BHP BILLITON LIMITED ANNUAL REPORT 2002

COMBINED FINANCIAL STATEMENTS

About this Report

BHP Billiton was created through the Dual Listed Companies (DLC) merger of BHP Limited (now BHP Billiton Limited) and Billiton Plc (now BHP Billiton Plc), which was concluded on 29 June 2001.

BHP Billiton Limited and BHP Billiton Plc continue to exist as separate companies, but operate on a combined basis 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. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

The laws in Australia and the UK require us to adopt a different approach to reporting results. These Combined Financial Statements deal with the affairs of the BHP Billiton Group.

Copies of the Annual Reports for BHP Billiton Plc and BHP Billiton Limited (Concise Report and Combined Financial Statements), together with the full single entity financial statements of BHP Billiton Limited, can be found on **www.bhpbilliton.com**. Shareholders may also request a copy by telephoning 1300 655 140 (within Australia) or (61 3) 9609 4559 (from elsewhere).

Throughout this Report, the terms BHP Billiton, the Company, the Merger and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHP Billiton Plc and subsidiary companies. The term 'the merger' has a corresponding meaning.

Throughout the Report, a reference to a year is to a financial year unless otherwise indicated.

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered Office: Level 45, 600 Bourke Street, Melbourne Victoria 3000, Australia.
BHP Billiton Plc. Registration Number 3196209. Registered in England and Wales. Registered Office: 1–3 Strand, London WC2N 5HA United Kingdom.

Financial Statements

Contents

Notes to Financial Statements

Auditors: Ernst & Young

Statement of Financial Performance

for the financial period ended 30 June 2002 (a)

	Notes	**2002 US$M(b)**	2001 US$M(c)	2000 US$M(c)
Revenue from ordinary activities				
Sales revenue	4	**15 896**	11 134	13 534
Other revenue	4	**1 166**	936	1 341
		17 062	12 070	14 875
deduct				
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	5	**12 433**	9 064	11 895
		4 629	3 006	2 980
add				
Share of net profit of associated entities accounted for using the equity method	18	**223**	15	19
		4 852	3 021	2 999
deduct				
Depreciation and amortisation	6	**1 753**	1 286	1 443
Borrowing costs	7	**449**	299	457
Profit from ordinary activities before income tax	8,10	**2 650**	1 436	1 099
deduct				
Income tax expense attributable to ordinary activities	9	**955**	583	86
Net profit		**1 695**	853	1 013
(deduct)/add				
Outside equity interests in net (profit)/loss of controlled entities		**(47)**	256	21
Net profit attributable to members of the BHP Billiton Group		**1 648**	1 109	1 034
Adjustment for initial adoption of revised accounting standard AASB 1016 Accounting for investments in associates		**–**	–	130
Net exchange fluctuations on translation of foreign currency net assets and foreign currency interest bearing liabilities net of tax		**25**	292	100
Total direct adjustments to equity attributable to members of the BHP Billiton Group		**25**	292	230
Total changes in equity other than those resulting from transactions with owners	35	**1 673**	1 401	1 264
Basic earnings per share (US cents)	12	**27.3**	30.1	28.7
Diluted earnings per share (US cents)	12	**27.3**	29.9	28.6

(a) 2002 and 2001 refer to the years ended 30 June 2002 and 30 June 2001 respectively; 2000 refers to the 13 months ended 30 June 2000. Refer note 1 (Change of financial year).

(b) Financial information for 2002 represents the financial performance of the BHP Billiton Group. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

(c) Comparative financial information for 2001 and 2000 represents the financial performance for the BHP Billiton Limited Group only. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2002

	Notes	2002 US$M (a)	2001 US$M (a)
Current assets			
Cash assets	36	**1 499**	1 285
Receivables	13	**2 294**	2 246
Other financial assets	14	**117**	215
Inventories	15	**1 509**	1 700
Other assets	16	**108**	130
Total current assets		**5 527**	5 576
Non-current assets			
Receivables	17	**889**	376
Investments accounted for using the equity method	18	**1 505**	1 236
Other financial assets	19	**581**	554
Inventories	20	**80**	90
Property, plant and equipment	21	**19 484**	18 632
Intangible assets	22	**513**	608
Deferred tax assets		**480**	459
Other assets	23	**803**	693
Total non-current assets		**24 335**	22 648
Total assets	10	**29 862**	28 224
Current liabilities			
Payables	24	**2 435**	2 255
Interest bearing liabilities	25	**1 797**	1 807
Tax liabilities	9	**493**	321
Other provisions	26	**1 116**	1 046
Total current liabilities		**5 841**	5 429
Non-current liabilities			
Payables	27	**121**	144
Interest bearing liabilities	28	**6 383**	6 521
Deferred tax liabilities		**1 600**	1 365
Other provisions	29	**2 764**	2 533
Total non-current liabilities		**10 868**	10 563
Total liabilities	10	**16 709**	15 992
Net assets		**13 153**	12 232
Contributed equity – BHP Billiton Limited	30	**3 143**	3 039
Called up share capital – BHP Billiton Plc	30	**1 752**	1 752
Reserves	32	**471**	530
Retained profits	33	**7 455**	6 526
Total BHP Billiton interest		**12 821**	11 847
Outside equity interest	34	**332**	385
Total equity	35	**13 153**	12 232

(a) Financial information for 2002 and 2001 represents the financial position of the BHP Billiton Group. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the financial period ended 30 June 2002 [(a)]

	Notes	**2002 US$M** [(b)]	2001 US$M [(c)]	2000 US$M [(c)]
Cash flows related to operating activities				
Receipts from customers		**16 129**	11 369	13 204
Payments to suppliers, employees, etc.		**(11 836)**	(7 796)	(10 260)
Dividends received		**187**	42	28
Interest received		**156**	64	56
Borrowing costs		**(525)**	(348)	(579)
HBI Venezuela guarantee payment		**–**	(310)	–
Proceeds from gas sales contract price re-negotiation		**–**	–	146
Other		**128**	14	223
Operating cash flows before income tax		**4 239**	3 035	2 818
Income taxes paid net of refunds received		**(515)**	(328)	(369)
Net operating cash flows	36	**3 724**	2 707	2 449
Cash flows related to investing activities				
Purchases of property, plant and equipment		**(2 359)**	(1 046)	(688)
Exploration expenditure		**(390)**	(276)	(231)
Purchases of investments		**(321)**	(367)	(271)
Purchases of, or increased investment in, controlled entities and joint venture interests net of their cash		**(45)**	(366)	–
Investing cash outflows		**(3 115)**	(2 055)	(1 190)
Proceeds from sale of property, plant and equipment		**200**	86	463
Proceeds from sale or redemption of investments		**232**	275	144
Proceeds from OneSteel spin-out		**–**	366	–
Proceeds from sale or partial sale of controlled entities and joint venture interests net of their cash		**145**	156	441
Net investing cash flows		**(2 538)**	(1 172)	(142)
Cash flows related to financing activities				
Proceeds from ordinary share issues, etc.		**140**	76	174
Proceeds from interest bearing liabilities		**3 975**	411	1 072
Repayment of interest bearing liabilities		**(4 331)**	(1 448)	(3 073)
Redemption of secured Employee Share Plan program		**(134)**	–	–
Purchase of shares under Share Buy-Back program		**(19)**	–	–
Dividends paid		**(831)**	(524)	(322)
Other		**5**	(10)	52
Net financing cash flows		**(1 195)**	(1 495)	(2 097)
Net (decrease)/increase in cash and cash equivalents		**(9)**	40	210
Cash and cash equivalents at beginning of period		**998**	562	372
Effect of foreign currency exchange rate changes on cash and cash equivalents		**1**	(41)	(20)
BHP Billiton Plc Group [(d)]		**–**	437	–
Cash and cash equivalents at end of period	36	**990**	998	562

(a) 2002 and 2001 refer to the years ended 30 June 2002 and 30 June 2001 respectively; 2000 refers to the 13 months ended 30 June 2000. Refer note 1 (Change of financial year).

(b) Financial information for 2002 represents the financial performance of the BHP Billiton Group. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

(c) Comparative financial information for 2001 and 2000 represents the financial performance for the BHP Billiton Limited Group only. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

(d) This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

The accompanying notes form part of these financial statements.

Dual Listed Companies Structure and Basis of Preparation of Financial Statements

Merger terms

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed Company, and BHP Billiton Plc (previously known as Billiton Plc), a UK listed Company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role. Under the arrangements:

- The shareholders of BHP Billiton Limited and BHP Billiton Plc have a common economic interest in both groups;
- The shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two companies effectively vote on a joint basis;
- BHP Billiton Limited and BHP Billiton Plc have a common Board of Directors, a unified management structure and joint objectives;
- Dividends and capital distributions made by the two companies are equalised; and
- BHP Billiton Limited and BHP Billiton Plc each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

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

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated. In addition, to achieve a position where the economic and voting interests of one share in BHP Billiton Limited and one share in BHP Billiton Plc were identical, BHP Billiton Limited made a bonus issue of ordinary shares to the holders of its ordinary shares.

Treatment of the DLC merger for accounting purposes

In accordance with the Australian Investments and Securities Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', and an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, this annual financial report presents the financial results of the BHP Billiton Group as follows:

- Results for the year ended 30 June 2002 are of the combined entity including both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies;
- Comparative period results are of BHP Billiton Limited and its subsidiary companies only, except for the Statement of Financial Position as at 30 June 2001 which includes both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies;
- Results are presented in US dollars unless otherwise stated; and
- Results of the single entity, BHP Billiton Limited, are presented in note 51 to the financial statements.

The full single entity financial statements of BHP Billiton Limited are available on the Company's website (www.bhpbilliton.com) and are available to shareholders on request free of charge.

Notes to Financial Statements

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Corporations Act, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

Basis of accounting
Subject to the exceptions noted in the paragraphs below dealing with valuation of investments and property, plant and equipment, the accounts are drawn up on the basis of historical cost principles.

Principles of consolidation
The financial statements of the economic entity referred to as the BHP Billiton Group include the combination of both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies. In preparing the financial statements of the BHP Billiton Group, the effects of all transactions between entities within the BHP Billiton Group have been eliminated.

Accounting standards and policies have been consistently applied by all entities in the BHP Billiton Group and are consistent with those applied in the prior two years except for:

(a) Application of new and revised accounting standards

Revised Australian Accounting Standard 1042: Discontinuing Operations was first adopted from 1 July 2001, which resulted in certain disclosures relating to discontinuing BHP Steel operations being included in note 3 (significant events after year end).

Revised Australian Accounting Standard 1027: Earnings per Share was first adopted from 1 July 2001, and requires that earnings per share be calculated by dividing adjusted net profit attributable to members by the weighted average number of shares adjusted for any bonus element. The fully paid bonus shares issued on 9 July 2001 by BHP Billiton Limited as a result of the DLC merger have been taken into account in calculating earnings per share in comparative periods.

Revised Australian Accounting Standard 1005: Segment Reporting was first adopted from 1 July 2001, and requires disclosure of information on business and geographical segments. As a result additional disclosures have been included in relation to business and geographical segments. Comparatives have been provided accordingly.

(b) Changes in accounting policies

Functional currency
With effect from 1 July 2001, the majority of the BHP Billiton Limited Group's businesses changed their functional currency to US dollars, the functional currency of the combined BHP Billiton Group. This is consistent with the BHP Billiton Plc Group and is the basis on which the combined BHP Billiton Group manages its businesses and records its transactions. The effect of this change for the year ended 30 June 2002 has been a decrease in net profit attributable to members of US$47 million. Concurrent with this change, the BHP Billiton Group has changed its accounting policy regarding the treatment of foreign exchange gains or losses on local currency site restoration provisions held in the accounts of entities using US dollar functional currencies. Under the previous policy, the foreign exchange gains and losses on site restoration provisions were recognised in the Statement of Financial Performance. Under the revised policy, such foreign exchange gains and losses are treated as part of the revision to the estimated future restoration cost and are included in the cost of property, plant and equipment. The revised policy has been adopted as it better matches the ultimate cost of site restoration charged in the Statement of Financial Performance to the profit earned. The impact in the year ended 30 June 2002 has been the capitalisation to property, plant and equipment of foreign exchange losses of US$40 million.

Asset impairment tests
With effect from 1 July 2001, asset impairment tests for the BHP Billiton Limited Group are completed using risk-adjusted market-based discount rates (weighted average cost of capital). Previously, an asset's estimated recoverable amount was determined using expected net cash flows discounted at an interest rate based on the long-term interest bearing liabilities of the BHP Billiton Limited Group. This policy change had US$nil effect on net profit attributable to members for the year ended 30 June 2002.

A reconciliation of the major differences between the financial statements prepared under Australian generally accepted accounting principles ('GAAP') and those applicable under US GAAP is included in note 49.

Investments accounted for using the equity method
Investments in associated entities have been accounted for under the equity method in the financial statements.

Joint ventures
Interests in unincorporated joint ventures are recognised by including in the accounts under the appropriate items the BHP Billiton Group's proportion of the joint venture costs, assets and liabilities. The major interests in unincorporated joint ventures are listed in note 45, with assets listed in note 46.

Currency of presentation
All amounts are expressed in US dollars unless otherwise stated.

Rounding of amounts
Amounts in this report have, unless otherwise indicated, been rounded to the nearest million dollars.

Comparatives
Where applicable, comparatives have been adjusted to disclose them on a comparable basis with current period figures.

Change of financial year
Directors announced on 17 December 1999 that the financial year end for the BHP Billiton Limited Group would change from 31 May to 30 June with effect from 30 June 2000.

Pursuant to Section 340 of the Corporations Act ('the Act'), the Australian Securities and Investments Commission granted relief from the requirements of paragraph 323D(2)(b) of the Act permitting BHP Billiton Limited to change its financial period end and adopt a transitional 13 month financial year of 1 June 1999 to 30 June 2000.

The current financial period covered by these financial statements is the year ended 30 June 2002. All references to 30 June 2001 are to the year ended 30 June 2001, and references to 30 June 2000 are to the 13 months ended 30 June 2000.

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

Transactions denominated in foreign currencies are recorded using the exchange rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the end of the period and the gains or losses on retranslation are included in the Statement of Financial Performance, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration and rehabilitation which are capitalised in property, plant and equipment, and foreign exchange gains and losses on foreign exchange currency borrowings designated as a hedge of foreign currency net assets.

Statements of Financial Performance of subsidiaries and joint ventures which have functional currencies other than US dollars are translated to US dollars at average rates for the relevant reporting period, other than material significant items which are translated at the rate at the date of the transaction. Assets and liabilities are translated at exchange rates prevailing at the relevant Statement of Financial Position date. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint ventures, together with differences between their Statements of Financial Performance translated at average and closing rates, are shown as a movement in the exchange fluctuation reserve. Exchange differences arising on long-term foreign currency borrowings used to finance such investments, together with any related taxation, are also shown as a movement in the exchange fluctuation account.

Sales revenue

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

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

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

Exploration, evaluation and development expenditure

In respect of minerals, exploration and evaluation expenditure is charged to the Statement of Financial Performance as incurred in respect of cost centres except where:

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

in which case the expenditure is capitalised.

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

Mineral leases

The BHP Billiton Group's mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

Deferred overburden removal costs

Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste, required to be removed to mine the ore. Deferral of costs to the Statement of Financial Position is made, where appropriate, when actual stripping ratios vary from average stripping ratios. Deferral of costs to the Statement of Financial Position is not made where ore is expected to be evenly distributed.

Costs, which have previously been deferred to the Statement of Financial Position (deferred overburden removal costs), are included in the Statement of Financial Performance on a unit of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of an operation for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the operation as a whole.

Research expenditure

Expenditure for research is included in the Statement of Financial Performance as and when incurred on the basis that continuing research is part of the overall cost of being in business, except to the extent that future benefits deriving from those costs are expected beyond any reasonable doubt to exceed those costs, in which case it is capitalised and amortised over the period of expected benefit.

Borrowing costs

Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Borrowing costs are capitalised up to the date when the asset is ready for its intended use. The amount of borrowing costs capitalised for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

Taxation

Tax-effect accounting is applied in respect of income tax and resource rent tax. Deferred tax liabilities, the provision for resource rent tax (non-current liabilities) and deferred tax assets (non-current assets) represent the tax effect of timing differences which arise from the recognition in the accounts of items of revenue and expense in periods different to those in which they are assessable or allowable for income tax or resource rent tax purposes.

Notes to Financial Statements continued

1 STATEMENT OF ACCOUNTING POLICIES continued

Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in those entities. Any such amount is immaterial.

Future income tax and capital gains tax benefits in respect of losses incurred by BHP Billiton Group Companies together with carried forward resource rent tax benefits are included in the Statement of Financial Performance where realisation of the benefits is considered to be virtually certain. In so doing it is recognised that the realisation of the benefits will depend upon:

(a) an expectation that legislation will not change in a manner which would adversely affect the ability of the companies concerned to realise the benefits;

(b) the ability of the companies concerned to comply with the conditions for deductibility imposed by law; and

(c) the ability of the companies concerned to either derive future assessable income of a nature and of sufficient amount to enable the benefits to be realised, or to transfer tax losses to related companies.

Deferred tax assets and liabilities are carried at the rates that are expected to apply when the balances are settled.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold. Revaluations of non-current assets in prior years, take account of any potential capital gains tax.

Property, plant and equipment

Valuation in accounts
Property, plant and equipment has been recorded at cost.

Current values of land and buildings
The current value of land is determined mainly by reference to rating authority valuations, or cost for recent acquisitions, except where land is an integral part of a producing asset with no significant value beyond such use, in which case book value is used.

The current value of buildings is based primarily on depreciated replacement value. Buildings which are integral parts of producing plant are classified as plant and equipment and accordingly excluded from this valuation.

The current values of land and buildings are disclosed in note 21.

Disposals
Disposals are taken to account in profit/(loss) from ordinary activities, except where they represent the sale or abandonment of a significant business or all of the assets associated with such a business, and are not considered to be of a recurring nature, in which case they are treated as extraordinary items.

Depreciation of property, plant and equipment
Depreciation is provided on the book value of buildings, plant, machinery, mineral rights and other items (including the original capital expenditure and any subsequent capital expenditure) used in producing revenue, at rates based on the following expected useful lives:

• Buildings	– up to 50 years
• Land	– not depreciated
• Plant, machinery and equipment	– up to 30 years
• Mineral rights	– based on the estimated life of reserves
• Exploration, evaluation and development expenditures	– based on the estimated life of reserves
• Capitalised leased assets	– up to 50 years or life of lease, whichever is shorter
• Computer systems	– up to 8 years

Changes in estimates are accounted for over the estimated remaining economic life or the reserves of each project as applicable.

Leased assets
Assets acquired under finance leases are capitalised. Lease payments are allocated between borrowing costs and a reduction in the lease liability.

Operating lease assets are not capitalised and, except as described below, rental payments are included in the Statement of Financial Performance in the period in which they are incurred. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

Other financial assets
Investments are recorded at cost and dividends are credited to profit on a receivable basis. Interest is included in the Statement of Financial Performance on an accrual basis.

Interests in partnerships are recognised by including in the accounts the BHP Billiton Group's portion of the partnership profits. The investment value is affected by the share of profits, equity contributions, advances and any distribution of partnership profits to the equity partners. These are classified in the Statement of Financial Position as other financial assets.

Inventories
Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. In some cases, the first-in-first-out method or actual cost is used. For processed inventories, cost, which includes fixed and variable overheads, is derived on an absorption costing basis.

Intangible assets
Amounts paid for identifiable (patents, trademarks and licences) and unidentifiable (goodwill) intangible assets are capitalised and then amortised on a straight-line basis over the expected periods of benefit. The maximum period applied for goodwill is 20 years, and unamortised balances are reviewed at each balance date to assess the probability of continuing future benefits.

Recoverable amounts of non-current assets
All non-current assets are reviewed at least bi-annually to determine whether their carrying amounts require write-down to recoverable amount. Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based on the amount by which the asset carrying value exceeds the higher of net realisable value and estimated recoverable amount. Estimated recoverable amount is determined using expected net cash flows discounted at risk adjusted market-based discount rates (weighted average cost of capital). For the current year the rates applied were between 12.9 per cent and 15.0 per cent. Future cash flows are estimated based on production and sales plans, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and planned capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

Provision for employee benefits
Provision is made in the accounts for all employee benefits, including on-costs. In relation to industry-based long service leave funds, the BHP Billiton Group's share of receivables and payables, including obligations for funding shortfalls, have been recognised.

Expenses for defined benefit pension schemes and unfunded post-retirement medical schemes are recognised so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. A pension obligation or asset is consequently recognised in the Statement of Financial Position to the extent that the contributions paid either lag or precede expense recognition.

Provision for restoration and rehabilitation
BHP Billiton Group companies are generally required to restore mine, oil and gas facilities and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group's environmental policies.

The expected cost of any committed decommissioning or restoration program, discounted to its net present value, is provided at the beginning of each project, based on the BHP Billiton Group's interpretation of environment and regulatory requirements and its own environmental policies where these are more onerous. The cost is capitalised where it gives rise to future benefits. The capitalised cost is amortised over the life of the operation and the annual increase in the net present value of the provision for the expected cost is included in expenses from ordinary activities.

Expected cost is based on current costs and current technology, encompassing the closure and removal or disposal of facilities, and site clean-up and rehabilitation. Much of the restoration and rehabilitation work can be done only after the termination of operations, which will generally be many years hence, and accordingly the consideration of work required takes into account current and anticipated legal obligations and industry best practice.

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

The cost of ongoing programs to prevent and control pollution and to rehabilitate the environment is charged to the Statement of Financial Performance as incurred.

Employee share awards
The estimated cost of awards made by the BHP Billiton Group is charged to profit over the period to the date of expected vesting or the performance period, as appropriate. Where shares are bought on market to satisfy the delivery of shares on vesting, the cost of these share investments is included within other non-current financial investments less amounts charged to profit relating to those shares.

The estimated cost of awards is the market value of shares awarded (in the case of Performance Rights, the Bonus Equity Plan, the Restricted Share Scheme and Co-Investment Plan) or the intrinsic value of options awarded (being the difference between the exercise price and the market price at date of grant, measured at the date of the granting of the award), adjusted to reflect the impact of performance conditions, where applicable.

Financial instruments
The BHP Billiton Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices and, in certain circumstances, uses derivative financial instruments to hedge these risks.

When undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both realised and unrealised transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of that transaction will be included in the Statement of Financial Performance whether or not such derivative is terminated.

When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) deferred and included in the measurement of the anticipated transaction when it occurs; or

(b) included in the Statement of Financial Performance where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in other assets and are deferred and included in the settlement of the underlying transaction.

When undertaking strategic financial transactions, all gains and losses are included in the Statement of Financial Performance at the end of each reporting period. The premiums paid on strategic financial transactions are included in the Statement of Financial Performance at the inception of the contract.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Exchange rates
The following exchange rates have been utilised in these financial statements:

	2002 Average	2001 Average	2000 Average	**As at 30 June 2002**	As at 30 June 2001
Versus US dollar					
South African rand	**10.03**	7.16	6.34	**10.25**	8.08
Australian dollar	**0.5236**	0.5348	0.6289	**0.5664**	0.5054
Brazilian real	**2.50**	2.01	1.83	**2.82**	2.30
Chilean peso	**672**	577	523	**698**	632
Colombian peso	**2 487**	2 233	1 957	**2 399**	2 297
Canadian dollar	**1.56**	1.52	1.48	**1.50**	1.52

Notes to Financial Statements continued

2 SIGNIFICANT ITEMS

Individually significant items (before outside equity interests) included within the BHP Billiton Group net profit/(loss) are detailed below.

	Gross 2002 US$M	Tax 2002 US$M	Net 2002 US$M
Significant items by category			
Termination of operations			
Write-down in carrying values of assets			
Base Metals			
South West Copper assets [(a)]	**(171)**	**–**	**(171)**
Reductions in provisions			
Base Metals			
South West Copper assets closure provisions [(a)]	**70**	**–**	**70**
	(101)	**–**	**(101)**
Significant taxation items			
Group and unallocated items			
Change in UK tax rate on petroleum operations [(b)]		**(56)**	**(56)**
		(56)	**(56)**
Other significant items			
Suspension of operations			
Base Metals			
Charges associated with suspension of Tintaya sulphide operations [(c)]	**(31)**	**9**	**(22)**
	(31)	**9**	**(22)**
Merger related restructuring costs			
Aluminium	**(4)**	**–**	**(4)**
Base Metals	**(13)**	**1**	**(12)**
Carbon Steel Materials	**(6)**	**1**	**(5)**
Stainless Steel Materials	**(3)**	**–**	**(3)**
Energy Coal	**(5)**	**1**	**(4)**
Diamonds and Specialty Products	**(6)**	**2**	**(4)**
Petroleum	**(4)**	**1**	**(3)**
Group and unallocated items	**(39)**	**9**	**(30)**
	(80)	**15**	**(65)**
Total by category	**(212)**	**(32)**	**(244)**
Significant items by Customer Sector Group			
Aluminium	**(4)**	**–**	**(4)**
Base Metals	**(145)**	**10**	**(135)**
Carbon Steel Materials	**(6)**	**1**	**(5)**
Stainless Steel Materials	**(3)**	**–**	**(3)**
Energy Coal	**(5)**	**1**	**(4)**
Diamonds and Specialty Products	**(6)**	**2**	**(4)**
Petroleum	**(4)**	**1**	**(3)**
Group and unallocated items	**(39)**	**(47)**	**(86)**
Total by Customer Sector Group	**(212)**	**(32)**	**(244)**

2 SIGNIFICANT ITEMS continued

	Gross 2001 US$M	Tax 2001 US$M	Net 2001 US$M
Significant items by category			
Sale of fixed assets			
Carbon Steel Materials			
Equalisation of Queensland Coal interests (d)	128	–	128
	128	–	128
Termination of operations			
Group and unallocated items			
Ok Tedi copper mine (e)	(430)	14	(416)
	(430)	14	(416)
Merger transaction costs			
Group and unallocated items	(37)	–	(37)
	(37)	–	(37)
Significant taxation items			
Group and unallocated items			
Income tax audit (f)		(33)	(33)
		(33)	(33)
Other significant items			
Restructuring costs and provisions			
Steel	(22)	7	(15)
Merger related restructuring costs			
Base Metals	(3)	1	(2)
Diamonds and Specialty Products	(4)	1	(3)
Group and unallocated items	(17)	5	(12)
	(46)	14	(32)
Write-down in carrying values of assets and provisions			
Group and unallocated items			
HBI Venezuela (g)	(520)	110	(410)
Total by category	(905)	105	(800)
Significant items by Customer Sector Group			
Base Metals	(3)	1	(2)
Carbon Steel Materials	128	–	128
Diamonds and Specialty Products	(4)	1	(3)
Steel	(22)	7	(15)
Group and unallocated items	(1 004)	96	(908)
Total by Customer Sector Group	(905)	105	(800)

Notes to Financial Statements continued

2 SIGNIFICANT ITEMS continued

	Gross 2000 US$M	Tax 2000 US$M	Net 2000 US$M
Significant items by category			
Sale of subsidiaries (h)			
Steel			
US West Coast Steel businesses	(135)	2	(133)
Petroleum			
PNG assets and Bolivia-Brazil pipeline	93	(1)	92
Group and unallocated items			
BHP IT	38	–	38
	(4)	1	(3)
Costs of fundamental reorganisation (i)			
Petroleum	(12)	4	(8)
Steel	(18)	7	(11)
Group and unallocated items	(31)	10	(21)
	(61)	21	(40)
Significant taxation items			
Group and unallocated items			
Restatement of deferred tax balances on rate change		107	107
Tax benefit on finalisation of funding arrangements		184	184
		291	291
Other significant items			
Asset write-offs and provisions			
Carbon Steel Materials			
HBI Western Australia	(695)	210	(485)
	(695)	210	(485)
Total by category	(760)	523	(237)
Significant items by Customer Sector Group			
Carbon Steel Materials	(695)	210	(485)
Petroleum	81	3	84
Steel	(153)	9	(144)
Group and unallocated items	7	301	308
Total by Customer Sector Group	(760)	523	(237)

(a) Following a reassessment of the Group's asset disposal and closure plans relating to its South West Copper business in the US (where the Group ceased operations in 1999), impairment provisions, principally related to the San Manuel smelter, were increased by US$171 million. This was offset by a reduction of US$70 million in provisions relating to the expected timing of site restoration expenditure.

(b) In June 2002, a change in legislation increased the corporation taxation rate for oil and gas companies in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated by US$56 million.

(c) Sulphide operations at Tintaya have been suspended until at least January 2003. A charge of US$31 million recognised the costs of the suspension and a write-down of obsolete equipment.

(d) In June 2001, the BHP Billiton Group and Mitsubishi agreed to equalise their interests in the Central Queensland Coal Associates and Gregory joint ventures which involved the BHP Billiton Group selling to Mitsubishi a proportion of its interests resulting in the profit disclosed above. The net profit from the equalisation of Queensland Coal interests of US$128 million includes proceeds of US$393 million which have been included in other revenue.

(e) In 2001, the Group and unallocated items segment result includes a US$416 million write-off reflecting 100 per cent of the net assets of Ok Tedi which is prior to deducting outside equity interests of US$262 million. From 1 July 2001 no profit from Ok Tedi has been recognised by the BHP Billiton Group except to the extent that actual dividends have been received by the BHP Billiton Group. The BHP Billiton Group completed its withdrawal from the Ok Tedi copper mine on 8 February 2002, transferring its 52 per cent interest to an independent Program Company that will operate for the benefit of the people of Papua New Guinea.

(f) As a consequence of an income tax audit conducted by the Australian Taxation Office (ATO), an amount of US$118 million had been subject to litigation.

2 SIGNIFICANT ITEMS continued

The dispute concerned the deductibility of financing costs paid to General Electric Company in connection with the BHP Billiton Group's acquisition of the Utah Group in the early 1980s. On 23 November 1999, the Federal Court ruled in favour of the BHP Billiton Group.

On 18 October 2000, the Full Bench of the Federal Court ruled in favour of the ATO. The BHP Billiton Group sought leave to appeal to the High Court of Australia (High Court) and the hearing occurred on 10 August 2001. The High Court refused the BHP Billiton Group leave to appeal on the general question of deductibility but did allow leave to appeal on the question of whether the ATO had the power to amend the 1985 assessment.

An amount of US$41 million was paid in 1992 and up to 2001 was accounted for as a non-current asset. At 30 June 2001, the accounts were adjusted to include a tax expense of US$33 million relating to refusal of the High Court to grant leave to appeal on the deductibility of financing costs and a non-current asset of US$8 million was carried forward. In July 2001, the outstanding balance of US$77 million was paid and recorded as a non-current asset.

On 14 February 2002, the High Court allowed by consent the BHP Billiton Group's appeal against the majority decision of the Full Federal Court.

As a result of the High Court order, an amount of US$85 million was refunded to the BHP Billiton Group together with associated interest and penalties.

(g) On 29 March 2001, the BHP Billiton Group announced that it would cease further investment in HBI Venezuela. The total loss on the write-off of the equity investment in HBI Venezuela and the establishment of provisions to cover related financial obligations to banks and other associated costs was US$520 million (US$410 million net of tax).

(h) The net loss from asset sales in 2000 of US$3 million includes the following proceeds which have been included in other revenue: US West Coast Steel businesses US$259 million; PNG assets and Bolivia-Brazil pipeline US$204 million; and BHP IT US$48 million.

(i) Costs associated with the fundamental reallocation of responsibilities between the businesses and the Group centre to align the organisation structure with the Portfolio Business Model.

3 SIGNIFICANT EVENTS AFTER YEAR END

In July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The demerger of BHP Steel effectively brings to an end the BHP Billiton Group's involvement as a steel producer and follows the demerger of the OneSteel business in October 2000 and the disposal of other steel operations, such as the US West Coast Steel businesses in June 2000. These steel businesses, which comprise the majority of the Steel segment, are reported below.

The financial performance of these businesses, as included in the BHP Billiton financial statements, is detailed below.

	Discontinuing Steel businesses **2002** **US$M**	 2001 US$M	 2000 US$M
Financial performance			
Revenue from ordinary activities before interest income	**2 389**	3 034	5 444
Expenses from ordinary activities excluding borrowing costs	**2 315**	2 829	5 223
Profit from ordinary activities before net borrowing costs and income tax	**74**	205	221

There were no significant items included within profit from ordinary activities before net borrowing costs and income tax for 2002. Within profit from ordinary activities before net borrowing costs and income tax for 2001 is a charge of US$22 million (before tax) relating to restructuring costs and provisions, and in 2000 a loss on disposal of US West Coast Steel businesses of US$135 million (before tax) and costs for fundamental reorganisation of US$18 million (before tax). Refer note 2.

While the BHP Billiton Group operates its treasury function on a Group basis, certain financing arrangements not reported in the Steel segment can be attributed to the discontinuing Steel operations. Not included within revenue from ordinary activities for 2002 is interest income of US$13 million (2001: US$15 million, 2000: US$13 million). The borrowing costs associated with attributable debt instruments was US$15 million for 2002 (2001: US$30 million, 2000: US$17 million). The income tax expense/(benefit) related to discontinuing operations, including the tax impact on financing arrangements noted above, was a tax benefit of US$3 million (2001: US$34 million tax expense, 2000: US$56 million tax expense).

The contribution to Group cash flows of these businesses before consideration of borrowing costs and income tax, as included in the BHP Billiton Group financial statements is detailed below:

	Discontinuing Steel businesses **2002** **US$M**	 2001 US$M	 2000 US$M
Cash flows			
Net operating cash flows (excluding borrowing activities and income tax)	**283**	412	577
Net investing cash flows	**(74)**	367	159
Net financing cash flows	**(21)**	(68)	(24)
Total cash flows provided by discontinued operations	**188**	711	712

Notes to Financial Statements continued

3 SIGNIFICANT EVENTS AFTER YEAR END continued

The BHP Billiton Group demerged the BHP Steel business in July 2002 as follows:

- A capital reduction and a transfer to BHP Billiton Limited shareholders of 94 per cent of the shares in BHP Steel;
- A bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held); and
- The sale by the BHP Billiton Group of the remaining 6 per cent of BHP Steel shares held by the Group.

The impact of these steps (which have been recorded in July 2002) is:

- The BHP Billiton Group's capital was reduced by approximately US$1 501 million, including approximately US$19 million of costs directly associated with the demerger;
- A cash inflow of approximately US$369 million, representing net US$294 million from the settlement by BHP Steel of intercompany loans, together with US$75 million from the sale of the 6 per cent of BHP Steel; and
- A loss of approximately US$19 million (no tax effect) relating to the sale of the 6 per cent of BHP Steel.

BHP Steel is the leading steel company in Australia and New Zealand, specialising in the production of flat steel products, including slab, hot rolled coil, plate and value-added metallic coated and pre-painted steel products. The Company supplies customers in Australia, New Zealand, Asia, the US, Europe, the Middle East and the Pacific. Key steelmaking assets are the low-cost global scale Port Kembla Steelworks (Australia), BHP New Zealand Steel and North Star BHP Steel (US). A network of metallic coating and coil painting facilities operates in Australia, New Zealand and South East Asia.

The attributable net assets of BHP Steel as included in the BHP Billiton Group's 30 June 2002 Statement of Financial Position is provided below. In addition, the estimated net assets demerged in July 2002 are provided, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group. The 2001 financial position presented below represents a comparable basis by which to evaluate BHP Steel as the OneSteel spin-out and sale of the US West Coast Steel businesses were completed prior to 30 June 2001.

	Discontinuing Steel businesses **2002 US$M**	2001 US$M
Financial Position (a)		
Total assets	**2 732**	2 548
Total liabilities	**(841)**	(741)
Outside equity interests	**(21)**	(14)
Total equity	**1 870**	1 793
Net payments to the BHP Billiton Group by BHP Steel to settle intercompany loans (post 30 June 2002)	**(294)**	
Estimated attributable net assets of BHP Steel to be demerged	**1 576**	

(a) Includes certain assets and liabilities (primarily cash, interest bearing liabilities and taxation provisions) which are not allocated to Steel for segment reporting purposes.

4 REVENUE FROM ORDINARY ACTIVITIES

	2002 US$M	2001 US$M	2000 US$M
Sales revenue			
Sale of goods (a)	**15 496**	10 790	13 154
Rendering of services	**400**	344	380
Total sales revenue	**15 896**	11 134	13 534
Other revenue			
Interest income	**142**	61	60
Dividend income	**46**	15	12
Proceeds from sales of non-current assets	**845**	562	1 098
Management fees	**12**	22	–
Other income (b)	**121**	276	171
Total other revenue	**1 166**	936	1 341

(a) Cost of goods sold for the BHP Billiton Group was US$9 038 million (2001: US$5 510 million).
(b) 2001 includes US$196 million arising from an accounting policy change for pension plans.

5 EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING DEPRECIATION, AMORTISATION AND BORROWING COSTS [(a)]

	2002 US$M	2001 US$M	2000 US$M
Employee benefits expense	**2 035**	1 390	
Raw materials and consumables used	**3 240**	1 524	
External services (including transportation)	**2 950**	2 381	
Costs relating to trading activities	**1 277**	–	
Changes in inventories of finished goods and work in progress	**(99)**	29	
Net book value of non-current assets sold	**726**	361	
Diminution in value of non-current assets	**272**	680	
Resource rent tax	**405**	641	
Rental expense in respect of operating leases [(b)]	**228**	276	
Government royalties paid and payable [(c)]	**294**	235	
HBI Venezuela guarantee	**–**	330	
Other	**1 105**	1 217	
Total expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	**12 433**	9 064	11 895

(a) Comparative data has not been provided for the period ended 30 June 2000 as revised AASB 1018: Statement of Financial Performance (adopted from 1 July 2000) did not require this disclosure for prior reporting periods.

(b) In the period ended 30 June 2000, rental expense in respect of operating leases was US$321 million.

(c) Includes amounts paid and payable to Australian governments of US$205 million (2001: US$175 million; 2000: US$180 million) and amounts paid and payable to others of US$89 million (2001: US$60 million; 2000: US$89 million).

6 DEPRECIATION AND AMORTISATION

	2002 US$M	2001 US$M	2000 US$M
Depreciation relates to			
Buildings	**94**	75	83
Plant, machinery and equipment	**1 308**	1 042	1 165
Mineral rights	**119**	28	44
Exploration, evaluation and development expenditure	**175**	136	138
Capitalised leased assets	**9**	2	3
Total depreciation	**1 705**	1 283	1 433
Amortisation relates to			
Goodwill	**48**	3	10
Total amortisation	**48**	3	10
Total depreciation and amortisation	**1 753**	1 286	1 443

Notes to Financial Statements continued

7 BORROWING COSTS

	2002 US$M	2001 US$M	2000 US$M
Borrowing costs paid or due and payable			
On interest bearing liabilities	**502**	311	467
On finance leases	**5**	3	2
Total borrowing costs	**507**	314	469
deduct			
Amounts capitalised [(a)]	**58**	15	12
Borrowing costs charged against net profit from ordinary activities	**449**	299	457

(a) Amounts have been capitalised at a weighted average rate of 5.5 per cent (2001: 6.6 per cent; 2000: 6.4 per cent) on funds borrowed generally.

8 PROFIT AND LOSS ITEMS

	2002 US$M	2001 US$M	2000 US$M
Net profit from ordinary activities is after crediting the following items:			
Profits from sales of			
Investments	**107**	31	180
Property, plant and equipment	**70**	211	145
Net movement in the doubtful debts provision in respect of			
Trade receivables	**–**	(3)	2
Sundry receivables	**22**	2	–
Net profit from ordinary activities is after charging the following items:			
Group centre, general and administrative expenses	**155**	99	83
Losses from sales of			
Investments	**–**	22	171
Property, plant and equipment	**58**	18	19
Diminution in value of			
Investments	**15**	164	5
Property, plant and equipment (excluding depreciation)	**213**	434	709
Inventories	**–**	7	15
Other non-current assets	**–**	42	3
Exploration, evaluation and development expenditures			
Incurred and expensed in current period	**243**	210	182
Previously capitalised, written off as unsuccessful or abandoned	**44**	17	10
Net foreign exchange gain/(loss)	**(8)**	32	(13)
Bad debts written off in respect of			
Trade receivables	**2**	2	3
Research and development costs before crediting related grants	**26**	18	59
Material transfers to/(from) provision for			
Resource rent tax	**22**	40	(24)
Employee benefits	**354**	189	271
Restoration and rehabilitation	**(15)**	76	52
Restructuring	**13**	46	82

8 PROFIT AND LOSS ITEMS continued

	2002 US$M	2001 US$M	2000 US$M
Remuneration of auditors			
Amounts received or due and receivable by the auditors of the BHP Billiton Group for:			
BHP Billiton Limited Group			
Auditing accounts of BHP Billiton Limited and its controlled entities (a)	**3.552**	3.274	3.692
Information systems design and implementation (b)	**0.015**	–	–
Other services (b)	**4.382**	3.054	3.599
BHP Billiton Plc Group			
Auditing accounts of BHP Billiton Plc and its controlled entities (c)	**6.039**	–	–
Information systems design and implementation (b)	**5.711**	–	–
Other services (b)	**9.471**	–	–
Amounts received or due and receivable by other auditors for:			
Auditing the accounts of certain controlled entities	**0.242**	0.237	0.475
	29.412	6.565	7.766

(a) Effective 27 May 2002, the partnership of Arthur Andersen Australia (AA) was dissolved. Consequently AA resigned as auditors of BHP Billiton Limited and applicable subsidiaries, and the Directors resolved to appoint Ernst & Young as the successor auditor to these entities.

(b) Includes fees paid to all audit firms of the BHP Billiton Group including accounting advice, tax compliance services, expatriate taxation services, IT services and internal audit services. Some of these arrangements involved provision of services by BHP Billiton Plc's auditors to BHP Billiton Limited and vice versa which were entered into before the DLC merger and continued during 2002 pending the outcome of the audit tender. The BHP Billiton Group has subsequently approved a policy governing other services provided by the Group's auditors which precludes the provision of certain services.

(c) Audited by auditors other than those that audit the accounts of BHP Billiton Limited and its controlled entities.

9 INCOME TAX

	2002 US$M	2001 US$M	2000 US$M
Income tax expense			
Prima facie tax calculated at 30 cents (2001: 34 cents; 2000: 36 cents) in the dollar on profit from ordinary activities	**795**	488	396
***add/(deduct)* tax effect of permanent differences:**			
Rebate for dividend	**–**	(3)	(2)
Investment and development allowance	**(10)**	(21)	(35)
Amounts over provided in prior years	**(23)**	(28)	(64)
Recognition of prior year tax losses	**(103)**	(142)	(115)
Non-deductible accounting depreciation and amortisation	**67**	17	37
Non-deductible dividends on redeemable preference shares	**13**	27	36
Non tax-effected operating losses	**69**	(7)	14
Tax rate differential on non-Australian income	**(1)**	28	(8)
Non tax-effected capital gains	**(12)**	(72)	(14)
Foreign expenditure including exploration not presently deductible	**16**	57	36
Foreign exchange gains and other translation adjustments	**29**	16	20
Tax rate changes	**59**	(24)	(106)
Investment and asset impairments	**32**	199	40
Finalisation of funding arrangements	**–**	–	(184)
Other	**24**	48	35
Income tax expense attributable to ordinary activities	**955**	583	86
deduct			
Income tax benefit arising from items taken to exchange fluctuation account	**1**	74	40
Total income tax taken to account	**954**	509	46

Notes to Financial Statements continued

9 INCOME TAX continued

	2002 US$M	2001 US$M
Deferred tax assets (non-current)		
Deferred tax assets at period end comprises:		
Timing differences		
Depreciation	**(14)**	(24)
Exploration expenditure	**48**	128
Provisions		
Employee benefits	**19**	26
Restoration and rehabilitation	**48**	38
Resource rent tax	**90**	85
Other	**2**	21
Foreign exchange losses	**59**	83
Profit in stocks elimination	**8**	5
Other	**87**	5
Tax-effected losses	**133**	92
Total deferred tax assets	**480**	459
Deferred tax liabilities (non-current)		
Provision for deferred income tax at period end comprises:		
Timing differences		
Depreciation	**1 641**	1 470
Exploration expenditure	**23**	(8)
Provisions		
Employee benefits	**(36)**	(55)
Restoration and rehabilitation	**(49)**	(54)
Resource rent tax	**(31)**	(20)
Deferred income	**(98)**	(98)
Other	**–**	(23)
Deferred charges	**42**	44
Foreign exchange gains	**(17)**	–
Foreign tax	**128**	89
Other	**32**	53
Tax-effected losses	**(48)**	(58)
Total provision for deferred income tax	**1 587**	1 340
Non-current provision for income tax	**13**	25
Total deferred tax liabilities	**1 600**	1 365

As at 30 June 2002, the BHP Billiton Group has not recognised potential tax expense of US$47 million, which mainly relates to the tax impact of unrealised foreign exchange gains and losses on US dollar net debt held by subsidiaries which retained local currency records for tax purposes. Tax expense will be recognised when such gains and losses are realised for tax purposes or upon implementation of revised AASB 1020 'Income taxes'.

9 INCOME TAX continued

Tax losses

At 30 June 2002, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US$2.3 billion, which have not been tax-effected. The BHP Billiton Group anticipates benefits from the recognition of losses in future periods to the extent of income or gains in relevant jurisdictions. These tax losses carried forward expire as summarised below:

Year of expiry	Australian losses US$M	UK losses US$M	Other foreign losses US$M	**Total losses US$M**
Income tax losses				
2003	–	–	2	**2**
2004	–	–	3	**3**
2005	–	–	2	**2**
2006	–	–	2	**2**
2007	–	–	2	**2**
2009	–	–	40	**40**
2010	–	–	2	**2**
2011	–	–	45	**45**
2012	–	–	97	**97**
2013	–	–	33	**33**
2019	–	–	211	**211**
2020	–	–	392	**392**
2021	–	–	411	**411**
2022	–	–	102	**102**
Unlimited	85	11	399	**495**
Capital tax losses				
2005	–	–	154	**154**
Unlimited	334	10	–	**344**
	419	21	1 897	**2 337**

At 30 June 2002, tax losses carried forward for the BHP Billiton Group include income tax losses of US$374 million and capital tax losses of US$nil related to BHP Steel which have not been tax effected.

Notes to Financial Statements continued

10 SEGMENT RESULTS

The BHP Billiton Group has grouped its major operating assets into the following Customer Sector Groups (CSGs):

- Aluminium (exploration for and mining, processing and marketing of aluminium and alumina);
- Base Metals (exploration for and mining, processing and marketing of copper, silver, zinc, lead and copper by-products including gold);
- Carbon Steel Materials (exploration for and mining, processing and marketing of coking coal, iron ore and manganese);
- Stainless Steel Materials (exploration for and mining, processing and marketing of chrome and nickel);
- Energy Coal (exploration for and mining, processing and marketing of steaming coal);
- Diamonds and Specialty Products (Ekati™ diamond mine, titanium operations, metals distribution activities and exploration, and technology activities);
- Petroleum (exploration for and production, processing and marketing of hydrocarbons including oil, gas and LNG); and
- Steel (manufacture and marketing of steel products and transport and logistics).

Net unallocated interest represents the net profit before tax of debt funding to the BHP Billiton Group.

Group and unallocated items represent Group Centre functions and certain comparative data for divested assets and investments.

Intersegment sales are made on a commercial basis.

Industry segment information

US$ million	External revenue	Inter-segment revenue	Share of net profit from associated entities	Profit before tax (a)	Gross segment assets (b)	Gross segment liabilities	Depreciation and amortisation	Other non-cash expenses	Capital expenditure (c)
Year ended 30 June 2002									
Aluminium	**2 846**	**–**	**–**	**502**	**5 436**	**746**	**246**	**3**	**291**
Base Metals	**1 415**	**23**	**32**	**27**	**4 502**	**1 087**	**233**	**165**	**527**
Carbon Steel Materials	**2 949**	**167**	**47**	**1 044**	**3 240**	**1 135**	**175**	**35**	**277**
Stainless Steel Materials	**799**	**–**	**4**	**9**	**1 963**	**267**	**94**	**2**	**84**
Energy Coal	**2 045**	**–**	**18**	**493**	**2 895**	**1 072**	**191**	**13**	**294**
Diamonds and Specialty Products	**1 096**	**19**	**122**	**219**	**1 410**	**181**	**79**	**2**	**60**
Petroleum	**2 801**	**35**	**–**	**1 052**	**4 539**	**2 061**	**571**	**22**	**687**
Steel (d)	**2 495**	**142**	**–**	**91**	**2 675**	**800**	**137**	**4**	**100**
Group and unallocated items (e)(f)	**474**	**224**	**–**	**(480)**	**3 202**	**9 360**	**27**	**31**	**39**
Net unallocated interest	**142**	**–**	**–**	**(307)**	**–**	**–**	**–**	**–**	**–**
BHP Billiton Group	**17 062**	**610**	**223**	**2 650**	**29 862**	**16 709**	**1 753**	**277**	**2 359**
Year ended 30 June 2001									
Aluminium	–	–	–	–	5 233	545	–	–	–
Base Metals	1 380	–	–	391	4 146	1 101	166	8	244
Carbon Steel Materials	2 642	177	63	873	3 209	1 106	213	84	131
Stainless Steel Materials	–	–	–	–	1 891	217	–	–	–
Energy Coal	638	–	–	128	2 407	838	67	2	52
Diamonds and Specialty Products	256	5	–	36	1 609	243	30	6	26
Petroleum	3 413	21	–	1 475	4 112	1 975	540	101	459
Steel (d)	3 271	333	–	234	2 641	849	174	15	69
Group and unallocated items (e)(f)	409	38	(48)	(1 463)	2 976	9 118	96	572	65
Net unallocated interest	61	–	–	(238)	–	–	–	–	–
BHP Billiton Group	12 070	574	15	1 436	28 224	15 992	1 286	788	1 046

10 SEGMENT RESULTS continued

Industry segment information continued

US$ million	External revenue	Inter-segment revenue	Share of net profit from associated entities	Profit before tax[(a)]	Gross segment assets[(b)]	Gross segment liabilities	Depreciation and amortisation	Other non-cash expenses	Capital expenditure[(c)]
Year ended 30 June 2000									
Aluminium	–	–	–	–	–	–	–	–	–
Base Metals	1 883	–	–	456	2 460	914	179	–	86
Carbon Steel Materials	2 305	225	29	(155)	3 032	922	214	709	102
Stainless Steel Materials	–	–	–	–	–	–	–	–	–
Energy Coal	639	–	–	102	473	210	65	–	13
Diamonds and Specialty Products	270	9	–	62	460	(46)	31	–	19
Petroleum	3 534	9	–	1 188	4 449	2 387	554	–	312
Steel[(d)]	5 705	326	–	269	4 768	1 320	312	(10)	118
Group and unallocated items[(e)(f)]	479	134	(10)	(426)	1 978	5 304	88	15	38
Net unallocated interest	60	–	–	(397)	–	–	–	–	–
BHP Billiton Group	14 875	703	19	1 099	17 620	11 011	1 443	714	688

(a) Before outside equity interests.

(b) Included within gross segment assets are the following carrying values of associates accounted for using the equity method of accounting: Base Metals; 2002: US$383 million (2001: US$531 million; 2000: US$nil), Carbon Steel Materials; 2002: US$278 million (2001: US$276 million; 2000: US$237 million), Stainless Steel Materials; 2002: US$3 million (2001: US$27 million; 2000: US$nil), Energy Coal; 2002: US$490 million (2001: US$265 million; 2000: US$nil), Diamonds and Specialty Products; 2002: US$326 million (2001: US$137 million; 2000: US$nil), Petroleum; 2002: US$25 million (2001: US$nil; 2000: US$nil), and Group and unallocated items; 2002: US$nil (2001: US$nil; 2000: US$142 million).

(c) Excluding investment expenditure, capitalised borrowing costs and capitalised exploration.

(d) The results of operations and the financial position presented as the Steel segment, represents substantially all of the Steel business to be demerged. Amounts not attributable to BHP Steel include results of operations and financial position of Transport and Logistics, until 31 December 2001, and certain minor residual steel assets and liabilities that will not be demerged as part of BHP Steel. Refer note 3.

(e) Comparative results for the Ok Tedi copper mine and HBI Venezuela are included in Group and unallocated items. Ok Tedi was previously included in Base Metals and HBI Venezuela was previously included in Carbon Steel Materials.

(f) Includes consolidation adjustments.

Notes to Financial Statements continued

10 SEGMENT RESULTS continued

Geographical segment information

	2002 US$M	2001 US$M	2000 US$M
Geographical classification			
External revenue by location of customer			
Continuing operations			
Australia	**2 012**	2 250	1 788
North America	**1 969**	1 262	1 82
Europe	**3 929**	1 405	1 571
South America	**457**	341	354
Southern Africa	**1 193**	–	–
Japan	**1 941**	1 869	1 757
South Korea	**1 001**	584	676
Other Asia	**1 634**	1 091	1 046
Rest of World	**537**	234	411
Total from continuing operations	**14 673**	9 036	9 431
Discontinued operations			
Australia	**1 339**	1 622	3 452
North America	**190**	260	706
Europe	**112**	163	166
South America	**24**	23	31
Japan	**17**	33	51
South Korea	**43**	70	68
Other Asia	**328**	461	423
Rest of World	**336**	402	547
Total from discontinued operations (a)	**2 389**	3 034	5 444
BHP Billiton Group	**17 062**	12 070	14 875
Gross segment assets			
Continuing operations			
Australia	**9 251**	9 158	4 297
North America	**3 525**	4 110	1 127
Europe	**1 775**	1 624	1 301
South America	**6 722**	5 172	2 720
Southern Africa	**5 163**	4 958	–
Rest of World	**694**	654	1 033
Total from continuing operations	**27 130**	25 676	10 478
Discontinued operations			
Australia	**1 977**	1 760	3 700
North America	**95**	101	172
Europe	**8**	32	–
Rest of World	**652**	655	780
Total from discontinued operations (a)	**2 732**	2 548	4 652
BHP Billiton Group	**29 862**	28 224	15 130

10 SEGMENT RESULTS continued

Geographical segment information continued

	2002 US$M	2001 US$M	2000 US$M
Capital expenditure			
Continuing operations			
Australia	**549**	303	329
North America	**283**	229	102
Europe	**211**	60	39
South America	**575**	248	65
Southern Africa	**347**	–	–
Rest of World	**296**	148	40
Total from continuing operations	**2 261**	988	575
Discontinued operations			
Australia	**73**	47	108
North America	**–**	1	2
Rest of World	**25**	10	3
Total from discontinued operations (a)	**98**	58	113
BHP Billiton Group	**2 359**	1 046	688

(a) Refer note 3.

Export sales from Australia amounted to US$4 774 million, US$4 998 million and US$4 739 million for 2002, 2001 and 2000 respectively. Approximately 26 per cent, 25 per cent and 24 per cent of such sales during 2002, 2001 and 2000 respectively were to customers in Japan. Export sales from UK amounted to US$501 million, US$507 million and US$403 million for 2002, 2001 and 2000 respectively. None of these sales were to customers in Japan.

11 DIVIDENDS

	2002 US$M	2001 US$M	2000 US$M
BHP Billiton Limited (a)			
Dividends declared (b)(c)	**242**	245	275
Dividends paid (d)	**241**	231	281
	483	476	556
BHP Billiton Plc			
Dividends declared (b)(e)	**150**		
Dividends paid			
Ordinary shares (f)	**151**		
Preference shares (g)	**–**		
	301		
Total dividends paid or payable (h)	**784**	476	556

(a) Dividends per American Depositary Share (ADS) (as declared) for 2002 were 26.0 US cents per share (2001: 49.4 Australian cents; 2000: 49.4 Australian cents).
(b) Dividends declared on 3 May 2002 and payable at 30 June 2002 were paid on 3 July 2002.
(c) Dividends declared for 2002 were 6.5 US cents fully franked per share (2001: 12.6 Australian cents fully franked per share; 2000: 12.6 Australian cents unfranked per share).
(d) Dividends paid for 2002 were 6.5 US cents fully franked per share (2001: 12.1 Australian cents unfranked per share; 2000: 12.1 Australian cents unfranked per share).
(e) Declared final dividend of 6.5 US cents per share.
(f) Interim dividend paid of 6.5 US cents per share.
(g) 5.5 per cent dividend on 50,000 preference shares of £1 each.
(h) Refer notes 33 and 35.

Notes to Financial Statements continued

11 DIVIDENDS continued

All per share amounts above have been adjusted for the BHP Billiton Limited bonus issue effective 29 June 2001.

For the purposes of AASB 1034, the Group had an adjusted franking account balance of US$591 million at 30 cents in the dollar at 30 June 2002 before the 3 July 2002 dividend payment. An amount of US$252 million at 30 cents in the dollar was used as a result of the 3 July 2002 dividend payment. It is anticipated that dividends payable in the following year will be fully franked.

From 1 July 2002, the Australian Income Tax Assessment Act 1997 requires measurement of franking credits based on the amount of income tax paid, rather than after tax profits. As a result, the 'franking credits available' were converted from US$591 million to US$253 million as at 1 July 2002. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

12 EARNINGS PER SHARE

	2002	2001	2000
Basic earnings per share (US cents) [b][c]	**27.3**	30.1	28.7
Diluted earnings per share (US cents) [c]	**27.3**	29.9	28.6
Basic earnings per American Depositary Share (ADS) (US cents) [d]	**54.6**	60.2	57.4
Weighted average number of fully paid shares (millions)			
Basic earnings per share denominator	**6 029**	3 689	3 653
Diluted earnings per share denominator [c][e]	**6 042**	3 704	3 666

(a) Comparative data has been restated to take into account the bonus share issue effective 29 June 2001.
(b) Based on net profit attributable to members of the BHP Billiton Group.
(c) Performance Rights are excluded and would only be included when an issue of shares is expected to occur.
(d) For the periods indicated, each ADS represents two ordinary shares.
(e) The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

Number of shares	**2002 Million**	2001 Million	2000 Million
Basic earnings per share denominator	**6 029**	3 689	3 653
BHP Billiton Limited options	**11**	12	7
BHP Billiton Limited partly paid shares	**2**	3	6
BHP Billiton Plc executive share awards	**–**	–	–
Diluted earnings per share denominator	**6 042**	3 704	3 666

13 RECEIVABLES (CURRENT)

	2002 US$M	2001 US$M
Trade receivables [a]	**1 502**	1 663
deduct Provision for doubtful debts	**(13)**	(12)
Total trade receivables	**1 489**	1 651
Sundry receivables		
Employee Share Plan loans	**71**	8
Other	**737**	592
deduct Provision for doubtful debts	**(3)**	(5)
Total sundry receivables	**805**	595
Total current receivables	**2 294**	2 246

(a) The value of trade receivables at 30 June 2002 would have been US$141 million higher (2001: US$141 million higher) but for sale of such receivables. Collections of US$47 million (2001: US$115 million) were held on behalf of the purchasers of the receivables at 30 June 2002, and have been classified as sundry creditors.

14 OTHER FINANCIAL ASSETS (CURRENT)

	2002 US$M	2001 US$M
Securities quoted on prescribed stock exchanges		
Shares in other corporations [a]	**–**	83
Total book value of quoted securities	**–**	83
Securities not quoted on prescribed stock exchanges		
Term deposits	**2**	–
Other investments [b][c]	**115**	132
Total book value of not quoted securities	**117**	132
Total current other financial assets	**117**	215

(a) Market value of quoted shares in other corporations is $nil million (2001: US$105 million).

(b) Other investments include US$61 million (2001: US$62 million) held by the Ingwe Environmental Trust Fund. The future realisation of these investments is intended to fund environmental obligations relating to the eventual closure of Ingwe's mines and consequently these investments, whilst under the BHP Billiton Group control, are not available for the general purposes of the BHP Billiton Group. All income from these investments is reinvested or spent to meet these obligations. The BHP Billiton Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under non-current provisions (refer note 29).

(c) Other investments include US$49 million (2001: US$59 million) relating to the BHP Billiton Group's self insurance arrangements. These investments are held for the benefit of the BHP Billiton Group but are not available for the general purposes of the BHP Billiton Group.

Notes to Financial Statements continued

15 INVENTORIES (CURRENT)

	2002 US$M	2001 US$M
Raw materials and stores		
At cost	**341**	425
	341	425
Work in progress		
At net realisable value	**11**	9
At cost	**393**	362
	404	371
Finished goods		
At net realisable value	**–**	78
At cost	**674**	745
	674	823
Spares and other		
At cost	**90**	81
	90	81
Total current inventories		
At net realisable value	**11**	87
At cost	**1 498**	1 613
	1 509	1 700

16 OTHER ASSETS (CURRENT)

	2002 US$M	2001 US$M
Deferred overburden removal costs	**9**	8
Other deferred charges and prepayments	**99**	122
Total current other assets	**108**	130

17 RECEIVABLES (NON-CURRENT)

	2002 US$M	2001 US$M
Employee Share Plan loans (a)	**64**	21
Other sundry receivables	**825**	355
Total non-current receivables	**889**	376

(a) At 30 June 2001 the value of Employee Share Plan loans would have been US$137 million higher but for sale of such loans. Refer note 13.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Major shareholdings in associated entities	Principal activities	Reporting date	Ownership interest[a] At associate's reporting date 2002 %	2001 %	At BHP Billiton Group reporting date 2002 %	2001 %	Carrying value of investment 2002 US$M	2001 US$M
Samarco Mineracao S.A.	Iron ore mining	31 Dec	**50**	50	**50**	50	**257**	252
Orinoco Iron C.A.	HBI production	30 Sept	**50**	50	**50**	50	**–**	–
South Blackwater	Coal mining	30 June	**50**	–	**50**	–	**–**	–
Minera Antamina S.A.	Copper and zinc mining	30 June	**34**	34	**34**	34	**176**	339
Carbones del Cerrejon S.A.	Coal mining	31 Dec	**33**	33	**33**	33	**182**	119
Cerrejon Zona Norte S.A.	Coal mining	31 Dec	**17**	17	**33**	17	**306**	146
Highland Valley Copper	Copper mining	31 Dec	**34**	34	**34**	34	**121**	130
Richard Bay Minerals[b]	Titanium dioxide and mineral sands	31 Dec	**50**	50	**50**	50	**169**	138
Minera Alumbrera Limited	Copper and gold mining	30 June	**25**	25	**25**	25	**85**	58
Integris Metals	Metals distribution	31 Dec	**50**	–	**50**	–	**157**	–
Other[c]							**52**	54
Total							**1 505**	1 236

	2002 US$M	2001 US$M
Share of net profit of associated entities		
Profit before income tax	**301**	41
Income tax expense	**(78)**	(26)
Share of net profit of associated entities	**223**	15
Share of associated entities' post-acquisition retained profits		
Share of associated entities' retained profits at the beginning of the financial year	**191**	191
Share of net profit of associated entities	**223**	15
Dividends received/receivable from associated entities	**(149)**	(28)
Disposal of associated entities	**64**	(19)
Write-off of investment in associated entities	**–**	67
BHP Billiton Plc Group[c]	**–**	(35)
Share of associated entities' retained profits at the end of the financial year	**329**	191

Notes to Financial Statements continued

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued

	2002 US$M	2001 US$M
Movements in carrying amount of investments in associated entities		
Carrying amount of investment in associated entities at the beginning of the financial year	**1 236**	380
Share of net profit of associated entities	**223**	15
Increased investment in associated entities	**389**	265
Dividends received/receivable from associated entities	**(149)**	(28)
Disposal of associated entities	**(34)**	(236)
Write-off of investment in associated entities	**–**	(139)
Transfers and other movements	**(160)**	–
Exchange fluctuation	**–**	(5)
BHP Billiton Plc Group [(d)]	**–**	984
Carrying amount of investments in associated entities at the end of the financial year	**1 505**	1 236
Share of associated entities' contingent liabilities and expenditure commitments		
Contingent liabilities – unsecured (included in note 39)	**110**	77
Contracts for capital expenditure not completed	**60**	19
Other commitments	**70**	35

(a) The proportion of voting power held corresponds to ownership interest.

(b) Richards Bay Minerals comprises two legal entities, Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited of which the BHP Billiton Group's effective ownership interest is 51% (2001: 51%) and 49% (2001: 49%) respectively. In accordance with the shareholder agreement between the BHP Billiton Group and Rio Tinto (which owns the shares of Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited not owned by the BHP Billiton Group), Richards Bay Minerals functions as a single economic entity. The overall profit of Richards Bay Minerals is shared equally between the venturers.

(c) Includes various immaterial associated entities.

(d) This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

19 OTHER FINANCIAL ASSETS (NON-CURRENT)

	2002 US$M	2001 US$M
Securities quoted on prescribed stock exchanges		
Shares in other corporations [(a)(b)(c)]	**68**	4
Securities not quoted on prescribed stock exchanges		
Shares in other corporation [(d)]	**424**	463
Advances and partnerships [(e)]	**89**	87
Total non-current other financial assets	**581**	554

(a) Market value of quoted securities, shares in other corporations is US$82 million (2001: US$5 million).

(b) The BHP Billiton Group has subscribed for shares in a number of listed companies in connection with option arrangements on exploration projects. The consideration has been allocated to the option and has generally been expensed in accordance with the BHP Billiton Group's accounting policy on exploration. These investments therefore have a book value of US$nil at 30 June 2002 (2001: US$nil) in the table above and a market value of US$11 million (2001: US$5 million).

(c) Shares in BHP Billiton Plc are held by the Billiton Employee Share Ownership Trust (refer to note 31 for a description of of the Trust). As at 30 June 2002, 659 882 shares (2001: nil shares) with a book value of US$3 million (2001: US$nil) were held by the Trust with a market value at that date of US$3 million (2001: US$nil). The Trust received dividends on the shares held.

(d) Includes an investment in Sweet River Investments Limited which effectively provides the BHP Billiton Group with a 2.1 per cent interest in CVRD through Valepar SA.

(e) Includes 50 per cent investment in North Star BHP Steel, a US steel manufacturer, of US$82 million (2001: US$81 million). Refer note 3.

20 INVENTORIES (NON-CURRENT)

	2002 US$M	2001 US$M
Raw materials and stores		
At cost	**8**	41
	8	41
Work in progress		
At cost	**30**	15
	30	15
Spares and other		
At net realisable value	**3**	3
At cost	**39**	31
	42	34
Total non-current inventories		
At net realisable value	**3**	3
At cost	**77**	87
	80	90

21 PROPERTY, PLANT AND EQUIPMENT

	Gross value of assets 2002 US$M	Accumulated depreciation 2002 US$M	Net value of assets 2002 US$M	Gross value of assets 2001 US$M	Accumulated depreciation 2001 US$M	Net value of assets 2001 US$M
Land and buildings [a][b]	**2 169**	**871**	**1 298**	2 260	772	1 488
Plant, machinery and equipment [c]	**22 368**	**9 237**	**13 131**	20 365	7 999	12 366
Mineral rights [d]	**3 483**	**673**	**2 810**	3 715	644	3 071
Exploration, evaluation and development expenditures carried forward in areas of interest [e]						
Now in production	**1 986**	**1 000**	**986**	1 659	810	849
In development stage but not yet producing	**858**	**6**	**852**	393	–	393
In exploration and/or evaluation stage	**394**	**52**	**342**	454	68	386
Capitalised leased assets [f]	**105**	**40**	**65**	121	42	79
Total property, plant and equipment	**31 363**	**11 879**	**19 484**	28 967	10 335	18 632

Notes to Financial Statements continued

21 PROPERTY, PLANT AND EQUIPMENT continued

	2002 US$M	2001 US$M
(a) Current value of land and buildings		
Land	**534**	226
Buildings	**1 182**	897
	1 716	1 123
(b) Land and buildings		
Balance at the beginning of the financial period	**1 488**	1 065
Capital expenditure (including capitalised interest)	**63**	22
Depreciation	**(94)**	(75)
Net disposals of land and buildings including controlled entities	**(90)**	(125)
Amounts written off	**(3)**	(78)
Exchange variations & other movements	**(66)**	(109)
BHP Billiton Plc Group (i)	**–**	788
Balance at the end of the financial period	**1 298**	1 488
(c) Plant, machinery and equipment		
Balance at the beginning of the financial period	**12 366**	8 757
Capital expenditure (including capitalised interest)	**2 194**	801
Depreciation	**(1 308)**	(1 042)
Net disposals of plant, machinery and equipment including controlled entities	**(291)**	(534)
Amounts written off	**(207)**	(225)
Impact of policy changes	**40**	407
Exchange variations & other movements	**337**	(909)
BHP Billiton Plc Group (i)	**–**	5 111
Balance at the end of the financial period	**13 131**	12 366
(d) Mineral rights		
Balance at the beginning of the financial period	**3 071**	688
Capital expenditure (including capitalised interest)	**7**	–
Depreciation	**(119)**	(28)
Net disposals of mineral rights including controlled entities	**(9)**	332
Exchange variations & other movements	**(140)**	(67)
BHP Billiton Plc Group (i)	**–**	2 146
Balance at the end of the financial period	**2 810**	3 071
(e) Exploration, evaluation and development expenditures carried forward		
Balance at the beginning of the financial period	**1 628**	1 212
Depreciation	**(175)**	(136)
Capital expenditure (including capitalised exploration and interest)	**616**	364
Net acquisitions/(disposals) of exploration expenditures including controlled entities	**(5)**	40
Amounts written off	**(48)**	(119)
Exchange variations & other movements	**164**	(101)
BHP Billiton Plc Group (i)	**–**	368
Balance at the end of the financial period (ii)	**2 180**	1 628

21 PROPERTY, PLANT AND EQUIPMENT continued

	2002 US$M	2001 US$M
(f) Capitalised leased assets		
Balance at the beginning of the financial period	**79**	31
Capital expenditure (including capitalised exploration and interest)	**5**	–
Depreciation	**(9)**	(2)
Net disposals of exploration expenditures including controlled entities	**(7)**	–
Exchange variations & other movements	**(3)**	1
BHP Billiton Plc Group (i)	**–**	49
Balance at the end of the financial period	**65**	79

(i) This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.
(ii) Includes US$88 million (2001: US$5 million) transferred from exploration and/or evaluation stage to development stage, not yet producing, and US$7 million (2001: US$17 million) transferred from development stage, not yet producing to now in production.

22 INTANGIBLE ASSETS

	2002 US$M	2001 US$M
Goodwill at cost	**829**	880
deduct amounts amortised	**316**	272
	513	608
Patents, trademarks and licences at cost	**7**	7
deduct amounts amortised	**7**	7
	–	–
Total intangible assets	**513**	608

23 OTHER ASSETS (NON-CURRENT)

	2002 US$M	2001 US$M
Deferred overburden removal costs	**521**	440
Other deferred charges and prepayments	**282**	253
Total non-current other assets	**803**	693

24 PAYABLES (CURRENT)

	2002 US$M	2001 US$M
Trade creditors	**1 340**	1 358
Sundry creditors	**1 095**	897
Total current payables	**2 435**	2 255

Notes to Financial Statements continued

25 INTEREST BEARING LIABILITIES (CURRENT) [a][b]

	2002 US$M	2001 US$M
Current portion of unsecured long-term loans		
Bank loans	**154**	574
Notes and debenture	**706**	232
Total current portion of long-term loans	**860**	806
Current portion of [a]		
Non-recourse finance	**173**	–
Redeemable preference shares	**–**	356
Secured debt (limited recourse)	**37**	4
Finance leases	**2**	10
Short-term interest bearing liabilities		
Unsecured bank loans	**24**	11
Unsecured other	**192**	333
Bank overdrafts		
Unsecured	**509**	287
Total other current interest bearing liabilities	**937**	1 001
Total current interest bearing liabilities [b]	**1 797**	1 807

[a] Refer note 28.
[b] Refer to note 38 for currency risk profile of interest bearing liabilities.

26 OTHER PROVISIONS (CURRENT)

	2002 US$M	2001 US$M
Deferred income	**92**	115
Dividends	**402**	421
Employee benefits [a]	**304**	185
Post-retirement medical benefits	**20**	18
Insurance claims	**45**	39
Restoration and rehabilitation [a]	**65**	69
Restructuring [a]	**92**	134
Other	**96**	65
Total current other provisions	**1 116**	1 046

[a] Refer note 29.

27 PAYABLES (NON-CURRENT)

	2002 US$M	2001 US$M
Trade creditors	**10**	17
Sundry creditors	**111**	127
Total non-current payables	**121**	144

28 INTEREST BEARING LIABILITIES (NON-CURRENT)

	2002 US$M	2001 US$M
Unsecured long-term loans (at weighted average interest rates)[(a)]		
Bank loans		
At average fixed interest rates of 10.1%	**157**	289
At average floating interest rates of 3.1%	**1 351**	2 819
Commercial paper		
At average floating interest rates of 2.6%	**849**	25
Notes and debentures (issued in the US)		
At average fixed interest rates of 7.4%	**2 019**	1 847
Medium term notes (issued in Australia)		
At average fixed interest rates of 7.7%	**113**	101
At average floating interest rates of 3.3%	**692**	152
Other		
At average fixed interest rates of 8.4%	**198**	198
At average floating interest rates of 1.9%	**136**	68
Total long-term loans	**5 515**	5 499
less Amounts repayable within 12 months[(b)]	**860**	806
Total non-current portion of long-term loans	**4 655**	4 693
Redeemable preference shares		
Beswick Pty Ltd As[(c)]	**–**	356
BHP Operations Inc[(d)]	**450**	450
BHP Billiton SA Ltd[(e)]	**–**	84
Total redeemable preference shares	**450**	890
less Amounts repayable within 12 months[(b)]	**–**	356
Total non-current portion of redeemable preference shares	**450**	534
Non-recourse finance		
US$ loans for the Escondida project with maturities 2002–2004	**786**	583
less Amounts repayable within 12 months[(b)]	**173**	–
Total non-current portion of non-recourse finance	**613**	583
Secured debt (limited recourse)		
US$ and EUR loans for the Mozal project with maturities 2003–2004[(f)]	**451**	350
less Amounts payable within 12 months[(b)]	**37**	4
Total non-current portion of secured debt (limited recourse)	**414**	346
Total non-current portion of long-term loans, redeemable preference shares, non-recourse finance and secured debt (limited recourse)	**6 132**	6 156
Other non-current interest bearing liabilities		
Finance leases	**33**	53
Other	**218**	312
Total non-current interest bearing liabilities[(g)]	**6 383**	6 521

(a) Weighted average interest rates take into account the effect of interest rate and cross currency swaps.

(b) Refer note 25.

(c) **Beswick Pty Ltd: 'A' Redeemable preference shares**
Nil (2001: 700 000) shares, issued at A$1 000 each, fully paid; rebateable, cumulative dividend of 11 per cent per annum; non-participating. The BHP Billiton Group held options to purchase these shares, subject to certain conditions. The shares were redeemed on 28 September 2001 for $1 000 per share.

(d) **BHP Operations Inc: Preferred stock**
– Auction market preferred stock:
600 (2001: 600) shares issued at US$250 000 each, fully paid preferred stock; cumulative, non-participating, dividend reset on a regular basis reflecting prevailing US market rates; not entitled to any earnings growth or capital appreciation of the issuer. Redeemable at the option of the issuer on any dividend payment date or, if redeemed in full, on any business day. Guaranteed by other BHP Billiton Group companies.
– Cumulative preferred stock series 'A':
3 000 (2001: 3 000) shares issued at US$100 000 each, fixed at 6.76 per cent per annum, fully paid and not entitled to any earnings growth or capital appreciation of the issuer. Subject to mandatory redemption on 27 February 2006. Dividends are cumulative and are calculated on the basis of a year of twelve 30 day months. Guaranteed by other BHP Billiton Group companies.

(e) **BHP Billiton SA Ltd**
Nil (2001: 700) shares of rand 0.01 nominal value were issued for rand 1 million each by a South African subsidiary and were redeemable between two and five years from issue. Company law in South Africa and the contractual arrangements relating to these shares are such that under generally accepted accounting principles in Australia, these shares were included in interest bearing liabilities with the dividends being included in borrowing costs. The preference shares paid a dividend at the rate of 72 per cent of prime overdraft rate, were denominated in South African rand, and the holders' rights were subordinated to those of debt holders in the issuer. The shares were partially redeemed in March 2002 with the remainder being redeemed in April 2002.

(f) The limited recourse secured debt relates to the Mozal joint venture operation. The debt is secured over the assets of this joint venture operation and the lender has recourse to only those assets in the event of default. The BHP Billiton Group's share of these obligations are guaranteed by BHP Billiton Plc until such time as the project reaches final completion.

(g) Refer to note 38 for currency, interest rate and maturity profiles of interest bearing liabilities.

Notes to Financial Statements continued

29 OTHER PROVISIONS (NON-CURRENT)

	2002 US$M	2001 US$M
Deferred income	**319**	364
Employee benefits [(a)]	**337**	418
Post-retirement medical benefits	**195**	126
Insurance claims	**60**	52
Non-executive Directors' retirement benefits	**3**	1
Resource rent tax	**214**	195
Restoration and rehabilitation [(b)(c)]	**1 548**	979
Restructuring [(d)]	**33**	365
Other	**55**	33
Total non-current other provisions	**2 764**	2 533
(a) Aggregate employee benefits liabilities		
Current (refer note 26)	**304**	185
Non-current	**337**	418
	641	603
(b) Reconciliation of the total provision for restoration and rehabilitation		
Opening balance	**1 048**	615
Charge to profit	**(15)**	67
Adjustment for change in accounting policy	**–**	183
Additions	**430**	–
Amounts paid	**(45)**	(31)
Disposal of businesses and controlled entities	**(93)**	(5)
Exchange fluctuations and other movements	**288**	(64)
BHP Billiton Plc Group [(e)]	**–**	283
Closing balance	**1 613**	1 048
Current (refer note 26)	**65**	69
Non-current	**1 548**	979
	1 613	1 048
(c) The estimate of total restoration and rehabilitation expenditure (undiscounted) to be incurred by the BHP Billiton Group in the future arising from operations to date including amounts already provided for:	**2 863**	2 166
(d) Reconciliation of the total provision for restructuring costs		
Opening balance	**499**	553
Charge to profit	**13**	45
Amounts paid	**(118)**	(67)
Disposal of controlled entities	**–**	(9)
Exchange fluctuations and other movements	**(269)**	(26)
BHP Billiton Plc Group [(e)]	–	3
Closing balance	**125**	499
Current (refer note 26)	**92**	134
Non-current	**33**	365
	125	499
Total provision for restructuring costs is made up of:		
Remediation and site rehabilitation	**78**	334
Redundancies	**36**	73
Business terminations (including contract cancellations)	**11**	89
BHP Billiton Plc Group [(e)]	–	3
	125	499

(e) This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

30 CONTRIBUTED EQUITY AND CALLED UP SHARE CAPITAL

	2002 US$M	2001 US$M	2000 US$M
BHP Billiton Limited			
Paid up contributed equity (a)(b)(c)			
3 724 893 687 ordinary shares fully paid			
(2001: 3 704 256 885; 2000: 1 781 493 241)	**3 143**	3 039	4 260
320 000 ordinary shares paid to 71 Australian cents			
(2001: 385 000; 2000: 415 000) (d)(e)	**–**	–	–
2 305 000 ordinary shares paid to 67 Australian cents			
(2001: 3 656 500; 2000: 6 286 500) (d)(e)	**–**	–	–
1 Special Voting Share (2001: 1; 2000: nil) (f)	**–**	–	–
	3 143	3 039	4 260

	Number of shares 2002	2001	2000
Movements in ordinary fully paid shares			
Opening number of shares	**3 704 256 885**	1 781 493 241	1 742 907 069
Shares issued under Dividend Investment Plan (f)	**–**	–	21 234 886
Shares issued under Bonus Share Plan (f)	**–**	–	3 718 755
Shares issued on exercise of Employee Share Plan options (g)	**22 955 508**	7 798 200	9 309 031
Shares issued on exercise of Performance Rights (g)	**–**	150 920	75 000
Bonus shares issued (b)	**–**	1 912 154 524	–
Partly paid shares converted to fully paid (c)	**1 815 916**	2 660 000	4 248 500
Shares bought back and cancelled (l)	**(4 134 622)**	–	–
Closing number of shares (h)	**3 724 893 687**	3 704 256 885	1 781 493 241

	2002 US$M	2001 US$M
BHP Billiton Plc		
Allotted, called up and fully paid share capital		
2 319 147 885 ordinary shares of US$0.50 each (2001: 2 319 147 885)	**1 752**	1 752
50 000 (2001: 50 000) 5.5% preference shares of £1 each (i)	**–**	–
1 Special Voting Share (2001: 1) (e)(j)	**–**	–
	1 752	1 752

Notes to Financial Statements continued

30 CONTRIBUTED EQUITY AND CALLED UP SHARE CAPITAL continued

(a) Contributed equity reduced by US$650 million due to the spin-out of OneSteel Limited, including spin-out costs of US$30 million. This reflected a capital reduction of 66 Australian cents per share. The spin-out resulted in BHP Billiton Limited shareholders being issued one OneSteel Limited share for every four shares held in BHP Billiton Limited.

(b) The DLC structure between BHP Billiton Limited and BHP Billiton Plc was established on 29 June 2001. Under the terms of the DLC structure BHP Billiton Limited issued fully paid bonus shares effective 29 June 2001 with the allotment of shares occurring on 9 July 2001. Refer to Merger Terms on page 5.

(c) 65 000 (2001: 30 000; 2000: 415 000) shares paid to 71 cents and 1 351 500 (2001: 2 630 000: 2000: 3 833 500) shares paid to 67 Australian cents were converted to fully paid during 2002. There were no partly paid shares issued during the year (2001: nil; 2000: nil).

(d) As a consequence of the OneSteel Limited spin-out an instalment call of 66 Australian cents per share was made on partly paid shares which was then immediately replaced by application of the capital reduction.

(e) Each of BHP Billiton Limited and BHP Billiton Plc issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Limited and BHP Billiton Plc on Joint Electoral Actions.

(f) The Dividend Investment Plan (DIP) and Bonus Share Plan (BSP) each provide shareholders with the opportunity to receive additional shares in lieu of cash dividends. Shares issued during 2000 were issued at a discount of 2.5 per cent from the market price. Market price is the average market price of a specified five-day period prior to issue. The DIP was suspended following payment of the November 1999 half yearly dividend. Since that dividend was unfranked the BSP was suspended in accordance with BHP Billiton Limited's Constitution and Rule 8 of the BSP on 17 September 1999.

(g) The number of shares issued on options exercised after 7 July 2001 includes bonus shares. Refer note 31.

(h) During the period 1 July 2002 to 9 September 2002, 1 283 554 Executive Share Scheme partly paid shares were paid up in full and 3 561 997 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan options.

(i) Preference shares have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority to the holders of any other class of shares in BHP Billiton Plc on a return of capital or winding up. The holders of preference shares have limited voting rights if payment of the preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference shareholders. Since the merger these shares have been held by BHP Billiton Limited.

(j) The Equalisation share was authorised to enable a distribution to be made by BHP Billiton Plc to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The constitution of BHP Billiton Limited allows the Directors to issue a similar equalisation share.

(k) In September 2000, 235 000 000 shares were placed at a price of 265 pence per share. The placing comprised 181 115 598 new shares and 53 884 402 shares held under the share repurchase scheme.

(l) During the year ended 30 June 2002, BHP Billiton Limited repurchased 4 134 622 shares at a weighted average price of A$8.83 per share, in accordance with its announced share buy-back program. The buy-back program allows for the purchase of up to 186 million BHP Billiton Limited shares (adjusted for the bonus issue), less the number of BHP Billiton Plc shares purchased on market.

31 EMPLOYEE SHARE OWNERSHIP PLANS

Summary of BHP Billiton Group employee share ownership plans

The following table is a summary of the employee share ownership plans and employee share awards of BHP Billiton Limited and BHP Billiton Plc. The subsequent tables and associated footnotes provide more information in relation to that contained in the summary table.

	Number of awards outstanding at 30 June 2002	Number of awards issued during year ended 30 June 2002	Fair value of an award issued during year ended 30 June 2002 US$
Employee Share Plan (shares)	**45 827 460**	**–**	**–**
Employee Share Plan (options)	**60 944 303**	**14 077 500**	**1.22**
Executive Share Scheme	**3 317 315**	**–**	**–**
Performance Right (LTI)	**9 379 187**	**4 933 000**	**1.86**
Performance Right (MTI)	**222 892**	**222 892**	**2.97**
Bonus Equity Plan	**957 035**	**957 035**	**4.76**
Restricted Share Scheme	**5 028 614**	**5 316 014**	**1.65**
Co-Investment Plan	**940 006**	**961 642**	**2.63**

BHP Billiton Limited employee share awards

The following tables relate to shares and options issued under the BHP Billiton Limited Employee Share Plan and Bonus Equity Plan, Performance Rights issued under the BHP Performance Share Plan, and partly paid shares issued under the Executive Share Scheme. Unless otherwise indicated details of the Plans, including comparatives, are presented including, where applicable, a bonus element to which the participant became entitled with effect from 29 June 2001, as a result of the DLC merger.

31 EMPLOYEE SHARE OWNERSHIP PLANS continued

	Employee Share Plan[(a)]					
	Shares			Options		
	2002	2001	2000	**2002**	2001	2000
Number of shares and options issued since commencement of the Plan	**373 745 102**	373 745 102	373 745 102	**177 965 075**	163 887 575	148 643 007
Number of shares and options remaining under the Plan	**45 827 460**	62 781 518	87 469 376	**60 994 303**	74 588 800	87 217 403
Loans outstanding (US$ million)[(b)]	**135**	29	32			
During the period						
Shares and options issued	**–**	–	–	**14 077 500**	15 244 568	2 158 030
Participating employees				**266**	367	20
Average issue/exercise price (A$)				**8.98**	9.13	8.79
Market value of issues (US$ million)[(c)]				**–**	–	–
Proceeds from issues (US$ million)				**–**	–	–
Shares issued on exercise of options				**22 955 508**	16 104 063	19 224 080
Employees exercising options				**12 081**	9 431	8 562
Market value of shares on exercise of options (US$ million)				**132**	84	105
Proceeds from exercise of options (US$ million)				**94**	65	99

	Executive Share Scheme partly paid shares[(d)]			Performance Rights[(e)(f)]		
	2002	2001	2000	**2002**	2001	2000
Number of shares and Performance Rights issued since commencement of the Plans	**50 529 280**	50 529 280	50 529 280	**11 827 871**	6 671 979	2 141 100
Number of shares and Performance Rights remaining under the Plans	**3 317 315**	5 133 231	8 576 076	**9 602 079**	5 815 538	1 712 879
During the period						
Shares and Performance Rights issued	**–**	–	–	**5 155 892**	4 530 879	–
Participating employees				**118**	115	–
Average issue price (A$)				**–**	–	–
Market value of issues (US$ million)[(c)]				**–**	–	–
Proceeds from issues (US$ million)				**–**	–	–
Shares issued on exercise of Performance Rights[(g)]				**–**	311 665	154 883
Employees exercising Performance Rights				**21**	1	1
Market value of shares on exercise of Performance Rights (US$ million)				**6**	2	1

	Bonus Equity Share Plan[(h)]		
	2002	2001	2000
Number of share awards issued since commencement of the Plan	**957 035**	–	–
Number of share awards remaining under the Plan	**957 035**	–	–
During the period			
Share awards issued	**957 035**	–	–
Participating employees	**117**	–	–
Average issue price (A$)	**–**	–	–
Market value of issues (US$ million)[(c)]	**–**	–	–
Proceeds from issues (US$ million)	**–**	–	–

Notes to Financial Statements continued

31 EMPLOYEE SHARE OWNERSHIP PLANS continued

Month of issue	Number issued	Number of recipients	Number Exercised(i)	Shares issued on exercise	Number lapsed(i)	Awards outstanding at: Balance date	Date of Directors' Report	Exercise Price A$(j)	Exercise period
Employee Share Plan options									
November 2001	6 870 500	113	–	–	52 521	6 817 979	6 674 527	$8.99	Oct 2004 – Sept 2011
November 2001	7 207 000	153	8 034	8 034	175 384	7 023 582	6 940 770	$8.98	Oct 2004 – Sept 2011
December 2000	3 444 587	67	25 000	51 627	–	3 392 960	3 377 527	$9.41	July 2003 – Dec 2010
December 2000	2 316 010	59	110 500	228 194	86 734	2 001 082	1 906 765	$9.40	July 2003 – Dec 2010
November 2000	1 719 196	44	30 000	61 953	111 515	1 545 728	1 531 139	$8.97	July 2003 – Oct 2010
November 2000	7 764 776	197	320 500	661 864	48 530	7 054 382	6 874 443	$8.96	July 2003 – Oct 2010
April 2000	61 953	3	–	–	–	61 953	61 953	$8.29	April 2003 – April 2010
April 2000	937 555	5	–	–	138 362	799 193	799 193	$8.29	April 2003 – April 2010
December 1999	413 020	1	–	–	–	413 020	413 020	$9.30	April 2002 – April 2009
December 1999	309 765	1	–	–	–	309 765	309 765	$8.19	April 2002 – April 2009
October 1999	123 906	6	25 000	51 628	20 651	51 627	–	$8.26	April 2002 – April 2009
October 1999	105 320	3	2 000	4 130	30 977	70 213	70 213	$8.26	April 2002 – April 2009
July 1999	206 510	1	–	–	–	206 510	206 510	$8.29	April 2002 – April 2009
April 1999	44 474 822	45 595	3 630 400	7 498 797	19 586 026	17 389 999	15 548 345	$7.62	April 2002 – April 2009
April 1999	16 901 398	944	1 671 500	3 451 816	6 226 585	7 222 997	6 655 095	$7.61	April 2002 – April 2009
April 1998	366 555	16	67 500	139 394	–	227 161	216 836	$7.14	April 2001 – April 2003
April 1998	289 114	23	104 500	215 802	10 326	62 986	62 986	$7.13	April 2001 – April 2003
November 1997	3 261 619	3 501	1 022 900	2 112 389	611 271	537 959	472 082	$7.53	Nov 2000 – Nov 2002
November 1997	16 336 800	16 411	6 238 950	12 882 403	2 314 255	1 140 142	1 027 181	$7.53	Nov 2000 – Nov 2002
October 1997	11 234 144	511	4 192 934	8 658 827	109 451	2 465 866	2 061 106	$7.42	Oct 2000 – Oct 2002
October 1997	8 243 879	379	2 874 064	5 935 229	310 798	1 997 852	1 698 413	$7.42	Oct 2000 – Oct 2002
July 1997	413 020	1	200 000	413 020	–	–	–	$9.18	July 2000 – July 2002
July 1997	816 747	36	228 500	471 875	143 525	201 347	–	$9.19	July 2000 – July 2002
October 1996	1 751 411	46	645 000	1 331 989	419 422	–	–	$7.53	Oct 1999 – Oct 2001
October 1996	2 244 144	66	1 047 200	2 162 572	81 572	–	–	$7.53	Oct 1999 – Oct 2001
						60 994 303	56 907 869		
Performance Rights (k)									
November 2001 (LTI)(e)	4 770 800	110	8 610	8 610	102 990	4 659 200	4 508 031	–	Oct 2004 – Sept 2011
October 2001 (LTI)(e)	162 200	2	–	–	–	162 200	162 200	–	Oct 2004 – Sept 2011
October 2001 (MTI)(f)	222 892	6	–	–	–	222 892	222 892	–	Oct 2003 – Mar 2006
December 2000 (LTI)(e)	387 601	11	–	–	–	387 601	387 601	–	July 2003 – Dec 2010
November 2000 (LTI)(e)	4 143 278	104	372 611	769 479	113 581	3 260 218	2 718 966	–	July 2003 – Oct 2010
March 1999 (LTI)(e)	2 141 100	1	575 000	1 231 132	–	909 968	–	–	Mar 1999 – Mar 2009
						9 602 079	7 999 690		
Bonus Equity Plan awards (h)									
November 2001	957 035	117	–	–	–	957 035	944 138	–	Nov 2004 – Oct 2006

	2002 Number	2002 Weighted average exercise price A$	2001 Number	2001 Weighted average exercise price A$	2000 Number	2000 Weighted average exercise price A$
Employee Share Plan options						
Outstanding at start of period	**74 588 800**	**7.92**	87 217 403	7.92	127 815 307	8.13
Granted during the period	**14 077 500**	**8.98**	15 244 568	9.13	2 158 030	8.79
Exercised during the period (l)	**(22 946 098)**	**7.66**	(16 104 063)	7.59	(18 127 299)	8.69
Lapsed during the period	**(4 725 899)**	**7.78**	(11 769 108)	7.73	(24 628 635)	8.53
Outstanding at end of period	**60 994 303**	**8.29**	74 588 800	7.92	87 217 403	7.92
Exercisable	**32 297 444**	**7.62**	18 643 279	7.54	3 156 247	8.00
Not exercisable	**28 696 859**	**9.04**	55 945 521	8.06	84 061 156	7.92
Performance Rights						
Outstanding at start of period	**5 815 538**		1 712 879		2 087 572	
Granted during the period	**5 155 892**		4 530 879		–	
Exercised during the period	**(1 152 780)**		(428 220)		(374 693)	
Lapsed during the period	**(216 571)**		–		–	
Outstanding at end of period	**9 602 079**		5 815 538		1 712 879	
Exercisable	**53 529**		–		–	
Not exercisable	**9 548 550**		5 815 538		1 712 879	
Bonus Equity Plan awards						
Outstanding at start of period	**–**		–		–	
Granted during the period	**957 035**		–		–	
Exercised during the period	**–**		–		–	
Lapsed during the period	**–**		–		–	
Outstanding at end of period	**957 035**		–		–	
Exercisable	**–**		–		–	
Not exercisable	**957 035**		–		–	

BHP Billiton Plc employee share awards
The following tables relate to awards issued under the BHP Billiton Plc Restricted Share Scheme and Co-Investment Plan.

	Restricted Share Scheme (m)			Co-Investment Plan (n)		
	2002	2001	2000	**2002**	2001	2000
Number of awards issued since commencement of the Plan (o)	**5 316 014**	–	–	**961 642**	–	–
Number of awards remaining under the Plan	**5 028 614**	–	–	**940 006**	–	–
During the period						
Awards issued	**5 316 014**	–	–	**961 642**	–	–
Participating employees	**239**	–	–	**126**	–	–
Average issue/exercise price (£)	**–**	–	–	**–**	–	–
Market value of issues (US$ million) (c)	**–**	–	–	**–**	–	–
Proceeds from issues (US$ million)	**–**	–	–	**–**	–	–
Shares issued on exercise of awards	**–**	–	–	**–**	–	–
Employees exercising awards	**8**	–	–	**2**	–	–
Market value of shares on exercise of awards (US$ million)	**–**	–	–	**–**	–	–

Notes to Financial Statements continued

31 EMPLOYEE SHARE OWNERSHIP PLANS continued

Month of issue	Number issued	Number of recipients	Number Exercised	Shares issued on exercise	Number lapsed	Awards outstanding at: Balance date	Date of Directors' Report	Exercise Price £	Exercise period/ release date
Restricted Share Scheme (a)(k)									
November 2001 (Share awards)	274 914	1	–	–	–	274 914	274 914	–	8 Nov 2004
October 2001 (Share awards)	4 178 100	197	51 320	51 320	222 880	3 903 900	3 681 200	–	1 Oct 2004
October 2001 (Options)	863 000	41	1 833	1 833	11 367	849 800	818 600	–	Oct 2004 – Sept 2008
						5 028 614	4 774 714		
Co-Investment Plan (b)(k)									
November 2001	94 851	1	–	–	–	94 851	94 851	–	Nov 2003 – Apr 2006
October 2001	866 791	125	6 131	6 131	15 505	845 155	753 455	–	Oct 2003 – Mar 2006
						940 006	848 306		

	2002 Number	**2002 Weighted average exercise price £**	2001 Number	2001 Weighted average exercise price £	2000 Number	2000 Weighted average exercise price £
Restricted Share Scheme awards						
Outstanding at start of period	**–**		–		–	
Granted during the period	**5 316 014**		–		–	
Exercised during the period	**(53 153)**		–		–	
Lapsed during the period	**(234 247)**		–		–	
Outstanding at end of period	**5 028 614**		–		–	
Exercisable	**–**		–		–	
Not exercisable	**5 028 614**		–		–	
Co-Investment Plan awards						
Outstanding at start of period	**–**		–		–	
Granted during the period	**961 642**		–		–	
Exercised during the period	**(6 131)**		–		–	
Lapsed during the period	**(15 505)**		–		–	
Outstanding at end of period	**940 006**		–		–	
Exercisable	**–**		–		–	
Not exercisable	**940 006**		–		–	

Fair Valuation of employee share awards

Fair valuation of awards as presented below represents the value of awards issued under employee ownership plans of BHP Billiton Limited and BHP Billiton Plc. The values relate to the awards granted during the period and are measured at grant date.

	2002 US$	2001 US$	2000 US$
Fair value of an Employee Share Plan option	**1.22**(p)	1.61(p)	(q)
Fair value of a Performance Right (LTI)	**1.86**(p)	3.70(p)	
Fair value of a Performance Right (MTI)	**2.97**(p)		
Fair value of a Bonus Equity Plan award	**4.76**(r)		
Fair value of a Restricted Share Scheme award	**1.65**(p)		
Fair value of a Co-Investment Plan matching award	**2.63**(p)		

The fair values of Employee Share Plan options and Performance Rights granted were estimated using Black-Scholes option pricing techniques for the purpose of disclosure required by US Statement of Financial Accounting Standards No. 123. Significant assumptions used in applying this formula were as follows:

	2002	2001	2000
Employee Share Plan options (p)			
Risk free interest rate	**4.8%**	6.6%	(q)
Estimated life of options	**5 years** (s)	10 years (s)	(q)
Estimated volatility of share price	**20.0%**	30.3%	(q)
Estimated amount of dividends per share		A$0.247	(q)
Dividend yield	**2.2%**		
Performance Rights (LTI)			
Risk free interest rate	**4.8%**	6.6%	
Estimated life of Performance Rights	**5 years** (s)	10 years (s)	
Estimated volatility of share price	**20.0%**	30.3%	
Estimated amount of dividends per share		A$0.247	
Dividend yield	**2.2%**		
Performance Rights (MTI) (p)			
Risk free interest rate	**4.6%**		
Estimated life of Performance Rights	**4 years** (s)		
Estimated volatility of share price	**20.0%**		
Dividend yield	**2.2%**		
Restricted Share Scheme awards (p)			
Risk free interest rate	**4.8%**		
Estimated life of awards	**5 years** (s)		
Estimated volatility of share price	**20.0%**		
Dividend yield	**2.2%**		
Co-Investment Plan matching awards (p)			
Risk free interest rate	**4.6%**		
Estimated life of awards	**4 years** (s)		
Estimated volatility of share price	**20.0%**		
Dividend yield	**2.2%**		

Notes to Financial Statements continued

31 EMPLOYEE SHARE OWNERSHIP PLANS continued

(a) The Employee Share Plan provides eligible employees of the BHP Billiton Limited Group with the opportunity to acquire fully paid ordinary shares or options for ordinary shares in BHP Billiton Limited at such times as the Directors deem appropriate. If prior to vesting of an option, a participant ceases to be employed because of resignation or termination for cause, that option will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the options will become exercisable, depending on the circumstances of cessation.

Shares and options are issued under the Employee Share Plan on the following terms:

(i) the limit on the number of shares and outstanding options or other rights issued under the Plan is 8 per cent of issued ordinary capital.

(ii) shares may be offered for subscription for market value (which is the weighted average market price over the five days prior to issue) less a discount not exceeding 10 per cent.

(iii) the Board of Directors may specify an issue price for an option. The exercise price of an option is market value less a discount not exceeding 10 per cent.

(iv) where shares are offered, interest free employee loans are available to fund the purchase of shares for a maximum period of 20 years, repayable by application of dividends or an equivalent amount. Any amounts outstanding are repayable at the end of that 20-year period.

(v) at cessation of employment an extension of the loan repayment period may be granted if the outstanding loan is in a non profitable position or if immediate payment may cause unnecessary hardship to the employee. The extension will be reviewed periodically. If during the extension period the shares become profitable or the circumstances causing the hardship no longer apply, BHP Billiton Limited will require repayment of the loan or arrange for the sale of those shares.

(vi) each option is granted over one unissued share in BHP Billiton Limited. Following the bonus issue allotment on 9 July 2001, on exercise of each option issued prior to 29 June 2001, 2.0651 shares are issued. Although exercise price is unaffected by the bonus share issue, data as presented in the preceding tables has been adjusted to reflect the impact of the bonus issue on both the exercise price and the number of shares issued on exercise of options.

(vii) the Board of Directors may apply performance hurdles to the exercise of options.

(viii) options granted from April 1999 to April 2000 are 10-year options, not exercisable until after three years, and then only if performance hurdles are achieved. These performance hurdles relate to two comparator groups (ASX 100 index and a global comparator group). BHP Billiton Limited's performance in terms of total shareholder return (TSR) is measured against both of these groups to determine if performance hurdles have been achieved.

(ix) options granted from November to December 2000 do not become exercisable until after 30 June 2003 and then only if performance hurdles are achieved. These performance hurdles relate to the ASX 100 index. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. The options lapse if the hurdles have not been achieved within a two-year period. If the options are exercisable, they lapse 10 years after issue.

(x) options granted in October 2001 do not become exercisable until after 30 September 2004 and then only if performance hurdles are achieved. These performance hurdles relate to the ASX 100 index. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. If the hurdles are not achieved by 30 September 2004, then 75 per cent of the options lapse. The TSR measurement is taken again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, the remaining 25 per cent of the options lapse. If the options are exercisable, they lapse on 30 September 2011.

(xi) Options are not transferable. Options carry no right to dividends and no voting rights.

(xii) unexercised options will expire at the end of the exercise period.

(b) The value of loans outstanding under the Employee Share Plan increased at 30 June 2002 following cancellation of an associated securitisation program. These loans are included on the Statement of Financial Position as receivables.

(c) Options, Performance Rights, partly paid shares and awards issued under the Bonus Equity Plan, Restricted Share Scheme and Co-Investment Plan are not transferable nor are they listed and as such do not have a market value. Refer footnote (p) for estimated fair values.

(d) The Executive Share Scheme provided for senior executives to acquire partly paid ordinary shares in BHP Billiton Limited. Partly paid shares issued under the Executive Share Scheme were issued on the following terms:

(i) only full-time executive employees (including Executive Directors) were eligible. Any eligible executive who continues to participate in the Employee Share Plan is ineligible to participate in the Executive Share Scheme.

(ii) the limit on the number of shares under the Scheme is 2 per cent of issued ordinary capital.

(iii) shares are offered at an issue price determined by Directors which is not less than a 10 per cent discount nor more than a 10 per cent premium on the appropriate market price.

(iv) the balance outstanding on ordinary shares must be paid not later than 20 years after the date of issue. The balance of the price must also be paid no later than two years after termination of employment, but may be paid at any earlier time chosen by a participant.

(v) the price payable at the time of compulsory payment may be varied if the market price (adjusted for the effects of any bonus, rights or other issue) is then lower than the issue price.

(vi) there is no entitlement to dividends on the Scheme shares while they remain partly paid, unless Directors decide otherwise.

(vii) shares issued under the Scheme prior to June 1996 are eligible immediately (even though partly paid) to participate in bonus, rights or other issues on the same basis as BHP Billiton Limited's other ordinary shares. These bonus shares are held in escrow until the Scheme shares are fully paid.

(viii) In respect of Executive Share Scheme share issues after June 1996, the issue of bonus shares will be deferred until the underlying Scheme shares are fully paid up. Such bonus shares will not attract or accrue dividends while their issue is deferred. Data as presented in the preceding tables has been adjusted to reflect the impact of the bonus issue which resulted from the DLC merger.

(ix) voting rights attach in proportion to the amount paid up. Full voting rights apply when the shares are fully paid.

(e) Performance Rights have been issued to executive officers under the BHP Billiton Limited Performance Share Plan (PSP) as long-term incentives (LTI). Performance Rights constitute a right, issued by a trustee of a special purpose trust established by BHP Billiton Limited, to require the trustee to acquire a BHP Billiton Limited share on behalf of the executive, upon fulfilment of prescribed performance hurdles or completion of service conditions. Where a service condition or performance hurdle is fulfilled, related Performance Rights are exercisable. The trustee acquires shares either by purchase on market or subscription, and the shares are then held in trust until the executive requests that they be transferred. If prior to vesting of a Performance Right a participant ceases to be employed because of resignation or termination for cause, the Performance Right will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the Performance Rights will become exercisable depending on the circumstances of cessation.

In addition to the above, Performance Rights are currently issued on the following terms:

(i) a Performance Right entitles the beneficiary to one fully paid share in BHP Billiton Limited. The number of shares received on exercise of Performance Rights issued in March 1999 have been increased following the spin-out of OneSteel Limited to reflect the capital reduction impact on the value of BHP Billiton Limited shares. In addition, the number of shares received on exercise of Performance Rights on issue as at 29 June 2001 have been increased following the bonus issue which resulted from the DLC merger. Data, as presented in the preceding tables, has been adjusted to reflect the impact of the capital reduction and the bonus issue.

(ii) the exercise price of Performance Rights is zero. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights.

(iii) Performance Rights will lapse if performance hurdles or service conditions are not satisfied or in other specified situations. Performance Rights lapse on the tenth anniversary of their date of issue unless previously exercised or lapsed in accordance with their terms of issue.

(iv) the performance hurdles attached to Performance Rights issued from November to December 2000 relate to a global comparator group of companies. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. This measurement is first taken on 30 June 2003 and the Performance Rights lapse if the hurdles have not been achieved within the two years following this date.

(v) the performance hurdles attached to Performance Rights issued in October and November 2001 relate to a global comparator group of companies. BHP Billiton Limited's performance in terms of TSR in measured against this group of companies and the Australian Consumer Price Index to determine if the performance hurdles have been achieved. If the hurdles are not achieved by 30 September 2004, then 75 per cent of the Performance Rights lapse. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the Performance Rights lapse.

(f) Performance Rights were also issued to executive officers of BHP Billiton Limited in October 2001 as medium term incentives (MTI) with separate terms from those discussed in (e) above. This had the effect of aligning the remuneration policy applied to the executives of the BHP Billiton Limited Group with that applied to executives of the BHP Billiton Plc Group who are able to participate in the Co-Investment Plan.

The executives indicated the proportion of their incentive plan award for the current financial year to invest as medium term incentives, subject to the minimum and maximum investment limits set by the Remuneration Committee. Within those limits, part of the bonus that would otherwise have been paid in cash is used to acquire Performance Rights. This is known as the committed award.

Each executive who acquired a committed award was also granted a matching award over shares in BHP Billiton Limited. The matching award entitles participants to acquire a number of shares in BHP Billiton Limited for nil consideration, subject to the satisfaction of performance conditions and the continuing employment of the participant.

If prior to vesting of a matching award, a participant ceases to be employed because of resignation or termination for cause, the participant's committed award will be forfeited, the related matching award will lapse and the Performance Right will cease to be exercisable. If a participant ceases to be employed for any other reason, then the entire committed award vests and either all or a proportion of the Performance Rights under the matching award for the period of cessation will vest, depending on the circumstances of cessation.

The awards have been made on the following terms:

(i) the performance condition compares BHP Billiton Limited's TSR over the performance period with the global comparator group of companies over the same period.

(ii) awards will vest by reference to the relative position of BHP Billiton Limited's TSR compared to the global comparator group of companies.

(iii) the vesting of matching awards is determined by reference to two performance periods. The first performance period is two years in length. If the performance hurdles are achieved at the end of the first performance period, the corresponding number of Performance Rights under the matching award will vest. At this time the participant has the option to remain within the plan and enter the second performance period or leave the plan. Should the participant leave the plan at the end of the first performance period, the committed award becomes exercisable together with any Performance Rights under the matching award that may have vested. All remaining Performance Rights under the matching award lapse.

(iv) the second performance period is a further two years. At the end of this two-year period, subject to continuing employment, the committed award becomes exercisable and the corresponding number of Performance Rights subject to a matching award will vest. If the performance condition has not been met at the end of the second performance period no additional shares under the matching award will vest. However, any Performance Rights that vested under the matching award for the first performance period may be exercised, and the remaining Performance Rights under the matching award that have not vested will lapse.

(v) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Limited's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the Australian Consumer Price Index.

(vi) the exercise price of Performance Rights is zero. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights.

Awards issued as presented in the preceding tables represent both committed awards and matching awards.

(g) The number of shares received on exercise of Performance Rights issued in March 1999 have been increased following the spin-out of OneSteel Limited to reflect the capital reduction impact on the value of BHP Billiton Limited shares. In addition, the number of shares received on exercise of Performance Rights on issue as at 29 July 2001 have been increased following the bonus issue which resulted from the DLC merger.

(h) The Bonus Equity Share Plan provides eligible employees with the opportunity to take a portion of their incentive plan award in ordinary shares in BHP Billiton Limited. Employees who elected to take their incentive plan award in shares under the Plan also received an uplift of 25 per cent so that for each A$1 of award taken as shares, A$1.25 worth of shares will be provided. The shares are either subscribed for or purchased on market. The shares awarded under this Plan are held in trust and may not be transferred or disposed of for at least a three-year period. The shares are allocated on the following terms:

(i) while the shares are held in trust, the employees are entitled to receive dividends on those shares, entitled to participate in bonus issues, may participate in rights issues, etc. and may direct the trustee on how to vote those shares at a general meeting of BHP Billiton Limited.

(ii) if employment ceases while the shares are in trust, the shares awarded as part of the 25 per cent uplift (or a portion of that uplift) may or may not be forfeited (depending upon the circumstances of the employment relationship ending).

(i) Represents the number of options and Performance Rights exercised or lapsed, and has not been adjusted to take into account the bonus shares issued on exercise of options.

(j) Although the exercise price of options was not affected by the bonus issue of shares, the exercise prices for options as stated have been adjusted to take into account the bonus issue of shares which took effect 29 June 2001. Exercise prices were also reduced by A$0.66 (pre bonus issue) following the OneSteel Limited spin-out on 31 October 2000.

(k) Shares issued on exercise of Performance Rights and awards under the Restricted Share Scheme and Co-Investment Plan include shares purchased on market.

(l) The number of shares issued on exercise of options is reported inclusive of a bonus element in relation to the 29 June 2001 bonus issue. The number of shares issued on exercise of options for the year ended 30 June 2002 does not agree with the number of shares issued as reported in note 30 in circumstances where application of the bonus factor of 1.0651 would result in an entitlement to less than one whole share. In such cases, in accordance with the rules of the plan, an additional share is issued to the holder of the option.

(m) Awards under the Restricted Share Scheme (RSS) were made at the discretion of the Trustees of the Billiton Employee Share Ownership Trust or by BHP Billiton Plc. In respect of the Executive Directors, awards are made on the recommendation of the Remuneration Committee and, in the case of other employees, the Remuneration Committee recommends the level of award following proposals from the Executive Committee. Awards are normally made annually in the six weeks after the announcement of the annual or interim results. In 2001, Mr Gilbertson's awards were made after shareholder approval at the AGM in October 2001. An award takes the form of conditional awards or share options in BHP Billiton Plc and was made subject to performance conditions that are set by the Remuneration Committee. The Remuneration Committee also recommends the value of the ordinary shares to be comprised in an award and this value does not exceed 100 per cent of a participant's annual base salary.

Subject to the performance conditions being met and the extent to which they are met, the award/option will vest and the participant will become absolutely entitled to the appropriate number of ordinary shares (if any), or if relevant, entitled to exercise options over the relevant number of ordinary shares subject to paying over to the Trust or to BHP Billiton Plc any tax liability arising on the vesting of the

Notes to Financial Statements continued

31 EMPLOYEE SHARE OWNERSHIP PLANS continued

award/option. The Employee Share Ownership Trust is a discretionary Trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The Trustee is an independent company resident in Jersey. The Trust uses funds provided by BHP Billiton Plc and/or its subsidiaries as appropriate to acquire ordinary shares to enable awards to be made or satisfied under the RSS. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value.

If prior to vesting of an award, a participant ceases to be employed because of resignation or termination for cause, the participant's award will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the award will vest, depending on the circumstances of cessation

Awards were made in October 2001 and November 2001 upon the following terms:

- (i) the performance condition compares BHP Billiton Plc's TSR over the performance period with a global comparator group of companies over the same period.
- (ii) awards will vest by reference to the relative position of BHP Billiton Plc's TSR compared to the global comparator group of companies.
- (iii) if the performance hurdles are not achieved by the end of a three-year period, then 75 per cent of the award lapses. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the award lapses.
- (iv) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Plc's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the UK Retail Price Index.
- (v) the amount of shares that vest under the RSS will not be greater than the amount of Performance Rights that can be exercised under the BHP Billiton Limited PSP. The performance hurdles under the PSP are calculated on the same basis as those described above, but using the BHP Billiton Limited TSR compared to the TSR of the same global comparator group, and the Australian Consumer Price Index as the basis for the absolute measure. Refer footnote (e) above.
- (vi) awards are not transferable. Awards carry no right to dividends and no voting rights.

(n) Invitations to participate in the Co-Investment Plan (CIP) are made to selected employees (including Executive Directors) of the BHP Billiton Plc Group. The selected employees are asked to indicate the proportion of their discretionary annual bonus for the current financial year they wish to invest in the CIP subject to the minimum and maximum investment limits set by the Remuneration Committee. Within those limits, part of the bonus that would otherwise have been paid in cash is used to acquire ordinary shares in BHP Billiton Plc. These are known as committed shares.

Each invitee who acquired committed shares was also granted an award (a matching award) over shares in BHP Billiton Plc. Matching awards are normally granted during the 42-day period commencing on the day on which BHP Billiton Plc releases its results for any financial period. In 2001, Mr Gilbertson's awards were made after shareholder approval at the AGM in October 2001. The matching award entitles the participant to acquire a number of shares in BHP Billiton Plc for nil consideration, subject to the satisfaction of performance conditions and the continuing employment of the participant.

If prior to vesting of a matching award, a participant ceases to be employed because of resignation or termination for cause, the participant's committed shares will be forfeited and the related matching award will also lapse and cease to be exercisable. If a participant ceases to be employed for any other reason, then the entire committed share vests and either all or a proportion of the matching award relevant for the period of cessation will vest, depending on the circumstances of cessation.

Awards were made in October 2001 and November 2001 upon the following terms:

- (i) the performance condition compares BHP Billiton Plc's TSR over the performance period with a global comparator group of companies over the same period.
- (ii) awards will vest by reference to the relative position of BHP Billiton Plc's TSR compared to a global comparator group of companies.
- (iii) the vesting of matching awards is determined by reference to two performance periods. The first performance period is two years in length. If the performance hurdles are achieved at the end of the first performance period, the corresponding number of shares under the matching award will vest. At this time the participant has the option to remain within the plan and enter the second performance period or leave the plan. Should the participant leave the plan at the end of the first performance period, committed shares are released together with any shares under the matching award that may have vested. All remaining shares under the matching award lapse.
- (iv) the second performance period is a further two years. At the end of this two-year period, subject to continuing employment, committed shares will be released and a number of shares subject to a matching award will vest to the extent the performance condition is met. If the performance condition has not been met at the end of the second performance period, no additional shares under the matching award will vest. However, any shares that vested under the matching award for the first performance period may be exercised, and the remaining shares under the matching award that have not vested will lapse.
- (v) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Plc's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the UK Retail Price Index.
- (vi) the amount of shares under the matching award that vest cannot be greater than matching awards that vest under the BHP Billiton Limited MTI plan. The performance hurdles under the MTI are calculated on the same basis as those described above, but using the BHP Billiton Limited TSR compared to the TSR of the same global comparator group, and the Australian Consumer Price Index as the basis of the absolute measure. Refer footnote (f) above.
- (vii) awards are not transferable. Awards carry no right to dividends and no voting rights.

Awards issued as presented in the preceding tables represent both committed awards and matching awards.

(o) All awards issued under the new the RSS prior to June 2001 vested as a consequence of the DLC merger. Data as presented reflects awards granted after consummation of the merger only.

(p) The values of all awards granted during the year ended 30 June 2002 and of Employee Share Plan options and Performance Rights granted during the year ended 30 June 2001 including the significant key assumptions used to derive the values have been determined by an actuary at the request of the BHP Billiton Group. The BHP Billiton Group believes the values represent a reasonable estimate. Nevertheless, the assumptions used are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the BHP Billiton Group. The different nature of the awards which have been issued, year on year, with respect to the performance hurdles which have been established and the qualifying periods before the award vests, results in variations to the respective valuations. The actual value of awards to the holder may differ materially from the values shown. The values of Employee Share Plan options and Performance Rights granted in the year ended 30 June 2001 are shown after taking into account the bonus issue which resulted from the DLC merger.

(q) Employee Share Plan options granted during the period ended 30 June 2000 are subject to both a qualifying period and performance hurdles before they become exercisable. The performance hurdles relate to the BHP Billiton Group's performance against either the performance of a number of Australian or international companies. Due to the nature of the performance hurdles which had been established for these options, and in the absence of an appropriate valuation technique, their fair value was considered to be indeterminable. Valuations are not available using the modified Black-Scholes option pricing techniques for options issued in prior periods.

(r) The fair value of a Bonus Equity Plan award is equal to the market value of a BHP Billiton Limited share at date of grant.

(s) Subject to performance conditions.

Offers to take up shares and options under the Employee Share Plan and the Executive Share Scheme not accepted within the designated period, lapse. Accordingly, no shares or options remain available at balance date for issue to employees.

In footnotes (a) and (d) above, market price is the average market price of a specified five-day period prior to issue. The market price of fully paid ordinary shares as at Friday 28 June 2002 was A$10.30.

32 RESERVES

	2002 US$M	2001 US$M	2000 US$M
General reserve	**84**	84	102
Exchange fluctuation account	**387**	446	149
Total reserves	**471**	530	251
Reconciliation of movements in reserves:			
General reserve			
Opening balance	**84**	102	111
Transfer to retained profits on asset disposal	**–**	(2)	–
OneSteel spin-out	**–**	(16)	(9)
Closing balance	**84**	84	102
Exchange fluctuation account			
Opening balance	**446**	149	75
Exchange fluctuations on foreign currency interest bearing liabilities net of tax [a]	**136**	(54)	(44)
Exchange fluctuations on foreign currency net assets net of tax [b]	**(111)**	346	144
Transfer to retained profits on sale of assets/closure of operations	**(84)**	5	(26)
Closing balance	**387**	446	149

[a] Consolidated income tax expense applicable US$3 million (2001: US$40 million benefit; 2000: US$35 million benefit).
[b] Consolidated income tax benefit applicable US$4 million (2001: US$34 million benefit; 2000: US$5 million benefit).

33 RETAINED PROFITS

	2002 US$M	2001 US$M	2000 US$M
Retained profits opening balance	**6 526**	1 706	1 189
Dividends provided for or paid [a]	**(784)**	(476)	(556)
Aggregate of amounts transferred from reserves [b]	**84**	(3)	26
BHP Billiton Limited share buy-back program [c]	**(19)**	–	–
Net profit/(loss)	**1 648**	1 109	1 034
Adjustment for initial adoption of revised accounting standard AASB 1016: Accounting for Investments in Associates	**–**	–	130
Exchange variations	**–**	(348)	(117)
BHP Billiton Plc Group [d]	**–**	4 538	–
Retained profits closing balance	**7 455**	6 526	1 706

[a] Refer note 11.
[b] Refer note 32.
[c] Refer note 30.
[d] This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

Notes to Financial Statements continued

34 OUTSIDE EQUITY INTERESTS

	2002 US$M	2001 US$M	2000 US$M
Contributed equity	**234**	360	235
Reserves	**4**	79	32
Retained profits	**94**	(54)	124
Total outside equity interests	**332**	385	391

35 TOTAL EQUITY

	2002 US$M	2001 US$M	2000 US$M
Total equity opening balance	**12 232**	6 609	6 093
Total changes in equity recognised in the Statement of Financial Performance	**1 673**	1 401	1 264
Transactions with owners – contributed equity	**104**	88	353
Dividends [(a)]	**(784)**	(476)	(556)
BHP Billiton Limited share buy-back program [(b)]	**(19)**	–	–
OneSteel spin-out – capital reduction	**–**	(650)	–
Total changes in outside equity interests	**(53)**	(268)	(40)
Foreign exchange	**–**	(1 019)	(505)
BHP Billiton Plc Group [(c)]	**–**	6 547	–
Total equity closing balance	**13 153**	12 232	6 609

(a) Refer note 11.
(b) Refer note 30.
(c) This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

36 NOTES TO THE STATEMENT OF CASH FLOWS

For the purpose of the Statement of Cash flows, cash is defined as cash and cash equivalents. Cash equivalents include highly liquid investments which are readily convertible to cash, bank overdrafts and interest bearing liabilities at call.

	2002 US$M	2001 US$M	2000 US$M
Reconciliation of cash			
Cash and cash equivalents comprise:			
Cash assets			
Cash	1 199	836	411
Short-term deposits	300	449	213
Total cash assets	1 499	1 285	624
Bank overdrafts (a)	(509)	(287)	(62)
Total cash and cash equivalents	990	998	562
Reconciliation of net cash provided by operating activities to net profit/(loss)			
Net profit	1 695	853	1 013
Depreciation and amortisation	1 753	1 286	1 443
Share of net profit of associated entities less dividends	(74)	13	(4)
Capitalised borrowing costs	(58)	(15)	(12)
Exploration, evaluation and development expense	287	227	192
Net gain on sale of non-current assets	(119)	(202)	(135)
Write-down of property, plant and equipment, investments and intangibles	228	597	714
Change in assets and liabilities net of effects from acquisitions and disposals of controlled entities and exchange fluctuations			
Decrease/(increase) in inventories	(22)	55	32
Decrease/(increase)in deferred charges	(70)	(153)	(73)
Decrease/(increase) in trade receivables	(266)	(47)	(113)
Decrease/(increase) in sundry receivables	(15)	(39)	26
(Decrease)/increase in income taxes payable	335	239	119
(Decrease)/increase in deferred taxes	84	44	(413)
(Decrease)/increase in trade creditors	37	282	(153)
(Decrease)/increase in sundry creditors	49	(109)	(41)
(Decrease)/increase in interest payable	(25)	(42)	37
(Decrease)/increase in other provisions	(87)	(277)	(197)
Other movements	(8)	(5)	14
Net cash provided by operating activities	3 724	2 707	2 449
Acquisitions of controlled entities			
Fair value of assets and liabilities of entities acquired:			
Cash and cash equivalents	–	15	–
Receivables (current)	–	3	–
Investments (non-current)	–		
Other (current)	–	24	–
Property, plant and equipment	–	496	–
Payables and interest bearing liabilities (current)	–	27	–
Provisions (current)	–	(76)	–
Payables and interest bearing liabilities (non-current)	–	(1)	–
Provisions (non-current)	–	(67)	–
Net outside equity interests	–	(44)	–

Notes to Financial Statements continued

36 NOTES TO THE STATEMENT OF CASH FLOWS continued

	2002 US$M	2001 US$M	2000 US$M
Net identifiable assets	**–**	377	–
Net consideration paid			
Cash	**–**	370	–
Deferred cash	**–**	7	–
Goodwill on acquisition	**–**	–	–
Carrying amount of controlled entities disposed			
Value of assets and liabilities of entities disposed of:			
Cash and cash equivalents	**–**	56	25
Investments (current)	**–**	5	–
Receivables (current)	**32**	159	103
Inventories (current)	**19**	288	65
Other (current)	**2**	10	4
Receivables (non-current)	**–**	–	4
Investments (non-current)	**–**	68	4
Inventories (non-current)	**–**	2	4
Property, plant and equipment	**127**	718	371
Intangible assets	**–**	68	–
Other (non-current)	**1**	(17)	57
Payables and interest bearing liabilities (current)	**(50)**	(200)	(35)
Provisions (current)	**(8)**	(58)	(40)
Payables and interest bearing liabilities (non-current)	**–**	(352)	–
Provisions (non-current)	**(44)**	(72)	(40)
Net outside equity interests disposed	**16**	(25)	(8)
Net identifiable assets	**95**	650	514
Net consideration received			
Cash (b)	**161**	–	425
Deferred cash consideration	**–**	–	43
Capital reduction	**–**	650	–
(Profit)/loss on disposal	**66**	–	(46)
Non-cash financing and investing activities			
Shares issued:			
Bonus Share Plan	**–**	–	39
Dividend Investment Plan	**–**	1	215
Other:			
Employee Share Plan loan instalments	**6**	11	18

The Bonus Share Plan is in lieu of dividends and the Dividend Investment Plan is an application of dividends.

The Employee Share Plan loan instalments represent the repayment of loans outstanding with the BHP Billiton Group, by the application of dividends.

Company	Beneficial interest %	Consideration US$M	Fair value of net tangible assets acquired US$M
Material acquisitions and disposals of controlled entities			
Acquisitions			
2002			
There were no material acquisitions during the year.			
2001			
Dia Met Minerals Ltd	89.36	(c)	(c)
Dia Met Minerals (NWT) Ltd	89.36	(c)	(c)
555550 B.C. Ltd	89.36	(c)	(c)
Dia Met Exploration Ltd	89.36	(c)	(c)
Bold Era Mining Ltd	89.36	(c)	(c)
Dia Met Minerals (Africa) Ltd	89.36	(c)	(c)
Oy Alwima Ltd	89.36	(c)	(c)
2000			
There were no material acquisitions during the year.			

Company	Profit/(loss) attributable to members of the BHP Billiton Group arising on disposal US$M	Fair value of net assets tangible on disposal US$M	Beneficial interest remaining %
Material acquisitions and disposals of controlled entities			
Disposals			
2002			
PT Arutmin Indonesia	**21**	**73**	**–**
2001			
OneSteel Limited Group	–	650	–
2000			
BHP Steel Building Products USA Inc	15	40	–
BHP Coated Steel Corporation	(151)	358	–
BHP Engineering business	2	16	–
BHP Petroleum (PNG) Inc	51	74	–
BHP Information Technology Pty Ltd	37	(1)	–
BHP Copper White Pine Refinery Inc	–	13	–

(a) Refer note 25.
(b) Cash received in 2000 excludes US$16 million deferred consideration for controlled entities sold in prior years. There was no deferred consideration received in 2002 or 2000 for entities sold in prior years.
(c) These entities comprised the principal Dia Met assets acquired collectively for a total consideration of US$386 million.

Notes to Financial Statements continued

37 STANDBY ARRANGEMENTS, UNUSED CREDIT FACILITIES

	2002 US$M Facility available	Used	Unused	2001 US$M Facility available	Used	Unused
BHP Billiton Group						
Bank standby and support arrangements						
Revolving credit facilities	**2 500**	**849**	**1 651**	4 180	1 446	2 734
Other credit facilities	**200**	**200**	**–**	200	200	–
Overdraft facilities	**31**	**–**	**31**	24	–	24
Total financing facilities	**2 731**	**1 049**	**1 682**	4 404	1 646	2 758

Details of major standby and support arrangements are as follows:

Global revolving credit facility
The BHP Billiton Group implemented a US$2.5 billion syndicated multi-currency revolving facility in September 2001, comprising Tranches A and B of US$1.25 billion each, maturing in September 2002 and September 2006, respectively. This facility replaced the US$1.2 billion credit facility of BHP Billiton Limited and the US$1.5 billion and US$1.25 billion credit facilities of BHP Billiton Plc.

The BHP Billiton Group has raised short-term finance under an A$2 billion commercial paper program. The amount issued under the commercial paper program is US$849 million. The commercial paper program is supported by Tranche B of the syndicated multi-currency revolving facility.

Other credit facilities and overdraft facilities
Other credit facilities and bank overdraft facilities are arranged with a number of banks with the general terms and conditions agreed on a periodic basis.

38 FINANCIAL INSTRUMENTS

BHP Billiton Group financial risk strategy

The BHP Billiton Group manages its exposure to key financial risks, including interest rates, currency movements and commodity prices, in accordance with the Portfolio Risk Management strategy, approved during the year ended 30 June 2002. The objective of the strategy is to support the delivery of the BHP Billiton Group's financial targets while protecting its future financial security and flexibility.

The strategy entails managing risk at the portfolio level through the adoption of a 'self insurance' model, by taking advantage of the natural diversification provided through the scale, diversity and flexibility of the portfolio as the principal means for managing risk.

There are two components to the Portfolio Risk Management strategy:

Risk mitigation – where risk is managed at the portfolio level within an approved Cashflow at Risk (CFaR) framework to support the achievement of the BHP Billiton Group's broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Group's cashflows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cashflows over a one-year horizon under normal market conditions at a confidence level of 95 per cent. Cashflow is measured as earnings after interest, but before taxes, depreciation and amortisation.)

Where CFaR is within the Board approved CFaR limit, hedging activities are not undertaken. Legacy hedge positions which existed prior to the adoption of the Portfolio Risk Management strategy will be allowed to run-off. There could be circumstances, for example, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Group's strategic objectives. In such circumstances, the BHP Billiton Group may execute hedge transactions.

Strategic financial transactions – where opportunistic transactions are entered into to capture value from perceived market over/under valuations. These transactions occur on an infrequent basis and are treated separately to the risk mitigation transactions, with all gains and losses included in the profit and loss account at the end of each reporting period. These transactions are strictly controlled under a separate stop-loss and Value at Risk limit framework. There have been no strategic financial transactions undertaken to date.

Primary responsibility for identification and control of financial risks rests with the Financial Risk Management Committee (FRMC) under authority delegated by the Executive Committee.

The FRMC receives reports on, amongst other matters: financing requirements both for existing operations and new capital projects; assessments of risks and rewards implicit in requests for financing; and market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC receives reports on the various financial risk exposures of the BHP Billiton Group. On the basis of this information, the FRMC determines the degree to which it is appropriate to use financial instruments, commodity contracts, other hedging instruments or other techniques to mitigate the identified risks. The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk, each of which is described below. In addition, where risks could be mitigated by insurance then the FRMC decides whether such insurance is appropriate and cost-effective. FRMC decisions can be implemented directly by group management or can be delegated from time to time to be implemented by the management of the production operations.

BHP Billiton Group risk exposures and responses

The main financial risks are listed below along with the responses of the BHP Billiton Group:

Interest rate risk

The BHP Billiton Group is exposed to interest rate risk on its outstanding borrowings and investments. Interest rate risk is managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

When required under this strategy, the BHP Billiton Group uses interest rate swaps to convert a floating rate exposure to a fixed rate exposure or vice versa.

The table below presents notional amounts and weighted average interest rates that the BHP Billiton Group has agreed to pay under interest rate swaps that are outstanding at the balance dates indicated. The information is presented in US dollars, which is the BHP Billiton Group's reporting currency. The instruments' actual cash flows are denominated in US dollars, UK pounds and Australian dollars as indicated. All interest swaps have been designated as hedging instruments.

	Weighted average interest rate payable		Weighted average interest rate receivable		Notional amount	
	2002 %	2001 %	**2002 %**	2001 %	**2002 US$M**	2001 US$M
Interest rate swaps						
US dollar swaps						
Pay fixed/receive floating (a)						
2001	**–**	6.30	**–**	6.76	**–**	41
2002	**6.30**	6.30	**3.05**	–	**41**	41
UK pounds swaps						
Pay floating (a)/receive fixed						
2001	**–**	6.30	**–**	9.49	**–**	36
2002	**4.73**	–	**9.49**	9.49	**19**	18
Australian dollar swaps						
Pay floating (a)/receive fixed						
2001	**–**	6.18	**–**	7.36	**–**	153
2002	**5.11**	–	**7.36**	7.36	**170**	153
2003	**–**	–	**7.36**	7.36	**170**	153
2004	**–**	–	**7.36**	7.36	**170**	153
2005	**–**	–	**7.36**	7.36	**170**	153

(a) Floating interest rate in future periods will be based on LIBOR for US dollar and UK pounds swaps and BBSW for Australian dollar swaps applicable at the time of the interest rate reset.

Cross currency interest rate swaps are also used to manage interest rate exposures where considered necessary under the Portfolio Risk Management strategy (refer to 'Currency risk' discussion which follows).

Liquidity risk

The BHP Billiton Group implemented a US$2.5 billion syndicated multi-currency revolving credit facility in September 2001. This facility replaced the US$1.2 billion credit facility of BHP Billiton Limited and the US$1.5 billion and US$1.25 billion credit facilities of BHP Billiton Plc.

The facility was the first financing transaction post merger and is the BHP Billiton Group's cornerstone credit facility.

Prior to the merger BHP had a long-term credit rating of A-/A3 and a short-term rating of A-2/P-2. Billiton was not rated. Following the announcement of the merger the rating agencies confirmed their ratings but with a positive outlook. Standard & Poor's subsequently upgraded their rating of the BHP Billiton Group to A/A-1 from A-/A-2 and retained a positive outlook to reflect the excellent market position, substantial

Notes to Financial Statements continued

38 FINANCIAL INSTRUMENTS continued

portfolio diversification, strong cost profile, and conservative financial policies which either resulted from, or improved substantially, as a result of the merger.

To capitalise on this stronger credit profile and to enhance the BHP Billiton Group's access to finance, other financing activities undertaken during the year included:

- In October 2001, increasing the A$ commercial paper program limit from A$1 billion to A$2 billion. As at 30 June 2002, funds had been drawn under this program, and the majority of the exposure was swapped into US$ via forward foreign exchange contracts that match the maturity of the underlying drawdowns.
- In November 2001, issuing A$1 billion of medium term securities in the Australian debt capital markets. The proceeds from this issue were used to repay higher cost debt. Upon drawdown, the liability was swapped into US$.
- In June 2002, establishing a US$1.5 billion Euro Medium Term Note (EMTN) program which is listed on the Luxembourg stock exchange. This EMTN program provides the BHP Billiton Group with the capability to access the European capital markets and its establishment is consistent with the BHP Billiton Group's strategy of diversifying its funding sources.

Sufficient liquid funds are maintained to meet daily cash requirements. The prime consideration in the investment of cash is security over the asset and only counterparties of high credit standing are used.

The BHP Billiton Group's liquidity risk for derivatives arises from the possibility that a market for derivatives might not exist in some circumstances. To counter this risk the BHP Billiton Group only used derivatives in highly liquid markets.

Currency risk

The BHP Billiton Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

Transactional exposure in respect of non-functional currency expenditure

Operating expenditure and capital expenditure is incurred by some operations in currencies other than US$ which is the functional currency of most operations within the BHP Billiton Group. To a lesser extent, sales revenue is earned in currencies other than the functional currency of operation, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit. When required under this strategy, hedging contracts are entered into in foreign exchange markets. Operating and capital costs are hedged using forward exchange and currency option contracts. The majority of such hedge contracts which are outstanding as at 30 June 2002 are legacy positions which were taken out prior to the BHP Billiton merger, to hedge US$ sales revenues earned by operations within the BHP Billiton Limited Group whose functional currency was then other than US$. At the time of merger, the hedge contracts were redesignated as hedges of A$ operating costs.

The tables below provide information about the principal currency hedge contracts which have not been recognised in the financial statements:

Term	Weighted average A$/US$ exchange rate 2002	2001	Contract amounts 2002 US$M	2001 US$M
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	**0.6562**	0.6884	**919**	1 140
Later than one year but not later than two years	**0.6170**	0.6572	**360**	910
Later than two years but not later than three years	**–**	0.6170	**–**	360
Total	**0.6447**	0.6650	**1 279**	2 410

Term	**Weighted average A$/US$ exchange rate 2002 A$ Call options**	**2002 A$ Put options**	Weighted average A$/US$ exchange rate 2001 A$ Call options	2001 A$ Put options	Contract amounts **2002 US$M**	2001 US$M
Foreign exchange options – sell US dollars/buy Australian dollars						
Not later than one year	**0.5533**	**0.6612**	0.6260	0.6503	**1 054**	590
Later than one year but not later than two years			0.6126	0.6612	**–**	180
Total	**0.5533**	**0.6612**	0.6227	0.6542	**1 054**	770

Foreign exchange options entered into in the current period relate to the planned unwinding in July 2002 of cross currency interest rate swaps (CCIRS). Such action has been taken to swap A$ denominated debt to US$ during July 2002 as a result of the majority of the BHP Billiton Group's A$ functional currency operations being spun-out with BHP Steel.

Term	Weighted average exchange rate 2002	2001	Contract amounts 2002 US$M	2001 US$M
Forward contracts – sell Euros/buy US dollars				
Not later than one year	**0.9238**	0.8468	**100**	1
Total	**0.9238**	0.8468	**100**	1
Forward contracts – sell US dollars/buy Euros				
Not later than one year	**0.9212**	0.8857	**153**	11
Later than one year but not later than two years	**0.9156**	–	**21**	–
Later than two years but not later than three years	**0.9309**	–	**3**	–
Later than three years but not later than four years	**0.9439**	–	**3**	–
Later than four years but not later than five years	**0.9357**	–	**22**	–
Total	**0.9226**	0.8857	**202**	11
Forward contracts – sell US dollars/buy Sterling				
Not later than one year	**1.4536**	–	**118**	–
Later than one year but not later than two years	**1.4202**	–	**1**	–
Total	**1.4533**	–	**119**	**–**
Forward contracts – sell US dollars/buy South African rand				
Not later than one year	**10.61**	8.099	**56**	7
Later than one year but not later than two years	**10.15**	–	**1**	–
Total	**10.60**	8.099	**57**	7

Translational exposure in respect of investments in overseas operations

Since 1 July 2001, when the majority of the BHP Billiton Limited Group's operations changed their functional currency to US$, the functional currency of most BHP Billiton Group operations is US$. There are certain operations that have retained A$ and GBP as a functional currency, and during the year ended 30 June 2002, the BHP Billiton Group had a natural hedge between net foreign assets and borrowings in these currencies. When not in conflict with exchange control requirements, the BHP Billiton Group's policy is to minimise risk resulting from such investments through borrowing in these currencies. If circumstances arise that render the natural hedge deficient, then specific hedging utilising cross currency swaps may occur. Such action has been taken to swap A$ denominated debt to US$ during July 2002 as a result of the majority of the BHP Billiton Group's A$ functional currency operations being spun-out with BHP Steel.

The table below presents principal amounts and weighted average interest rates that the BHP Billiton Group is contracted to pay under cross currency swaps that are outstanding at the balance dates indicated together with the weighted average contracted exchange rates. The information is presented in US$ equivalents. The instruments' actual cash flows are denominated in US dollars, UK pounds, Japanese Yen and Australian dollars as indicated.

	Weighted average exchange rate 2002	2001	Weighted average interest rate payable 2002 %	2001 %	Weighted average interest rate receivable 2002 %	2001 %	Principal amounts (a) 2002 US$M	2001 US$M
Cross currency swaps								
US dollar to Australian dollar swaps								
Pay fixed/receive fixed								
2001	**–**	0.6579	**–**	7.49	**–**	7.49	**–**	807
2002	**0.6557**	0.6552	**7.19**	7.19	**7.18**	7.18	**691**	617
2003	**0.6601**	0.6601	**6.71**	6.71	**6.75**	6.75	**86**	77
US dollar to UK pounds swaps								
Pay fixed/receive fixed								
2001	**–**	1.6662	**–**	7.45	**–**	6.60	**–**	381
2002	**1.6662**	1.6662	**7.45**	7.45	**6.60**	6.60	**415**	381
2003	**1.6673**	1.6673	**7.37**	7.37	**6.69**	6.69	**277**	254
2004	**1.6673**	1.6673	**7.37**	7.37	**6.69**	6.69	**277**	254
2005	**1.6673**	1.6673	**7.37**	7.37	**6.69**	6.69	**277**	254

Notes to Financial Statements continued

38 FINANCIAL INSTRUMENTS continued

	Weighted average exchange rate		Weighted average interest rate payable		Weighted average interest rate receivable		Principal amounts [a]	
	2002	2001	**2002** %	2001 %	**2002** %	2001 %	**2002** US$M	2001 US$M
Cross currency swaps continued								
Japanese yen to US dollar swaps								
Pay floating/receive fixed [b]								
2001	**–**	128.41	**–**	7.18	**–**	5.71	**–**	40
2002	**123.00**	128.41	**3.47**	–	**5.71**	5.71	**41**	40
Pay fixed/receive fixed								
2001	**–**	122.97	**–**	9.18	**–**	6.38	**–**	7
Australian dollar to US dollar swaps								
Pay floating/receive floating [b]								
2002	**1.917**	–	**2.44**	–	**4.81**	–	**130**	–
2003	**1.917**	–	**–**	–	**–**	–	**130**	–
2004	**1.917**	–	**–**	–	**–**	–	**130**	–
Pay floating/receive fixed [b]								
2002	**1.917**	–	**2.77**	–	**6.25**	–	**391**	–
2003	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2004	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2005	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2006	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2007	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2008	**1.917**	–	**–**	–	**6.25**	–	**391**	–

(a) Amount represents US$ equivalent of principal payable under the swap contract.
(b) Floating interest rate on pay leg in future periods will be based on LIBOR applicable at the time of the interest rate reset.

Translational exposure in respect of non-functional currency monetary items

Monetary items denominated in functional currencies other than US$ are included in the Statement of Financial Position of some operations. These monetary items are periodically restated to US$ equivalents whilst they remain on the Statement of Financial Position, and the associated gain or loss is taken to the profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration which are capitalised in property, plant and equipment.

These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

The table below shows the extent to which the BHP Billiton Group has monetary assets and liabilities in currencies other than their functional currencies, after taking into account the effect of any forward foreign currency contracts entered into to manage these risks, excluding any exposures in relation to borrowings which are hedged by investments in net foreign currency assets (as discussed above), and excluding provisions for site restoration.

	Net foreign currency monetary assets/(liabilities)					
	US$ 2002 US$M	**A$ 2002 US$M**	**C$ 2002 US$M**	**SA rand 2002 US$M**	**Other 2002 US$M**	**Total 2002 US$M**
Functional currency of Group operation						
US $	**–**	**(1 413)**	**(376)**	**(892)**	**(278)**	**(2 959)**
Australian $	**7**	**–**	**–**	**–**	**(17)**	**(10)**
Canadian $	**–**	**–**	**–**	**–**	**–**	**–**
Sterling	**(103)**	**–**	**–**	**–**	**–**	**(103)**
Other	**11**	**–**	**–**	**1**	**–**	**12**
	(85)	**(1 413)**	**(376)**	**(891)**	**(295)**	**(3 060)**

38 FINANCIAL INSTRUMENTS continued

	Net foreign currency monetary assets/(liabilities) US$ 2001 US$M	A$ 2001 US$M	C$ 2001 US$M	SA rand 2001 US$M	Other 2001 US$M	Total 2001 US$M
Functional currency of Group operation						
US $	–	(194)	(246)	(1 343)	(306)	(2 089)
Australian $	321	–	–	5	167	493
Canadian $	22	–	–	–	69	91
Sterling	37	–	–	–	2	39
Other	7	1	–	–	–	8
	387	(193)	(246)	(1 338)	(68)	(1 458)

The higher A$ monetary liabilities in 2002 is predominantly a result of changing the functional currency of the majority of BHP Billiton Limited operations to US$ on 1 July 2001.

The SA rand monetary liabilities include borrowings raised in a variety of currencies, including US$ and the deutschemark, which, as a result of South African exchange control regulations, were subsequently swapped into SA rand.

Substantial portions of the non-functional currency liabilities of US$ functional currency operations relate to provisions for deferred taxation.

Commodity price risk

The BHP Billiton Group is exposed to movements in the prices of the products it produces which are generally sold as commodities on the world market.

Commodity price risk is managed pursuant to the Portfolio Risk Management strategy and within the overall CFaR limit. Strategic price hedges are taken out from time to time.

The following table provides information about the BHP Billiton Group's material derivative contracts, which (unless otherwise indicated) have not been recognised in the financial statements.

Contract amounts are used to calculate the contractual payments and quantity of inventory to be exchanged under the contracts.

BHP Billiton Group	Volume **2002**	2001	**Units**	Average rate **2002 US$**	2001 US$	Term to maturity (months)	Notional amount[(a)] **2002 US$M**	2001 US$M
Gold								
Forwards (sell)	**–**	70 963	troy oz	**–**	322	0–12	**–**	23
Forwards (buy)	**–**	44 380	troy oz	**–**	286	0–12	**–**	13
Silver								
Forwards (sell)	**–**	1 390 000	troy oz	**–**	5.52	0–12	**–**	8
	–	400 000	troy oz	**–**	5.50	13–24	**–**	2
Total		1 790 000	troy oz	**–**				10
Aluminium								
Forwards (buy)	**6 281**	3 227	tonnes	**1 187.94**	1 541.16	0–12	**7**	5
Forwards (sell)	**7 425**	–	tonnes	**1 182.89**	–	0–12	**9**	–
Zinc								
Forwards (buy)	**–**	9 659	tonnes	**–**	1 145.20	0–12	**–**	11
Energy Coal [(b)]								
Forwards (sell)	**8 630 000**	–	tonnes	**31.29**	–	0–12	**270**	–
	3 630 000	–	tonnes	**33.16**	–	13–24	**121**	–
Forwards (buy)	**4 405 000**	–	tonnes	**29.90**	–	0–12	**132**	–
	1 290 000	–	tonnes	**31.20**	–	13–24	**40**	–
Purchased calls	**270 000**	–	tonnes	**34.00**	–	0–12	**9**	–
	210 000	–	tonnes	**33.71**	–	13–24	**7**	–
Sold puts	**150 000**	–	tonnes	**32.60**	–	0–12	**5**	
	150 000	–	tonnes	**32.60**	–	13–24	**5**	–
Sold calls	**1 845 000**	–	tonnes	**30.30**	–	0–12	**56**	–
	1 470 000	–	tonnes	**29.88**	–	13–24	**44**	–

(a) The notional amount represents the face value of each transaction and accordingly expresses the volume of these transactions, but is not a measure of exposure.
(b) Recognised in the financial statements.

Notes to Financial Statements continued

38 FINANCIAL INSTRUMENTS continued

Hedging of financial risks

Cumulative unrecognised gains and losses on instruments used to manage transaction exposures and commodity price risks and the movements therein are as follows:

	Gains 2002 US$M	Losses 2002 US$M	Net gains/ (losses) 2002 US$M	Gains 2001 US$M	Losses 2001 US$M	Net gains/ (losses) 2001 US$M
Opening balance unrecognised gains/(losses)	**10**	**(615)**	**(605)**	15	(473)	(458)
(Gains)/losses arising in previous years recognised in the period	**(9)**	**327**	**318**	(13)	269	256
Gains/(losses) arising before period end not included in the result for the year	**1**	**(288)**	**(287)**	2	(204)	(202)
Gains/(losses) arising in the year and not recognised	**(1)**	**124**	**123**	–	(397)	(397)
BHP Billiton Plc Group (a)	**–**	**–**	**–**	8	(14)	(6)
Closing balance unrecognised gains/(losses)	**–**	**(164)**	**(164)**	10	(615)	(605)
of which:						
Gains/(losses) expected to be recognised within one year	**–**	**(128)**	**(128)**	9	(327)	(318)
Gains/(losses) expected to be recognised after one year	**–**	**(36)**	**(36)**	1	(288)	(287)
	–	**(164)**	**(164)**	10	(615)	(605)

(a) This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

Cumulative unrecognised gains and losses on instruments used to manage interest rate risk and exposures in relation to investments in foreign currency operations, and the movements therein are as follows:

	Forward currency swaps 2002 US$M	CCIRS interest component 2002 US$M	Interest rate swaps 2002 US$M	Finance lease swap (a) 2002 US$M	Forward currency swaps 2001 US$M	CCIRS interest component 2001 US$M	Interest rate swaps 2001 US$M	Finance lease swap (a) 2001 US$M
Opening balance/unrecognised gains/(losses)	**13**	**32**	**9**	**8**	–	(24)	10	–
Gains arising in previous years recognised in the period	**(3)**	**(5)**	**–**	**(2)**	–	–	(2)	–
Gains arising before period end not included in the result for the year	**10**	**27**	**9**	**6**	–	(24)	8	–
Gains/(losses) arising in the year and not recognised	**21**	**(1)**	**1**	**(4)**	–	56	1	–
BHP Billiton Plc Group (b)	**–**	**–**	**–**	**–**	13	–	–	8
Closing balance/unrecognised gains	**31**	**26**	**10**	**2**	13	32	9	8
of which:								
Gains/(losses) expected to be recognised within one year	**13**	**20**	**–**	**(1)**	3	5	–	2
Gains expected to be recognised after one year	**18**	**6**	**10**	**3**	10	27	9	6
	31	**26**	**10**	**2**	13	32	9	8

(a) Included within the book value of short-term and long-term liabilities are finance leases which have been swapped from a fixed interest rate to a floating interest rate and from a 10-year term to a five-year term. The book value of these leases is US$26 million (2001: US$25 million). The effect of the swap is to match the initial lease obligation by receiving payments over a 10-year period at a fixed rate and making payments on a floating rate over five years. For the purpose of the disclosures, the book value of the finance leases is shown as it would be excluding the effect of the finance lease swap and the balance of the book value is allocated to the finance lease swap. The fair value disclosures relate only to the swapped components and reflect the fact that the swap receivable is subject to a fixed rate.

(b) This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

Financial liabilities – interest rate and currency profile

Current payables and provisions are excluded from the numerical disclosures below.

The currency and interest rate profile of the financial liabilities of the BHP Billiton Group as at 30 June 2002 is as follows:

	Fixed rate 2002 US$M	**Floating rate[(a)] 2002 US$M**	**Interest free 2002 US$M**	**Total 2002 US$M**	Fixed rate 2001 US$M	Floating rate[(a)] 2001 US$M	Interest free 2001 US$M	Total 2001 US$M
Currency								
US $ [(a)]	**1 771**	**4 078**	**7**	**5 856**	1 450	3 675	12	5 137
SA rand	**136**	**219**	**23**	**378**	195	367	108	670
Australian $ [(a)]	**817**	**376**	**10**	**1 203**	1 276	457	6	1 739
Canadian $ [(a)]	**235**	**–**	**–**	**235**	232	33	–	265
Other	**454**	**71**	**–**	**525**	440	101	–	541
	3 413	**4 744**	**40**	**8 197**	3 593	4 633	126	8 352

(a) The floating rate financial liabilities principally comprise bank loans and overdrafts bearing interest at various rates set with reference to the prevailing LIBOR or equivalent for that time period and country.

The weighted average interest rate of fixed rate liabilities and the weighted average maturity period of fixed rate and interest free liabilities respectively which are shown in the table below take into account various interest rate and currency swaps used to manage the interest rate and currency profile of financial liabilities.

	Weighted average fixed interest rate % 2002	**Weighted average period for which rate is fixed Years 2002**	**Weighted average period to maturity of the interest free liabilities Years 2002**	Weighted average fixed interest rate % 2001	Weighted average period for which rate is fixed Years 2001	Weighted average period to maturity of the interest free liabilities Years 2001
Currency						
US $	**8**	**13**	**1**	8	16	2
SA rand	**13**	**6**	**13**	13	7	14
Australian $	**7**	**1**	**2**	8	2	3
Canadian $	**6**	**1**	**–**	6	1	–
Other	**7**	**3**	**–**	7	3	–
	8	**8**	**8**	8	8	12

Financial assets – interest rate and currency profile

Current receivables are excluded from the numerical disclosures below.

The currency and interest rate profile of the BHP Billiton Group's financial assets is as follows:

	Fixed rate 2002 US$M	**Floating rate[(a)] 2002 US$M**	**Non-interest bearing[(b)] 2002 US$M**	**Total 2002 US$M**	Fixed rate 2001 US$M	Floating rate[(a)] 2001 US$M	Non-interest bearing[(b)] 2001 US$M	Total 2001 US$M
Currency								
US $	**20**	**1 713**	**587**	**2 320**	81	1 189	452	1 722
SA rand	**5**	**99**	**31**	**135**	27	107	27	161
Australian $	**44**	**66**	**138**	**248**	14	51	189	254
Canadian $	**–**	**1**	**–**	**1**	–	20	20	40
Other	**–**	**192**	**101**	**293**	–	146	9	155
	69	**2 071**	**857**	**2 997**	122	1 513	697	2 332

(a) The floating rate financial assets earn interest at various rates set with reference to the prevailing LIBOR or equivalent.

(b) Included within the non-interest bearing category are other non-current financial assets of US$474 million (2001: US$473 million), certain other non-current receivables of US$379 million (2001: US$169 million) and other current financial assets of US$4 million (2001: US$83 million). Items included within this category are generally intended to be held for periods greater than five years.

Notes to Financial Statements continued

38 FINANCIAL INSTRUMENTS continued

Liquidity exposures

The maturity profile of the Group's financial liabilities is as follows:

	Bank loans, debentures and other loans 2002 US$M	**Obligations under finance leases 2002 US$M**	**Subsidiary preference shares 2002 US$M**	**Other creditors 2002 US$M**	**Total 2002 US$M**
In one year or less or on demand	**1 795**	**2**	**–**	**–**	**1 797**
In more than one year but not more than two years	**126**	**33**	**150**	**14**	**323**
In more than two years but not more than five years	**3 850**	**–**	**300**	**3**	**4 153**
In more than five years	**1 924**	**–**	**–**	**–**	**1 924**
	7 695	**35**	**450**	**17**	**8 197**

	Bank loans, debentures and other loans 2001 US$M	Obligations under finance leases 2001 US$M	Subsidiary preference shares 2001 US$M	Other creditors 2001 US$M	Total 2001 US$M
In one year or less or on demand	1 441	10	356	–	1 807
In more than one year but not more than two years	1 007	8	86	15	1 116
In more than two years but not more than five years	3 361	12	448	7	3 828
In more than five years	1 566	33	–	2	1 601
	7 375	63	890	24	8 352

	2002 US$M	2001 US$M
Loans falling due after more than five years are repayable as follows:		
By instalments	**400**	528
Not by instalments	**1 524**	1 038
	1 924	1 566

The aggregate amount of loans repayable by instalments and for which at least one instalment falls due after 5 years is US$652 million (2001: US$978 million).

At 30 June 2002 borrowings of US$39 million (2001: US$14 million) and US$447 million (2001: US$399 million) due within and after more than one year respectively were secured on assets of the BHP Billiton Group.

Refer to note 37, Standby Arrangements, Unused Credit Facilities for details of the BHP Billiton Group's undrawn committed facilities.

Fair value of financial instruments

The following table presents the book values and fair values of the BHP Billiton Group's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the BHP Billiton Group could realise in the normal course of business.

Current receivables are excluded from the table below. The book value of current receivables approximates fair value because of the short period to maturity of these instruments.

The fair value of the BHP Billiton Group's financial instruments is as follows:

	Book value 2002 US$M	**Fair value 2002 US$M**	Book value 2001 US$M	Fair value 2001 US$M
Primary and derivative financial instruments held or issued to finance the BHP Billiton Group's operations				
Current interest bearing liabilities	**(1 904)**	**(1 924)**	(1 867)	(1 884)
Non-current interest bearing liabilities and other non-current creditors	**(6 508)**	**(6 828)**	(6 886)	(6 921)
Cross currency contracts				
Principal	**189**	**189**	375	375
Interest rate	**–**	**57**	–	45
Finance lease swap	**26**	**28**	26	34
Interest rate swaps	**–**	**10**	–	9
	(8 197)	**(8 468)**	(8 352)	(8 342)
Cash and money market deposits	**1 499**	**1 499**	1 285	1 285
Loans to equity accounted associates	**454**	**454**	190	190
Other financial assets (current)	**117**	**117**	215	237
Other financial assets (non-current) (excluding investment in own shares)	**492**	**512**	467	477
Investment in exploration companies (refer note 19)	**–**	**11**	–	5
Non-current receivables and Employee Share Plan loans	**435**	**413**	175	140
Derivative financial instruments held to hedge the BHP Billiton Group's exposure on expected future sales and purchases				
Forward commodity contracts	**–**	**(2)**	–	10
Forward foreign currency contracts	**–**	**(162)**	–	(615)
	(5 200)	**(5 626)**	(6 020)	(6 613)

Foreign currency assets and liabilities that are hedged using currency contracts are translated at the forward rate inherent in the contract. As a result, the net book value of the relevant asset or liability effectively includes an element of the fair value of the hedging instrument. For the purposes of the disclosures in the table above, the book value of the relevant asset or liability is shown excluding the effect of the hedge, and the balance of the net book value is allocated to the currency contracts.

Fixed asset investments above includes the investment in Sweet River Investments Limited which effectively provides the BHP Billiton Group with a 2.1 per cent interest in CVRD through Valepar SA. The fair value of this investment takes into account a put option over the Valepar SA shares.

Notes to Financial Statements continued

39 CONTINGENT LIABILITIES

	2002 US$M	2001 US$M
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from		
Joint ventures – unsecured	**76**	82
Other – unsecured	**996**	1 523
Total contingent liabilities	**1 072**	1 605

Ok Tedi Mining Limited
On 7 June 1996, Rex Dagi, Alex Maun and the remaining plaintiffs to Victorian Supreme Court proceedings against BHP Billiton Limited and Ok Tedi Mining Limited (OTML) entered into a Settlement Agreement. The principal terms of the agreement included the following:

- Each of the parties was required to make public announcements in terms agreed among the parties, to commit to the obligations in the public announcements and to support a process to reach agreement with the Lower Ok Tedi village communities.
- BHP Billiton Limited agreed to commit as soon as practicable to the implementation of any tailings option recommended by the independent enquiry or review to be conducted by the State (the tailings option) providing BHP Billiton Limited bona fide considers that option to be economically and technically feasible.
- BHP Billiton Limited's commitment to implement the tailings option is subject to unexpected or unforeseen circumstances which may render the tailings option economically or technically unfeasible, and obtaining all necessary leases and other approvals required from the landowners and the State.

On 11 April 2000, two legal actions were commenced in the Victorian Supreme Court against OTML and BHP Billiton Limited. Rex Dagi is plaintiff in the first action, Gabia Gagarimabu is plaintiff in the second action on his own behalf and on behalf of the remaining parties to the Settlement Agreement. Both actions seek specific performance of the Settlement Agreement and/or an injunction to require the implementation by BHP Billiton Limited and OTML of a tailings pipeline and storage system and damages. However, the plaintiffs have not identified a tailings retention scheme which could feasibly be implemented. OTML and BHP Billiton Limited assert that there has been no breach of the settlement agreement and are defending the claims.

BHP Billiton Limited transferred its entire shareholding in OTML to PNG Sustainable Development Program Limited ('Program Company') in February 2002, completing BHP Billiton Limited's withdrawal from the Ok Tedi copper mine. The Program Company will operate for the benefit of the Papua New Guinean people.

Legal arrangements for the withdrawal encompass a series of legal releases, indemnities and warranties that safeguard BHP Billiton's interests following its exit from OTML.

The Victorian Supreme Court litigation continues, with numerous preliminary steps and preliminary hearings having occurred during the past year. No date has been fixed for a trial.

Bass Strait – Longford
Following the 25 September 1998 explosion and fire at Longford, a class action was commenced in the Federal Court of Australia on behalf of Victorian gas consumers and employees stood down by employers during the shortage of gas following those events (together the 'Applicants'). On 12 April 2001 the action was transferred to the Supreme Court of Victoria. The action is against Esso Australia Resources Pty Ltd ('Esso'). Esso has joined the State of Victoria and various entities associated with the State (together the 'State Entities') as cross respondents alleging certain failures and contributory negligence on the part of the State Entities. In turn, following hearing of the claim against Esso the State Entities may join BHP Billiton Petroleum (Bass Strait) Pty Ltd ('BHPBP') as a further cross respondent, with the effect that if any sums are recovered against the State Entities they will seek contribution from BHPBP. The Applicants' alleged losses have not been quantified.

In addition to BHPBP's potential liability to the State Entities under the cross claims, in certain circumstances Esso, as operator, is entitled to be indemnified by BHPBP as a 50 per cent joint venturer for certain categories of legal costs incurred by Esso and payments made in satisfaction of claims.

In turn, BHPBP may have rights against Esso as operator in relation to losses and costs BHPBP has incurred in relation to the incident, including under the cross claim by the State Entities. It is unlikely that these issues will be resolved in the near term.

Reclamation and remediation obligations
The BHP Billiton Group's activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the BHP Billiton Group has a policy of ensuring that reclamation is planned and financed from the early stages of any operation. Provision is made for the reclamation of the BHP Billiton Group's mining and processing facilities along with the decommissioning of offshore oil platforms and infrastructure associated with petroleum activities. At 30 June 2002, US$1 276 million (2001: US$877 million) was accrued for reclamation and decommissioning costs relating to current operations in the provision for site rehabilitation. Although the BHP Billiton Group's provisions have been accrued for currently, reclamation and decommissioning expenditures generally are expected to be paid over the next 30 years. As stated in the BHP Billiton Group's accounting policy, the BHP Billiton Group's provisions for reclamation and decommissioning are discounted to its net present value.

In addition, the BHP Billiton Group has certain obligations associated with maintaining several closed sites including remediation activities. At 30 June 2002, US$337 million (2001: US$171 million) and US$47 million (2001: US$334 million) was provided for closed properties and remediation activities in the provisions for site rehabilitation and restructuring, respectively. Certain of the remediation activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability for these matters could vary. The amounts accrued for these matters are reviewed periodically based upon the facts and circumstances available at the time and the accruals are updated accordingly. The BHP Billiton Group believes that it is reasonably possible that the liability for these matters could be as much as 20 per cent greater than the total amount of US$384 million accrued at 30 June 2002. Details of the more significant remediation sites are discussed below.

Pinal Creek, Arizona, US

BHP Copper Inc ('BHP Copper') is involved in litigation concerning groundwater contamination resulting from historic mining operations near the Pinal Creek/Miami Wash area located in the State of Arizona.

On 2 April 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. On 22 September 2000, the court approved settlement reached between the parties for a non-material amount, and the terms of the settlement are now being implemented as a monitoring program.

A State consent decree ('the Decree') was approved by the Federal District Court for the District of Arizona in August 1998. The Decree authorises and requires groundwater remediation and facility-specific source control activities, and the members of the Pinal Creek Group (which consists of BHP Copper, Phelps Dodge Miami Inc and Inspiration Consolidated Copper Co) are jointly liable for performing the non-facility specific source control activities. Such activities are currently ongoing. As of 30 June 2002 the Company has provided US$31 million for its anticipated share of the planned remediation work, which represents the minimum in a range of US$31 million to US$43 million. BHP Copper is currently working to reduce its ultimate exposure.

BHP Copper and the other members of the Pinal Creek Group filed a contribution action in November 1991 in the Federal District Court for the District of Arizona against former owners and operators of the properties alleged to have caused the contamination. Such action seeks recovery from these historical owners and operators for remediation and source control costs under state and federal Superfund laws and state common law. BHP Billiton Limited's predecessors in interest have asserted a counterclaim in this action against BHP Copper seeking full indemnity from BHP Copper (based upon the historical transaction documents relating to the sale to BHP Copper of the properties) for any liability those predecessors may have at the site. BHP Copper has also filed suit against a number of insurance carriers seeking to recover under various insurance policies for remediation, response, source control, and other costs noted above incurred by BHP Copper. Discussions, as well as discovery and other proceedings, are currently ongoing. Neither insurance recoveries nor other claims or offsets have been recognised in the financial statements until such offsets are considered probable of realisation.

Hawaii, US

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

The BHP Billiton Limited Group operated a petroleum terminal, now decommissioned, at a site that is within an area that has since been declared a Hawaii State Superfund site. The BHP Billiton Limited Group is currently participating in a voluntary effort with a number of other parties to undertake site assessment, to be followed by a risk assessment, and ultimately risk-based correction actions.

Also within the Superfund area is the site of a previous manufactured gas plant. Litigation over a claim brought by a neighbour, Castle & Cooke, asserting that contamination on its property arose from the BHP Billiton Limited controlled site was settled in December 2000. Petroleum has engaged a contractor to remediate the former gas plant site to the satisfaction of the Hawaii Department of Health and to meet conditions of the Settlement Agreement. The State of Hawaii has previously requested information from the BHP Billiton Limited Group with respect to contaminated material unearthed in the vicinity of another former manufactured gas plant site, in Hilo.

In respect of these three sites, Petroleum's liabilities including remediation costs and amounts paid to settle litigation, though uncapped, are currently assessed and accrued at US$12 million.

Newcastle, Australia

On 28 June 2002, the Company and the New South Wales (NSW) Government executed contracts for the transfer of four properties in the Newcastle area from the Company to the NSW Government. The properties covered by the land transfer are the 150-hectare former Newcastle Main Steelworks site, 230 hectares at Kooragang Island, 500 hectares at Belmont Sands and 1500 hectares at West Wallsend.

Pursuant to the terms of the contracts the NSW Government agreed to pay the Company US$20 million (net of GST) for the Main Steelworks site. The other properties are to be transferred to the NSW Government at no cost. The Company will pay the NSW Government the sum of US$62 million (net of GST) for environmental remediation and monitoring of the former Main Steelworks site and Kooragang Island, industrial heritage interpretation and rail infrastructure relocation on the former Main Steelworks site.

The transfer of the four properties was conditional, amongst other things, on an indemnity from the NSW Government against responsibility for the remediation of contamination on the Main Steelworks site and Kooragang Island and contamination, which has migrated to or has been transported off these sites after the date of completion. The Company will retain responsibility for any pre-completion environmental liabilities associated with Belmont Sands and West Wallsend and for pre-existing off-site contamination from the former Main Steelworks site and Kooragang Island.

The Company continues to be responsible for demolition at the Main Steelworks site at an estimated cost of around US$11 million.

The payments to the Government associated with the land transfers and the cost of demolition has been accounted for as part of the Newcastle Steelworks closure.

The transfers of the four properties referred to above were completed on 31 July 2002 and the indemnity referred to above is now in place. The Company has also taken out pollution liability insurance to cover certain risks associated with pre-completion environmental liabilities referred to above.

Notes to Financial Statements continued

39 CONTINGENT LIABILITIES continued

Additionally the Company retains responsibility for certain sediment in the Hunter River adjacent to the former Main Steelworks site. A remediation options study has been completed.

The estimated total future costs provided at 30 June 2002 were approximately US$75 million. Following completion of the land transfers (at a net cost of US$42 million) and including demolition and pollution liability insurance costs the balance of the provision is US$33 million to deal with the remaining Newcastle Steelworks closure issues.

Ok Tedi, Papua New Guinea

The BHP Billiton Group completed its withdrawal from the Ok Tedi copper mine in Papua New Guinea in February 2002 with the transfer of its 52 per cent equity stake to PNG Sustainable Development Program Limited ('Program Company'), a development fund that will operate for the benefit of the Papua New Guinean people.

The Program Company will operate independently and will utilise future dividend payments arising from the BHP Billiton Group's transferred shareholding in Ok Tedi Mining Limited (OTML) to fund current and long-term sustainable development projects in Papua New Guinea, particularly the Western Province.

Following the transfer of BHP Billiton's shareholding, the equity participants in OTML are: PNG Sustainable Development Program Limited (52 per cent); the State of Papua New Guinea (30 per cent) and Inmet Mining Corporation (18 per cent). OTML will continue to operate the mine on behalf of the shareholders.

Additionally the withdrawal agreement requires cash provisioning by OTML for mine closure and provides a scheme for retention of a responsible and skilled mine management team including transfer of existing BHP Billiton Group Ok Tedi staff to OTML.

The BHP Billiton Group will also provide financial support to the Program Company by way of a fully repayable, interest free funding facility of US$100 million for a period of three years (until it has built up its own fund) with repayment arrangements if these are used. As any allocations from the funding facility are fully repayable, BHP Billiton's assessment is that these arrangements do not require provisioning in the BHP Billiton Group's accounts.

The financial support provided by the BHP Billiton Group will ensure the Program Company has immediate access to finance for environmental remediation or other capital requirements, in accordance with its shareholder obligations, prior to the accumulation of sufficient funds in the Program Company from future dividend flows.

Following the equity transfer, the BHP Billiton Group will no longer benefit financially from the Ok Tedi mine operations and, as a result, the BHP Billiton Group negotiated the agreement for its withdrawal to provide protection from any future liabilities including legal claims. The legal arrangements encompass a series of legal releases, indemnities and warranties that safeguard the BHP Billiton Group's interests following its formal exit from the project.

40 COMMITMENTS

	2002 US$M	2001 US$M
Capital expenditure commitments not provided for in the accounts		
Due not later than one year	**1 348**	994
Due later than one year and not later than five years	**271**	440
Total capital expenditure commitments	**1 619**	1 434
Lease expenditure commitments		
Finance leases (a)		
Due not later than one year	**6**	13
Due later than one year and not later than five years	**20**	28
Due later than five years	**30**	41
Total commitments under finance leases	**56**	82
deduct Future financing charges	**21**	19
Finance lease liability	**35**	63
Operating leases (b)		
Due not later than one year (c)	**169**	286
Due later than one year and not later than five years	**375**	475
Due later than five years	**274**	373
Total commitments under operating leases	**818**	1 134
Other commitments (d)		
Due not later than one year		
Supply of goods and services	**181**	177
Royalties	**27**	22
Exploration expenditure	**13**	34
Chartering costs	**55**	50
	276	283
Due later than one year and not later than five years		
Supply of goods and services	**579**	613
Royalties	**82**	93
Exploration expenditure	**28**	32
Chartering costs	**164**	93
	853	831
Due later than five years		
Supply of goods and services	**650**	737
Royalties	**150**	164
Chartering costs	**154**	85
	954	986
Total other commitments	**2 083**	2 100

(a) Finance leases are predominantly related to leases of dry bulk carriers for the Transport and Logistics business. Refer notes 25 and 28.

(b) Operating leases are entered into as a means of acquiring access to property, plant and equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Certain leases contain extension and renewal options.

Notes to Financial Statements continued

40 COMMITMENTS continued

(c) The BHP Billiton Group has commitments under operating leases to make payments totalling US$169 million in the next year as follows:

	2002 US$M	2001 US$M
Land and buildings		
Leases which expire:		
Within one year	**15**	3
Between two and five years	**6**	16
Over five years	**13**	17
	34	36
Other operating leases		
Leases which expire:		
Within one year	**80**	148
Between two and five years	**20**	47
Over five years	**35**	55
	135	250

(d) Included in other commitments is an amount of US$684 million (2001: US$656 million) representing HBI Western Australia's continuing operating commitments under a number of take or pay contracts for supply of products/services.

41 SUPERANNUATION AND PENSION PLAN COMMITMENTS

The BHP Billiton Group contributes to a number of superannuation funds and pension plans which exist to provide benefits for employees and their dependants on retirement, disability or death. The funds include Company sponsored funds, multi-employer industry funds and statutory retirement funds and are either defined benefit or defined contribution arrangements. The BHP Billiton Group and employee members make contributions as specified in the rules of the respective funds.

The total amount of BHP Billiton Group contributions to all funds was US$136 million, US$92 million and US$96 million for 2002, 2001 and 2000 respectively.

The BHP Billiton Group's contribution to retirement plans for all BHP Billiton Group sponsored plans was US$96 million, US$82 million and US$82 million for 2002, 2001 and 2000 respectively.

The BHP Billiton Group contributed US$40 million, US$10 million and US$14 million for 2002, 2001 and 2000 respectively, for employees covered by various multi-employer industry and statutory retirement plans. Information from the plans' administrators which would permit the BHP Billiton Group to determine its share of accumulated plan benefits or net assets available for benefits under all such plans is currently not available.

Expenses for defined benefit pension schemes are recognised so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. A pension obligation or asset is recognised in the Statement of Financial Position. In addition, provision is made in the accounts for retirement benefits payable to non-executive Directors who were Directors of BHP Billiton Limited prior to the DLC merger on 29 June 2001.

Independent actuarial reviews of BHP Billiton Group sponsored defined benefit funds are generally undertaken every three years.

41 SUPERANNUATION AND PENSION PLAN COMMITMENTS continued

The following is a review of the major funds in which the BHP Billiton Group participates:

Name of fund	Fund type	Last reporting date	Accrued Benefits [a][b] 2002 US$M	Accrued Benefits [a][b] 2001 US$M	Plan Assets [a] 2002 US$M	Plan Assets [a] 2001 US$M	Net surplus/ (deficit) [a] 2002 US$M	Net surplus/ (deficit) [a] 2001 US$M	Vested Benefits [a][b] 2002 US$M	Vested Benefits [a][b] 2001 US$M
BHP Billiton Superannuation Fund [b][c]	Defined benefit/ Defined contribution	30 June 2002	**1 345**	1 319	**1 434**	1 424	**89**	105	**1 452**	1 414
Other plans			**795**	492	**710**	476	**(85)**	(16)	**751**	474
Total for BHP Billiton Group sponsored plans [d]			**2 140**	1 811	**2 144**	1 900	**4**	89	**2 203**	1 888

[a] Accrued benefits, plan assets, net surplus/(deficit) and vested benefits are measured as at the last reporting date of each fund listed above. The reporting dates for the other plans are between 30 June 2001 and 30 June 2002.

[b] Vested benefits are benefits which are not conditional upon continued membership of the respective fund or any other factor other than resignation from the fund. Accrued benefits are calculated by the actuary as the present value of future benefit payments in relation to membership up to the dates noted in (a) above. The accrued benefits as at 30 June 2002 and 30 June 2001 are estimated.

[c] Enforceable legal obligation on the BHP Billiton Group to contribute. Contributions are made by the member and the BHP Billiton Group and are based on a percentage of a member's salary or wage.

[d] This does not include multi-employer sponsored plans for which the information relating to BHP Billiton Group employees is not available.

42 REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

Directors

	2002 US$M	2001 US$M
Amounts received or due and receivable by Directors of BHP Billiton Limited [a][b][c][d]	**14.824**	6.498

Directors whose total income was between (US$)	2002 Number	2001 Number
0 – 9 999	**–**	7
60 000 – 69 999	**1**	7
70 000 – 79 999	**9**	–
80 000 – 89 999	**2**	–
150 000 – 159 999	**1**	–
250 000 – 259 999	**–**	1
260 000 – 269 999	**1**	–
1 480 000 – 1 489 999	**1**	–
1 580 000 – 1 589 999	**–**	1
2 020 000 – 2 029 999	**1**	–
4 200 000 – 4 209 999	**–**	1
4 940 000 – 4 949 999 [d]	**1**	–
5 060 000 – 5 069 999	**1**	–

In 2002, amounts received or due and receivable by Directors of BHP Billiton Group controlled entities were US$125.640 million (2001: US$80.170 million). Refer [a], [b] and [c].

Notes to Financial Statements continued

42 REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS continued

Executive officers

	2002 US$M	2001 US$M
Amounts received or due and receivable by executive officers (including Executive Directors) of the BHP Billiton Group whose total income equals or exceeds US$100,000 [a][b][c][d][e]	**29.610**	32.655

Executive officers whose total income was between (US$)	2002 Number	2001 Number	Executive officers whose total income was between (US$)	2002 Number	2001 Number
150 000 – 159 999	–	1	890 000 – 899 999	–	1
190 000 – 199 999	–	1	900 000 – 909 999	–	1
220 000 – 229 999	–	1	1 070 000 – 1 079 999	**1**	–
290 000 – 299 999	–	1	1 090 000 – 1 099 999	–	1
300 000 – 309 999	–	1	1 100 000 – 1 109 999	**1**	–
310 000 – 319 999	–	2	1 210 000 – 1 219 999	–	2
320 000 – 329 999	–	1	1 250 000 – 1 259 999	**1**	1
330 000 – 339 999	–	1	1 310 000 – 1 319 999	**1**	–
350 000 – 359 999	–	1	1 450 000 – 1 459 999	**1**	–
430 000 – 439 999	–	1	1 550 000 – 1 559 999	**1**	–
480 000 – 489 999	–	1	1 580 000 – 1 589 999	–	1
490 000 – 499 999	–	2	1 670 000 – 1 679 999	–	1
500 000 – 509 999	–	1	1 820 000 – 1 829 999	–	1
510 000 – 519 999	–	2	1 860 000 – 1 869 999	**1**	–
580 000 – 589 999	–	1	1 890 000 – 1 899 999	**1**	–
590 000 – 599 999	–	1	2 040 000 – 2 049 999	–	1
600 000 – 609 999	–	1	2 070 000 – 2 079 999	–	1
640 000 – 649 999	–	1	2 100 000 – 2 109 999	**1**	–
690 000 – 699 999	–	1	2 540 000 – 2 549 999	**1**	–
780 000 – 789 999	–	1	3 420 000 – 3 429 999	**1**	–
790 000 – 799 999	–	2	4 200 000 – 4 209 999	–	1
880 000 – 889 999	–	1	4 940 000 – 4 949 999[d]	**1**	–
			5 060 000 – 5 069 999	**1**	–
				13	38

(a) The BHP Billiton Group granted various equity instruments to Executive Directors and executive officers during the years ended 30 June 2002 and 30 June 2001, in accordance with the employee ownership plans in existence in both the BHP Billiton Limited Group and the BHP Billiton Plc Group. The value of each instrument granted during the year ended 30 June 2002 has been determined by an independent actuary using modified Black-Scholes option pricing techniques. Instruments granted by the BHP Billiton Limited Group during the year ended 30 June 2001 were also valued by an independent actuary using modified Black-Scholes option pricing techniques. Remuneration for the years ended 30 June 2002 and 2001 includes amounts in relation to equity instruments granted during the respective years. The different nature of the instruments which have been issued year on year, with respect to the performance hurdles which have been established and the qualifying periods before the instruments vest, results in variations to the respective valuations. Refer to note 31 for details of all instruments granted and valuations.

(b) For some Executive Directors and executive officers, remuneration includes BHP Billiton Group contributions to superannuation funds and an imputed notional contribution calculated at the determined actuarial rate. Where Executive Directors and executive officers have Employee Share Plan loans, an imputed interest component is included in remuneration.

(c) Remuneration for 2002 includes incentives payable to Executive Directors and executive officers based on the achievement of business performance targets and individual performance for the year ended 30 June 2002. Remuneration for 2001 includes incentives paid to Executive Directors and executive officers for the year ended 30 June 2001. Non-executive Directors are not entitled to any form of performance-related remuneration.

(d) Mr Anderson was paid an additional sum of US$5 140 601 after the end of the 2002 financial year in connection with the termination of his employment.

(e) An executive officer is a person directly accountable and responsible for the strategic direction and operational management of the BHP Billiton Group. Following the DLC merger, executive officers for the year ended 30 June 2002 include members of the Executive Committee, some of whom are not domiciled in Australia. Comparative data for the year ended 30 June 2001 reflects the organisation structure which existed in the BHP Billiton Limited Group.

43 RETIREMENT PAYMENTS APPROVED IN GENERAL MEETING

	2002 US$M	2001 US$M
Prescribed benefits in connection with the retirement of Directors approved in general meeting of BHP Billiton Limited		
J C Conde	**0.186**	–
B C Alberts	**0.103**	–
	0.289	–

44 SELF-INSURANCE WORKERS' COMPENSATION PROVISION

	2002 US$M	2001 US$M
Obligations under Australian self-insurers workers' compensation licences included in provisions for employee benefits		
New South Wales	**63**	47
South Australia	**1**	1
Victoria	**3**	3
Western Australia	**3**	3
Queensland	**12**	9
	82	63

Notes to Financial Statements continued

45 MAJOR INTERESTS IN UNINCORPORATED JOINT VENTURES

Name	Country of operation	Principal activity	BHP Billiton Group's effective interest 2002 %	2001 %
Bass Strait	Australia	Hydrocarbons production and exploration	**50**	50
Laminaria	Australia	Hydrocarbons production and exploration	**25–33**	25–33
Griffin	Australia	Hydrocarbons production and exploration	**45**	45
North West Shelf	Australia	Hydrocarbons production and exploration	**8–17**	8–17
Bruce	United Kingdom	Hydrocarbons production and exploration	**16**	16
Keith	United Kingdom	Hydrocarbons production and exploration	**32**	32
Liverpool Bay	United Kingdom	Hydrocarbons production and exploration	**46**	46
Typhoon	US	Hydrocarbons production	**50**	50
West Cameron 76	US	Hydrocarbons exploration	**34**	34–78
Gulf of Mexico	US	Hydrocarbons exploration	**5–100**	5–100
Mamore	Bolivia	Hydrocarbons production	**50**	50
Ohanet	Algeria	Hydrocarbons development	**45**	45
ROD Integrated Development[(a)]	Algeria	Hydrocarbons development	**38.75**	45
Boukhechba	Algeria	Hydrocarbons exploration	**50**	50
Zamzama	Pakistan	Hydrocarbons exploration and development	**38.5**	48
Mt Newman	Australia	Iron ore mining	**85**	85
Mt Goldsworthy	Australia	Iron ore mining	**85**	85
Yandi	Australia	Iron ore mining	**85**	85
Central Queensland Coal Associates	Australia	Coal mining	**50**	50
Gregory	Australia	Coal mining	**50**	50
Ekati™	Canada	Diamond mining	**80**	77
Escondida	Chile	Copper mining	**57.5**	57.5
Worsley	Australia	Bauxite mining and alumina refining	**86**	86
Alumar	Brazil	– Alumina refining	**36**	36
		– Aluminium smelting	**46**	46
Billiton Suriname	Suriname	– Bauxite mining	**76**	76
		– Alumina refining	**45**	45
Valesul Aluminio	Brazil	Aluminium smelting	**45.5**	45.5
Mozal	Mozambique	Aluminium smelting	**47**	47
Middelburg Mine	South Africa	Coal mining	**83**	83
Douglas Colliery	South Africa	Coal mining	**83**	83
Richards Bay Coal Terminal	South Africa	Coal exporting	**37**	40
Rietspruit Mine	South Africa	Coal mining	**50**	50
Wallarah Colliery	Australia	Coal mining	**–**	80

(a) Previously shown as Blocks 401a/402a.

46 ELEMENTS RELATING TO ALL UNINCORPORATED JOINT VENTURES

	2002 US$M	2001 US$M
Current assets		
Cash assets	**295**	124
Receivables	**539**	336
Inventories	**482**	442
Other	**34**	62
Non-current assets		
Receivables	**159**	143
Other financial assets	**24**	27
Inventories	**46**	35
Property, plant and equipment	**11 179**	10 364
Other	**428**	429
BHP Billiton Limited Group share of assets employed in joint ventures	**13 186**	11 962
Contingent liabilities – unsecured (a)	**76**	82
Contracts for capital expenditure not completed (b)	**1 006**	1 239

(a) Included in contingent liabilities arising from joint venture operations. Refer note 39.
(b) Included in capital expenditure commitments. Refer note 40.

Notes to Financial Statements continued

47 MAJOR CONTROLLED ENTITIES

The principal controlled entities of BHP Billiton Limited and BHP Billiton Plc are as follows:

Name	Country of operation	Principal activity	BHP Billiton Group's effective interest 30 June 2002 %	30 June 2001 %
Beswick Pty Ltd	Australia	Investment	**100**	100
BHP Billiton Diamonds Inc	Canada	Diamond mining	**100**	100
BHP Billiton Finance BV	Netherlands	Finance	**100**	100
BHP Billiton Finance Ltd	Australia	Finance	**100**	100
BHP Billiton Finance (USA) Ltd	Australia	Finance	**100**	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton Investments (Jersey) Ltd	Jersey	Holding company	**100**	100
BHP Billiton Iron Ore Pty Ltd	Australia	Management company and iron ore marketing	**100**	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	**100**	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore mining, silver mining	**100**	100
BHP Billiton Petroleum (Angola 21) Inc	Canada	Hydrocarbons exploration	**100**	100
BHP Billiton Petroleum (Australia) Pty Ltd	Australia	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (NWS) Pty Ltd	Australia	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum Great Britain Ltd	United Kingdom	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons exploration	**100**	100
BHP Billiton Petroleum (Victoria) Pty Ltd	Australia	Hydrocarbons exploration	**100**	100
BHP Billiton SA Ltd	South Africa	Holding and service company	**100**	100
BHP Billiton Services Jersey Ltd	Jersey	Service company	**100**	100
BHP Billiton Shared Business Services Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton Tintaya SA	Peru	Copper mining	**99.95**	99.95
BHP Billiton Transport and Logistics Pty Ltd	Australia	Transport services	**100**	100
BHP Billiton World Exploration Inc	Canada	Exploration	**100**	100
BHP Coal Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHP Copper Inc	US	Holding company and copper mining		
BHP Development Finance Pty Ltd	Australia	Finance	**100**	100
BHP Holdings (USA) Inc	US	Holding company	**100**	100
BHP Minerals Exploration Inc	US	Holding company	**100**	100
BHP Mitsui Coal Pty Ltd	Australia	Holding company and coal mining	**80**	80
BHP Navajo Coal Company	US	Coal mining	**100**	100
BHP Nominees Pty Ltd	Australia	Holding company	**100**	100
BHP Operations Inc	US	Finance	**75**	75
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbon exploration	**100**	100
BHP Queensland Coal Ltd	US	Coal mining	**100**	100
BHP Resources Inc	US	Holding company	**100**	100
BHP Steel (AIS) Pty Ltd	Australia	Iron and steel production and coal mining	**100**	100

47 MAJOR CONTROLLED ENTITIES continued

Name	Country of operation	Principal activity	BHP Billiton Group's effective interest 30 June 2002 %	30 June 2001 %
BHP Steel Investments Inc	US	Steel production	**100**	100
BHP Steel Ltd	Australia	Rollforming and coating of sheet steel	**100**	100
BHP Steel Malaysia Sdn Bhd	Malaysia	Steel coating	**60**	60
BHP Steel Thailand Ltd	Thailand	Steel coating	**87.5**	87.5
Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
Billiton Aluminium South Africa Ltd	South Africa	Aluminium smelting	**100**	100
Billiton Coal Australia Pty Ltd	Australia	Coal mining	**100**	100
Billiton Development BV	Netherlands	Exploration	**100**	100
Billiton Metais SA	Brazil	Alumina refining and aluminium smelting	**100**	100
Cerro Matoso SA	Colombia	Nickel mining and ferro-nickel smelting	**99.8**	99.8
Compania Minera Cerro Colorado Limitada	Chile	Copper mining	**100**	100
Compania Minera Riochilex SA	Chile	Copper exploration	**100**	100
Dia Met Minerals Ltd	Canada	Diamond mining	**100**	89.36
Endeavour Coal Pty Ltd	Australia	Coal mining	**100**	–
Groote Eylandt Mining Co Pty Limited	Australia	Manganese mining	**60**	60
Hamilton Brothers Petroleum Corporation	US	Hydrocarbons exploration, development and production	**100**	100
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	**100**	100
Ingwe Coal Corporation Limited	South Africa	Coal mining	**100**	100
NAMD Inc	US	Holding company and metals distribution	**100**	100
Ok Tedi Mining Ltd	Papua New Guinea	Copper mining	**–**	52
PT Arutmin Indonesia Pty Ltd	Indonesia	Coal mining	**–**	80
PT BHP Steel Indonesia	Indonesia	Steel coating	**74**	74
QNI Pty Ltd	Australia	Nickel refining	**100**	100
QNI Resources Pty Ltd	Australia	Holding company	**100**	100
QNI Metals Pty Ltd	Australia	Holding company	**100**	100
Rio Algom Limited	Canada	Holding company	**100**	100
Samancor Limited	South Africa	Chrome and manganese mining and production	**60**	60
Samancor AG	Switzerland	Marketing	**60**	60
San Juan Coal Company	US	Coal mining	**100**	100
San Juan Transportation Company	US	Coal transportation	**100**	100
Tasmanian Electro Metallurgical Co Pty Ltd	Australia	Manganese alloys	**60**	60
Tasman Steel Holdings Limited	New Zealand	Iron and steel production	**100**	100

The list above only includes those companies which principally affect the profit or net assets of the BHP Billiton Group.

48 RELATED PARTIES

Directors of BHP Billiton Limited who held office during the year were:

D R Argus AO	D A Crawford	R J McNeilly [(c)]
P M Anderson	B P Gilbertson	J T Ralph AC
B C Alberts [(a)]	C W Goodyear [(b)]	C A Herkströter
Lord Renwick of Clifton	D C Brink	J B Jackson
B D Romeril [(a)]	M A Chaney	D A Jenkins
J M Schubert	J C Conde AO [(a)]	D L Keys [(a)]

[(a)] Resigned on 30 June 2002.
[(b)] Appointed on 30 November 2001.
[(c)] Resigned 31 October 2001.

Notes to Financial Statements continued

48 RELATED PARTIES continued

Share transactions with Directors and Director-related entities
The former Managing Director and Chief Executive Officer, P M Anderson received 374 693 ordinary shares during the year ended 30 June 2002 (2001: 201 840) on exercise of Performance Rights. A further 50 000 exercisable rights are held and are exercisable. On the exercise of these rights P M Anderson will receive 114 765 ordinary shares.

The current Chief Executive Officer, B P Gilbertson, was conditionally awarded 274 914 shares under the Restricted Share Scheme during the year ended 30 June 2002 (2001: 1 092 618). Subject to performance hurdles being met, the shares will vest unconditionally on 1 October 2004. An additional 94 851 shares were awarded under BHP Billiton Plc's Co-Investment Plan. Of this award, 71 431 were matching awards and 23 420 were awarded as committed shares (2001: 92 361 committed shares and 348 311 matching awards). They are not exercisable before 1 October 2003 and are subject to performance hurdles.

During the year 1 092 618 of B P Gilbertson's Restricted Share Scheme awards vested at £3.1675 each (the market price of shares on the day of vesting) and 92 361 committed shares and 348 311 matching awards vested at £3.1675 each (the market price of shares on the day of vesting).

Shares, options and Performance Rights held by Directors and Director-related entities at balance date
The aggregate number of shares, options and Performance Rights held in the BHP Billiton Group by Directors of BHP Billiton and their Director-related entities at balance date were:

	Shares/Options/Performance Rights in BHP Billiton Limited		Shares/Options in BHP Billiton Plc	
	2002	2001	**2002**	2001
Fully paid ordinary shares	**1 240 374**	596 141	**1 048 752**	642 313
Ordinary shares paid to 71 cents	**–**	200 000	**–**	–
Ordinary shares paid to 67 cents	**–**	610 000	**–**	–
Employee Share Plan options	**1 700 000**	1 250 000	**–**	–
Exercisable Rights	**50 000**	25 000	**–**	–
Performance Rights	**635 733**	657 222	**–**	–
Restricted Share Scheme	**–**	–	**274 914**	1 092 618
Co-Investment Plan – committed shares	**–**	–	**23 420**	92 361
Co-Investment Plan – matching award	**–**	–	**71 431**	348 311

Directors and their Director-related entities receive the same dividends and bonus share entitlements as those available to other holders of the same class of shares. Partly paid shares did not participate in dividends.

Refer to note 31 for details of the employee ownership plans referred to above. All share transactions with Directors and their Director-related entities were conducted in the normal course of business and under normal terms and conditions.

	2002 US$M	2001 US$M
Loans made to Directors		
Aggregate amount of loans made during the financial year to Directors, not being Directors of BHP Billiton Limited		
Directors of controlled entities	**0.004**	0.002
(all loans were concessional)		
Loan repayments from Directors		
Aggregate amount of repayments received during the financial year from Directors, not being Directors of BHP Billiton Limited		
Employee Share Plan loans		
Directors of controlled entities	**0.736**	0.859
Other loans		
Directors of controlled entities	**0.006**	0.002
(all loans were concessional)		

48 RELATED PARTIES continued

The following were Executive Directors during the year, and received loans and/or made loan repayments. (There are no loans to Non-executive Directors):

Allen N T*
Amundsen M*
Archibald T J*
Armour W*
Bartholomew I*
Baxendale D R*
Bell S*
Benjamin C J*
Biggs D A J*
Blake S A*
Bond G*
Bradford A N C*
Brannon J R*
Bull V A*
Button A*
Cain M*
Callaghan G C*
Cameron J K*
Campbell J A*
Carroll D A*
Carroll R A*
Chan W K*
Cheung P L K*
Christie A D*
Clarebrough J A*
Cleary J W*
Cobley M A*
Courtnall M*
Cousins B L*
Crawford R*
Crookshank N*
Dalgleish I W*
Danks P*
De Verteuil D N*
de Zwart P A*
Desouza J*
Dickson I J*
Dorairaj M*
Dynon J N*
Eades C R*
Edney I C*
Edwards K A*
Etournaud D H*
Excell J D*
Farrell K P*
Finocchiaro A J*
Fogarty C G*
Ford S L*
Franklin D*
Gilzean M*
Giorgini S*
Glendinning A #
Glover G W*
Grint W*
Grubb J W*
Hadwen S J*
Hall J W*
Hammond G*
Harmon R G*
Harvey R / #
Heath G J*
Hedges M E*
Henderson T L*
Hermecz A*
Heycott A J*
Heycox I R*
Higgins R J*
Hohnen M A*
Hook G J*
Howell A F*
Huggins D A*
Hunt G P*
Hunter K C*
Janes R B*
John D W*
Johnston W G*
Jones C*
Jones E Y*
Jones J H*
Jones P A*
Jordan J R*
Kapitola R H*
Kellow G L*
Keogh S M*
Kirkby R W*
Kirke A W*
Kong W M*
Kruger B*
Landy B M*
Lane R C*
LaPirow S M*
Lie E #
Lim M S W*
Lyons J S*
Martin D G*
Massey J C*
Matthys J L*
McGowan B W*
Miller W G*
Miskin A D*
Moody W J W*
Murray R P*
Netterfield D J*
Nicol B A*
Nuttall J*
Offen A J*
Oppenheimer M C*
Parker N H*
Paul G J*
Pickering K W*
Quek H H*
Quinn G W*
Reynolds A E*
Roberts B A*
Robinson G R*
Robinson P S*
Saxelby W R*
Schissel D J*
Schulz D*
Sherlock G T*
Skrzeczynski R H*
Smith C E*
Spitzer P R*
Stockden J M*
Suvanhongkul S*
Szecsodi G A*
Tan H C*
Tinley N G*
Todorcevski R*
Todorcevski Z*
Twine D J*
Vine J A*
Wandke S C*
Warner G C*
Watts R*
Weatherstone C*
Whalan B*
White T A*
Whiting T H*
Wilkins W A*
Williams M L*
Wirth B A*
Worthington P A*
Zimmerman W E*
Zugai M*
Zwaan J P*

* Employee Share Plan loan repayments.
/ Other loans received.
\# Other loan repayments.

Notes to Financial Statements continued

48 RELATED PARTIES continued

	2002 US$M	2001 US$M
Related party transactions and balances included throughout the financial statements are as follows:		
Interest received or due and receivable from related parties		
Associated entities	**17.482**	2.330
	17.482	2.330
Dividends received or due and receivable from related parties		
Associated entities	**187.390**	34.911
	187.390	34.911
Borrowing costs paid or due and payable to related parties		
Associated entities	**0.171**	0.515
	0.171	0.515
Current trade receivables due from related parties		
Other Director-related entities	**–**	0.303
Associated entities	**1.099**	2.193
	1.099	2.496
Current sundry receivables due from related parties		
Associated entities	**3.343**	2.407
Directors of controlled entities [(a)]	**0.924**	0.786
	4.267	3.193
Non-current trade receivables due from related parties		
Associated entities	**–**	0.257
	–	0.257
Non-current sundry receivables due from related parties		
Associated entities	**455.822**	2.290
Directors of controlled entities [(a)]	**1.745**	1.880
	457.567	4.170

48 RELATED PARTIES continued

	2002 US$M	2001 US$M
Current trade creditors due to related parties		
Other Director-related entities	**0.195**	–
Associated entities	**–**	0.017
	0.195	0.017
Current sundry creditors due to related parties		
Other Director-related entities	**1.889**	–
Associated entities	**1.635**	0.506
	3.524	0.506
Non-current sundry creditors due to related parties		
Associated entities	**4.433**	–
Total	**4.433**	–
Related party contingent liabilities at balance date, not otherwise provided for in these financial statements, are categorised as arising from:		
Associated entities – unsecured	**78.872**	49.282
	78.872	49.282

(a) Current and non-current sundry receivables due from Directors represent the appropriate portion of loans to Directors engaged in full-time employment within the BHP Billiton Group, mainly for acquisition of shares in BHP Billiton Limited.

Investments in associated entities are shown in note 18.
Directors' remuneration is shown in note 42.

Major interests in unincorporated joint ventures are shown in note 45.

Details of major controlled entities are shown in note 47.

Transactions with Director-related entities
A number of Directors of BHP Billiton Limited hold positions in other companies, where it may be said they control or significantly influence the financial or operating policies of these entities. Accordingly, the following entities are considered to be Director-related entities for the purpose of the disclosure requirements of Australian Accounting Standard AASB 1017: Related Party Disclosures:

Other Director transactions with BHP Billiton Group entities
Where the Director was an employee of the BHP Billiton Group, transactions include:

- reimbursement of transfer expenses;
- minor purchases of products and stores; and
- insurance with BHP Billiton Group insurance companies.

All these transactions (which were trivial in amount) were conducted on conditions no more beneficial than those available to other employees.

Following the termination of his employment on 1 July 2002, Mr Anderson entered into a consultancy arrangement with BHP Billiton Limited under which he agrees to act as a consultant to the Group for two years commencing at the time he ceases to be a Director. Mr Anderson will receive a total fee of US$104 739 under this arrangement.

Director of BHP Billiton Limited	Director-related entity	Position held in Director-related entity
D A Crawford (a)	KPMG	Chairman and Partner
J C Conde (b)	Broadcast Investments Pty Ltd (and related entities)	Chairman and Managing Director
M A Chaney	Wesfarmers (Group)	Managing Director
D A Jenkins	Chartwood Resources Ltd	Chairman and Managing Director
B D Romeril (c)	Xerox Corporation	Chief Financial Officer

(a) D A Crawford resigned as Chairman and Partner of KPMG on 28 June 2001.
(b) J C Conde resigned as Chairman and Managing Director of Broadcast Investments Pty Ltd on 21 March 2001.
(c) B D Romeril retired as Chief Financial Officer of Xerox Corporation on 31 December 2001.

Notes to Financial Statements continued

48 RELATED PARTIES continued

Transactions between the BHP Billiton Group and these Director-related entities are detailed below:

- D A Crawford resigned as Chairman and Partner of KPMG on 28 June 2001. During the year ended 30 June 2001 KPMG received US$1.320 million in fees for services provided to the BHP Billiton Group.
- the Wesfarmers Group received US$22.287 million during the year ended 30 June 2002 (2001: US$13.492 million) for products and services provided to the BHP Billiton Group. The Wesfarmers Group paid US$5.052 million (2001: US$7.474 million) to the BHP Billiton Group for various products. At 30 June 2002 outstanding receivables from the Wesfarmers Group were US$nil (2001: US$0.303 million).
- Xerox Corporation received US$1.831 million during the year ended 30 June 2002 for products and services provided to the BHP Billiton Group. At 30 June 2002 outstanding amounts due to the Xerox Corporation were US$0.619 million.

Transactions with associated entities
The following material transactions with related parties of the BHP Billiton Limited Group occurred:

- sales of services to Australian LNG Shipping amounting to US$9.872 million for the year ended 30 June 2002 (2001: US$10.051 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of ferrochrome to Columbus Stainless Steel amounting to US$17.546 million for the year ended 30 June 2002 (2001: US$40.047 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of nickel products to Billiton Stratcor Incorporated amounting to US$168.747 million for the year ended 30 June 2002 (2001: US$277.158 million). Purchases of aluminium, nickel and other services from Billiton Stratcor Incorporated amounting to US$2.986 million for the year ended 30 June 2002 (2001: US$1.926 million). These sales and purchases were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of services to Australian Bulk Charter amounting to US$2.831 million for the year ended 30 June 2002 (2001: US$2.910 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of services to Blue Ocean Shipping amounting to US$2.899 million for the year ended 30 June 2002 (2001: US$2.976 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of services to Teekay Marine amounting to US$5.001 million for the year ended 30 June 2002 (2001: US$5.524 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of services to Ferrum Transport amounting to US$1.181 million for the year ended 30 June 2002 (2001: US$1.476 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of services to Westralian Bulk Services amounting to US$1.311 million for the year ended 30 June 2002 (2001: US$1.036 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of services to Samarco amounting to US$6.202 million for the year ended 30 June 2002 (2001: US$5.392 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.
- sales of services to Advalloy amounting to US$23.924 million for the year ended 30 June 2002, (2001: US$29.863 million). These sales were conducted in the normal course of business and under normal commercial terms and conditions.

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES

Refer addendum at the end of these Combined Financial Statements which includes a revised version, in its entirety, of this note 49 to the financial statements.

The financial statements of the BHP Billiton Group are prepared in accordance with Australian Generally Accepted Accounting Principles (GAAP). The financial statements, analyses and reconciliations presented in this note represent the financial information which would be required if US GAAP had been applied instead of Australian GAAP.

Certain additional disclosures that would normally accompany these disclosures were they being prepared in the context of a filing with the US Securities and Exchange Commission have been omitted.

DLC merger
On 29 June 2001, BHP Billiton Plc (formerly Billiton Plc) consummated the Dual Listed Companies ('DLC') merger with BHP Billiton Limited (formerly BHP Limited). A description of the DLC merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. In accordance with Australian GAAP, the assets, liabilities and equity of the BHP Billiton Plc Group and of the BHP Billiton Limited Group are combined at their respective book values as at the date of consummation of the merger.

Under US GAAP the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group has been identified as the acquirer because of the majority ownership interest of BHP Billiton Limited shareholders in the DLC structure. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognise the BHP Billiton Plc Group assets and liabilities at their fair values, with the excess recorded as goodwill.

(A) Reconciliation to US GAAP
Material differences between Australian GAAP as followed by the BHP Billiton Group and US GAAP are described below. Refer 'US GAAP Adjustments'.

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to net income for 2002, 2001 and 2000 which would be required if US GAAP had been applied instead of Australian GAAP.

	2002 US$M	2001 US$M (restated)	2000 US$M
Reconciliation of net income			
Net profit attributable to members as reported in the consolidated Statement of Financial Performance:	**1 648**	1 109	1 034
add/(deduct)			
Estimated adjustment required to accord with US GAAP:			
Fair value adjustment on acquisition of BHP Billiton Plc Group			
Depreciation, amortisation and other asset movements	**(412)**	–	–
BHP Steel demerger	**(333)**	–	–
Employee compensation costs	**26**	(117)	–
Depreciation – write-downs	**(18)**	(19)	(34)
– revaluations	**5**	5	8
– reserves	**(15)**	–	–
Restructuring and employee provisions	**(55)**	31	27
Fair value accounting for derivatives	**279**	(33)	–
Synthetic debt	**18**	–	–
Realised net exchange (losses)/gains on sale of assets/closure of operations	**84**	7	26
Exploration, evaluation and development expenditures	**(60)**	(3)	(4)
Start-up costs	**(2)**	5	(16)
Profit on asset sales	**2**	2	(30)
Pension plans	**(12)**	(172)	(29)
Other post-retirement benefits	**8**	–	–
Mozal expansion rights	**22**	–	–
Employee Share Plan loans	**(16)**	–	–
Purchase business combination costs	**–**	38	–
Expenses on spin-off of OneSteel Limited	**–**	(30)	–
Asset write-downs	**–**	–	(891)
Consolidation of Tubemakers of Australia Ltd	**–**	(1)	(4)
Application of Equity accounting	**–**	–	164
Tax adjustments (including the tax effect of above adjustments)	**(42)**	60	338
Total adjustment	**(521)**	(227)	(445)
Net income of BHP Billiton Group under US GAAP	**1 127**	882	589

	2002 US$	2001 US$	2000 US$
Earnings per share – US GAAP (a) (b)			
Basic	**0.187**	0.239	0.161
Diluted	**0.187**	0.238	0.161
Earnings per American Depositary Share (ADS) – US GAAP (b) (c)			
Basic	**0.374**	0.478	0.322
Diluted	**0.374**	0.476	0.322

(a) Based on the weighted average number of shares on issue for the period.
(b) Comparative data has been adjusted to take into account the BHP Billiton Limited bonus share issue effective 29 June 2001. Refer note 31.
(c) For the periods indicated, each ADS represents two ordinary shares.

Notes to Financial Statements continued

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	2002 US$M	2001 US$M (restated)	2000 US$M
Consolidated income statement			
Revenues	**14 698**	9 038	9 401
deduct			
Cost of sales	**9 968**	6 457	7 798
Depreciation and amortisation	**1 882**	1 137	1 174
General and administrative expenses	**174**	185	56
Operating income	**2 674**	1 259	373
deduct			
Net interest expense	**465**	299	457
Income/(loss) before tax, minority interests and equity in net earnings of affiliated companies	**2 209**	960	(84)
deduct/(add)			
Taxation expense/(benefit)	**1 000**	489	(308)
add			
Share of profits of joint ventures and associated undertakings	**221**	15	183
deduct/(add)			
Minority interests	**39**	(260)	(22)
Net income from continuing operations	**1 391**	746	429
Discontinued operations			
Income from discontinued operations	**74**	205	221
(add)/deduct			
Taxation (benefit)/expense from discontinued operations	**(3)**	34	56
deduct			
Loss on disposal of operations	**333**	31	4
deduct			
Minority interests in discontinued operations	**8**	4	1
Net (loss)/income from discontinued operations	**(264)**	136	160
Net income	**1 127**	882	589

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following statement of comprehensive income reports changes in shareholders' equity excluding those resulting from investments by shareholders and distributions to shareholders.

	2002 US$M	2001 US$M	2000 US$M
Statement of comprehensive income			
Total changes in equity other than those resulting from transactions with owners under Australian GAAP	**1 673**	1 401	1 264
Adjustments to reflect comprehensive income in accordance with US GAAP, net of income tax:			
Total adjustment to net income per above reconciliation	**(521)**	(227)	(445)
Reclassification adjustment for net exchange gains included in net income [(a)]	**(84)**	(7)	(26)
Net loss on qualifying cash flow hedging instruments as at 1 July 2000	**–**	(268)	–
Losses on qualifying cash flow hedging instruments	**–**	(301)	–
Net transfer to earnings on maturity of cash flow hedging instruments	**148**	150	–
Adjustment for initial adoption of revised accounting standard AASB 1016: Accounting for investments in associates	**–**	–	(164)
Changes in fair value of listed investments	**5**	–	–
Comprehensive income – under US GAAP [(b)]	**1 221**	748	629
Accumulated other comprehensive income includes:			
Exchange fluctuation account	**387**	446	149
Qualifying cash flow hedging instruments	**(271)**	(419)	–
Other items	**5**	–	–

(a) Tax benefit/(expense) of other comprehensive income items:			
Movements in exchange fluctuation account	**1**	74	40
Reclassification adjustment for exchange gains included in net income	**–**	–	30

(b) Estimated losses expected to be reclassified from other comprehensive income to earnings in the year ended 30 June 2003 are approximately $220 million after tax.

Notes to Financial Statements continued

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of Australian GAAP:

	2002 US$M	2001 US$M
Equity attributable to members		
Total equity attributable to members	**12 821**	11 847
add/(deduct)		
Estimated adjustment required to accord with US GAAP		
Fair value adjustments on acquisition of BHP Billiton Plc Group (a)		
Inventory	**–**	159
Investments	**985**	1 034
Property, plant and equipment	**2 072**	2 156
Undeveloped properties	**741**	825
Long-term contracts	**39**	40
Goodwill	**2 709**	2 770
Long-term debt	**13**	29
BHP Steel demerger	**(264)**	–
Property, plant and equipment revaluations	**(63)**	(68)
Asset write-downs	**87**	174
Reserves	**(15)**	–
Restructuring and employee provisions	**11**	66
Fair value accounting for derivatives	**(127)**	(624)
Synthetic debt	**31**	13
Exploration, evaluation and development expenditures	**(126)**	(66)
Start-up costs	**(55)**	(53)
Profit on asset sales	**(20)**	(22)
Pension plans	**(109)**	(78)
Other post-retirement benefits	**(15)**	(49)
Mozal expansion rights debtor	**(39)**	(61)
Employee Share Plan loans	**(135)**	(59)
Change in fair value of listed investments	**10**	5
Deferred taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	**(1 559)**	(1 724)
Deferred taxation adjustments (including the deferred taxation effect of other adjustments)	**33**	288
Total adjustment	**4 204**	4 755
Total equity attributable to members according to US GAAP	**17 025**	16 602

(a) In addition to the fair value adjustments on acquisition of the BHP Billiton Plc Group indicated, various adjustments to the net assets of the BHP Billiton Plc Group to reflect US GAAP were also reported. These adjustments have been disclosed in aggregate with similar items relating to the BHP Billiton Limited Group.

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following are the variations in the balance sheet as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of Australian GAAP:

	A GAAP 2002 US$M	Adjustments 2002 US$M	US GAAP 2002 US$M	A GAAP 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Statement of Financial Position						
Assets						
Current assets						
Cash assets	**1 413**	**–**	**1 413**	1 147	–	1 147
Receivables	**1 990**	**(110)**	**1 880**	1 979	(69)	1 910
Other financial assets	**116**	**–**	**116**	215	–	215
Inventories	**1 160**	**–**	**1 160**	1 375	159	1 534
Other assets	**100**	**93**	**193**	122	–	122
Total current assets – continuing operations	**4 779**	**(17)**	**4 762**	4 838	90	4 928
Total current assets – discontinued operations	**748**	**–**	**748**	738	–	738
Total current assets	**5 527**	**(17)**	**5 510**	5 576	90	5 666
Non-current assets						
Receivables	**882**	**(64)**	**818**	374	(51)	323
Investments accounted for using the equity method	**1 505**	**(2)**	**1 503**	1 236	–	1 236
Other financial assets	**489**	**1 034**	**1 523**	465	1 085	1 550
Inventories	**45**	**–**	**45**	61	–	61
Property, plant and equipment	**17 659**	**2 246**	**19 905**	16 964	2 844	19 808
Intangible assets	**513**	**2 709**	**3 222**	608	2 770	3 378
Deferred tax assets	**462**	**67**	**529**	442	216	658
Other assets	**796**	**(100)**	**696**	689	(69)	620
Total non-current assets – continuing operations	**22 351**	**5 890**	**28 241**	20 839	6 795	27 634
Total non-current assets – discontinued operations	**1 984**	**40**	**2 024**	1 809	123	1 932
Total non-current assets	**24 335**	**5 930**	**30 265**	22 648	6 918	29 566
Total assets	**29 862**	**5 913**	**35 775**	28 224	7 008	35 232
Liabilities and shareholders' equity						
Current liabilities						
Payables	**2 143**	**100**	**2 243**	1 989	317	2 306
Interest bearing liabilities	**1 743**	**–**	**1 743**	1 743	–	1 743
Tax liabilities	**498**	**–**	**498**	380	–	380
Other provisions	**1 009**	**(9)**	**1 000**	942	(64)	878
Total current liabilities – continuing operations	**5 393**	**91**	**5 484**	5 054	253	5 307
Total current liabilities – discontinued operations	**448**	**–**	**448**	375	–	375
Total current liabilities	**5 841**	**91**	**5 932**	5 429	253	5 682
Non-current liabilities						
Payables	**121**	**16**	**137**	144	185	329
Interest bearing liabilities	**6 329**	**(33)**	**6 296**	6 458	86	6 544
Tax liabilities	**1 364**	**1 593**	**2 957**	1 152	1 651	2 803
Other provisions	**2 661**	**33**	**2 694**	2 443	69	2 512
Total non-current liabilities – continuing operations	**10 475**	**1 609**	**12 084**	10 197	1 991	12 188

Notes to Financial Statements continued

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	A GAAP 2002 US$M	Adjustments 2002 US$M	US GAAP 2002 US$M	A GAAP 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Total non-current liabilities – discontinued operations	**393**	**–**	**393**	366	–	366
Total non-current liabilities	**10 868**	**1 609**	**12 477**	10 563	1 991	12 554
Total liabilities	**16 709**	**1 700**	**18 409**	15 992	2 244	18 236
Equity minority interests	**332**	**9**	**341**	385	9	394
Shareholders' equity						
BHP Billiton Limited – Contributed equity	**3 143**	**(628)**	**2 515**	3 039	(533)	2 506
BHP Billiton Plc – Called up capital	**1 752**	**5 697**	**7 449**	1 752	5 699	7 451
Other equity items	**471**	**(247)**	**224**	530	(400)	130
Retained profits	**7 455**	**(618)**	**6 837**	6 526	(11)	6 515
Total shareholders' equity	**12 821**	**4 204**	**17 025**	11 847	4 755	16 602
Total liabilities and shareholders' equity	**29 862**	**5 913**	**35 775**	28 224	7 008	35 232

Basis of presentation under US GAAP

Revenue recognition

SAB 101 'Revenue recognition in Financial Statements' became applicable to the BHP Billiton Group for the year ended 30 June 2001. The adoption of SAB 101 does not give rise to any differences in revenue recognition.

Associated entities and unincorporated joint ventures

Under US GAAP, all investments classified as associated entities, as detailed in note 18 'Investments accounted for using the equity method', are accounted for under the equity method of accounting in accordance with APB 18. All unincorporated joint ventures, as detailed in note 45 'Major interests in unincorporated joint ventures', are proportionally accounted for in accordance with Emerging Issues Task Force Opinion ('EITF') 00–01 *Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures*.

The BHP Billiton Group's investment in the Richards Bay Minerals joint venture is comprised of two legal entities Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited. Although the BHP Billiton Group owns 51 per cent of Tisand (Pty) Limited, it has not been consolidated under US GAAP in accordance with EITF 96-16 *Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights.* The substantive participating rights of the minority interests holder in the Richards Bay Minerals joint venture are embodied in the shareholder agreement between the BHP Billiton Group and Rio Tinto which ensures that the Richards Bay Minerals joint venture functions as a single economic entity with the overall profit of the Richards Bay Minerals joint venture shared equally between the venturers.

The BHP Billiton Group holds a 57.5 per cent ownership interest in Escondida, which is classified as a joint arrangement. In accordance with EITF 96-16, the BHP Billiton Group has not consolidated this investment. The substantive participating rights of the minority interests holders in the Escondida joint venture include the participation in selection, termination and compensation of management, approval of sales, expenditure, expansions, curtailments, borrowings, settlements and policies and procedures.

Period ended 30 June 2000

For the BHP Billiton Limited Group, following a change in balance date from 31 May to 30 June, effective 30 June 2000, all references in this reconciliation to 2000 are to the 13 months ended 30 June 2000 (refer note 1). Under US GAAP, net income for the 12 months ended 30 June 2000 was US$400 million and comprehensive income for the 12 months ended 30 June 2000 was US$674 million.

US GAAP adjustments

Acquisition of BHP Billiton Plc

On 29 June 2001, BHP Billiton Limited and BHP Billiton Plc established a DLC merger. A full description of the DLC Merger structure is provided in (Dual Listed Companies Structure and Basis of Preparation of Financial Statements). Under US GAAP, the DLC merger is accounted for as a purchase business combination of the BHP Billiton Plc Group by the BHP Billiton Limited Group.

The total assumed purchase consideration of US$11 529 million was calculated by multiplying the number of shares held by BHP Billiton Plc shareholders of 2 319 147 885 on 29 June 2001 by the US$4.9559 adjusted average share price of BHP Billiton Limited's ordinary shares. The average share price was calculated over a period of three days prior to, and subsequent to, the announcement of the DLC merger on 19 March 2001. The average share price is adjusted for the 1:1 equalisation ratio, which is achieved by BHP Billiton Limited's bonus share issue of 1 912 154 524 million shares in the ratio of 1.0651 additional bonus shares for every existing share held – prior to the bonus share adjustment the average share price would be US$10.2344 (i.e. by a factor of 2.0651). The 2 319 147 885 shares held by BHP Billiton Plc shareholders on 29 June 2001 reflect the exercise of rights under the Restricted Share Scheme and the Co-Investment Plan. As such, there were no outstanding stock options, stock appreciation rights or similar issuances of BHP Billiton Plc, and no purchase consideration is attributable to such securities.

The cost of acquisition was therefore US$11 529 million, including direct external acquisition costs of US$36 million. The direct external acquisition costs have been expensed as incurred for Australian GAAP purposes.

Under US GAAP purchase accounting, the cost of the acquisition is allocated to the fair values of identifiable assets acquired and liabilities assumed. As a result of the fair value exercise, increases in the values of the BHP Billiton Plc Group's inventory, investments, long-term contracts and long-term debt were recognised and fair market values attributed to their other tangible assets mainly property, plant and equipment and undeveloped properties, together with appropriate deferred taxation effects. The difference between the cost of acquisition and the fair value of the assets and liabilities of the BHP Billiton Plc Group has been recorded as goodwill. Fair value adjustments to the recorded amount of inventory and long-term contracts are expensed in the period the inventory is utilised and the long-term contracts are delivered into, and additional amortisation and depreciation are recorded in respect of the fair value adjustments of intangible and tangible assets and the resulting goodwill over the periods of their respective useful economic lives.

The adjustments to the assets and liabilities of the BHP Billiton Plc Group to reflect the fair values and allocation of the excess purchase consideration over the fair value of net assets acquired, based on management's best estimates of fair value, are summarised in the shareholders' equity reconciliation and are discussed below:

(i) The increase in fair value of inventory was determined based on the difference between the carrying value and the market value of these assets.

(ii) The increase in investments relates to increases to the BHP Billiton Plc Group's equity investments. These equity investments have been measured at fair value and any excess of the fair value over the underlying tangible assets and liabilities has been attributed to mineral reserves within the underlying investments. These uplifts to mineral properties are being amortised over their estimated useful lives on a unit of production and, on an investment-by-investment basis. The estimated useful lives are not expected to exceed 30 years.

(iii) The increase in property, plant and equipment relates to increases in the carrying value of the BHP Billiton Plc Group's property, plant and equipment to their estimated fair value. The increase in carrying value of the property, plant and equipment is to be amortised over the estimated useful life of the property, plant and equipment, primarily on a unit of production basis. The estimated useful lives range between one year and 33 years.

During December 1998, the BHP Billiton Plc Group acquired certain assets from the BHP Billiton Limited Group. The BHP Billiton Plc Group recognised certain fair value adjustments as a result of this acquisition which are being amortised over their useful lives. For Australian GAAP, the fair value adjustments are reversed while for US GAAP these fair value adjustments are reinstated.

(iv) The amount of total consideration allocated to the BHP Billiton Plc Group's developed and undeveloped properties has been estimated by the BHP Billiton Group management using current estimates of the status and prospects of the BHP Billiton Plc Group's developed and undeveloped property portfolio as contained in the BHP Billiton Plc Group's strategic plans. The undeveloped properties include only those identified properties that have advanced to a stage of development feasibility where management believes reasonable estimates of projected cash flows can be prepared and proven and probable reserves exist. The value allocated to the developed and undeveloped properties was determined utilising a risk adjusted income approach that included earnings discounted by the appropriate cost of capital for the investment. Estimates of future cash flows related to individual developed and undeveloped properties were based on existing estimates of revenues and contribution margin for the project. The increase in developed properties is being amortised over their estimated exploitable useful lives on a project-by-project basis. Amortisation for each project is deferred until such time as production commences.

(v) The increase in value of the long-term contracts was determined by attributing a fair value to certain long-term contracts, which were not accorded a value in the BHP Billiton Plc Group's financial statements.

(vi) Goodwill represents the remainder of unallocated purchase consideration. Goodwill is currently amortised over its expected useful economic life and in future years will be subject to further periodic impairment tests.

(vii) The decrease in long-term debt was as a result of attributing a fair value to fixed interest rate long-term loans which were not recorded at fair value in the BHP Billiton Plc Group's financial statements.

(viii) Other differences between Australian GAAP and US GAAP included adjustments for pensions, post-retirement benefits and start-up costs.

(ix) Deferred taxes have been computed on the excess of fair value over book value, other than for goodwill, using the applicable statutory tax rates.

Preliminary fair value assessments of the assets and liabilities of the BHP Billiton Plc Group were undertaken through the quantification of the purchase price and the preliminary allocation of this to individual businesses and to the underlying assets and liabilities of the individual businesses. Minor revisions to the provisional fair values were undertaken in the year ended 30 June 2002. The revised values of assets and liabilities acquired compared to the provisional values are shown in the table on the following page. Prior period fair value adjustments have not been restated for the revisions.

Notes to Financial Statements continued

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	Final US$M	Provisional US$M
Statement of Financial Position at 30 June 2001		
Current assets		
Cash assets	687	687
Receivables	883	883
Inventories	1 022	1 022
Other financial assets	132	132
Non-current assets		
Property, plant and equipment	11 567	11 540
Intangibles	3 307	3 278
Other financial assets	2 929	2 971
Current liabilities		
Payables	1 048	1 048
Interest bearing liabilities	1 300	1 300
Other provisions	221	221
Non-current liabilities		
Interest bearing liabilities	3 329	3 329
Tax liabilities	2 129	2 161
Other provisions	634	588
Equity minority interests	337	337
Net assets	11 529	11 529
Shareholders' equity		
Shareholders' equity	11 529	11 529

BHP Steel demerger
Under Australian GAAP, the BHP Steel demerger is treated in two components – a distribution to BHP Billiton Limited shareholders of 94 per cent of BHP Steel shares (accounted for as a capital reduction) and a sale of 6 per cent of BHP Steel shares (accounted for as a sale of assets). Under US GAAP, the BHP Steel demerger is classified as a non pro-rata distribution to shareholders and is required to be accounted for as a 100 per cent sale of assets. The implied consideration for the sale of the additional 94 per cent of BHP Steel shares is based on the market price of BHP Steel shares used in determining the bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders. The remaining 6 per cent is measured at the respective sale price. The implied consideration, when compared to the book value of the BHP Steel net assets to be demerged, indicates a shortfall, which is required to be recognised in the result for the period ended 30 June 2002 for US GAAP. The calculation of the book value of the BHP Steel net assets to be demerged includes US GAAP net asset adjustments attributable to BHP Steel.

Employee compensation costs
In these accounts, the expected cost of awards under various employee ownership plans is charged to the profit and loss account over the vesting period. Under US GAAP, compensation expense arising from variable equity award plans is recognised based on movements in their intrinsic value.

Depreciation
Revaluations of property, plant and equipment and investments have resulted in upward adjustments to the historical cost values reflected in a revaluation reserve, which is part of total equity. In the case of property, plant and equipment, the depreciation charged against income increases as a direct result of such a revaluation. Since US GAAP does not permit property, plant and equipment to be valued at above historical cost, the depreciation charge has been restated to reflect historical cost depreciation.

Following smaller asset write-downs under US GAAP, the higher asset values under US GAAP are being depreciated in accordance with asset utilisation. Refer 'Asset write-downs' below.

Asset write-downs
At 31 May 1998, the BHP Billiton Limited Group changed its impairment test policy for determining the recoverable amount of non-current assets from an undiscounted to a discounted basis. The discount rate is a risk adjusted market rate which is applied both to determine impairment and to calculate the write-down.

Under US GAAP, where an asset is reviewed for impairment, an impairment test is required utilising undiscounted cash flows. If the asset's carrying value exceeds the sum of undiscounted future cash flows, the asset is considered impaired and it is written down to its fair value.

These differences created adjustments to the profit and loss account in prior years representing the lower charge to profit and resultant higher asset values for the write-downs calculated under US GAAP. In subsequent financial periods, the difference in asset carrying values is reduced through the inclusion of additional depreciation charges in the profit and loss account. Refer 'Depreciation' above.

The movement in the shareholders' equity reconciliation in 2002 for this item largely reflects impacts of the BHP Steel demerger and has been included in that item in the income reconciliation. The charge to profit for the period ended 30 June 2000 reflects the additional write-off of the West Australian HBI plant for US GAAP.

Reserves
The BHP Billiton Group prepares mineral reserve statements based on the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the JORC Code). The information contained in those statements differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. This adjustment reflects the impact on depreciation of the difference.

Restructuring and employee provisions
These accounts include provisions for redundancies associated with organisational restructuring that can be recognised where positions have been identified as being surplus to requirements, provided the circumstances are such that a constructive liability exists. Under US GAAP, a provision for redundancies involving voluntary severance offers is restricted to employees who have accepted these offers. The adjustment is reversed over subsequent periods as the offers are accepted.

Fair value accounting for derivatives
Under Australian GAAP, when undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both matured and unmatured transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of a transaction will be included in the profit and loss account whether or not such derivative is terminated. When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) Deferred and included in the measurement of the anticipated transaction when it occurs; or

(b) Included in the profit and loss account where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in other assets and are deferred and included in the settlement of the underlying transaction. When undertaking strategic or opportunistic financial transactions, all gains and losses are included in the profit and loss account at the end of each reporting period. The premiums paid on strategic financial transactions are included in the profit and loss account at the inception of the contract.

For the purpose of deriving US GAAP information, Statement of Financial Accounting Standards No. 133: Accounting for Derivative Instruments and Hedging Activities (SFAS 133) requires that each derivative instrument be recorded in the Statement of Financial Position as either an asset or liability measured at its fair value. On initial application of this Standard the BHP Billiton Limited Group recognised an accumulated loss of US$268 million in respect of the fair value of derivative instruments held on 1 July 2000, which qualified as cash flow hedge transactions. This amount was reported as a component of other comprehensive income. An accumulated gain of US$11 million was recognised in respect of the fair value of derivative instruments which qualified as fair value hedge transactions, offset by a corresponding loss on their associated hedged liabilities held at 1 July 2000. The BHP Billiton Plc Group does not apply hedging principles in accordance with SFAS 133 and marks to market all derivative instruments, taking movements in the fair value of derivative instruments to the profit and loss account.

In the year ended 30 June 2001, subsequent gains and losses on cash flow hedges were taken to other comprehensive income and reclassified to profit and loss in the same period the hedged transaction was recognised. Gains and losses on fair value hedges continue to be taken to profit and loss in subsequent periods, as are offsetting gains and losses on hedged liabilities. In both cases, these gains and losses are not recognised under Australian GAAP until the hedged transaction is recognised.

Effective 1 July 2001, for US GAAP purposes, the BHP Billiton Limited Group de-designated existing derivative instruments as hedges of underlying transactions. Amounts previously included in other comprehensive income in relation to those derivative instruments previously designated as cash flow hedges will remain until the transactions originally being hedged are recognised, at which time the amounts will be taken to the profit and loss account. Movements in the fair value of derivative instruments since 30 June 2001 are taken to the profit and loss account.

Synthetic debt

An operating subsidiary, whose functional currency is the US dollar, has obtained financing in various foreign currencies. The operating subsidiary entered into forward exchange contracts to fix the exchange rate between the rand and the various foreign currencies. In these accounts, the arrangement is treated as a synthetic rand debt which at each period end is retranslated into US dollars at the spot rate with the exchange gain or loss that is recognised being included in the profit and loss account.

Under US GAAP, synthetic debt accounting is not permitted. As a result, the foreign loan amounts and forward exchange contracts are accounted for separately. Foreign loans are recorded at the exchange rate in effect on the date of the borrowing, with gains and losses arising from currency movements taken to the profit and loss account. The forward exchange contracts are marked to market annually with the resulting gain or loss also taken to the profit and loss account.

Realised net exchange gains on sale of assets/closure of operations

Net exchange gains or losses reported in shareholders' equity, which relate to assets that have been sold, closed or written down are transferred to retained earnings. US GAAP requires these net exchange gains or losses be recognised in the profit and loss account reflecting that they have, in substance, been realised.

Exploration, evaluation and development expenditures

The BHP Billiton Group follows the 'area of interest' method in accounting for petroleum exploration, evaluation and development expenditures. This method differs from the 'successful efforts' method followed by some US companies, and adopted in this reconciliation to US GAAP, in that it permits certain exploration costs in defined areas of interest to be capitalised. Such expenditure capitalised by the BHP Billiton Group is amortised in subsequent years. In respect of Minerals properties, the BHP Billiton Group capitalises exploration and evaluation expenditure where it is expected that the expenditure will be recouped by future exploitation or sale or where a mineral resource has been identified but activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. Under US GAAP, a final feasibility study indicating the existence of commercially recoverable reserves at greenfield properties serves as the trigger point for capitalisation. US GAAP permits expenditure to be capitalised for the purpose of extending or further delineating existing reserves. In subsequent financial periods, amounts amortised (which have been expensed for US GAAP purposes) will be added back when determining the profit result according to US GAAP.

Costs of start-up activities

The BHP Billiton Group capitalises as part of property, plant and equipment, costs associated with start-up activities at new plants or operations which are incurred prior to commissioning date. These capitalised costs are depreciated in subsequent years. Under US GAAP, costs of start-up activities should be expensed as incurred.

Profit on asset sales

Under US GAAP, profits arising from the sale of assets cannot be recognised in the period in which the sale occurs where the vendor has a significant continuing association with the purchaser. In such circumstances, any profit arising from a sale is recognised over the life of the continuing arrangements.

For the period ended 30 June 2000, the profit on the sale and leaseback of plant and equipment was deferred for US GAAP purposes and will be recognised over the life of the operating lease.

Pension plans

In these accounts, the net periodic pension cost assessed on an actuarial basis is charged to profit and loss so as to allocate the costs systematically over the employees' service lives. This policy has been adopted for by the BHP Billiton Limited Group to conform with the BHP Billiton Plc Group and was applied in the year ended 30 June 2001. Previously, charges were taken to the profit and loss account as contributions were made to pension plans.

Notes to Financial Statements continued

49 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

Consequently, the BHP Billiton Group recognises periodic pension cost based on actuarial advice in a manner generally consistent with US GAAP. However, differences in the actuarial method used and the timing of recognition of expense components results in different periodic costs and pension assets or liabilities. In addition, any associated foreign exchange gains or losses are required to be eliminated from net income.

Other post-retirement benefits
In these accounts, post-retirement benefits other than pensions have been accounted for in a manner which is generally consistent with US GAAP except for certain scenarios such as in accounting for plan amendments.

In these accounts, amendments to post-retirement benefits provided are taken into account from the date upon which plan amendments are announced. Under US GAAP, plan amendments are only taken into account from the date upon which the plan amendments become effective.

Mozal expansion rights
In June 2001, BHP Billiton announced an agreement to sell-down a portion of its preferential rights in the Mozal Phase II project to two of its project partners. In these accounts, the consideration was recognised as revenue in the year ended 30 June 2001. A portion of the consideration will be paid in cash and another portion will be delivered to BHP Billiton via a marketing arrangement once production has commenced. This deferred portion will be amortised to the profit and loss account over the period of the sales contract. Under US GAAP, the consideration paid in cash will be recognised as profit from asset sales when received and the deferred consideration portion is considered a derivative and has been recognised on the balance sheet and marked to market with movements in fair value being taken to the profit and loss account.

Change in UK corporate tax rate for petroleum companies
Australian GAAP requires tax liabilities and assets to be measured at the rates expected to apply when the underlying timing differences reverse. US GAAP requires the measurement of tax liabilities and assets using tax rates based on enacted tax law. The effect of a change in the UK corporate tax rate for petroleum companies was recognised in June 2002 in these accounts on the basis that the legislation was substantively enacted. This tax rate change will not be recognised for US GAAP purposes until the legislation is enacted. For 2002, an adjustment of US$61 million is reported in the item 'taxation adjustments'.

Purchase business combination costs
Costs incurred in relation to the DLC merger that were expensed under Australian GAAP represent costs of acquisition that were capitalised under US GAAP.

Expenses on spin-off of OneSteel Limited
Costs associated with completion of the spin-off of OneSteel Limited are recognised directly in equity for Australian GAAP but are charged as expenses for US GAAP. The financial statements included in the 2001 Form 20-F incorrectly recognised these costs directly in equity. This change in accounting in the year ended 30 June 2001 decreased US GAAP net income by US$30 million, and decreased US GAAP earnings per share by US$0.008 per share.

Restoration and rehabilitation costs
In these accounts, the expected cost of any committed decommissioning or restoration program, discounted to its net present value, is provided and capitalised at the beginning of each project. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision as the discount unwinds is included in net interest and similar items payable. The BHP Billiton Limited Group adopted this policy in the year ended 30 June 2001 to conform with the BHP Billiton Plc Group. In fiscal 2000 and prior years, the provision was determined under US GAAP on an undiscounted basis and the charge to profit was generally based on units of production, so that full provision was made by the end of the assets' economic life.

Consolidation of Tubemakers of Australia Ltd (TOA)
Prior to consolidation, TOA was accounted for as an associated entity and included in the equity accounting calculations. Under US GAAP equity accounting is included in the consolidated results, while prior to the year ended 30 June 1999 only disclosure by way of note to the accounts was permitted. Thus the carrying value of the original equity interest in TOA is higher under US GAAP, and this is reflected in higher goodwill capitalised and amortised in accordance with US GAAP. The spin-off of OneSteel Limited eliminated this reconciling item.

Equity accounting
For years ended on or after 30 June 1999, Australian GAAP requires the effect of accounting for associated entities on an equity basis to be shown in the consolidated results, as required by US GAAP. In prior periods, Australian GAAP permitted the effect of accounting for associated companies on an equity basis to be shown as supplementary information. The Australian GAAP adjustment to retained earnings on initial adoption of equity accounting is recognised in the result for the period ended 30 June 2000 for US GAAP.

Employee Share Plan loans
Under the Employee Share Plan, loans have been made to employees for the purchase of shares in BHP Billiton Limited. Under US GAAP, the amount outstanding as an obligation to the BHP Billiton Limited Group, which has financed equity, is required to be eliminated from total shareholders' equity. In addition, any foreign exchange gains or losses on the outstanding loan balances are required to be eliminated from net income.

Investments
In these accounts, certain unlisted investments are marked to market annually based on third party valuations. The increase/(decrease) in the value of the investments is recognised in the profit and loss account. Under US GAAP such investments are adjusted to reflect the increase in guaranteed surrender value of the investment, but are not permitted to be marked to market.

In these accounts, certain investments in marketable securities are classified as exploration assets and are carried at estimated recoverable amount. Under US GAAP, such investments are classified as available for sale and are marked to market with changes in fair value recognised as a component of comprehensive income.

Secondary share issuance
During September 2000, BHP Billiton Plc undertook a secondary issuance of shares on the London Stock Exchange. The shares were issued in pounds sterling, however to fix the proceeds received on the share issuance in US dollars, BHP Billiton Plc utilised a number of hedging instruments to lock in the exchange rate between pounds sterling and US dollars. This hedging activity gave rise to a loss being realised due to the movement in the pound sterling against the US dollar. BHP Billiton Plc

reported this loss as an offset against the share proceeds, which was then credited to paid in capital.

Under US GAAP, the loss would not qualify as a hedged item under SFAS 133. As such, the loss is recognised in the profit and loss in the period the loss was realised.

Taxation adjustments
In these accounts, potential tax expense of US$47 million has not been recognised in 2002, mainly relating to the tax impact of unrealised foreign exchange gains or losses on US dollar net debt held by subsidiaries which retain local currency records for tax purposes. For US GAAP, a tax expense is recognised reflecting the existence of the foreign exchange gains or losses in the accounts of the respective entity. This adjustment is reported in the item 'taxation adjustments'.

(B) Employee compensation costs
The BHP Billiton Group has applied the principles of US Accounting Principles Board Opinion No. 25 in the determination of employee compensation costs arising from the various employee ownership plans. Had the fair value basis of accounting in US Statement of Financial Accounting Standards No. 123 been used to account for compensation costs, the following net income and earnings per share amounts would result:

	2002 US$M	2001 US$M	2000 US$M
Net income			
As reported	**1 127**	882	589
Proforma	**1 102**	897	589
Basic earnings per share (a)(b)			
As reported	**0.187**	0.239	0.161
Proforma	**0.183**	0.243	0.161
Diluted earnings per share (b)(c)			
As reported	**0.187**	0.238	0.161
Proforma	**0.182**	0.242	0.161

(a) Based on net profit attributable to members of BHP Billiton Group.
(b) Comparative data has been adjusted to take into account the bonus share issue effective 29 June 2001. Refer note 31.
(c) Refer note 12.

(C) Impact of new accounting standards
In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141: Business Combinations (SFAS141) and Statement of Financial Accounting Standards No. 142: Goodwill and Other Intangible Assets (SFAS142). In August 2001, the FASB also issued Statement of Financial Accounting Standards No. 143: Accounting for Asset Retirement Obligations (SFAS143) and Statement of Financial Accounting Standards No. 144: Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS144). In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146: Accounting for Costs Associated with Exit or Disposal Activities (SFAS146).

For the purpose of deriving US GAAP financial information of the BHP Billiton Group, SFAS141 applies to purchase business combinations entered into after 30 June 2001. SFAS142 , SFAS143 and SFAS144 will apply for the year ending 30 June 2003, while SFAS146 is effective for exit or disposal activities initiated after 31 December 2003. The BHP Billiton Group has not adopted any of these standards early for the purpose of the June 2002 financial statements.

SFAS141 changes the accounting for business combinations to a single purchase accounting method. SFAS141 also changes the recognition criteria for intangible assets other than goodwill, and expands disclosure requirements in relation to business combinations. SFAS142 changes the accounting for acquired goodwill and other intangible assets by requiring that goodwill and intangible assets with indefinite useful lives not be amortised. Under SFAS142, the carrying amount of such assets will be subject to impairment tests at least on an annual basis. SFAS143 changes accounting for the retirement of tangible long-lived assets by requiring that the fair value of legal obligations associated with the retirement of such assets be recognised as a liability and capitalised as part of the cost of those assets. SFAS144 requires one accounting model to be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and will broaden the presentation of discontinued operations to include more disposal transactions. SFAS146 requires that costs associated with exit or disposal activities be recognised when they are incurred rather than at the date of a commitment to an exit or disposal plan.

The BHP Billiton Group has not evaluated the potential impact of any of these new standards on its future financial performance or financial position.

Notes to Financial Statements continued

50 STATEMENT OF FINANCIAL POSITION – AUSTRALIAN DOLLARS

For the convenience of the reader, an Australian dollar Statement of Financial Position of the BHP Billiton Group is detailed below. A convenience translation of amounts from US dollars into Australian dollars has been made at an exchange rate of US$0.5664 = A$1 at 30 June 2002 and US$0.5054 = A$1 at 30 June 2001. These rates of exchange are based on the Hedge Settlement Rate ('HSR') on the last day of each financial period respectively. The HSR is calculated as the average of the spot US$/A$ rates of exchange quoted at 9.45am each business day by the top licenced foreign exchange dealers in the Australian market and is used as the basis for settling hedge contracts maturing on that day.

	30 June 2002 A$M	30 June 2001 A$M
Current assets		
Cash assets	**2 646**	2 542
Receivables	**4 050**	4 444
Other financial assets	**207**	425
Inventories	**2 664**	3 364
Other assets	**191**	257
Total current assets	**9 758**	11 032
Non-current assets		
Receivables	**1 570**	744
Investments accounted for using the equity method	**2 657**	2 445
Other financial assets	**1 026**	1 096
Inventories	**141**	178
Property, plant and equipment	**34 400**	36 866
Intangible assets	**905**	1 203
Deferred tax assets	**847**	908
Other assets	**1 418**	1 371
Total non-current assets	**42 964**	44 811
Total assets	**52 722**	55 843
Current liabilities		
Payables	**4 300**	4 462
Interest bearing liabilities	**3 172**	3 575
Tax liabilities	**870**	635
Other provisions	**1 970**	2 069
Total current liabilities	**10 312**	10 741
Non-current liabilities		
Payables	**214**	285
Interest bearing liabilities	**11 269**	12 902
Deferred tax liabilities	**2 825**	2 701
Other provisions	**4 880**	5 012
Total non-current liabilities	**19 188**	20 900
Total liabilities	**29 500**	31 641
Net assets	**23 222**	24 202
Contributed equity – BHP Billiton Limited	**5 549**	6 013
Called up share capital – BHP Billiton Plc	**3 093**	3 466
Reserves	**832**	1 050
Retained profits	**13 162**	12 910
Total BHP Billiton interest	**22 636**	23 439
Outside equity interest	**586**	763
Total equity	**23 222**	24 202

51 BHP BILLITON LIMITED (SINGLE ENTITY FINANCIAL STATEMENTS)

Set out below are the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows of the BHP Billiton Limited single entity.

The full single entity financial statements of BHP Billiton Limited are available on the Company's website (bhpbilliton.com) and are available to shareholders on request free of charge.

Statement of Financial Performance for the financial period ended 30 June 2002

	BHP Billiton Limited 30 June 2002 A$M	30 June 2001 A$M
Revenue from ordinary activities		
Sales revenue	**–**	142
Other revenue	**2 341**	6 223
	2 341	6 365
deduct		
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	**757**	3 075
	1 584	3 290
deduct		
Depreciation and amortisation	**8**	32
Borrowing costs	**653**	751
Profit from ordinary activities before income tax	**923**	2 507
add		
Income tax benefit attributable to ordinary activities	**50**	18
Net profit attributable to members of BHP Billiton Limited	**973**	2 525
Total changes in equity other than those resulting from transactions with owners	**973**	2 525

Notes to Financial Statements continued

51 BHP BILLITON LIMITED (SINGLE ENTITY FINANCIAL STATEMENTS) continued

Statement of Financial Position as at 30 June 2002

	BHP Billiton Limited **30 June 2002 A$M**	 30 June 2001 A$M
Current assets		
Cash assets	**83**	7
Receivables	**30 044**	21 116
Other financial assets	**1**	1
Inventories	**–**	16
Total current assets	**30 128**	21 140
Non-current assets		
Receivables	**2 096**	3 398
Other financial assets	**19 525**	18 832
Property, plant and equipment	**34**	72
Deferred tax assets	**198**	210
Other assets	**3**	3
Total non-current assets	**21 856**	22 515
Total assets	**51 984**	43 655
Current liabilities		
Payables	**33 200**	23 807
Interest bearing liabilities	**4**	–
Tax liabilities	**96**	26
Other provisions	**734**	596
Total current liabilities	**34 034**	24 429
Non-current liabilities		
Interest bearing liabilities	**4 712**	6 077
Other provisions	**39**	191
Total non-current liabilities	**4 751**	6 268
Total liabilities	**38 785**	30 697
Net assets	**13 199**	12 958
Contributed equity – BHP Billiton Limited	**5 638**	5 443
Reserves	**689**	689
Retained profits	**6 872**	6 826
Total equity	**13 199**	12 958

Statement of Cash Flows for the financial period ended 30 June 2002

	BHP Billiton Limited **30 June 2002 A$M**	30 June 2001 A$M
Cash flows related to operating activities		
Receipts from customers	**21**	184
Payments to suppliers, employees, etc.	**(499)**	(530)
Dividends received	**804**	3 474
Interest received	**1 176**	1 439
Borrowing costs	**(653)**	(751)
HBI Venezuela guarantee payment	**–**	(615)
Other	**159**	142
Operating cash flows before income tax	**1 008**	3 343
Income taxes paid/refunds received	**130**	5
Net operating cash flows	**1 138**	3 348
Cash flows related to investing activities		
Purchases of property, plant and equipment	**(2)**	(637)
Investing outflows	**(2)**	(637)
Proceeds from sale of property, plant and equipment	**20**	47
Proceeds from sale or redemption of investments	**–**	8
Proceeds from sale or partial sale of controlled entities and joint venture interests net of their cash	**126**	1 098
Net investing cash flows	**144**	516
Cash flows related to financing activities		
Proceeds from ordinary share issues, etc.	**1**	82
Net financing of Group companies	**(254)**	(3 026)
Buy-back of shares previously held by Beswick Group	**(36)**	–
Dividends paid	**(900)**	(888)
Other	**(21)**	(22)
Net financing cash flows	**(1 210)**	(3 854)
Net increase/(decrease) in cash and cash equivalents	**72**	10
Cash and cash equivalents at beginning of period	**7**	(3)
Cash and cash equivalents at end of period	**79**	7

Notes to Financial Statements continued

52 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

Oil and gas reserves and production

Reserves

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

(millions of barrels)	Australia/Asia	Americas	UK/Middle East	Total
Proved developed and undeveloped oil, condensate and LPG reserves [a]				
Reserves at 31 May 1999	480.2	23.6	86.1	589.9
Improved recovery	–	–	–	–
Revisions of previous estimates	26.0	(0.1)	4.3	30.2
Extensions and discoveries	19.9	9.4	11.4	40.7
Purchase/sales of reserves	(8.7)	(0.1)	–	(8.8)
Production [b]	(79.1)	(4.2)	(11.7)	(95.0)
Total changes	(41.9)	5.0	4.0	(32.9)
Reserves at 30 June 2000	438.3	28.6	90.1	557.0
Improved recovery	0.4	–	–	0.4
Revisions of previous estimates	5.3	0.5	0.5	6.3
Extensions and discoveries	4.4	67.6	74.1	146.1
Purchase/sales of reserves	(0.9)	3.8	(18.3)	(15.4)
Production [b]	(70.7)	(4.2)	(12.2)	(87.1)
Total changes	(61.5)	67.7	44.1	50.3
Reserves at 30 June 2001	376.8	96.3	134.2	607.3
Improved recovery	–	–	–	–
Revisions of previous estimates	12.1	3.2	(11.0)	4.3
Extensions and discoveries	3.4	70.2	–	73.6
Purchase/sales of reserves	–	–	–	–
Production [b]	(63.3)	(9.0)	(14.3)	(86.6)
Total changes	(47.8)	64.4	(25.3)	(8.7)
Reserves at 30 June 2002	**329.0**	**160.7**	**108.9**	**598.6**
Proved developed oil, condensate and LPG reserves [a]				
Reserves at 31 May 1999	340.5	14.8	49.4	404.7
Reserves at 30 June 2000	334.2	11.3	46.3	391.8
Reserves at 30 June 2001	268.6	9.4	40.9	318.9
Reserves at 30 June 2002	**233.1**	**15.9**	**30.2**	**279.2**

[a] In Bass Strait, the North West Shelf and the North Sea, LPG is extracted separately from crude oil and natural gas.
[b] Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.

(billions of cubic feet)	Australia/Asia [a]	Americas	UK/Middle East	Total
Proved developed and undeveloped natural gas reserves				
Reserves at 31 May 1999	3 844.6	126.1	849.7	4 820.4
Improved recovery	–	–	–	–
Revisions of previous estimates	280.5	–	7.3	287.8
Extensions and discoveries	206.6	35.2	–	241.8
Purchases/sales of reserves	–	(2.7)	(79.1)	(81.8)
Production [b]	(188.8)	(16.2)	(72.9)	(277.9)
Total changes	298.3	16.3	(144.7)	169.9
Reserves at 30 June 2000	4 142.9	142.4	705.0	4 990.3
Improved recovery	–	–	–	–
Revisions of previous estimates	72.8	(26.4)	(43.9)	2.5
Extensions and discoveries	32.9	38.5	–	71.4
Purchases/sales of reserves	–	6.1	–	6.1
Production [b]	(170.2)	(21.5)	(67.1)	(258.8)
Total changes	(64.5)	(3.3)	(111.0)	(178.8)
Reserves at 30 June 2001	4 078.4	139.1	594	4 811.5
Improved recovery	–	–	–	–
Revisions of previous estimates	3.9	2.7	(35.8)	(29.2)
Extensions and discoveries	605.9	37.3	–	643.2
Purchases/sales of reserves	–	–	–	–
Production [b]	(187.4)	(25.1)	(69.0)	(281.5)
Total changes	422.4	14.9	(104.8)	332.5
Reserves at 30 June 2002	**4 500.8**	**154.0**	**489.2**	**5 144.0**
Proved developed natural gas reserves				
Reserves at 31 May 1999	2 365.4	117.4	617.8	3 100.6
Reserves at 30 June 2000	2 437.0	125.9	522.4	3 085.3
Reserves at 30 June 2001	2 303.2	84.6	550.2	2 938.0
Reserves at 30 June 2002	**2 455.1**	**79.9**	**481.9**	**3 016.9**

(a) Production for Australia includes gas sold as LNG.
(b) Production for reserves differs slightly from marketable production due to timing of sales and corrections to previous estimates.

Notes to Financial Statements continued

52 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED) continued

Capitalised costs incurred relating to oil and gas producing activities

The following table shows the aggregate capitalised costs relating to oil and gas producing activities and related accumulated depreciation, depletion and amortisation and impairments.

	2002 US$M	2001 US$M
Capitalised cost		
Unevaluated properties	**234**	272
Production properties	**7 576**	6 253
Total costs [(a)(b)]	**7 810**	6 525
less Accumulated depreciation, depletion and amortisation and impairments [(a)(b)]	**(3 944)**	(3 052)
Net capitalised costs[(c)]	**3 866**	3 473

(a) Includes US$286 million (2001: US$286 million) attributable to prior year revaluations of fixed assets above historical costs and related accumulated amortisation thereof of US$222 million (2001: US$217 million).

(b) Includes US$61 million in 2002 (2001: US$54 million) attributable to capitalised exploration, evaluation and development expenditures which would be expensed under US GAAP and related accumulated amortisation thereof of US$23 million (2001: US$22 million).

(c) Net capitalised costs include capitalised pre-production costs of US$479 million (2001: US$338 million), comprising exploration expenditure of US$137 million (2001: US$277 million) and investments of US$25 million (2001: US$nil).

Costs incurred relating to oil and gas producing activities

The following table shows costs incurred relating to oil and gas producing activities (whether charged to expense or capitalised). Amounts shown include interest capitalised.

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activities and drilling of exploratory wells. Development costs were all expended to develop booked proved undeveloped reserves.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2002				
Acquisitions of proved property	**–**	**–**	**–**	**–**
Acquisitions of unevaluated property	**–**	**20**	**–**	**20**
Exploration [(a)]	**28**	**194**	**46**	**268**
Development	**236**	**186**	**289**	**711**
	264	**400**	**335**	**999**
2001				
Acquisitions of proved property	–	59	–	59
Acquisitions of unevaluated property	–	19	–	19
Exploration [(a)]	36	125	26	187
Development	114	110	177	401
	150	313	203	666
2000				
Acquisitions of proved property				
Acquisitions of unevaluated property	–	–	–	–
Exploration [(a)]	–	2	–	2
Development	21	108	26	155
	192	52	55	299
	213	162	81	456

(a) Represents gross exploration expenditure.

Results of operations from oil and gas producing activities

The following information is similar to the disclosures in note 10 'Segment results' but differs in several respects as to the level of detail and geographic presentation. Amounts shown in the following table exclude interest income and borrowing costs, general corporate administrative costs and downstream processing of oil and gas into other products for resale. Petroleum general and administrative costs relating to oil and gas activities are included.

Income taxes were determined by applying the applicable statutory rates to pre-tax income with adjustments for permanent differences and tax credits. Certain allocations of tax provisions among geographic areas were necessary and are based on management's assessment of the principal factors giving rise to the tax obligation.

Revenues are reflected net of royalties but before reduction for windfall profit taxes (these are included in operating costs). Revenues include sales to affiliates but amounts are not significant.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2002				
Oil and gas sales	**1 888**	**262**	**538**	**2 688**
Production costs	**(204)**	**(37)**	**(80)**	**(321)**
Exploration expenses [(a)]	**(24)**	**(87)**	**(41)**	**(152)**
Depreciation, depletion, amortisation [(a)]	**(230)**	**(142)**	**(199)**	**(571)**
Production taxes	**(446)**	**(12)**	**(5)**	**(463)**
Other, net [(b)]	**–**	**–**	**–**	**–**
	984	**(16)**	**213**	**1 181**
Income taxes	**(301)**	**12**	**(50)**	**(339)**
Results of oil and gas producing activities[(c)]	**683**	**(4)**	**163**	**842**
2001				
Oil and gas sales	2 269	214	663	3 146
Production costs	(84)	(76)	(164)	(324)
Exploration expenses [(a)]	(32)	(106)	(27)	(165)
Depreciation, depletion and amortisation [(a)]	(269)	(65)	(187)	(521)
Production taxes	(745)	–	(4)	(749)
Other, net [(b)]	140	–	–	140
	1 279	(33)	281	1 527
Income taxes	(424)	34	(89)	(479)
Results of oil and gas producing activities[(c)]	855	1	192	1 048
2000				
Oil and gas sales	2 231	138	500	2 869
Production costs	(275)	(45)	(119)	(439)
Exploration expenses [(a)]	(28)	(85)	(19)	(132)
Depreciation, depletion and amortisation [(a)]	(317)	(38)	(201)	(556)
Production taxes	(523)	–	(4)	(527)
Other, net [(b)]	71	–	38	109
	1 159	(30)	195	1 324
Income taxes	(393)	9	(49)	(433)
Results of oil and gas producing activities[(c)]	766	(21)	146	891

(a) Exploration expenses exclude capitalised exploration, evaluation and development expenditures of US$6 million (2001: US$5 million) which would have been expensed under US GAAP. In a related manner, depreciation is higher in 2002 by US$1 million (2001: US$2 million) than that required under US GAAP.

(b) Predominantly includes the effect of a change in policy for providing expenditure for restoration and rehabilitation. At 30 June 2001, this policy was changed such that a provision for full cost expected to be incurred at the end of the life of each asset on a discounted net present value basis is recognised at the beginning of each project and capitalised as part of the cost of the asset. The capitalised cost is amortised over the life of the operation and the annual increase in the net present value of the provision for the expected cost is included in expenses from ordinary activities.

(c) Amounts shown exclude general corporate overheads, interest income and borrowing costs, and downstream processing of oil and gas into products for resale and, accordingly, do not represent all of the operations attributable to the Petroleum segment presented in note 3. There are no equity minority interests.

Notes to Financial Statements continued

52 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED) continued

Standardised Measure of discounted future net cash flows relating to proved oil and gas reserves ('Standardised Measure') (unaudited)

The purpose of this disclosure is to provide data with respect to the estimated future net cash flows from future production of proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas.

The Standardised Measure is based on the BHP Billiton Group's estimated proved reserves, (as presented in the section Reserves) and this data should be read in conjunction with that disclosure, which is hereby incorporated by reference into this section. The Standardised Measure is prepared on a basis which presumes that year end economic and operating conditions will continue over the periods in which year end proved reserves would be produced. The effects of future inflation, future changes in exchange rates and expected future changes in technology, taxes and operating practices have not been included.

The Standardised Measure is prepared by projecting the estimated future annual production of proved reserves owned at period end and pricing that future production at prices in effect at period end to derive future cash inflows. Future price increases may be considered only to the extent that they are provided by fixed contractual arrangements in effect at period end and are not dependent upon future inflation or exchange rate changes.

Future cash inflows are then reduced by future costs of producing and developing the period end proved reserves based on costs in effect at period end without regard to future inflation or changes in technology or operating practices. Future development costs include the costs of drilling and equipping development wells and construction of platforms and production facilities to gain access to proved reserves owned at period end. They also include future costs, net of residual salvage value, associated with the abandonment of wells, dismantling of production platforms and restoration of drilling sites. Future cash inflows are further reduced by future income taxes based on tax rates in effect at period end and after considering the future deductions and credits applicable to proved properties owned at period end. The resultant annual future net cash flows (after deductions of operating costs including resource rent taxes, development costs and income taxes) are discounted at 10 per cent per annum to derive the Standardised Measure.

There are many important variables, assumptions and imprecisions inherent in developing the Standardised Measure, the most important of which are the level of proved reserves and the rate of production thereof. The Standardised Measure is not an estimate of the fair market value of the BHP Billiton Group's oil and gas reserves. An estimate of fair value would also take into account, among other things, the expected recovery of reserves in excess of proved reserves, anticipated future changes in prices, costs and exchange rates, anticipated future changes in secondary tax and income tax rates and alternative discount factors representing the time value of money and adjustments for risks inherent in producing oil and gas.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
Standardised Measure of discounted future net cash flows (unaudited)				
2002				
Future cash inflows	**19 439**	**4 489**	**4 020**	**27 948**
Future production costs	**(7 209)**	**(975)**	**(1 067)**	**(9 251)**
Future development costs [a][b]	**(2 484)**	**(1 342)**	**(450)**	**(4 276)**
Future income taxes	**(2 909)**	**(695)**	**(620)**	**(4 224)**
Future net cash flows	**6 837**	**1 477**	**1 883**	**10 197**
Discount at 10% per annum	**(3 363)**	**(757)**	**(597)**	**(4 717)**
Standardised Measure	**3 474**	**720**	**1 286**	**5 480**
2001				
Future cash inflows	19 533	2 637	3 173	25 343
Future production costs	(6 174)	(750)	(954)	(7 878)
Future development costs [a][b]	(2 586)	(649)	(220)	(3 455)
Future income taxes	(3 148)	(415)	(551)	(4 114)
Future net cash flows	7 625	823	1 448	9 896
Discount at 10% per annum	(3 792)	(293)	(402)	(4 487)
Standardised Measure	3 833	530	1 046	5 409
2000				
Future cash inflows	21 243	985	3 822	26 050
Future production costs	(7 558)	(182)	(1 023)	(8 763)
Future development costs [a][b]	(1 385)	(128)	(304)	(1 817)
Future income taxes	(3 717)	(223)	(635)	(4 575)
Future net cash flows	8 583	452	1 860	10 895
Discount at 10% per annum	(4 667)	(130)	(578)	(5 375)
Standardised Measure	3 916	322	1 282	5 520

(a) Total future dismantlement, abandonment and rehabilitation obligations at 30 June 2002 are estimated to be US$402 million (2002 dollars) and this amount has been included in the Standardised Measure calculation.

(b) Future costs to develop our proved undeveloped reserves over the next three years are expected to be US$1 052 million (2003), US$988 million (2004) and US$587 million (2005).

Notes to Financial Statements continued

52 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED) continued

Changes in the Standardised Measure are presented in the following table. The beginning of year and end of year totals are shown after reduction for income taxes and these, together with the changes in income tax amounts, are shown in discounted amounts (at 10 per cent per annum). All other items of change represent discounted amounts before consideration of income tax effects.

	2002 US$M	2001 US$M	2000 US$M
Changes in the Standardised Measure of discounted future net cash flows (unaudited)			
Standardised Measure – beginning of period	**5 409**	5 520	2 767
Revisions:			
Prices, net of production costs	**342**	(201)	4 086
Revisions of quantity estimates [(a)]	**599**	(27)	424
Accretion of discount	**781**	772	429
Changes in production timing and other [(b)]	**(1 136)**	427	(236)
	5 995	6 491	7 470
Sales of oil and gas, net of production costs	**(1 941)**	(2 096)	(1 463)
Acquisitions of reserves-in-place	**–**	70	–
Sales of reserves-in-place [(c)]	**–**	(24)	(60)
Development costs incurred which reduced previously estimated development costs	**656**	323	207
Extensions and discoveries, net of future costs	**778**	464	430
Changes in future income taxes	**(8)**	181	(1 064)
Standardised Measure – end of period	**5 480**	5 409	5 520

(a) Changes in reserves quantities are discussed in the notes to the Oil & Gas Reserves.
(b) Includes the effect of foreign exchange.
(c) Reflects the sale of Buffalo oil field in Northern Australia on 30 March 2001, and sale of PNG assets in December 1999.

Production

The table below details our petroleum business' historical net crude oil and condensate, natural gas, LNG, LPG and ethane production by region for the two years ended 30 June 2002. We have shown volumes and tonnages of marketable production, after deduction of applicable royalties, fuel and flare. We have included in the table average production costs per unit of production and average sales prices for oil and condensate and natural gas for each of those periods.

	2002	2001
Crude oil and condensate production		
(millions of barrels)		
Australia/Asia	**56.2**	64.3
Americas	**9.0**	3.7
Europe/Middle East	**13.3**	11.1
Total	**78.5**	79.1
Natural gas production (a)		
(billions of cubic feet)		
Australia/Asia	**126.0**	115.5
Americas	**25.2**	21.3
Europe/Middle East	**72.7**	68.3
Total	**223.9**	205.1
Liquefied natural gas (LNG) production (b)		
(thousand tonnes)		
Australia/Asia (leasehold production)	**1 298.8**	1 241.8
Liquefied petroleum gas (LPG) production (c)		
(thousand tonnes)		
Australia/Asia (leasehold production)	**551.4**	582.1
Europe/Middle East (leasehold production)	**85.6**	91.5
Total	**637.0**	673.6
Ethane production		
(thousand tonnes)		
Australia/Asia (leasehold production)	**87.1**	67.4
Average sales price		
Oil and condensate (US$ per barrel) (d)	**22.58**	29.39
Natural gas (US$ per thousand cubic feet)	**1.84**	1.73
Average production cost (e)		
US$ per barrel of oil equivalent		
(including resource rent tax and other indirect taxes)	**5.83**	8.19
US$ per barrel of oil equivalent		
(excluding resource rent tax and other indirect taxes)	**2.38**	2.48

(a) Natural gas production figures exclude gas sold as LNG or ethane.
(b) LNG consists primarily of liquefied methane.
(c) LPG consists primarily of liquefied propane and butane.
(d) Oil and condensate prices net of commodity hedging were US$22.58 (2002) and US$28.04 (2001).
(e) Average production costs include direct and indirect production costs relating to the production and transportation of hydrocarbons to the point of sale. This includes shipping where applicable. Average production costs have been shown including and excluding resource rent tax and other indirect taxes and duties.

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED)

The statement of Mineral Resources and Ore Reserves presented in this report has been produced in accordance with the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the 'JORC Code'). Commodity prices and exchange rates used to estimate the economic viability of reserves are based on March 2002, BHP Billiton long-term forecasts unless otherwise stated. The Ore Reserves tabulated are all held within existing, fully permitted mining tenements. The BHP Billiton Group's mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC code) or for operations located outside Australia by Recognised Mining Professionals, defined as a member of a recognised mining professional body. All Competent Persons and Recognised Mining Professionals have at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC code. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures presented are reported in 100 per cent terms, and represent estimates at 30 June 2002 (unless otherwise stated). All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information (unless otherwise stated) is inclusive of Mineral Resources that have been converted to Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

The information contained herein differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. BHP Billiton's US GAAP disclosures reflect the information reported to the SEC.

Ore Reserves and Mineral Resources are presented in the accompanying tables subdivided for each of the Customer Sector Groups.

Aluminium Customer Sector Group

Mineral Resources

The table below details the Mineral Resources for the Aluminium Customer Sector Group as at 30 June 2002, and is presented in 100 per cent terms.

Bauxite Deposits	**Measured Resources** Tonnes (millions dmt)	Alumina[4] %	**Indicated Resources** Tonnes (millions dmt)	Alumina[4] %	**Inferred Resources** Tonnes (millions dmt)	Alumina[4] %	**Total Resources** Tonnes (millions dmt)	**BHP Billiton Interest** %
Australia [1]								
Worsley	309	30.7	143	32.8	93	33.0	545	86
Suriname [2]								
Lelydorp & Kankanrie	11.97	59.5	16.37	58.0	–	–	28.3	76
Brazil [3][5]								
MRN Crude	36.2	–	206.5	–	859.7	–	1 102	
MRN Washed	25.7	48.8	150.7	51.0	601.1	50.4	777	14.8

[1] Worsley resource numbers are quoted on a dry basis, Competent Person is D Parmenter (MAIG).
[2] Suriname, resource numbers are quoted on a dry basis, Competent Person is D L Butty (EuroGeol).
[3] Resource tonnages for MRN washed are quoted with nominal five per cent moisture, Competent Person is V J van der Riet (MAusIMM).
[4] Alumina as available alumina for Worsley and MRN; and total alumina for Lelydorp.
[5] MRN – Mineracao Rio do Norte

Aluminium Customer Sector Group continued

Ore Reserves

The table below details the Ore Reserves for the Aluminium Customer Sector Group as at 30 June 2002, and is presented in 100 per cent terms.

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

(1) Mine dilution and recovery are included in the ore reserve statements for each deposit.
(2) Alumina as available alumina.
(3) Approximate drill hole spacings used to classify the reserves are:

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

(4) No third party audits have been undertaken on the quoted ore reserve.
(5) Worsley Alumina Pt Ltd (Worsley) reserve tonnages are quoted on a dry basis; Competent Person is D Parmenter (MAIG).
(6) Worsley and Lelydorp reserve tonnages are quoted on a dry basis, Competent Person is D L Butty (EuroGeol).
(7) Mineracao Rio do Norte (MRN) washed reserve tonnages and grades are quoted on a nominal five per cent moisture content basis, Competent Person is V J van der Riet (MAusIMM).

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Base Metals Customer Sector Group

Mineral Resources

Details of the Mineral Resources for the Base Metals Customer Sector group as at 30 June 2002 (unless otherwise stated), and are presented in the table below in 100 per cent terms.

Commodity Deposit	Type	Measured Resources Tonnes (millions dmt)	Grade				Indicated Resources Tonnes (millions dmt)	Grade			
			%TCu	%SCu	g/tAu			%TCu	%SCu	g/tAu	
Copper											
Escondida (1)	Sulphide	738	1.46	–	–		900	1.01	–	–	
	Low-grade float	180	0.60	–	–		559	0.60	–	–	
	Low-grade leach	175	0.48	–	–		210	0.41	–	–	
	Mixed	20	1.49	0.45	–		44	0.61	0.21	–	
	Oxide	149	–	0.76	–		67	–	0.48	–	
Escondida Norte (2)	Sulphide	89	1.81	–	–		485	1.30	–	–	
	Low-grade float	9.4	0.62	–	–		344	0.58	–	–	
	Mixed	4.7	0.83	0.26	–		31	0.88	0.31	–	
	Oxide	12	–	0.55	–		97	–	0.86	–	
Pinto Valley (3)	Pinto Valley unit	633	0.20	–	–		12	0.39	–	–	
	In situ leach	174	0.33	–	–		40	0.32	–	–	
Robinson (4)	Tripp-Veteran	183	0.66	–	0.25		28	0.60	–	0.15	
	Ruth	145	0.55	–	0.15		25	0.49	–	0.15	
Tintaya (5)	Sulphides	96	1.41	–	0.24		16	1.32	–	0.21	
	Oxide	31	1.62	1.28	–		12	1.30	0.96	–	
Cerro Colorado	Oxides	10	0.68	0.50	–		126	0.75	0.59	–	
	Sulphides	6	0.95	0.12	–		75	0.86	0.11	–	
	Stockpiles	4	0.45	0.29	–		–	–	–	–	
Spence	Oxide	43	1.31	0.98	–		36	1.03	0.77	–	
	Leachable sulphide	107	1.39	0.18	–		123	0.93	0.14	–	
	Non-leachable sulphide	102	0.57	0.03	–		86	0.51	0.02	–	
		Tonnes (millions dmt)	%TCu	%Mo			Tonnes (millions dmt)	%TCu	%Mo		
Highland Valley	Sulphides	270	0.41	0.008			53	0.44	0.006		
		Tonnes (millions dmt)	%TCu	%Zn	g/tAg	%Mo	Tonnes (millions dmt)	%TCu	%Zn	g/tAg	%Mo
Antamina	Sulphides	321	1.23	0.98	13.4	0.034	283	1.06	0.89	12.1	0.028
		Tonnes (millions dmt)	%Zn	g/tAg	%Cu	g/tAu	Tonnes (millions dmt)	g/tAu	g/tAg	%Cu	g/tAu
Selbaie	Pit D and Stockpiles (Sulphides)	6.2	1.22	22	0.3	0.24	–	–	–	–	–
Silver Lead Zinc		Tonnes (millions dmt)	g/tAg	%Pb	%Zn		Tonnes (millions dmt)	g/tAg	%Pb	%Zn	
Cannington (6)	Sulphides	8.9	538	12.15	6.01		21.5	528	12.12	4.21	
Pering (7)	Sulphides	2.88	–	0.38	1.96		1.01	–	0.58	1.44	

(1) The Escondida deposit is a supergene-enriched porphyry copper deposit. A significant increase in the total Mineral Resource reported is due to changes in the cut-off grades applied and inclusion of leachable low-grade sulphide material (supergene sulphide material in the grade range 0.3 ≤ cut–off < 0.5 per cent TCu). This material is currently being stockpiled and can be processed in a future run-of-mine sulphide bio-leach operation (currently under pre-feasibility study). The previously reported material type 'Low Grade', which was sulphide material suitable for the flotation process with grades of between 0.53 per cent and 0.70 per cent TCu, has now been renamed 'LG Float'. This material has a copper grade below the current concentrator cut-off grade, but above a revised break-even cut-off grade 0.5 per cent. This material is being stockpiled, and could be rehandled and processed through the concentrator at the end of mining. The significant reduction in Mixed and Oxide materials compared to the previous statements results from revised geological interpretation. Stockpiled material above respective cut-off grades is included as Measured Resource.

(2) Change in the Mineral Resource tonnages compared to the previous statement results from a combination of additional drill information, a new geological model, revised grade estimation and resource classification methodology and revision of cut-off grades based on new economic parameters.

(3) The Pinto Valley Mineral Resource is based on the milling and flotation of copper sulphides from ore-grade rock and acid leaching and SXEW of copper from lower grade sulphide bearing rock.

Inferred Resources Tonnes (millions dmt)	Grade %TCu	%SCu	g/tAu	Total Resources 2002 Tonnes (millions dmt)	Grade %TCu	%SCu	g/tAu	BHP Billiton Interest %
544	0.93	–	–	2 182	1.14	–	–	57.5
669	0.59	–	–	1 409	0.59	–	–	57.5
273	0.41	–	–	658	0.43	–	–	57.5
48	0.72	0.20	–	113	0.81	0.25	–	57.5
64	–	0.52	–	280	–	0.64	–	57.5
75	0.96	–	–	649	1.33	–	–	57.5
289	0.57	–	–	642	0.58	–	–	57.5
6.6	0.46	0.12	–	43	0.81	0.27	–	57.5
33	–	0.66	–	142	–	0.79	–	57.5
1	0.39	–	–	646	0.20	–	–	100
–	–	–	–	214	0.33	–	–	100
6	0.49	–	0.07	217	0.65	–	0.23	100
15	0.44	–	0.09	185	0.53	–	0.15	100
27	1.33	–	0.19	139	1.39	–	0.23	99.9
3	1.74	1.03	–	46	1.55	1.18	–	99.9
9	0.74	0.59	–	145	0.74	0.58	–	100
5	0.79	0.12	–	86	0.87	0.11	–	100
–	–	–	–	4	0.45	0.29	–	100
1	1.05	0.81	–	80	1.18	0.88	–	100
1	0.88	0.18	–	231	1.15	0.16	–	100
2	0.42	0.02	–	190	0.54	0.03	–	100

Tonnes (millions dmt)	Grade %TCu	%SCu	Tonnes (millions dmt)	Grade %TCu	%Mo	
–	–	–	323	0.41	0.008	33.6

Tonnes (millions dmt)	Grade %TCu	%Zn	g/tAg	%Mo	Tonnes (millions dmt)	Grade %TCu	%Zn	g/tAg	%Mo	
37	0.77	1.01	12.8	0.014	641	1.13	0.95	12.8	0.028	33.75

Tonnes (millions dmt)	Grade g/tAu	g/tAg	%Cu	g/tAu	Tonnes (millions dmt)	Grade %Zn	g/tAg	%Cu	g/tAu	
–	–	–	–		6.2	1.22	22	0.3	0.24	100

Tonnes (millions dmt)	Grade g/tAg	%Pb	%Zn	Tonnes (millions dmt)	Grade g/tAg	%Pb	%Zn	
10.8	375	9.14	3.84	41.1	490	11.35	4.50	100
–	–	–	–	3.89	–	0.43	1.83	100

(4) BHP Copper North America ceased operations at the Robinson Mine Site on 24 June 1999. Recent resource changes are a result of an external audit.

(5) BHP holds a 99.9 per cent interest in Tintaya, an open-pit copper mine in southern Peru. The remaining interest is held by Peruvian shareholders.

(6) The Cannington Ag-Pb-Zn deposit is a Broken Hill Type (BHT) deposit located in the Eastern Succession of the Mt Isa inlier. Results from ongoing underground diamond drilling and geological interpretation have seen the upgrading of Inferred Resource to Indicated and Indicated to Measured.

(7) The Pering resource estimate is as at 1 January 2002, and as has been announced the mine will close in approximately six months.

(8) **Competent Persons – Resources**
Escondida: Dr J M Gilligan (MAusIMM)
Pinto Valley & Robinson: J Gage (MAusIMM)
Tintaya: P Dupree (MAusIMM)
Cerro Colorado: T John (APEGBC)
Spence: A Cerda (IIMC)
Highland Valley: R Kintzi (APEGBC)
Antamina: G Stothart (APEGNB)
Selbaie: D Adam (CIM/OGQ)
Cannington: A Edwards (MAusIMM)
Pering: B S A Wiggett (SACNASP)

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Base Metals Customer Sector Group continued

Ore Reserves

The table below details our copper, zinc, silver, and lead reserves (in metric tonnes, unless stated otherwise), estimated as at 30 June 2002.

Base Metals Deposit	Ore type	Proved Ore Reserve Tonnes (millions)	Grade				Probable Ore Reserve Tonnes (millions)	Grade				Total Ore Reserve Tonnes (millions)	Grade				BHP Billiton Interest %
			%TCu(5)	%SCu(5)	g/tAu			%TCu	%SCu	g/tAu			%TCu	%SCu	g/tAu		
Copper																	
Escondida (6)	Sulphide	723	1.49	–	–		845	1.04	–	–		1 568	1.24	–	–		57.5
	Low grade float	161	0.60	–	–		421	0.60	–	–		582	0.60	–	–		57.5
	Mixed	20	1.49	0.45	–		30	0.71	0.24	–		50	1.02	0.33	–		57.5
	Oxide	149	–	0.76	–		59	–	0.50	–		208	–	0.69	–		57.5
Tintaya (7)	Sulphide	56	1.41	–	0.25		3	1.30	–	0.21		59	1.40	–	0.25		99.9
	Oxide	23	1.68	1.37	–		11	1.29	0.96	–		34	1.55	1.24	–		99.9
Cerro Colorado	Oxide and sulphide	20	0.71	0.34	–		202	0.79	0.41	–		222	0.78	0.40	–		100
Alumbrera(8)	Sulphide	329	0.51	–	0.59		42	0.55	–	0.64		370	0.51	–	0.60		25
		Tonnes (millions)	%TCu	%Mo			Tonnes (millions)	%TCu	%Mo			Tonnes (millions)	%TCu	%Mo			
Highland Valley	Sulphide	270	0.41	0.008			53	0.44	0.006			323	0.41	0.008			33.6
		Tonnes (millions)	%TCu	%Zn	g/tAg	%Mo	Tonnes (millions)	%TCu	%Zn	g/tAg	%Mo	Tonnes (millions)	%TCu	%Zn	g/tAg	%Mo	
Copper Zinc																	
Antamina	Sulphide	297	1.29	1.05	14.2	0.030	246	1.15	0.98	13.1	0.028	543	1.22	1.02	13.7	0.029	33.75
		Tonnes (millions)	%Zn	g/tAg	%Cu	g/tAu	Tonnes (millions)	%Zn	g/tAg	%Cu	g/tAu	Tonnes (millions)	%Zn	g/tAg	%Cu	g/tAu	
Selbaie	Pit D and Stockpiles (Sulphide)	6.2	1.22	22	0.3	0.24	–	–	–	–	–	6.2	1.22	22	0.3	0.24	100
		Tonnes (millions)	g/tAg	%Pb	%Zn		Tonnes (millions)	g/tAg	%Pb	%Zn		Tonnes (millions)	g/tAg	%Pb	%Zn		
Silver Lead Zinc																	
Cannington	Sulphide	7.5	487	10.96	5.27		18.7	469	10.5	3.51		26.2	474	10.63	4.02		100
Pering (9)	Sulphide	2.88	–	0.38	1.96		1.01	–	0.58	1.44		3.89	–	0.43	1.83		100

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

(2) Metallurgical recoveries for the operations are:

% Metallurgical Recovery	TCu	SCu	Zn	Pb	Ag	Au	Mo
Escondida Sulphide	81-86	88					
Escondida Mixed/Oxide	39						
Tintaya Sulphide	87.2				59.4	65.7	
Oxide		78.0					
Cerro Colorado	80.0						
Alumbrera	Variable						
Highland Valley	90.0						
Antamina	88.5-95.1		0-86.4		65-90		0-70
Selbaie	76.4		73.5		62.8	65.6	
Cannington			71	78	88		
Pering			87.5	70.0			

Base Metals Customer Sector Group continued

Ore Reserves continued

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

	Proved Ore Reserves	Probable Ore Reserves
Escondida	65 x 65m to 75 x 75m depending on geological domain and ore type	80 x 60m to 140 x 140m depending on geological domain and ore type
Tintaya Sulphide	30m to 34m drill spacing, minimum 2 holes	45m to 51m drill spacing
Cerro Colorado	35m grid spacing	77m to 105m grid spacing depending on domain
Alumbrera	Block kriging variance used, approx. 100m spacing or less	Block kriging variance used, approx. >100m spacing
Highland Valley	Valley area 110m spacing Lornex area 104m spacing Overall 108m spacing	Valley area 136m spacing Lornex area 117m spacing Overall 127m spacing
Antamina	3 holes within 55m and closest within 40m	Variable between domains, approximately 2 to 3 holes within 55m to 100m and closest within 25 to 55m
Selbaie	Ore reserves surrounded by mined area	Optimised pit design done, feasibility study positive
Cannington	12.5m x 15m spacing or less	25m x 25m spacing
Pering	<25m grid spacing	25m grid spacing

(4) Third party reserve audits have been undertaken on each of the reserves in the past three years: except for Antamina, Selbaie, and Pering.

(5) %TCu – per cent total copper, %SCu – per cent soluble copper.

(6) Change in the Ore Reserve tonnages during the year results from depletion through production; changes in the geological model; more rigorous resource classification; change in recovery factors due to the implementation of new long-term metallurgical performance predictive models; and recalculation of economic pit shells and associated cut-off grades, using a combination of copper price and cost scenarios applicable to the expanded Escondida operation. Low Grade Ore is now renamed 'LG Float Ore', a Mixed Ore reserve is reported for the first time, reflecting inclusion of this ore stream in the mine plan; Mixed Ore initially will be processed though the existing Oxide leach facilities. Measured resource for Mixed has been downgraded to Probable reserve to reflect uncertainty in some of the modifying factors. Ore reserves quoted are generated using Measured, Indicated and Inferred resources for Sulphide and Oxide material types only. This practice allows the maximum size of the pit to be used in strategic mine planning activities and reasonably reflects the future mining potential of the deposit, subject to future infill drilling. Reported Proved and Probable Reserves are derived from Measured and Indicated resources only within the Ultimate Pit, after modifying factors have been applied. The ultimate pit obtained by removal of Inferred resources from the pit optimisation is smaller, and as a result has a lower reserve base. Proved and Probable Reserves in this smaller pit are reduced to: Sulphide Ore: 1 443 Mt at 1.25 per cent TCu, LG Float Ore: 456 Mt at 0.60 per cent TCu, Mixed Ore: 45 Mt at 1.08 per cent TCu and 0.46 per cent SCu, and Oxide Ore: 202 Mt at 0.70 per cent SCu. Stockpiled material above respective cut-offs is included as Proved Ore.

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

(8) The mining and processing of 29.5 million tonnes of ore during the year depleted the Ore Reserve. A new pit design and phase sequencing has added 15.6 million tonnes at 0.5 per cent Cu and 0.5 g/t Au to the Ore Reserve. The Proved Reserve includes 104.4 million tonnes at 0.4 per cent Cu, 0.4 g/t Au of Medium and Low-Grade material stockpiled for future treatment. Identified Mineral Resources are estimated using Ordinary Kriging interpolation to a geologically constrained block model from an assay database comprising some 53 000 metres of diamond drilling and 14 000 metres of reverse circulation drilling. Ore Reserves are based on a life-of-mine production schedule generated from pit optimisation studies on the resource block model and are reported on the basis of a payable copper equivalent cut-off grade of 0.28 per cent, with the equivalent grade taking into account copper and gold grades and metallurgical recoveries. The recoverable copper equivalent grade of 0.28 per cent represents in situ copper and gold grades generally in the range of 0.15 per cent Cu, 0.40 g/t Au to 0.25 per cent Cu, 0.24 g/t Au. Mineralisation outside the current life-of-mine plan ultimate pit shell is no longer reported as Mineral Resource additional to the Ore Reserve. On current projections of likely technical and economic conditions, reasonable prospects for mining to extend outside the LOM ultimate pit are not considered to exist. Consequently, this mineralisation is no longer reported, in compliance with 1999 JORC Code and Guidelines. Primary sulphide mineralisation comprises disseminated, vein and fracture controlled chalcopyrite in altered Dacite and Andesite host rocks, with chalcocite and covellite in the enriched zone.

(9) The Pering reserve estimate is as at 1 January 2002. The reserves include stockpile material totalling 0.04Mt at 1.15 per cent Zn and 0.52 per cent Pb, and as has been announced the mine will close in approximately six months.

(10) **Competent Persons – Reserves**
Escondida: Dr J M Gilligan (MAusIMM)
Tintaya: P Dupree (MAusIMM)
Cerro Colorado: T John (APEGBC)
Alumbrera: D Keough (MAusIMM)
Highland Valley: R Kintzi (APEGBC)
Antamina: G Stothart (APEGNB)
Selbaie: D Adam (CIM/OGQ)
Cannington: K Sommerville (MAusIMM); P Balka (MAusIMM)
Pering: B S A Wiggett (SACNASP)

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group

The tables below detail iron ore, metallurgical coal and manganese Mineral Resources (in metric tonnes), estimated in 100 per cent terms as at 30 June 2002. All resource figures are total Mineral Resources inclusive of material converted to Ore Reserves.

Iron Ore Mineral Resources

Commodity	Ore Type	Measured Resources Tonnes (millions)	Measured Grade %Fe	Measured Grade %P	Indicated Resources Tonnes (millions)	Indicated Grade %Fe	Indicated Grade %P	Inferred Resources Tonnes (millions)	Inferred Grade %Fe	Inferred Grade %P	Total Resources 2002 Tonnes (millions)	Total Grade %Fe	Total Grade %P	BHP Billiton Interest %
Iron Ore (1)(2)(3)														
Newman JV	BKM	936	63.3	0.07	327	62.6	0.08	165	59.9	0.11	1 428	62.8	0.08	85
	MM	191	61.0	0.07	85	59.8	0.06	652	59.2	0.07	928	59.6	0.07	85
Jimblebar	BKM	310	61.1	0.07	114	61.3	0.10	752	61.5	0.13	1 176	61.4	0.11	100
	MM	–	–	–	–	–	–	17	60.2	0.10	17	60.2	0.10	100
Goldsworthy JV														
Northern Areas	NIM	56	61.7	0.05	45	61.0	0.07	–	–	–	101	61.4	0.06	85
Area C	BKM	22	58.5	0.07	19	58.5	0.07	71	62.2	0.12	112	60.9	0.10	85
	MM	399	62.1	0.06	213	62.2	0.06	373	61.1	0.06	985	61.8	0.06	85
BHPB/Renison JV	BKM	–	–	–	82	59.6	0.14	85	61.2	0.16	167	60.5	0.15	85
	MM	–	–	–	51	60.5	0.06	158	61.8	0.06	209	61.5	0.06	
Yandi JV	BKM	–	–	–	–	–	–	195	58.0	0.15	195	58.0	0.15	85
	CID	901	57.9	0.04	295	57.5	0.04	234	57.3	0.04	1 430	57.7	0.04	85
Samarco JV		467	47	0.05	663	45	0.05	2 659	42	0.04	3 789	43	0.05	50

(1) The BHP Billiton Iron Ore Western Australia resources include those that support current mining operations and market grades, and also include resources to support future undefined developments. All tonnages are in wet metric tonnes, except for Samarco which is in dry metric tonnes.

(2) Resources are divided into Joint Ventures, and material types which reflect the various products produced. The bedded ore material types are classified by the host Archaean or Proterozoic banded iron-formations. These are BKM – Brockman, MM – Marra Mamba and NIM – Nimingarra. The CID – Channel Iron Deposit or pisolite – are Cainozoic fluvial sediments.

(3) The resource grades listed refer to in situ (head grade), iron (Fe) and phosphorus (P).

(4) **Competent Persons**
Newman JV, Jimblebar, BHPB/Renison JV, Area C, Yandi JV: M Kneeshaw (FAusIMM)
Newman JV, Jimblebar, Yandi JV: C Handley (MAusIMM)
Goldsworthy JV, Northern Areas: D Podmore (MAusIMM)
Samarco JV: J Tizon (MAusIMM)

Carbon Steel Materials Customer Sector Group continued

Manganese Mineral Resources

Resources are inclusive of resources converted to Reserves.

Commodity Deposit	Measured Resources Tonnes (millions dmt)	Grade %Mn	Grade %Fe	Indicated Resources Tonnes (millions dmt)	Grade %Mn	Grade %Fe	Inferred Resources Tonnes (millions dmt)	Grade %Mn	Grade %Fe	Total Resources 2002 Tonnes (millions dmt)	Grade %Mn	Grade %Fe	BHP Billiton Interest %
Manganese (1)(2)													
Wessels	7.7	48.1	–	30.9	48.3	–	–	–	–	38.6	48.3	–	60
Mamatwan	25	38.0	5	15.5	38.0	5	15.9	37.0	5	56.5	37.8	5	60
GEMCO	56.5	48.1	–	58.9	47.6	–	92.5	47.0	–	207.9	47.5	–	60

(1) All tonnes are in dry metric tonnes.

(2) **Competent Persons**
Wessels: E P Ferreira (SACNASP)
Mamatwan: O van Antwerpen (SACNASP)
GEMCO: D Mallon (MAusIMM)

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group continued

Metallurgical Coal Resources (1)(8)

Ownership	Deposit	Mining Method (2)	Coal (3) type	Measured (4) Tonnes (millions) (5)	Calorific Value (6) (Kcal/kg)	Volatile Matter (6) %
Queensland Coal Resources at operating mines						
CQCA JV	Goonyella	OC/UG	Met	1 377	–	22.9
	Peak Downs	OC/UG	Met	1 343	–	20.1
	Saraji	OC/UG	Met	450	–	18
	Norwich Park	OC/UG	Met	396	–	17.6
	Blackwater	OC/UG	Met/Th	471	7 529	25.7
	South Blackwater (7)	OC/UG	Met/Th	176	–	–
Sub-total				4 213		
Gregory JV	Gregory Crinum	OC/UG	Met/Th	211	–	33.4
BHP Mitsui	Riverside	OC	Met	16	–	23.2
	Kemmis Walker	OC	Met/Th	72	7 763	13.1
Sub-total				88		
Total Queensland Coal resources at operating mines				4 512		
Queensland Coal undeveloped resources						
CQCA JV	Red Hill	UG	Met	90	–	20.9
	Daunia	OC	Met/Th	109	–	20.2
	Peak Downs East	UG	Met	–	–	–
Sub-total				199		
Gregory JV	Liskeard	OC	Met	6	–	34.6
BHP Mitsui	Wards Well	UG	Met	331	–	21.6
	Lancewood	UG	Met	–	–	–
	Bee Creek	OC	Th	–	–	–
	Nebo West	OC	Th	–	–	–
	Poitrel/ Winchester	OC/UG	Met/Th	143	–	23.7
Sub-total				474		
Total undeveloped Queensland resources				679		
Total Queensland Coal resources				5 191		
Illawarra Coal Resources at Operating mines	Appin	UG	Met/Th	162	–	–
	West Cliff	UG	Met/Th	182	–	–
	Cordeaux	UG	Met/Th	134	–	–
	Tower	UG	Met/Th	77	–	–
	Elouera	UG	Met/Th	162	–	–
	Dendrobium	UG	Met/Th	208	–	–
Sub-total				925		
Illawarra Coal Undeveloped resources	A248 & 442	UG	Met/Th	128	–	–

(1) Coal Resources inclusive of coal reserves.

(2) OC = opencut, UG = underground.

(3) Met = metallurgical coal, Th = thermal coal.

(4) Maximum borehole spacings for confidence levels are: Measured 1000 m, Indicated 2000 m, Inferred 4000 m.

(5) All tonnages quoted are at in situ moisture content.

Indicated (4) Tonnes (millions) (5)	Calorific Value (6) (Kcal/kg)	Volatile Matter (6) %	Inferred (4) Tonnes (millions) (5)	Calorific Value (6) (Kcal/kg)	Volatile Matter (6) %	Total Tonnes (millions) (5)	BHP Billiton Interest %
278	–	22.0	14	–	22.5	1 670	50
735	–	–	248	–	–	2 326	50
88	–	17.5	9	–	17.4	547	50
124	–	17.4	39	–	17.4	558	50
253	7 470	25.2	272	7 570	22.1	996	50
201	–	–	629	–	–	1 006	50
1679			1 211			7 103	
29		33.1	2		33	241	50
–	–	–	–	–	–	16	80
45	7 754	13.4	353	7 756	13.4	470	80
45			353			486	
1 753			1 565			7 830	
406	–	19.6	306	–	18	801	50
54	–	20.3	–	–	–	163	50
668	–	17.5	104	–	18.4	772	50
1 128			410			1 736	
–	–	–	–	–	–	6	50
289	–	21.6	–	–	–	620	80
112	–	20.6	–	–	–	112	80
55	–	14.4	5	–	13	60	80
178	6 930	7.5	–	–	–	178	80
68	–	–	27	–	–	238	80
701			32			1 207	
1 829			442			2 950	
3 582			2 007			10 780	
150	–	–	41	–	–	354	100
60	–	–	11	–	–	253	100
87	–	–	4	–	–	225	100
44	–	–	10	–	–	131	100
63	–	–	27	–	–	252	100
151	–	–	39	–	–	398	100
555			132			1 613	
231	–	–	72	–	–	431	100

(6) Coal quality quoted is potential product quality on air dried basis.

(7) South Blackwater Coal Ltd was acquired by BHP Billiton (then BHP) and Mitsubishi Development in late 2000, resources were not reported in 2001 pending resolution of ownership issues.

(8) Competent Person for Queensland Coal Resources is D Dunn (MAusIMM), and for Illawarra Coal Resources is B Clark (MAusIMM).

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group continued

Carbon Steel Ore Reserves

The tables below detail our iron ore, metallurgical coal and manganese reserves (in metric tonnes), estimated as at 30 June 2002 in 100 per cent terms.

Deposit	Ore Type (8)	Proved Ore Reserve Tonnes (millions)	Proved Ore Reserve Grade %Fe	Proved Ore Reserve Grade %P	Probable Ore Reserve Tonnes (millions)	Probable Ore Reserve Grade %Fe	Probable Ore Reserve Grade %P	Total Ore Reserve Tonnes (millions)	Total Ore Reserve Grade %Fe	Total Ore Reserve Grade %P	BHP Billiton Interest %
Iron Ore(1)(2)(3)(4)(5)(6)											
Mt Newman JV	BKM	863	62.9	0.07	250	62.1	0.07	1 113	62.7	0.07	85
	MM	61	62.0	0.07	19	61.2	0.05	80	61.8	0.07	85
Jimblebar	BKM	203	62.0	0.06	66	61.8	0.09	269	61.9	0.07	100
Mt Goldsworthy JV											
Northern Areas	NIM	24	63.3	0.05	5	60.4	0.04	28	62.9	0.05	85
Area C (7)	MM	189	62.7	0.06	19	62.8	0.06	209	62.7	0.06	85
Yandi JV	CID	546	58.3	0.04	141	58.1	0.04	687	58.3	0.04	85
Samarco		292	47.3	0.04	182	45.8	0.04	474	46.7	0.04	50

(1) The Reserves listed for each Joint Venture include a combination of High Grade (direct crusher feed) and Low Grade (usually requiring beneficiation). All tonnages are in wet metric tonnes, except for Samarco which is in dry metric tonnes.

(2) The Reserve grades listed refer to in situ head grades, iron (Fe) and phosphorus (P). Iron Ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed). Samarco is marketed predominantly as direct reduction and blast furnace pellets.

(3) Mining dilution has been taken into account in the estimation of reserves for all Western Australian iron ore operations. Mining recovery (not included in the reserve estimate) is variable from deposit to deposit but in general is around 95 per cent except for Yandi JV, which is 100 per cent. For Samarco the mine recovery is 96.5 per cent (not included in the reserve estimate) of the stated diluted reserve and beneficiation plant recovery is 57 to 59 per cent.

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

(5) The following third party audits have been undertaken: Mt Newman JV Long term mine plan audit including the reserve base, MRDI, 1997; Jimblebar Mine Planning Review, MineNet Consulting Mining Engineers, 2000; and Mt Goldsworthy JV Yarrie, Long Term Mine Plan Audit, MRDI, 1998 and Mine Planning Review, Mine Operations, MineNet Consulting Mining Engineers, 2001.

(6) Drill spacings used to classify Proved and Probable Reserves for the West Australian Iron Ore deposits are between 100m by 50m and 200m by 100m; for Samarco the drill spacings used are 50m by 50m and 150m by 100m for Proved and Probable Reserves, respectively.

(7) The reserve tabled for Mining Area C has been updated with the results from the Feasibility Study (February 2002). The project was approved for development on 3 April 2002.

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

(9) **Competent Persons**
Mt Newman, Jimblebar, Area C and Yandi: P Schultz (MAusIMM)
Mt Goldsworthy JV Northern Areas: R Richardson (MAusIMM)
Samarco: J Tizon (MAusIMM)

Carbon Steel Materials Customer Sector Group continued

Manganese Reserves

Deposit (1)(2)(3)(4)(5)	Ore Type	Proved Ore Reserve Tonnes (millions)	Grade %Mn	%Fe	Probable Ore Reserve Tonnes (millions)	Grade %Mn	%Fe	Total Ore Reserve Tonnes (millions)	Grade %Mn	%Fe	BHP Billiton Interest %
Manganese											
South Africa											
Wessels (UG)		3.4	48.1	–	13.9	48.4	–	17.3	48.3	–	60
Mamatwan (OC)		22.98	38.0	4.64	14.27	37.6	4.65	37.25	38.0	4.64	60
		Tonnes (millions)	Grade %Mn	%Yield	Tonnes (millions)	Grade %Mn	%Yield	Tonnes (millions)	Grade %Mn	%Yield	
Australia											
GEMCO (OC)	ROM	43.1	48.3	42	42.5	47.9	42	85.7	48.1	42	60

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

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

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

(3) Metallurgical recovery for Wessels, Mamatwan and GEMCO will vary with required market specification.

(4) For the South African manganese deposits underground sampling and drill spacings of +/– 230m are used for Proved and Probable Reserves respectively at Wessels, while drill spacings of between 40m and 80m are used to classify Proved and Probable Reserves at Mamatwan. For Gemco drill spacings of 60m by 120m and 120m by 120m are used for Proved and Probable Reserves, respectively.

(5) **Competent Persons**
Wessels: E P Ferreira (SACNASP)
Mamatwan: O van Antwerpen (SACNASP)
GEMCO: D Mallon (MAusIMM)

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group continued

Metallurgical Coal Reserves

		Mining (1) Method	Recoverable (2) Tonnes (millions)	Marketable (2) Tonnes (millions)	Marketable (2) Calorific Value (Kcal/kg)	Marketable (2) Volatile Matter %	Marketable (2) Sulphur %	BHP Billiton Interest %
Metallurgical Coal Reserves (3)(4)(5)(6)								
Queensland Reserves at operating mines								
CQCA JV	Goonyella	OC	818	592	7 767	23.6	0.52	50
	Peak Downs	OC	869	551	7 761	20.2	0.60	50
	Saraji	OC	162	108	7 761	18.7	0.62	50
	Norwich Park	OC	61	41	7 578	17.3	0.65	50
	Blackwater	OC	292	233	7 444	25.8	0.50	50
	South Blackwater	OC	72	62				50
Sub-total			2 274	1 587				
Gregory JV	Gregory	OC	17	13	7 722	33.1	0.60	50
	Crinum	UG	66	54	7 722	33.1	0.60	50
Sub-total			83	67				
BHP Mitsui	Riverside	OC	13	7	7 689	23.2	0.55	80
	South Walker Ck	OC	90	60	7 750	13.1	0.45	80
Sub-total			103	67				
Total Reserves at operating mines			2 460	1 721				
Illawarra Coal Reserves at operating mines								
	Appin	UG	85	70	8 122	22.7	0.33	100
	West Cliff	UG	56	45	8 239	20.8	0.36	100
	Cordeaux	UG	58	39	8 128	21.1	0.54	100
	Tower	UG	47	38	8 047	22.1	0.37	100
	Elouera	UG	8.5	6	8 261	23.9	0.57	100
	Dendrobium	UG	92	64	8 267	22.9	0.53	100
Total			346	262				
Queensland Undeveloped Coal Reserves								
CQCA JV	Daunia	OC	58.3	47	7 600	21.5	0.40	50
BHP Mitsui	Poitrel/Winchester	OC	112	88	7 250	22.8	0.40	80
	Nebo West	OC	21.6	16	6 933	7.5	0.65	80
Sub-total			134	104				
Total Queensland Undeveloped Coal Reserves			192	151				

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

(2) Recoverable Coal Reserve (metric tonnes) is the sum of Proved and Probable coal reserve estimates, which include allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable coal reserve (metric tonnes) are the tonnages of coal available, at specified moisture and quality, for sale after beneficiation of the Recoverable coal reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes.

(3) Coal wash plant recovery:

Queensland Coal			
Goonyella	72.3%	South Blackwater	80%
Peak Downs	63.3%	Gregory	79.8%
Saraji	66.9%	Crinum	82.1%
Norwich Park	68.1%	Riverside	59%
Blackwater	80.4%	South Walker	67.3%

(3) Coal wash plant recovery (continued):

Illawarra Coal			
Appin	81.8%	Tower	81.3%
West Cliff	79.7%	Elouera	69.2%
Cordeaux	67.2%	Dendrobium	70.5%

(4) CQCA's Goonyella, Peak Downs, Saraji, Norwich Park, Blackwater mines, Gregory JV mines Gregory and Crinum mines, and BHP Mitsui Coal P/L South Walker and Riverside mines passed audit by Runge P/L in June 2001. No third party audits have been undertaken on the Illawarra reserves in the past three years.

(5) Reserves are quoted on an air-dried qualities, as this is the basis they are sold on the international market.

(6) A drill spacing of 1000m is used to classify Proved Reserves and 1000m to 2000m to classify Probable Reserves.

(7) Competent Person for Queensland Coal Reserves is B Cox (MAusIMM), and for Illawarra Coal Reserves is B Clark (MAusIMM).

Stainless Steel Customer Sector Group

Stainless Steel Mineral Resources

The tables below detail Nickel and Chrome Mineral Resources (in metric tonnes) for the Stainless Steel Materials Customer Sector Group, estimated in 100 per cent terms as at the end of June 2002.

Commodity	Deposit	Type	Measured Resources Tonnes (millions dmt)	Grade %Ni	Indicated Resources Tonnes (millions dmt)	Grade %Ni	Inferred Resources Tonnes (millions dmt)	Grade %Ni	Total Resources Tonnes (millions dmt)	Grade %Ni	BHP Billiton Interest %
Nickel	Cerro Matoso(1)	Laterite	38.9	1.88	19.7	1.61	6.8	1.40	65.4	1.75	99.8
				$\%Cr_2O_3$		$\%Cr_2O_3$		$\%Cr_2O_3$		$\%Cr_2O_3$	
Chrome	Western Chrome		39	41.6	36	41.2	2	41.3	77	41.4	60
South Africa	Eastern Chrome		73	42.2	99	43.3	149	43.7	321	43.3	60
operating mines(1)	Undeveloped		59	44.1	68	44.8	45	41.6	172	43.5	60

(1) Resources for nickel are estimated on the basis of a 1.1 per cent nickel cut-off, chrome is based on a 38 per cent Cr_2O_3 cut-off.

(2) Competent Persons are: A C Bailey (MAusIMM) for Cerro Matoso, and C D Beater (SACNASP) for Eastern and Western Chrome.

(3) Measured and Indicated Resources for chrome are exclusive of those Resources that have been modified to produce Ore Reserves.

Stainless Steel Ore Reserves

The table below details our Stainless Steel Materials Ore Reserves (in metric tonnes), estimated as at 30 June 2002.

Commodity	Deposit	Proved Ore Reserve Tonnes (millions)	Grade % Ni	Probable Ore Reserve Tonnes (millions)	Grade % Ni	Total Ore Reserves Tonnes (millions)	Grade % Ni	BHP Billiton Interest %
Nickel								
Colombia	Cerro Matoso (2)(3)	34.3	2.01	12.6	1.70	46.9	1.93	99.8
			$\%Cr_2O_3$		$\%Cr_2O_3$		$\%Cr_2O_3$	
Chrome								
South Africa operating mines	Western Chrome (3)	9.4	42.3	11.3	42.3	20.7	42.3	60
	Eastern Chrome (3)	7.2	42.6	12.1	42.4	19.3	42.5	60

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

(2) Reserves for nickel are estimated on the basis of a 1.1 per cent nickel cut-off, chrome is based on a 38 per cent Cr_2O_3 cut-off.

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

(4) Reserve audits for Cerro Matoso in the last three years are: May 1999, audit undertaken by Steffen, Roberts, Kirsten (SRK) on various aspects of the CMSA operations, including ore reserves and mine plan, on behalf of a consortium of investment banks; and July 2000, audit undertaken MRDI (Mineral Resources Development Inc.), San Mateo, California to investigate grade bias of the CMSA laboratory, on behalf of CMSA. No third party audits have been carried out on the Western and Eastern Chrome reserves in the last three years.

(5) Equivalent drill spacing of 30m for Proved Reserve, and 60m for Probable Reserve has been used for Cerro Matoso reserve classification. For the chrome mines the known (published) continuity of the chromitite layers in the Bushveld Complex allows wide spaced drilling to delineate Proved and Probable Reserves with 600 metre square grid (no structural complexity) with increased drilling density with structural/geological complexity for Proved Reserve and 1200 metre square grid for Probable Reserves.

(6) Competent Persons are A C Bailey (MAusIMM) for Cerro Matoso, and C D Beater (SACNASP) for Eastern and Western Chrome.

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Energy Coal Customer Sector Group

Energy Coal Resources

Ownership	Deposit	Potential mining method(1)	Coal type(2)	Measured Tonnes (millions)	Indicated Tonnes (millions)	Inferred Tonnes (millions)	Total Tonnes (millions)	BHP Billiton Interest %
New Mexico Operating mines	La Plata	OC	Th	52	–	–	52	100
	Navajo	OC	Th	258	–	–	258	100
	San Juan	OC & UG	Th	251	22	–	273	100
Sub-total				561	22		583	
South Africa Operating mines	Douglas	OC & UG	Th	307	–	–	307	84
	Khutala	OC & UG	Th	1 000	–	–	1 000	100
	Koornfontein	UG	Th	58	–	–	58	100
	Middelburg	OC	Th	407	–	–	407	84
	Optimum	OC	Th	221	262	–	482	100
	Rietspruit	OC & UG	Th	4	–	–	4	50
	ZAC	OC & UG	Anth	12	2	–	14	100
	Khutala 5 seam	OC/UG	Th	–	138	–	138	100
Projects	Klipfontein	OC	Th	79	–	–	79	100
	Leandra North	UG	Th	443	134	–	577	100
	Leandra South	UG	Th	–	474	–	474	100
	Rem Block IV	UG	Th	–	189	–	189	50
	Weltevreden	OC/UG	Th	–	418	–	418	100
Undeveloped	Pegasus	OC	Th	11	–	–	11	100
	Union	OC	Th	102	–	–	102	100
Mineral leases	Miscellaneous	UG	Th	50	4 967	2 564	7 581	100
Australia Operating mines	Mount Arthur Coal (4)	OC	Th	828	1 887	246	2 962	100
Projects	Wyong	UG	Th	279	1 046	46	1 370	78
	Togara South	UG	Th	317	646	1 059	2 022	100
Colombia Operating mines	Cerrejon Coal	OC	Th	468	391	31	890	33.3

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

(2) **Coal type**
Met = metallurgical coal, Th = thermal coal, Anth = Anthracite.

(3) **Competent Persons**
San Juan, La Plata: R Vanvalkenburg (RPE NM)
Navajo: S Smith (RPE NM)
Delmas, Khutala, Rietspruit, ZAC, Rem Block IV, Union, Mineral Leases: M A J Visser (SACNASP)
Douglas: J H Marais (SACNASP)
Koornfontein: C W Joubert (SACNASP)
Middelburg: J C van der Merwe (SACNASP)
Optimum: G J Cronje (SACNASP)
Khutala 5 seam, Klipfontein, Weltevreden: J L Pienaar (SACNASP)
Leandra North, Leandra South, Pegasus: C D Van Niekerk (SACNASP)
Mount Arthur Coal: P Grey (FAusIMM)
Wyong Coal: K Bartlett (MAusIMM)
Togara South: A S Pretorius (MAusIMM)
Cerrejon Coal: C D Van Niekerk (SACNASP)

(4) Includes Bayswater operation and Mount Arthur North development.

Energy Coal Customer Sector Group continued

Energy Coal Reserves

The table below details our Energy Coal Reserves (in metric tonnes), estimated as at 30 June 2002.

	Deposit (1)	Mining Method (2)	Coal Type (3)	Recoverable Tonnes (4) (millions)	Marketable on as received basis Tonnes (millions)	Calorific Value (5) (Kcal/kg)	Sulphur %	Total Moisture	BHP Billiton Interest %
Thermal Coal Reserves									
New Mexico (6)(7)	La Plata	OC	Th	0.9	0.9	5 000	0.7		100
	Navajo	OC	Th	240	240	4 989	0.64		100
	San Juan	OC & UG	Th	130	130	5 222	0.7		100
Sub-total				371	371				
South Africa									
Operating mines	Douglas	OC & UG	Th	250	177	6 044	0.93	7.3	84
	Khutala	OC & UG	Th	467	467	4 467	0.88	8.0	100
	Koornfontein	UG	Th	31	21	5 783	1.10	7.5	100
	Middelburg	OC	Th	267	224	5 617	0.83	6.6	84
	Optimum	OC	Th	404	299	5 544	0.60	8.0	100
	ZAC	OC & UG	Anth	5	3	6 522	0.90	6.3	100
Sub-total				1 424	1 191				
Australia									
Operating mines	Mount Arthur Coal (9)	OC	Th	504	441	6 367	0.60	10.1	100
Colombia									
Operating mines	Cerrejon Coal	OC	Th	740	744	6 178	0.80	13.0	33.3
Undeveloped Thermal Coal Reserves									
Projects	Leandra North	UG	Th	215	–	5 517	–	–	100
	Klipfontein	OC	Th	64	–	5 339	–	–	100
	Pegasus	OC	Th	10	–	5 856	–	–	100
Sub-total				289					

(1) Third Party Reserve Audits have been undertaken on the following operations: Mount Arthur Coal, May 1997–2001, Dr I Blaydan of Geological Management Services Pty Ltd and volume audit at Bayswater by Mincon; Cerrejon Zona Norte, August 2002 and December 2001, Mr P Riley, Exploration Computer Services, Lakefield, Colorado. San Juan Mine: 1) Audit of the underground resource and reserve conducted in June 2000 conducted by Skelly & Loy, Inc.; and 2) Audit of the technical design, modeling and planning data for the proposed underground mine feasibility study conducted by Marston & Marston, Inc in September 2000. This review included a review of the San Juan and La Plata modelling and planning data.

(2) **Mining method**
OC = open cut, UG = underground.

(3) **Coal type**
Th = thermal coal, Anth = Anthracite.

(4) Recoverable Coal Reserve (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which include allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable coal reserve (tonnes) is the tonnages of coal available, at specified moisture and quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes.

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

(6) Mining recovery for Navajo Mine is 95 per cent; San Juan Surface mining is 95 per cent; and San Juan Underground mining is 55 per cent.

(7) Drill spacings of between 125m by 125m and up to 750m spacing are used for energy (thermal) coal Proved Reserves. A drill spacing of 500m to 1000m is used for Probable Reserves at New Mexico; for the South African and Colombian sites the Probable Reserve category is not used.

(8) **Competent Persons**
Navajo: S Smith (RPE NM)
San Juan, La Plata: R Vanvalkenburg (RPE NM)
Optimum: G J Cronje (SACNASP)
Middelburg: J C van der Merwe (SACNASP)
Douglas: J H Marais (SACNASP)
Koornfontein: C W Joubert (SACNASP)
Khutala 5 seam: J L Pienaar (SACNASP)
ZAC: M A J Visser (SACNASP)
Mount Arthur Coal: P Grey (FAusIMM)
Cerrejon Coal: C D Van Niekerk (SACNASP)

(9) Includes Bayswater operation and Mount Arthur North development.

Notes to Financial Statements continued

53 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Diamonds and Specialty Products Customer Sector Group

Mineral Resources

The table below details the Mineral Resources for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2002, and is presented in 100 per cent terms.

Deposit	Measured Resources Tonnes (millions dmt)	Measured Resources Grade Carats/ tonne	Indicated Resources Tonnes (millions dmt)	Indicated Resources Grade Carats/ tonne	Inferred Resources Tonnes (millions dmt)	Inferred Resources Grade Carats/ tonne	Total Resources 2002 Tonnes (millions dmt)	Total Resources 2002 Grade Carats/ tonne	BHP[2] Billiton Interest %
Ekati Diamond Mine™									
Diamonds Resources									
Ekati™[1]	40	1.2	48	1.3	26	1.3	114	1.3	71.1

(1) Resources presented are total resources inclusive of the resources converted to Ore Reserves and those not yet converted to Ore Reserves; they are reported using a 1.0mm size cut-off and the Competent Person responsible is J Carlson (MAusIMM, NAPEGG).

(2) The BHP Billiton interest stated is weighted average based on the majority of the resource being 80 per cent BHP Billiton share and two pipes (Jay and Lynx) being located in the 'Buffer Zone' are 58.8 per cent BHP Billiton share.

Ore Reserves

The table below details the Ore Reserves for the Diamonds and Specialty Products Customer Sector Group, in 100 per cent terms.

Deposit	Proved Ore Reserve Tonnes (millions dmt)	Proved Ore Reserve Grade Carats/ tonne (>1.5mm size)	Probable Ore Reserve Tonnes (millions dmt)	Probable Ore Reserve Grade Carats/ tonne (>1.5mm size)	Total Ore Reserves Tonnes (millions dmt)	Total Ore Reserves Grade Carats/ tonne (>1.5mm size)	Recoverable Product[1] Carats (millions)	BHP Billiton Interest %
Ekati Diamond Mine™								
Diamond Ore Reserves								
Ekati™ [2][3][4]	33	1.1	25	0.7	58	0.9	53	80
		TiO_2 slag (million tonnes)		TiO_2 slag (million tonnes)		TiO_2 slag (million tonnes)	TiO_2 slag (million tonnes)	
Titanium [5]								
Ore Reserves								
Richards Bay Minerals		9.7		14.5		24.2	–	50

(1) The Recoverable Product figures are expressed in terms of the recoverable quantity of marketable product.

(2) The following audits have been carried out on the Ekati™ Diamond Reserve: March 2000 'Revised Resource Model for the Koala Kimberlite', Mineral Services Intl.; and May 2001 'Resource Estimate for the Koala North Kimberlite Pipe and Lower Part of the Panda Kimberlite Pipe, Ekati Diamond Property', Watts Griffis and MacOuat.

(3) Drill spacings of 25m by 25m and 50m by 50m are used to classify Proved and Probable Reserves, respectively.

(4) Competent Person is H Goetz (MAusIMM), and Diamond Ore Reserves are as at 30 June 2002.

(5) Richards Bay Minerals Ore Reserves are as of end December 2001.

Directors' Declaration

In accordance with a resolution of the Directors of BHP Billiton Limited, the Directors declare that the financial statements and notes, set out on pages 2 to 116:

(a) Comply with applicable Accounting Standards and Corporations Regulations; and

(b) Give a true and fair view of the financial position of the BHP Billiton Group as at 30 June 2002 and of their performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

In the Directors' opinion:

(a) The financial statements and notes are in accordance with the Corporations Act; and

(b) There are reasonable grounds to believe that BHP Billiton Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

D R Argus – Chairman

Brian Gilbertson – Chief Executive

Dated at Melbourne this 9th day of September 2002

Independent Audit Report

To the members of BHP Billiton Limited:

Scope

We have audited the financial report of BHP Billiton Limited for the financial year ended 30 June 2002, as set out on pages 2 to 117 including the Directors' Declaration. The financial report includes the financial statements of the BHP Billiton Group, comprising BHP Billiton Limited and BHP Billiton Plc and the entities they controlled at year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the Company's and combined entities' financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of BHP Billiton Limited is in accordance with:

(a) The Corporations Act 2001, including:

- (i) Giving a true and fair view of the Company's and combined entities' financial position as at 30 June 2002 and of their performance for the year ended on that date; and
- (ii) Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) Other mandatory professional reporting requirements in Australia.

Ernst + Young

Ernst & Young

G A Hounsell – Partner

Dated at Melbourne this 9th day of September 2002

Shareholder Information

Twenty largest shareholders as at 29 August 2002

	BHP Billiton Limited	Number of fully paid shares	% of issued capital
1	J P Morgan Nominees	554 878 605	14.88
2	Westpac Custodian Nominees Ltd	461 422 348	12.37
3	National Nominees Ltd	458 867 760	12.30
4	Citicorp Nominees Pty Ltd	200 772 303	5.38
5	Australian Mutual Provident Society	105 300 642	2.82
6	ANZ Nominees Ltd	81 366 551	2.18
7	Commonwealth Custodial Services Ltd	77 636 856	2.08
8	Queensland Investment Corporation	66 486 061	1.78
9	MLC Group of Companies	48 199 762	1.29
10	HSBC Australia Nominees Pty Ltd	33 173 243	0.89
11	RBC Global Services Australia Nominees Pty Ltd	28 690 882	0.77
12	Mercantile Mutual Life Insurance Company	23 068 140	0.62
13	Japan Resources Limited	19 219 200	0.52
14	RBC Global Services Australia Nominees Pty Ltd <RA A/C>	18 857 409	0.51
15	AXA Trustees Ltd	18 225 216	0.49
16	NRMA Group	15 004 074	0.40
17	Commonwealth Superannuation Board of Trustees	14 673 779	0.39
18	Government Superannuation Office <State Super Fund A/C>	12 147 639	0.33
19	RBC Global Services Australia Nominees Pty Ltd <MTRAEF A/C>	10 944 063	0.29
20	Perpetual Trustee Australia Group	10 669 323	0.29
		2 259 603 856	60.58

	BHP Billiton Plc	Number of fully paid shares	of issued capital
1	Plc Nominees Pty Ltd	583 066 303	23.62
2	Chase Nominees Limited	199 751 991	8.09
3	HSBC Global Custody Nominee UK Limited <357206 A/C>	57 233 475	2.32
4	The Bank of New York Nominees Limited	55 655 804	2.25
5	Stanlife Nominees Limited	52 097 902	2.11
6	Mellon Nominees UK Limited <BSDTUSD A/C>	44 726 875	1.81
7	Chase Nominees Limited <LEND A/C>	38 662 870	1.57
8	Guaranty Nominees Limited <ADR01 A/C>	38 558 595	1.56
9	Nortrust Nominees Limited <SLEND A/C>	33 374 812	1.35
10	Chase Nominees Limited <USRESLD A/C>	31 859 817	1.29
11	Prudential Client HSBC GIS Nominee UK Limited <PAC A/C>	31 296 693	1.27
12	Vidacos Nominees Limited <FGN A/C>	26 966 936	1.09
13	Chase Nominees Limited <BGILIFEL A/C>	26 223 213	1.06
14	BNY OCS Nominees Limited	24 582 108	1.00
15	Nutraco Nominees Limited	24 375 354	0.99
16	Nortrust Nominees Limited	22 829 236	0.92
17	Chase Nominees Limited <PUTLEND A/C>	22 431 297	0.91
18	Vidacos Nominees Limited	21 378 805	0.87
19	State Street Nominees Limited <SS01 A/C>	20 717 173	0.84
20	Co-Operative Insurance Society Limited	20 645 113	0.84
		1 376 434 372	55.76

Substantial shareholders

BHP Billiton Limited

The Capital Group Companies Inc, by notice dated 21 August 2002, advised that it had ceased to be a substantial shareholder.

BHP Billiton Plc

By notices provided the Company's register of substantial shareholdings showed the following interests in 3 per cent or more of the Company's shares:

	Date of notice	Ordinary shares	%
Plc Nominees Pty Ltd	21 Aug 02	540 360 860	21.89
The Capital Group of Companies	8 Aug 02	154 782 898	6.27
Cater Allen International Ltd	28 May 02	106 835 415*	4.33
Old Mutual Plc	13 Nov 01	98 290 271*	3.98
Franklin & General Investment Management Ltd	20 Sep 01	77 368 390*	3.13
Legal & General Investment Management Ltd	10 Jun 02	75 230 880*	3.05

* These figures have been adjusted to recognise the bonus issue effective from 22 July 2002.

Shareholder Information continued

Distribution of shareholders and shareholdings as at 29 August 2002

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Registered address								
Australia	298 801	94.1	3 628 739 526	97.3	68	0.7	1 033 787	0.0
New Zealand	9 049	2.8	41 716 945	1.1	8	0.1	19 382	0.0
United Kingdom	5 282	1.7	26 168 582	0.7	6 962	74.3	1 875 638 747	76.0
United States	1 850	0.6	4 641 840	0.1	62	0.7	344 693	0.0
South Africa	46	0.0	121 736	0.0	1 858	19.8	588 844 200	23.9
Other	2 667	0.8	30 755 282	0.8	411	4.4	2 266 193	0.1
Total	317 695	100.0	3 732 143 911	100.0	9 369	100.0	2 468 147 002	100.0

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Size of holding								
1 – 500*	76 619	24.2	20 436 073	0.5	2 337	24.9	512 844	0.0
501 – 1 000	59 068	18.6	46 609 324	1.3	1 393	14.9	971 849	0.0
1 001 – 5 000	130 089	41.0	307 683 750	8.2	3 102	33.1	6 906 064	0.3
5 001 – 10 000	27 661	8.7	197 944 031	5.3	687	7.3	4 731 314	0.2
10 001 – 25 000	17 486	5.5	263 824 791	7.1	538	5.7	8 423 568	0.3
25 001 – 50 000	4 150	1.3	142 165 826	3.8	269	2.9	9 652 469	0.4
50 001 – 100 000	1 632	0.5	111 492 863	3.0	239	2.6	16 955 614	0.7
100 001 – 250 000	678	0.2	97 874 540	2.6	283	3.0	44 572 293	1.8
250 001 – 500 000	153	0.0	51 800 985	1.4	165	1.8	58 762 648	2.4
500 001 – 1 000 000	53	0.0	36 817 436	1.0	124	1.3	87 689 457	3.6
1 000 001 and over	106	0.0	2 455 494 292	65.8	232	2.5	2 228 968 882	90.3
Total	317 695	100.0	3 732 143 911	100.0	9 369	100.0	2 468 147 002	100.0

*Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A$500) based on the market price of A$9.27 as at 29 August 2002 was 9 064.

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Classification of holder								
Corporate	42 941	13.5	2 682 890 185	71.9	3 512	37.5	2 453 100 890	99.4
Private	274 754	86.5	1 049 253 726	28.1	5 857	62.5	15 046 112	0.6
Total	317 695	100.0	3 732 143 911	100.0	9 369	100.0	2 468 147 002	100.0

Corporate Directory

BHP BILLITON LIMITED
REGISTERED OFFICE

Australia
BHP Billiton Limited
Bourke Place
600 Bourke Street
Melbourne VIC 3000

Telephone (61 3) 9609 3333
Facsimile (61 3) 9609 3015

Company Secretary
Karen J Wood

Shareholder Services
Principal Register and Share Office
43rd Floor 600 Bourke Street
Melbourne VIC 3000
Australia

Telephone (61 3) 9609 4559
Facsimile (61 3) 9609 4545

United Kingdom
The Registrar
Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Telephone (44 870) 702 0003 (Ext. 7121)
Facsimile (44 870) 889 3120

United States
ADR Depository, Transfer Agent and Registrar
JPMorgan Chase Bank
Shareholder Services
PO Box 43013
Providence, RI 02940-3013
USA

Telephone (1 781) 575 4328 (outside of USA)
1 800 990 1135 (toll-free within USA)
Facsimile (1 781) 575 4082
Email: adr@jpmorgan.com

Other details provided to assist shareholders.

Germany
Trustee
Deutsche Boerse Clearing AG

Dividend paying bank
Deutsche Bank AG

Switzerland
Trustee
SEGA Schweizerrische
Effekten-Giro AG

Dividend paying bank
UBS AG
Credit Suisse First Boston

BHP BILLITON
CORPORATE CENTRES

United Kingdom
1-3 Strand
London WC2N 5HA UK

Telephone (44 20) 7747 3800
Facsimile (44 20) 7747 3900

Neathouse Place
London SW1V 1LH UK

Telephone (44 20) 7802 7000
Facsimile (44 20) 7603 8008

South Africa
6 Hollard Street
Johannesburg 2001
Republic of South Africa

Telephone (27 11) 376 9111
Facsimile (27 11) 838 4716

United States
1360 Post Oak Boulevard, Suite 150
Houston, TX 77056-3020 USA

Telephone (1 713) 961 8500
Facsimile (1 713) 961 8400

MARKETING OFFICES

Netherlands
Verheeskade 25
2521 BE The Hague
The Netherlands

Telephone (31 70) 315 6666
Facsimile (31 70) 315 6767

Singapore
168 Robinson Road
Capital Tower
Singapore 068912

Telephone (65) 6349 3333
Facsimile (65) 6349 4000

Receive your Annual Report electronically.
The BHP Billiton Limited Annual Reports (Concise Report and Combined Financial Statements) are also posted on the Internet. Shareholders are encouraged to visit **www.bhpbilliton.com** to inspect the electronic version of the Annual Report and provide feedback to the Company.

The single entity financial statements of BHP Billiton Limited are available on the Company's website (www.bhpbilliton.com) and are available to shareholders on request free of charge.

www.bhpbilliton.com

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES

The financial statements of the BHP Billiton Group are prepared in accordance with Australian Generally Accepted Accounting Principles (GAAP). The financial statements, analyses and reconciliations presented in this note represent the financial information which would be required if US GAAP had been applied instead of Australian GAAP.

Certain additional disclosures that would normally accompany these disclosures were they being prepared in the context of a filing with the US Securities and Exchange Commission have been omitted.

DLC merger

On 29 June 2001, BHP Billiton Plc (formerly Billiton Plc) consummated the Dual Listed Companies ('DLC') merger with BHP Billiton Limited (formerly BHP Limited). A description of the DLC merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. In accordance with Australian GAAP, the assets, liabilities and equity of the BHP Billiton Plc Group and of the BHP Billiton Limited Group are combined at their respective book values as at the date of consummation of the merger.

Under US GAAP the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group has been identified as the acquirer because of the majority ownership interest of BHP Billiton Limited shareholders in the DLC structure. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognise the BHP Billiton Plc Group assets and liabilities at their fair values, with the excess recorded as goodwill.

(A) Reconciliation to US GAAP

Material differences between Australian GAAP as followed by the BHP Billiton Group and US GAAP are described below. Refer 'US GAAP Adjustments'.

Note 49 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Combined Financial Statements.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to net income for 2002, 2001 and 2000 which would be required if US GAAP had been applied instead of Australian GAAP.

	2002 US$M	2001 US$M (restated)	2000 US$M
Reconciliation of net income			
Net profit attributable to members as reported in the consolidated Statement of Financial Performance:	**1 648**	1 109	1 034
add/(deduct)			
Estimated adjustment required to accord with US GAAP:			
Fair value adjustment on acquisition of BHP Billiton Plc Group			
Depreciation, amortisation and other asset movements	**(412)**	–	–
BHP Steel demerger	**(333)**	–	–
Employee compensation costs	**26**	(117)	–
Depreciation – write-downs	**(18)**	(19)	(34)
– revaluations	**5**	5	8
– reserves	**(15)**	–	–
Restructuring and employee provisions	**(55)**	31	27
Fair value accounting for derivatives	**279**	(33)	–
Synthetic debt	**18**	–	–
Realised net exchange (losses)/gains on sale of assets/closure of operations	**84**	7	26
Exploration, evaluation and development expenditures	**(60)**	(3)	(4)
Start-up costs	**(2)**	5	(16)
Profit on asset sales	**2**	2	(30)
Pension plans	**(12)**	(172)	(29)
Other post-retirement benefits	**8**	–	–
Mozal expansion rights	**22**	–	–
Employee Share Plan loans	**(16)**	–	–
Purchase business combination costs	**–**	38	–
Expenses on spin-off of OneSteel Limited	**–**	(30)	–
Asset write-downs	**–**	–	(891)
Consolidation of Tubemakers of Australia Ltd	**–**	(1)	(4)
Application of Equity accounting	**–**	–	164
Tax adjustments (including the tax effect of above adjustments)	**80**	60	338
Total adjustment	**(399)**	(227)	(445)
Net income of BHP Billiton Group under US GAAP	**1 249**	882	589

	2002 US$	2001 US$	2000 US$
Earnings per share – US GAAP (a) (b)			
Basic	**0.207**	0.239	0.161
Diluted	**0.207**	0.238	0.161
Earnings per American Depositary Share (ADS) – US GAAP (b) (c)			
Basic	**0.414**	0.478	0.322
Diluted	**0.414**	0.476	0.322

(a) Based on the weighted average number of shares on issue for the period.
(b) Comparative data has been adjusted to take into account the BHP Billiton Limited bonus share issue effective 29 June 2001. Refer note 31.
(c) For the periods indicated, each ADS represents two ordinary shares.

Note 49 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Combined Financial Statements.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	2002 US$M	2001 US$M (restated)	2000 US$M
Consolidated income statement			
Revenues	**14 698**	9 038	9 401
deduct			
Cost of sales	**9 968**	6 457	7 798
Depreciation and amortisation	**1 882**	1 137	1 174
General and administrative expenses	**174**	185	56
Operating income	**2 674**	1 259	373
deduct			
Net interest expense	**465**	299	457
Income/(loss) before tax, minority interests and equity in net earnings of affiliated companies	**2 209**	960	(84)
deduct/(add)			
Taxation expense/(benefit)	**878**	489	(308)
add			
Share of profits of joint ventures and associated undertakings	**221**	15	183
deduct/ (add)			
Minority interests	**39**	(260)	(22)
Net income from continuing operations	**1 513**	746	429
Discontinued operations			
Income from discontinued operations	**74**	205	221
(add)/deduct			
Taxation (benefit)/expense from discontinued operations	**(3)**	34	56
deduct			
Loss on disposal of operations	**333**	31	4
deduct			
Minority interests in discontinued operations	**8**	4	1
Net (loss)/income from discontinued operations	**(264)**	136	160
Net income	**1 249**	882	589

The following statement of comprehensive income reports changes in shareholders' equity excluding those resulting from investments by shareholders and distributions to shareholders.

	2002 US$M	2001 US$M	2000 US$M
Statement of comprehensive income			
Total changes in equity other than those resulting from transactions with owners under Australian GAAP	**1 673**	1 401	1 264
Adjustments to reflect comprehensive income in accordance with US GAAP, net of income tax:			
Total adjustment to net income per above reconciliation	**(399)**	(227)	(445)
Reclassification adjustment for net exchange gains included in net income (a)	**(84)**	(7)	(26)
Net loss on qualifying cash flow hedging instruments as at 1 July 2000	**–**	(268)	–
Losses on qualifying cash flow hedging instruments	**–**	(301)	–
Net transfer to earnings on maturity of cash flow hedging instruments	**148**	150	–
Adjustment for initial adoption of revised accounting standard AASB 1016:			
Accounting for investments in associates	**–**	–	(164)
Changes in fair value of listed investments	**5**	–	–
Comprehensive income – under US GAAP (b)	**1 343**	748	629
Accumulated other comprehensive income includes:			
Exchange fluctuation account	**387**	446	149
Qualifying cash flow hedging instruments	**(271)**	(419)	–
Other items	**5**	–	–
(a) Tax benefit/ (expense) of other comprehensive income items:			
Movements in exchange fluctuation account	1	74	40
Reclassification adjustment for exchange gains included in net income	–	–	30

(b) Estimated losses expected to be reclassified from other comprehensive income to earnings in the year ended 30 June 2003 are approximately $220 million after tax.

Note 49 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Combined Financial Statements.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of Australian GAAP:

	2002 US$M	2001 US$M
Equity attributable to members		
Total equity attributable to members	**12 821**	11 847
add/ (deduct)		
Estimated adjustment required to accord with US GAAP		
Fair value adjustments on acquisition of BHP Billiton Plc Group (a)		
Inventory	**–**	159
Investments	**985**	1 034
Property, plant and equipment	**2 072**	2 156
Undeveloped properties	**741**	825
Long-term contracts	**39**	40
Goodwill	**2 709**	2 770
Long-term debt	**13**	29
BHP Steel demerger	**(264)**	–
Property, plant and equipment revaluations	**(63)**	(68)
Asset write-downs	**87**	174
Reserves	**(15)**	–
Restructuring and employee provisions	**11**	66
Fair value accounting for derivatives	**(127)**	(624)
Synthetic debt	**31**	13
Exploration, evaluation and development expenditures	**(126)**	(66)
Start-up costs	**(55)**	(53)
Profit on asset sales	**(20)**	(22)
Pension plans	**(109)**	(78)
Other post-retirement benefits	**(15)**	(49)
Mozal expansion rights debtor	**(39)**	(61)
Employee Share Plan loans	**(135)**	(59)
Change in fair value of listed investments	**10**	5
Deferred taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	**(1 559)**	(1 724)
Deferred taxation adjustments (including the deferred taxation effect of other adjustments)	**155**	288
Total adjustment	**4 326**	4 755
Total equity attributable to members according to US GAAP	**17 147**	16 602

(a) In addition to the fair value adjustments on acquisition of the BHP Billiton Plc Group indicated, various adjustments to the net assets of the BHP Billiton Plc Group to reflect US GAAP were also reported. These adjustments have been disclosed in aggregate with similar items relating to the BHP Billiton Limited Group.

Note 49 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Combined Financial Statements.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following are the variations in the balance sheet as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of Australian GAAP:

	A GAAP 2002 US$M	**Adjustments 2002 US$M**	**US GAAP 2002 US$M**	A GAAP 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Statement of Financial Position						
Assets						
Current assets						
Cash assets	**1 413**	**–**	**1 413**	1 147	–	1 147
Receivables	**1 990**	**(110)**	**1 880**	1 979	(69)	1 910
Other financial assets	**116**	**–**	**116**	215	–	215
Inventories	**1 160**	**–**	**1 160**	1 375	159	1 534
Other assets	**100**	**93**	**193**	122	–	122
Total current assets – continuing operations	**4 779**	**(17)**	**4 762**	4 838	90	4 928
Total current assets – discontinued operations	**748**	**–**	**748**	738	–	738
Total current assets	**5 527**		**5 510**	5 576	90	5 666
Non-current assets						
Receivables	**882**	**(64)**	**818**	374	(51)	323
Investments accounted for using the equity method	**1 505**	**(2)**	**1 503**	1 236	–	1 236
Other financial assets	**489**	**1 034**	**1 523**	465	1 085	1 550
Inventories	**45**	**–**	**45**	61	–	61
Property, plant and equipment	**17 659**	**2 246**	**19 905**	16 964	2 844	19 808
Intangible assets	**513**	**2 709**	**3 222**	608	2 770	3 378
Deferred tax assets	**462**	**67**	**529**	442	216	658
Other assets	**796**	**(100)**	**696**	689	(69)	620
Total non-current assets – continuing operations	**22 351**	**5 890**	**28 241**	20 839	6 795	27 634
Total non-current assets – discontinued operations	**1 984**	**40**	**2 024**	1 809	123	1 932
Total non-current assets	**24 335**	**5 930**	**30 265**	22 648	6 918	29 566
Total assets	**29 862**	**5 913**	**35 775**	28 224	7 008	35 232
Liabilities and shareholders' equity						
Current liabilities						
Payables	**2 143**	**100**	**2 243**	1 989	317	2 306
Interest bearing liabilities	**1 743**	**–**	**1 743**	1 743	–	1 743
Tax liabilities	**498**	**–**	**498**	380	–	380
Other provisions	**1 009**	**(9)**	**1 000**	942	(64)	878
Total current liabilities – continuing operations	**5 393**	**91**	**5 484**	5 054	253	5 307
Total current liabilities – discontinued operations	**448**	**–**	**448**	375	–	375
Total current liabilities	**5 841**	**91**	**5 932**	5 429	253	5 682
Non-current liabilities						
Payables	**121**	**16**	**137**	144	185	329
Interest bearing liabilities	**6 329**	**(33)**	**6 296**	6 458	86	6 544
Tax liabilities	**1 364**	**1 471**	**2 835**	1 152	1 651	2 803
Other provisions	**2 661**	**33**	**2 694**	2 443	69	2 512
Total non-current liabilities – continuing operations	**10 475**	**1 487**	**11 962**	10 197	1 991	12 188

Note 49 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Combined Financial Statements.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	A GAAP 2002 US$M	Adjustments 2002 US$M	US GAAP 2002 US$M	A GAAP 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Total non-current liabilities – discontinued operations	**393**	**–**	**393**	366	–	366
Total non-current liabilities	**10 868**	**1 487**	**12 355**	10 563	1 991	12 554
Total liabilities	**16 709**	**1 578**	**18 287**	15 992	2 244	18 236
Equity minority interests	**332**	**9**	**341**	385	9	394
Shareholders' equity						
BHP Billiton Limited – Contributed equity	**3 143**	**(628)**	**2 515**	3 039	(533)	2 506
BHP Billiton Plc – Called up capital	**1 752**	**5 697**	**7 449**	1 752	5 699	7 451
Other equity items	**471**	**(247)**	**224**	530	(400)	130
Retained profits	**7 455**	**(496)**	**6 959**	6 526	(11)	6 515
Total shareholders' equity	**12 821**	**4 326**	**17 147**	11 847	4 755	16 602
Total liabilities and shareholders' equity	**29 862**	**5 913**	**35 775**	28 224	7 008	35 232

Basis of presentation under US GAAP

Revenue recognition

SAB 101 'Revenue recognition in Financial Statements' became applicable to the BHP Billiton Group for the year ended 30 June 2001. The adoption of SAB 101 does not give rise to any differences in revenue recognition.

Associated entities and unincorporated joint ventures

Under US GAAP, all investments classified as associated entities, as detailed in note 18 'Investments accounted for using the equity method', are accounted for under the equity method of accounting in accordance with APB 18. All unincorporated joint ventures, as detailed in note 45 'Major interests in unincorporated joint ventures', are proportionally accounted for in accordance with Emerging Issues Task Force Opinion ('EITF') 00–01 *Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures*.

The BHP Billiton Group's investment in the Richards Bay Minerals joint venture is comprised of two legal entities Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited. Although the BHP Billiton Group owns 51 per cent of Tisand (Pty) Limited, it has not been consolidated under US GAAP in accordance with EITF 96-16 *Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights*. The substantive participating rights of the minority interests holder in the Richards Bay Minerals joint venture are embodied in the shareholder agreement between the BHP Billiton Group and Rio Tinto which ensures that the Richards Bay Minerals joint venture functions as a single economic entity with the overall profit of the Richards Bay Minerals joint venture shared equally between the venturers.

The BHP Billiton Group holds a 57.5 per cent ownership interest in Escondida, which is classified as a joint arrangement. In accordance with EITF 96-16, the BHP Billiton Group has not consolidated this investment. The substantive participating rights of the minority interests holders in the Escondida joint venture include the participation in selection, termination and compensation of management, approval of sales, expenditure, expansions, curtailments, borrowings, settlements and policies and procedures.

Period ended 30 June 2000

For the BHP Billiton Limited Group, following a change in balance date from 31 May to 30 June, effective 30 June 2000, all references in this reconciliation to 2000 are to the 13 months ended 30 June 2000 (refer note 1). Under US GAAP, net income for the 12 months ended 30 June 2000 was US$400 million and comprehensive income for the 12 months ended 30 June 2000 was US$674 million.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

US GAAP adjustments

Acquisition of BHP Billiton Plc

On 29 June 2001, BHP Billiton Limited and BHP Billiton Plc established a DLC merger. A full description of the DLC Merger structure is provided in (Dual Listed Companies Structure and Basis of Preparation of Financial Statements). Under US GAAP, the DLC merger is accounted for as a purchase business combination of the BHP Billiton Plc Group by the BHP Billiton Limited Group.

The total assumed purchase consideration of US$11 529 million was calculated by multiplying the number of shares held by BHP Billiton Plc shareholders of 2 319 147 885 on 29 June 2001 by the US$4.9559 adjusted average share price of BHP Billiton Limited's ordinary shares. The average share price was calculated over a period of three days prior to, and subsequent to, the announcement of the DLC merger on 19 March 2001. The average share price is adjusted for the 1:1 equalisation ratio, which is achieved by BHP Billiton Limited's bonus share issue of 1 912 154 524 million shares in the ratio of 1.0651 additional bonus shares for every existing share held – prior to the bonus share adjustment the average share price would be US$10.2344 (i.e. by a factor of 2.0651). The 2 319 147 885 shares held by BHP Billiton Plc shareholders on 29 June 2001 reflect the exercise of rights under the Restricted Share Scheme and the Co-Investment Plan. As such, there were no outstanding stock options, stock appreciation rights or similar issuances of BHP Billiton Plc, and no purchase consideration is attributable to such securities. The cost of acquisition was therefore US$11 529 million, including direct external acquisition costs of US$36 million. The direct external acquisition costs have been expensed as incurred for Australian GAAP purposes.

Under US GAAP purchase accounting, the cost of the acquisition is allocated to the fair values of identifiable assets acquired and liabilities assumed. As a result of the fair value exercise, increases in the values of the BHP Billiton Plc Group's inventory, investments, long-term contracts and long-term debt were recognised and fair market values attributed to their other tangible assets mainly property, plant and equipment and undeveloped properties, together with appropriate deferred taxation effects. The difference between the cost of acquisition and the fair value of the assets and liabilities of the BHP Billiton Plc Group has been recorded as goodwill. Fair value adjustments to the recorded amount of inventory and long-term contracts are expensed in the period the inventory is utilised and the long-term contracts are delivered into, and additional amortisation and depreciation are recorded in respect of the fair value adjustments of intangible and tangible assets and the resulting goodwill over the periods of their respective useful economic lives.

The adjustments to the assets and liabilities of the BHP Billiton Plc Group to reflect the fair values and allocation of the excess purchase consideration over the fair value of net assets acquired, based on management's best estimates of fair value, are summarised in the shareholders' equity reconciliation and are discussed below:

(i) The increase in fair value of inventory was determined based on the difference between the carrying value and the market value of these assets.

(ii) The increase in investments relates to increases to the BHP Billiton Plc Group's equity investments. These equity investments have been measured at fair value and any excess of the fair value over the underlying tangible assets and liabilities has been attributed to mineral reserves within the underlying investments. These uplifts to mineral properties are being amortised over their estimated useful lives on a unit of production and, on an investment-by-investment basis. The estimated useful lives are not expected to exceed 30 years.

(iii) The increase in property, plant and equipment relates to increases in the carrying value of the BHP Billiton Plc Group's property, plant and equipment to their estimated fair value. The increase in carrying value of the property, plant and equipment is to be amortised over the estimated useful life of the property, plant and equipment, primarily on a unit of production basis. The estimated useful lives range between one year and 33 years.

    During December 1998, the BHP Billiton Plc Group acquired certain assets from the BHP Billiton Limited Group. The BHP Billiton Plc Group recognised certain fair value adjustments as a result of this acquisition which are being amortised over their useful lives. For Australian GAAP, the fair value adjustments are reversed while for US GAAP these fair value adjustments are reinstated.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

(iv) The amount of total consideration allocated to the BHP Billiton Plc Group's developed and undeveloped properties has been estimated by the BHP Billiton Group management using current estimates of the status and prospects of the BHP Billiton Plc Group's developed and undeveloped property portfolio as contained in the BHP Billiton Plc Group's strategic plans. The undeveloped properties include only those identified properties that have advanced to a stage of development feasibility where management believes reasonable estimates of projected cash flows can be prepared and proven and probable reserves exist. The value allocated to the developed and undeveloped properties was determined utilising a risk adjusted income approach that included earnings discounted by the appropriate cost of capital for the investment. Estimates of future cash flows related to individual developed and undeveloped properties were based on existing estimates of revenues and contribution margin for the project. The increase in developed properties is being amortised over their estimated exploitable useful lives on a project-by-project basis. Amortisation for each project is deferred until such time as production commences.

(v) The increase in value of the long-term contracts was determined by attributing a fair value to certain long-term contracts, which were not accorded a value in the BHP Billiton Plc Group's financial statements.

(vi) Goodwill represents the remainder of unallocated purchase consideration. Goodwill is currently amortised over its expected useful economic life and in future years will be subject to further periodic impairment tests.

(vii) The decrease in long-term debt was as a result of attributing a fair value to fixed interest rate long-term loans which were not recorded at fair value in the BHP Billiton Plc Group's financial statements.

(viii) Other differences between Australian GAAP and US GAAP included adjustments for pensions, post-retirement benefits and start-up costs.

(ix) Deferred taxes have been computed on the excess of fair value over book value, other than for goodwill, using the applicable statutory tax rates.

Preliminary fair value assessments of the assets and liabilities of the BHP Billiton Plc Group were undertaken through the quantification of the purchase price and the preliminary allocation of this to individual businesses and to the underlying assets and liabilities of the individual businesses. Minor revisions to the provisional fair values were undertaken in the year ended 30 June 2002. The revised values of assets and liabilities acquired compared to the provisional values are shown in the table on the following page. Prior period fair value adjustments have not been restated for the revisions.

	Final US$M	Provisional US$M
Statement of Financial Position at 30 June 2001		
Current assets		
Cash assets	687	687
Receivables	883	883
Inventories	1 022	1 022
Other financial assets	132	132
Non-current assets		
Property, plant and equipment	11 567	11 540
Intangibles	3 307	3 278
Other financial assets	2 929	2 971
Current liabilities		
Payables	1 048	1 048
Interest bearing liabilities	1 300	1 300
Other provisions	221	221
Non-current liabilities		
Interest bearing liabilities	3 329	3 329
Tax liabilities	2 129	2 161
Other provisions	634	588
Equity minority interests	337	337
Net assets	11 529	11 529
Shareholders' equity		
Shareholders' equity	11 529	11 529

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

BHP Steel demerger

Under Australian GAAP, the BHP Steel demerger is treated in two components – a distribution to BHP Billiton Limited shareholders of 94 per cent of BHP Steel shares (accounted for as a capital reduction) and a sale of 6 per cent of BHP Steel shares (accounted for as a sale of assets). Under US GAAP, the BHP Steel demerger is classified as a non pro-rata distribution to shareholders and is required to be accounted for as a 100 per cent sale of assets. The implied consideration for the sale of the additional 94 per cent of BHP Steel shares is based on the market price of BHP Steel shares used in determining the bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders. The remaining 6 per cent is measured at the respective sale price. The implied consideration, when compared to the book value of the BHP Steel net assets to be demerged, indicates a shortfall, which is required to be recognised in the result for the period ended 30 June 2002 for US GAAP. The calculation of the book value of the BHP Steel net assets to be demerged includes US GAAP net asset adjustments attributable to BHP Steel.

Employee compensation costs

In these accounts, the expected cost of awards under various employee ownership plans is charged to the profit and loss account over the vesting period. Under US GAAP, compensation expense arising from variable equity award plans is recognised based on movements in their intrinsic value.

Depreciation

Revaluations of property, plant and equipment and investments have resulted in upward adjustments to the historical cost values reflected in a revaluation reserve, which is part of total equity. In the case of property, plant and equipment, the depreciation charged against income increases as a direct result of such a revaluation. Since US GAAP does not permit property, plant and equipment to be valued at above historical cost, the depreciation charge has been restated to reflect historical cost depreciation.

Following smaller asset write-downs under US GAAP, the higher asset values under US GAAP are being depreciated in accordance with asset utilisation. Refer 'Asset write-downs' below.

Asset write-downs

At 31 May 1998, the BHP Billiton Limited Group changed its impairment test policy for determining the recoverable amount of non-current assets from an undiscounted to a discounted basis. The discount rate is a risk adjusted market rate which is applied both to determine impairment and to calculate the write-down.

Under US GAAP, where an asset is reviewed for impairment, an impairment test is required utilising undiscounted cash flows. If the asset's carrying value exceeds the sum of undiscounted future cash flows, the asset is considered impaired and it is written down to its fair value.

These differences created adjustments to the profit and loss account in prior years representing the lower charge to profit and resultant higher asset values for the write-downs calculated under US GAAP. In subsequent financial periods, the difference in asset carrying values is reduced through the inclusion of additional depreciation charges in the profit and loss account. Refer 'Depreciation' above.

The movement in the shareholders' equity reconciliation in 2002 for this item largely reflects impacts of the BHP Steel demerger and has been included in that item in the income reconciliation. The charge to profit for the period ended 30 June 2000 reflects the additional write-off of the West Australian HBI plant for US GAAP.

Reserves

The BHP Billiton Group prepares mineral reserve statements based on the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the JORC Code). The information contained in those statements differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. This adjustment reflects the impact on depreciation of the difference.

Restructuring and employee provisions

These accounts include provisions for redundancies associated with organisational restructuring that can be recognised where positions have been identified as being surplus to requirements, provided the circumstances are such that a constructive liability exists. Under US GAAP, a provision for redundancies involving voluntary severance offers is restricted to employees who have accepted these offers. The adjustment is reversed over subsequent periods as the offers are accepted.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

Fair value accounting for derivatives

Under Australian GAAP, when undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both matured and unmatured transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of a transaction will be included in the profit and loss account whether or not such derivative is terminated. When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) Deferred and included in the measurement of the anticipated transaction when it occurs; or

(b) Included in the profit and loss account where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in other assets and are deferred and included in the settlement of the underlying transaction. When undertaking strategic or opportunistic financial transactions, all gains and losses are included in the profit and loss account at the end of each reporting period. The premiums paid on strategic financial transactions are included in the profit and loss account at the inception of the contract.

For the purpose of deriving US GAAP information, Statement of Financial Accounting Standards No. 133: Accounting for Derivative Instruments and Hedging Activities (SFAS 133) requires that each derivative instrument be recorded in the Statement of Financial Position as either an asset or liability measured at its fair value. On initial application of this Standard the BHP Billiton Limited Group recognised an accumulated loss of US$268 million in respect of the fair value of derivative instruments held on 1 July 2000, which qualified as cash flow hedge transactions. This amount was reported as a component of other comprehensive income. An accumulated gain of US$11 million was recognised in respect of the fair value of derivative instruments which qualified as fair value hedge transactions, offset by a corresponding loss on their associated hedged liabilities held at 1 July 2000. The BHP Billiton Plc Group does not apply hedging principles in accordance with SFAS 133 and marks to market all derivative instruments, taking movements in the fair value of derivative instruments to the profit and loss account.

In the year ended 30 June 2001, subsequent gains and losses on cash flow hedges were taken to other comprehensive income and reclassified to profit and loss in the same period the hedged transaction was recognised. Gains and losses on fair value hedges continue to be taken to profit and loss in subsequent periods, as are offsetting gains and losses on hedged liabilities. In both cases, these gains and losses are not recognised under Australian GAAP until the hedged transaction is recognised.

Effective 1 July 2001, for US GAAP purposes, the BHP Billiton Limited Group de-designated existing derivative instruments as hedges of underlying transactions. Amounts previously included in other comprehensive income in relation to those derivative instruments previously designated as cash flow hedges will remain until the transactions originally being hedged are recognised, at which time the amounts will be taken to the profit and loss account. Movements in the fair value of derivative instruments since 30 June 2001 are taken to the profit and loss account.

Synthetic debt

An operating subsidiary, whose functional currency is the US dollar, has obtained financing in various foreign currencies. The operating subsidiary entered into forward exchange contracts to fix the exchange rate between the rand and the various foreign currencies. In these accounts, the arrangement is treated as a synthetic rand debt which at each period end is retranslated into US dollars at the spot rate with the exchange gain or loss that is recognised being included in the profit and loss account.

Under US GAAP, synthetic debt accounting is not permitted. As a result, the foreign loan amounts and forward exchange contracts are accounted for separately. Foreign loans are recorded at the exchange rate in effect on the date of the borrowing, with gains and losses arising from currency movements taken to the profit and loss account. The forward exchange contracts are marked to market annually with the resulting gain or loss also taken to the profit and loss account.

Realised net exchange gains on sale of assets/closure of operations

Net exchange gains or losses reported in shareholders' equity, which relate to assets that have been sold, closed or written down are transferred to retained earnings. US GAAP requires these net exchange gains or losses be recognised in the profit and loss account reflecting that they have, in substance, been realised.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

Exploration, evaluation and development expenditures

The BHP Billiton Group follows the 'area of interest' method in accounting for petroleum exploration, evaluation and development expenditures. This method differs from the 'successful efforts' method followed by some US companies, and adopted in this reconciliation to US GAAP, in that it permits certain exploration costs in defined areas of interest to be capitalised. Such expenditure capitalised by the BHP Billiton Group is amortised in subsequent years. In respect of Minerals properties, the BHP Billiton Group capitalises exploration and evaluation expenditure where it is expected that the expenditure will be recouped by future exploitation or sale or where a mineral resource has been identified but activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. Under US GAAP, a final feasibility study indicating the existence of commercially recoverable reserves at greenfield properties serves as the trigger point for capitalisation. US GAAP permits expenditure to be capitalised for the purpose of extending or further delineating existing reserves. In subsequent financial periods, amounts amortised (which have been expensed for US GAAP purposes) will be added back when determining the profit result according to US GAAP.

Costs of start-up activities

The BHP Billiton Group capitalises as part of property, plant and equipment, costs associated with start-up activities at new plants or operations which are incurred prior to commissioning date. These capitalised costs are depreciated in subsequent years. Under US GAAP, costs of start-up activities should be expensed as incurred.

Profit on asset sales

Under US GAAP, profits arising from the sale of assets cannot be recognised in the period in which the sale occurs where the vendor has a significant continuing association with the purchaser. In such circumstances, any profit arising from a sale is recognised over the life of the continuing arrangements.

For the period ended 30 June 2000, the profit on the sale and leaseback of plant and equipment was deferred for US GAAP purposes and will be recognised over the life of the operating lease.

Pension plans

In these accounts, the net periodic pension cost assessed on an actuarial basis is charged to profit and loss so as to allocate the costs systematically over the employees' service lives. This policy has been adopted for by the BHP Billiton Limited Group to conform with the BHP Billiton Plc Group and was applied in the year ended 30 June 2001. Previously, charges were taken to the profit and loss account as contributions were made to pension plans.

Consequently, the BHP Billiton Group recognises periodic pension cost based on actuarial advice in a manner generally consistent with US GAAP. However, differences in the actuarial method used and the timing of recognition of expense components results in different periodic costs and pension assets or liabilities. In addition, any associated foreign exchange gains or losses are required to be eliminated from net income.

Other post-retirement benefits

In these accounts, post-retirement benefits other than pensions have been accounted for in a manner which is generally consistent with US GAAP except for certain scenarios such as in accounting for plan amendments.

In these accounts, amendments to post-retirement benefits provided are taken into account from the date upon which plan amendments are announced. Under US GAAP, plan amendments are only taken into account from the date upon which the plan amendments become effective.

Mozal expansion rights

In June 2001, BHP Billiton announced an agreement to sell-down a portion of its preferential rights in the Mozal Phase II project to two of its project partners. In these accounts, the consideration was recognised as revenue in the year ended 30 June 2001. A portion of the consideration will be paid in cash and another portion will be delivered to BHP Billiton via a marketing arrangement once production has commenced. This deferred portion will be amortised to the profit and loss account over the period of the sales contract. Under US GAAP, the consideration paid in cash will be recognised as profit from asset sales when received and the deferred consideration portion is considered a derivative and has been recognised on the balance sheet and marked to market with movements in fair value being taken to the profit and loss account.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

Change in UK corporate tax rate for petroleum companies
Australian GAAP requires tax liabilities and assets to be measured at the rates expected to apply when the underlying timing differences reverse. US GAAP requires the measurement of tax liabilities and assets using tax rates based on enacted tax law. The effect of a change in the UK corporate tax rate for petroleum companies was recognised in June 2002 in these accounts on the basis that the legislation was substantively enacted. This tax rate change will not be recognised for US GAAP purposes until the legislation is enacted. For 2002, an adjustment of US$61 million is reported in the item ‘taxation adjustments’.

Purchase business combination costs
Costs incurred in relation to the DLC merger that were expensed under Australian GAAP represent costs of acquisition that were capitalised under US GAAP.

Expenses on spin-off of OneSteel Limited
Costs associated with completion of the spin-off of OneSteel Limited are recognised directly in equity for Australian GAAP but are charged as expenses for US GAAP. The financial statements included in the 2001 Form 20-F incorrectly recognised these costs directly in equity. This change in accounting in the year ended 30 June 2001 decreased US GAAP net income by US$30 million, and decreased US GAAP earnings per share by US$0.008 per share.

Restoration and rehabilitation costs
In these accounts, the expected cost of any committed decommissioning or restoration program, discounted to its net present value, is provided and capitalised at the beginning of each project. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision as the discount unwinds is included in net interest and similar items payable. The BHP Billiton Limited Group adopted this policy in the year ended 30 June 2001 to conform with the BHP Billiton Plc Group. In fiscal 2000 and prior years, the provision was determined under US GAAP on an undiscounted basis and the charge to profit was generally based on units of production, so that full provision was made by the end of the assets’ economic life.

Consolidation of Tubemakers of Australia Ltd (TOA)
Prior to consolidation, TOA was accounted for as an associated entity and included in the equity accounting calculations. Under US GAAP equity accounting is included in the consolidated results, while prior to the year ended 30 June 1999 only disclosure by way of note to the accounts was permitted. Thus the carrying value of the original equity interest in TOA is higher under US GAAP, and this is reflected in higher goodwill capitalised and amortised in accordance with US GAAP. The spin-off of OneSteel Limited eliminated this reconciling item.

Equity accounting
For years ended on or after 30 June 1999, Australian GAAP requires the effect of accounting for associated entities on an equity basis to be shown in the consolidated results, as required by US GAAP. In prior periods, Australian GAAP permitted the effect of accounting for associated companies on an equity basis to be shown as supplementary information. The Australian GAAP adjustment to retained earnings on initial adoption of equity accounting is recognised in the result for the period ended 30 June 2000 for US GAAP.

Employee Share Plan loans
Under the Employee Share Plan, loans have been made to employees for the purchase of shares in BHP Billiton Limited. Under US GAAP, the amount outstanding as an obligation to the BHP Billiton Limited Group, which has financed equity, is required to be eliminated from total shareholders’ equity. In addition, any foreign exchange gains or losses on the outstanding loan balances are required to be eliminated from net income.

Investments
In these accounts, certain unlisted investments are marked to market annually based on third party valuations. The increase/(decrease) in the value of the investments is recognised in the profit and loss account. Under US GAAP such investments are adjusted to reflect the increase in guaranteed surrender value of the investment, but are not permitted to be marked to market.

In these accounts, certain investments in marketable securities are classified as exploration assets and are carried at estimated recoverable amount. Under US GAAP, such investments are classified as available for sale and are marked to market with changes in fair value recognised as a component of comprehensive income.

Note 49 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Combined Financial Statements.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

Secondary share issuance

During September 2000, BHP Billiton Plc undertook a secondary issuance of shares on the London Stock Exchange. The shares were issued in pounds sterling, however to fix the proceeds received on the share issuance in US dollars, BHP Billiton Plc utilised a number of hedging instruments to lock in the exchange rate between pounds sterling and US dollars. This hedging activity gave rise to a loss being realised due to the movement in the pound sterling against the US dollar. BHP Billiton Plc reported this loss as an offset against the share proceeds, which was then credited to paid in capital.

Under US GAAP, the loss would not qualify as a hedged item under SFAS 133. As such, the loss is recognised in the profit and loss in the period the loss was realised.

Taxation adjustments

In these accounts, potential tax expense of US$47 million has not been recognised in 2002, mainly relating to the tax impact of unrealised foreign exchange gains or losses on US dollar net debt held by subsidiaries which retain local currency records for tax purposes. For US GAAP, a tax expense is recognised reflecting the existence of the foreign exchange gains or losses in the accounts of the respective entity. This adjustment is reported in the item ‘taxation adjustments’.

(B) Employee compensation costs

The BHP Billiton Group has applied the principles of US Accounting Principles Board Opinion No. 25 in the determination of employee compensation costs arising from the various employee ownership plans. Had the fair value basis of accounting in US Statement of Financial Accounting Standards No. 123 been used to account for compensation costs, the following net income and earnings per share amounts would result:

	2002 US$M	2001 US$M	2000 US$M
Net income			
As reported	**1 249**	882	589
Proforma	**1 224**	897	589
Basic earnings per share (a) (b)			
As reported	**0.207**	0.239	0.161
Proforma	**0.203**	0.243	0.161
Diluted earnings per share (b) (c)			
As reported	**0.207**	0.238	0.161
Proforma	**0.203**	0.242	0.161

(a) Based on net profit attributable to members of BHP Billiton Group.
(b) Comparative data has been adjusted to take into account the bonus share issue effective 29 June 2001. Refer note 31.
(c) Refer note 12.

(C) Impact of new accounting standards

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141: Business Combinations (SFAS141) and Statement of Financial Accounting Standards No. 142: Goodwill and Other Intangible Assets (SFAS142). In August 2001, the FASB also issued Statement of Financial Accounting Standards No. 143: Accounting for Asset Retirement Obligations (SFAS143) and Statement of Financial Accounting Standards No. 144: Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS144). In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146: Accounting for Costs Associated with Exit or Disposal Activities (SFAS146).

For the purpose of deriving US GAAP financial information of the BHP Billiton Group, SFAS141 applies to purchase business combinations entered into after 30 June 2001. SFAS142 , SFAS143 and SFAS144 will apply for the year ending 30 June 2003, while SFAS146 is effective for exit or disposal activities initiated after 31 December 2003. The BHP Billiton Group has not adopted any of these standards early for the purpose of the June 2002 financial statements.

NOTE 49. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

SFAS141 changes the accounting for business combinations to a single purchase accounting method. SFAS141 also changes the recognition criteria for intangible assets other than goodwill, and expands disclosure requirements in relation to business combinations. SFAS142 changes the accounting for acquired goodwill and other intangible assets by requiring that goodwill and intangible assets with indefinite useful lives not be amortised. Under SFAS142, the carrying amount of such assets will be subject to impairment tests at least on an annual basis. SFAS143 changes accounting for the retirement of tangible long-lived assets by requiring that the fair value of legal obligations associated with the retirement of such assets be recognised as a liability and capitalised as part of the cost of those assets. SFAS144 requires one accounting model to be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and will broaden the presentation of discontinued operations to include more disposal transactions. SFAS146 requires that costs associated with exit or disposal activities be recognised when they are incurred rather than at the date of a commitment to an exit or disposal plan.

The BHP Billiton Group has not evaluated the potential impact of any of these new standards on its future financial performance or financial position.