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Mr Jacques Nasser
Chairman
BHP Billiton Limited
180 Lonsdale Street
Melbourne Victoria 3000

26 November 2012

Dear Chairman

Questions received in advance of the Annual General Meeting

We have been notified that the Company has received a number of questions from shareholders directed to the auditor in advance of the BHP Billiton Limited Annual General Meeting ("AGM") to be held on 29 November 2012.

We set out the questions and our formal responses in Appendix One. Please note that we have reproduced the questions exactly as they were received by Company Secretariat.

Please contact me should you wish to discuss any of the questions or answers in more detail.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M Sheppard', written over a horizontal line.

Martin Sheppard
Partner

Appendix One - Shareholders' questions directed to the auditor and KPMG's formal responses

Introduction

The Corporations Act 2001 offers members an opportunity to submit written questions to the auditor prior to the AGM on:

- a. the content of the auditors' report to be considered at the AGM; or
- b. the conduct of the audit of the annual financial report to be considered at the AGM.

In our view, two of the three questions submitted to us are not relevant to (a) and (b) above.

Question 1

With reference to the large write down of the purchased entity in the USA, why did not due diligence not shown the real value of such an acquisition? This is the second large financial disaster of purchasing entities in the USA in recent times.

KPMG observation

This question does not appear to relate to the content of the auditors' report or the conduct of the audit, and is therefore not appropriate for KPMG to respond to.

Question 2

Is there an ethical/governance process in formally implementing a thorough external investigation of the BHP Billiton remuneration board?

KPMG observation

This question does not appear to relate to the content of the auditors' report or the conduct of the audit, and is therefore not appropriate for KPMG to respond to.

Question 3

Please outline your 'specific risks' or 'areas of audit focus' in the recently completed audit and why.

KPMG observation

This question relates to the conduct of the audit, and is therefore appropriate for KPMG to respond to.

Answer

An audit of a financial report is performed in accordance with auditing standards and is designed to enable the auditor to conclude whether or not the financial statements have been prepared, in all material respects, in accordance with a specified basis of accounting. Audit procedures are designed to obtain reasonable, but not absolute, assurance regarding the financial statements taken as a whole. An audit does therefore not enable the auditor to express an opinion on individual transactions, assets or liabilities contained within those financial statements.

Conducting an audit includes selecting audit procedures to be performed. The auditor exercises professional judgement in selecting audit procedures to be performed. The nature and extent of audit procedures is, amongst others, determined by the auditor's assessment of the inherent risks of material misstatement of the financial report whether due to fraud or error. In making such risk assessments, the auditor considers business risks and internal controls, but only to the extent that they are expected to have a material impact on the financial report as a whole. Our risk assessment for audit purposes may therefore differ from BHP Billiton's internal risk assessment or that of other stakeholders.

During the planning phase of our audit for the year ended 30 June 2012 we conducted a preliminary assessment of the financial reporting and audit risks (including fraud risks) that impact the financial statements. This preliminary assessment was based on our understanding of BHP Billiton's operations and applicable areas of change, and included a "bottom up" analysis of the financial reporting and audit risks relevant to each BHP Billiton Customer Sector Group ('CSG') and Asset. We continuously updated our preliminary risk assessment throughout the year to reflect developments within BHP Billiton and the financial reporting risk profile.

The 'specific risks'/'areas of audit focus' that we addressed during our audit for the year ended 30 June 2012 together with key aspects of our rationale include (but are not limited to):

- *Asset impairment and the valuation of assets.* Asset impairment has been an area of audit focus for the following reasons:
 - Commodity prices have become more volatile which may have an impact on the fair value and/or recoverable amount of assets (including newly-acquired assets);
 - Portfolio management activities may have an impact on the carrying value of assets; and
 - Asset impairment testing requires management to make estimates and assumptions (eg. about expected production and sales volumes and commodity prices).
- *Tax.* Tax has been an area of audit focus for the following reasons:
 - BHP Billiton operates in many jurisdictions and is subject to complex tax laws and regulation; and
 - New and changed tax legislation with an impact on the financial statements for the year ended 30 June 2012 was enacted during the year (eg. the Minerals Resource Rent Tax).

- *Development projects.* Development projects has been an area of audit focus for the following reasons:
 - Judgement is applied by management in determining when a project is economically viable;
 - Changes to project timelines and configuration potentially affect the valuation of assets; and
 - Complexity associated with the allocation of costs between project expenditure and regular operating expenditure.
- *Revenue recognition.* An external auditor is required to address the rebuttable presumption that there is a potential for fraud in accounting for revenue. Moreover, financial reporting requirements regarding revenue recognition can be complex, eg. in relation to BHP Billiton's provisional pricing of certain commodities with subsequent adjustments to the sales price based on movements in quoted market or contractual prices up to the date of final pricing.
- *Restructuring.* Restructuring includes the integration of acquisitions, divestments and relocations within the BHP Billiton Group. This has been an area of audit focus for the following reasons:
 - Acquisition accounting was applicable to the newly-acquired assets and requires determination of the fair values of identifiable assets, liabilities and contingent liabilities. Detailed disclosures are also required;
 - Complexity of post-acquisition activities such as the conversion of accounting policies, alignment of accounting policies and alignment of period ends; and
 - Asset divestments had an impact on the financial statements for the year ended 30 June 2012.
- *IT developments.* Changes to the BHP Billiton IT environment have impacted the control environment as well as systems used in the preparation of financial information.
- *Laws and regulations.* The BHP Billiton Group is subject to multi-jurisdictional legislation and an increasing level of regulatory focus. Decisions by regulators and changes in foreign political regimes can potentially impact on BHP Billiton's markets and operations.