlantis, which increased by 80 per cent to US\$1.5 billion.

The increase in revenue primarily resulted from an increase in volume of four per cent in FY2014 to 246 MMboe. A 16 MMboe increase in liquids production was underpinned by a 73 per cent increase in Onshore US liquids volumes and a near doubling of production at Atlantis. Natural gas volumes declined by four per cent as the delivery of first gas from Macedon partially offset lower demand at Bass Strait and natural field decline at Haynesville.

The average realised price of natural gas across our portfolio increased by 16 per cent to US\$4.35 per thousand standard cubic feet (Mscf). This included a 25 per cent increase in the average realised price of US natural gas to US\$4.10 per Mscf. This increase was partially offset by a four per cent decline in the average realised price of oil to US\$102 per bbl, a one per cent decline in the average realised price of LNG to US\$14.67 per Mscf and a seven per cent decline in the average realised price of natural gas liquids (NGL) to US\$42.28 per barrel.

Underlying EBIT for Petroleum decreased by US\$115 million to US\$5.9 billion in FY2014. Price-related increases, net of price-linked costs, contributed US\$113 million to Underlying EBIT and volumes contributed an additional US\$994 million, although this was partially offset by an increase in depreciation and amortisation expense at Onshore US that reflected the ramp-up of liquids production and the progressive development of our Permian acreage. In this regard, our position within our focus area in the Permian increased by 25 per cent in the period to 74 thousand net acres.

Additional charges were also recognised during the period, including: a US\$184 million impairment of minor Gulf of Mexico assets; a US\$143 million adjustment to the Browse divestment proceeds; and a US\$112 million UK pension plan expense. The Group also incurred a charge of US\$135 million for underutilised gas pipeline capacity, primarily in the Haynesville.

The Onshore US Underlying EBIT for FY2014 was a loss of US\$156 million compared with a loss in FY2013 of US\$287 million. The Onshore US Underlying EBITDA for FY2014 was US\$2.3 billion compared with US\$1.5 billion in FY2013. Second half June 2014 EBITDA increased by more than 60 per cent to US\$1.4 billion. As a result, Onshore US generated an Underlying EBIT of US\$142 million during the second half of FY2014. This included the aforementioned underutilised gas pipeline capacity charges. A six per cent reduction in unit costs in the second half of FY2014 contributed to this strong improvement in financial performance.

1.12.2 Petroleum and Potash Business continued

In FY2014, approximately 75 per cent of Onshore US drilling and development expenditure of US\$4.2 billion was invested in the Eagle Ford, with the majority focused on our Black Hawk acreage. The repetitive, manufacturing-like nature of shale development is ideally suited to our productivity agenda. Drilling costs in the Black Hawk declined by 16 per cent to US\$4.2 million per well during the period while spud to sales timing improved by 21 per cent.

Of the 24 operated drilling rigs in action at the end of the period (30 June 2013: 40), 17 were in the Eagle Ford (30 June 2013: 31), four were in the Permian (30 June 2013: four), three were in the Haynesville (30 June 2013: four), while no rigs were in the Fayetteville (30 June 2013: one).

A total of 138 net wells were put online in our prolific Black Hawk acreage during FY2014 (FY2013: 66 net wells) with an average 30-day initial production rate of 1,140 boe per day. An average one-year cumulative production rate per well of 208 thousand barrels of oil equivalent (Mboe) for the wells put online in FY2013 reflected advances in completions optimisation and the benefit of restricting initial flow rates. At the end of the period we had 284 net producing wells in the Black Hawk with an average rate of 82.4 Mboe per day achieved in the June 2014 quarter (43.0 Mboe per day in the June 2013 quarter).

Petroleum exploration expenditure for FY2014 was US\$600 million, of which US\$369 million was expensed. During the period, we signed a production sharing contract for Block 23b (60 per cent interest and operator) and farmed into Blocks 23a and 14 (70 per cent interest and operator) in Trinidad and Tobago.

During the period, we completed the divestment of our 46.1 per cent interest in Liverpool Bay and our South Midland acreage in the Permian basin, Onshore US. Combined proceeds of US\$182 million were realised (before customary adjustments) and a gain on sale of US\$116 million was recognised in Underlying EBIT.

Potash recorded an Underlying EBIT loss of US\$583 million. This included: a US\$68 million impairment associated with our decision to allow the exclusivity agreement for Terminal 5 at the Port of Vancouver (US) to lapse; and a US\$300 million charge related to the revision of mine site rehabilitation provisions for the Group's North American closed mines, which are managed by our Potash Business. In addition, exploration expense for Potash was US\$47 million, a US\$42 million reduction from FY2013.

The Jansen Potash Project was 30 per cent complete at the end of the period with significant progress made on surface infrastructure and shaft excavation continuing.

Outlook

After adjusting for the sale of Liverpool Bay, Petroleum production is forecast to increase by five per cent in FY2015 to 255 MMboe with another 16 MMboe increase in total liquids production projected. Conventional volumes for FY2015 are forecast to remain broadly unchanged.

Petroleum capital expenditure of approximately US\$5.6 billion is planned in FY2015. In our Onshore US Asset we will continue to prioritise investment in the liquids-focused Eagle Ford and Permian with up to 120 net wells expected to be put online in the Black Hawk. In our conventional business, we will remain focused on high-return infill drilling opportunities in the Gulf of Mexico and life extension projects at Bass Strait and North West Shelf.

A US\$750 million exploration program, largely focused on the Gulf of Mexico, Western Australia and the collection of seismic data in Trinidad and Tobago is planned for FY2015.

Onshore US overview for FY2014

Year ended 30 June		Liquids-focused areas (Eagle Ford and Permian)		Gas-focused areas (Haynesville and Fayetteville)		Total	
		FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Capital expenditure	US\$ billion	3.6	3.8	0.6	0.9	4.2	4.7
Production	MMboe	51.9	33.4	56.2	65.8	108.1	99.2
Production mix	Natural gas	36%	42%	100%	100%	69%	80%
	Natural gas liquids	22%	23%	–	–	11%	8%
	Crude and condensate	42%	35%	–	–	20%	12%

1.12.3 Copper Business



Our Copper Business, headquartered in Santiago, Chile, is one of the world's premier producers of copper, silver, lead and uranium, and is a leading producer of zinc. We market five primary products: copper cathodes, copper, lead and zinc concentrates and uranium oxide.

RESULTS

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Revenue	13,868	14,537	13,553
Underlying EBIT	5,080	5,639	5,313
Capital expenditure	3,757	3,930	3,518
Net operating assets	22,231	20,074	16,721
Production – copper (kt)	1,727	1,689	1,468

A summary of our Copper Business' assets and operations, development projects and FY2014 performance is presented below.

Description of the Copper Business

Our assets consist of the following:

Escondida (Chile)

Our 57.5 per cent owned and operated Escondida mine is the largest producer of copper in the world. Located in the Atacama Desert in northern Chile, Escondida employs approximately 14,000 operational employees and contractors and has the capacity to move in excess of 1.3 million tonnes (Mt) of material per day. Its two open-cut pits feed two concentrator plants, which use grinding and flotation technologies to produce copper concentrate, as well as two leaching operations (oxide and sulphide). In FY2014, our share of Escondida production was 485.7 kilotonnes (kt) of payable copper in concentrate and 177.1 kt of copper cathode. Escondida has a reserve life of 52 years.

Pampa Norte (Chile)

Pampa Norte consists of two wholly owned operations in the Atacama Desert in northern Chile – Spence and Cerro Colorado. During FY2014, Spence produced 152.8 kt of high-quality copper cathodes, using oxide and sulphide ore treatment through leaching, solvent extraction and electrowinning processes. Although production levels at Cerro Colorado have fallen in recent years as grades have declined, production in FY2014 reached 80.3 kt of copper cathode. Spence and Cerro Colorado have reserve lives of 10 and nine years, respectively.

A project, currently being studied, referred to as the Spence Growth Option (SGO), is being conducted to consider exploiting the hypogene sulphide resource with associated molybdenum sulphide by building a 95 kilotonnes per day (ktpd) concentrator at the Spence operation. SGO would extend the mine life by approximately 50 years following the current FY2025 closure date.

Antamina (Peru)

We own 33.75 per cent of Antamina, a large, long-life, low-cost copper and zinc mine in north central Peru. Our share of Antamina's FY2014 production was 143.5 kt of copper in concentrate and 52.0 kt of zinc in concentrate. Antamina also produces molybdenum and lead/bismuth concentrate, as well as small amounts of silver in the form of by-products. Antamina has a reserve life of 13 years. In FY2014, Antamina commenced execution of a debottlenecking project, to increase milling capacity by 12 per cent to 145 ktpd.

Cannington (Australia)

Our wholly owned Cannington mine is one of the world's largest producers of silver and lead. Located in northwest Queensland, Australia, the underground mine feeds a beneficiation processing facility that extracts silver/lead and zinc concentrates from sulphide ore. In FY2014, Cannington produced concentrates containing 186.5 kt of lead, 57.9 kt of zinc and approximately 25.2 million ounces of silver. Cannington has a reserve life of nine years.

Olympic Dam (Australia)

Our wholly owned Olympic Dam mine in South Australia is a producer of copper cathode and uranium oxide and a refiner of gold and silver bullion. The site includes an underground mine, where the primary method of ore extraction is long-hole open stoping with cemented aggregate fill, and an integrated metallurgical processing plant. In FY2014, Olympic Dam produced 184.4 kt of copper cathode, 4.0 kt of uranium oxide, 121.3 kilo-ounces (koz) of refined gold and 972 koz of refined silver. Olympic Dam has a reserve life of 47 years.

A pre-feasibility study is being conducted into the proposed expansion of Olympic Dam. The objective of the study is to identify the full range of development path alternatives for Olympic Dam by investigating all possible mining methods and less capital-intensive designs, including new technologies.

In July 2014, we lodged an application for assessment by the Australian and South Australian Governments to construct and operate a demonstration plant on the existing mining lease at Olympic Dam. This process would enable heap leaching trials to progress to the next phase as part of our efforts to identify an alternative, less capital-intensive process for extracting metals from ore mined underground. Should government and Board approvals be granted, construction of the demonstration plant is expected to commence in the second half of CY2015. A trial period of 36 months is envisaged, commencing in late 2016.

Divested asset – Pinto Valley (United States)

In October 2013, we completed the sale of our Pinto Valley mining operation and the associated San Manuel Arizona Railroad Company to Capstone Mining Corp. for US\$653 million, after working capital adjustments.

 More information on our assets and operations is presented in section 2.1.2 of the Annual Report 2014

1.12.3 Copper Business *continued*

Development projects in execution at year-end

Escondida

The Organic Growth Project 1 (OGP1) is the replacement for the Los Colorados concentrator with a new 152 ktpd plant. We expect this project to provide additional processing capacity and allows access to higher-grade ore. OGP1 was approved in February 2012 with budgeted expenditure of US\$3.8 billion (BHP Billiton share US\$2.2 billion). Project completion is targeted for the first half of CY2015. Work on OGP1 was 79 per cent complete at 30 June 2014.

We approved the Escondida Water Supply (EWS) project in July 2013, which consists of a new 2,500 litres per second sea water desalination facility. This project will provide an alternative water supply to Escondida, as water usage increases upon completion of the 152 ktpd OGP1 copper concentrator. Construction of the new desalination facility commenced in July 2013 and includes the development of two pipelines, four high-pressure pump stations, a reservoir at the mine site and high-voltage infrastructure to support the system. The new facility is expected to be commissioned in 2017 at a cost of US\$3.4 billion (BHP Billiton share US\$2.0 billion). Prior to completion of the EWS project, water supply for OGP1 will continue to be sourced from existing aquifers and the 500 litres per second desalination plant.

The Oxide Leach Area Project (OLAP) involves the creation of a new dynamic leaching pad and mineral handling system that will include several overland conveyors. The new pad is expected to maintain oxide leaching capacity at current levels following the exhaustion of the existing heap leach in CY2014. OLAP was approved in February 2012 with budgeted expenditure of US\$721 million (BHP Billiton share US\$414 million). A US\$212 million increase in the budget of OLAP to US\$933 million (BHP Billiton share US\$536 million) was approved in March 2014. Work on the project was 93 per cent complete at 30 June 2014, and is expected to be completed in the second half of CY2014.

 More information on our development projects is presented in section 2.4 of the Annual Report 2014

Exploration activities

Our greenfield copper exploration activities during FY2014 were focused on advancing targets within Chile and Peru. Greenfield activities include opportunity identification, application for and acquisition of mineral title, early reconnaissance operations and drilling programs.

Performance

Total copper production in FY2014 increased by two per cent to 1.7 Mt. Escondida copper production increased by two per cent to 1.2 Mt as an improvement in mill throughput and concentrator utilisation offset a nine per cent decline in ore grades. Record mining rates at Olympic Dam underpinned an 11 per cent increase in copper production to 184 kt while Pampa Norte copper production of 233 kt was unchanged from the prior period. Antamina achieved record annual mill throughput and copper production in FY2014.

Copper revenue decreased by US\$669 million to US\$13.9 billion. Revenue for Escondida decreased by six per cent to US\$8.1 billion. The decrease in revenue primarily resulted from a five per cent decline in the average realised price of copper to US\$3.22 per pound.

Lower average realised prices reduced Underlying EBIT by US\$947 million, net of price-linked costs. In contrast, a stronger US dollar against the Chilean peso and Australian dollar increased Underlying EBIT by US\$359 million.

Underlying EBIT for FY2014 decreased by US\$559 million to US\$5.1 billion. Unit cash costs, which we calculate excluding revenue from by-products, at our operated copper assets declined by six per cent during FY2014 despite the impact of the nine per cent reduction in ore grades at Escondida. In this context, productivity cost efficiencies increased Underlying EBIT by US\$190 million and reflected insourcing initiatives and the broader optimisation of contractor activities across the business. A reduction in exploration and business development expenditure increased Underlying EBIT by a further US\$217 million as the Group sharpened its focus on greenfield copper porphyry targets in Chile and Peru. In contrast, an increase in non-cash charges reflected a lower capitalisation rate for deferred stripping at Escondida and Pampa Norte, and a general increase in depreciation and amortisation, and reduced Underlying EBIT by US\$337 million during the period.

Underlying EBIT of Olympic Dam for FY2014 increased by US\$38 million to US\$34 million, where costs efficiencies offset the decrease in commodities prices.

At 30 June 2014, the Group had 350 kt of outstanding copper sales that were revalued at a weighted average price of US\$3.19 per pound. The final price of these sales will be determined in FY2015. In addition, 386 kt of copper sales from FY2013 were subject to a finalisation adjustment in FY2014. These provisional pricing and finalisation adjustments increased Underlying EBIT by US\$73 million in FY2014 (FY2013: US\$303 million decrease).

A gain on the sale of the Pinto Valley mining operation and the associated San Manuel Arizona Railroad Company of US\$385 million (after tax) was recognised in FY2014 and was reported as an exceptional item.

Outlook

Total copper production is forecast to increase by five per cent in FY2015 to 1.8 Mt. With further improvements in productivity anticipated, Escondida is on track to produce approximately 1.27 Mt of copper in the period. Copper volumes at Pampa Norte and Olympic Dam are expected to remain at a similar level to FY2014, while lower average copper grades are expected to lead to a reduction in copper production at Antamina in FY2015, consistent with the mine plan.

The commissioning of OGP1, which remains on schedule to commence in the June 2015 quarter, will create 152 ktpd of valuable copper concentrator capacity. The Escondida OLAP and OGP1 are expected to maintain Escondida's copper production.

1.12.4 Iron Ore Business



Our Iron Ore Business, headquartered in Perth, Australia, is one of the leading iron ore producers in the world. We sell lump and fines products produced in Australia and pellets from our operations in Brazil.

RESULTS

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Revenue	21,356	18,593	20,605
Underlying EBIT	12,102	11,109	14,044
Capital expenditure	2,949	5,979	4,458
Net operating assets	23,390	22,126	17,375
Production – iron ore (Mt)	204	170	159

A summary of our Iron Ore Business’ assets, development projects and FY2014 performance is presented below.

Description of the Iron Ore Business

Our assets consist of the following:

Western Australia Iron Ore (Australia)

Operations at Western Australia Iron Ore (WAIO) involve an integrated system of mines and more than 1,000 kilometres of rail infrastructure and port facilities in the Pilbara region of northern Western Australia, with the headquarters located in Perth. Our focus is to safely

Map of Western Australia Iron Ore



maximise output through operating our mines and utilising available infrastructure at our disposal. This includes our plan to continue to grow production following the recent completion of a number of expansion projects and ongoing debottlenecking of the supply chain to underpin further potential growth in capacity to 290 million tonnes per annum (Mtpa).

We have expanded our WAIO operations in response to increasing demand for iron ore, particularly from China. Since 2001, we have completed eight expansion projects to increase our mine, rail and port capacity. Our share of FY2014 production was 193 Mt of ore, which is expected to increase in FY2015 to 211 Mtpa.

We have been transitioning to owner-operated mines since 2011. We completed this transition with the last contractor run site, Orebody 18, finalising its transition during FY2014.

Lump and fines products are sold to steel mills in China, South Korea, Japan, Singapore, Hong Kong, Taiwan, Switzerland and Australia, under long-term and short-term contracts. Contract prices are generally linked to market indices.

In order to establish a consistent, long-term, high-quality lump ore product having a stable grade, we recently transitioned to a blended lump product. The product is a blend of lump ores produced from the Newman, Area C and Jumblebar mining areas, known as Newman Blend lump. During FY2014, 23 per cent of sales were lump and 77 per cent were fines.

Our WAIO operations consist of four main joint ventures: Mt Newman, Yandi, Mt Goldsworthy and Jumblebar. Our interest in the joint ventures is 85 per cent with Mitsui and ITOCHU owning the remaining 15 per cent. The joint ventures are unincorporated except Jumblebar, where we diluted our interest in a subsidiary company to 85 per cent in July 2013 for which BHP Billiton received total consideration of US\$1.5 billion.

The Mt Newman Joint Venture consists of a number of orebodies joined by conveyors and spur lines to a mining hub at Mt Whaleback. Ore is crushed, beneficiated (where necessary) and blended to create the Newman Blend for lump and fines. The ore is then transported to port using our rail facilities. The Yandi JV comprises the Yandi mine where ore is crushed and screened and then transported by rail on the Newman main line. The Mt Goldsworthy JV consists of the Area C mine in the central Pilbara and the Yarrie mine in northern Pilbara. Ore is crushed and screened at Area C and transported by rail to the hub at Mt Whaleback. Production at Yarrie was suspended on 25 February 2014. The Jumblebar operation was officially opened on 23 April 2014 and comprises the new Jumblebar mine located 40 kilometres east of Newman. Jumblebar delivered first production in the September 2013 quarter and produced 9 Mt during FY2014.

Our rail operations are controlled from Perth via our integrated remote operations centre which co-locates rail control, port production control, mine dispatch control and mine fixed plant control.

Our port facilities are located on both sides of the harbour at Port Hedland. These facilities consist of Nelson Point and Finucane Island. The port facilities include five ore car dumpers, three screening plants, nine stackers, five reclaimers, stock and blending yards, and eight ship loaders.

The reserve life of our Western Australian mines is 16 years.

Samarco (Brazil)

We are a 50–50 joint venture partner with Vale at the Samarco operation in Brazil. Samarco is currently comprised of a mine and two concentrators, located in the state of Minas Gerais, and three pellet plants and a port, located in Anchieta in the state of Espirito Santo. Three 396-kilometre pipelines connect the mine site to the pelletising facilities.

Samarco’s main product is iron ore pellets. Extraction and beneficiation of iron ore is conducted at the Germano facilities in the municipalities of Mariana and Ouro Preto. Ore beneficiation occurs in concentrators after which concentrate is pumped through

1.12.4 Iron Ore Business *continued*

slurry pipelines to the pellet plant in Ubu, Anchieta. Pellets are independently marketed by Samarco and sold to steelmakers in 20 countries in the Americas, Asia, Africa, the Middle East and Europe, with prices generally linked to market indices. In FY2014, our share of production was 11 Mt of pellets. The reserve life of Samarco is 39 years.

 More information on our assets and operations is presented in section 2.1.3 of the Annual Report 2014

Completed development projects

Western Australia Iron Ore

WAIO has been executing a number of expansion projects in recent years. These projects, approved in March 2011 for a total of US\$7.4 billion (BHP Billiton share US\$6.6 billion) plus pre-commitment funding of US\$2.3 billion (BHP Billiton share US\$2.1 billion) were designed to deliver an integrated operation with a minimum capacity of 220 Mtpa (100 per cent basis).

These projects included:

- Jimblebar Mine Expansion project to develop the Jimblebar mine and rail links, and procure mining equipment and rolling stock to deliver a capacity of 35 Mtpa. The project costs as at 30 June 2014 amounted to US\$3.4 billion (BHP Billiton share); final costs are expected to be delivered below the revised budget of US\$3.6 billion;
- further development of Port Hedland, including two additional berths and ship loaders, a car dumper, connecting conveyor routes, and associated rail works and rolling stock. The project costs as at 30 June 2014 amounted to US\$1.7 billion (BHP Billiton share); final costs are expected to be delivered below the revised budget of US\$1.9 billion;
- port blending facilities and rail yards to enable ore blending, expand resource life and prepare for the anticipated growth of the business beyond the inner harbour. The project costs as at 30 June 2014 amounted to US\$0.9 billion (BHP Billiton share); final costs are expected to be delivered below the revised budget of US\$1.0 billion.

Western Australia Iron Ore – Orebody 24 mine

In FY2014, WAIO completed execution of its development of the Orebody 24 mine, located approximately 10 kilometres northeast of Newman. Orebody 24 is a sustaining mine to maintain iron ore production output from the Mt Newman JV operations. The project was approved in November 2011 and included the construction of an ore crushing plant, train loadout facility, rail spur and other associated support facilities. The project was delivered at a cost of US\$0.5 billion (BHP Billiton share), subject to finalisation, in the September 2014 quarter versus a budget of US\$0.7 billion.

Samarco

During FY2011, Samarco shareholders approved a US\$3.5 billion (BHP Billiton share US\$1.75 billion) expansion project, consisting of a fourth pellet plant, a new concentrator and a third slurry pipeline. The project is complete, with its first pellet production in March 2014. This has expanded Samarco's iron ore pellet production capacity from 22.3 Mtpa to 30.5 Mtpa. The final cost of the project was US\$3.2 billion (BHP Billiton share US\$1.6 billion).

 More information on our development projects is presented in section 2.4 of the Annual Report 2014

Exploration activities

Western Australia

WAIO has a substantial existing reserve base supported by considerable additional mineralisation all within a 250-kilometre radius of our existing infrastructure. This concentration of orebodies also gives WAIO the flexibility to add growth tonnes to existing hub infrastructure and link brownfield developments to our existing mainline rail and port facilities. The total area covered by exploration and mining tenure amounts to 6,500 square kilometres.

Total exploration expenditure in FY2014 amounted to US\$166 million.

Guinea Iron Ore

On 29 July 2014, we signed an agreement with ArcelorMittal for the sale of our 41.3 per cent interest in a joint venture that holds the Nimba Mining Concession and four iron ore prospecting permits in southeast Guinea. Completion of the transaction is subject to the receipt of regulatory approval and other customary closing conditions.

Liberia Iron Ore

We have a 100 per cent interest in a Mineral Development Agreement with the Government of Liberia. This enables the further exploration and development of our Liberian iron ore mineral leases.

Performance

Iron Ore revenue increased by US\$2.8 billion to US\$21.4 billion. Revenue for WAIO increased by US\$2.6 billion, an increase of 13.9 per cent. An 18 per cent increase in WAIO sales volumes was the major contributor, which was partially offset by a six per cent decline in average realised price of iron ore to US\$103 per wet metric tonne (FOB).

Iron ore production increased by 20 per cent in FY2014 to a record 204 Mt, exceeding initial full-year guidance by more than eight per cent. WAIO production of 225 Mt (100 per cent basis) represents a fourteenth consecutive annual record and was underpinned by the early commissioning of Jimblebar and our productivity agenda, which raised the capacity of our integrated supply chain.

Underlying EBIT for FY2014 increased by US\$993 million to US\$12.1 billion. The fall in the average realised price of iron ore reduced Underlying EBIT by US\$864 million, net of price-linked costs, although this was partially offset by a weaker Australian dollar which increased Underlying EBIT by US\$383 million. Iron ore sales, on average, were linked to the index price for the month of shipment, with price differentials reflecting product quality and the increase in WAIO sales volumes, adding US\$1.8 billion to Underlying EBIT. Conversely, the progressive ramp-up of several major projects resulted in a US\$425 million increase in depreciation and amortisation expense during the period. Having redirected the WAIO supply-chain bottleneck away from the mines and back to the port, WAIO unit costs decreased by six per cent in FY2014 to US\$27.53 per tonne. A 12 per cent reduction in unit costs to US\$25.89 per tonne was achieved in the June 2014 half year.

WAIO unit costs	FY2014 US\$M	FY2013 US\$M	H1 FY2014 US\$M	H2 FY2014 US\$M
Revenue	21,013	18,452	10,849	10,164
Underlying EBITDA	12,988	11,668	6,801	6,187
Cash costs (gross)	8,025	6,784	4,048	3,977
Less: freight	1,274	856	625	649
Less: royalties	1,497	1,192	744	753
Cash costs (net)	5,254	4,736	2,679	2,575
Sales (kt, BHP Billiton share)	190,843	160,955	91,327	99,516
Cash cost per tonne (US\$)	27.53	29.42	29.33	25.89

Outlook

In FY2015, WAIO production is expected to increase by a further 20 Mt to approximately 245 Mt (100 per cent basis). We expect additional productivity gains to support another year of record performance despite the planned tie-in of ship loaders 1 and 2 during the December 2014 half year. Total iron ore production is forecast to increase by 11 per cent in FY2015 to 225 Mt (BHP Billiton share).

Our strategy includes expanding Jimblebar to 55 Mtpa (100 per cent basis) as well as a broader debottlenecking of the supply chain, which is expected to underpin further growth in WAIO supply-chain capacity to 290 Mtpa (100 per cent basis).

1.12.5 Coal Business



Our Coal Business, headquartered in Brisbane, Australia, is the world's largest supplier of seaborne metallurgical coal, one of the world's largest suppliers of seaborne energy coal and a significant domestic energy coal supplier in the countries where our mines are located.

RESULTS

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Revenue	9,115	9,895	12,512
Underlying EBIT	386	595	2,612
Capital expenditure	2,345	3,626	3,103
Net operating assets	14,300	13,225	10,663
Production – metallurgical coal (Mt)	45	38	33
Production – energy coal (Mt)	73	72	74

A summary of our Coal Business' assets, development projects and FY2014 performance is presented below.

Description of the Coal Business

Our assets comprise the following:

Queensland Coal (Australia)

Queensland Coal comprises the BHP Billiton Mitsubishi Alliance (BMA) and BHP Billiton Mitsui Coal (BMC) Assets in the Bowen Basin in Central Queensland, Australia.

The Bowen Basin is well positioned to supply the seaborne market because of its high-quality metallurgical coals, which are ideally suited to efficient blast furnace operations, and its geographical proximity to Asian customers. We have access to key infrastructure in the Bowen Basin, including a modern, multi-user rail network, and our own coal loading terminal at Hay Point, located near the city of Mackay. We also have contracted capacity at three other multi-user port facilities including the Port of Gladstone (RG Tanna Coal Terminal), Dalrymple Bay Coal Terminal and Abbot Point Coal Terminal.

BHP Billiton Mitsubishi Alliance – BMA owns and operates open-cut and underground metallurgical coal mines in the Bowen Basin, and also owns and operates the Hay Point Coal Terminal. We share 50–50 ownership with Mitsubishi Development. BMA operates the Goonyella Riverside, Broadmeadow, Daunia, Caval Ridge, Peak Downs, Saraji, Gregory Crinum and Blackwater mines. First production commenced at Caval Ridge in the June 2014 quarter. Our share of total production in FY2014 was 29.3 Mt. The reserve lives of our mines range from 2.8 years at Gregory Crinum to 37 years at Saraji.

BHP Billiton Mitsui Coal – BMC is a subsidiary company owned by BHP Billiton (80 per cent) and Mitsui and Co (20 per cent). BMC owns and operates South Walker Creek and Poitrel open-cut metallurgical coal mines. Total production in FY2014 was 8.3 Mt. The reserve lives of our mines are 15 years at Poitrel and 11 years at South Walker Creek.

Illawarra Coal (Australia)

Our wholly owned Illawarra Coal Asset owns and operates three underground coal mines – Appin, West Cliff and Dendrobium, in the Illawarra region of New South Wales, Australia. The mines supply metallurgical coal to the nearby BlueScope Port Kembla steelworks and to other domestic and export markets. The Appin mine is currently being developed to sustain Illawarra Coal's production following the end of the mine life at West Cliff.

Coal is exported via the Port Kembla Coal Terminal, in which we own a 16.67 per cent interest. Total production in FY2014 was 7.5 Mt. The reserve lives of our mines range from 2 years at West Cliff to 25 years at Appin.

Energy Coal South Africa (South Africa)

Energy Coal South Africa (known as BECSA) operates four energy coal mines – Khutala, Klipspruit, Middelburg and Wolvekran, in the Witbank region in the province of Mpumalanga, South Africa.

BECSA is 90 per cent owned by BHP Billiton, two per cent owned by its employees through an Employee Share Ownership Plan and eight per cent owned by a Broad-Based Black Economic Empowerment (B-BBEE) consortium led by Pembani Group Proprietary Limited.

Production in FY2014 was 30.4 Mt. The reserve lives of our mines range from 5.8 years at Khutala to 23 years at Middelburg.

New Mexico Coal (United States)

We own and operate the San Juan energy coal mine located in the US state of New Mexico. The mine transports its production directly to the nearby San Juan Generating Station. The San Juan mine has a reserve life of 3.5 years, which is the life of the current customer contract. Production for FY2014 was 5.7 Mt.

We also operate the nearby Navajo mine, located on Navajo Nation land in New Mexico. Full ownership of the Navajo Coal Company transferred to the Navajo Transitional Energy Company (NTEC), an entity of the Navajo Nation, effective 30 December 2013. New Mexico Coal and NTEC have entered into a Mine Management Agreement where New Mexico Coal will continue as mine operator until 31 December 2016.

Map of Queensland Coal



1.12.5 Coal Business *continued*

New South Wales Energy Coal (Australia)

Our wholly owned New South Wales Energy Coal Asset owns and operates the Mt Arthur Coal open-cut energy coal mine in the Hunter Valley region of New South Wales, Australia.

New South Wales Energy Coal produced 20 Mt in FY2014 and has a reserve life of 33 years.

Correjón (Colombia)

We have a one-third interest in Correjón Coal Company, which owns and operates one of the world's largest open-cut export energy coal mines, located in the La Guajira province of Colombia.

In FY2014, our share of Correjón production was approximately 12.3 Mt. Correjón has a reserve life of 17 years.

 *More information on our assets and operations is presented in section 2.1.4 of the Annual Report 2014*

Completed development projects

BMA Expansions

In November 2011, we approved the development of the Caval Ridge mine project, with a revised investment of US\$1.9 billion (BHP Billiton share). The Caval Ridge mine is an open-cut dragline and truck and shovel operation, with coal railed to the Hay Point Coal Terminal. First coal at the Caval Ridge mine occurred in the June 2014 quarter and the mine was 100 per cent completed at 30 June 2014.

Correjón P40 Project

In August 2011, we announced a US\$437 million (BHP Billiton share) investment in the expansion of Correjón, known as the P40 Project, which is expected to enable Correjón's thermal coal production to increase by 8 Mtpa to approximately 40 Mtpa. The project scope includes a second berth and dual quadrant ship loader at Correjón's 100 per cent owned and operated Puerto Bolivar, along with necessary mine, rail and associated supply chain infrastructure. Construction commenced in CY2011 and the project handled its first coal in the December 2013 quarter. The port expansion associated with the Correjón P40 project is currently being commissioned, although operational issues are expected to constrain capacity to approximately to 35 Mtpa (100 per cent basis) in the medium term. At 30 June 2014, the project was 94 per cent complete.

Newcastle Port Third Phase Expansion

In August 2011, we announced a US\$367 million (BHP Billiton share) investment in the third stage development of the Newcastle Coal Infrastructure Group's coal handling facility in Newcastle.

The port expansion project is expected to increase total capacity at the coal terminal from 53 Mtpa to 66 Mtpa. This is expected to increase New South Wales Energy Coal's allocation by 4.6 Mtpa to 19.2 Mtpa. First coal on ship, being the first ship loading through the new facility, was achieved in June 2013, ahead of schedule. At 30 June 2014, the project was 86 per cent complete.

Development projects in execution

BMA Expansions

In March 2011, we approved the expansion of the Hay Point Coal Terminal. The expansion of the terminal will deliver an additional 11 Mt of annual port capacity (100 per cent basis). Following a review of the project during FY2013, first shipment is expected in CY2015 with a revised budget of US\$1.5 billion (BHP Billiton share). The project was 87 per cent complete at 30 June 2014.

Appin Area 9 Project

In June 2012, approval was given to invest US\$845 million to sustain operations at Illawarra Coal by establishing a replacement mining area at Appin mine. The replacement area will have a production capacity of 3.5 Mtpa and will sustain Illawarra Coal's production capacity at 9 Mtpa. The Appin Area 9 Project was 67 per cent complete at 30 June 2014 and is expected to be operational in CY2016, whereupon it will replace production at the West Cliff mine. The project includes roadway development, new ventilation infrastructure, new and reconfigured conveyors and other mine services.

 *More information on our development projects is presented in section 2.4 of the Annual Report 2014*

Performance

Metallurgical coal production increased by 20 per cent in FY2014 to a record 45 Mt (BHP Billiton share). Record production and sales volumes at Queensland Coal reflected strong performance across all operations. This included first production from Caval Ridge, the successful ramp-up of Daunia and record production at Peak Downs, Saraji, South Walker Creek and Poitrel. Illawarra Coal production declined by five per cent as an extended outage at the Dendrobium mine impacted performance in the first half of FY2014.

Energy coal production of 73 Mt for FY2014 was broadly unchanged from the prior period. Another year of robust performance was underpinned by a fifth consecutive annual production record at New South Wales Energy Coal and record volumes at Correjón. Extended outages at both a local utility and the Richards Bay Coal Terminal led to lower production at Energy Coal South Africa, while Navajo Coal production declined following the permanent closure of three of the five power units at the Four Corners Power Plant.

Coal revenue for FY2014 decreased by US\$780 million to US\$9.1 billion. Revenue for Illawarra decreased by 31 per cent to US\$886 million and revenues for New South Wales Energy Coal and Energy Coal South Africa also decreased; this was partially offset by an increase in revenues for Queensland Coal of five per cent to US\$4.7 billion. The decrease in revenues was driven by a 20 per cent reduction in the average price for hard coking coal and 14 per cent reduction in the average price received for both weak coking coal and thermal coal.

Underlying EBIT for FY2014 declined by US\$209 million to US\$386 million despite productivity volume and cost efficiencies of US\$1.3 billion being embedded during the period.

A stronger US dollar against both the Australian dollar and South African rand increased Underlying EBIT by US\$543 million. This was more than offset by the reduction in the average price, which in total, reduced Underlying EBIT by US\$1.4 billion, net of price-linked costs.

A sustainable increase in truck and wash plant utilisation rates underpinned the improvement in productivity while a reduction in labour, contractor and maintenance costs was also achieved. In this context, redundancies totalling US\$40 million were recognised in FY2014 while an increase in non-cash charges reduced Underlying EBIT by a further US\$497 million. The latter included a US\$292 million impairment charge at Energy Coal South Africa. A US\$84 million gain on the sale of the Energy Coal South Africa Optimum Coal purchase agreement was also recognised during the period.

Outlook

Metallurgical coal production for FY2015 is expected to increase by four per cent to approximately 47 Mt as the ramp-up of Caval Ridge is completed. Energy coal production for FY2015 is expected to remain broadly unchanged at 73 Mt.

As we will retain control of the Navajo mine until full consideration is received from NTEC, production and financial results for the Navajo mine will continue to be reported by the Group.

1.12.6 Aluminium, Manganese and Nickel Business



Our Aluminium, Manganese and Nickel Business, headquartered in Perth, Australia, is one of the world's largest integrated producers of aluminium, nickel and manganese ore and alloy.

RESULTS

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Revenue	8,411	9,278	9,911
Underlying EBIT	307	158	(24)
Capital expenditure	498	893	1,941
Net operating assets	9,322	8,809	13,127
Production – alumina (kt)	5,178	4,880	4,152
Production – aluminium (kt)	1,174	1,179	1,153
Production – manganese ores (kt)	8,302	8,517	7,931
Production – manganese alloys (kt)	646	608	602
Production – nickel (kt)	143	154	158

A summary of our Aluminium, Manganese and Nickel Business' assets, development projects and FY2014 performance is presented below.

Description of the Aluminium, Manganese and Nickel Business

Our assets include the following:

Boddington/Worsley (Australia)

Boddington/Worsley is an integrated bauxite mining/alumina refining operation located in Western Australia. The Boddington bauxite mine supplies bauxite ore to the Worsley alumina refinery via a 51-kilometre long conveying system. We own 86 per cent of the mine and the refinery. Our share of Worsley's FY2014 production was 3.9 Mt of alumina. Boddington has a reserve life of 17 years.

Hillside and Bayside (South Africa)

Our wholly owned Hillside and Bayside aluminium smelters are located at Richards Bay in South Africa. Hillside is the largest aluminium smelter in the southern hemisphere. In June 2014, Bayside completed the ramp-down of its remaining smelting capacity of 97 ktpa. The Bayside Casthouse continues to operate and began processing liquid metal transfers from Hillside in June 2014. Production in FY2014 for Hillside was 715 kt and Bayside was 89 kt.

Moal (Mozambique)

We own 47.1 per cent of and operate the Moal aluminium smelter located near Maputo, Mozambique. Moal sources power generated by Hydro Cahora Basa via Motraco, a transmission joint venture between Eskom and the national electricity utilities of Mozambique and Swaziland. Our share of Moal's FY2014 production was 266 kt.

Alumar (Brazil)

Alumar is an integrated alumina refinery/aluminium smelter. We own 36 per cent of the Alumar refinery and 40 per cent of the smelter. Alcoa operates both facilities. The operations, and their integrated port facility, are located at São Luís in the Maranhão province of Brazil.

The Alumar smelter has currently suspended production from pot lines 2 and 3 reducing overall annual capacity to 124 kilotonnes per annum (ktpa), from 447 ktpa (100 per cent), due to challenging global market conditions in primary aluminium and increased costs. Our share of Alumar's FY2014 saleable production was 1.3 Mt of alumina and 104 kt of aluminium.

HMM (South Africa)

We own a 44.4 per cent interest in Hotazel Manganese Mines (HMM), which owns the Mamatwan open-cut mine and the Wessels underground mine. In FY2014, the total manganese ore production was 3,526 kt. Wessels has a reserve life of 46 years and Mamatwan has a reserve life of 18 years.

GEMCO (Australia)

Our 60 per cent owned and operated GEMCO operation is an open-cut mining operation, located 16 kilometres from our port facilities at Milner Bay, Northern Territory. These operations, consisting of crushing, screening, washing and dense media separation, combined with its high-grade ore are in relative close proximity to the Asian export markets. FY2014 production of manganese ore was 4,776 kt. GEMCO has a reserve life of 11 years.

Metalloys (South Africa)

Our 60 per cent owned and operated Samancor Manganese Metalloys alloy plant, located in Meyerton, is one of the largest manganese alloy producers in the world. Metalloys produces high- and medium-carbon ferromanganese. Production of manganese alloy in FY2014 was 377 kt.

TEMCO (Australia)


Our 60 per cent owned and operated TEMCO operation, located in Tasmania, is a medium-sized producer of high-carbon ferromanganese, silicomanganese and sinter using ore shipped from GEMCO, primarily using hydroelectric power. Production of manganese alloy in FY2014 was 269 kt.

Nickel West (Australia)

Our wholly owned Nickel West Asset, in Western Australia, consists of an integrated system of mines, concentrators, a smelter and a refinery. Nickel West production in FY2014 was 98.9 kt of contained nickel. On 31 October 2013, production at the Nickel West Leinster Perseverance underground mine was suspended following a significant seismic event. A subsequent review of the incident determined it was unsafe to resume operations.

Cerro Matoso (Colombia)

Our 99.98 per cent owned Cerro Matoso Asset in Colombia combines a lateritic nickel ore deposit with a ferronickel smelter. The smelter produces high-purity, low-carbon ferronickel granules. Cerro Matoso has an estimated reserve life of 15 years. Production in FY2014 was 44.3 kt of nickel in ferronickel form.

 More information on our assets and operations is presented in section 2.1.5 of the Annual Report 2014

1.12.6 Aluminium, Manganese and Nickel Business *continued*

Development projects

GEMCO expansion

The US\$279 million GEMCO Expansion Project (GEEP2) (BHP Billiton share US\$167 million), approved in July 2011, was delivered on time and on budget in the December 2013 quarter. GEEP2 increased GEMCO's capacity from 4.2 Mtpa to 4.8 Mtpa through the introduction of a dense media circuit by-pass facility. The expansion has also addressed key infrastructure constraints by increasing road and port capacity to 5.9 Mtpa, creating 1.1 Mtpa of additional capacity for future expansions.

 *More information on our development projects is presented in section 2.4 of the Annual Report 2014*

Performance

Aluminium, Manganese and Nickel revenues decreased by US\$867 million to US\$8.4 billion. Revenue for Cerro Matoso decreased by 25.9 per cent to US\$595 million, driven by a decline in nickel prices by seven per cent and lower production. Production at Cerro Matoso was affected by kiln and furnace outages, and lower nickel grades. Aluminium revenues decreased by 8.5 per cent to US\$2.4 billion primarily due to lower average realised prices which declined by six per cent.

Alumina production increased by six per cent in FY2014 to a record 5.2 Mt. The Efficiency and Growth project at Worsley reached nameplate capacity during the year and annual production records were achieved at both the Worsley and Alumar refineries. Aluminium production of 1.2 Mt was unchanged from FY2013 with production records at both Hillside and Mozal offset by lower volumes at Alumar following the phased suspension of 103 kt (BHP Billiton share) of annualised capacity.

Manganese ore production declined by three per cent in FY2014 to 8.3 Mt as GEMCO was affected by higher than usual rainfall during the wet season. Manganese alloy production increased by six per cent in FY2014 compared to FY2013, which was affected by the temporary suspension of operations at TEMCO.

Nickel production declined by seven per cent in FY2014 to 143 kt. Production at Cerro Matoso was affected by kiln and furnace outages, and lower nickel grades. Nickel West production declined by four per cent following the closure of the Perseverance underground mine in November 2013.

Notwithstanding a rebound in nickel and aluminium prices in the second half, lower average realised prices reduced Underlying EBIT by US\$409 million during FY2014, net of price-linked costs. More specifically, lower average realised prices for aluminium (down six per cent to US\$2,022 per tonne), manganese ore (down four per cent to US\$4.64 per dry metric tonne unit), manganese alloy (down six per cent to US\$980 per tonne) and nickel (down seven per cent to US\$14,925 per tonne) were only partially offset by an increase in the average realised price of alumina (up two per cent to US\$307 per tonne).

Underlying EBIT for FY2014 increased by US\$149 million to US\$307 million. A reduction in headcount and consumable costs, as well as equipment debottlenecking at most assets, contributed to the US\$335 million of productivity cost efficiencies embedded during the period. A stronger US dollar against both the Australian dollar and South African rand increased Underlying EBIT by a further US\$469 million. In contrast, the cessation of aluminium smelting activities at Bayside (US\$167 million) and costs associated with the closure of the Perseverance underground mine at Nickel West (US\$174 million) contributed to a decrease in Underlying EBIT of US\$341 million.

In May 2014, the Group announced a review of the Nickel West business, comprising the Mt Keith, Cliffs and Leinster mines, its concentrators, the Kalgoorlie smelter and the Kwinana refinery. The review is considering all options for the long-term future of Nickel West, including the potential sale of all or part of the business.

Outlook

Saleable nickel production at Nickel West is expected to decline by four per cent in FY2015 to 95 kt with approximately 55 per cent to be sourced from third party feed. Ferro-nickel production at Cerro Matoso is expected to decline by three per cent to 43 kt as a result of lower grades.

In contemplation of the proposed demerger, BHP Billiton and Anglo American have agreed to make certain changes to the agreement which governs their interests in the Manganese business. BHP Billiton manages and owns 60 per cent of the Manganese business with Anglo American owning the remaining 40 per cent.

Subject to obtaining the required approvals for the agreement, the changes will result in BHP Billiton and Anglo American agreeing to share joint control of the Manganese business. As a result, we will discontinue consolidation of the Manganese business and account for our 60 per cent interest as an equity accounted joint venture. We will therefore derecognise the existing carrying amounts of all assets, liabilities and the non-controlling interest in the Manganese business attributed to Anglo American and initially record our retained 60 per cent interest at fair value. The remeasurement at fair value will give rise to an estimated gain of approximately US\$2 billion in the first half of FY2015.

1.13 Our people

People are the foundation of our organisation and underpin our success. We value our people and encourage the development of talented and motivated employees to support the continued performance and growth of our diverse operations. We strive to build a sense of purpose and achievement among all our people in the work we do.



1.13.1 Employees and contractors

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

The table below provides the average number of employees and contractors over the last three financial years.

Year ended 30 June	2014	2013	2012
Employees	47,044	46,892	43,238
Contractors	76,759	79,330	78,813
Total	123,803	126,222	122,051

The table below shows the gender composition of our workforce, senior leaders and Board over the last three financial years.

Year ended 30 June	2014	2013	2012
Male employees	39,517	38,920	35,888
Female employees	7,527	7,972	7,350
Female employees (per cent)	16	17	17
Male senior leaders ^(a)	317	326	365
Female senior leaders ^(a)	55	40	41
Female senior leaders (per cent)	15	11	10
Male Board members	12	11	11
Female Board members	2	2	2
Female Board members (per cent)	14	15	15

(a) For UK law purposes, we are required to show information for 'senior managers' which is defined to include both senior leaders and any persons who are directors of any subsidiary company even if they are not senior leaders. In FY2014, senior leaders comprise the top 372 people in the organisation. There are 33 directors of subsidiary companies who are not senior leaders, comprising 23 males and 10 females. Therefore, for UK law purposes, the total number of senior managers is 340 males and 65 females (16 per cent female).

The tables below provide a breakdown of the weighted average number of employees across the Group, in accordance with our reporting requirements under the UK Companies Act 2006. The calculation includes the Executive Director, 100 per cent of employees of subsidiary companies, and our share of joint operations, for each of the past three financial years. Employees of equity accounted entities are not included. Part-time employees are included on a full-time equivalent basis. Employees of businesses acquired or disposed of during a particular year are included for the period of ownership. Contractors are not included.

On 1 July 2013 the Group adopted IFRS 10 and IFRS 11. This led to the full consolidation of Escondida employees (previously proportionately consolidated) and the exclusion of certain equity accounted entities including Samarco, Antamina and Cerrejón. The comparative periods have been restated on this basis.

The table below provides a breakdown of our average number of employees by Business for each of the last three financial years.

Year ended 30 June	2014	2013	2012
Petroleum and Potash	4,207	4,449	4,067
Copper	10,070	10,435	9,445
Iron Ore	8,035	6,883	4,711
Coal	12,318	12,240	11,679
Aluminium, Manganese and Nickel	10,775	11,115	11,388
Group Functions, Marketing and unallocated	1,639	1,770	1,948
Total	47,044	46,892	43,238

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

Year ended 30 June	2014	2013	2012
Africa	9,035	9,121	9,358
Asia	1,105	1,183	1,114
Australasia	23,048	21,977	19,305
Europe	146	231	532
North America	4,373	5,116	4,117
South America	9,337	9,264	8,812
Total	47,044	46,892	43,238

The increase in Australasian headcount during FY2014 is primarily due to the increase in the Iron Ore Business as a result of the expansion of the Jumblebar operations and additional support required in non-process infrastructure and port and rail operations. The Coal Business also experienced an increase as a result of the addition of the Daunia and Caval Ridge workforce. The decreased headcount in Europe occurred with the closure of offices in The Hague and Antwerp, and in North America with the sale of the diamonds business and sale of the Pinto Valley mining operation. For further information regarding these sales, refer to section 1.15.3 of this Strategic Report and section 2.1.2 of the Annual Report 2014.

1.13.2 Employee policies and engagement

We are committed to open, honest and productive relationships with our employees. At BHP Billiton, we recognise the most important ingredient for success is our talented and motivated workforce, whose members demonstrate behaviours that are aligned to *Our BHP Billiton Charter* values.

We have an integrated people strategy to effectively attract, retain and develop talented people. Our approach is outlined in *Our Charter*, the BHP Billiton *Code of Business Conduct* and the Group Level Documents (GLDs) that prescribe what we will do and how we will do it. All of these documents are published and accessible to employees.

Effective communication and employee engagement is critical for maintaining open and productive relationships between leaders and employees. Employees receive communication on BHP Billiton goals and performance, as well as on other important issues such as health and safety and the environment and the *Code of Business Conduct*. Our *Code of Business Conduct* is founded on *Our Charter* values, which make an unqualified commitment to working with integrity. Communication is undertaken through a variety of channels, including the internet, intranet, email, newsletters and other means designed to cater for the local environment. Our employees can access our Annual Reports either via the internet or hard copy. Communications tools are also used to facilitate employee feedback, as are a variety of consultative processes. Dispute and grievance handling processes are also in place to assist in equitably addressing workplace issues across the organisation. A business conduct advisory service, EthicsPoint, operates worldwide to allow concerns to be raised about conduct that is out of step with *Our Charter* values, our policies and procedures or legislation.

Our all-employee share purchase plan, Shareplus, is available to all permanent full-time and part-time employees, and those on fixed-term contracts, except where local regulations limit operation of the scheme. In these instances, alternative arrangements are in place. As at 30 June 2014, 27,401 employees, or approximately 53.1 per cent of those eligible for the April 2014 offer, were

participants in Shareplus. The Shareplus employee plan is described in section 4.4.26 of the Annual Report 2014. Short-term and long-term incentive schemes also operate across the Group. Rewards for eligible individuals are predicated on the need to meet targets relating to the Group's performance in areas such as health, safety and achievement of financial measures and on the personal performance of each employee.

Our performance management process aligns individual performance and behaviour to *Our Charter* and our strategic and operational priorities as well as working to ensure individual and team performance is recognised. Our leaders are accountable for providing feedback and coaching and identifying development needs to help our employees maximise their performance and realise their full potential. In FY2014, 74 per cent of employees participated in a formal performance review process. Due to industrial agreements, not all employees are able to participate in individual performance or reward programs. The importance we place on employee development and training is demonstrated by the significant amount of training our employees undertake.

BHP Billiton is committed to building and maintaining a diverse workforce and providing a work environment in which every employee is treated fairly and with respect. We work actively to avoid discrimination on any basis, including disability. Where an employee suffers some disability while they are employed, we work to identify roles that meet their skill, experience and capability, and in some cases offer retraining. We also offer flexible work practices, where this is possible, taking into account the needs of the employee and those of the particular workplace. The employment packages under our remuneration policy, which must comply with local regulations, are aligned to our business requirements and are designed to be sufficiently attractive to recruit and retain the best people.

1.13.3 Diversity and inclusion at BHP Billiton

Our Charter and GLDs guide all aspects of our management, including diversity and inclusion.

Our GLDs are underpinned by principles that guide our approach to diversity and inclusion. Our GMC and the Board believe that a diverse workforce and inclusive work environment where the unique skills, experiences and perspectives of our people are embraced is pivotal to sustaining performance and increasing productivity. The Board approves the Group's diversity and inclusion measurable objectives for each financial year and monitors its progress. In relation to gender, they have set a goal of increasing the number of women on the Board. Further details are set out below.

Principles that underpin our approach to diversity and inclusion:

- a diverse workforce and an inclusive environment are necessary to the delivery of our strategy that is predicated on diversification by commodity, geography and market;
- We aspire to have a workforce that best represents the communities in which our assets are located and our employees live;
- actions that support our diversity and inclusion objectives should be consistent with our established approach to talent, performance and reward;
- achieving an appropriate level of diversity will require structured programs to support employees from an early career stage in developing the necessary skills and experiences for leadership roles;
- creating an inclusive work environment will require every employee and leader to embrace diversity and act in a way that is consistent with *Our Charter*;
- measurable objectives in support of diversity and inclusion will be transparent, fit for purpose and focus on (i) engaging, enabling and developing our workforce and (ii) establishing appropriate representation goals.

1.13.3 Diversity and inclusion at BHP Billiton continued

Progress against measurable objectives

Progress against our FY2014 commitments is set out below.

1. Each Business, Group Function and Marketing will be evaluated on progress in executing the measurable objectives that form part of its multi-year diversity plan.

- The performance of each Business, Group Function and Marketing was evaluated as part of the Group's internal compliance requirements. Results were taken into account in determining variable remuneration.

2. Execute the diversity and inclusion strategy and actions approved by the GMC.

- Our CEO and management teams reinforced our commitment to diversity and inclusion through internal and external communication channels including town hall meetings, surveys and participation in industry events.
- Senior leaders mentored and held talent development conversations with high potential females, females in our graduate program and ethnically diverse talent. Specific actions were captured as part of their development plans.
- Employees' perceived level of inclusion in their teams was measured as part of the employee survey. Results, together with tools to assist action planning were cascaded to business leaders and line managers.
- Actions to increase representation of Indigenous people in our workforce included targeted resourcing strategies, training programs and integration initiatives to broaden employment opportunities.
- Female representation increased (i) seven percentage points in senior leadership roles to 15 per cent and (ii) one percentage point in our overall workforce representation to 16 per cent from our baseline in 2010. We remain committed to increasing overall female representation, with a specific focus on operational areas.

3. Increase female representation by one in each asset and operations leadership team by end of FY2015 (where the business leadership team comprises less than 50 per cent females).

- Female representation increased nine percentage points in operational leadership teams from last year.

4. Develop recommendations for providing childcare options and flexible work arrangements.

- Flexible work recommendations are being piloted in different locations. Childcare options remain a focus for FY2015.

5. Increase the proportion of female and Indigenous graduates hired and retained year on year.

- Representation of females in our graduate intake increased three percentage points at a global level and six percentage points in Australia from last year. Indigenous Australian representation increased three percentage points. Retention of female graduates that have commenced since 2011 remains stable at 93 per cent.

6. Maintain at least a 30 per cent female participation in our Accelerated Leadership Development Program (ALDP).

- Female representation in our ALDP cohort remains at 41 per cent.

Continuous improvement

In FY2015, we will continue focusing on creating work environments of greater inclusion and enhancing our gender and diversity profile. We will take the following steps to deliver against this commitment:

1. Demonstrate progress against our diversity and inclusion plan to improve our gender and ethnicity profile and increase female representation year on year;
2. Demonstrate improvement in creating a work environment of inclusion, as measured by our employee survey.

Each Business, Group Function and Marketing will continue to be evaluated on progress against their multi-year diversity and inclusion plan. Successful completion will be taken into account in determining bonus remuneration and tracked as part of the Group's internal compliance requirements.

1.14 Sustainability

Our Charter value of Sustainability is core to our strategy and we integrate health, safety, environmental, social and economic factors into our decision-making. Maintaining our licence to operate as a global company is dependent upon gaining access to natural resources and ensuring we earn the trust of our shareholders, employees, contractors, communities, customers and suppliers.




Our approach to sustainability reflects our priority to put health and safety first, be environmentally responsible and provide support to our host communities. In reporting our sustainability performance, we include our impact on the environment and approach to climate change, water stewardship, resource conservation and biodiversity; and our efforts to ensure the broader economic contributions of our operations benefit the regions in which we operate.

The information contained in this section, unless otherwise stated, covers assets that have been wholly owned and operated by BHP Billiton or that have been operated by BHP Billiton in a joint venture operation (operated assets) for FY2014.

1.14.1 Identifying our sustainability issues

To deliver successfully on our strategy, we must identify and respond to the sustainability issues that have a direct or indirect impact on our business, to our stakeholders and society at large. Using a materiality assessment process, we identified and prioritised material sustainability issues included in this Strategic Report, Annual Report 2014 and Sustainability Report 2014. The following issues are discussed in this Strategic Report:

Governance	Health and safety	Environment	Society
<ul style="list-style-type: none"> • Governance and sustainability • Identifying and managing our material risks • Operating with integrity and conducting business transparently • Addressing climate change 	<ul style="list-style-type: none"> • Keeping our people and operations safe • Focusing on the health of our people 	<ul style="list-style-type: none"> • Energy and greenhouse gas management • Biodiversity and land management • Water stewardship • Responsibly managing hydraulic fracturing 	<ul style="list-style-type: none"> • Supporting and engaging with our communities • Free, prior informed consent • Respecting human rights • Making a positive contribution to society

 Additional information relating to our sustainability performance for FY2014 is available in our Sustainability Report 2014 and can be found online at www.bhpbilliton.com.

1.14.2 Governance

Governance and sustainability

Our Board governs the Group in a manner consistent with *Our Charter* values, our strategy and our commitment to a transparent and high-quality governance system. The Board has established a number of committees to assist it in exercising its authority and to monitor the performance of the Group. The Sustainability Committee assists the Board in oversight of health, safety, environment, community and climate change matters. This includes overseeing areas relating to risk control, compliance with applicable legal and regulatory requirements and overall health, safety, environment and community (HSEC) performance of the Group.

The Board delegates authority to the CEO to manage the Group in its pursuit of creating long-term shareholder value through the discovery, acquisition, development and marketing of natural resources. Established by the CEO, the GMC is the Group's most senior executive body. The GMC's purpose is to provide leadership to the Group, determining its priorities and the way it is to operate, thereby assisting the CEO in pursuing the corporate purpose. The GMC is a forum to debate high-level matters important to the Group and to ensure consistent development of the Group's strategy.

To link HSEC matters to remuneration, 20 per cent of the FY2014 short-term incentive opportunity for GMC members was based on HSEC performance. This was an increase from 15 per cent in FY2013, reflecting the importance the Board and GMC place on sustainability. The Sustainability Committee assists the Remuneration Committee in determining appropriate HSEC metrics to be included in GMC scorecards and in assessing performance against those measures. The Board also has discretion over both the short-term and long-term incentive opportunities for GMC members and takes into consideration HSEC performance.

Identifying and managing our material risks

In addition to the legal requirements of the countries in which we operate, our approach to sustainability risks is defined by our HSEC-related Group Level Documents (GLDs). These clearly describe our mandatory minimum performance requirements and accountabilities across the Group and are the foundation for developing and implementing management systems at our operations.

Our HSEC-related GLDs outline our approach to the Group's material sustainability risks and highlight a commitment to international policies, standards and management practices. These include the principles and mandatory requirements of the position statements of the International Council on Mining and Metals (ICMM) Sustainable Development Framework, the United Nations (UN) Global Compact, the UN Declaration of Human Rights and the Voluntary Principles on Security and Human Rights.

We seek to ensure our customers, suppliers, agents, service providers and contractors maintain business practices and workplaces that are aligned with our GLDs. We also provide GLD performance requirements to our non-operated assets and seek to influence the asset to follow these requirements.

Our *Risk Management* GLD provides the framework for embedding risk identification and management into our business activities, functions and processes. This is the basis of an active and consistent risk-based approach to sustainability. We identify risks we consider material to our organisation and take into consideration the potential health, safety, environmental, community, reputational, legal and financial impacts. The severity of any particular risk is assessed according to the most severe impact associated with a specific risk. The objectives of the risk management process are to understand the nature and residual impact of the material risks for the Group and to ensure they are managed through the verification and effectiveness testing of critical controls. Information relating to the material risks for the Group, including sustainability risks, is available in section 1.7 of this Strategic Report.

Operating with integrity and conducting business transparently

To maintain our position as one of the world's leading companies, we are committed to ethical business practices and high levels of governance in all our dealings. Regardless of the country or culture within which our people work, our *Anti-corruption* GLD and *Code of*

Business Conduct prohibit bribery and corruption in all our business dealings. Particulars in relation to the *Code of Business Conduct* and anti-corruption are referred to in section 3.17 of the Annual Report 2014. Specific discussion on legal proceedings is available in section 6 of the Annual Report 2014.

Transparently reporting our payments to governments

We believe that transparency of government revenue from the extraction of natural resources is an important element in the fight against corruption. BHP Billiton has been a supporter of the Extractive Industries Transparency Initiative (EITI) since its inception in 2002 and we continue to engage actively with EITI processes in countries where we operate. In line with our support for the EITI, we have reported in the Sustainability Report 2014, payments of taxes and royalties derived from resource developments on a country-by-country basis. Our payments to governments in FY2014 included US\$9.9 billion in company taxes, royalties and certain indirect taxes and approximately US\$1.5 billion in taxes collected on behalf of employees. More than 99 per cent of our payments were made to 14 countries. Of these, our largest payments are made in Australia, where we have the majority of our assets.

Sustainability in our supply chain

As a global organisation, we understand our responsibility to ensure we only engage with suppliers who have responsible and ethical business practices. Relationships with our partner suppliers are managed in accordance with relevant contractual arrangements, *Our Charter*, our *Code of Business Conduct*, our *Anti-corruption* GLD and relevant HSEC GLDs.

To identify sustainability risks across our supply chain, we use a risk-based approach within our *Supply 'Source to Contract'* GLD to support our suppliers' alignment with our HSEC and business conduct requirements. These requirements include zero tolerance of a number of human rights infringements including child labour, inhumane treatment of employees and forced or compulsory labour. Our suppliers are also required to adopt an open attitude towards legitimate activities of trade unions.

Contracted suppliers are assessed on a matrix for commercial dependency versus supplier risk and assigned a tiered segmentation. A procedure to engage with each supplier is developed appropriate to the level of risk.

Closure planning

Closure planning is a key consideration in the planning and development of our projects and operations. We recognise the significant risks associated with poorly managed closure activities and seek to minimise these throughout the life cycle of our operations. In line with our *Corporation Alignment Planning* GLD, our operations are required to develop and maintain closure plans that address the details of rehabilitation activities for disturbed land, remediation requirements for contaminated land, and end uses for land and infrastructure. Closure plans are also required to include community livelihood opportunities post-closure, design and engineering specifications for structures remaining at closure and human resource strategies addressing retention and transition opportunities for employees. In addition, we require closure plans to be developed as part of our major capital investments to ensure we understand potential closure liabilities and have the opportunity to reduce them during the design stage. The closure plans provide the basis for estimating the closure costs and the associated accounting for closure and rehabilitation obligations. Information on these provisions can be found in note 18 'Provisions' to the Financial Statements in our Annual Report 2014.

An ongoing internal closure planning audit program, established in FY2011, tests the effectiveness of the controls detailed in our *Corporation Alignment Planning* GLD. Findings from these audits are reported to the relevant Business Presidents, while summary reports are considered by the Sustainability Committee of the Board. During FY2014, 10 audits were conducted and, where required, improvements to the closure plan or provisions were implemented.

1.14.2 Governance *continued*

Addressing climate change

Addressing climate change is a Board governance and strategic issue. Successful implementation of our strategy requires us to sustainably develop our asset portfolio to deliver superior long-term shareholder returns.

Climate change governance

We recognise our responsibility to take action by focusing on reducing our emissions, increasing our preparedness for physical climate impacts and working with others, including our industry and governments, to enhance the global response to climate change. To effectively address the challenge of climate change, there must be significant focus on developing and deploying low-emissions technologies. We will, through material investments in low-emissions technology, contribute to reducing emissions from fossil fuels.

There is uncertainty around the physical impacts of climate change and how the world will respond to these impacts or seek to mitigate climate change. In light of this, our investment decisions are informed by a comprehensive understanding of a range of possible climate change outcomes and the associated risks and opportunities to delivering shareholder value. We use a broad range of scenarios that consider critical global uncertainties (e.g. macroeconomic and geopolitical) and their impacts on supply and demand assumptions to test our portfolio and investment decision-making.

Our approach to addressing climate change is to identify emerging trends, develop strategies, coordinate activity across the Businesses and report our performance externally. Our GMC has primary responsibility for the design and implementation of an effective position and response to climate change, and accountability for performance against our climate change metrics. We also seek input and insight from external experts, such as the Forum on Corporate Responsibility.

To reflect updates in scientific knowledge and global regulatory and political responses, we regularly review our position on climate change. We incorporate climate change considerations into our Group scenarios to understand potential impacts on our portfolio. We also conduct annual reviews of performance against Business greenhouse gas (GHG) targets to ensure we are on track to achieve our company target. The Sustainability Committee has considered a range of climate change scenarios and continues to monitor the actions being taken to manage a range of climate change impacts and policy responses.

Our perspective on climate change

We accept the Intergovernmental Panel on Climate Change's (IPCC) assessment of climate change science, which has found that warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable. We believe the world must pursue the twin objectives of limiting climate change to the lower end of the IPCC emission scenarios in line with current international agreements, while providing access to the affordable energy required to continue the economic growth essential for maintaining living standards and alleviating poverty.

We use the IPCC's findings to build our understanding of the impacts climate change will have on our business and to inform our decision-making. Limiting climate change will require substantial and sustained reductions of GHG emissions. Our view is that an effective, long-term climate change policy framework should use a portfolio of complementary measures to reduce emissions and build resilience. This should include a price on carbon that addresses competitiveness concerns, support for energy-efficiency improvements, and the development and deployment of low-emissions technologies, together with measures to respond to the physical impacts of climate change.

We will continue to take action to reduce our emissions and build the resilience of our operations, investments, communities and ecosystems to the impacts of climate change. Recognising their role as policy makers, we engage with governments to enhance the global response. We work in partnership with resource sector peers to improve sectoral performance and increase industry's influence in policy development to deliver effective long-term regulatory responses.

The global challenge

Our diverse portfolio is important in meeting global demand for energy. We will continue to adjust the shape of our portfolio to match energy and commodity demand and meet society's expectations while maximising shareholder returns.

Our approach to investment decision-making and portfolio management ensures that climate change risks are identified, assessed and appropriately addressed. We have been applying an internal price on carbon in our investment decisions and portfolio evaluation for more than a decade and were early adopters of this approach. We maintain a view on carbon pricing using a carbon price protocol which we update regularly. Our carbon price protocol tracks the progress of national commitments to tackle climate change throughout the world, including our major operating regions and customer demand centres, and considers various potential scenarios for how global emissions and policy will evolve over time. We look at the potential for reductions in emissions and the cost associated with those reductions to determine an appropriate price level for each relevant country or region. In doing so, we consider the effectiveness of different policies, political situations required to pass legislation, timing to implement reductions and the interaction between policy mechanisms.

Through a comprehensive and strategic approach to corporate planning, we work with a broad range of scenarios to assess our portfolio, including consideration of a range of policy responses to and impacts from climate change. Our work suggests that BHP Billiton's portfolio diversification provides resilience to our overall asset valuation. The diversity of our overall portfolio, which includes energy (oil, coal and uranium) and minerals (including copper, premium quality iron ore and potash), uniquely positions us to manage and respond to changes and capture opportunities to grow shareholder value over time.

Stranded assets and the 'carbon bubble'

The potential gap between the current valuation of fossil fuel reserves on the balance sheets of companies and in global equities markets and the reduced value that could result if a significant proportion of reserves were rendered incapable of extraction in an economically viable fashion due to responses to climate change, is known as the 'carbon bubble'. Although this concept has been discussed by non-government organisations and academics for several years, there has recently been renewed interest in this topic, particularly from ratings agencies and investment analysts. There is, however, little consensus on what specific carbon prices, fossil fuel demand or market prices might trigger this devaluation.

Providing access to the affordable energy required to continue economic growth is essential for maintaining living standards and alleviating poverty. Under all current plausible scenarios, fossil fuels will continue to be a significant part of the energy mix for decades.

BHP Billiton uses a scenario framework, including forecasting commodity prices that considers critical global uncertainties (e.g. macroeconomic and geopolitical) and their impacts on supply and demand assumptions. Using a range of carbon prices and commodity demand and pricing assumptions across a variety of internally consistent scenarios, we have determined that BHP Billiton's overall asset valuation is not at material risk, the pay-back periods for most present and future investments in fossil fuels production are relatively short and the portfolio remains robust.

1.14.2 Governance continued

Mitigation

We have been setting GHG targets for our Businesses since 1996 and have a goal to limit our overall emissions to below our FY2006 baseline by FY2017. Meeting an absolute target is not easy. Growth across our Businesses will increase emissions and we must continually look for opportunities to improve our energy efficiency and implement GHG reduction projects to mitigate this increase. All our Businesses are required to minimise their emissions to reduce our contribution to climate change. They must identify, evaluate and implement all suitable projects that prevent or minimise GHG emissions including in project design and equipment selection. For further information on our GHG emissions reduction projects, please refer to the Sustainability Report 2014.

Adaptation

We recognise that we must ensure our business is resilient and can adapt to physical climate change impacts that will occur. Our assets are long-lived so we take a robust, risk-based approach to managing these impacts. Our assessment of the regional impacts on our Businesses shows that they are already exposed to risks as a result of climate change, including increasing storm intensities, greater water supply variability and an increasing number of high-temperature days. These impacts can affect health and safety, productivity and financial performance. Testing the resilience of our operations to these impacts has already changed the way we work. For example, the identification and assessment of increasing storm intensity and storm surge levels has resulted in raising the height of the trestle at our Hay Point coal port facility in Australia as part of our expansion plans.


We continue to look for enhancements to the Company-wide integrated planning framework to allow better assessment of the physical risks associated with climate change and to ensure resilience is embedded into our business plans and investment decisions. We will also look for opportunities to work in partnership to improve community and ecosystem resilience to the impacts of climate change.

Investing in technology and innovation

To effectively address the challenge of climate change, there must be a significant focus on developing and deploying low-emissions technologies over the next few decades. The rate of technology improvement and subsequent adoption must be faster than the usual commercial timeframes if these technologies are to be available at scale and at acceptable cost to meet the global challenge. Industry and government will need to work together in collaborative partnerships to facilitate this step-change.

We are a foundation member of the Cooperative Research Centre for Greenhouse Gas Technologies, one of the world's leading collaborative research organisations focused on carbon capture and storage (CCS). We contribute a voluntary levy to the Australian Coal Association Low Emissions Technologies to facilitate the development of low-emissions technologies from coal use, including CCS. We are a member of the Global Carbon Capture and Storage Institute which aims to accelerate the development, demonstration and deployment of CCS globally through knowledge sharing, fact-based advice and advocacy and works to create favourable conditions to implement CCS.

We are developing a more integrated approach to low-emissions technology to provide a roadmap for our investments. We will investigate opportunities for investment across a range of technologies that have the potential to lead to material emission reductions in our operations and across our supply chains. To accelerate deployment of any prospective technologies, we will seek opportunities to partner with governments, industry leaders and key researchers.

 Further information on our approach to climate change is available online at www.bhpbilliton.com

1.14.3 Health and safety

Keeping our people and operations safe

We recognise that the health and safety of our people comes first. This is core to *Our Charter* and to every aspect of our business. Our people are key to our long-term success and central to improving our HSEC performance.

To understand, manage and, where possible, eliminate the risks in our business, we have appropriate controls in place and provide our people with appropriate training. While eliminating hazards through engineering or physical controls has a strong place in safety management, we understand it is only part of the solution.

Our operations are required to have systems in place to identify and effectively manage foreseeable crises and emergencies. This ensures our operations can deal with potential causalities, to limit harm and to safely return to full function as soon as possible.

Across our business, we undertake annual assessments to verify that critical controls are effective in managing each material risk. During FY2014, we maintained this focus, which included assessing whether the critical controls were being deployed as designed and to the standard required.

In FY2014, there were no fatalities reported at our operated assets. Our total recordable injury frequency (TRIF) performance of 4.2 injuries per million hours worked improved by nine per cent compared with FY2013.

Total recordable injury frequency (per million hours worked)

Year ended 30 June	2014	2013	2012
Total recordable injury frequency (TRIF)	4.2	4.6	4.7

Focusing on the health of our people

To prevent occupational illness and injury, we are focused on ensuring the work our people are required to do does not impact their health and that they are fit for work. This means identifying and assessing risks and managing and minimising their impact.

Since FY2012, we have seen an increase in the reporting of musculoskeletal illnesses and in FY2014 we have also seen an increase in noise induced hearing loss case reporting. These changes in reported cases have been driven by the adoption of comprehensive musculoskeletal illness classification processes and the introduction of programs for the early detection of hearing loss at some of our Australian operations. This has resulted in more focus on both of these illnesses.

In FY2014, the incidence of employee occupational illness was 2.84 per million hours worked, an increase of 19 per cent compared with FY2013.

Employee occupational illness incidence (per million hours worked)

Year ended 30 June	2014	2013	2012
Noise induced hearing loss	0.68	0.51	0.97
Musculoskeletal	1.61	1.24	1.04
Other illnesses	0.55	0.64	0.35
Total	2.84	2.39	2.36

Our priority is to control occupational exposures at their source. We are focused on continuously improving our occupational exposure controls. In situations where we cannot control the source, we employ a range of measures, including the provision of personal protective equipment to safeguard our people.

Operations are required to identify and control health risks and to establish an exposure risk profile to harmful agents for employees and for contractors and to review the profile to validate exposure levels and to account for process changes. The implementation of exposure controls is required where exposure potentially exceeds or is anticipated to exceed occupational exposure limits (OELs). We establish our own OELs when we believe local regulatory limits do not provide adequate protection for our workers. If a potential exposure to harmful agents exceeds 50 per cent of the OEL, periodic medical surveillance is required.

1.14.3 Health and safety *continued*

In FY2012, we established a health target baseline and committed to reduce potential occupational exposure to carcinogens and airborne contaminants by 10 per cent by FY2017. In FY2014, we recorded a 22 per cent decrease in the number of potential exposures to carcinogens and airborne contaminants, if not for the use of personal protective equipment, compared with our FY2012 baseline. We have therefore currently exceeded our target; however, exposure control remains an area of focus to ensure our reductions are maintained.

1.14.4 Environment

We demonstrate environmental responsibility by minimising our environmental impacts and contributing to enduring benefits to biodiversity, ecosystems and other environmental resources. We classify environmental incidents based on our Risk Severity table. We determine a significant environmental incident as one that causes one or more major impacts to land, biodiversity, ecosystem services, water resources or air, with effects lasting greater than one year. Incidents that may impact any of the environmental attributes listed previously are investigated and remediated according to internal or external requirements. In FY2014, there were no significant environmental incidents reported at our operated assets.

Energy and greenhouse gas management

We strive to continually improve energy and GHG management. Consistent with our *Environment* GLD, our Businesses are required to identify, evaluate and implement suitable projects that prevent or minimise GHG emissions. We also evaluate and implement GHG emission reduction opportunities in capital project design.

In FY2013, we set a target to maintain our FY2017 GHG emissions below our FY2006 baseline levels, while continuing to grow our business. In FY2014, the Group's total GHG emissions were 45.0 million tonnes (Mt) of carbon dioxide equivalent (CO₂-e), a reduction of 1.7 Mt CO₂-e compared with FY2013 (46.7 Mt CO₂-e). This keeps us in line to achieve our GHG target. We will continue to focus on the implementation of abatement opportunities within our Businesses to further reduce our GHG emissions.

GHG Scope 1 and 2 (millions of tonnes CO₂-e)

Year ended 30 June	2014	2013	2012
Scope 1 ^(a)	22.7	22.0	20.2
Scope 2 ^(b)	22.3	24.7	20.0
Total GHG millions of tonnes CO ₂ -e	45.0	46.7	40.2

(a) Scope 1 refers to direct GHG emissions from our operated assets.

(b) Scope 2 refers to indirect GHG emissions from the generation of purchased electricity and steam that is consumed by our operated assets.

In FY2014, our total energy consumption across the Group increased by six per cent, compared to FY2013, to 343 petajoules. This increase was related to new projects coming online, including our Jimblebar iron ore mine in Western Australia and our Daunia coal mine in Queensland, Australia. To further improve energy consumption and GHG emissions we have implemented projects across our Businesses.

In line with requirements of the UK Companies Act 2006, our reported FY2014 GHG intensity was 4.9 tonnes of CO₂-e per tonne of copper equivalent production. We believe that attempting to benchmark energy use and/or greenhouse gas emissions on an intensity basis does not meaningfully contribute to an understanding of our performance, given the diverse range of products across our portfolio, fundamental differences in the grade, geology, accessibility and technological processes and changes in output levels that routinely occur in different directions in response to changing market conditions and other factors. Rather than use an intensity metric, we have set ourselves a more challenging goal to limit our overall emissions by setting an absolute target, keeping our FY2017 GHG emissions below our FY2006 baseline while we continue to grow our business.

Biodiversity and land management

Improving our management of land and enhancing biodiversity are essential to operating in a responsible and sustainable manner. We continue to demonstrate environmental responsibility by minimising our environmental impacts and seeking opportunities to contribute to enduring benefits to biodiversity, ecosystems and other environmental resources.

Our approach to land access is undertaken on a case-by-case basis and considers the potential environmental, societal, economic or cultural impacts. We consider what land we need for our activities and seek to identify the uses of the land and the stakeholders who may be affected by our activities. We then look at our possible short-term and long-term impacts on that land, including the effects that our use may have on biodiversity, water resources, air and communities.

In FY2013, we established a target to develop and maintain land and biodiversity management plans that include controls to avoid, minimise, rehabilitate and apply compensatory actions as appropriate, to manage the biodiversity and ecosystem impacts of our operations. This target is supported by the requirements of our *Environment* GLD. In FY2014, all our operations developed land and biodiversity management plans, consistent with our target.

We also have explicit requirements in our *Environment* GLD to avoid environmental impacts to protect our local and global environment. We continue to monitor the operational effectiveness of our controls. Where actual or reasonably foreseeable residual impacts remain to important biodiversity and ecosystems impacted by our activities, we look to undertake compensatory actions.

In addition to the environmental management actions of our Businesses, we have voluntarily committed to finance the conservation and ongoing management of areas of high biodiversity and ecosystem value that are of national or international conservation significance. We established an alliance with Conservation International to support the delivery of this target and improve our approach to biodiversity management more broadly. As a result, we will improve our environmental performance and broaden our contributions to lasting environmental benefits beyond what could be achieved by our operations alone. As of FY2014, we have committed more than US\$30 million to conservation, in addition to the environmental management activities at our operations.

A central part of our approach to managing our impacts on land and biodiversity is the rehabilitation of land no longer required for our activities. Our Businesses are required to maintain rehabilitation plans that support life of asset and closure plans, and to rehabilitate disturbed areas no longer required for operational purposes, consistent with the pre-disturbance land use or alternate land use, taking into account regulatory requirements and stakeholder expectations.

Water stewardship

We recognise the role we have as responsible stewards of the water resources we share with our host communities and the environment. The sustainability of our operations relies on our ability to obtain an appropriate quality and quantity of water, use it responsibly and manage it appropriately, including taking account of natural supply variations.

Across our Businesses, water risks are required to be assessed and managed on a regional basis. In some locations, we operate in arid environments where water scarcity is an ongoing challenge, while in other locations, we contend with water excess, water quality or water discharge issues. We anticipate climate change is likely to make the patterns and cycles of water flow less predictable and so we require our operations to implement adaptive responses. Managing our shared water resources is therefore a complex task for our business.

1.14.4 Environment continued

In line with our *Environment* GLD, our operations are required to assess direct, indirect and cumulative impacts and risks to water resources as a result of understanding social, cultural, ecological and economic values of these resources at a catchment level within our area of influence. Based on these risks and impacts, controls demonstrating application of the mitigation hierarchy (avoid, minimise and rehabilitate environmental impacts prior to applying compensatory actions) are required to be implemented and monitored for effectiveness. Target environmental outcomes for impacts to water resources consistent with the level of risk are also required. Compensatory actions are applied where residual impacts remain to important water-related biodiversity and ecosystems impacted by our activities to meet our target environmental outcomes and contribute to long-term environmental benefits.

Recognising the regional nature of our water risks, we introduced a target in FY2013 requiring our Businesses with water-related material risks, to implement projects to improve the management of water resources. The target allows our Businesses to focus on the water challenges specific to the regions in which they operate. In FY2014, all our operations that identified water-related material risks implemented at least one project to improve the management of associated water resources.

Being a responsible water steward requires transparent and consistent reporting of water use and impacts. We have played a key role in the development and implementation of the Minerals Council of Australia's Water Accounting Framework (WAF). The WAF aims to improve data integrity and comparability across the sector to allow a more meaningful analysis on which to base policy making and deliver improved outcomes. Our water reporting is consistent with the WAF approach, and we are working with the ICMM to support broader adoption across industry.

Under the WAF, water is categorised as Type 1 (close to drinking water standards), Type 2 (suitable for some purposes), and Type 3 (unsuitable for most purposes). In FY2014, our total water input (water intended for use) was 347,700 megalitres across the Group, with 84 per cent defined as Type 2 or Type 3. Our use of Type 2 and Type 3 water demonstrates our approach to utilising lower-quality water wherever feasible.

Responsibly managing hydraulic fracturing

The nature of our hydraulic fracturing operations at our North American Eagle Ford, Permian, Haynesville and Fayetteville shale areas means at times we work in close proximity to our host communities. We actively engage with local stakeholders to address public concerns about hydraulic fracturing fluids, groundwater contamination, land and water resources, GHG emissions, increased vehicular traffic and worker exposure to respirable crystalline silica. We continue to investigate ways to reduce or eliminate any potential impacts associated with our activities.

To protect and manage the land and water resources, we conduct environmental assessments prior to the execution of hydraulic fracturing work to minimise the impacts of our operations. In FY2014, we completed a water balance showing inputs, uses, losses, reuse and recycle, and disposal amounts of fresh water for each operation to identify opportunities to reduce water consumption in our hydraulic fracturing operations. We are pursuing non-potable water options, including the use of brackish water, recycled municipal effluents and recycled water from our production wells.

A number of controls are used to manage, minimise and recycle drilling residuals. We use closed loop systems that allow drilling muds to be recycled and lower the potential for contact with the environment. As part of our commitment to transparency, we publicly report the ingredients of the fracturing fluids for each well completion in the hydraulic fracturing chemical disclosure registry, FracFocus. For a high percentage of our wells, we fully disclose all of the ingredients and additives by name (and Chemical Abstracts Service Number) and provide the maximum percentage of each ingredient present in the fracturing fluid mixture. In a few cases, the service providers who supply the ingredients and conduct our well completions elect to designate a small number of proprietary ingredients as confidential business information. In the Permian area, we pump a blend of produced water and fresh water treated with an advanced oxidation process which utilises ozone, a highly reactive oxidant that kills most bacteria. This process eliminates the need for clay stabiliser and biocide, thereby reducing the number of additives in the fracturing fluid mixture. Every well we drill is checked against our critical controls to ensure well integrity and the safety of our operations.

The majority of our air emissions relate to GHG emissions from fuel combustion and flaring or venting during well construction and production. We are working to reduce emissions by capturing and selling produced natural gas that may otherwise have been vented or flared.

1.14.5 Society

Supporting and engaging with our communities

We are a global company that values our host communities. We strive to be part of the communities in which we operate and through all our interactions seek to foster meaningful long-term relationships, which respect local cultures and create lasting benefits. Our contribution to our host communities is broad ranging. Through employment, taxes and royalties, we support local, regional and national economies. We purchase local goods and services and develop infrastructure that benefits entire communities.

From the earliest possible stage of a project's life, we seek to build trust with our stakeholders. By defining the boundaries of our host communities, we assess the social, economic, political, security and environmental aspects and develop a social baseline, which is required to be updated every five years with changes tracked over time. Stakeholder engagement plans, which identify the interests and relationships of our stakeholders and contain a range of culturally and socially inclusive engagement activities to encourage open communication, are reviewed and updated annually. To ensure our engagement and community development activities are effective and to inform planning activities, our operations are required to complete a community perception survey every three years.

Free prior and informed consent

As one of the 22 member companies of the ICMM, we have worked to develop a progressive position statement on Indigenous Peoples and Mining. This statement, which comes into effect in May 2015, specifically addresses the issue of Free Prior and Informed Consent (FPIC).

1.14.5 Society *continued*

FPIC is a concept based on good faith negotiation through which Indigenous peoples can give or withhold their consent using processes consistent with their traditional decision-making practices. Supporting commitments address understanding their rights and interests, building cross-cultural understanding, and agreeing on appropriate engagement processes and participation in decision-making. A number of related commitments address how ICMM members should engage where government is responsible for managing Indigenous peoples' interests and how to move forward when differences of opinion arise. The ICMM's position statement recognises the right of governments to ultimately make decisions on development of resources and that, in most countries, neither Indigenous peoples nor other groups have a right to veto projects. Where consent cannot be reached, a host government may decide to proceed with a project after balancing the rights and interests of Indigenous peoples with the wider population. In these circumstances, it will be up to ICMM member companies to determine whether they remain involved with the project.

Through our *Community* GLD, we require our Businesses to prepare, design and implement Indigenous engagement programs that are consistent with the new ICMM Position Statement on Indigenous Peoples and Mining for new operations or major capital projects that are located on lands traditionally owned by or under customary use of Indigenous peoples and are likely to have significant adverse impacts on Indigenous peoples.

Respecting customary rights

At a very early stage in a project, we seek to identify landowners, occupiers and users who may be affected by our activities. Knowing who is connected to and uses the land is critical to establishing an effective community consultation and engagement program. This helps to ensure people potentially affected by our operations are fully aware of our activities and have an opportunity to express their concerns and aspirations. Arising from this engagement, the operational work plan may be amended to reduce potential impacts on landowners and users.

Surveys are commissioned to identify the customary owners and how the land is being used to ensure these uses are taken into account in our development plans. In instances where land may be used for customary purposes and no formal land title has been issued, information is requested from relevant organisations, including government authorities with responsibilities for customary land uses and Indigenous peoples' representative organisations, such as land and tribal councils. Further enquiries are also made directly with the people in the area to help identify those with connections to the land.

Respecting and including Indigenous communities

We recognise the traditional rights and values of Indigenous peoples, respect their cultural heritage and provide opportunities for inclusion and advancement.

Many of our operations are located on or near Indigenous lands. We support our workers by providing cultural awareness and competency training for employees and contractors who engage with Indigenous peoples from our host communities. Training is developed and delivered in consultation with traditional owners. We also identify who is connected to and uses the land to ensure we establish effective community consultation and engagement programs.

Respecting human rights

We acknowledge our activities have the potential to impact human rights and we address these through our core business practices. We are committed to operating in accordance with the United Nations (UN) Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights and the UN Global Compact Principles. We support these commitments through *Our Charter* and *Code of Business Conduct*, and the performance requirements detailed in our GLDs.

In line with our *Community* GLD, our human rights due diligence process requires our operations to identify and document key potential human rights risks by completing a human rights impact assessment (HRIA). This includes assessing performance against the articles of the UN Universal Declaration of Human Rights, the UN Global Compact principles and host country legislation governing human rights issues. We require each HRIA to be reviewed on an annual basis. Every three years, each HRIA is required to be verified through an engagement process with stakeholders and, in medium and high-risk jurisdictions, by a qualified human rights specialist. Where a HRIA identifies a material risk, a human rights management plan is required to be implemented and reviewed annually. Selected employees and contractors receive training on how to comply with our human rights commitments.

Through our commitment to the Voluntary Principles on Security and Human Rights (VPs), we seek to protect people and property from material risks presented by security threats. Performance requirements related to the VPs are implemented through our *Security and Emergency Management* GLD. Our operations are required to identify security-related material risks to people and property and engage relevant stakeholders to develop and manage security programs that respect human rights and fundamental freedoms.

In addition, we require our operations to conduct a gap analysis annually using the VP's Implementation Guidance Tool and to implement an improvement plan to close identified gaps. The process also provides an opportunity to further build awareness and understanding of the VPs across the Company.

Making a positive contribution to society

Creating lasting economic and social benefit for our communities is fundamental to our business. This helps create a diversified local economy and ensures our investment continues to benefit the community beyond the life of our operations. We are an active participant in industry and sustainable development forums, such as the ICMM. We seek to understand our socio-economic impact on local communities and host regions through our participation in the ICMM's Mining: Partnerships for Development initiative. This global initiative builds on the ICMM's Resource Endowment initiative and seeks to enhance mining's contribution to development and poverty reduction through multi-stakeholder partnerships.

Wherever we operate, we contribute taxes and royalties to governments which, in turn are used to provide important public services and amenities to their communities. At many of our locations, we also develop infrastructure to support our operations – including roads, aerodromes, emergency response facilities, housing, public amenities, community facilities – which can be accessed and utilised by local communities and businesses.

We are focused on providing training and employment opportunities to our local communities. Given the nature of the work we do, our ability to employ locally can be limited by the availability of industry and technical skills and experience at the local level. Our broader contribution to local economies can be realised through indirect employment and our support of local businesses that provide a range of services and products, which enable our operations to function effectively.

1.14.5 Society continued

Improving the quality of life in our host communities

A focus on sustainability underpins all our investments in community economic development. This means we are committed to addressing the needs and priorities of the communities in which we operate and seek to invest in projects that will continue to promote benefits to the community after the funding is completed. We work with our host communities to identify the major social issues and development priorities. Using data from a social baseline study and social impact and opportunity assessment, we develop a community development management plan. Community development projects and donations are required to be aligned to the overall community development management plan, implemented in consultation with local stakeholders, and meet our due diligence and anti-corruption requirements.

We voluntarily invest one per cent of our pre-tax profit, calculated on the average of the previous three years' pre-tax profit, in community programs that aim to have a long-lasting positive impact on people's quality of life, including implementing new and supporting existing community projects. With a focus on improving quality of life, our community development programs are developed by working openly with governments and the communities in which we operate, and focusing on the needs and resources of our key stakeholders. This is how we are contributing to economic and social development.

During FY2014, our voluntary community investment totalled US\$241.7 million, comprising US\$141.7 million of cash, in-kind support and administrative costs, and a US\$100 million contribution to the BHP Billiton Foundation. The BHP Billiton Foundation was established in FY2013 to identify and support large sustainable development projects in countries and regions of interest to BHP Billiton to complement the local programs managed by our assets. This builds on contributions that have previously been paid to the BHP Billiton Sustainable Communities charitable organisation. At the end of FY2014, BHP Billiton Sustainable Communities had a total of US\$70.4 million and the BHP Billiton Foundation had a total of US\$179 million in funds available for future sustainable development projects.

Community investment

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Expenditure (including in-kind support and administrative costs) ⁽¹⁾	141.7	139.8	149.1
Contribution into BHP Billiton Sustainable Communities and BHP Billiton Foundation	100.0	106.0	65.0
Total Community investment	241.7	245.8	214.1

(1) Represents BHP Billiton's equity share for both operated and non-operated joint venture operations.

In FY2014, of the US\$141.7 million cash expenditure, 46 per cent was invested in local communities; 44 per cent was invested regionally and 10 per cent was invested in national or international programs in countries where we operate.

Ok Tedi

BHP Billiton exited from Ok Tedi Mining Limited (OTML) in February 2002. The exit arrangements included the transfer of BHP Billiton's shares in OTML to PNG Sustainable Development Program Limited (PNGSDP) and a statutory undertaking protecting BHP Billiton from environmental claims by the PNG Government.

In September 2013, the Papua New Guinea (PNG) Parliament passed laws which compulsorily acquired PNGSDP's shares in OTML and changed other aspects of the exit arrangements, including the repeal of the protection from environmental claims by the PNG Government. BHP Billiton retains an indemnity from PNGSDP in respect of environmental claims by the PNG Government and certain environmental claims by third parties. This indemnity is secured against the assets of PNGSDP.

Following the passing of the new laws, PNGSDP has commenced legal proceedings and an International Centre for Settlement of Investment Disputes (ICSID) arbitration process against the State of PNG and others.

1.15 Additional information

1.15.1 External factors and trends

The following section describes some of the external factors and trends that have had a material impact on our financial condition and results of operations. We operate our business in a dynamic and changing environment and with information that is rarely complete and exact. We primarily manage the risks discussed in this section under our portfolio risk management approach, which relies on the effects of diversification, rather than individual risk management programs. Details of our risk factors can be found in section 1.7.2 of this Strategic Report. Details of our financial risk management strategies and financial instruments outstanding at 30 June 2014 can be found in section 1.7.3 of this Strategic Report and in note 29 'Financial risk management' to the Financial Statements of the Annual Report 2014.

Management monitors particular trends arising from 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.

Commodity prices

The prices we obtain for our products represent a key driver of our business, and fluctuations in these commodity prices affect our results, including cash flows and asset values. The estimated impact on FY2014 profit after taxation of changes of commodity prices is set out below.

	US\$M
US\$1/bbl on oil price	54
US¢10/MMBtu on US gas price	30
US¢1/lb on copper price	24
US\$1/t on iron ore price	112
US\$1/t on metallurgical coal price	28
US\$1/t on energy coal price	25
US\$50/t on aluminium price	36
US¢10/dmtu on manganese ore price	26
US\$1/t on manganese alloy price	1
US¢1/lb on nickel price	2

During FY2014, commodity markets saw some support from a modest improvement in global economic activity, though growth was uneven across different regions. The United States and Japan saw underlying momentum increase, but emerging economies, notably China, saw growth slow. For steelmaking raw materials, supply growth exceeded that of demand resulting in a decrease in prices. Metal commodity prices were relatively stable with the exception of nickel, which experienced a price increase primarily as a result of the Indonesian ore export ban. For energy commodities, US natural gas prices benefited from strong winter demand, while solid demand growth combined with supply disruptions and geopolitical tensions have provided price support for crude oil.

The following table shows prices of our most significant commodities for the years ended 30 June 2014, 2013 and 2012. These prices represent selected quoted prices from the relevant sources as indicated. These prices will differ from the realised prices on the sale of the Group's production due to differences in quotation periods, quality of products, delivery terms and the range of quoted prices that are used for contracting sales in different markets.

Year ended 30 June	2014 Closing	2013 Closing	2012 Closing	2014 Average	2013 Average	2012 Average
Aluminium (LME cash) (US\$/t)	1,851	1,731	1,835	1,764	1,938	2,168
Alumina ⁽¹⁾ (US\$/t)	312	318	305	321	327	334
Copper (LME cash) (US\$/lb)	3.15	3.06	3.45	3.18	3.48	3.71
Crude oil (Brent) ⁽²⁾ (US\$/bbl)	111.02	102.46	94.50	109.36	108.64	112.49
Energy coal ⁽³⁾ (US\$/t)	70.89	78.89	89.22	78.38	89.10	111.95
Natural gas Henry Hub ⁽⁴⁾ (US\$/MMBtu)	4.39	3.73	2.81	4.25	3.44	3.05
Natural gas Asian Spot LNG ⁽⁵⁾ (US\$/MMBtu)	11.28	15.40	14.95	16.38	15.14	16.25
Iron ore ⁽⁶⁾ (US\$/dmt)	93.25	116.25	135.25	122.70	127.23	151.17
Manganese Alloys ⁽⁷⁾ (US\$/t)	999	1,038	1,160	1,020	1,106	1,177
Manganese Ores ⁽⁸⁾ (US\$/dmtu)	4.20	5.54	5.06	4.95	5.29	4.90
Metallurgical coal ⁽⁹⁾ (US\$/t)	110.50	130.00	221.50	128.40	159.13	239.18
Nickel (LME cash) (US\$/lb)	8.49	6.21	7.47	6.88	7.43	8.77
Ethane ⁽¹⁰⁾ (US\$/bbl)	12.02	9.92	12.29	11.92	12.15	27.31
Propane ⁽¹¹⁾ (US\$/bbl)	44.47	35.52	34.44	48.05	37.31	54.72
Butane ⁽¹²⁾ (US\$/bbl)	54.39	49.51	51.29	56.70	61.74	76.72

(1) Platts PAX Free on Board (FOB) Australia – market price assessment of calcined Metallurgical/Smelter Grade Alumina.

(2) Platts Dated Brent is a benchmark price assessment of the spot market value of physical cargoes of North Sea light sweet crude oil.

(3) GlobalCoal FOB Newcastle 6,000 kcal/kg NCV – typically applies to coal sales in the Asia-Pacific market.

(4) Platts Gas based on Henry Hub – typically applies to gas sales in the US gas market.

(5) Platts Liquefied Natural Gas Delivery Ex-Ship (DES) Japan/Korea Marker – typically applies to Asian LNG spot sales.

(6) Platts 62 per cent Fe Cost and Freight (CFR) China – used for fines.

(7) Bulk FerroAlloy high-carbon ferromanganese (HCFMn) Western Europe DDP.

(8) 2014 and 2013 Metal Bulletin manganese ore 44 per cent Mn Cost Insurance Freight (CIF), 2012 CRU CIF China import 43 per cent contained manganese.

(9) Platts Low-Vol hard coking coal Index FOB Australia – representative of high-quality hard coking coals.

(10) OPIS Mont Belvieu non-Tet Ethane – typically applies to ethane sales in the US Gulf Coast market.

(11) OPIS Mont Belvieu non-Tet Propane – typically applies to propane sales in the US Gulf Coast market.

(12) OPIS Mont Belvieu non-Tet Normal Butane – typically applies to butane sales in the US Gulf Coast market.

1 Strategic Report continued

1.15.1 External factors and trends continued

The following summarises the pricing trends of our most significant commodities for FY2014.

Aluminium: The London Metals Exchange (LME) aluminium average cash settlement price decreased by nine per cent during FY2014. Demand continued to increase, but new supply offset the curtailment of high-cost capacity. Delays in implementing changes to LME warehouse rules contributed to record high regional premiums ex-China as inventories were constrained by warehouse queues. Since 30 June 2014, the aluminium cash settlement price increased to US\$2,114/t on 31 August 2014.

Alumina: The Platts FOB Australia average price decreased by two per cent during FY2014. Although demand grew, driven by the commissioning of new smelters in China, increasing supply outpaced the growth in demand.

Copper: The LME copper average cash settlement price decreased by nine per cent in FY2014. A shortage of copper scrap and growth in Chinese demand supported prices in the first half of the financial year; however, the price decreased in March amid concerns over the liquidation of Chinese stocks. Although seasonal demand strength helped regain some lost ground, strong growth of refined copper production limited price upside.

Crude oil: The Platts Dated Brent crude average price increased by one per cent during FY2014. Prices were supported by increased global demand, constrained Libyan supply, tensions in the Ukraine and a surge of unrest in Iraq in the latter part of the year. Moderating price drivers included slower growth in the Chinese economy during the December quarter of FY2014, combined with some progress towards resolving the deadlock over Iran's nuclear program.

Energy coal: The Global Coal Newcastle FOB average price decreased by 12 per cent during FY2014. The decrease was driven by weaker import demand growth from India and China, coupled with supply growth from Australia, Russia and Indonesia.

Natural gas Henry Hub: The Platts US Henry Hub natural gas average price increased by 24 per cent during FY2014. The increase was driven by early winter heating demand in the residential and commercial sectors, depleting inventory levels significantly below the five-year average. Storage inventories in June closed 31 per cent below the five-year average at 1,829 billion cubic feet.

Natural gas Asian Spot LNG: The Asian liquefied natural gas average spot price increased by eight per cent during FY2014. The price rise was primarily caused by strong north Asian winter heating demand, combined with the closure of Japanese and South Korean nuclear reactors increasing the need for gas-fired power generation in the first half of the year. Supply remained tight throughout the period, as Egypt, Nigeria and Angola experienced supply disruptions. The year-end price decrease of 31 per cent versus the average price for the year was principally due to low North Asian summer demand and new supply coming to market from Papua New Guinea in the second half of the year. Since 30 June 2014, the Asian liquefied natural gas spot price increased to US\$12.45/MMBtu on 31 August 2014.

Iron ore: The Platts 62 per cent iron ore CFR China average price declined by four per cent during FY2014. The decrease was driven by seaborne iron ore supply growth which outpaced demand. The price fluctuated between US\$89.00/dmt and US\$142.50/dmt as large changes occurred in iron ore inventories. Global demand increased in the first half of the year, primarily driven by China's record pig iron production; however, the second half of the year saw demand growth decrease due to flat Chinese growth. Seaborne imports to China increased, primarily driven by supply from Australia and the year-end price decreased 24 per cent versus the average price for the year. Since 30 June 2014, the Platts 62 per cent iron ore CFR China price decreased to US\$88/dmt on 31 August 2014.

Manganese: The Metal Bulletin manganese ore China CIF average price decreased by six per cent during FY2014. Demand growth slowed, while South African supply increased amid higher Chinese inventory levels. The year-end price also decreased 15 per cent versus the average price for the year. The Western Europe spot high-carbon ferromanganese average price decreased by

eight per cent during FY2014. Weaker alloy prices led to decreased production in South Korea and the United States.

Metallurgical coal: The average Platts Low-Vol Hard Coking Coal Index decreased by 19 per cent during FY2014. While demand from traditional markets recovered steadily, the price decrease was mainly driven by continuing supply growth from Australia. The year-end price also decreased 14 per cent versus the average price for the year.

Nickel: The average LME cash settlement nickel price decreased by seven per cent during FY2014. Increased supply growth coming mainly from Chinese nickel pig iron and new production from greenfield projects was greater than demand growth in the first half of the year. The price increase in the second half of the year was driven by decreased low-cost supply due to the Indonesian ore export ban. Demand growth increased, supported by a recovery in stainless steel production in Europe and the United States. The year-end price increased 23 per cent versus the average price for the year.

NGL: The Mont Belvieu ethane average price decreased by two per cent during FY2014 following increases in ethane supply. Mont Belvieu propane average prices increased by 29 per cent during FY2014, supported by a decrease in supply growth. Mont Belvieu butane average prices decreased by eight per cent during FY2014 due to increased butane supply. Since 30 June 2014, the Mont Belvieu ethane price decreased to US\$9.92/bbl on 31 August 2014.

Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases, as we believe active currency hedging does not provide long-term benefits to our shareholders. Because a majority of our sales are denominated in US dollars, and the US dollar plays a dominant role in our business, we borrow and hold surplus cash predominantly in US dollars to provide a natural hedge. Operating costs and costs of locally sourced equipment are influenced by fluctuations in local currencies, primarily the Australian dollar, Brazilian real, Chilean peso and South African rand. Foreign exchange gains and losses reflected in operating costs owing to fluctuations in the local currencies relative to the US dollar may potentially offset one another. The US dollar strengthened in the last quarter of FY2013, resulting in a stronger average US dollar during FY2013 compared to FY2014. Overall, the Australian dollar ended the financial year stronger against the US dollar, while the Chilean peso, Brazilian real and South African rand 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. Details of our exposure to foreign currency fluctuations are contained within note 29 'Financial risk management' to the Financial Statements in the Annual Report 2014.

Changes in product demand and supply

Global demand and supply for the commodities we produce is a key driver of commodity prices, and fluctuations in product demand and supply affect our results, including cash flows and asset values.

The global economy grew at a moderate rate in FY2014. Momentum in the United States, Japan and the United Kingdom was underpinned by central bank monetary policy. Europe's economy improved marginally, although the recovery was constrained by high levels of unemployment. Emerging markets, including China, experienced a moderate slowdown.

In a relative sense, the Chinese economy continues to grow strongly with signs that it is rebalancing. Consumption continued to be supported by higher household incomes while fixed asset investment softened, led by the property sector, as the central bank restricted access to credit. Rapid credit growth in the non-bank financial sector remained an important concern for policy makers.

We remain confident in the short-term to medium-term outlook for the Chinese economy. Measured stimulus recently introduced by the government demonstrates their commitment to maintain economic growth above seven per cent. We believe consumption and services will continue to increase in importance, while the market's role in

1.15.1 External factors and trends *continued*

allocating capital will be enhanced. Greater transparency within the fiscal system is also expected to reshape the relationship between central and local government.

The underlying performance of the US economy continued to improve despite the significant disruption caused by severe weather in the March quarter of FY2014. The curtailment of quantitative easing appears to have had a limited impact on sentiment as a solid increase in demand reflects a stronger labour market, rising disposable incomes, and higher equities and housing prices. Business investment has been a weak link in the recovery so far as companies have responded slowly to better economic conditions, despite higher levels of profitability. An increase in capital spending will be required to sustain the recovery in the medium term.

The Japanese economy has responded strongly to expansionary monetary and fiscal policy over the past year. Investment spending and wages increased as corporate profits benefited from the depreciation of the yen, while an increase in the national sales tax in April had a limited impact on consumption. These factors have increased the potential for faster growth in the short term, although a longer-term, sustainable recovery will be contingent on the scale and speed of structural reform.

With regard to the global economy, stronger United States growth and an associated tightening of monetary policy could result in the rapid outflow of capital from emerging economies. However, developing nations with sound macroeconomic fundamentals would be less likely to experience a severe impact from this transition.

As anticipated, Chinese crude steel production growth decelerated in response to weakness in the construction sector. On average, we expect the ratio of Chinese crude steel production growth to underlying GDP growth to remain below one, although seasonal factors and policy settings will continue to influence short-term output. Global steel demand growth outside of China is likely to accelerate during the remainder of CY2014.

The supply of low-cost steelmaking raw materials has grown more quickly than demand. As predicted, lower-cost seaborne iron ore supply is increasingly displacing higher cost Chinese domestic production. As this trend continues, the cost curve is likely to flatten as high-cost production exits the market. In metallurgical coal, high-cost, uneconomic supply has remained resilient although we do expect to see an increasing number of production cuts, particularly in the United States. Given robust underlying demand growth for premium hard coking coals, pricing for our products is likely to be well supported in the medium and longer term.

Indonesian and Australian exports continue to keep the thermal coal market well supplied, prolonging the weaker pricing environment. While demand from key importing regions remains steady, prices are unlikely to respond unless uneconomic supply exits the market.

In copper, robust demand for refined metal, supply disruptions and a shortage of scrap has ensured that the market remains broadly balanced. We believe the longer-term fundamentals for copper remain compelling as grades decline, rising costs and a scarcity of high-quality future development opportunities are likely to constrain low-cost supply.

Demand growth, supply disruptions and geopolitical tension have continued to support crude oil prices. We expect prices to remain supported by an increase in demand from non-OECD countries, which has recently outstripped growth in demand from OECD countries.

United States natural gas prices benefited from a cold winter, which reduced inventory levels significantly below the five-year average. In the longer term, demand is expected to benefit from increasing industrial use, growth in gas-fired power generation and the commencement of LNG exports. Conversely, high inventory levels at Asian utilities, mild summer temperatures and the commissioning of additional supply have led to a decline in Asia-Pacific LNG prices from their February peak.

The nickel price rose sharply during the second half of FY2014 as the Indonesian ore export ban took effect in the March quarter of FY2014. Demand growth remains robust given rising stainless steel production in China, Europe and the United States.

While aluminium demand growth has been strong, new supply continues to offset the curtailment of high-cost capacity. However, we expect the premia currently being realised in certain regions to remain at elevated levels as warehouse bottlenecks are likely to take some time to be resolved.

Capital expenditure

Capital expenditure is important in pursuing our strategy through the development of large-scale resource projects and in sustaining our existing operations. Capital expenditure is disclosed for each Business in section 1.6.3 of this Strategic Report.

Operating costs

As the prices for our products are determined by the global commodity markets in which we operate, we do not generally have the ability to offset cost pressures through corresponding price increases; therefore, controlling our operating costs is a key driver of our results. Operating costs for the last three years are set out in section 1.11 of this Strategic Report as well as an analysis of the change in Total expenses. Further analysis of the factors that impacted expenses during FY2014 is set out below and in section 1.15.3 of this Strategic Report.

In discussing the factors that affected Total expenses, we refer to the change in operating cash costs and change in exploration and business development. Collectively, we refer to these as change in controllable cash costs. Operating cash costs by definition do not include non-cash costs being depreciation, amortisation, impairments, movements in deferred stripping balances and movements in provisions. The change in operating cash costs also excludes the impact of exchange rates and inflation on the actual costs incurred in the corresponding period, changes in fuel and energy costs, changes in exploration and business development costs and one-off items. These items are excluded so as to provide a consistent measurement of changes in costs across all the Businesses based on the factors that are within their control and responsibility.

Change in operating cash costs and change in controllable cash costs are not measures that are recognised under IFRS and they may differ from similarly titled measures reported by other companies. A reconciliation of the movements in Underlying EBIT to the financial statement line items in the Income Statement is included in section 2.5 of the Annual Report 2014.

Our focus on reducing operating costs through productivity initiatives saw a decrease in operating cash costs of US\$1.5 billion and a reduction in exploration and business development of US\$398 million to give a reduction in controllable cash costs of US\$1.9 billion. In addition, operating costs were aided by uncontrollable favourable exchange rate impacts of US\$2.0 billion. These factors were offset by other uncontrollable factors such as inflation (US\$805 million) and the production costs associated with higher volumes (US\$2.6 billion). With higher depreciation and amortisation charges of US\$1.7 billion and higher impairment charges of US\$450 million, total expenses excluding exceptional items increased from US\$45.0 billion to US\$46.5 billion.

Exploration and development of resources

Minerals exploration

Over the past six years, brownfield exploration has increased our reserve base around our portfolio of existing assets in large resource basins, which now provide us with significant growth opportunities. This has allowed us to reduce brownfield exploration expenditure and rationalise our greenfield exploration program.

Greenfield minerals (new sites) exploration is focused on advancing targets within Chile and Peru, and is organised through our Copper Business. Greenfield activities include opportunity identification, application for and acquisition of mineral title, early reconnaissance operations and multi-million dollar delineation drilling programs.

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

1 Strategic Report continued

1.15.1 External factors and trends continued

Our expenditure on minerals exploration over the last three financial years is set out below.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Greenfield exploration	46	179	324
Brownfield exploration	364	497	814
Total minerals exploration	410	676	1,138

The Group's minerals exploration expenditure declined by 39 per cent in FY2014 to US\$410 million as we sharpened our focus on greenfield copper porphyry targets in Chile and Peru.

Petroleum exploration

We have reduced exploration expenditure in Petroleum over recent years with a sharpened focus on high-impact liquids opportunities in the Gulf of Mexico, Western Australia and Trinidad and Tobago.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Petroleum exploration	600	675	1,355

Exploration expense

Exploration expense represents that portion of exploration expenditure that is not capitalised in accordance with our accounting policies, as set out in note 1 'Accounting policies' to the Financial Statements in the Annual Report 2014.

Exploration expense for each Business over the three-year period is set out below.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Exploration expense⁽¹⁾			
Petroleum and Potash	544	709	1,038
Copper	116	274	366
Iron Ore	56	74	135
Coal	34	39	174
Aluminium, Manganese and Nickel	38	53	68
Group and unallocated items	–	–	7
BHP Billiton Group	788	1,149	1,788

(1) Includes US\$72 million (2013: US\$102 million, 2012: US\$144 million) exploration expense previously capitalised, written off as impaired.

Following our focus on productivity and reducing costs, the reduction in the Group's exploration expense excluding impairment of exploration expense previously capitalised increased Underlying EBIT in FY2014 by US\$331 million.

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) framework, which is described in note 29 'Financial risk management' to the Financial Statements in the Annual Report 2014. 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 2014, the Group held US\$3.3 billion (2013: US\$5.4 billion) of centrally managed fixed interest rate borrowings, as well as US\$2.0 billion (2013: US\$3.5 billion) of other fixed interest rate borrowings, that have not been swapped to floating interest rates, primarily arising from debt raised during FY2014, debt assumed as part of the acquisition of Petrohawk and debt raised prior to the DLC merger.

Our earnings are sensitive to changes in interest rates on the floating interest rate component of the Group's net borrowings. Based on the net debt position as at 30 June 2014, taking into account interest rate swaps and cross currency interest rate swaps, it is estimated that a one percentage point increase in the US LIBOR interest rate will decrease the Group's equity and profit after taxation by US\$126 million (2013: decrease of US\$128 million). This assumes that the change in interest rates is effective from the beginning of the financial year and the fixed/floating mix and balances are constant over the year. However, interest rates and the net debt profile of the Group may not remain constant over the coming financial year and therefore such sensitivity analysis should be used with care.

Health, safety, environment and community

We operate in an industry where many of our activities are highly regulated by laws governing health, safety and the environment. We are committed to compliance with the laws and regulations of the countries in which we operate and, where applicable, to exceeding legal and other requirements which are less stringent than our own. However, regulatory standards and community expectations are constantly evolving. As a result, we may be exposed to increased litigation, compliance costs and unforeseen environmental rehabilitation expenses, despite our best efforts to work with governments, community groups and scientists to keep pace with regulations, law and public expectations.

Further information about our compliance with HSEC regulations can be found in section 1.14 of the Annual Report 2014.

Insurance

During FY2014, we maintained an insurance program encompassing property damage, business interruption, sabotage and terrorism, marine cargo, construction, directors' and officers' liability and public and certain other liabilities. The program includes a combination of self-insurance via subsidiary captive insurance companies, industry mutuals and external market insurance and reinsurance. Mandates are established as to risk retention levels, policy cover and, where applicable, insurance and reinsurance counterparty security. As part of our portfolio risk management approach, we regularly conduct an assessment of maximum foreseeable loss potential, cash flow at risk, loss experience, claims received and insurance premiums paid, and will make adjustments to the balance of self-insurance and external insurance and reinsurance as required.

The Group is largely self-insured for losses arising from property damage and business interruption, sabotage and terrorism, marine cargo, construction and primary public liability. For these risks, we internally insure our Businesses (for wholly owned assets and for our share of joint venture assets) via our captive insurance companies. Any losses incurred will consequently impact the Financial Statements in the Annual Report as they arise.

1.15.2 Application of critical accounting policies

The preparation of our Financial Statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the Financial Statements and the reported revenue and expenses during the periods presented therein. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and expenses. 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.

1.15.2 Application of critical accounting policies *continued*

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 and intangible assets – recoverable amount;
- defined benefit pension schemes;
- provision for closure and rehabilitation;
- taxation.

In accordance with International Financial Reporting Standards (IFRS), we are required to include information regarding the nature of the estimates and judgements and potential impacts on our financial results or financial position in the Financial Statements. This information can be found in note 1 'Accounting policies' to the Financial Statements in the Annual Report 2014.

1.15.3 Operating results

The following table describes the approximate impact of the principal factors that affected Underlying EBIT for FY2014 and FY2013.

Year ended 30 June	2014 US\$M	2013 US\$M
Underlying EBIT as reported in the prior year	22,930	28,086
Change in volumes:		
Productivity	962	1,257
Growth	1,929	707
	2,891	1,964
Net price impact:		
Change in sales prices	(3,396)	(8,454)
Price-linked costs	(80)	582
	(3,476)	(7,872)
Change in controllable cash costs:		
Operating cash costs	1,524	1,556
Exploration and business development	398	949
	1,922	2,505
Change in other costs:		
Exchange rates	1,760	229
Inflation on costs	(805)	(646)
Fuel and energy	(46)	(133)
Non-cash	(2,091)	154
One-off items	–	(103)
	(1,182)	(499)
Asset sales	53	(66)
Ceased and sold operations	(492)	(657)
Other	215	(531)
Underlying EBIT	22,861	22,930

The total increase in Underlying EBIT relating to productivity initiatives in FY2014 was US\$2.9 billion. The following table reconciles the principal factors shown above with the Group's benefits attributable to productivity initiatives.

Year ended 30 June	2014 US\$M	2013 US\$M
Change in operating cash costs	1,524	1,556
Change in exploration and business development	398	949
Change in controllable cash costs	1,922	2,505
Change in volumes attributed to productivity	962	1,257
Total productivity gains in Underlying EBIT	2,884	3,762
Change in capitalised exploration	10	545
Total benefits attributable to productivity initiatives	2,894	4,307

1 Strategic Report continued

1.15.3 Operating results continued

The method of calculation of the factors that affected Underlying EBIT and the Financial Statement line items of Revenue, Other income and Expenses (excluding net finance costs) that are affected by the factors are as follows.

Factor affecting Underlying EBIT	Method of calculation	Financial statement line item affected
Volumes – Growth	Volume – Growth comprises Underlying EBIT for operations that are new or acquired in the current period minus Underlying EBIT for operations that are new or acquired in the corresponding period, change in volumes for operations identified as a Growth project from the corresponding period to the current period multiplied by the prior year Underlying EBIT margin, and change in volume for Petroleum Business from the corresponding period to the current period multiplied by the prior year Underlying EBIT margin.	Revenue and Expenses
Volumes – Productivity	Change in volumes for each operation not included in the Growth category from the corresponding period to the current period multiplied by the prior year Underlying EBIT margin.	Revenue and Expenses
Change in sales prices	Change in average realised price for each operation from the corresponding period to the current period multiplied by current period volumes.	Revenue
Price-linked costs	Change in price-linked costs for each operation from the corresponding period to the current period multiplied by current period volumes.	Expenses
Operating cash costs	Change in total costs, other than price-linked costs, exchange rates, inflation on costs, fuel and energy costs, non-cash costs and one-off items as defined below for each operation from the corresponding period to the current period.	Expenses
Exploration and business development	Exploration and business development expense in the current period minus exploration and business development expense in the corresponding period.	Expenses
Exchange rates	Change in exchange rate multiplied by current period local currency revenue and expenses. The majority of the Group's selling prices are denominated in US dollars and so there is little impact of exchange rate changes on Revenue.	Revenue and Expenses
Inflation on costs	Change in inflation rate applied to expenses, other than depreciation and amortisation, price-linked costs, exploration and business development expenses, expenses in ceased and sold operations and expenses in new and acquired operations.	Expenses
Fuel and energy	Fuel and energy expense in the current period minus fuel and energy expense in the corresponding period.	Expenses
Non-cash	Includes non-cash items, mainly depreciation, amortisation and impairments.	Expenses
One-off items	Change in costs exceeding a predetermined threshold associated with an unexpected event that had not occurred in the last two years and is not reasonably likely to occur within the next two years.	Expenses
Asset sales	Profit/loss on the sale of assets or operations in the current period minus profit/loss on sale in the corresponding period.	Other income
Ceased and sold operations	Underlying EBIT for operations that are ceased or sold operations in the current period minus Underlying EBIT for operations that are ceased or sold in the corresponding period.	Revenue, Other income and Expenses
Other	Variances not explained by the above factors.	Expenses

A reconciliation of the movements in Underlying EBIT for FY2014 to the financial statement line items in the Income Statement is included in section 2.5 of the Annual Report 2014.

The following commentary describes the principal factors outlined in the table above for FY2014 and FY2013.

Volumes

Volume efficiencies attributed to productivity and the ramp-up of major projects underpinned an increase in production in a number of Businesses in FY2014 and an additional US\$2.9 billion in Underlying EBIT. WAI0 was the major contributor as the ramp-up of the Jimblebar mining hub and a series of productivity initiatives raised the capacity of our integrated supply chain and supported a US\$1.8 billion increase in Underlying EBIT. Despite the impact of natural field decline, stronger volumes in our Petroleum Business generated an additional US\$994 million of Underlying EBIT, reflecting 73 per cent growth in Onshore US liquids volumes and a near doubling of production at Atlantis.

Prices

Lower average prices reduced Underlying EBIT by US\$3.4 billion in FY2014.

In metallurgical coal, an increase in seaborne supply and the resilience of higher cost, along with uneconomic capacity led to a 20 per cent and 14 per cent decline in the average realised price of hard coking coal and weak coking coal, respectively. The average price received for thermal coal also declined by 14 per cent during the period. In total, lower average realised prices in our Coal Business reduced Underlying EBIT by US\$1.5 billion.

A five per cent decline in the average realised price of copper reflected the near-term rebalancing of the market, while the acceleration of low-cost, seaborne iron ore supply growth, predominantly from Australia's Pilbara region, weighed on prices in the June 2014 half year. In total, lower average realised prices for copper and iron ore reduced Underlying EBIT by US\$1.4 billion.

Nickel and aluminium prices rallied towards the end of FY2014 but remained lower on average for the period, reducing Underlying EBIT by a further US\$258 million.

The value of diversification was again evident as higher average realised prices for our petroleum products increased Underlying EBIT by US\$219 million. In this context, the average price achieved for our natural gas sales book, covering domestic and international markets, increased by 16 per cent.

Price-linked costs decreased Underlying EBIT by US\$80 million during the period, primarily reflecting higher royalty charges in our Petroleum and Iron Ore Businesses.

1.15.3 Operating results *continued*

Controllable cash costs

A broad-based improvement in productivity underpinned a decrease in controllable cash costs of US\$1.9 billion during the period, being a decrease in operating cash costs of US\$1.5 billion and a decrease in exploration and business development costs of US\$398 million.

Operating cash costs

The Group's commitment to further improve the competitive position of its assets delivered tangible results in FY2014 as operating cash costs declined by US\$1.5 billion. A general increase in labour and contractor productivity had the greatest impact, increasing Underlying EBIT by US\$1.3 billion.

An improvement in equipment productivity increased Underlying EBIT by a further US\$268 million as contract stripping activities were further optimised at Queensland Coal. A reduction in consumable costs in our Aluminium, Manganese and Nickel Business more than accounted for a US\$33 million decrease in Group supply costs.

Exploration and business development

The Group's exploration expenditure declined by 25 per cent in FY2014 to US\$1.0 billion as we sharpened our focus on greenfield copper porphyry targets in Chile and Peru, and high-impact liquids opportunities in the Gulf of Mexico, Western Australia and Trinidad and Tobago. The associated reduction in the Group's exploration expense increased Underlying EBIT by US\$331 million, while a further decline in business development expenditure increased Underlying EBIT by US\$67 million.

Other costs

Exchange rates

A stronger US dollar increased Underlying EBIT by US\$1.8 billion and included the restatement of monetary items in the balance sheet, which reduced Underlying EBIT by US\$352 million. Average and closing exchange rates for FY2014 and FY2013 are detailed in note 1 'Accounting policies' to the Financial Statements in the Annual Report 2014.

Inflation on costs

Inflation had an unfavourable impact on all Businesses and reduced Underlying EBIT by US\$805 million during FY2014. This was most notable in Australia, Chile and South Africa, which accounted for over 85 per cent of the total variance.

Non-cash

An increase in non-cash charges reduced Underlying EBIT by US\$2.1 billion during the period.

A US\$631 million increase in the depreciation and amortisation charge at Onshore US reflected the ramp-up of liquids production and the progressive development of our Permian acreage. We continue to expect the depreciation rate in the Permian to normalise at a lower level as reserves are booked and the production rate grows towards 100 Mboe per day over the medium term. The completion and progressive ramp-up of several major projects in our Iron Ore and Coal Businesses resulted in an US\$871 million increase in the depreciation and amortisation expense during the period.

Depreciation and amortisation expense included the following impairment charges: a US\$292 million charge at Energy Coal South Africa; a US\$184 million charge related to minor Gulf of Mexico assets; and a US\$68 million charge associated with our decision to allow the exclusivity agreement for Terminal 5 at the Port of Vancouver (United States) to lapse.

A US\$300 million charge related to the revision of mine site rehabilitation provisions for the Group's North American closed mines and a lower capitalisation rate for deferred stripping at Escondida and Pampa Norte also contributed to the increase in non-cash charges.

Asset sales

The divestment of Liverpool Bay more than accounted for the US\$53 million increase in Underlying EBIT related to asset sales.

Ceased and sold operations

Underlying EBIT from ceased and sold operations decreased by US\$492 million in FY2014 and largely reflected: a US\$143 million negative adjustment to the Browse divestment price; the closure of the Nickel West Leinster Perseverance underground mine in November 2013; and the cessation of aluminium smelting activities at Bayside in June 2014.

Other

Other items increased Underlying EBIT by US\$215 million and largely reflected an increase in margins at our equity accounted investments and an US\$84 million profit related to the sale of the Energy Coal South Africa Optimum Coal purchase agreement. A US\$112 million UK pension plan expense in our Petroleum Business is also reported in this category.

Net finance costs

Net finance costs of US\$1.2 billion decreased by US\$100 million from the prior period. This was primarily related to a decrease of US\$245 million in net interest expenses, which was partially offset by a decrease in interest capitalised of US\$108 million.

Taxation expense

Total taxation expense, including royalty-related taxation, exceptional items and exchange rate movements, was US\$7.0 billion, representing a statutory effective tax rate of 31.5 per cent (30 June 2013: 35.0 per cent).

Government imposed royalty arrangements calculated by reference to profits are reported as royalty-related taxation. The Minerals Resource Rent Tax (MRRT) reduced taxation expense by US\$238 million in FY2014 (30 June 2013: increase of US\$321 million) as royalty-related credits in the Coal Business more than offset Iron Ore MRRT expense for the period. This included the remeasurement of deferred tax assets associated with the MRRT which decreased taxation expense by US\$170 million in the period (30 June 2013: increase of US\$207 million).

The Group's adjusted effective tax rate, which excludes the influence of exchange rate movements, remeasurement of deferred tax assets associated with the MRRT and exceptional items, was 32.5 per cent (30 June 2013: 34.2 per cent).

1 Strategic Report continued

1.15.3 Operating results continued

Adjusted effective tax rate is not an IFRS measure and is reconciled to the statutory effective tax rate below:

Year ended 30 June	2014			2013		
	Profit before tax US\$M	Income tax expense US\$M	%	Profit before tax US\$M	Income tax expense US\$M	%
Statutory effective tax rate	22,236	(7,012)	31.5	19,726	(6,906)	35.0
Less:						
Exchange rate movements	–	(24)		–	245	
Remeasurement of deferred tax assets associated with the MRRT	–	(170)		–	207	
Exceptional items	(551)	166		1,928	(943)	
Adjusted effective tax rate	21,685	(7,040)	32.5	21,654	(7,397)	34.2

Other royalty and excise arrangements that are not profit based are recognised as operating costs within Profit before taxation. These amounted to US\$2.8 billion during the period (30 June 2013: US\$2.6 billion).

Exceptional items

Year ended 30 June 2014	Gross US\$M	Tax US\$M	Net US\$M
Sale of Pinto Valley	551	(166)	385
	551	(166)	385

On 11 October 2013, BHP Billiton completed the sale of its Pinto Valley mining operation for a cash consideration of US\$653 million, after working capital adjustments. A gain on sale of US\$385 million (after tax expense) was recognised in FY2014.

Refer to note 3 'Exceptional items' to the Financial Statements in the Annual Report 2014 for more information.

Year ended 30 June 2013	Gross US\$M	Tax US\$M	Net US\$M
Exceptional items by category			
Sale of Yeelirrie uranium deposit	420	–	420
Sale of Richards Bay Minerals	1,212	(183)	1,029
Sale of diamonds business	(97)	(42)	(139)
Sale of East and West Browse Joint Ventures	1,539	(188)	1,351
Impairment of Nickel West assets	(1,698)	454	(1,244)
Impairment of Worsley assets	(2,190)	559	(1,631)
Impairment of Permian Basin assets	(266)	99	(167)
Other impairments arising from capital project review	(1,006)	291	(715)
Newcastle steelworks rehabilitation	158	(47)	111
	(1,928)	943	(985)

The Group announced the sale of its wholly owned Yeelirrie uranium deposit resulting in a gain on sale of US\$420 million, while the associated tax expense was offset by the recognition of deferred tax benefits on available tax losses.

The Group announced it had completed the sale of its 37.76 per cent effective interest in Richards Bay Minerals resulting in a gain on sale of US\$1.0 billion (after tax expense).

The Group announced the sale of its diamonds business, comprising its interests in the EKATI Diamond Mine and Diamond Marketing operations. The transaction was completed on 10 April 2013 for an aggregate cash consideration of US\$553 million (after adjustments). An impairment charge of US\$139 million (after tax expense) was recognised based on the final consideration.

The Group signed a definitive agreement to sell its 8.33 per cent interest in the East Browse Joint Venture and 20 per cent interest in the West Browse Joint Venture resulting in a gain on sale of US\$1.5 billion being recognised in FY2013. The associated tax expense of US\$462 million was partly offset by the recognition of deferred tax benefits on available tax losses of US\$241 million and the derecognition of deferred tax liabilities of US\$33 million. The final sales price was determined during FY2014 requiring a loss of US\$143 million recognised in FY2014.

1.15.3 Operating results *continued*

As a result of expected continued strength in the Australian dollar and weak nickel prices, the Group recognised an impairment charge of US\$1.2 billion (after tax benefit) at Nickel West in FY2013.

The Group recognised an impairment of assets at Worsley as a result of expected continued strength in the Australian dollar and weak alumina prices. A total impairment charge of US\$1.6 billion (after tax benefit) was recognised.

An impairment charge of US\$167 million (after tax benefit) was recognised as the performance of specific evaluation wells in certain areas of the Permian Basin (United States) did not support economic development.

In FY2013, WAIO refocused its attention on the capital efficient expansion opportunity that exists within the Port Hedland inner harbour, and all early works associated with the outer harbour development option were suspended. This revision to the WAIO development sequence and the change in status of other minor capital projects across the Group resulted in the recognition of impairment charges of US\$639 million (after tax benefit) and other restructuring costs of US\$76 million (after tax benefit) in FY2013, of which US\$580 million (after tax benefit) were related to WAIO.

The Group recognised a decrease of US\$158 million (before tax expense) to its rehabilitation obligations in respect of former operations at the Newcastle steelworks (Australia). This followed the completion of the Hunter River Remediation Project and reaching agreement with the Environment Protection Authority in March 2013 regarding the necessary scope of work to repeal the Environmental Classification at Steel River.

Exceptional items during FY2013 are classified by nature as follows:

Year ended 30 June 2013 US\$M	Sale of assets	Impairment of goodwill and other assets	Restructuring costs	Closure and rehabilitation provisions released	Gross
Sale of Yeelirrie uranium deposit	420	–	–	–	420
Sale of Richards Bay Minerals	1,212	–	–	–	1,212
Sale of diamonds business	–	(97)	–	–	(97)
Sale of East and West Browse Joint Ventures	1,539	–	–	–	1,539
Impairment of Nickel West assets	–	(1,698)	–	–	(1,698)
Impairment of Worsley assets	–	(2,190)	–	–	(2,190)
Impairment of Permian Basin assets	–	(266)	–	–	(266)
Other impairments arising from capital project review	–	(898)	(108)	–	(1,006)
Newcastle steelworks rehabilitation	–	–	–	158	158
	3,171	(5,149)	(108)	158	(1,928)

Refer to note 3 'Exceptional items' to the Financial Statements in the Annual Report 2014 for more information.

Third party sales

We differentiate sales of our production from sales of third party products due to the significant difference in profit margin earned on these sales. The table below shows the breakdown between our production and third party products.

Year ended 30 June ⁽¹⁾	2014 US\$M	2013 US\$M	2012 US\$M
Group production			
Revenue	64,227	63,067	66,969
Related operating costs	(41,410)	(40,264)	(39,017)
Underlying EBIT	22,817	22,803	27,952
Underlying EBIT Margin	35.5%	36.2%	41.7%
Third party products			
Revenue	2,979	2,886	3,508
Related operating costs	(2,935)	(2,759)	(3,374)
Operating profit	44	127	134
Margin on third party products ⁽²⁾	1.5%	4.4%	3.8%

(1) Excluding exceptional items.

(2) Operating profit divided by revenue.

We engage in third party trading for the following reasons:

- Production variability and occasional shortfalls from our own assets means that we sometimes source third party materials to ensure a steady supply of product to our customers.
- To optimise our supply chain outcomes, we may buy physical product from third parties.
- In order to support the development of liquid markets, we will sometimes source third party physical product and manage risk through both the physical and financial markets.

1.15.4 Cash flow analysis

A Consolidated Cash Flow Statement is contained in the Financial Statements in the Annual Report 2014. The explanatory notes appear in note 23 'Notes to the consolidated cash flow statement' to the Financial Statements in the Annual Report 2014. A summary table has been presented below to show the key sources and uses of cash.

Year ended 30 June	2014 US\$M	2013 US\$M	2012 US\$M
Cash generated from operations	31,384	28,793	32,987
Dividends received	1,284	721	722
Net interest paid	(839)	(786)	(412)
Taxation paid	(6,465)	(8,574)	(8,038)
Net operating cash flows	25,364	20,154	25,259
Purchases of property plant and equipment	(15,993)	(22,243)	(18,637)
Exploration expenditure	(1,010)	(1,351)	(2,493)
Exploration expenditure expensed and included in operating cash flows	716	1,047	1,644
Purchases of intangibles	(192)	(400)	(219)
Investment in financial assets	(1,193)	(475)	(471)
Investment in subsidiaries, operations and jointly controlled entities	–	–	(12,556)
Investment in equity accounted investments	(44)	(84)	(83)
Net proceeds from investing activities	1,882	4,780	330
Net investing cash flows	(15,834)	(18,726)	(32,485)
Net proceeds (repayment of)/from interest bearing liabilities	(910)	7,157	8,644
Share buy-back	–	–	(83)
Dividends paid	(6,639)	(7,004)	(6,220)
Contribution from non-controlling interest	1,435	73	101
Other financing activities	(354)	(424)	(403)
Net financing cash flows	(6,468)	(198)	2,039
Net increase/(decrease) in cash and cash equivalents	3,062	1,230	(5,187)

Net operating cash flows after interest and tax increased by 26 per cent to US\$25.4 billion in FY2014. A US\$2.6 billion increase in cash generated from operations (after changes in working capital balances) and a US\$2.1 billion decrease in net taxes paid were the major contributors to the strong increase. The decrease in net taxes paid was attributed to lower income tax payments in the year of US\$1.2 billion in line with our lower effective tax rate and income tax refunds of US\$852 million.

Net investing cash outflows decreased by US\$2.9 billion to US\$15.8 billion during the period. This reflected a US\$6.6 billion reduction in capital and exploration expenditure partially offset by a decline in proceeds from asset sales of US\$2.9 billion. Expenditure on major growth projects totalled US\$13.1 billion, including US\$5.6 billion on petroleum projects and US\$7.5 billion on minerals projects. Sustaining capital expenditure and other items totalled US\$2.9 billion. Exploration expenditure was US\$1.0 billion, including US\$716 million classified within net operating cash flows.

Net financing cash flows included the proceeds from interest bearing liabilities of US\$6.3 billion and contributions from non-controlling interests of US\$1.4 billion. Proceeds from interest bearing liabilities included the issuance of a four tranche Global Bond of US\$5.0 billion. These inflows were more than offset by debt repayments of US\$7.2 billion and dividend payments to our shareholders of US\$6.4 billion.

1.15.5 Net debt and sources of liquidity

Our policies on debt and treasury management are as follows:

- a commitment to a solid 'A' credit rating;
- gearing to be a maximum of 40 per cent;
- diversification of funding sources;
- generally to maintain borrowings and excess cash in US dollars.

Gearing and net debt

Net debt, comprising Interest bearing liabilities less Cash and cash equivalents, was US\$25.8 billion, which represented a decrease of US\$1.7 billion compared with the net debt position at 30 June 2013. Gearing, which is the ratio of net debt to net debt plus net assets, was 23.2 per cent at 30 June 2014 compared with 26.8 per cent at 30 June 2013.

Cash at bank and in hand less overdrafts at 30 June 2014 was US\$8.8 billion compared with US\$5.7 billion at 30 June 2013. Included within this were short-term deposits at 30 June 2014 of US\$7.1 billion compared with US\$3.2 billion at 30 June 2013.

Funding sources

During FY2014, the Group issued a four tranche Global Bond totalling US\$5.0 billion comprising US\$500 million Senior Floating Rate Notes due 2016 paying interest at three-month US dollar LIBOR plus 25 basis points, US\$500 million 2.050 per cent Senior Notes due 2018, US\$1.5 billion 3.850 per cent Senior Notes due 2023, and US\$2.5 billion 5.000 per cent Senior Notes due 2043.

None of our Group level borrowing facilities are subject to financial covenants. Certain specific financing facilities in relation to specific Businesses are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities.

Our maturity profile for US dollar bonds, Euro bonds and Australian dollar bonds for the following five years is set out below.

Year ended 30 June	2015 US\$M	2016 US\$M	2017 US\$M	2018 US\$M	2019 US\$M
USD Bonds	3,825	1,050	3,250	–	2,250
Euro Bonds	–	1,365	–	–	1,706
AUD Bonds	–	–	–	939	–
	3,825	2,415	3,250	939	3,956

	Facility available 2014 US\$M	Used 2014 US\$M	Unused 2014 US\$M	Facility available 2013 US\$M	Used 2013 US\$M	Unused 2013 US\$M
Commercial paper program ⁽¹⁾	6,000	–	6,000	6,000	(1,330)	4,670
Total financing facilities	6,000	–	6,000	6,000	(1,330)	4,670

(1) The Group has a US\$6.0 billion commercial paper program backed by US\$6.0 billion of revolving credit facilities. In May 2014, the US\$5.0 and US\$1.0 billion revolving credit facilities expiring in December 2015 and December 2014, were replaced by a US\$6.0 billion revolving credit facility. The new facility has a five-year maturity with two one-year extension options. The facility is used for general corporate purposes and as backup for the commercial paper programs. The interest rates under these facilities are based on an interbank rate plus a margin. The applicable margin is typical for a credit facility extended to a company with the Group's credit rating. The Group had no US commercial paper outstanding in the market at the end of the financial year (2013: US\$1.3 billion).

Additional information regarding the maturity profile of our debt obligations and details of our standby and support agreements is included in note 29 'Financial risk management' to the Financial Statements in the Annual Report 2014.

The Group's credit ratings are currently A1/P-1 (Moody's – long-term/short-term) and A+/A-1 (Standard & Poor's – long-term/short-term). The ratings outlook from both agencies did not change during FY2014.

1.15.6 Other information

Quantitative and qualitative disclosures about market risk

We identified our primary market risks in section 1.15.1 of this Strategic Report. A description of how we manage our market risks, including both quantitative and qualitative information about our market risk sensitive instruments outstanding at 30 June 2014, is contained in note 29 'Financial risk management' to the Financial Statements in the Annual Report 2014.

Off-balance sheet arrangements and contractual commitments

Information in relation to our material off-balance sheet arrangements, principally contingent liabilities, commitments for capital expenditure and commitments under leases at 30 June 2014 is provided in note 21 'Contingent liabilities' and note 22 'Commitments' to the Financial Statements in the Annual Report 2014.

Subsidiary information

Information about our significant subsidiaries is included in note 26 'Subsidiaries' to the Financial Statements in the Annual Report 2014.

Related party transactions

Related party transactions are outlined in note 32 'Related party transactions' to the Financial Statements in the Annual Report 2014.

Significant changes since the end of the year

Significant changes since the end of the year are outlined in note 36 'Subsequent events' to the Financial Statements in the Annual Report 2014.

The Strategic Report is made in accordance with a resolution of the Board.



Jac Nasser AO

Chairman

Dated: 11 September 2014

Key dates for shareholders

The following table sets out future dates in the next financial and calendar year of interest to our shareholders. If there are any changes to these dates, all relevant stock exchanges (refer to section 9.2 in the Annual Report 2014) will be notified.

Date	Event
23 September 2014	Final Dividend Payment Date
23 October 2014	BHP Billiton Plc Annual General Meeting in London Venue: The Queen Elizabeth II Conference Centre Broad Sanctuary Westminster London SW1P 3EE United Kingdom Time: 11.00am (local time) Details of the business of the meeting are contained in the separate Notice of Meeting
20 November 2014	BHP Billiton Limited Annual General Meeting in Adelaide Venue: Adelaide Entertainment Centre Corner Port Road and Adam Street Hindmarsh South Australia Australia Time: 10.00am (local time) Details of the business of the meeting are contained in the separate Notice of Meeting
24 February 2015	Interim Results Announced
13 March 2015	Interim Dividend Record Date
31 March 2015	Interim Dividend Payment Date
25 August 2015	Annual Results Announced

Glossary – units of measure

%	percentage or per cent	MMboe	million barrels of oil equivalent
bb/d	barrels per day	Mscf	thousand standard cubic feet
boe	barrels of oil equivalent – 6,000 scf of natural gas equals 1 boe	Mt	million tonnes
km	kilometre	Mtpa	million tonnes per annum
koz	kilo-ounce	scf	standard cubic feet
kV	kilovolt	t	tonne
kt	kilotonnes	tpa	tonnes per annum
ktpa	kilotonnes per annum	tpd	tonnes per day
ktpd	kilotonnes per day		

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BHP Billiton produces a range of publications, which are available online at www.bhpbilliton.com. If you are a shareholder, you can also elect to receive a paper copy of the Annual Report and Summary Review through the Share Registrar (above).



Annual Report



Sustainability Report



Summary Review

BHP Billiton also produces a Community Review, which is available online at www.bhpbilliton.com.



Community Review



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