BHP BILLITON LTD
Form 20-F
September 25, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 20-F

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

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED 30 JUNE 2006

OR

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

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

Date of event requiring this shell company report _____

Commission file number: 001-09526

Commission file number: 001-31714

BHP BILLITON LIMITED

(ABN 49 004 028 077)

BHP BILLITON PLC

(REG. NO. 3196209)

(Exact name of Registrant as specified in its charter)	(Exact name of Registrant as specified in its charter)
VICTORIA, AUSTRALIA	**ENGLAND AND WALES**
(Jurisdiction of incorporation or organisation)	**(Jurisdiction of incorporation or organisation)**
180 LONSDALE STREET, MELBOURNE, VICTORIA 3000 AUSTRALIA	**NEATHOUSE PLACE, VICTORIA, LONDON, UNITED KINGDOM**
(Address of principal executive offices)	**(Address of principal executive offices)**

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

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

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

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

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

None

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

None

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

	BHP Billiton Limited	BHP Billiton Plc
Fully Paid Ordinary Shares	3,495,949,933	2,468,147,002

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ¨

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

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

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1. KEY INFORMATION

Selected financial information

The selected financial information for BHP Billiton reflects the combined operations of both BHP Billiton Limited and BHP Billiton Plc and has been derived from the 2006 financial statements. The selected financial information should be read in conjunction with, and is qualified in its entirety by reference to the 2006 financial statements and notes thereto. For the first time in 2005-06, the BHP Billiton Group s financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and, as such, the basis of preparation is different to that of the most recent comparative year s annual financial report. The 2004-05 comparatives have been restated accordingly. IFRS differ in certain aspects from US Generally Accepted Accounting Principles (GAAP). Details of the principal differences between IFRS and US GAAP are set out in note 39 US Generally Accepted Accounting Principles disclosures in the financial statements. The BHP Billiton Group publishes its consolidated financial statements in US dollars.

One of our jointly controlled entities, Minera Escondida Limitada meets the definition of a significant unconsolidated subsidiary in accordance with Rule 3-09 of Regulation S-X. Accordingly, the financial statements of Minera Escondida Limitada will be filed with the SEC as soon as available, but no later than 31 December 2006.

Amounts in accordance with IFRS	30 June	
US$M except per share data	**2006**	**2005**
Consolidated Income Statement		
Revenue together with share of jointly controlled entities revenue	**39,099**	31,150
Less: share of jointly controlled entities external revenue included above	**(6,946)**	(4,428)
Revenue	**32,153**	26,722
Profit from operations	**14,671**	9,271
Profit attributable to members of BHP Billiton Group	**10,450**	6,396
Dividends per ordinary share paid during the period (US cents)	**32.0**	23.0
Dividends per ordinary share declared in respect of the period (US cents)	**36.0**	28.0
Earnings per ordinary share (basic) (US cents) [(a)]	**173.2**	104.4
Earnings per ordinary share (diluted) (US cents) [(a)]	**172.4**	104.0
Number of ordinary shares (millions)		
- At period end	**5,964**	6,056
- Weighted average	**6,035**	6,124
- Diluted	**6,066**	6,156
Consolidated Balance Sheet		
Total assets	**48,516**	41,843
Share capital	**3,242**	3,363
Total equity attributable to members of BHP Billiton Group	**24,218**	17,575

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Amounts in accordance with US GAAP

(US$M except per share data)	30 June 2006	2005	2004	2003	2002
Consolidated Income Statement					
Sales revenue	32,153	26,722	22,887	15,608	13,552
Operating income	9,043	6,554	3,489	2,780	1,698
Net income total	9,783	6,388	2,716	1,581	1,249
Net income from continuing operations	9,783	6,388	2,716	1,576	1,513
Net income/(loss) from discontinued operations				5	(264)
Per ordinary share [(a)]:					
Net income attributable to members					
- Basic from continuing operations (US cents)	159.7	104.3	43.7	25.5	25.1
- Diluted from continuing operations (US cents)	158.9	103.7	43.5	25.4	25.0
- Basic from discontinued operations (US cents)					(4.4)
- Diluted from discontinued operations (US cents)					(4.4)
- Basic total (US cents)	159.7	104.3	43.7	25.5	20.7
- Diluted total (US cents)	158.9	103.7	43.5	25.4	20.6
Per American Depositary Share (ADS):					
Net income attributable to members					
- Basic total	319.4	208.6	87.4	51.0	41.4
- Diluted total	317.8	207.4	87.0	50.8	41.2
Consolidated Balance Sheet					
Total assets	53,317	46,861	36,675	35,001	35,795
Share capital	3,242	3,363	3,603	3,537	4,895
Total equity attributable to members of BHP Billiton Group	27,839	22,004	18,802	16,832	17,147

(a) The calculation of the number of ordinary shares used in the computation of basic earnings per share is the aggregate of the weighted average number of ordinary shares outstanding during the period of BHP Billiton Plc and BHP Billiton Limited after deduction of the number of shares held by the Billiton share repurchase scheme and the Billiton Employee Share Ownership Trust, the BHP Performance Share Plan Trust and the BHP Bonus Equity Plan Trust and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are shares and options contingently issuable under Employee Share Ownership Plans.

(b) On 1 July 2005, we changed our US accounting policy for pension and other post retirement benefits. Details of the impact on the 2005-06 year, and pro forma disclosures for the 2004-05 year had the policy been applied, are set out in note 39 US Generally Accepted Accounting Principles disclosures in the financial statements. Had the change in policy been applied to previous years, the impact on net income would not have been material in the 2003-04, or 2002-03 years, and would have had an impact of US$200 million in the 2001-02 year. The impact on earnings per share would have been an increase of 0.6 US cents per share in 2003-04, and decreases of 1.4 and 3.3 US cents per share in 2002-03 and 2001-02 respectively.

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Risk factors

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

Fluctuations in commodity prices may negatively impact our results

The prices we obtain for our oil, gas, minerals and other commodities are determined by, or linked to, prices in world markets, which have historically been subject to substantial variations because of fluctuations in supply and demand. The influence of hedge and other financial investment funds participating in commodity markets has increased in recent years contributing to higher levels of price volatility. We expect that volatility in prices for most of our commodities will continue for the foreseeable future. This volatility creates the risk that our operating results will be materially and adversely affected by unforeseen declines in the prevailing prices of our products.

Our profits may be negatively affected by currency exchange rate fluctuations

Our assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which we operate. Fluctuations in the exchange rates of those currencies may have a significant impact on our financial results. The US dollar is the currency in which the majority of our sales are denominated. Operating costs are influenced by the currencies of those countries where our mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian dollar, South African rand, Chilean peso, Brazilian real and US dollar are the most important currencies influencing our operating costs. Given the dominant role of the US currency in our affairs, the US dollar is the currency in which the BHP Billiton Group measures its financial performance. It is also the natural currency for borrowing and holding surplus cash. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. We may consider currency protection measures appropriate in specific commercial circumstances, subject to strict limits established by our Boards. Therefore, in any particular year, currency fluctuations may have a significant impact on our financial results.

Failure to discover new reserves or enhance existing reserves could negatively affect our results and financial condition

Because most of our revenues and profits are related to our oil and gas and minerals operations, our results and financial conditions are directly related to the success of our exploration efforts and our ability to replace existing reserves. A failure in our ability to discover new reserves or enhance existing reserves in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects.

We may have fewer mineral, oil or gas reserves than our estimates indicate

Our reserves estimations may change substantially if new information subsequently becomes available. Fluctuations in the price of commodities, variation in production costs or different recovery rates may ultimately result in our estimated reserves being revised. If such a revision was to indicate a substantial reduction in proven or probable reserves at one or more of our major projects, it could negatively affect our results, financial condition and prospects.

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

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

The December 1997 Kyoto Protocol established a set of greenhouse gas emission targets for developed countries that have ratified the Protocol. The European Union Emissions Trading System (EU ETS), which came into effect on 1 January 2005, has had an impact on greenhouse gas and energy intensive businesses based in the EU. Our Petroleum assets in the UK are currently subject to the EU ETS as are our EU based customers. Elsewhere there is existing and emerging regulation, such as the mandatory renewable energy target in Australia (which puts the onus on power producers to ensure that the national grid has 2 per cent renewable energy by the year 2020) that will affect energy prices. From a medium and long-term perspective, we are likely to see changes in the margins of our greenhouse gas intensive assets and energy intensive assets as a result of regulatory impacts in the countries where we operate. These regulatory mechanisms may be either voluntary or legislated and may impact our operations directly or indirectly via our customers. Inconsistency of regulations may also change the attractiveness of the locations of some of our assets. Assessments of the potential impact of future climate change regulation are uncertain given the wide scope of potential regulatory change in the 25 or more countries where we operate.

The European Registration, Evaluation and Authorisation of Chemicals (REACH) system is anticipated to commence operation in the first half of 2007. REACH will require manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be used without negatively affecting health or the environment. The draft legislation, which is currently

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undergoing review as it proceeds through the European Parliament for potential enactment, contemplates a registration and authorisation process for identified uses of products. The extent to which our operations and customers are affected by these changes will not be clear until the final form of the regulations is determined. These potential compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs could negatively affect our financial results.

Our operational processes and geographic locations may be subject to operational accidents or natural catastrophes such as earthquakes, hurricanes and tsunamis.

We may continue to be exposed to increased operational costs due to the costs and lost workers time associated with the HIV/AIDS infection rate of our southern African workforce.

Because we operate globally, we may be affected by potential avian flu outbreaks in any of the regions in which we operate. The effects of avian flu may manifest themselves directly on employees, offices and operation or indirectly on customers and markets.

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

Land tenure disputes may negatively impact our operations

We operate in several countries where ownership of land is uncertain and where disputes may arise in relation to ownership. These disputes cannot always be predicted and hence there is a risk that this may cause disruption to some of our mining projects and prevent our development of new projects.

In Australia, the Native Title Act (1993) provides for the establishment and recognition of native title under certain circumstances. Like land ownership disputes, native title could negatively affect our new or existing projects.

In South Africa, the Extension of Security of Tenure Act (1997) prevents evictions from taking place in the absence of a court order. Occupiers who reside on the owner s land with the requisite consent of the owner, have rights to remain in occupation unless they breach their statutory obligations as occupiers. A process exists for long-term occupiers to enjoy life-long tenure. However, the legislation provides for the option of provision of suitable alternative land for occupation. Furthermore, the Restitution of Land Rights Act (1994) permits dispossessed communities to reclaim land, but only where such dispossession occurred after 1913 and as a consequence of a discriminatory practice or law. Both these Acts could negatively affect new or existing projects of the BHP Billiton Group.

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

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

In South Africa, the Mineral and Petroleum Resources Development Act (2002) (MPRDA) came into effect on 1 May 2004. The law provides for the conversion of existing mining rights (so called Old Order Rights) to rights under the new regime (New Order Rights) subject to certain undertakings to be made by the company applying for such conversion. These new rights will also be subject to revised state royalties in the case of certain minerals, but this is only expected to be introduced in 2009. The MPRDA also required the development of a Broad Based Socio Economic Empowerment (BBSEE) Charter, known as the Mining Charter, for the mining industry with the objectives of expanding opportunities, skills, ownership and employment for historically disadvantaged South Africans. The Mining Charter requires that mining companies achieve 15 per cent ownership by historically disadvantaged South Africans of South African mining assets within five years and 26 per cent ownership within 10 years. If we are unable to convert our South African mining rights in accordance with the MPRDA and the Mining Charter, we could lose some of those rights. We also could be adversely affected by regulatory inquiries into our business practices.

Additional risks associated with emerging markets may negatively impact some of our operations

We operate in emerging markets, which may involve additional risks that could have an adverse impact upon the profitability of an operation. These risks could include terrorism, civil unrest, nationalisation, renegotiation or nullification of existing contracts, leases, permits or other agreements, and changes in laws and policy as well as other unforeseeable risks. If one or more of these risks occurs at one of our major projects, it could have a negative effect on our operating results or financial condition.

We may not be able to successfully integrate our acquired businesses

We have grown our business in part through acquisitions. We expect that some of our future growth will stem from acquisitions. There are numerous risks encountered in business combinations and we may not be able to successfully integrate acquired businesses or generate the cost savings and synergies anticipated, which could negatively affect our financial condition and results of operations.

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

There is a risk that we will not be able to recover the funds we spend identifying new mining and oil and gas properties through our exploration program. Increasing requirements relating to regulatory, environmental and social approvals can potentially result in significant delays in construction and may adversely impact upon the economics of new mining and oil and gas properties, the expansion of existing operations and our results of operations.

Our non-controlled assets may not comply with our standards

Some of our assets are controlled and managed by joint venture partners or by other companies. Management of our non-controlled assets may not comply with the BHP Billiton Group s health, safety, environment and other standards, controls and procedures. Failure to adopt equivalent standards, controls and procedures at these assets could lead to higher costs and reduced production and adversely impact our results and reputation.

Increased reliance upon the Chinese market may negatively impact our results in the event of a slowdown in consumption

The Chinese market has become a significant source of global demand for commodities. China now represents in excess of 41 per cent of global seaborne iron ore demand, 22 per cent of copper, 22 per cent of aluminum and 16 per cent of nickel demand. China s demand for these commodities has more than doubled in the last five years, but this demand is expected to moderate as the government pursues measures to reduce economic overheating and to increase capital efficiency.

Whilst this increase represents a significant business opportunity, our exposure to China s economic fortunes and economic policies has increased. Sales into China generated US$6.6 billion or 16.8 per cent of revenue, including our share of jointly controlled entities revenue in the year ended 30 June 2006.

In recent times we have seen a synchronised global recovery, resulting in upward movement in commodity prices driven partly by China s demand. This synchronised demand has introduced increased volatility in BHP Billiton s commodity portfolio. Whilst this synchronised demand has, in recent periods, resulted in higher prices for the commodities we produce, if China s economic growth slows, it could result in lower prices for our products and therefore reduce our revenues.

Inflationary pressures and shortages of skilled personnel could negatively impact our operations and expansion plans

The strong commodity cycle and large numbers of projects being developed in the resources industry led to increased demand for skilled personnel, contractors, materials and supplies and increased demands from governments. This has led, and could continue to lead to, increased capital and operating costs and difficulties in developing, acquiring and retaining skilled personnel, which may in turn adversely affect the development of new projects, the expansion of existing operations, the results of those operations and our financial condition and prospects.

Forward looking statements

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

- estimated reserves
- trends in commodity prices
- demand for commodities
- plans, strategies and objectives of management

closure or divestment of certain operations or facilities (including associated costs)

anticipated production or construction commencement dates

expected costs or production output

the anticipated productive lives of projects, mines and facilities

provisions and contingent liabilities.

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

These forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and which may cause actual results to differ materially from those expressed in the statements contained in this Annual Report.

For example, our future revenues from our operations, projects or mines described in this Annual Report will be based, in part, upon the market price of the minerals, metals or petroleum produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project or the expansion of certain facilities or mines. Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of operations, mines or facilities include our ability to profitably produce and transport the minerals, petroleum and/or metals extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the minerals, petroleum or metals we produce; activities of government authorities in some of the countries where we are exploring or developing these projects, facilities or mines, including increases in taxes, changes in environmental and other regulations and political uncertainty; and other factors identified in the description of the risk factors above. We cannot assure you that our estimated economically recoverable reserve figures, closure or divestment of such operations or facilities including associated costs, actual production or commencement dates, cost or production output or anticipated lives of the projects, mines and facilities discussed in this Annual Report will not differ materially from the statements contained in this Annual Report. Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events.

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2. INFORMATION ON THE COMPANY

History and development of BHP Billiton

We are the world s largest diversified resources group with a combined market capitalisation of approximately US$122.8 billion as of 30 June 2006 and we generated revenue, together with our share of jointly controlled entities revenue and profit attributable to members of BHP Billiton of US$39.1 billion and US$10.5 billion respectively for the year ended 30 June 2006.

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

BHP Billiton Limited was incorporated in 1885 and is registered in Australia with ABN 49 004 028 077. BHP Billiton Plc was incorporated in 1996 and is registered in England and Wales with registration number 3196209.

The registered office of BHP Billiton Limited is at 180 Lonsdale Street, Melbourne, Victoria 3000, Australia, and its telephone number is +61 3 9609 3333. The registered office of BHP Billiton Plc is Neathouse Place, London SW1V1BH, UK, and its telephone number is +44 20 7802 4000.

We divide our business into seven business units, or Customer Sector Groups (CSGs):

Petroleum, which explores for, produces, processes and markets hydrocarbons including oil, gas and liquefied natural gas

Aluminium, which explores for and mines bauxite and processes and markets aluminium and alumina

Base Metals, which explores for, mines, processes and markets copper, silver, zinc, lead, uranium, and copper by-products including gold and molybdenum

Carbon Steel Materials, which explores for, mines, processes and markets metallurgical coal, iron ore and manganese used in the production of carbon steel

Diamonds and Specialty Products, which explores for and mines diamonds and titanium minerals, and also includes our recently-sold fertiliser operations

Energy Coal, which explores for, mines, processes and markets energy coal for use in electricity generation

Stainless Steel Materials, which explores for, mines, processes and markets nickel, which is used in the production of stainless steel.

In addition to the seven CSGs, we also have a minerals exploration group, a technology group and a freight, transport and logistics operation. The tables below list the contribution to revenue from each of these CSGs and by geographic market for the years ended 30 June 2006 and 30 June 2005. Further details of the contribution from each of these CSGs to our revenues and profits are outlined in the Operating and financial review and prospects section.

Analysis by CSG	Revenue 2006 US$M	Revenue 2005 US$M
Petroleum	**5,871**	5,967
Aluminium	**4,977**	4,571
Base Metals	**4,901**	2,329
Carbon Steel Materials	**9,134**	7,168
Diamonds and Specialty Products	**886**	731
Energy Coal	**2,881**	2,971
Stainless Steel Materials	**2,955**	2,266
Group and unallocated items	**548**	719
Total	**32,153**	26,722

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Analysis by geographical market	Revenue 2006 US$M	Revenue 2005 US$M
Australia	**3,507**	2,626
North America	**2,344**	2,122
Europe	**10,027**	9,352
South America	**729**	55
Southern Africa	**1,426**	1,308
Japan	**3,959**	3,118
South Korea	**1,689**	1,662
China	**5,294**	3,413
Other Asia	**2,496**	1,851
Rest of World	**682**	1,215
Total	**32,153**	26,722

Business Overview

Petroleum Customer Sector Group

Our Petroleum Customer Sector Group s principal activities are oil and natural gas exploration, production and development in Australia, the United Kingdom, the United States, Algeria, Trinidad and Tobago and Pakistan. We group our petroleum assets for reporting purposes into the following regions: Australia/Asia, Americas, and Europe/Africa/Middle East. We produce and market crude oil and condensates, natural gas, liquefied natural gas, liquefied petroleum gas and ethane.

Total production in 2005-06 was 116.0 million barrels of oil equivalent, compared with total production in 2004-05 of 119.0 million barrels of oil equivalent.

Australia/Asia

In Australia, we produce oil and gas from Bass Strait, the North West Shelf, the Griffin Project, the Minerva gas field and the Moranbah Coal Bed Methane (CBM) gas project with the Bass Strait and North West Shelf being the major fields. In Asia, we produce gas and a small volume of condensate from the Zamzama gas field in Pakistan.

The majority of our Bass Strait crude oil and condensate production is dispatched from the Bass Strait fields to refineries along the east coast of Australia. The majority of the natural gas produced was sold to GASCOR, under a long-term Consumer Price Index (CPI) indexed contract with periodic price reviews, for on-sale to retailers to meet local residential, commercial and industrial requirements. The GASCOR contract is due to expire on 31 December 2009 or upon depletion of the outstanding contractual volume, whichever is the earlier. Similar contracts have been executed with AGL and TRUenergy that will extend gas supply to these two retailers until 2017.

The domestic gas phase of the North West Shelf Project delivers gas via pipeline to the Western Australian domestic market under long-term contracts. Significant portions of the LNG expansion phase production are sold per year to Japanese buyers under long-term contracts, which expire at various periods in three to 28 years. Medium-term (terms of three to five years) contract and spot sales are made to buyers in Japan, Korea and the US, with the level of spot sales dependent upon plant and shipping availability. In December 2004, an LNG sales and purchase agreement with the Guangdong LNG Project for the purchase and supply of LNG from the North West Shelf became unconditional and sales under the contract commenced in mid 2006.

Americas

Our operations in the Americas consist of interests in five producing assets in the Gulf of Mexico operations and the Angostura project off Trinidad and Tobago. Our operating fields in the Gulf of Mexico are Mad Dog, West Cameron 76, Mustang, Genesis and Starlifter. We also own 25 per cent and 22 per cent respectively in the companies that own and operate the Caesar oil pipeline and the Cleopatra gas pipeline, which transport oil and gas from the Green Canyon area to connecting pipelines that transport product to the US mainland. During the year, we sold Green Canyon 18/Ewing Bank 988 and Green Canyon 60 blocks with effect from 1 September 2005. The transactions closed in December 2005

and January 2006 respectively.

Our activities in the Gulf of Mexico were affected by the severe hurricanes in September 2005. Both Hurricanes Katrina and Rita interrupted production for several days and Rita severely damaged our Typhoon facility. We decided not to redevelop Typhoon, Boris and Little Burn tie-back field but rather pursue divestiture options. On 18 August 2006, Energy Resource Technology, a wholly-owned subsidiary of Helix Energy Solutions, acquired a 100 per cent working interest in the Typhoon, Boris and Little Burn oil fields. The agreement is subject to regulatory approval.

Europe/Africa/Middle East

Our Europe/Africa/Middle East producing assets include our fields off the UK coast and two operations in Algeria. In the UK, we produce oil and gas from Liverpool Bay and Bruce/Keith fields. In Algeria, we produce wet gas from Ohanet and oil from ROD integrated development.

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Information on Petroleum operations

Detailed descriptions of our producing assets by geographical region are listed in the tables below. These tables should be read in conjunction with the production and reserve tables.

Name, location and type of asset **AUSTRALIA/ASIA**	Ownership and operation	Title/lease	Facilities
Bass Strait Offshore Victoria, Australia Oil and gas production	We hold a 50% interest in the Bass Strait fields. Esso Australia owns the other 50% interest and is the operator.	The venture holds 19 production licences issued by the Commonwealth of Australia with expiry dates ranging between 2009 and 2018.	There are 20 producing fields with 21 offshore developments (14 steel jacket platforms, 3 subsea developments, 2 steel gravity based mono towers and 2 concrete gravity based platforms). Onshore infrastructure includes the Longford Facility, which includes 3 gas plants and liquid processing facilities as well as the Long Island Point LPG and crude oil storage facilities. The Bass Strait production capacity is as follows: Crude 500 Mbbl/d Gas 1,075 MMcf/d LPG 5,150 tonnes per day Ethane 850 tonnes per day
North West Shelf (NWS) gas and gas liquids (LPG and condensate)	We are a participant in the North West Shelf (NWS) Project, an unincorporated joint venture.	The venture holds 9 production licences issued by the Commonwealth of Australia, of which 6 expire in 2022 and 3 expire 5 years after the end of production.	Production from the North Rankin and Perseus fields is currently through the North Rankin A platform, which has the capacity to produce 2,300 MMcf/d of gas and 53 Mbbl/d of condensate.

North Rankin, Goodwyn, Perseus, Echo-Yodel and Angel fields offshore, Dampier in northwestern Australia Gas, LPG and condensate production and LNG liquefication	The Project was developed in major phases: the domestic gas phase, which supplies gas to the Western Australian domestic market; and a number of LNG expansion phases, which currently supply LNG primarily to Japan and also supply LNG to Guangdong in China. We hold 8.33% of the original domestic gas joint venture, 16.67% of the LPG domestic gas joint venture, 16.67% of the original LNG joint venture, 12.5% of the China LNG joint venture, 16.67% of the LPG joint venture and approximately 15% of current condensate production. Other participants in the respective NWS joint ventures are subsidiaries of Woodside Energy, Chevron, BP, Shell, Mitsubishi/Mitsui and the China National Offshore Oil Corporation. Woodside Energy is the operator of the project.	Production from the Goodwyn and Echo-Yodel fields is through the Goodwyn A platform, which has the capacity to produce 1,450 MMcf/d of gas and 110 Mbbl/d of condensate. Further development of the existing Perseus field has commenced and includes the drilling of additional wells tied into the Goodwyn A platform. An onshore gas treatment plant at Withnell Bay has a current capacity to process 615 MMcf/d of gas for the domestic market. An existing 4 train LNG plant has the capacity to produce an average rate of 33,000 tonnes of LNG per day.

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
North West Shelf crude oil Approximately 30 kilometres northeast of the North Rankin gas and condensate field, offshore Western Australia, Australia Crude oil production is from the Wanaea, Cossack, Lambert and Hermes oil fields	We hold a 16.67% working interest in oil production from these fields. The other 83.33% is held in equal 16.67% shares by Woodside Energy, BP Developments Australia, Chevron Australia, Shell Development, and Japan Australia LNG (MIMI). Woodside Energy is the operator of the project.	The venture holds 3 production licences issued by the Commonwealth of Australia with expiry dates ranging between 2012 and 2018.	The oil is produced to a floating production storage and offloading unit, the Cossack Pioneer, which has a capacity of 140 Mbbl/d and a storage capacity of 1.15 million barrels of crude oil.
Griffin Carnarvon Basin, 68 kilometres offshore Western Australia, Australia Comprises the Griffin, Chinook and Scindian offshore oil and gas fields	We hold a 45% interest in the project. The other 55% is held by Mobil Exploration and Producing Australia (35%) and Inpex Alpha (20%). We are the operator of the project.	The venture holds a production licence issued by the Commonwealth of Australia that expires in 2014. The licence may be renewed on expiry for a period expiring 5 years after production	Oil and gas are produced via the Griffin venture, a floating production, storage and offloading facility. We pipe natural gas to shore, where it is delivered directly into a pipeline. The Griffin venture has the capacity to produce 15 MMcf/d of gas and 8.175 Mbbl/d of crude oil.
Minerva Approximately 10 kilometres offshore in the Otway Basin of Victoria, Australia Single offshore gas reservoir with 2 compartments. Gas plant is situated approximately 4 kilometres inland from Port Campbell	We hold a 90% share of Minerva in a joint venture agreement. The other 10% is held by Santos (BOL). We are the operator of the field.	The venture holds a production licence issued by the Commonwealth of Australia that expires in 2023. The licence may be renewed on expiry for a period expiring 5 years after production ceases.	The Minerva development consists of 2 subsea well completions in 60 metres of water. A single flowline transports gas to an onshore gas processing facility with a gas capacity of 150 MMcf/d and 600 bbl/d of condensate.
Moranbah Bowen Basin, Queensland, Australia	We had a 50% interest. On 21 June 2006, we agreed to sell our Australian CBM interests	The venture held 2 production licences issued by the State of Queensland that expire in 2032 and 2034.	The project consists of approximately 70 gas wells and surface facilities including a pipeline gathering system and compressors.

Coal bed methane coal seam	to The Australian Gas Light Company (AGL) for US$68.7 million. The transaction closed on 21 August 2006.		
AMERICAS			
West Cameron 76	We hold a 33.76% working interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of 2 conventional gas platforms with a capacity of 100 MMcf/d of gas and 500 bbl/d of condensate.
Gulf of Mexico, 15 kilometres offshore, Central Louisiana, US	The other owners are Dominion Exploration and Production (40%), Merit Management Partners (15%) and Ridgewood Energy Company (11.24%).		
Offshore gas and condensate fields			
	We are the operator.		

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
Typhoon (Green Canyon 236 and 237) Gulf of Mexico, approximately 100 kilometres offshore of New Orleans, Louisiana, US Deep water oil and gas field	We had a 50% working interest. As described above, an agreement to sell the Typhoon field was executed on 18 August 2006.	The venture holds a lease from the US until September 2006, at which time a plan for redevelopment is required to retain the lease.	The field consists of 4 subsea wells tied back to a local host mini tension leg platform. The platform was severely damaged by Hurricane Rita in September 2005 and has since been taken out of service.
Boris (Green Canyon 282) Gulf of Mexico (adjacent to the Typhoon field) approximately 100 kilometres offshore of New Orleans, Louisiana, US Deep water oil and gas field	We hold a 4.95% working interest. The other owners are Chevron (56.67%) and ExxonMobil (38.38%). Chevron is the operator.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities	The production facility consists of a floating cylindrical hull (spar) moored to the seabed with integrated drilling facilities and a capacity of 55 Mbbl/d of oil and 72 MMcf/d of gas.
Genesis (Green Canyon 205) Gulf of Mexico, approximately 100 kilometres offshore of New Orleans, Louisiana, US Deep water oil and gas field	We hold a 4.95% working interest. The other owners are Chevron (56.67%) and ExxonMobil (38.38%). Chevron is the operator.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The production facility consists of a floating cylindrical hull (spar) moored to the seabed with integrated drilling facilities and a capacity of 55 Mbbl/d of oil and 72 MMcf/d of gas.
Starlifter (West Cameron 77) Gulf of Mexico, 15 kilometres offshore, Central Louisiana, US Offshore gas and condensate field	We hold a 43.66% working interest in the joint venture. The other owners are Dominion Exploration and Production (22.4%), Merit Management Partners (19.4%) and Ridgewood Energy Company (14.54%).	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The field development consists of a single conventional gas platform with a capacity of 40 MMcf/d of gas and 600 bbl/d of condensate.

	We are the operator.		
Mustang (West Cameron 77)	We hold a 43.66% working interest in the joint venture.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The field development consists of a single conventional gas platform with a capacity of 40 MMcf/d of gas and 600 bbl/d of condensate.
Gulf of Mexico, 15 kilometres offshore, Central Louisiana, US	The other owners are Dominion Exploration and Production (22.4%), Merit Management Partners (19.4%) and Ridgewood Energy Company (14.54%).		
Offshore gas and condensate field			
	We are the operator.		
Mad Dog (Green Canyon 782)	We hold a 23.9% working interest in Mad Dog.	The venture holds a lease from the US as long as oil and gas are produced in paying quantities.	The field development consists of an integrated truss spar equipped with facilities for simultaneous production and drilling operations, permanently moored in 4,300 feet of water.
Gulf of Mexico, approximately 320 kilometres offshore of New Orleans, Louisiana, US	The other 76.1% is held by BP (60.5%) and Chevron (15.6%).		
Deep water oil and gas field	BP is the operator.		The facility has the capacity to process 100 Mbbl/d of oil and 60 MMcf/d of gas.

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
Greater Angostura Approximately 38.5 kilometres east of Trinidad island, Trinidad and Tobago Shallow water oil and gas field	We hold a 45% working interest in the joint venture. The other 55% is held by Total (30%) and Talisman Energy (25%). We are the operator.	The venture has entered into a production sharing contract with the state of Trinidad and Tobago that entitles it to operate Angostura until 2021.	The Angostura development is an integrated oil and gas development. The infrastructure consists of a steel jacketed central processing platform with 3 satellite wellhead protector platforms and flowlines. A pipeline connects the processing platform to newly constructed storage facilities at Guayaguayare, where an export pipeline has been installed to allow for offloading to tankers in Guayaguayare Bay. The facility has the capacity to process 100 Mbbl/d of oil.
EUROPE/AFRICA/ MIDDLE EAST			
Liverpool Bay Douglas and Douglas West oil fields, Hamilton, Hamilton North and Hamilton East gas fields, and Lennox oil and gas fields in the Irish Sea, approximately 10 kilometres off the northwest coast of England	We hold a 46.1% working interest in the joint venture. The other 53.9% is held by Eni. We are the operator.	The joint venture holds 3 production licences issued by the Crown of the United Kingdom. One of these licences expires in July 2007. However, this will be extended in accordance with licence terms. The other licences expire in 2009 and 2016.	The Liverpool Bay asset is an integrated development of 6 fields. Oil from the Lennox and Douglas fields is treated at the Douglas complex and piped 17 kilometres to an oil storage barge ready for export by tankers. Gas from the Hamilton, Hamilton North, Hamilton East and Lennox fields is initially processed at the Douglas complex then piped by subsea pipeline to the Point of Ayr gas terminal for further processing. The facility has the capacity to produce 308 MMcf/d of gas and 70 Mbbl/d of oil and condensate.
Bruce/Keith North Sea, approximately 380 kilometres northeast offshore of Aberdeen, Scotland	We hold a 16% interest in the Bruce field. The other 84% is owned by BP (37%), Total (43.25%) and Marubeni (3.75%). BP is the operator of Bruce.	The joint venture holds 3 production licences issued by the Crown of the United Kingdom, which expire in 2011, 2015 and 2018.	Production is via an integrated oil and gas platform. The throughput of the Bruce facility has, since 2002, been increased to 920 MMcf/d through de-bottlenecking and revising operating envelopes.

The Keith field is located adjacent to the Bruce field		
Offshore oil and gas fields	We hold a 31.83% interest in the Keith field. The other 68.17% is owned by BP (34.84%), Total (25%) and Marubeni (8.33%). We are the operator of Keith. As part of our normal portfolio management process, we are marketing our interests in the Bruce field, the Keith field and associated acreage. The asset was classified as Held for sale in the financial statements.	The Keith field was developed as a tie-back to the Bruce platform facilities.

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Name, location and type of asset	Ownership and operation	Title/lease	Facilities
Ohanet Approximately 1,300 kilometres southeast of Algiers and 100 kilometres west of Libya, Illizi province, Algeria Four wet gas fields	We have an effective 45% working interest in the Ohanet joint venture. The other 55% is held by Japan Ohanet Oil and Gas (30%), Woodside Energy (Algeria) (15%) and Petrofac Resources (Ohanet) (10%). The project is operated by a Sonatrach/BHP Billiton jointly-staffed organisation.	The venture is party to a risk service contract with the title holder Sonatrach that expires in 2011 with an option for a 4-year renewal under certain conditions.	Ohanet is a wet gas (LPG and condensate) development consisting of 4 gas and condensate reservoirs and a gas processing plant with the capacity to treat 20 MMcf/d of wet gas and 61 Mbbl/d of associated liquids (LPG and condensate).
ROD integrated development Berkine Basin, 900 kilometres southeast of Algiers, Algeria Six oil fields	We hold a 45% interest in the joint venture contracted under the 401a/402a PSC, with ENI holding the remaining 55%. However, we have an effective 36% interest in ROD unitised integrated development. ENI owns the remaining 64%. This interest is subject to a contractual determination to ensure that interest from participating association leases is accurately reflected. Future redetermination may be possible under certain conditions. A joint Sonatrach/ENI entity is the operator.	The venture is party to a production sharing contract with the title holder Sonatrach that expires in 2016 with an option for a 5-year renewal under certain conditions.	Comprises the development and production of 6 oil fields, the largest 2 of which, ROD and SFNE, extend into the neighbouring blocks 403a and 403d. The ROD fields are being produced through a new dedicated processing train, with the capacity to process approximately 80 Mbbl/d of oil.

Development projects

Australia/Asia

Stybarrow

In November 2005, our Board approved the development of the Stybarrow oil field in the Exmouth Sub-basin, off the northwest coast of Western Australia. At a water depth of approximately 825 metres, Stybarrow will be Australia s deepest oil field development. Project costs are approximately US$600 million (US$300 million our share) and first production is expected during the first quarter of 2008. The Stybarrow project consists of a subsea development and a floating production, storage and offshore loading facility, which will be used to process, store and offload oil to export tankers. The vessel will be disconnectable, double-hulled and able to process approximately 80,000 barrels of liquids a day. We own a 50 per cent operated working interest in this permit with the remaining interest held by Woodside Energy.

North West Shelf Train 5 expansion

In June 2005, our Board approved our 16.67 per cent share of investment in a fifth LNG train expansion of the existing LNG processing facilities located on the Burrup Peninsula, which will increase total LNG production capacity to 43,500 tonnes per day. The project is progressing on schedule with all major construction contracts awarded. Our share of development costs, based on the operator s (Woodside

Energy) estimate, is approximately US$250 million with first production expected by late 2008. The project cost and schedule are under review.

North West Shelf Angel development

In December 2005, our Board approved our share of development costs for the North West Shelf venture s Angel gas and condensate field. The development will include the installation of the venture s third major offshore production platform which will have a capacity to produce 800 MMcf/d of gas from the North West Shelf and associated infrastructure, including a new subsea 50 kilometre pipeline, which will be tied in to the first trunkline at the North Rankin platform. Our share of development costs, based on the operator s (Woodside Energy) estimate, is approximately US$200 million with development expected to be fully operational by the end of 2008.

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Zamzama Phase 2

Phase 2 of the Zamzama plant facility upgrade project is currently under construction after being approved by our Board in November 2005. Capacity is expected to increase by approximately 50 per cent (by 150 MMcf/d of gas and 800 bbl/d of condensate) by the end of September 2007 at a cost of US$120 million (US$46 million our share). We signed a gas sales and purchase agreement in November 2005 with the Government of Pakistan and Sui Southern Gas Company Limited. The agreement covers the supply of up to 150 MMcf/d of gas over the life of the field.

Americas

Atlantis South

We have a 44 per cent working interest in Atlantis South in the deepwater fields in the Gulf of Mexico. The facility will be a moored, semi-submersible platform with a capacity of 200 Mbbl/d of oil and 180 MMcf/d of gas. We have approved a budget of US$1.1 billion (our share) for the development of these reserves. However, the project is experiencing cost and schedule pressures as a result of heated market conditions and additional quality assurance and regulatory certification processing in response to the last year s Gulf of Mexico hurricane season. Cost pressures are likely to result in a capital cost increase of more than 30 per cent in excess of the currently approved budget. BP owns the other 56 per cent and operates the project. The project and cost schedule presently remains under review.

Neptune

We have a 35 per cent interest and will operate the Neptune oil and gas project in the deepwater Gulf of Mexico. Other members of the joint venture are Marathon Oil (30 per cent), Woodside (20 per cent) and Repsol (15 per cent). The project will construct a stand-alone tension leg platform with a nameplate capacity of 50 Mbbl/d and 50 MMcf/d of gas. Estimated development costs are US$850 million (US$300 million our share). First oil is expected by the end of calendar year 2007.

Shenzi

We have a 44 per cent interest and will operate the Shenzi oil and gas project in the deepwater fields of Gulf of Mexico. Other members of the project are Repsol (28 per cent) and Hess Corporation (28 per cent). The project will construct a stand-alone tension leg platform with a design capacity of 100 Mbbl/d and 50 MMcf/d of gas. Gross costs for the full field development through to 2015 are estimated at approximately US$4.4 billion (our share US$1.94 billion). First oil is expected by mid 2009.

Other developments

Americas

We are seeking approval to construct and operate Cabrillo port, a floating storage and re-gasification unit (FSRU), located in the Pacific Ocean approximately 22 kilometres offshore from Ventura County, California. This deepwater port would be the receiving terminal for shipments of LNG for the west coast markets of the US. Natural gas production would average 800 MMcf/d with design capacity allowing maximum peak deliveries of 1,500 MMcf/d. The Cabrillo port project is progressing through a permitting process involving US federal, state and local government agencies.

Exploration and appraisal

We are focused on finding significant discoveries through wildcat drilling that will add substantial resources. We have exploration interests throughout the world, particularly the Gulf of Mexico and Western Australia. During the year, our gross expenditure on exploration was US$447 million. Our major exploration interests are as follows:

Australia/Asia

Scarborough/Pilbara LNG

We have a 50 per cent non-operated interest in the Scarborough gas field in WA-1-R (ExxonMobil holds the remaining 50 per cent and is the operator) and hold 100 per cent interest in WA-346-P, which covers the northern extension of the mapped gas reservoir. The project is still

examining a number of concepts for field development.

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

Pyrenees is a joint development plan encompassing the Ravensworth, Crosby and Stickle discoveries. We own a 40 per cent operated working interest in the WA-155-P permit (Ravensworth discovery in this area), with Apache Energy Ltd owning 31.5 per cent and Inpex owning 28.5 per cent. We also own a 71.43 per cent operated working interest in the WA-12-R permit (Crosby and Stickle discoveries in this area), with Apache Energy Ltd owning the remaining 28.57 per cent. The project is currently in feasibility with development options still under evaluation.

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Americas Gulf of Mexico

Puma Green Canyon/Western Atwater Foldbelt exploration

The Puma-1 exploration well was drilled in January 2004. The well was drilled in 4,130 feet of water and encountered hydrocarbons in both the original hole and in two subsequent sidetrack bores. The first appraisal well was suspended short of the primary objective by the operator (BP) in August 2006 and will be re-entered in mid fiscal year 2007. Further appraisal is scheduled for 2007.

Following an interim equity agreement, we hold a 29.805 per cent working interest in Puma. The other 70.195 per cent is held by BP (46.195 per cent), Chevron (21.75 per cent) and Statoil (2.25 per cent) subject to future re-determination.

Knotty Head

We currently own a 25 per cent working interest in an exploration well on the Knotty Head Prospect located in the Green Canyon area. Partners in the well are Nexen (25 per cent owner and operator), Anadarko (25 per cent) and Unocal (a wholly-owned subsidiary of Chevron) (25 per cent). Unocal spudded the exploration well in March 2005. The initial well was completed in mid December 2005 followed by a sidetrack operation, which was completed in early March 2006 to further evaluate the results of the discovery well. The well was drilled in 3,570 feet of water to a total depth of 34,189 feet and encountered hydrocarbons in both the original hole and the subsequent sidetrack. Additional appraisal work will be required to further evaluate the economic potential of the prospect.

Cascade/Chinook Walker Ridge exploration

On 9 August 2006, Petrobras and Devon purchased our 50 per cent working interest in the Cascade blocks. Petrobras and Total EandP USA, Inc acquired our 40 per cent working interest in Chinook. We received cash and a right to future contingent consideration, as well as maintaining an overriding interest in these blocks.

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Aluminium Customer Sector Group

Through operations in Australia, Brazil, Mozambique, South Africa and Suriname, our Aluminium CSG mines bauxite, refines bauxite into alumina and smelts alumina into aluminium metal. The principal raw materials required for aluminium production are alumina, electricity, liquid pitch and petroleum coke. Alumina production requires bauxite, caustic soda and electricity. Most of the alumina we use to produce aluminium metal is sourced from our own operations. We buy caustic soda, liquid pitch and petroleum coke from a number of producers around the world.

We sell part of our bauxite and alumina production to other refiners and smelters, and sell aluminium in the following forms: primary aluminium; foundry alloy; extrusion billet; rolling slab and wire rod.

We are the world s sixth largest producer of primary aluminium with a total operating capacity of approximately 1.3 mtpa of aluminium. We also have a total operating capacity of approximately 14 mtpa of bauxite and 4 mtpa of alumina. We sell aluminium metal to customers around the world, generally at prices linked to the London Metal Exchange (LME) price. Our alumina and bauxite sales are governed by a mixture of contract and spot sales.

The Aluminium CSG s operations comprise the following:

The fully owned and operated Hillside and Bayside aluminium smelters, located at Richards Bay, South Africa.

A 47.1 per cent interest and operator of the Mozal aluminium smelter in Mozambique.

An 86 per cent interest and operator of the Worsley joint venture, consisting of the Boddington bauxite mine and the Worsley alumina refinery, both located in Western Australia, Australia.

A 45 per cent interest and operator of the Suriname Mining joint venture operating the Lelydorp III, Kaaimangrassie, Klaverblad and Coermotibo mines in Suriname, and a 45 per cent interest in the refining joint venture, comprising an alumina refinery and port facilities at Paranam in Suriname.

Interests in the Alumar consortium and Mineração Rio do Norte SA (MRN). The Alumar consortium operates an integrated alumina refinery and aluminium smelter in São Luís, Brazil. As a result of our joint venture partner s investment (Alcoa, Inc.) in a new smelter line, our share in the Alumar smelter was reduced from 46.3 per cent to 40 per cent during the year. Our share in the Alumar refinery remains at 36 per cent. The Alumar consortium purchases bauxite under long-term contracts from MRN, an operation of three open-cut mines in northern Brazil of which we own 14.8 per cent.

In August 2006, we completed the sale of our 45.5 per cent interest in the Valesul Aluminio SA Joint Venture to our joint venture partner Companhia Vale do Rio Doce (CVRD).

Information on the Aluminium CSG s bauxite mining operations

Detailed descriptions of our producing assets are listed in the tables below. These tables should be read in conjunction with the production and reserve tables.

Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Boddington bauxite mine	We own 86% of the Worsley joint venture. The other 14% interest is	The Boddington mine opened in 1983 and was significantly	The mine has a crushing plant with the capacity of 13 dry mtpa

	owned by Sojitz Alumina (4%) and Japan Alumina Associates (10%).	extended in 2000.	of bauxite. Power is supplied from the Worsley alumina refinery site via a joint venture-owned powerlines.
123 kilometres southeast of Perth at Boddington, Western Australia, Australia			
Open-cut mine	Worsley Alumina Pty Ltd is the manager of the joint venture on behalf of the participants. Worsley Alumina Pty Ltd has the same ownership structure as the Worsley joint venture.		A description of the Worsley alumina refinery can be found below.
The mine is accessible by sealed public roads. The ore is transported to Worsley alumina refinery via a 51 kilometre overland conveyor.	We hold a 2,716 square kilometre mining lease from the Western Australian Government. In 2004, we renewed the lease for a second 21-year term. A further 21-year renewal is available.		

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Lelydorp III mine (Onverdacht) 25 kilometres south of Paramaribo and 15 kilometres west of the Paranam refinery, Suriname Open-cut mine The mine is accessible by joint venture-owned haulroads. The ore is hauled by truck over a distance of 15 kilometres to the Paranam refinery.	We own 45% of the Refining and Mining Joint Venture. The other 55% interest is held by Suralco (a subsidiary of Alcoa World Alumina and Chemicals (AWAC), a venture of Alcoa and Alumina Limited). We manage all mining operations. Suralco holds exploitation licences, issued by the Government of Suriname, over the Lelydorp III deposit. These licences expire in 2032.	The Lelydorp III mine started operations in 1997. The mine will close down in February 2007.	Lelydorp III mine has a nominal production capacity of 2 mtpa; there are no beneficiation or processing facilities. Electricity is sourced from Suralco and fuel sourced from an external provider.
Kaaimangrasie mine (Onverdacht) 38 kilometres southeast of Paramaribo and 24 kilometres east of the Paranam refinery, Suriname Open-cut mine The mine is accessible by a joint venture owned haulroad. The ore is hauled by truck over a distance of 28 kilometres to the Paranam refinery.	We own 45% of the refining and mining joint venture. The other 55% interest is held by Suralco. We manage all mining operations. Suralco holds the exploitation licences, issued by the Government of Suriname, over the Kaaimangrasie deposit. These licences expire in 2032.	The development of the Kaaimangrasie mine started in November 2005. Operations/delivery of bauxite to the refinery will commence in July 2006. The mine is scheduled to be operated until August 2010.	Kaaimangrasie mine has a nominal production capacity of approximately 2 mtpa of bauxite; there are no processing facilities at the mine. Electricity is sourced from Suralco and fuel sourced from an external provider.
Klaverblad mine (Onverdacht) 23 kilometres southeast of Paramaribo and 11 kilometres east	We own 45% of the refining and mining joint venture. The other 55% interest is held by Suralco.	The development of the Klaverblad mine started in July 2005.	The development of the Klaverblad mine started in July 2005. Operations/delivery of bauxite to the refinery will commence in May 2007. The mine is scheduled to be operated until August 2010.

of the Paranam refinery, Suriname	We manage all mining operations.	Operations/delivery of bauxite to the refinery will commence in May 2007. The mine is scheduled to be operated until August 2010.	
Open-cut mine The mine is accessible by a joint venture- owned haulroad. The ore is hauled by truck over a distance of 17 kilometres to the Paranam refinery.	Suralco holds the exploitation licences, issued by the Government of Suriname, over the Klaverblad deposit. These licences expire in 2032.		
Coermotibo 150 kilometres east of Paranam, Suriname Surface strip mine The mine is accessible by joint venture-owned haulroads. The ore is hauled to the Coermotibo crushing and loading facility and subsequently barged along the Commewijne river to the Paranam refinery.	We own 45% of the Coermotibo joint venture. The other 55% interest is held by Suralco. We manage all mining operations. Suralco holds exploitation licences over the bauxite issued by the Government of Suriname. These licences expire in 2032.	The Coermotibo mine started operations in 1991. Based on reserves the mine will be depleted in 2007. Remnants mining will continue after that time.	Coermotibo mine has a nominal production capacity of 1.7 mtpa; there are primary crushing and barge loading facilities but no beneficiation or other processing facilities. Coermotibo generates its own electricity from power generators that run on diesel fuel.

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
MRN Oriximina, State of Pará, Brazil Open-cut mines The mine is accessible by joint venture-owned haulroads. A joint venture-owned railroad connects the 28 kilometres between the plant and the port.	We own 14.8% of MRN. The other 85.2% is owned by affiliates of Alcoa (18.2%), Alcan (12%), Companhia Brasileira de Alumínio CBA (10%), CVRD (40%) and Norsk Hydro (5%). MRN holds valid mining rights to all its reserves until exhaustion of the reserves.	Production started in 1979 and the last expansion occurred in 2003.	MRN beneficiation facilities consist of a crushing unit and a washing unit and a conveyer belt that transports the ore between the 2 units. The bauxite nominal production capacity is approximately 17 mtpa. MRN has its own power generation station using fuel oil.

Information on the Aluminium CSG s aluminium smelters and alumina refineries

Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Hillside aluminium smelter Richards Bay, 200 kilometres north of Durban, KwaZulu-Natal province, South Africa	We own and operate the smelter. We hold freehold title over the property, plant and equipment. The harbour silos, buildings and overhead conveyors are owned by Hillside, but Bayside is the principal lessee of the land for the export stockyard, liquid pitch terminal and the silo site, which are used by Hillside and Bayside.	The Hillside smelter uses the Aluminium Pechiney AP35 technology to produce standard aluminium ingots and aluminium T-Bars.	The nominal production capacity of the smelter is 0.704 mtpa of primary aluminium. The plant s power requirements are sourced from the national power supplier Eskom under a long-term contract with prices linked to the LME price for aluminium.
Bayside aluminium smelter Richards Bay, 200 kilometres north of Durban, KwaZulu-Natal province, South Africa	We own and operate the smelter. We hold freehold title over the property, plant and equipment. The harbour silos, buildings and overhead conveyors are owned by Hillside, but Bayside is the	The Bayside smelter uses Alusuisse pre-bake and Soderberg self-bake technologies to produce primary aluminium. Bayside uses its own aluminium and liquid aluminium acquired from Hillside to also produce a range of value added products, such as wheel rim alloy, rod and rolling ingot.	The nominal potline production capacity is 0.169 mtpa of primary aluminium. The plant s power requirements are sourced from the national power supplier Eskom under a long-term contract with prices linked to the LME price for aluminium.

	principal lessee of the land for the export stockyard, liquid pitch terminal and the silo site, which are used by Hillside and Bayside.		
Mozal aluminium smelter	We hold a 47.1% interest in the Mozal joint venture and operate the smelter. The other 52.9 % is owned by Mitsubishi (25%), Industrial Development Corporation of South Africa (24%) and the Government of Mozambique (3.9%).	The Mozal aluminium smelter uses the Aluminium Pechiney AP35 technology to produce standard aluminium ingots.	The nominal production capacity of the smelter is 0.563 mtpa.
17 kilometres from Maputo, Mozambique			The plant s power requirements are purchased from Motraco under an agreement that provides for a fixed tariff for the majority of electricity through to 2012 and LME-linked pricing thereafter.
	The joint venture has a 50-year right to use the land, renewable for another 50 years under a Government concession.		
Worsley alumina refinery	We own 86% of this asset through the Worsley joint venture. The other 14% is owned by Sojitz Alumina (4%) and Japan Alumina Associates (10%).	The Worsley alumina refinery uses the Bayer process to produce metallurgical grade alumina, which is used as feedstock for aluminium smelting.	The nominal production capacity is 3.5 mtpa.
Approximately 55 kilometres northeast of Bunbury, Western Australia, Australia			Power and steam needed for the refinery are provided by a joint venture-owned onsite coal power station and a non-joint venture-owned on-site gas fired power station.
	Worsley Alumina Pty Ltd is the manager of the joint venture on behalf of the participants. Worsley Alumina Pty Ltd has the same ownership structure as the Worsley joint venture.		
	We hold a 2,480 hectare refinery lease from the Western Australian Government. In 2004, we renewed the lease for a second 21-year term. A further 21-year renewal is available.		

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Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Paranam refinery	We own 45% of the Paranam joint venture. The other 55% of the joint venture is owned by Suralco.	The Paranam alumina refinery utilises the Bayer process to produce metallurgical grade alumina, which is used as feedstock for aluminium smelting.	Capacity is 2.2 mtpa. The Paranam refinery generates its own power.
Paranam, Suriname	Suralco manages the alumina refining.		
	The joint venture holds freehold title to the property, plant and equipment in a 45-55% split between the 2 joint venture partners.		
Alumar	The Alumar consortium is an unincorporated joint venture that holds the smelter, refinery, ingot plant and support facilities.	The alumina refinery and aluminium smelter use Alcoa technology to produce aluminium ingots.	The refinery complex was last expanded in June 2005, achieving annual capacity of 1.5 mtpa.
São Luís, Maranhão, Brazil	We own 40% of the aluminium smelter. The other 60% is owned by Alcoa Aluminio SA (Alcoa).		The smelter has a nominal annual capacity of approximately 0.450 mtpa of primary aluminium.
	We own 36% of the alumina refinery. The other 64% is owned by Alcoa and its affiliate Abalco SA (35.1% and 18.9% respectively) and Alcan (10%).		The electricity requirements are supplied by Brazilian public power generation concessionaire Electronorte, pursuant to a 20-year contract.
	The consortium comprises an integrated port, an alumina refinery and an aluminium smelter together with areas for the production of anodes and aluminium ingots.		
	All the above are freehold interests of the joint venture participants.		
Valesul Aluminio SA	We owned 45.5% of the Valesul Aluminio SA joint venture. The other 54.5 % is owned by	The Valesul aluminium smelter uses P19 Reynolds technology to produce primary aluminium.	The capacity of the smelter is 96,000 tonnes per annum. It also has the capacity to remelt another

Rio de Janeiro, Brazil	Companhia Vale do Rio Doce (CVRD). In August 2006, we completed the sale of our share of the joint venture to CVRD.	21,000 tonnes per annum of aluminium scrap.
	Integrated smelter facility owned by Valesul and operation of a leased port terminal.	The smelter draws approximately 42% of its power consumption from 4 local hydroelectric plants that it partially owns. The remaining power is acquired under long-term contracts at market rates.

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Development projects

Worsley

In 2004, we commenced the US$192 million (our share US$165 million) Worsley Alumina Development Capital Project (DCP). The DCP, which is now mechanically complete, will result in a 0.250 mtpa increase in alumina production (0.215 mtpa our share) to 3.500 mtpa. Ramping up to full production is currently in progress and we expect the final costs to be close to budget.

Suriname

The joint venture is currently developing the Kaaimangrasie and Klaverbad deposits, which will replace the current Lelydorp and Coermotibo operations upon depletion. The Kaaimangrassie mine began operation on 1 July 2006.

Alumar

In December 2005, we approved a project to expand the refinery, which will increase annual alumina production capacity by 2.0 mtpa (0.700 mtpa our share) to 3.5 mtpa (1.3 mtpa our share). We have estimated that our share of this investment will total US$518 million.

Exploration

In Suriname, BHP Billiton and Suralco jointly hold the exploration licence over the Bakhuis region in western Suriname. The rights over this 2,780 square kilometre terrain were granted in November 2003 for a period of 25 months with options for extension. The exploration phase has been finalised in November 2005, and BHP Billiton and Suralco are currently entering the negotiations with the Government of Suriname in order to obtain the exploitation rights for the Bakhuis area.

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Base Metals Customer Sector Group

Through operations in Chile, Australia and Peru our Base Metals CSG mines copper, silver, lead, zinc, molybdenum, uranium and gold. We have five primary products:

- copper concentrates
- copper cathodes
- uranium oxide
- lead concentrates
- zinc concentrates.

Some of the ores we mine contain significant quantities of silver and gold, which remain in the base metal concentrates we sell. We receive payment credits for silver and gold recovered by our customers in the smelting and refining process. In addition, we produce gold and silver bullion at our Olympic Dam smelting and refining operation.

Our portfolio of large, low-cost mining operations includes the Escondida mine in Chile, which is the world s largest source of copper. We are also developing a number of greenfield and brownfield copper mining projects. In addition to conventional mine development, we are also pursuing advanced bioleaching technology, which we believe has the potential to achieve significant reductions in the cost of producing base metals.

Copper

Our majority-owned Escondida copper mine in northern Chile has separate processing streams producing high-quality copper concentrate and pure copper cathode. Our other key copper assets are the Cerro Colorado copper mine in northern Chile, the Antamina copper and zinc operations in Peru and the Olympic Dam copper and uranium mine in Australia.

In 2005-06, our share of total production was in excess of 1.2 mtpa of copper in cathode and contained in concentrate. We provide base metals concentrates to smelters and copper cathode to rod and brass mills and casting plants around the world. We sell the majority of our copper cathode production on annual contracts with a fixed premium and the majority of our copper concentrate production to smelters under long-term contracts with treatment and refining charges negotiated mainly on an annual or bi-annual basis. The price of contained copper is determined by the prevailing LME market price generally for cathodes in the month after shipment and for concentrate three months after shipment. The remainder is sold on a spot basis.

During June 2006, we sold our interest in the Tintaya copper mine in Peru. The profit on disposal was US$296 million (net of a taxation charge of US$143 million).

In June 2005, an earthquake measuring 7.9 on the Richter scale affected the region in which the Cerro Colorado mine is located. Normal road accessibility for heavy trucks was suspended for two weeks and production was halted for two months, then gradually ramped up, returning to pre-earthquake levels in January 2006.

Copper zinc

Our Antamina mine in Peru produces both copper and zinc concentrates. We sell most of our copper and zinc concentrates to third party smelters. The remainder of our production is mostly sold to merchants.

Copper uranium

Our Olympic Dam copper and uranium mine in South Australia is our only asset producing uranium oxide. The bulk of uranium production is sold under long-term, fixed price sales contracts with overseas electricity generating utilities. Gold and silver produced are sold to the Perth Mint, Australia. We acquired Olympic Dam as part of our acquisition of WMC in June 2005.

The Olympic Dam Ore reserves reported in the Ore Reserves section show an overall decrease (proved plus probable, and exclusive of production) of 382 million dry tonnes at 0.9 per cent Cu, 0.3kg/tonne U3O8, 0.2g/t Au and 1.7 g/t Ag from that reported in June 2005, albeit this year at a slightly higher grade. Since the acquisition of Olympic Dam in June 2005, we have been reviewing the future operating and development plans. The June 2006 reserve is based on a revised life-of-mine plan developed in the first half of calendar 2006 that includes only the mining of underground stopes by current methods. It does not include mining of lower grade areas by sub-level cave or other alternative underground methods as included in last year s Report.

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These lower grade areas in the northern mine, together with the total southern mine area deposit, are the subject of extensive feasibility studies. On completion of these studies, which include both open-cut and underground sub-level and block caving methods, the reserves will be restated.

Currently, drilling is continuing at Olympic Dam to define the extent of mineralisation.

Silver, lead and zinc

Cannington is the world s largest single mine producer of both silver and lead and a significant producer of zinc.

The majority of Cannington s lead and zinc concentrate production for the 2006-07 fiscal year is committed under long-term contracts with smelters in Australia, Korea, Japan and Europe at prices linked to the relevant LME prices. The balance is allocated to the spot market, primarily to Chinese buyers.

Following an assessment of ground conditions in May 2006, we accelerated the program decline and stope access rehabilitation to improve safety conditions. This program, which we expect to be complete in December 2006, will reduce production by approximately 20 per cent throughout the period. The cost associated with this program is expected to be approximately US$25 million.

Information on Base Metals mining operations

Detailed descriptions of our producing assets are listed in the tables below. These tables should also be read in conjunction with the production and reserves tables below.

Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Copper			
Escondida	The mine is owned and operated by Minera Escondida Limitada.	Original construction of the operation was completed in 1990. The project has since undergone 4 phases of expansion at an additional cost of US$2,125 million (100% terms) plus US$451 million (100% terms) for the construction of an oxide plant.	Escondida has 2 processing streams: 2 concentrator plants in which high-quality copper concentrate is extracted from sulphide ore through a floatation extraction process; and a solvent extraction plant in which leaching, solvent extraction and electrowinning are used to produce copper cathode.
Atacama Desert, at an altitude of approximately 3,100 metres and 170 kilometres southeast of Antofagasta, Chile	We own 57.5% of Minera Escondida. The other 42.5% is owned by affiliates of Rio Tinto (30%), the JECO Corporation (10%) a consortium represented by Mitsubishi Corporation (7%), Mitsubishi Materials Corporation (1%), Nippon Mining and Metals (2%)) and the International Finance Corporation (2.5%).		
2 open-cut pits		In October 2005, the Escondida Norte expansion was completed at a cost of US$431 million (100% terms).	Nominal production capacity is 3.2 mtpa of copper concentrate and 150,000 tonnes per annum of copper cathode.
The mine is accessible by public road.			
Copper cathode is transported by privately-owned rail line to the Antofagasta port (government-operated) or Mejillones port (privately-operated).	Minera Escondida Limitada holds a mining concession from the Chilean state that remains valid indefinitely (subject to payment of annual fees).	In June 2006, the Escondida Sulphide Leach copper project achieved first production. The approved cost for the project was US$870 million (100% terms).	The new Sulphide Leach project will have the capacity to produce 180,000 tonnes per annum of copper cathode.

Copper concentrate is transported by company pipeline to its Coloso port facilities.	Separate transmission circuits provide power for the Escondida mine facilities. These transmission lines, which are connected to Chile s northern power grid, are Company-owned and are sufficient to supply Escondida post Phase IV. Electricity is purchased under contracts with local generating companies.

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Tintaya 270 kilometres from Arequipa and Cusco at an altitude of approximately 4,000 metres, Southern Andes, Peru Open-cut mine	Prior to its sale to Xstrata, we owned 99.95% of Tintaya.	We held mining rights from the Peruvian state over the Tintaya mine and operations. Production commenced in 1984. An acid leach plant for oxide ore commenced commercial operation in June 2002 in order to reduce operating costs. We sold Tintaya in June 2006, with an effective date of 1 June 2006.	Tintaya has 2 processing streams: a concentrator plant in which high- quality copper concentrate is extracted from sulphide ore through a floatation extraction process; and a solvent extraction plant in which leaching, solvent extraction and electrowinning are used to produce copper cathode. Capacity was 80,000 tonnes per annum of copper concentrate and 38,000 tonnes per annum of copper cathode.
Cerro Colorado Atacama Desert at an altitude of 2,600 metres, approximately 125 kilometres east of Iquique, Chile Open-cut mine The mine is accessible by public road. Cathode production is trucked 125 kilometres to port at Iquique, which is privately operated.	We own and operate the mine. We hold a mining concession from the Chilean state that remains valid indefinitely (subject to payment of annual fees).	Commercial production at Cerro Colorado commenced in June 1994. Expansions took place in 1995 and 1998. Plant modifications were completed during calendar year 2004 at a cost of US$62 million to increase the mine s crushing capacity, leach pad area and mine fleet.	Cerro Colorado s facilities for this process include 2 primary, secondary and tertiary crushers, leaching pads and solvent extraction and electrowinning plants. Current capacity is 120,000 tonnes per annum. Two suppliers, Edelnor SA and Compañía Electrica Tarapacá SA, supply power under long-term contracts to the facilities through the northern Chile power grid.
Copper uranium **Olympic Dam** 560 kilometres northwest of Adelaide, South Australia, Australia	We own and operate Olympic Dam. The mining lease was granted by the Government of South	Production of copper began in 1988. Between 1989 and 1995 the production rate was increased, ultimately raising the ore mining capacity to approximately 3 mtpa.	Underground mine extracts copper uranium ore and hauls the ore by an automated train network feeding underground crushing, storage and ore hoisting facilities.

Underground mine The mine is accessible by public road. Copper cathode and electrowon copper is transported by public road to public ports.	Australia by an Act of Parliament for the period of 50 years from 1982, with a right of extension for a further period of 50 years.	During 2002, Olympic Dam completed an optimisation project. A new copper solvent extraction plant was commissioned in the first quarter of 2004. We acquired Olympic Dam as part of our acquisition of WMC in 2005.	Processing plant consists of 2 grinding circuits in parallel and a multi-stage copper sulphide flotation circuit. The copper concentrates treatment route consists of an acid leach and filtration plant, a drying plant, an Outokumpu flash furnace with 2 anode casting furnaces, an ISA electro-refinery and a refinery to recover gold and silver. The flotation tailings treatment route consists of an acid leach and counter current decantation (CCD) circuit, copper and uranium solvent extraction plants, a copper electrowinning plant and a precipitation and calcining plant for uranium concentrates.

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
			Process plant capacity is approximately 215,000 tonnes per annum of copper and 4,000 tonnes per annum of uranium oxide concentrates.
			Power for the Olympic Dam operations is supplied via a 275kV powerline from Port Augusta, transmitted by ElectraNet in accordance with the National Electricity Code and the Electricity Act 1996 (SA).
Copper zinc			
Antamina	Antamina is owned by Compañía Minera Antamina SA (CMA), in which we hold a 33.75% interest. The remaining interests are held by Xstrata (33.75%), Teck Cominco (22.5%) and Mitsubishi (10%).	The Antamina project achieved commercial production in October 2001.	The principal project facilities include a primary crusher, a nominal 70,000 tonnes per day concentrator, copper and zinc floatation circuits and a bismuth/ moly cleaning circuit, a 300 kilometre concentrate pipeline with single-stage pumping and port facilities at Huarmey. The pipeline design throughput is 1.8 dry mtpa.
270 kilometres north of Lima at an altitude of 4,300 metres, Peru			
Open-cut mine	CMA is the operator of the mine.		
The mine is accessible by a company-maintained 115 kilometre access road.	CMA holds mining rights from the Peruvian state over the Antamina mine and operations. These rights can be held indefinitely, contingent upon the annual payment of licence fees and the supply of information on investment and production.		Power to the mine site is being supplied under long-term contracts with individual power producers through a 58 kilometre, 220 kV transmission line, which is connected to Peru s national energy grid.
A 300 kilometre pipeline transports the copper and zinc concentrates to the port of Huarmey.			
Silver, lead and zinc			
Cannington	We own and operate Cannington.	The deposit was discovered in 1990. Concentrate production commenced in October 1997.	The beneficiation plant consists of a primary grinding circuit (AG mill), secondary grinding circuit (tower mill), pre-flotation circuit, fine lead flotation circuit, coarse lead flotation circuit, zinc flotation circuit, concentrate and tailings thickening, lead and zinc
300 kilometres southeast of Mt Isa, Queensland, Australia	The Cannington deposit is contained within mining leases granted to us by the state of		

	Queensland in 1994 and which expire in 2029.	In February 2003, the Cannington Growth Project commenced to improve mill throughput and metal recovery. The project was completed during 2005.	concentrate leaching circuits, lead and zinc concentrate filtration circuit and a paste plant.
Underground mine			
The mine is accessible by public road access and a company-owned airstrip.			Nominal capacity is 3.1 mtpa.
Product is transported 187 kilometres by road to Yurbi, a company-owned loading facility, where it is loaded on public rail and transported to a public port.			A power station, consisting of a combination of gas-fired and diesel-fired engines, located at Cannington is operated under contract to supply power solely to Cannington.

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Development projects

Escondida Norte and Escondida Sulphide Leach

In October 2005, we commenced mining the Escondida Norte orebody, which was developed at a cost of US$431 million (100 per cent terms). In June 2006, first cathode was produced from a newly constructed bioleaching facility to process previously stockpiled low-grade sulphide ore. The project costs are being finalised and are expected to be close to the budget of US$870 million (100 per cent terms) excluding foreign exchange impacts of the stronger Chilean peso.

Spence

In October 2004, we approved the development of the Spence open-cut copper mine. The project is currently within the budget of US$990 million excluding foreign exchange impacts of the stronger Chilean peso. The project is located 150 kilometres northeast of the port city of Antofagasta and 50 kilometres southeast of the mining city of Calama in the Atacama Desert of northern Chile. The project will produce copper cathode by acid and bacterial leaching followed by sulphide solvent extraction and electrowinning. The project will have a nominal capacity of 200,000 tonnes of copper cathode and an estimated mine life of 19 years. Electrical power will be supplied via a 70 kilometre high-voltage transmission line connected to Chile s northern power grid. Spence will own this transmission line and purchase electricity under contracts from a local generating company. First cathode production is scheduled for the second quarter of the 2006-07 financial year.

Olympic Dam

Due to the size of the Olympic Dam orebody, there is potential to further increase the size of the operation over and above the current capacity. A pre-feasibility study is currently being undertaken to examine capacity expansion options. The scope of the pre-feasibility studies will address operational capacity, mining methods, processing and smelter options and the infrastructure, health, safety and environmental practices required to support the expansion options. A substantial expansion of Olympic Dam will require completion of feasibility studies and subsequent Board approvals as well as various regulatory and governmental approvals covering a range of operational matters.

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Carbon Steel Materials Customer Sector Group

Our Carbon Steel Materials CSG is a leading supplier of core raw materials and services to the global steel industry producing and marketing a full range of steel-making raw materials: iron ore, coking coal and manganese ore and alloys. We have mines in Australia, Brazil and South Africa.

Iron ore

Our principal iron ore operations are based in the Pilbara region of northwestern Australia. Through a series of 100 per cent BHP Billiton-owned and majority-owned joint ventures we mine iron ore from a number of open-cut mines and transport it by our own rail network to our port facilities at Port Hedland. We also hold a 50 per cent interest in an iron ore mine in Brazil. We sell lump ore and fines from Australia and Samarco sells pellets from Brazil to steel producers, which are principally exported to China, other countries in Asia, Africa and the Middle East, Europe and the United States, generally under long-term contracts with prices set annually. Iron ore mined from Yandi, Jimblebar and Mt Goldsworthy Area C deposits is sold under marketing arrangements that are detailed in the footnotes to the production and reserves tables.

On 24 August 2005, we announced the permanent closure of the hot briquetted iron production facilities at our wholly-owned Boodarie Iron plant in Western Australia. We intend to retain the Boodarie Iron beneficiation plant to complete feasibility studies into longer-term options for our lower-grade iron ore.

Metallurgical coal

We mine metallurgical coal in Australia and sell it to steel producers in Japan, Europe, Korea, India, Taiwan, Brazil, China and Australia generally under annual contracts.

Together with Mitsubishi Development Pty Ltd, we own six open-cut coal mines, two underground coal mines and a port in the Bowen Basin, Queensland, Australia. These coal mining operations are managed through BM Alliance Coal Operations Pty Ltd (BMA), a jointly owned entity, and the coal produced is marketed through another jointly owned entity, BM Alliance Coal Marketing Pty Ltd. These mines are separated into two joint venture structures in which we have a 50 per cent interest, namely the Central Queensland Coal Associates (CQCA) joint venture and the Gregory joint venture. Mitsubishi Development Pty Ltd has the remaining 50 per cent interest in these two joint ventures. In addition, BMA operates one other Bowen Basin mine, and is in the development phase for another, for BHP Mitsui Coal Pty Ltd, in which we have an 80 per cent interest. The majority of the coal production is high-quality metallurgical coal used for steelmaking.

The CQCA joint venture owns and operates the Hay Point coal terminal in Mackay, Queensland, through which most of the venture s coal is shipped. Hay Point handles around 35 mtpa and can accommodate bulk carriers of up to 230,000 deadweight tonnes.

We also own and operate four underground coal mines in the Illawarra region of New South Wales (Australia). Coal from these mines is either sold to BlueScope Steel s Port Kembla Steelworks or shipped to domestic and international customers.

Manganese

We hold our South African manganese interests via a 60 per cent holding in Samancor Manganese. In South Africa, Samancor produces manganese ore from two mines at Hotazel in the Northern Cape Province, produces manganese alloy at a plant (Metalloys) in Gauteng Province and has a 51 per cent interest in Manganese Metal Company, a producer of electrolytic manganese metal. During 2005-06, Samancor Manganese sold its 100 per cent interest in DMS Powders, a business producing atomised and milled ferrosilicon, to a Black Economic Empowerment (BEE) consortium. In July 2006, the Company purchased Mitsui s 50 per cent shareholding in Advalloy (Pty) Ltd, the refined alloy producer in Gauteng Province, making Samancor Manganese the 100 per cent owner of Advalloy. In Australia the business produces ore at Groote Eylandt in the Northern Territory (GEMCO) and manganese alloys in northern Tasmania (TEMCO). We have a 60 per cent effective ownership of both GEMCO and TEMCO. We are the managers of all the above operations.

We sell manganese ore to alloyers principally in Asia, Europe, Australia and South Africa. Approximately two-thirds of these sales are priced annually. The rest are priced quarterly or occasionally on a spot basis. We sell manganese metal and alloys principally to steelmakers under long-term contracts that usually provide for quarterly adjustment of prices, either by negotiation or reference to published market prices.

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Information on Carbon Steel Materials mining operations

A detailed description of our producing assets is listed in the following tables. These tables should also be read in conjunction with the production table and reserves table below.

Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Iron Ore			
Mt Newman joint venture			
Pilbara region, Western Australia, Australia Open-cut mine The mine is accessible by public road and Company- owned rail to the joint venture s Nelson Point shipping facility at Port Hedland.	We hold an 85% interest in the Mt Newman joint venture. The other 15% is held by Mitsui ITOCHU Iron (10%) and ITOCHU Minerals and Energy of Australia (5%). We are the operators. Mining lease under the Iron Ore (Mt Newman) Agreement Act 1964, that expires in 2009 with the right to successive renewals of 21 years.	Production began at the Mt Whaleback orebody in 1969. Production continues to be sourced from the major Mt Whaleback orebody, complemented by production from orebodies 18, 23, 25, 29 and 30.	At Mt Whaleback, primary and secondary crushing plants (capacity of 35 mtpa); a heavy media beneficiation plant (capacity of 8 mtpa) and a train-loading facility. At orebody 25, an additional primary and secondary crushing plant (capacity of 8 mtpa). A crusher and train-loading facility at a cost of US$85 million have been constructed at orebody 18. Power comes from Alinta Dewap s Newman gas-fired power station via Company-owned powerlines.
Yandi joint venture Pilbara region, Western Australia, Australia	We hold an 85% interest in the Yandi joint venture. The other 15% is held by Mitsui Iron Ore Corporation (7%) and ITOCHU Minerals and Energy of Australia (8%).	We began development of the orebody in 1991 with an initial capacity of 10 mtpa. The first shipment occurred in 1992. Capacity was progressively expanded between 1994 and 2003 and is currently 42 mtpa.	Two processing plants and a primary crusher and overland conveyor are used to crush and screen ore and deliver it to one of two train-loading facilities.

Open-cut mine	An independent contract mining company is the operator of the mine.		Power comes from the Alinta Dewap-owned Newman power station via Company-owned powerlines.
The mine is accessible by public road and Company- owned rail to the Nelson Point shipping facility at Port Hedland.	Mining lease under the Iron Ore (Marillana Creek) Agreement Act 1991 expires in 2012 with renewal right to a further 42 years.		
Jimblebar	We own 100%.	Production at Jimblebar began in March 1989.	Primary and secondary crushing plant (capacity of 8 mtpa).
Pilbara region, Western Australia, Australia	An independent contract mining company is the operator of the mine.	The ore currently being produced is blended with ore produced from Mt Whaleback and satellite orebodies 18, 23, 25, 29 and 30 to create the Mt Newman blend.	Power comes from the Alinta-owned Newman power station via Company-owned powerlines.
Open-cut mine	Mining lease under the Iron Ore (McCamey s Monster) Agreement Authorisation Act 1972 expires in 2009 with the rights to successive renewals of 21years.		
The mine is accessible by public road and Company- owned rail to Port Hedland via a 30 kilometre spur line linking with the main Newman to Port Hedland railway.			

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Mt Goldsworthy joint venture Pilbara region, Western Australia, Australia Open-cut mine The mine is accessible by public road and Company-owned rail to the joint venture s Finucane Island shipping facilities and the Nelson Point shipping facilities, both located at Port Hedland. Our railway spur links Area C mine to the Newman main line.	We hold an 85% interest in the Mt Goldsworthy Joint Venture. The other 15% is held by Mitsui Iron Ore Corporation (7%) and ITOCHU Minerals and Energy of Australia (8%). An independent contract mining company is the operator of the mine. Four mineral leases under the Iron Ore (Mt Goldsworthy) Agreement Act 1964 and the Iron Ore (Goldsworthy Nimingarra) Agreement Act 1972, which have expiry dates between 2007 and 2014 with rights to successive renewals of 21 years. A number of smaller mining leases granted under the Mining Act 1978 in 2005.	Operations originally commenced at the Mt Goldsworthy project in 1966 and the Shay Gap mine in 1973. The original mine closed in 1982 and the associated Shay Gap mine closed in 1993. Since then, mining has continued from the adjacent Nimingarra and Yarrie areas. We opened Area C mine in 2003. At the beginning of September 2006, we suspended C Berth shiploading operations at Finucane Island as part of Rapid Growth Project 3 (RGP3) expansion works. The C Berth shiploading operations will recommence at the completion of RGP3 as described below.	Two primary crushers exist, one at Yarrie and the other at Nimingarra, with a combined capacity of 8 mtpa. An ore processing plant is located at Area C (capacity of 23 mtpa) but is currently being upgraded to 42 mtpa, which is expected to be completed in 2007. A primary crusher and overland conveyor are currently under construction. Power for Yarrie and Nimingarra is sourced via overhead powerlines from the Port Hedland gas-fired powered station operated by Alinta Dewap. Area C sources its power from the Newman power station also operated by Alinta Dewap.
Samarco Southeast Brazil Open-cut mine The mine is accessible by public road. Conveyor belts transport iron ore to the beneficiation plant and a 396 kilometre slurry pipeline transports pellet feed to the pellet plants on the coast.	We own 50% of Samarco. The other 50% is owned by Companhia Vale do Rio Doce (CVRD). Samarco is operated as an independent business with its own management team. The Brazilian Government has granted mining concessions to Samarco as long as it mines the Alegria Complex according to an agreed plan.	Production began at the Germano mine in 1977 and at the Alegria complex in 1992. The Alegria complex has now replaced the depleted Germano mine. The last expansion occurred in 1997 when a second pellet plant was built. In 2005 an optimisation project increased pellet feed and pellet production.	There is a 396 kilometre iron ore slurry pipeline integrating the mining complex to pellet plants. An iron ore beneficiation plant has a capacity of 16.5 mtpa. Two pellet plants have a total capacity of 14.0 mtpa. Samarco operates one hydroelectric power plant and has a 49% stake in another. These plants furnish approximately 35% of electricity requirements.

Iron pellets are exported via private port facilities.			
			Samarco has signed an agreement expiring in 2013 to purchase remaining power needs from a local concessionaire that operates hydroelectric power plant.
Metallurgical coal			
Central Queensland Coal Associates joint venture			
Bowen Basin, Queensland, Australia	We own 50% of the CQCA joint venture. Mitsubishi owns the other 50%.	Goonyella mine, which commenced in 1971, merged with the adjoining Riverside mine in 1989 and is operated as the Goonyella Riverside mine. Reserves at the Riverside mine were depleted in 2005.	All coal is beneficiated at on-site processing facilities, which have a combined capacity in excess of 51.5 mtpa.
Goonyella Riverside,	BMA Coal Operations, a joint venture entity, is the operator of the mines.		Power is sourced from the state of Queensland s electricity grid.
Peak Downs, Saraji, Norwich Park and Blackwater are open-cut mines. Broadmeadow is a longwall underground mine.	Leases for the CQCA mines have expiry dates between 2008 and 2024 and are renewable for such further periods as the Queensland Government allows.	Peak Downs commenced production in 1972. Saraji mine commenced production in 1974. Norwich Park commenced production in 1979.	
The mines are accessible by public road. All coal is transported on Government-owned railways to the port of Hay Point near Mackay (incorporating CQCA s Hay Point coal terminal and the Dalrymple Bay coal terminal) and the port of Gladstone.		Blackwater mine commenced production in 1967. South Blackwater and Blackwater mines were integrated in mid 2001.	
		Broadmeadow, a new underground mine developed on the Goonyella mining lease, commenced longwall operations in August 2005.	

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Gregory joint venture Bowen Basin, Queensland, Australia Gregory is an open-cut mine. Crinum is a longwall underground mine. The mines are accessible by public road. All coal is transported on Government-owned railways to the port of Hay Point near Mackay (incorporating CQCA s Hay Point coal terminal and the Dalrymple Bay coal terminal) and the port of Gladstone.	We own 50% of the Gregory joint venture. Mitsubishi Development Pty Ltd owns the other 50%. BMA Coal Operations, a joint venture entity is the operator of the mines. Leases have expiry dates between 2006 and 2019 and are renewable for such further periods as the Queensland Government allows.	The Gregory mine became operational in 1979. Crinum mine commenced longwall production in 1997.	All coal is beneficiated at on-site processing facilities, which have a combined capacity in excess of 5 mtpa. Power is sourced from the state of Queensland s electricity grid.
BHP Mitsui Coal joint venture Bowen Basin, Queensland, Australia South Walker Creek and Poitrel are open-cut mines. The mines are accessible by public road. All coal is transported on Government-owned railways to the port of Hay Point near Mackay (incorporating CQCA s Hay Point coal terminal and the Dalrymple Bay coal terminal).	We own 80% of the BHP Mitsui Coal joint venture. Mitsui and Co owns the other 20%. BMA manages the mines, which are operated through independent contractors. Leases expire in 2020 and are renewable for such further periods as the Queensland Government allows. The joint venture holds additional undeveloped leases in the Bowen Basin.	The joint venture commissioned Riverside, an open-cut mine, in 1983. Reserves were depleted in 2005. South Walker Creek became operational in 1998 producing pulverised coal injection (PCI) product and minor quantities of by-product energy coal. Construction for the new Poitrel mine commenced in early 2006. Overburden removal operations started in July 2006, and the first coal mining is scheduled to commence in September 2006. The new mine will have a production capacity of 3.0 mtpa of coking and PCI coals.	South Walker Creek coal is beneficiated at on-site processing facilities with a capacity to produce 4.0 mtpa of coal. Poitrel mine has entered into a joint venture agreement with the adjacent Millennium Coal mine to share coal processing and rail loading facilities. Power is sourced from the state of Queensland s electricity grid.

Illawarra Coal	We are owner and operator of the Illawarra Coal mines.	Appin commenced in 1962 with longwall mining starting in 1969. The adjoining Douglas mine is being developed as a replacement for the Appin mine.	Coal is beneficiated at two processing facilities with a capacity to produce 8.8 mtpa.
Illawarra, New South Wales, Australia	Leases have expiry dates between 2010 and 2026 with renewal rights under the NSW Mining Act 1992 for periods of 21 years.	West Cliff was commissioned in 1976.	Power is sourced from the state of New South Wales electricity grid.
Underground mines		Elouera opened in 1993. Reserves were nearly depleted in 2005. Remnant longwall blocks are being developed by contract mining.	
All the mines are accessible by public road. All coal is transported by road or on Government-owned railways to our major customer, BlueScope Steel s Port Kembla steelworks or to Port Kembla for shipping.		Dendrobium Mine opened in 2004-05 at a total cost of US$200 million. A modern longwall mine, it has now replaced the Elouera mine.	

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Manganese			
Hotazel Manganese Mines			
Kalahari Basin, South Africa. Mamatwan is an open-cut mine. Wessels is an underground mine. The mines are accessible by rail and public road. Most bulk reagents are transported by Government-owned rail. 60% of the ore produced is beneficiated locally with the balance exported via Port Elizabeth and Durban.	Samancor s wholly-owned subsidiary Hotazel Manganese Mines is the operator of Mamatwan and Wessels. The remaining 40% is owned by Anglo American. Samancor Manganese must sell 15% of its shareholding to a BEE entity by 2009 to comply with the South African Government s Mining Charter and scorecard. Negotiations are proceeding with possible BEE partners.	Mamatwan was commissioned in 1964. Wessels was commissioned in 1973.	Mamatwan s capacity is currently 2.6 mtpa of ore and sinter. The beneficiation plant consists of primary, secondary and tertiary crushing with associated screening plants. There is a dense medium separator and a sinter plant with a capacity of 1.0 mtpa of sinter. Wessels has two loaders and four haulers with an annual capacity of approximately 1.0 mtpa of ore. The processing is a simple crushing and screening circuit consisting of primary and secondary crushing circuits with associated screening capacity. The power source is the national utility company Eskom.
Groote Eylandt Mining Company Pty Ltd (GEMCO) Groote Eylandt, Northern Territory, Australia Open-cut mine Ore is transported from the concentrator by road train directly to our shipping facilities at the port at Milner Bay.	We own 60% of GEMCO, which owns and operates the mine. The remaining 40% is owned by Anglo American. All leases situated on Aboriginal land held under the Aboriginal Land Rights (Northern Territory) Act 1976. Leases are subject to renegotiations in 2006 and 2010.	The mine was first commissioned in 1965.	The beneficiation process consists of crushing, screening and dense media separation with lump and fines products being produced. The existing capacity is 3.1 mtpa. GEMCO owns and operates its own on-site diesel power generation facility.

Information on the Carbon Steel Material CSG s smelters, refineries and processing plants

Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Advalloy Meyerton, South Africa	We own 60% of Samancor Manganese, which now owns 100% of Advalloy. Samancor purchased the 50% of Advalloy that it did not previously own in July 2006. Samancor Manganese holds freehold title over the property, plant and equipment.	Manganese alloy plant uses an electric arc furnace process producing refined manganese alloy.	Advalloy has a capacity of 82,000 tonnes per annum of medium-carbon ferromanganese in various fractions. The power source is the national utility company Eskom.

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Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Manganese Metal Company Nelspruit and Krugersdorp, South Africa	We own 60% of Samancor Manganese, which in turn owns 51% of Manganese Metal Company. Delta Plc indirectly owns the remaining 49%. Manganese Metal Company holds freehold title over the property, plant and equipment.	A manganese production plant at Nelspruit processing and electrorefining manganese ore into electrolytic manganese metal (via a hydrometallurgical extraction process). For economic reasons, manganese metal production was suspended at the Krugersdorp plant on 22 February 2006.	Nelspruit has a capacity of 27,000 tonnes per annum of electrolytic manganese metal. The power source is the national utility company Eskom.
Metalloys Meyerton, South Africa	We own 60% of Samancor Manganese, which in turn owns 100% of Metalloys. Samancor Manganese holds freehold title over the property, plant and equipment.	Manganese alloy plant uses three electric arc furnaces to produce manganese alloys such as high and medium- carbon ferromanganese and silicomanganese.	370,000 tonnes of high-carbon ferromanganese (including hot metal) and 120,000 tonnes of silicomanganese in various fractions mix per annum. The power source is the national utility company Eskom with 15 mws of power generation from waste gases.
Tasmanian Electro Manganese Company (TEMCO) Bell Bay, Tasmania, Australia	We own 60% of TEMCO. Anglo American owns the remaining 40%. Samancor Manganese manages the operations. TEMCO holds freehold title over the property, plant and equipment.	Four furnaces and a sinter plant produce ferroalloys including high-carbon ferromanganese, silicomanganese and sinter.	Nominal capacity based on the 2006 product mix is 128,500 tonnes of high-carbon ferromanganese, 125,700 tonnes of silicomanganese and 336,000 tonnes of sinter per annum. TEMCO sources its electrical power from Aurora Energy, the state -owned power distribution and retailing company. Power in Tasmania is principally generated from hydro stations but supplemented with a 240 mw gas generation station. TEMCO also self- generates 13 mw for internal use from an on-site Energy Recovery Unit. In addition, Basslink, a 600 mw interconnector between Tasmania and Victoria came online in May 2006 and has provided additional capacity and security of supply in periods of drought.
Development projects			
Iron ore			
Western Australia Iron Ore			

We have undertaken a series of development projects referred to as Rapid Growth Projects (RGP). In February 2004, we completed an expansion of our Port Hedland facilities, which increased capacity to 100 mtpa. In October 2004, our Board approved Rapid Growth Project 2 (RGP2), which comprises mine, rail and port capacity increases through the development of orebody 18, purchase of additional rolling stock and a new car dumper at our Finucane Island facility at Port Hedland. RGP2 was to have increased system capacity to 118 mtpa by the end of the second quarter of the 2006-07 financial year. However the closure of Boodarie Iron in 2005 has reduced system capacity by one mtpa. There will also be an eight mtpa reduction in capacity due to the suspension in September 2006 of the Goldsworthy shiploading operations at Finucane Island, related to RGP3.

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RGP3 was approved by our Board in October 2005. RGP3 comprises mine rail and port expansions. Installed capacity at the Area C mine will increase by 20 mtpa by the second quarter of financial year 2007-08.

Samarco

In October 2005, our Board approved construction of a third pellet plant at Ponta Ubu, together with a mine expansion, a new concentrator at Germano, port enhancements and a second slurry pipeline. We estimate that the project will increase iron ore pellet capacity by 7.6 million tonnes at a cost of US$1.18 billion (US$590 million our share). Production is scheduled to commence during the first half of 2008.

Metallurgical Coal

Maruwai (Lampunut)

We are conducting a feasibility study into the development of a five mtpa coking coal operation under the Maruwai Coal Contract of Work agreement with the Indonesian Government. The study is expected to be completed in the third quarter of 2006-07.

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Diamonds and Specialty Products Customer Sector Group

The Diamonds and Specialty Products CSG encompasses our diamonds and titanium minerals businesses and included the fertilisers business until its sale in August 2006. Our principal operations are located in Canada, South Africa, Mozambique and Australia.

During the 2005-06 fiscal year, our minerals exploration and technology functions were removed from the Diamonds and Specialty Products CSG.

Diamonds

The cornerstone of our diamonds business is the EKATI Diamond Mine. EKATI has produced an average of approximately four million carats of rough diamonds annually over the last two years. Due to changes in available ore sources, future rough diamond production may vary from historical levels. Annual sales from EKATI (including minority shares) represent around 3 per cent of current world rough diamond supply by weight and 6 per cent by value.

We sell most of our rough diamonds to international diamond buyers through our Antwerp sales office. We sell up to 10 per cent of our rough diamonds to two Canadian manufacturers, and we sell both polished and rough diamonds directly to jewellers. We sell polished diamonds, manufactured through contract polishing arrangements, through our CanadaMark and AURIAS™ brands.

Titanium minerals

Our interest in titanium minerals consists of our 50 per cent effective interest in Richards Bay Minerals (RBM) in South Africa, and the Corridor Sands and TiGen minerals sands projects in Mozambique.

RBM is a leading producer of titania slag, high-purity pig iron, rutile and zircon from mineral sands. The zircon, rutile and pig iron are sold as end products both internationally and locally. 95 per cent of the total capacity is exported, yielding a world market share of approximately 15 per cent for titanium feedstocks and 20 per cent for zircon. Approximately 90 per cent of the titanium dioxide slag produced by RBM is suitable for the chloride process of titanium dioxide pigment manufacture and is sold internationally under a variety of short, medium and long-term contracts. Corridor Sands and TiGen are currently in their pre-feasibility phases.

Fertilisers

Our fertiliser business was built around Southern Cross Fertilisers (SCF) which we acquired as part of the WMC acquisition. SCF is a major supplier of phosphate-based fertilisers to the Australian market. SCF has an integrated network of plants in Mt Isa and Phosphate Hill and a phosphate rock orebody at Phosphate Hill. SCF produces di-ammonium phosphate (DAP) and mono-ammonium phosphate (MAP).

On 1 August 2006, we completed the sale of SCF to Incitec Pivot Limited for US$98 million.

In December 2005, we sold our 33.3 per cent interest in the Hi-Fert distribution and marketing business to the ELF Australia joint venture for US$15 million.

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Information on Diamonds and Specialty Products mining operations

A detailed description of our producing assets is listed in the following tables. These tables should also be read in conjunction with the production table and reserves table below.

Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Diamonds			
EKATI Diamond Mine			
310 kilometres northeast of Yellowknife, Northwest Territories, Canada Beartooth and Fox are open-cut mines and Panda is an underground mine. The mines are accessible year round by contracted aircraft. Road access is available for approximately 10 weeks per year via an ice road.	We own an 80% interest in the Core Zone joint venture which includes the existing operations. The remaining 20% interest is held by 2 individuals. We also own a 58.8% interest in the Buffer Zone joint venture made up predominantly of exploration targets. We are the operators of the mines. Tenure is secured through ownership of mining leases granted by the Government of Canada. Mining leases have been granted for reserves until 2017.	Construction began in 1997 and production from the first open-cut was initiated in 1997. The mine and processing plant began operation in mid 1998. In October 2001, we acquired Dia Met Minerals Ltd, bringing our interest in the Core Zone and Buffer Zone joint ventures up to 80% and 58.8% respectively. Current active mines include 2 open-cut (Beartooth and Fox) and 1 underground mine (Panda), with a second underground mine under construction (Koala).	Major facilities at the mine include camp accommodation, a truck maintenance shop with office complex, an equipment-warming shed and the process plant. The processing plant consists of primary, secondary and tertiary crushers, washers/scrubber and grinder and heavy media separator. The diamond recovery process makes use of wet high intensity magnetics, wet and dry particle X-ray sorters, drier, and grease table. Nameplate capacity is 9,000 tonnes of ore per day. All the electric power is generated by our Company-owned and operated diesel power station. In addition, there is storage for approximately 90 million litres of diesel fuel on site.
Titanium Minerals			
Richards Bay Minerals			
Five beach sand dredge mines 10 to 50 kilometres north of Richards			

Bay, KwaZulu-Natal, South Africa The mine is accessible via public rail, road and port. The rail between the mine site, harbour and shipping facilities are owned by Spoornet and Portnet (both government business enterprises supplying services on behalf of the state). The roads accessing the smelter are government-owned.	RBM comprises 2 legal entities Tisand (Pty) Ltd and Richards Bay Iron and Titanium (Pty) Ltd. Our share is 51% and 49.45% respectively. The remaining 49% and 50.55% are held by Rio Tinto. The overall net income is shared equally. RBM management independently operates the joint venture on behalf of the shareholders. RBM holds long-term renewable leases from the state of South Africa. These leases are subject to the South African Mining Charter and must be lodged for a conversion to a New Order Mining Right by no later than 30 April 2009 (see Government regulations).	Richards Bay Minerals was formed in 1976 to mine and beneficiate the sands in the coastal dunes. The mining operations have expanded to 5 with the last mine added in 2000.	Mining is conducted largely by sand dredge mining with minor supplementary dry mining. Gravity separation via spiral is then utilised to produce a heavy mineral concentrate. This concentrate is then trucked to a central processing plant where magnetic, electrostatic and gravity techniques are used to produce the finished products being rutile and zircon and the ilmenite for smelter feed. The smelter processes the ilmenite to produce titanium dioxide slag, with a titanium dioxide of approximately 85% and high-purity iron. The nominal titanium slag capacity is 1.06 mtpa. The power for the operation is purchased from the South African grid.

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Fertilisers			
Southern Cross Fertilisers			
Phosphate Hill, approximately 150 kilometres southeast of Mt Isa, Queensland, Australia	We owned and operated Southern Cross Fertilisers during the 2005-06 fiscal year.	Mining for phosphate rock was undertaken at the site in the 1970s and between 1981 and 1983, but ceased for economic reasons.	Southern Cross Fertilisers operates a fully integrated ammonium phosphate production facility.
Open-cut mine	On 1 August 2006, we completed the sale of SCF to Incitec Pivot Limited.	Mining restarted in 1999 with the construction of the ammonium phosphate processing plant at Phosphate Hill.	
		The previous operator was WMC.	

Development projects

Koala underground

In June 2006, we approved the development of the third underground mine at the EKATI Diamond Mine in Canada. In addition to the mine development, the investment provides for mine ventilation systems, an underground conveyor connecting to the existing Panda underground conveyor and minor surface infrastructure and mobile equipment. The project will deliver a total of 7.1 million dry tonnes of ore to the process plant and recover 6.5 million carats of high-quality Koala diamonds. Total project life is expected to be 11 years. Total development costs are estimated at US$250 million (our share US$200 million). First production is expected in the third quarter of calendar 2007.

Corridor Sands

We own 90 per cent of Corridor Sands Ltd, the joint venture company that holds the Corridor Sands mineral tenement. The other 10 per cent equity is owned by the Industrial Development Corporation of South Africa Ltd.

Currently, the project is in pre-feasibility stage to study the options to exploit undeveloped ilmenite deposits near the town of Chibuto, 190 kilometres north of Maputo and 50 kilometres inland from Xa Xai in the Gaza Province, Southern Mozambique. A world-scale integrated open-cut mining, concentration and smelting operation is envisaged to produce titania slag and high-purity iron, as well as the minerals rutile and zircon.

We have a Prospecting and Research Licence (Mineral Tenement) on land that incorporates the Corridor Sands mineral sands project, which we can convert to a mining title upon committing to a development plan.

TiGen

We own a 100 per cent interest in TiGen, another significant ilmenite orebody, located at Moebase in northern Mozambique. A pre-feasibility study has been completed and market studies continue to determine when the project should move into feasibility.

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Energy Coal Customer Sector Group

Our Energy Coal CSG is one of the world s largest producers and marketers of export thermal (energy) coal. We mine energy coal in South Africa, Australia, Colombia and the United States. Most of our domestic energy coal sales are under medium and long-term fixed-price contracts with power generation companies and utilities in Australian, South African and US. Most of our export sales are made under short and medium-term contracts in Europe, Asia and the US.

Through our wholly-owned subsidiary, Ingwe Collieries Limited, we operate six coal mines in the Witbank region of Mpumalanga province of South Africa. In 2005-06, we supplied 30 million tonnes of energy coal to Eskom, a public electricity service company in South Africa, and exported the bulk of the remaining 23 million tonnes. In July 2006, we announced a memorandum of understanding with Eskom to explore conversion of the Optimum mine into a domestic producer which would exclusively supply Eskom.

We also own 37.4 per cent of the Richards Bay Coal Terminal (RBCT), through which Ingwe s exports are shipped. RBCT has a capacity of 72 mtpa. Upon the completion of the sale of Koornfontein as referred to below, our holding of RBCT reduces to 35.3 per cent.

In Australia, we mine energy coal at Mt Arthur mine. We are currently undertaking underground pre-feasibility work on the adjacent Bayswater mining area. We deliver approximately one third of Mt Arthur s production to local power stations via a 10 kilometre overland conveyor. The remainder is transported by rail approximately 100 kilometres to the port of Newcastle.

In New Mexico, we own and operate the Navajo open-cut and San Juan underground mines. Navajo s production is sold to the Four Corners Power Plant under long-term contracts. San Juan s production is sold to the nearby San Juan Generating Station under long-term contracts.

The Cerrejon Coal Company operates open-cut mines in La Guajira province in northeastern Colombia. Production is mainly for export.

Information on Energy Coal mining operations

A description of our producing assets is listed in the following tables. These tables should be read in conjunction with the production and reserves tables below.

Name, location and type of mine and access	**Ownership, operation and title/lease**	**History**	**Facilities and power source**
South Africa			
Douglas 27 kilometres south of Witbank, Mpumalanga Province, South Africa Underground mine The mine is accessible by public roads.	We own 84% of the Douglas colliery joint venture through Ingwe Collieries Limited. The remaining 16% is owned by Xstrata Plc through Tavistock Collieries Plc. We are the operators of the mine. Ingwe and Tavistock are the holders of 2 Old Order Mining Rights in the joint venture ratio of 84:16 and Ingwe is the sole holder of the Albion section right. These Old Order Rights must be lodged	Douglas was commissioned in 1979.	Beneficiation facilities consist of a crushing plant and a wash plant. The overall capacity is 14 mtpa. Power is supplied by Eskom.

Coal is exported via the RBCT. The coal is transported to RBCT via a Spoornet (a government business enterprise) railway.	for a conversion no later than 30 April 2009 (see Government regulations).

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Khutala 100 kilometres east of Johannesburg, Mpumalanga Province, South Africa Combination of open-cut and underground mines The mine is accessible by public roads. Domestic coal is transported via overland conveyor to Kendal Power Station.	We own and operate the mine at Khutala. Ingwe Collieries Limited is the holder of an Old Order Mining Right. An application for conversion to a New Order Mining Right, submitted in 2004, is still being processed (see Government regulations).	Khutala was commissioned in 1984. Open-cut operations began in 1996. The mining of a thermal/metallurgical coal deposit for a domestic market commenced in 2003.	Beneficiation facilities consist of a crushing plant, crusher and wash plant. The overall nominal capacity is 18 mtpa of energy coal and 1.5 mtpa of metallurgical coal. Power is supplied by Eskom.
Koornfontein 35 kilometres south of Middelburg, Mpumalanga Province, South Africa Underground mine The mine is accessible by public roads. Export coal is transported to RBCT by rail while the domestic coal is transported via conveyor belt to the nearby Majuba Power Station.	We own and operate the mine at Koornfontein. On 18 July 2006 we announced the sale of Koornfontein. Koornfontein mine is the holder of an Old Order Mining Right. This Old Order Mining Right has to be lodged for a conversion to a New Order Mining Right by no later than 30 April 2009 (see Government regulations).	Koornfontein was commissioned in 1964.	Beneficiation facilities consist of 3 washing plants, each with a crusher. The overall capacity is 9 mtpa tonnes of energy coal. Power is supplied by Eskom.
Middelburg	We own 84% of the Middelburg mine in a joint venture. The	Middelburg mine was commissioned in 1982. Middelburg	Beneficiation facilities consist of the following: crushing plants,

	remaining 16% is owned by Xstrata Plc through Tavistock Collieries Plc.	Mine Services (MMS) and Duvha Opencast became 1 operation in 1995-96.	crush and wash and de-stone plants. The overall capacity is 17 mtpa.
20 kilometres southeast from Witbank, Mpumalanga Province, South Africa			
	We are the operators of the mine.	In 2003, Douglas Opencast Operations was incorporated into MMS.	Power is supplied by Eskom.
Open-cut mine			
	Ingwe and Tavistock Collieries are the holders of an Old Order Mining Right in the joint venture ratio of 84:16. This Old Order Mining Right must be lodged for a conversion to a New Order Mining Right by no later than 30 April 2009 (see Government regulations).		
The mine is accessible by public roads.			
Export coal is transported to RBCT by rail while the domestic coal is transported via conveyor belt to the nearby Duvha Power Station.			
Optimum	We own and operate the mine at Optimum.	Optimum was commissioned in 1970.	Beneficiation facilities include a washing plant and a de-stoning plant. The overall capacity is 17 mtpa.
40 kilometres south of Middelburg, Mpumalanga Province, South Africa	Ingwe Collieries Ltd is the holder of an Old Order Mining Right, which entitles Ingwe to continue its existing mining operation. Ingwe is obliged to lodge the said Old Order Mining Right for conversion to a New Order Mining Right by no later than 30 April 2009, (see Government regulations).	Optimum Colliery was expanded with the incorporation of the Eikeboom section in 1993 and the TNC in 1995.	Power is supplied by Eskom.
Open-cut mine		The most recent expansion was the development of the Kwagga pit and associated infrastructure, which was completed in February 2001.	
Access to the mine is via public roads.			
Export coal is transported to RBCT by rail while the domestic coal is transported via conveyor belt to the nearby Hendrina Power Station.			

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Klipspruit	We own and operate the mine at Klipspruit.	The project was approved by the Mpumalanga Department of Agriculture, Conservation and Environment in 2003. An initial mini-pit was started in August 2003 as a truck and shovel contractor operation.	Beneficiation facilities consist of 3 crushing plants and a wash plant. The overall capacity is 7.2 mtpa of energy coal.
30 kilometres west of Witbank, Mpumalanga Province, South Africa	Ingwe Collieries Limited is the holder of an Old Order Mining Right. An application for conversion to a New Order Mining Right was submitted in 2004 and is still being processed (see Government regulations).		Power is supplied by Eskom.
Open-cut mine		The Klipspruit dragline was started up in June 2005 and has since completed the initial box-cut.	
The mine is accessible by public highway.			
Australia			
Mt Arthur Coal	We own and operate the mine at Mt Arthur.	Coal production from the Mt Arthur north area commenced in April 2002.	Main beneficiation facilities include coal handling, coal preparation and coal washing plants with a total capacity of 9.8 mtpa.
Approximately 100 kilometres from Newcastle, New South Wales, Australia	We hold various mining leases that expire between October 2015 and 2025.	The on-site train loading facility was commissioned in November 2001.	Electrical power is supplied by local energy providers from the eastern Australia power grid.
Open-cut mine			
The mine is accessible by public road and over land to which we have title.			
Domestic coal is transported by a 10 kilometre overland conveyor to Bayswater Power Station.			
Export coal is transported by a combination of private and public rail approximately 100 kilometres to the port of Newcastle.			
America			

BHP Navajo Coal Company	We own and operate the mine.	The mine has been in operation since 1963, and the initial contract, scheduled to expire in December 2004, was extended to July 2016.	The mine has the capacity to produce and process 10.7 mtpa. Coal that is mined is sized and blended to contract specifications using stackers and reclaimers with no further beneficiation.
Navajo Nation, Farmington, New Mexico, US	The mine is subject to a long-term lease from the Navajo Nation. The lease continues for as long as coal can be economically produced and sold in paying quantities.		
Open-cut mine			Electric power is supplied from FCPP.
Navajo mine is accessible by public roads located on the Navajo Nation Indian Reservation.	We hold various mining leases that expire between October 2015 and 2025.		
We transport all coal 25 kilometres from the production areas via our dedicated railroad to the Four Corners Power Plant (FCPP).			
San Juan/La Plata Mines	We own and operate the mines.	The mine began operating in 1974 as a surface mine. In October 2000, we approved the development of the San Juan underground mine to replace production from the existing San Juan and La Plata surface mines. Underground longwall mining commenced in February 2001 and the San Juan underground mine reached full production in early 2004.	The mine has the capacity to produce 9.0 mtpa of coal. Coal that is mined is sized and blended to contract specifications using stockpiles with no further beneficiation.
25 kilometres west of Farmington, New Mexico, US	We hold mining leases from federal and state governments. The leases have 5-year terms that are automatically extendable upon meeting minimum production criteria.		
Underground mines			
The San Juan mine is accessible by public roads.			

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Colombia			
The Cerrejon Coal Company Maicao, La Guajira province, Colombia Open-cut mine The export facility is 150 kilometres northeast of the mine on the Caribbean coast at Puerto Bolivar and is connected to the mine by a single-track railway. Access to the mine is via public roads and by charter aircraft to the mine s airstrip.	We own 33.33% of the Cerrejon Coal Company in a joint venture. The remaining 66.67% interest is owned by Anglo American Plc (33.33%) and Xstrata Plc (33.33%). Colombian Government leases expire in 2022 and 2034. The private lease expires in 2034.	The original mine began as a joint venture between Exxon s Intercor and the Colombian Government entity Carbocol in 1976. Over time the partners have changed, nearby operations have been merged and progressive expansion resulted in the current 28.0 mtpa operation.	Beneficiation facilities include a crushing plant and washing plant with a capacity of 28 mtpa. Electricity is supplied through the local Colombian power system.

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Stainless Steel Materials Customer Sector Group

Our Stainless Steel Materials CSG is the world s third largest nickel producer. Stainless Steel Materials primarily services the stainless steel industry through its wide range of high-quality nickel products. We produce the following products:

Nickel in the form of compacts, high-purity nickel briquettes and powders, high-purity ferro-nickel granules and chemical-grade nickel oxide.

Cobalt in the form of Chemgrade cobalt oxide hydroxide and electrolytic cobalt cathodes.

In addition, we supply nickel and cobalt to other markets, including the specialty alloy, foundry, chemicals and refractory material industries. In the 2005-06 fiscal year, approximately 80 per cent of our sales were to the stainless steel industry under a mix of long-term and medium-term contracts with prices linked to the relevant LME prices. Approximately 5 per cent of our sales were made at spot LME prices.

We acquired Nickel West as part of the WMC acquisition in June 2005. Nickel West is the world s third largest producer of nickel in concentrate. It is a fully integrated nickel business comprising mines, concentrators, a smelter and a refinery in Western Australia. We mine nickel ore at Leinster and Mt Keith and concentrate the ore on-site. The combined concentrate product is transported by rail and mixed with concentrate from our Kambalda concentrator at our Kalgoorlie smelter. The Kalgoorlie smelter produces nickel matte and sulphuric acid. During 2005-06, approximately 61 per cent of the nickel matte was sent by rail to our Kwinana refinery, while the rest was exported. The Kwinana refinery produces nickel metal (LME briquettes and nickel powder), ammonium sulphate, copper sulphide and mixed sulphides (mainly nickel and cobalt), which are exported (excluding ammonium sulphate). Ammonium sulphate is sold locally with any excess exported.

Cerro Matoso is an integrated nickel mining, smelting and refining operation located in northern Colombia. Cerro Matoso is the world s second largest producer of ferro-nickel and a nickel industry leader in unit cost of production. Cerro Matoso combines a high-grade lateritic nickel deposit with large-scale rotary kiln/electric furnace production facilities to produce ferro-nickel for export.

The Yabulu refinery is a lateritic nickel and cobalt processing plant. We purchase approximately 3.5 wet mtpa of nickel and cobalt-bearing laterite ore from third party mines in New Caledonia, Indonesia and the Philippines. The purchases are made under short and medium-term supply agreements. The refiner produces high-purity nickel and cobalt products that are used in the manufacture of stainless steel, specialty steels, alloys and chemicals. The price of the ore we purchase is linked to the nickel and cobalt metal content and current LME metal prices. We sell the nickel products with varying metal content in the range 78 per cent to 99 per cent nickel. We sell the cobalt in oxide-hydroxide form.

Information on Stainless Steel Materials mining operations

Detailed descriptions of our producing assets are located in the tables below. These tables should be read in conjunction with the production and reserve tables below.

Name, location and type of mine and access	**Ownership, operation and title/lease**	**History**	**Facilities and power source**
Nickel			
Leinster	We own and operate the mines at Leinster.	Production commenced in 1967.	Concentration plant with a nominal operating capacity of 3.0 mtpa of ore.
375 kilometres north of Kalgoorlie in Western Australia	Leases are currently within their initial 21-year lease period. A	WMC purchased the Leinster nickel operations in 1988 from Mt Isa Mines and Western Selcast.	

Open-cut and underground mines The mine is accessible by government-owned road and rail. Nickel concentrate is shipped by rail to the Kalgoorlie smelter.	further 21-year term is available. Further renewals are at the Minister s discretion. The leases have expiry dates between 2009 and 2026.	In June 2005, we gained control of Nickel West (Leinster and Mt Keith) as part of the acquisition of WMC.	Power at the Kambalda, Mt Keith and Leinster nickel operations and at the Kalgoorlie nickel smelter is primarily derived from on-site third party gas-fired turbines. Gas for these turbines is sourced by us from the northwest gas fields. The existing gas supply contract terminates in November 2006 and a new contract expiring in October 2013 has been negotiated The gas is transported through the Goldfields Gas Pipeline pursuant to an agreement with Southern Cross Energy that expires in January 2014.

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Name, location and type of mine and access	Ownership, operation and title/lease	History	Facilities and power source
Mt Keith 460 kilometres north of Kalgoorlie, Western Australia, Australia Open-cut mine. The mine is accessible by private road. Nickel concentrate is transported by road to Leinster nickel operations from where it is transported by public rail to Kalgoorlie smelter.	We own and operate the mine at Mt Keith. Leases are currently within their initial 21-year lease period. A further 21-year term is available. Further renewals are at Minister s discretion. The lease expiry dates range between 2008 and 2015.	The Mt Keith mine was officially commissioned in January 1995 by WMC. In June 2005, we gained control of Nickel West (Leinster and Mt Keith) as part of the acquisition of WMC.	Concentration plant with a nominal capacity of 11.5 mtpa of ore. Power is sourced from the same supplier under the same conditions as the Leinster mine.
Cerro Matoso Montelibano, Córdoba, Colombia Open-cut mine The mine is accessible by public highway.	We own 99.82% of CMSA. 0.18% is held by employees. Mining concession rights extend to 2041 and are renewable. Land on which reserves are located is owned.	Mining commenced in 1980 and nickel production started in 1982 under Colombian Government, BHP Billiton and Hanna Mining ownership. In 1989, BHP Billiton increased its ownership to 53% and in 1997 to 99.8%. In 1999, an expansion project to double installed capacity was started and in January 2001 the first metal was tapped from the second line.	Beneficiation plant consists of a primary and secondary crusher, ore storage and blender and rotary kiln with a nominal capacity of 3.0 mtpa.

Information on the Stainless Steel Materials CSG s smelters, refineries and processing plants

Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Kambalda	We own and operate the Kambalda nickel concentrator.	Mill and concentrator plant producing concentrate containing	The Kambalda concentrator has a capacity of 1.5 mtpa of ore.

		approximately 13% nickel.	
56 kilometres south of Kalgoorlie, Western Australia, Australia	Ore is sourced through tolling and concentrate purchase arrangements with third parties in the Kambalda region.		Power arrangements are the same as for the Leinster mine (see above).
	We hold 21-year leases over the land from the Western Australian Government. The lease expiry dates range between 2007 and 2027. Further renewals are at the Government s discretion.		
Kalgoorlie nickel smelter	We own and operate the Kalgoorlie nickel smelter operation and hold freehold title over the property, plant and equipment.	The flash smelting process produces matte containing approximately 68% nickel.	The Kalgoorlie smelter has a capacity of 110,000 tonnes per annum of nickel matte.
Kalgoorlie, Western Australia, Australia			Power arrangements are the same as for the Leinster mine (see above).

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Operation and location	Ownership, operation and title	Plant type/product	Capacity and power source
Kwinana nickel refinery 30 kilometres south of Perth, Western Australia, Australia	We own and operate the Kwinana nickel refinery operation and hold freehold title over the property, plant and equipment.	The refinery uses the Sherritt-Gordon ammonia leach process to convert nickel matte from the Kalgoorlie nickel smelter into LME grade nickel briquettes and nickel powder. The refinery also produces a number of intermediate products, including copper sulphide, cobalt-nickel sulphide and ammonium sulphate. The cobalt-nickel sulphide is treated by a third party processor that separates the nickel and cobalt into metal.	The Kwinana nickel refinery has a capacity of 70,000 tonnes per annum of nickel metal. Power generated by Southern Cross Energy in the goldfields is distributed across Western Power s network for use at the Kwinana Nickel Refinery. We purchase delivered gas for use at the Kwinana Nickel Refinery. This gas is sourced from North West Shelf gas fields and is transported by the Dampier to Bunbury Natural Gas Pipeline and the Parmelia Pipeline. The existing gas supply contract terminates in November 2006 and a new contract expiring in October 2013 has been negotiated.
Cerro Matoso Montelibano, Córdoba, Colombia	We own 99.82% of CMSA with the remaining 0.18% held by employees. CMSA holds freehold title over the property, plant and equipment.	The ferro-nickel smelter and refinery are integrated with the open-cut mine. Ore is fed into two rotary driers and then (along with coal) fed into two rotary kilns. The kilns feed the two electric furnaces, which produce the molten metal that is tapped in 55 tonne ladles and sent for refining into ferro-nickel granules of approximately 35% nickel and 65% iron.	Plant design capacity is 50,000 tonnes per annum. Actual capacity depends on nickel grade from the mine. Electricity is supplied from the national grid based on supply contracts negotiated for five-year periods. A pipeline supplies nationally sourced natural gas for drier and kiln operation.
Yabulu 25 kilometres northwest of Townsville, Queensland, Australia	We own and operate Yabulu and hold freehold title over the refinery property, plant and equipment. The berth, ore handling facilities and fuel oil facilities at the	Yabulu consists of a major laterite nickel refinery and cobalt refinery. The Yabulu refinery has two major sections. We process lateritic nickel ore using the reduction roast ammonia-ammonium carbonate	The Yabulu refinery has an annual production capacity of approximately 32,000 tonnes of nickel and 2,000 tonnes of cobalt. Currently we source power and steam from a combination of

Townsville port are situated on long-term leasehold land.	leaching process in combination with a solvent extraction process that was developed and patented at the refinery. The metal refining separates the nickel and cobalt. Our cobalt purification plant produces a high-purity cobalt oxide hydroxide product.	on-site coal-fired and oil-fired boilers and electrical power under a long-term electricity supply agreement with Ergon Energy and coal seam gas from Enertrade.

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Development projects

Yabulu

In March 2004, we approved the expansion of the Yabulu refinery (in conjunction with the development of the Ravensthorpe Nickel Project described below). The expansion will increase nickel production capacity of the existing solvent extraction and cobalt processing facilities to an estimated 76,000 tonnes per annum and extend the life of the refinery by approximately 25 years. First nickel metal production is expected from the expanded refinery in 2007. The current forecast cost of the project is US$460 million.

Ravensthorpe

The Ravensthorpe Nickel Project was approved in March 2004 and has an approved budget of US$1,340 million. However, the project continues to experience cost and schedule pressure as a result of the heated market in Western Australia. Cost pressures are likely to result in a capital cost increase of at least 30 per cent. A detailed review of both the cost and delivery schedule commenced during the June 2006 quarter. The project includes the development of a mine, treatment plant and associated infrastructure near Ravensthorpe in Western Australia. The Ravensthorpe processing plant will produce a mixed nickel cobalt hydroxide intermediate product, which will feed the expansion of the Yabulu refinery described above.

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Production

Petroleum

The table below details our Petroleum CSG s historical net crude oil and condensate, natural gas, LNG, LPG and ethane production by region for the three years ended 30 June 2006, 2005 and 2004. 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.

BHP Billiton Group share of production

	Year ended 30 June		
	2006	**2005**	**2004**
Petroleum			
Crude oil and condensate (000 of barrels)			
Australia/Asia	**25,401**	31,090	38,912
Americas	**7,327**	7,605	7,477
Europe/Africa/Middle East	**13,145**	12,145	11,638
Total crude oil and condensate	**45,873**	50,840	58,027
Natural gas (M of cubic feet)			
Australia/Asia (domestic)	**203.38**	189.83	165.35
Australia/Asia (LNG) (leasehold production)	**88.20**	83.09	60.84
Americas	**8.04**	15.01	20.59
Europe/Africa/Middle East	**60.82**	57.75	77.56
Total natural gas	**360.44**	345.68	324.34
LPG (000 tonnes)			
Australia/Asia (leasehold production)	**641.12**	640.13	652.85
Europe/Africa/Middle East (leasehold production)	**172.72**	219.97	200.68
Total LPG	**813.84**	860.10	853.53
Ethane (000 tonnes)			
Australia/Asia (leasehold production)	**106.15**	101.53	94.30
Total petroleum products (M barrels of oil equivalent) [(1)]	**115.95**	119.03	122.47
Average sales price			
Oil and condensate (US$ per barrel)	**61.90**	47.16	32.24
Natural gas (US$ per thousand cubic feet)	**3.33**	2.98	2.62
Average production cost [(2)]			
US$ per barrel of oil equivalent (including indirect taxes)	**6.40**	5.72	4.32
US$ per barrel of oil equivalent (excluding indirect taxes)	**5.01**	4.16	3.27

(1) Total barrels of oil equivalent (boe) conversions based on the following: 6,000 scf of natural gas equals 1 boe; 1 tonne of LPG equals 11.6 boe; 1 tonne of ethane equals 4.4667 boe.

(2) Average production costs include direct and indirect production costs relating to the production and transportation of hydrocarbons to the point of sale. This includes shipping where applicable. Average production costs have been shown excluding resource tax and including and excluding other indirect taxes and duties and including the foreign exchange effect of translating local currency denominated costs and

indirect taxes into US$. In prior years resource taxes were included; production costs have been restated to exclude resource taxes.

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Minerals

The table below details our mineral and derivative product production for all CSGs except Petroleum for the three years ended 30 June 2006, 2005 and 2004. Production shows our share unless otherwise stated.

		BHP Billiton Group share of production		
		Year ended 30 June		
	BHP Billiton interest %	2006	2005	2004
Aluminium				
Alumina				
Production (000 tonnes)				
Worsley, Australia	86	**2,763**	2,813	2,799
MRN (Alumar), Brazil	36	**503**	495	507
Paranam, Suriname	45	**921**	874	918
Total alumina		**4,187**	4,182	4,224
Aluminium				
Production (000 tonnes)				
Hillside, RSA	100	**700**	685	622
Bayside, RSA [1]	100	**179**	166	184
Mozal, Mozambique	47	**262**	260	250
Alumar, Brazil	40.0	**178**	176	156
Valesul, Brazil	45.5	**43**	43	44
Total aluminium		**1,362**	1,330	1,256
Base Metals [2]				
Copper				
Payable metal in concentrate (000 tonnes)				
Escondida, Chile	57.5	**671.0**	578.2	514.9
Antamina, Peru	33.75	**124.2**	123.1	91.9
Tintaya, Peru [3]	100	**64.5**	72.7	57.5
Highland Valley Copper, Canada [4]	33.57			28.3
Selbaie, Canada [5]	100			4.1
Total copper concentrate		**859.7**	774.0	696.7
Cathode (000 tonnes)				
Escondida, Chile	57.5	**66.7**	87.3	86.7
Cerro Colorado, Chile [6]	100	**94.1**	113.1	125.5
Pinto Valley, North American Copper, US	100	**8.5**	9.1	9.5
Olympic Dam, Australia [7]	100	**204.3**	16.1	
Tintaya, Peru [3]	100	**34.8**	34.4	36
Total copper cathode		**408.4**	260.0	257.7
Total copper		**1,268.1**	1,034.0	954.4

Uranium oxide				
Payable metal in concentrate (tonnes)				
Olympic Dam, Australia [7]	100	**3,936**	415	
Total uranium oxide		**3,936**	415	
Zinc				
Payable metal in concentrate (000 tonnes)				
Antamina, Peru	33.75	**40.3**	52.5	89.6
Cannington, Australia	100	**68.8**	52.8	53.6
Total zinc		**109.1**	105.3	143.2

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	BHP Billiton interest %	BHP Billiton Group share of production Year ended 30 June 2006	2005	2004
Silver				
Payable metal in concentrate (000 ounces)				
Escondida, Chile	57.5	**3,379**	2,551	2,445
Olympic Dam, Australia [7] (refined silver)	100	**884**	62	
Antamina, Peru	33.75	**3,174**	2,774	2,179
Cannington, Australia	100	**38,447**	44,030	37,420
Tintaya, Peru [3]	100	**592**	629	608
Total silver		**46,476**	50,046	42,652
Lead				
Payable metal in concentrate (000 tonnes)				
Cannington, Australia	100	**266.3**	282.0	249.9
Total lead		**266.3**	**282.0**	**249.9**
Gold				
Payable metal in concentrate (000 ounces)				
Escondida, Chile	57.5	**79.8**	96.6	103.8
Olympic Dam, Australia [7] (refined gold)	100	**107.5**	7.0	
Tintaya, Peru [3]	100	**29.2**	21.8	11.8
Total gold		**216.5**	**125.4**	**115.6**
Molybdenum				
Payable metal in concentrate (tonnes)				
Antamina, Peru	33.75	**2,515**	1,806	366
Total molybdenum		**2,515**	1,806	366
Carbon Steel Materials				
Iron ore [8]				
Production (000 tonnes)				
Mt Newman, Australia	85	**24,774**	25,736	24,461
Jimblebar, Australia [9]	85	**6,370**	6,364	5,844
Mt Goldsworthy, Australia	85	**6,241**	4,685	5,676
Mt Goldsworthy, Area C joint venture, Australia [10],[11]	85	**17,988**	16,612	34,159
Yandi, Australia [12]	85	**34,196**	35,661	6,355
Samarco, Brazil	50	**7,503**	7,687	7,725
Total iron ore		**97,072**	96,745	84,220
Metallurgical coal [13]				
Production (000 tonnes)				
Goonyella		**7,267**	5,461	3,777
Peak Down		**4,389**	4,526	4,112
Saraji		**2,634**	3,251	2,911
Norwich Park		**2,662**	2,880	2,344
Blackwater [14]		**6,018**	6,565	6,531

Gregory		**2,610**	2,712	2,859
Total BMA, Australia	50	**25,580**	25,395	22,534

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	BHP Billiton interest %	BHP Billiton Group share of production Year ended 30 June 2006	2005	2004
Riverside			2,384	3,323
South Walker Creek [14]		**3,049**	3,273	3,658
Total BHP Mitsui Coal, Australia [15]	80	**3,049**	5,657	6,981
Illawarra, Australia	100	**7,014**	6,251	5,845
Total metallurgical coal		**35,643**	37,303	35,360
Manganese ores				
Saleable production (000 tonnes)				
Hotazel, South Africa [16]	60	**2,300**	2,508	2,502
GEMCO, Australia [16]	60	**2,980**	2,947	2,451
Total manganese ores		**5,280**	5,455	4,953
Manganese alloys				
Saleable production (000 tonnes)				
South Africa [16]	60	**434**	492	462
Australia [16]	60	**218**	263	250
Total manganese alloys		**652**	755	712
Diamonds and Specialty Products				
Production (000 carats)				
EKATI, Canada	80	**2,561**	3,617	5,482
Total diamonds		**2,561**	3,617	5,482
Titanium minerals [17],[18]				
Titanium slag [19]				
Production (000 tonnes)				
Richards Bay Minerals, RSA	50	**430**	363	350
Rutile [20]				
Production (000 tonnes)				
Richards Bay Minerals, RSA	50	**36**	33	35
Zircon [20]				
Production (000 tonnes)				
Richards Bay Minerals, RSA	50	**118**	110	118
Phosphates				
Production (000 tonnes)				
Southern Cross Fertiliser (formerly Queensland Fertilizer) [7],[21],[22]	100	**861.3**	73.9	
Total phosphates		**861.3**	73.9	
Energy Coal				
Production (000 tonnes)				
Navajo	100	**8,266**	8,245	7,216
San Juan	100	**7,080**	6,682	6,014
New Mexico, US	100	**15,346**	14,927	13,230

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	BHP Billiton interest %	BHP Billiton Group share of production Year ended 30 June 2006	2005	2004
Optimum	100	**11,805**	12,600	13,340
Middelburg	100	**13,705**	13,780	14,130
Douglas	100	**5,123**	5,670	5,430
Koornfontein	100	**4,809**	5,470	5,490
Khutala	100	**13,625**	15,070	14,740
Klipspruit	100	**2,632**	1,470	560
Zululand Anthracite Colleries	100	**249**	590	560
Total Ingwe, RSA	100	**51,948**	**54,650**	**54,250**
Mt Arthur Coal, Australia	100	**9,146**	9,865	8,718
Cerrejon Coal Company, Colombia	33.3	**9,316**	7,974	7,684
Total energy coal		**85,756**	**87,416**	**83,882**
Stainless Steel Materials				
Nickel				
Production (000 tonnes)				
Cerro Matoso SA, Colombia	99.8	**51.5**	51.3	49.1
Nickel West, Australia [7]	100	**100.1**	9.2	
Yabulu, Australia	100	**23.3**	31.4	32.6
Total nickel		**174.9**	91.9	81.7
Ferrochrome				
Saleable production (000 tonnes)				
South Africa[23]	60		954	1,026

(1) During 2005, Bayside experienced a total potline freeze at the end of April, which impacted on the production capacity of the facility.
(2) Metal production is reported on the basis of payable metal.
(3) BHP Billiton sold Tintaya effective from 1 June 2006. In 2005, production was temporarily suspended on 25 May 2005 following civil unrest in the Espinar region. Production recommenced on 20 June 2005.
(4) BHP Billiton sold its interest in Highland Valley Copper with effect from 3 January 2005.
(5) Production at Selbaie ceased in February 2004, in accordance with mine plan. Shipments ceased May 2004.
(6) Production at Cerro Colorado was temporarily suspended on 14 June 2005 following an earthquake. Production commenced at half capacity on 30 June 2005 and ramped up to pre-earthquake levels in January 2006.
(7) BHP Billiton acquired this asset with the acquisition of WMC. The 2005 production figure is shown from 1 June 2005.
(8) Iron ore production is reported on a wet tonnes basis with the exception of Samarco.
(9) The Jimblebar Reserves listed include the Wheelarra Hill 3,4,5,6 and Hashimoto 1 and 2 deposits at Jimblebar, in which the Wheelarra joint venture participants (BHP Iron Ore (Jimblebar) (51%), ITOCHU Minerals and Energy (4.8%), Mitsui Iron Ore (4.2%) and subsidiaries from Chinese steelmakers Magang, Shagang, Tanggang and Wugang (10% each)) have a legal interest. At the commencement of the Wheelarra joint venture on 1 October 2005 the Wheelarra joint venture participants had a legal interest in 175 million dry metric tonnes of Jimblebar reserves (Wheelarra joint venture tonnes). The effect of the sales contracts entered into between the Wheelarra joint venture participants and the Mt Newman joint venture participants and other associated agreements is that BHP Billiton (as a Mt Newman joint venture participant) has an entitlement to 85% of these Wheelarra joint venture tonnes. This disclosure and the financial statements are prepared on this basis.
(10) The Mt Goldsworthy Area C Reserves listed include C deposit within Area C in which the POSMAC joint venture participants (BHP Billiton Minerals Pty Ltd (65%), ITOCHU Minerals and Energy of Australia Pty Ltd (8%), Mitsui Iron Ore Corporation Pty Ltd (7%) and a subsidiary of POSCO (a Korean steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the POSMAC joint venture participants and the Mt Goldsworthy joint venture participants and other associated agreements is that BHP Billiton (as a Mt Goldsworthy joint venture participant) has an entitlement to 85% of the reserves in C deposit . This disclosure and the

financial statements are prepared on this basis.

(11) Production statistics relate to pellet production and concentrate and screens product.

(12) The Yandi Reserves listed include the Western 4 deposit in which the JFE Western 4 Joint Venture (JW4 JV) participants (BHP Billiton Minerals Pty Ltd (65%), ITOCHU Minerals and Energy of Australia Pty Ltd (8%), Mitsui Iron Ore Corporation Pty Ltd (7%) and a subsidiary of JFE Steel Corporation (a Japanese steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the JW4 joint venture participants and the Yandi joint venture participants and other associated agreements is that BHP Billiton (as a Yandi joint venture participant) has an entitlement to 85% of the reserves in the Western 4 deposit. This disclosure and the financial statements are prepared on this basis.

(13) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.

(14) Production includes thermal coal.

(15) Shown on 100% basis. BHP Billiton interest in saleable production is 80%.

(16) Shown on 100% basis. BHP Billiton interest in saleable production is 60%.

(17) Amounts represent production for the year ended 31 December.

(18) 2005 data is from the TZ Minerals International Mineral Sands Report for May 2006. The 2003 and 2004 data was sourced from TZ Minerals International Mineral Sands Annual Review 2005.

(19) TZ Minerals International Pty Ltd estimates Richard Bay Minerals slag production from data reported by Rio Tinto assuming TiO_2 content at 86%.

(20) TZ Minerals International Pty Ltd estimates Richards Bay Minerals rutile and zircon production from a variety of industry sources assuming a TiO_2 content at 94.5%.

(21) BHP Billiton announced the sale of Southern Cross Fertiliser (formerly Queensland Fertilizer) in May 2006.Completion occurred in August 2006.

(22) Includes di-ammonium phosphate and mono-ammonium phosphate.

(23) BHP Billiton sold its interest in Samancor Chrome with effect from 1 June 2005.

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Marketing

Our customer focused marketing group manages the sale and delivery of our products. The marketing group is based around hubs in The Hague and Singapore, and network offices at strategic locations around the world, including Shanghai, Tokyo, Seoul, Pittsburgh, Houston, Johannesburg and Rio de Janeiro allowing for close proximity to our customers. The marketing group is organised along the lines of a matrix, with sections within the group being primarily responsible for marketing the products of a particular CSG. In addition to marketing our own products, we also market third party products under a variety of marketing arrangements. Our Energy Marketing (EM) group also trades a variety of energy related products as described below.

In addition to our commodities marketing desks we provide a centralised freight trading and logistics service to the Group.

Energy Marketing

Energy Marketing (EM) was set up in July 2002, with the responsibility of coordinating our marketing activities in the energy commodity markets, namely coal, gas, emissions credits and electricity and uranium oxide. The group is based in The Hague and is part of our marketing function.

EM is currently active in purchasing and selling third party physical gas and small amounts of electricity in the UK and emissions credits in Europe. In the 2004-05 year EM also participated in gas storage capacity to facilitate its gas sale and purchase activities. Where required, EM also buys or sells pipeline capacity to transport gas onto the UK gas grid. Most products are transacted over the counter and are principal-to-principal transactions in the wholesale market. The emissions strategy is largely defensive to meet internal asset requirements as well as to facilitate increased coal sales into Europe.

Freight Trading and Logistics

We have a centralised ocean freight business that manages our in-house freight requirements.

The primary purpose of the freight business is to create competitive advantages for us through the procurement and operation of quality and cost-effective shipping, and to contribute to our profitability by trading freight and carrying complementary external cargoes.

The freight business participates primarily in the dry bulk sector aligned with our major trades and handles approximately 115 million tonnes of cargo per year. At any one time we have approximately 100 ships employed making the Group one of the world s largest users of dry bulk shipping. The vast majority of vessels are chartered under various commercial terms though the business retains equity interest in a small number of vessels. External freight revenue was approximately US$629 million for 2005-06.

The freight business is based in The Hague, where it is an integral part of the BHP Billiton marketing group. Smaller Melbourne and Singapore-based groups are in place to directly support Australian and Pacific-based shipping activities.

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

Minerals exploration

Our exploration program is integral to our growth strategy and is focused on identifying and capturing new world-class projects for future development, or projects that add value to existing operations. Targets for this group are generally large, low-cost mining projects in a range of minerals including bauxite, coal, copper, diamonds, iron ore, manganese, nickel and silver. The process of discovery runs from early-stage mapping through the full range to drilling. The program is global and prioritises targets, consistent with our assessment of the relative attractiveness of each mineral.

To improve our exploration effectiveness we developed and operate the FALCON™, GEOFERRET™, and SOLIDEARTH™ 3D modelling systems. FALCON™ is an airborne gravity gradiometer that measures minute changes in the Earth s gravity. This technology provides us with a considerable advantage in the search for mineral and hydrocarbon deposits. GEOFERRET™ is a deep penetrating ground electromagnetic system that is specially designed for the detection of conductive, deep mineral deposits. These systems enable us to reinvigorate exploration in established areas and have opened up new exploration opportunities for us, both on our own and through arrangements with junior explorers. We are currently using FALCON™ for diamond exploration in Canada and southern Africa, and for copper, nickel, iron and coal exploration in

Australia. GEOFERRET™ is in use for nickel exploration in Western Australia.

We are also pursuing an increasing number of opportunities in prospective developing countries. For example, while we continue to pursue copper exploration activities in Chile and Peru, we are also exploring opportunities in the Democratic Republic of Congo (DRC), Mongolia and Kazakhstan. Likewise, in diamonds we have an extensive program in Canada, Angola and the DRC. In nickel we have a program in Western Australia and we are also exploring in the Philippines, Africa and Brazil. In the bulk commodities, activities are focused on a smaller number of world-class terrains in Australia, Brazil and west Africa.

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Our exploration activities are organised from seven principal offices in Perth, Australia; Rio de Janeiro, Brazil; Vancouver, Canada; Santiago, Chile; Beijing, China; Moscow, Russia; and Johannesburg, South Africa.

In addition to our centralised exploration function, several of our CSGs undertake exploration activities, principally aimed at delineating and categorising mineral deposits at existing operations.

In 2005-06 we spent US$326 million on minerals exploration. Of this, US$134 million was spent by the centralised function and US$192 million was spent at the CSG level. Of the CSG expenditure total, US$76 million was spent to acquire a five-year coal exploration licence in the Gunnedah Basin (Australia).

Technology

We operate four industrial research and development laboratories located in Melbourne, Perth and Newcastle in Australia, and Johannesburg in South Africa. The tasks of the laboratories are to:

- Develop and implement technologies that can provide competitive advantages and growth options for both existing assets and new assets.
- Support our marketing programs, especially in Carbon Steel Materials and Energy Coal, with predictive modelling of various material sources when used by our customers in their products.
- Reduce technical risk in new capital projects.

To ensure alignment with the CSGs, these activities are paid for by the business groups within the CSGs. Our proprietary FALCON gravity gradiometry is a good example of the type of new technology development we are seeking. The number of staff members directly employed on these activities is approximately 220.

The main activities of the four research laboratories are:

- Newcastle mining, ferrous and non-ferrous minerals processing, hydrometallurgy, pyrometallurgy, mineralogy, product performance and sustainability.
- Melbourne gravity gradiometry technology and mine optimisation.
- Johannesburg non-ferrous minerals processing, bio-mining, remediation, process engineering, chemistry, microbiology and mineralogy.
- Perth process control and mineralogy.

Government regulations

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

The ability to extract minerals, oil and natural gas is fundamental to our business. In most jurisdictions, the rights to undeveloped mineral or petroleum deposits are owned by the state. Accordingly, we rely upon the rights granted to us by the government that owns the mineral, oil or natural gas. These rights usually take the form of a lease or licence, which gives us the right to access the land and extract the product. The terms

of the lease or licence, including the time period for which it is effective, are specific to the laws of the relevant government. Generally, we own the product we extract and royalties or similar taxes are payable to the government. Some of our operations, such as our oil and gas operations in Trinidad and Tobago and Algeria, are subject to production sharing contracts under which both we as the contractor and the government are entitled to a share of the production. In addition, the contractor is entitled to recover its exploration and productions cost from government s share of production.

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

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

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

Of particular note are the following regulatory regimes:

South African Mining Charter

As outlined in Risk factors section of this report, the Mineral and Petroleum Resources Development Act 2002 took effect on 1 May 2004. It provides for state custodianship of all mineral deposits and abolishes the prior system of privately held mineral rights. Holders of rights granted under the previous system, known as Old Order Rights , must apply to convert their rights to New Order Rights prior to 30 April 2009.

In order for the conversions to be affected, we will be required to comply with the terms of the Broad Based Socio Economic Empowerment Charter, which has been published under the Act. The Charter requires holders of mining rights to achieve 26 per cent ownership participation by historically disadvantaged South Africans in their mining operations by 30 April 2014, of which 15 per cent needs to be achieved by 30 April 2009.

The Act and the Mining Charter are not specific as to how the 26 per cent will be measured (for example, value or tonnage or a combination of both). As a result, the South African Government published a scorecard that provides guidelines for measuring the progress of mining companies towards meeting the requirements of the Mining Charter. Under the scorecard approach, the requirements for conversion deal not only with ownership, but also with such aspects as management, procurement and social development.

We support the broad objectives of the Mining Charter, most of which accord with long-established programs that we have under way. We are already a prominent participant in the South African empowerment processes, including various empowerment transactions, corporate social investment through the BHP Billiton Development Trust and the Samancor Foundation, and in employment and procurement equity across our operations.

Uranium production in Australia

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

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

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

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

Health, Safety, Environment and Community

Our facilities and operations are subject to extensive general and industry-specific, health, safety and environmental regulations in countries where we operate. These regulations include those relating to mine rehabilitation, the handling and disposal of hazardous and non-hazardous materials and occupational health and safety.

We employ health, safety, environment and community experts to advise us on technical and regulatory matters relevant to the management of our facilities and operations and we continually invest in plant and equipment to ensure that we comply with our obligations under health, safety and environmental laws and regulations.

The costs of future compliance or further investments required to meet health, safety and environment laws and regulations are difficult to estimate, but we consider it unlikely that these costs would have a material adverse effect on our financial position or results of operations.

Our approach to health, safety, environment and the community is incorporated in our Charter (our Charter is a statement that outlines the Group s purpose, values and overall mission), which states that we have an overriding commitment to health, safety, environmental

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responsibility and sustainable development. This is further codified in our Sustainable Development Policy (released in September 2005 and superseding our earlier Health, Safety, Environment and Community Policy), which states that we will:

- uphold ethical business practices and meet or, where less stringent than our Standards, exceed applicable legal and other requirements
- set and achieve targets that promote efficient use of resources and include reducing and preventing pollution
- engage regularly, openly and honestly with people affected by our operations, and take their views and concerns into account in our decision-making.

In addition, we follow management standards that form the basis for the implementation of our Sustainable Development Policy and associated management systems at all levels. They cover the entire life cycle of our activities from exploration and development to operations, including decommissioning, closure and rehabilitation.

To complement the management standards, our sites assess their potential exposure to human rights issues using a self-assessment tool. This is consistent with our target of ensuring that we are not involved in transgressions of the Principles contained in the United Nations Universal Declaration of Human Rights.

Closure-related activities have the potential to impact cash flow, accounting provisions, residual liabilities and access to future resources. We have adopted a Closure Standard in response to these issues. The Standard comprises a number of requirements including estimating expected cost and financial provisioning for closure. We make provision for the rehabilitation and closure of the Group s mining and processing facilities along with the decommissioning of offshore oil platforms and infrastructure associated with petroleum activities.

HIV/AIDS infection among our southern African workforce is a significant issue, as it is in southern Africa generally. UNAIDS estimates 18.8 per cent of adults in South Africa (aged 15-49 years) are HIV positive and the rate is increasing. The HIV/AIDS infection rate of our southern African workforce is currently estimated at 14 per cent and is expected to increase over the next decade. The costs and lost workers time associated with HIV/AIDS may adversely affect our southern African operations. We have set up universal health insurance for all employees as a condition of employment. Funding provided by the Company for all employees ensures that appropriate, affordable insurance is available, including provision of relevant anti-retroviral treatment for HIV/AIDS, and in some cases this is associated with a managed care program to ensure that HIV/AIDS is properly coordinated and the funding provided is used in an optimal manner. Entry into HIV/AIDS treatment programs provided through the medical insurers is confidential to the employee.

We recognise the potential implications of the December 1997 Kyoto Protocol, as well as other policy developments at an international, national and sub-national level. These policies include the Emissions Trading System of the European Union (EU ETS) and the Asia-Pacific Partnership on Clean Development and Climate (AP6), as well as various regulatory measures to improve energy efficiency and reduce greenhouse gas emissions. The EU ETS, which began its first phase of emissions trading in January 2005, imposes formal requirements regarding greenhouse gas emissions management on our Petroleum assets in the UK and it has had an impact on some of our Energy Coal customers in Europe. The AP6 partnership sets out an agenda to identify mutual interest and commercial benefit as key steps in addressing the challenge of climate change and is committed to establishing a practical path for the development and deployment of technical solutions to climate change. It is uncertain at this stage how these evolving policy developments will affect our operations or customers over time.

The European Registration, Evaluation and Authorisation of Chemicals (REACH) system is anticipated to commence operation in April 2007. REACH will require manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that substances can be used without negatively affecting health or the environment. The extent to which our operations and customers are impacted by these changes is not yet clear as final wording is still being debated. Additional compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs may eventuate.

Petroleum

In May 1998, we divested our petroleum businesses in Hawaii. We indemnified the buyers for certain past liabilities and capped this indemnification at US$10 million, much of which has now been spent. Following the divestment, we retained some environmental liabilities for which we have indemnified the buyer and that are uncapped, as described below.

We operated a petroleum terminal, now decommissioned, at a site that is within an area that has since been declared a Hawaii State Superfund Site. We are 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 corrective actions.

Also within the Superfund area is land owned by us, which previously contained a manufactured gas plant. Litigation over a claim brought by a neighbour, Castle and Cooke, asserting that contamination on its property arose from this land, was settled in December 2000. We have 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 us with respect to contaminated material unearthed in the vicinity of another former manufactured gas plant site in Hilo.

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In April 2006, as result of a cracked pipe a small volume of oil (0.8 cubic metres) was released from the Lennox Platform into Liverpool Bay. Response actions were undertaken and clean-up was completed.

In the UK and Australia, operators of offshore petroleum facilities are required by law to develop and submit a safety case to the regulator for review and acceptance before they can operate. Under the regulations, the operator is required to demonstrate, through a formal process of safety studies, risk assessment and cost-benefit analysis measured against specific performance standards and acceptance criteria, that the risks to the safety of workers on the facility have been reduced to a level which is as low as reasonably practicable .

Our safety cases have been accepted for all our operated offshore facilities in the UK and Australia. We are also ensuring safety cases are developed and implemented for new petroleum projects, including where it is not a requirement of local legislation. We are continuing to improve the safety cases by conducting regular reviews in consultation with our workforce.

Aluminium

We are actively involved within the aluminium industry to develop protocols for measurement and management of greenhouse gas as a consequence of aluminium production. Our operations focus is on the reduction of greenhouse gas intensity and fluoride emissions through the implementation of technology and management of ongoing operational practices to improve performance.

We have contributed to a life cycle analysis of aluminium end-products through our participation in the industry association. This study will continue as we develop a strategy to reduce potential impacts from the use of our products.

Base Metals

One fatal accident occurred in July 2005 as a result of injuries sustained by an employee when a drill from an approaching drive face triggered an unplanned detonation at the Olympic Dam (Australia) underground mine.

We are currently updating closure plans and costing for all assets, including the recently acquired Olympic Dam operation in Australia, to be consistent with the corporate Closure Standard. In Peru and Chile, newly developing regulation on mine closure will require submission of these plans and posting of financial assurance in the coming years. Closure plans and costing have been completed for all Base Metals closed mines.

Radiation management and product stewardship of both copper and uranium are higher profile management issues with the acquisition of Olympic Dam.

The responsible management of groundwater resources in arid environments is a priority for Base Metals, particularly with increasing water demand for our expanding operations. Base Metals is placing a priority on reducing fresh water consumption and maintaining ecosystems in our water resource areas.

BHP Copper has retained management of certain responsibilities associated with prior operations of BHP Copper Superior (United States). The Arizona Department of Environmental Quality Voluntary Remediation Program (VRP) that has been implemented includes a review to determine any possible health risks associated with properties adjacent to the facility. A formal risk assessment is being reviewed to determine if any future work is required.

At the closed Elliot Lake (Canada) uranium properties, which we acquired as part of our acquisition of Rio Algom Ltd in 2000, licences for long-term care were issued in September 2002 by the Canadian Nuclear Safety Commission for five of eight historic properties. The remaining three properties were added to the licence after public hearings held in April 2004. Following the last hearing on the licence renewal in December 2005, the Commission decided to issue the long-term care licence for an indefinite period based on the existing long-term care commitments, with formal reviews every five years.

Carbon Steel Materials

In January 1998, we sold our electrolytic manganese dioxide business at Newcastle (Australia). As part of the transaction we issued a guarantee to the benefit of the purchaser, Delta Electrical Industries Ltd, covering some of our obligations under the sale agreement. The transaction was an asset sale and the guarantee is not limited in amount but is limited in duration. Our guarantee to Delta Electrical Industries Ltd expires on 28 December 2027. Our obligations under the guarantee relate to any prior contamination of the ground both at the former facility site and Kooragang Island at Newcastle, the former waste disposal site. We built our facility on land reclaimed from our former steel business. We

cannot accurately determine our potential liability at any point in time during the term of the guarantee. However, we do not consider that the cost, if any, will have a material adverse effect on our financial position or results of operations.

We have completed a life cycle analysis of our major products. This study will continue as we develop a strategy to reduce potential impacts from the use of our products.

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Diamonds and Specialty Products

BHP Billiton Diamonds Inc concluded the process of renewing the main EKATI Diamond Mine Water Licence in October 2005 for the period to 2013 on largely similar terms and conditions to those of the original Water Licence.

EKATI remains a signatory to the Kimberly Process, which is a key product stewardship global initiative of the diamond industry to ensure the verification of the source of diamonds across the world.

Energy Coal

One fatal accident occurred in June 2006 at the Ingwe Rietspruit mine (South Africa), as a result of injuries sustained by a contractor after the accidental release of coal into the flask in which he was working.

We recognise that climate change is a challenge for Energy Coal and we are seeking to respond to this through supporting targeted research aimed at reducing greenhouse gas emissions, particularly for our customers. Climate change issues are also considered in all relevant business decisions.

Energy Coal had one significant environmental incident during 2005-06 at an Ingwe operation, involving the discharge of poor quality water during abnormally high rainfall conditions. This has resulted in a review of our long term water management strategy, including possible fast tracking of treatment alternatives. Financial provisions have been made to address these changes. Action plans are under development to implement the updated water strategy.

We have conducted a life cycle analysis of our products. This study will continue as we develop a strategy to reduce potential impacts from the use of our products.

Stainless Steel Materials

One fatal accident occurred in February 2006 at the Leinster Nickel Operation (Australia) underground mine as a result of injuries sustained by a contractor after an unplanned detonation of a cannon during set-up to clear a blocked orepass.

The European Union has conducted a comprehensive health risk assessment of five nickel substances (nickel metal and the soluble nickel compounds of nickel sulphate, carbonate, chloride and nitrate). The risk assessment has concluded that under the EU rules of classification, soluble nickel compounds are category 1 carcinogens, category 3 mutagens and category 2 reproductive toxicants. Nickel metal remains a category 3 carcinogen but this will be reviewed in 2007 following the conclusion of a current animal study. The new classifications may result in more stringent exposure standards. We are currently assessing the impact that the more stringent EU exposure limits could have on our operations in Colombia and Australia, although the risk of exposure to soluble nickel salts at our operations is low. We continue to provide our employees and contractors with information on health, safety and environmental issues associated with our products. We also provide advice on the responsible use of our products to customers, users of our products and other interested parties.

The EU environmental risk assessment is scheduled for completion in 2007 and we continue to assess its potential impact on our operations.

We are conducting life cycle assessments of our products to understand the potential impacts from their manufacture and use. This study will continue as we develop a strategy around reduction of these potential impacts.

Decommissioning, site rehabilitation and environmental costs

Our operations are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, we have a policy of ensuring that rehabilitation is planned and financed from the early stages of any operation. Provision is made for the rehabilitation of our mining and processing facilities along with the decommissioning of oil platforms and infrastructure associated with petroleum activities. The estimation of the cost of future rehabilitation and decommissioning activities is subject to uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination and the timing and extent of rehabilitation and decommissioning activities required. Whilst the provisions at 30 June 2006 represent the best estimate of the future costs required, these uncertainties might result in future actual expenditure differing from the amounts provided at this time.

These rehabilitation and decommissioning expenditures are mostly expected to be paid over the next 30 years. The provisions for rehabilitation and decommissioning are derived by discounting the expected expenditures to their net present value. The estimated total site rehabilitation cost (undiscounted and in today s dollars) to be incurred in the future arising from operations to date, and including amounts already provided for, is US$6,939 million (2005: US$6,284 million).

At 30 June 2006, we had provided US$2,839 million (2005: US$2,509 million) for reclamation and decommissioning costs relating to operating sites in the provision for site rehabilitation. In addition, we have certain obligations associated with maintaining and/or remediating closed sites. At 30 June 2006, US$1,273 million (2005: US$1,162 million), was provided for closed sites. The amounts provided in relation to closed sites are reviewed at least annually based upon the facts and circumstances available at the time and the

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provisions are updated accordingly. Adjustments to the provisions in relation to these closed sites are recognised in profit and loss during the period in which the adjustments are made. In addition to the uncertainties associated with closure activity noted above, uncertainty remains over the extent and costs of the required short-term closure activities, the extent, cost and timing of post-closure monitoring and, in some cases, longer-term water management. Also, certain closure activities are subject to legal dispute and depending on the ultimate resolution of these matters, the final liability could vary. We believe that it is reasonably possible that, due to the nature of the closed site liabilities and the degree of uncertainty that surrounds them, these liabilities could be in the order of 25 per cent (2005: 30 per cent) greater or in the order of 20 per cent lower (2005: 20 per cent) than the US$1,273 million provided at year end. The main closed site to which this total amount relates is Southwest Copper in the US and this is described in further detail below, together with a brief description of other closed sites.

Southwest Copper, Arizona, (United States)

The Southwest Copper operations comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the Group acquiring the operations in 1996. In 1999, the facilities were effectively placed on a care and maintenance basis, pending evaluation of various alternative strategies to realise maximum value from the respective assets. We announced the closure of the San Manuel mining facilities and the San Manuel plant facilities in 2002 and 2003 respectively.

A comprehensive review of closure plans conducted at the Southwest Copper facilities in 2003-04 indicated: (a) higher short-term closure costs due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and, (c) an increase in the residual value of certain assets. The closure provisions for Southwest Copper, including amounts in relation to Pinal Creek litigation, total US$734 million at 30 June 2006 (US$731 million at 30 June 2005).

In relation to Pinal Creek, 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.

In 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. In September 2000, the Court approved a 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 2006, we have provided US$118 million (30 June 2005: US$110 million) for our anticipated share of the planned remediation work based on a range reasonably foreseeable up to US$138 million (30 June 2005: US$138 million), and we have paid out US$53 million up to 30 June 2006. These amounts are based on the provisional equal allocation of these costs among the three members of the Pinal Creek Group. BHP Copper is seeking a judicial restatement of the allocation formula to reduce its share based upon its belief, supported by relevant external legal and technical advice, that its property has contributed a smaller share of the contamination than the other parties properties. BHP Copper is contingently liable for the whole of these costs in the event that the other parties are unable to pay.

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. As part of this action, BHP Copper is seeking contribution from its predecessors in interest with respect to BHP Copper s ultimate allocated share of costs based upon such predecessors proportionate contributions to the total contamination in the Pinal Creek drainage basin. Such action seeks recovery from these historical owners and operators for remediation and source control costs. BHP Copper s predecessors have asserted a counterclaim in this action seeking indemnity from BHP Copper based upon their interpretation of the historical transaction documents relating to the succession in interest of the parties. 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.

Other closed sites

The closure provisions for other closed sites total US$539 million at 30 June 2006 (2005: US$431 million). The key sites covered by this amount are described briefly below.

Newcastle Steelworks (Australia) - we closed our Newcastle Steelworks in 1999 and retain responsibility for certain sediment in the Hunter River adjacent to the former steelworks site, together with certain other site remediation activities in the Newcastle area.

Base Metals has ongoing responsibility for the post-closure monitoring and maintenance of the Island Copper and Selbaie copper mines (Canada), and the long-term remediation costs for various mines and processing facilities in Canada and the US operated by Rio Algom Ltd prior to its acquisition by the former Billiton Plc in October 2000. In addition, closure and reclamation measures are being implemented at the former Carson Hill gold mine in California (US), an obligation resulting from the WMC acquisition in 2005.

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Ingwe Collieries (South Africa) - we have responsibility for site reclamation and remediation activities, including the long-term management of water leaving mining properties, for closed mines within the Ingwe operations.

Roane Alloys (US) we ceased operations at Roane Alloys in 1982. A final remedial design for rehabilitation of the site has been submitted to the State of Tennessee for approval. We are currently in divestiture negotiations with a company that will rehabilitate to our design specifications.

Krugersdorp Manganese Metal Plant (South Africa) we suspended electrolytic manganese operations at our Krugersdorp Plant in February 2006, pending a decision on its future by the MMC Board.

DMS Powders (South Africa) we sold this operation, which is located on our Meyerton Industrial site, in March 2006 to the Siyanda Inkwali Company. We retain remediation and rehabilitation liabilities for the land on which the plant is located.

Boodarie Iron (Australia) in August 2005 we announced the permanent closure of the hot briquetted iron production facilities at our wholly-owned Boodarie Iron plant. Work has been completed to define the site closure requirements and mitigate the costs associated with the gas and power take-or-pay contracts. Demolition work is expected to commence in October 2006, with planned completion in June 2008. Site rehabilitation work will then commence.

Employees

During the year ended 30 June 2006, we employed, on average, 33,184 employees. A significant proportion of these employees, approximately 42.3 per cent, were employed in our Australian-based operations and approximately 29.8 per cent in southern Africa. Our operations in North and South America account for the majority of our remaining employees. Due to the transition to IFRS, we no longer proportionately consolidate our interest in certain jointly controlled entities, including Escondida. As a result, we no longer include employees of those entities in our employee figures. Employee numbers for 2005 have been restated on an equivalent basis.

Our human resources strategy emphasises a relationship with our employees that is based on shared accountability for achieving business and personal success. Our strategy supports the development of a high performance work culture and the values and business principles of our Charter (our Charter is a statement that outlines the Group s purpose, values and overall mission).

Our remuneration system places greater focus on at risk, performance-based pay for our senior and executive management. At our business units our remuneration system is being translated to apply to employees at other levels in the Company as appropriate. Our succession planning and talent management processes focus on attracting and retaining current and future world-class talent. Our relationship with labour focuses on win-win relationships and a high-performance organisation being created by continuous workplace reform in all of our businesses. We believe that generally our relations with our employees and labour unions representing our employees are good. However, we have experienced some industrial action during and immediately post 2005-06.

In 7 April 2006, the union representing 375 of the total 2,000 employees at EKATI made contract proposals that, if accepted, would have conflicted with EKATI s responsibilities with the Aboriginal Community and Northwest Territory. After we rejected the union proposals, the union called for strike action and 137 of the bargaining unit employees were flown off-site. An agreement to end the strike was ratified on 30 June 2006. The striking employees were rostered back in mid July to ensure a smooth transition into their shifts.

In 7 August 2006, the union representing 2,052 workers of the total 2,930 workforce at Escondida initiated a legal strike within the framework of the collective negotiation process. Despite the ongoing collective bargaining, we suspended operations as the health and safety of the people who work in the Company and the integrity of the facilities could not be guaranteed. An agreement was reached on 31 August 2006 that ended the strike.

The table below provides a breakdown of our average number of employees by category of activity for the past three financial years.

	At 30 June		
Industry	**2006 (1)**	**2005 (1)**	**2004**
Petroleum	**2,180**	1,998	1,901
Aluminium	**4,259**	4,453	5,590

Base Metals	**4,360**	2,499	3,414
Carbon Steel Materials	**7,769**	7,215	6,812
Diamond and Specialty Products	**1,189**	1,254	1,203
Energy Coal	**7,819**	9,333	9,138
Stainless Steel Materials	**2,927**	5,534	5,318
Group and unallocated	**2,681**	1,915	1,694
Total	**33,184**	34,201	35,070

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

	At 30 June		
Geography	**2006[1]**	**2005[1]**	**2004**
Australia	**14,036**	10,689	9,776
North America	**2,565**	2,587	2,642
South America	**4,902**	4,031	5,657
Europe	**589**	621	611
Southern Africa	**9,899**	15,747	15,928
Other countries	**1,193**	526	456
Total	**33,184**	34,201	35,070

(1) Due to the transition to IFRS, we no longer proportionately consolidate our interest in certain jointly controlled entities, including Escondida. As a result, we no longer include 2,791 (2005: 2,737) employees of those entities in our employee figures.

Organisational structure

General

The BHP Billiton Group consists of the BHP Billiton Limited Group and the BHP Billiton Plc Group as a combined enterprise following the completion of the DLC merger in June 2001. Refer to note 37 Subsidiaries in the financial statements for a list of BHP Billiton Limited and BHP Billiton Plc significant subsidiaries.

DLC structure

On 29 June 2001, BHP Billiton Limited (then known as BHP Limited) and BHP Billiton Plc (then known as Billiton Plc) merged by way of a Dual Listed Companies structure, or DLC. To effect the DLC, BHP Limited and Billiton Plc entered into certain contractual arrangements that are designed to place the shareholders of both Companies in a position where they effectively have an interest in a single group that combines the assets, and is subject to all the liabilities, of both Companies. BHP Billiton Limited and BHP Billiton Plc have each retained their separate corporate identities and maintained their separate stock exchange listings, but they are operated and managed as if they are a single unified entity, with their Boards and senior executive management comprising the same people.

BHP Billiton Limited and BHP Billiton Plc entered into various agreements to effect the DLC, including the:

Sharing Agreement

Special Voting Shares Deed

BHP Deed Poll Guarantee

Billiton Deed Poll Guarantee.

In addition, BHP Billiton Limited adopted a new corporate Constitution and BHP Billiton Plc adopted a new Memorandum and Articles of Association.

The principles embodied in the Sharing Agreement are that:

the two companies are to operate as if they were a single unified economic entity, through Boards of Directors that comprise the same individuals and a unified senior executive management

the Directors of the two companies will, in addition to their duties to the Company concerned, have regard to the interests of holders of shares in BHP Billiton Limited and holders of shares in BHP Billiton Plc as if the two companies were a single unified economic entity and, for that purpose, the Directors of each Company shall take into account in the exercise of their powers the interests of the shareholders of the other

the DLC equalisation principles must be observed.

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Australian Foreign Investment Review Board (FIRB) conditions

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

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

The conditions have effect indefinitely subject to amendment of the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth) (Takeovers Act) or any revocation or amendment by the Treasurer. If BHP Billiton Limited wishes to act differently to the conditions, it must obtain the prior approval of the Treasurer. Failure to comply with the conditions attracts substantial penalties under the Act.

Equalisation of economic and voting rights

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

This means that the amount of any cash dividend paid by BHP Billiton Limited in respect of each BHP Billiton Limited share is normally matched by an equivalent cash dividend by BHP Billiton Plc in respect of each BHP Billiton Plc share, and vice versa. If one Company has insufficient profits or is otherwise unable to pay the agreed dividend, BHP Billiton Limited and BHP Billiton Plc will, as far as practicable, enter into such transactions as are necessary so as to enable both Companies to pay the amount of pre-tax dividends per share.

Under the terms of the DLC agreements the BHP Billiton Limited Constitution and the BHP Billiton Plc Articles of Association special voting arrangements have been implemented so that the shareholders of both Companies vote together as a single decision-making body on matters affecting the shareholders of each Company in similar ways (such matters are referred to as Joint Electorate Actions). For so long as the Equalisation Ratio remains 1:1, each BHP Billiton Limited share will effectively have the same voting rights as each BHP Billiton Plc share on Joint Electorate Actions.

In the case of certain actions in relation to which the two bodies of shareholders may have divergent interests (referred to as Class Rights Actions), the Company wishing to carry out the Class Rights Action requires the prior approval of the shareholders in the other Company voting separately and, where appropriate, the approval of its own shareholders voting separately.

These voting arrangements are secured through the constitutional documents of the two Companies, the Sharing Agreement, the Special Voting Shares Deed and rights attaching to a specially created Special Voting Share issued by each Company and held in each case by a Special Voting Company. The shares in the Special Voting Companies are held legally and beneficially by Law Debenture Trust Corporation Plc.

Cross guarantees

BHP Billiton Limited and BHP Billiton Plc have each executed a Deed Poll Guarantee, pursuant to which creditors entitled to the benefit of the Deed Poll Guarantees will, to the extent possible, be placed in the same position as if the relevant debts were owed by both BHP Billiton Limited and BHP Billiton Plc combined.

Restrictions on takeovers of one Company only

The BHP Billiton Limited Constitution and the BHP Billiton Plc Articles of Association have been drafted to ensure that a person cannot gain control of one Company without having made an equivalent offer to the shareholders of both Companies on equivalent terms. Sanctions for breach of these provisions would include withholding of dividends, voting restrictions and the compulsory divestment of shares to the extent a shareholder and its associates exceed the relevant threshold.

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Petroleum reserves

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

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

Proved reserves are estimated by reference to available seismic, well and reservoir information, including production and pressure trends for producing reservoirs and, in some cases, to similar data from other producing reservoirs in the immediate area. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserve estimates are subject to revision, either upward or downward, based on new information such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In certain deepwater Gulf of Mexico fields, proved reserves have been determined before production flow tests are conducted, in part because of the significant safety, cost and environmental implications of conducting those tests. In these fields other industry-accepted technologies have been used that are considered to provide reasonably certain estimates of productivity.

The tables below detail estimated oil, condensate, LPG and gas reserves at 30 June 2006, 30 June 2005 and 30 June 2004, with a reconciliation of the changes in each year. 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 include quantities of oil, condensate and LPG that will be produced under several production and risk sharing arrangements that involve the BHP Billiton Group in upstream risks and rewards without transfer of ownership of the products. At 30 June 2006, approximately 11 per cent (2005: 12 per cent; 2004: 17 per cent) of proved developed and undeveloped oil, condensate and LPG reserves and nil per cent (2005: nil per cent; 2004: nil per cent) of natural gas reserves are attributable to those arrangements. Reserves also include volumes calculated by probabilistic aggregation of certain fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes, which may not be realised upon divestment on an individual property basis.

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Proved developed and undeveloped oil, condensate and LPG reserves [a]

(millions of barrels)	Australia/ Asia	Americas	UK/Middle East	Total
Reserves at 30 June 2003	326.6	152.0	113.4	592.0
Improved recovery				
Revisions of previous estimates	20.2	(2.6)	(9.5)	8.1
Extensions and discoveries	0.4	11.0	1.1	12.5
Purchase/sales of reserves		(4.0)		(4.0)
Production [b]	(46.3)	(7.6)	(14.1)	(68.0)
Total changes	(25.7)	(3.2)	(22.5)	(51.4)
Reserves at 30 June 2004	300.9	148.8	90.9	540.6
Improved recovery				
Revisions of previous estimates	24.5	(1.7)	(1.3)	21.5
Extensions and discoveries	7.2	43.5		50.7
Purchase/sales of reserves	(9.2)			(9.2)
Production [b]	(38.7)	(7.6)	(14.7)	(61.0)
Total changes	(16.2)	34.2	(16.0)	2.0
Reserves at 30 June 2005	284.7	183.0	74.9	542.6
Improved recovery		11.5		11.5
Revisions of previous estimates	52.4	0.6	(2.6)	50.4
Extensions and discoveries		2.6		2.6
Purchase/sales of reserves		(0.3)		(0.3)
Production [b]	(33.2)	(7.3)	(15.3)	(55.8)
Total changes	19.2	7.1	(17.9)	8.4
Reserves at 30 June 2006 [c]	**303.9**	**190.1**	**57.0**	**551.0**
Proved developed oil, condensate and LPG reserves [a]				
Reserves at 30 June 2003	227.8	9.9	24.5	262.2
Reserves at 30 June 2004	201.9	5.4	54.8	262.1
Reserves at 30 June 2005	180.5	18.3	74.5	273.3
Reserves at 30 June 2006	**199.3**	**21.5**	**54.6**	**275.4**

(a) In Bass Strait, the North West Shelf, Ohanet 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.
(c) Total proved oil, condensate and LPG reserves include 13.9 million barrels derived from probabilistic aggregation procedures.

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Proved developed and undeveloped natural gas reserves

(billions of cubic feet)	Australia/ Asia [a]	Americas	UK/Middle East	Total
Reserves at 30 June 2003	4,904.6	147.3	419.0	5,470.9
Improved recovery				
Revisions of previous estimates	114.6	2.2	(10.0)	106.8
Extensions and discoveries	51.6	4.6		56.2
Purchases/sales of reserves		(32.8)		(32.8)
Production [b]	(222.9)	(20.5)	(77.0)	(320.4)
Total changes	(56.7)	(46.5)	(87.0)	(190.2)
Reserves at 30 June 2004	4,847.9	100.8	332.0	5,280.7
Improved recovery				
Revisions of previous estimates	237.3	3.1	(29.9)	210.5
Extensions and discoveries	177.0	27.6		204.6
Purchases/sales of reserves	(165.8)			(165.8)
Production [b]	(275.7)	(14.6)	(57.6)	(347.9)
Total changes	(27.2)	16.1	(87.5)	(98.6)
Reserves at 30 June 2005	4,820.7	116.9	244.5	5,182.1
Improved recovery				
Revisions of previous estimates	4.0	6.5	34.7	45.2
Extensions and discoveries		1.3		1.3
Purchases/sales of reserves		(0.2)		(0.2)
Production [b]	(292.0)	(8.0)	(61.1)	(361.1)
Total changes	(288.0)	(0.4)	(26.4)	(314.8)
Reserves at 30 June 2006 [c]	**4,532.7**	**116.5**	**218.1**	**4,867.3**
Proved developed natural gas reserves				
Reserves at 30 June 2003	2,560.4	64.8	397.1	3,022.3
Reserves at 30 June 2004	2,539.7	20.1	310.0	2,869.8
Reserves at 30 June 2005	2,621.4	15.1	239.3	2,875.8
Reserves at 30 June 2006	**2,286.4**	**16.5**	**206.4**	**2,509.3**

(a) Production for Australia includes gas sold as LNG and as liquefied ethane.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved natural gas reserves include 195.8 billion cubic feet derived from probabilistic aggregation procedures.

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Ore Reserves

The ore reserves tabulated are all held within existing, fully permitted mining tenements. The BHP Billiton Group s minerals 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. Ore reserves are presented in the accompanying tables subdivided for each of the Customer Sector Groups.

All of the ore reserve figures presented are reported in 100% terms, and represent estimates at 30 June 2006 unless otherwise stated. All tonnes and grade information presented have been rounded; hence small differences may be present in the totals. In addition, all reserve tonnages and grades include dilution and are quoted on a dry basis, unless otherwise stated.

No third party audits have been carried out specifically for the purpose of this disclosure.

The reported reserves contained in this annual report do not exceed the quantities that, it is estimated, could be extracted economically if future prices were at similar levels to the average historical prices for traded metals for the three years to 31 December 2005, or for bulk commodities long term contracted prices. Current operating costs have been matched to the average of historical or long term contract prices in accordance with Industry Guide 7. The reported reserves may differ in some respects from the reserves we report in our home jurisdictions of Australia and the UK. Those jurisdictions require the use of the Australasian Code for reporting of Mineral Resources and Ore Reserves, December 2004 (the JORC Code), which contemplates the use of reasonable investment assumptions in calculating reserve estimates.

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

	Price
Commodity	**US$**
Copper	1.26/lb(1)
Gold	406/oz
Lead	0.36/lb
Nickel	5.78/lb
Silver	6.28/oz
Zinc	0.49/lb
Uranium	19.57/lb

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

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Aluminium Customer Sector Group

Ore Reserves

ite it	Ore type	Proven Ore Reserve Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	Probable Ore Reserve Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	Total Ore Reserve Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	Nominal mine production rate (Mtpa)	Mine life based on Reserve (years)	BH Billi Intere
ralia													
sley	Laterite	284	30.9	1.7	22	30.1	1.8	306	30.8	1.7	13	24	
il													
[(4)]	MRN Washed	82	50.8	3.8				82	50.8	3.8	15	5	

		Proven Ore Reserve Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	% Fe_2O_3	Probable Ore Reserve Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	% Fe_2O_3	Total Ore Reserve Millions of dry metric tonnes	% $A.Al_2O_3$	% $R.SiO_2$	% Fe_2O_3	Nominal mine production rate (Mtpa)	Mine life based on Reserve (years)
name															
motibo	Laterite	1	45.6	3.2	15.6	0.5	40.1	3.3	20.6	2	44.1	3.2	17.0	1	1
rdacht[(5)]	Laterite	16	48.9	4.5	8.8	0.2	46.5	5.6	10.1	16	48.9	4.5	8.8	4	4

(1) Approximate drill hole spacing used to classify the reserves is:

Deposit	Proven Ore Reserve	Probable Ore Reserve
Worsley	maximum 100m	maximum 200m
MRN	A maximum bauxite intersection grid of 200 metres. Mining and metallurgical characterisation (test pit/bulk sample), plus a reliable suite of chemical and size distribution data.	Those plateaux with a bauxite intersection grid spacing of less than 400 metres and/ or a 400 metre spaced grid with a 200 metre offset fill in, plus a reliable suit of chemical and size distribution data.
Coermotibo	61m x 61m	122m x 122m
Onverdacht	61m x 61m	122m x 122m

(2) Metallurgical recoveries for the operation are based on the relevant refinery:

Deposit	Estimated metallurgical recovery % $A.Al_2O_3$
Worsley (Worsley refinery)	90
MRN (Alumar refinery)	94
Coermotibo (Paranam refinery)	93.5
Onverdacht (Paranam refinery)	93.5

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

(4) Mineracao Rio do Norte (MRN) MRN Washed tonnes and grade represent expected product based on forecast beneficiated yield of 74%.

(5) Onverdacht includes the Lelydorp III current mining operation, Kaaimangrasie and Klaverblad which are currently being developed. The Lelydorp III operation is expected to terminate as planned in 2007.

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Base Metals Customer Sector Group

Ore Reserves

	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve				
Ore type	**Millions of dry metric tonnes**	**% TCu**	**% SCu**	**Millions of dry metric tonnes**	**% TCu**	**% SCu**	**Millions of dry metric tonnes**	**% TCu**	**% SCu**	**Nominal production capacity (Mtpa)**	**Mine based Rese (yea**
Oxide	69	0.74	0.67	15	0.77	0.55	85	0.75	0.65		
Sulphide	555	1.18		846	1.00		1,401	1.07			
Sulphide leach	592	0.51		994	0.51		1,586	0.51			
Oxide	5	1.55	1.20	20	1.47	1.14	25	1.49	1.15		
Sulphide	149	1.55		321	1.34		470	1.41			
Sulphide leach	59	0.55		549	0.61		608	0.60			
Oxide	74	0.79	0.71	35	1.17	0.88	109	0.92	0.76	149	
Sulphide	704	1.26		1,167	1.09		1,872	1.16			
Sulphide leach	651	0.51		1,543	0.55		2,194	0.53			
Oxide	66	0.70	0.55	60	0.76	0.56	126	0.73	0.56	18	
Sulphide	19	0.91	0.16	29	0.76	0.13	49	0.82	0.14		
Oxide	33	1.47	0.94	41	1.05	0.66	75	1.24	0.79	17	
Sulphides	110	1.31		128	0.78		238	1.03			

	Millions of dry metric tonnes	**% Cu**	**kg/tonne U_3O_8**	**g/t Au**	**g/t Ag**	**Millions of dry metric tonnes**	**% Cu**	**kg/tonne U_3O_8**	**g/t Au**	**g/t Ag**	**Millions of dry metric tonnes**	**% Cu**	**kg/tonne U_3O_8**	**g/t Au**	**g/t Ag**	
Sulphide	65	2.0	0.7	0.6	4.6	309	2.1	0.7	0.8	4.5	374	2.1	0.7	0.8	4.5	11

	Millions of dry metric tonnes	**% Cu**	**% Zn**	**g/t Ag**	**% Mo**	**Millions of dry metric tonnes**	**% Cu**	**% Zn**	**g/t Ag**	**% Mo**	**Millions of dry metric tonnes**	**% Cu**	**% Zn**	**g/t Ag**	**% Mo**	
Sulphide Cu only	38	1.17	0.2	9.7	0.04	268	1.21	0.15	10.1	0.04	306	1.21	0.16	10.1	0.04	32
Sulphide Cu-Zn	28	1.04	3.08	21.4	0.01	95	1.14	2.83	19.3	0.01	123	1.11	2.89	19.8	0.01	

	Millions of dry metric tonnes	**g/t Ag**	**% Pb**	**% Zn**	**Millions of dry metric tonnes**	**g/t Ag**	**% Pb**	**% Zn**	**Millions of dry metric tonnes**	**g/t Ag**	**% Pb**	**% Zn**

Sulphide	18	467	10.6	3.9	2	344	8.3	4.3	20	455	10.4	3.9	3		

1) %TCu - per cent total copper, %SCu - per cent soluble copper, kg/tonne U_3O_8 - kilograms per tonne uranium oxide, g/t Au- grams per tonne gold, g/t Ag - grams per tonne silver, %Zn - per cent zinc, %Pb - per cent lead, %Mo - per cent molybdenum.

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(2) Approximate drill hole spacing used to classify the reserves is:

Deposit	Proven Ore Reserve	Probable Ore Reserve
Escondida	Sulphide: 60m x 60m	Sulphide: 100m x 100m
	Sulphide leach: 60m x 60m	Sulphide leach: 105m x 105m
	Oxide: 45m x 45m	Oxide: 50m x 50m
Escondida Norte	Sulphide: : 60m x 60m	Sulphide: 100m x 100m
	Sulphide leach: 60m x 60m	Sulphide leach: 110m x 110m
	Oxide: 45m x 45m	Oxide: 50m x 50m
Cerro Colorado	70m x 70m, estimation on first kriging pass.	140m x 140m, estimation on second kriging pass.
Spence	Combined kriging pass, geological continuity, drilling density considerations equate to approximately 50m square grid for oxide and 75m square grid for sulphides	Combined kriging pass, geological continuity, drilling density considerations equate to approximately 100m square grid for both oxides and sulphides
Olympic Dam	Less than 40m x 40m	Less than 80m x 80m
Antamina	High Grade Cu/Zn: 3 composites of the same grade zone & different holes within 30m, closest within 20m. Low Grade Cu/Zn: 3 composites of the same grade zone & different holes within 35m, closest within 25m.	3 composites of the same grade zone & different holes within 55m, closest within 40m or 2 composites of the same grade zone & different holes within 65m, closest within 30m or at least 50 composites within 75m with at least 90 % in the same grade zone as the block.
Cannington	12.5m sectional x 15m vertical	25m sectional x 25m vertical

(3) Metallurgical recoveries for the operations are:

	Metallurgical recovery					
Deposit	**%Cu**	**%Ag**	**%Pb**	**%Zn**	**%Au**	**%U_3O_8**
Escondida						
Sulphide	85% of TCu;					
Sulphide Leach	34% of TCu;					
Oxide	75% of TCu					
Escondida Norte	85% of TCu;					
Sulphide	34% of TCu;					
Sulphide Leach	75% of TCu					
Oxide						
Cerro Colorado	78					
Spence	81 - 82					
Olympic Dam	93	60			67	71

Antamina				
Sulphide Cu	92			
		60		0
Sulphide Cu-Zn	81	32		71
Cannington		87	89	73

(4) Changes in the Escondida and Escondida Norte reserves from 2005 include an updated geological model using new data, updated cost and price estimates, full valuation of sulphide leach ore in ultimate pit limits, and variable cut-off grade of sulphide mill ore. Oxide ore scheduled for mining after closure of oxide leach plant has been reclassified and reported as Sulphide Leach. Part of the Sulphide Leach stockpile has been removed from Reserve classification due to uncertainty in tonnage, grade and metallurgical properties, pending additional study. In future reserve reports, the two mines will be combined into a single reportable reserve. For this year s reporting both mines are reported with the combined total. Economic and metallurgical studies are being conducted to evaluate optimal sulphide leach cut-off grades, which may lead to revision in the reserve. The price used for Escondida and Escondida Norte was Cu = US$1.26/lb.

(5) Escondida production rate and mine life estimate is based on the current life-of-mine plan which uses a future variable production rate from both the Escondida and Escondida Norte pits. The current combined nominal production rate available to the operation is 216 million tonnes per annum.

(6) Other than depletion through production at Cerro Colorado, there were insignificant changes in reserves since 2005. An updated Life of Asset (LOA) Plan was performed in FY06. The reserve estimate was updated during year for the new resource estimate and revised economic and technical factors that resulted only in local changes to the mine plan. The price used was Cu = US$1.26/lb.

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(7) The reduction in Spence reserves compared to June 2005 was principally due to changes in the underlying resource estimate in the areas of geological interpretation, estimation, and classification. Over 85 km of additional drilling was incorporated in 2006, most of which was in-fill drilling of the five-year mine plan. Economic and technical parameters were also upgraded for mine planning purposes creating a new pushback design for the life-of-mine plan, but this has not resulted in significant changes to the ore reserves. The price used was Cu = US$1.26/lb.

(8) Olympic Dam was acquired through the purchase of WMC Resources Ltd on 3 June 2005. The Olympic Dam Ore Reserves reported above shows a decrease from that reported in June 2005, albeit this year at a slightly higher grade. The June 2006 reserve is based on a revised life-of-mine plan, developed in the first half of calendar 2006; that includes only the mining of underground stopes by current methods. It does not include mining of lower grade areas by sub-level cave or other alternative underground methods as included in last years report. These lower grade areas in the northern mine together with the total southern mine area resource are the subject of feasibility studies; on completion of these studies, which include both open cut and underground sub level and block caving methods, the reserves will be re-stated. Currently drilling is continuing at Olympic Dam to define the extent of mineralization. The prices used are: Cu = US$1.26/lb, Au = US$406.19/oz, Ag = US$6.28/oz, U_3O_8 = US$19.57/lb.

(9) Antamina In-pit material for reserve reporting purposes was defined between the 31 May 2006 month-end pit surface topography and the Pit 18 ultimate pit design (based upon mid-benches) and further depleted by the estimated production for June 2006. Increased tonnage resulting from lowering the ore cut-off grade was off-set by the removal of low-grade stockpiles from the reserves. Studies are in progress to enable better understanding of the metallurgical performance of these ores. The prices used are: Cu = US$0.95/lb, Zn = US$0.50/lb, Mo = US$5.00/lb and Ag = US$5.00/oz, which are a composite of price protocols provided by the shareholders of the operating entity. Valuation of ore is based on combined metal content that tends to be dominated by copper. Difference in zinc and molybdenite prices from SEC protocols is immaterial.

(10) At Cannington, ongoing underground diamond drilling and geological interpretation has resulted in minor and local changes. There has been a steady promotion of ore reserves into the Proven category. Changes in metal prices and exchange rates have resulted in an adjustment in the tonnages and grades above a given ($A60) dollar per tonne cut-off. The prices used are: Ag = US$6.28/oz, Pb = US$0.36/lb, Zn = US$0.49/lb.

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Carbon Steel Materials Customer Sector Group

Iron Ore

Ore Reserves

	Proven Ore Reserve						Probable Ore Reserve						Total Ore Reserve						
re (5)	Millions of wet metric tonnes	% Fe	% P	%SiO_2	%Al_2O_3	%LOI	Millions of wet metric tonnes	% Fe	% P	%SiO_2	%Al_2O_3	%LOI	Millions of wet metric tonnes	% Fe	% P	%SiO_2	%Al_2O_3	%LOI	Nominal min production ra (Mwmtpa)(3
KM	179	62.7	0.06	6.1	2.0	1.6	554	63.0	0.08	4.9	2.0	2.3	733	62.9	0.08	5.2	2.0	2.1	
MM	52	62.3	0.07	2.4	1.6	6.3	14	61.8	0.05	3.4	1.8	6.0	66	62.2	0.07	2.6	1.6	6.2	
KM	38	63.0	0.07	4.1	2.5	2.9	203	62.9	0.08	3.5	2.5	3.5	241	62.9	0.08	3.6	2.5	3.4	
IM	7.1	60.2	0.11	6.3	2.0	5.0	0.2	59.4	0.07	7.1	2.2	5.3	7.3	60.2	0.11	6.3	2.0	5.0	
MM	282	61.9	0.06	3.2	1.7	6.0	160	62.5	0.06	2.9	1.6	5.6	442	62.1	0.06	3.1	1.7	5.9	
CID	551	57.7	0.04	5.4	1.3	10.4	297	57.0	0.04	5.6	1.5	10.6	848	57.5	0.04	5.5	1.4	10.5	

	Millions of dry metric tonnes	% Fe	% Pc	Millions of dry metric tonnes	% Fe	% Pc	Millions of dry metric tonnes	% Fe	% Pc	Nominal min production ra (Mdmtpa)(3,1
DM	296	45.7	0.04	202	45.0	0.04	499	45.4	0.04	

(1) Approximate drill hole spacing used to classify the reserves is:

Deposit	Proven Ore Reserve	Probable Ore Reserve
Mt Newman JV	50m x 50m	300m x 50m
Jimblebar	50m x 50m	300m x 50m
Mt Goldsworthy JV Northern	25m x 25m	50m x 50m
Mt Goldsworthy JV Area C	60m x 50m up to 240m x 60m	at least 240m x 60m
Yandi JV	50m x 50m	150m x 150m
Samarco JV	ALE 126345: 200m x 200m x 16m	ALE 126: 360m x 318m x 16m
	ALE 7: 150m x 150m x 16m	ALE 345: 300m x 228m x 16m
	ALE 8:250m x 250m x 16m	ALE 7: 300m x 300m x 16m
		ALE 8: 500m x 500m x 16m
		ALE 9: 300m x 300m x 24m

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(2) Metallurgical recoveries for the operations are:

	Metallurgical recovery	
Deposit	**% High grade iron ore**	**% Iron ore concentrate**
Mt Newman JV	63 - 100	
Jimblebar	100	
Mt Goldsworthy JV Northern	100	
Mt Goldsworthy JV Area C	100	
Yandi JV	100	
Samarco JV		82

(3) The reserve grades listed: Fe - iron, P - phosphorous, SiO_2 - silica, Al_2O_3 - alumina and LOI - loss on ignition, refer to in situ mass percentage on a dry weight basis. %Pc represents phosphorous in concentrate for Samarco. For Mt Newman, Jimblebar, Mt Goldsworthy and Yandi Joint Ventures, tonnages represent wet tonnes based on the following moisture contents: BKM = 3%, MM = 4%, CID = 8%, NIM = 3.5%. Iron Ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed). Samarco is marketed predominantly as direct reduction and blast furnace pellets. The production rate is provided in millions of wet metric tonnes per annum (Mwmtpa) for the West Australian deposits and millions of dry metric tonnes per annum (Mdmtpa) for Samarco.

(4) Reserves are divided into joint ventures, and material types that reflect the various products produced. The bedded ore types are classified as per the host Archaean or Proterozoic banded iron formations.

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

(6) Mining dilution and mining recovery (in general around 95%) has been taken into account in the estimation of reserves for all West Australian Iron Ore (WAIO) operations. For Samarco the mine recovery is 90.9% (not included in the reserve estimate) of the stated diluted reserve.

(7) Changes in WAIO reserves compared to 2005 are due to mining depletion, new models and re-classification for the Mt Newman Joint Venture Whaleback deposit and the Yandi Western 4 deposit.

(8) Cut-off grades used to estimate reserves: Mt Newman 50-62%Fe for BKM, 60%Fe for MM; Jimblebar 58-60%Fe for BKM; Mt Goldsworthy 58%Fe for NIM 57%Fe for MM; Yandi 56%Fe for CID.

(9) The prices used are based on an average of the last three years commercial contracts.

(10) The Jimblebar Reserves listed include the Wheelarra Hill 3, 4, 5, 6 and Hashimoto 1 and 2 deposits at Jimblebar in which the Wheelarra Joint Venture participants (BHP Iron Ore (Jimblebar) Pty Ltd (51%), ITOCHU Minerals and Energy of Australia Pty Ltd (4.8%), Mitsui Iron Ore Corporation Pty Ltd (4.2%) and subsidiaries of Chinese steelmakers Magang, Shagang, Tanggang and Wugang (10% each)) have a legal interest. At the commencement of the Wheelarra Joint Venture on 1 October 2005 the Wheelarra Joint Venture participants had a legal interest in 175 million dry metric tonnes of Jimblebar Reserves (Wheelarra Joint Venture tonnes). The effect of the sales contracts entered into between the Wheelarra Joint Venture participants and the Mt Newman Joint Venture participants and other associated agreements is that BHP Billiton (as a Mt Newman Joint Venture participant) has an entitlement to 85% of these Wheelarra Joint Venture Tonnes. This disclosure and the financial statements are prepared on this basis.

(11) The Area C Reserves listed include C Deposit within Area C in which the POSMAC Joint Venture participants (BHP Billiton Minerals Pty Ltd (65%), ITOCHU Minerals and Energy of Australia Pty Ltd (8%), Mitsui Iron Ore Corporation Pty Ltd (7%) and a subsidiary of POSCO (a Korean steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the POSMAC Joint Venture participants and the Mt Goldsworthy Joint Venture participants and other associated agreements is that BHP Billiton (as a Mt Goldsworthy Joint Venture participant) has an entitlement to 85% of the Reserves in C Deposit . This disclosure and the financial statements are prepared on this basis.

(12) The Yandi Reserves listed include the Western 4 deposit in which the JFE Western 4 Joint Venture (JW4 JV) participants BHP Billiton Minerals Pty Ltd (65%), ITOCHU Minerals and Energy of Australia Pty Ltd (8%), Mitsui Iron Ore Corporation Pty Ltd (7%) and a subsidiary of JFE Steel Corporation (a Japanese steelmaker) (20%)) have a legal interest. The effect of the sales contracts entered into between the JW4 JV participants and the Yandi Joint Venture participants and other associated agreements is that BHP Billiton (as a Yandi Joint Venture participant) has an entitlement to 85% of the Reserves in the Western 4 deposit. This disclosure and the financial statements are prepared on this basis.

(13) Samarco reserves are estimated assuming external supply of approximately 10.2 million wet metric tonnes per annum of process feed from the nearby Fazendao mine, which is owned by CVRD, our 50 per cent joint venture partner in Samarco. The external ore supply has a high proportion of specular hematite, a particular ore type that is required to produce the desired ore blend for producing iron pellets. The absence of this external ore supply would significantly reduce Samarco reserves.

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Carbon Steel Materials Customer Sector Group

Metallurgical Coal

Coal Reserves

			Proven Coal Reserve	Probable Coal Reserve	Total Coal Reserve [5]	Marketable Coal Reserve[4,5]						
Commodity deposit [1,2]	**Mining type**	**Coal type[3]**	**Millions of tonnes**	**Millions of tonnes**	**Millions of tonnes**	**Millions of tonnes**	**% Ash**	**% VM**	**% S**	**Nominal ROM production rate (Mtpa)**	**Mine life based on CoalReserve (years)**	**BHP Billiton Interest %**
Queensland Coal Reserves at operating mines												
CQCA JV												
Goonyella Broadmeadow	OC	Met	409	116	526	361	9.1	23.6	0.52	21	31	50
	UG	Met	31	89	120	102	6.7	23.9	0.50			
Peak Downs	OC	Met	261	543	804	448	9.2	20.7	0.60	15	54	50
Saraji	OC	Met	126	160	286	168	9.7	18.5	0.59	14	21	50
Norwich Park	OC	Met	33	38	71	51	10.3	17.3	0.69	8	9	50
Blackwater [6]	OC	Met/Th	117	224	341	310	9.6	24.5	0.44	10	33	50
South Blackwater [7]	OC	Met/Th	31	115	146	121	10.6	26.4	0.48	5	31	50
Subtotal					2,294	1,561						
Gregory JV												
Gregory Crinum	OC	Met/Th	2	7	9	7.3	7.4	33.4	0.60	7	7	50
	UG	Met/Th										