

BHP BILLITON LTD
Form 20-F/A
April 10, 2003
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 20-F/A

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
Commission file number: 001-09526

BHP BILLITON LIMITED

(ABN 49 004 028 077)

(Exact name of Registrant as specified in its charter)

VICTORIA, AUSTRALIA

(Jurisdiction of incorporation or organization)

BHP TOWER, 600 BOURKE STREET, MELBOURNE, VICTORIA 3000 AUSTRALIA

(Address of principal executive offices)

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

Title of each Class
Ordinary Shares

Name of Exchange on which Registered
New York Stock Exchange

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.

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Fully Paid Ordinary Shares

3,724,893,687

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 No

Indicate by check mark which financial statement item the registrant has elected to follow.

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In this annual report, the terms we, our, us, BHP Billiton and BHP Billiton Group refer to BHP Billiton Limited and BHP Billiton Plc, together with their respective subsidiaries. BHP Billiton Plc Group refers to the group that is BHP Billiton Plc and its subsidiary companies. BHP Billiton Limited Group refers to the group that is BHP Billiton Limited and its subsidiary companies. BHP Billiton Plc refers to the parent entity that was formerly Billiton Plc before the implementation of the DLC structure and BHP Billiton Limited refers to the parent entity that was formerly BHP Limited before the DLC structure.

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FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements, including statements regarding:

estimated reserves;

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;

contingent liabilities; and

the combination of the operations of BHP Billiton Plc and BHP Billiton Limited through the implementation of the DLC structure.

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. Such variations, if materially adverse, may impact the timing of 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 certain 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 risk factors listed above. We cannot assure you that our estimated 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.

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GLOSSARY OF TERMS

Technical Terms

In the context of ADSs and listed investments, the term **quoted** means **traded** on the relevant exchange.

Reference herein is made to tonnes, each of which equals 1000 kilogrammes, approximately 2,205 pounds or 1.102 short tonnes. Measures of distance referred to herein are stated in kilometers, each of which equals approximately 0.62 miles, or in meters, each of which equals approximately 3.28 feet.

Brownfield project means the expansion of an existing operation.

Coal Reserves have the same meaning as ore reserves, but specifically concern coal.

Coking Coal, by virtue of its carbonisation properties, is used in the manufacture of coke, which is used in the steelmaking process.

Crude oil is a mixture of hydrocarbons that exist in liquid form in natural underground reservoirs, and remain liquid at atmospheric pressure after being produced at the well head and passing through surface separating facilities. **Condensate** is a liquid and consists of a mixture of hydrocarbons that are recoverable from gas.

Condensate is a liquid at atmospheric conditions and consists of a mixture of hydrocarbons that are recoverable from gas.

Direct reduced iron (DRI) is metallic iron formed by removing oxygen from iron ore without the formation of, or passage through, a smelting phase. DRI can be used as feedstock for steel production.

Dry gas is a mixture of hydrocarbon gases, inerts and other gases that are in the gaseous phase at pipeline conditions with no free liquids at operating conditions. It is principally composed of methane, ethane and low levels of propanes and butanes depending upon processing and pipeline specifications.

Energy coal is used a fuel source in electrical power generation, cement manufacture and various industrial applications. Energy coal may also be referred to as steam or energy coal.

Ethane, where sold separately, is largely ethane gas that has been liquified through pressurization. One tonne of ethane is approximately equivalent to 26.8 thousand cubic feet of gas.

Federal unit is a combination of two or more US Minerals Management Service (MMS) defined blocks approved by MMS in circumstances where it can be demonstrated that the blocks are part of the same geological formation.

Green field project means the development of a new project.

Gigajoules = 1,000,000,000 joules (where joules is a measure of energy).

Heap leaching is the process by which a soluble mineral can be economically recovered by dissolution from ore piled in a heap.

Hot briquetted iron (HBI) is densified direct reduced iron where the densification is carried out at a temperature greater than 650 degrees Celsius. The resultant product has density greater than 5g/cm³. HBI can be used as feedstock for steel production.

Leaching is the process by which a soluble mineral can be economically recovered from ore by dissolution.

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Liquefied natural gas (LNG) consists largely of methane that has been liquified through chilling and pressurization. One tonne of LNG is approximately equivalent to 45.9 thousand cubic feet of natural gas.

Liquefied petroleum gas (LPG) consists of propane and butane and a small amount (less than 2%) of ethane that has been liquified through pressurisation. One tonne of LPG is approximately equivalent to 11.6 barrels.

Marketable Coal Reserves represents beneficiated or otherwise enhanced coal product and should be read in conjunction with, but not instead of, reports of coal reserves.

Megajoules = 1,000,000 joules (where joules is a measure of energy).

Metallurgical coal is a broader term which includes all coals used in steelmaking, such as coal used for the Pulverised Coal Injection (PCI) process.

Ore reserves are that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Petajoules = 1,000,000,000,000 joules (where joules is a measure of energy).

Petroleum coke is a residue from the refining of heavy fraction oil into light fraction oil.

Probable ore reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and, measurement are farther apart or are otherwise less adequately spaced. The degrees of assurance, although lower than that for proven (measured) reserves, is high enough to assure continuity between points of observation.

Proven ore reserves are the reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings on drill holes; grade and/or quality are computed from the results of detailed samplings and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established.

Recoverable coal reserves are the combination of those proved and probable ore reserves which specifically concern coal.

Take or pay means an obligation on a customer to pay for an agreed minimum quantity of a commodity even if it fails to take that agreed minimum quantity.

Terajoules = 1,000,000,000,000 joules (where joules is a measure of energy).

Financial Terms

UK Terminology	US equivalent	Australian equivalent
Equity Shareholders Funds	Stockholders Equity	Total Equity
Called up share capital	Subscribed Capital Stock	Contributed Equity
Ordinary Shares	Common Stock	Ordinary Shares
Profit and Loss Account	Retained Earnings	Retained Profits
	Appropriated Surplus	

Reserve, e.g. General Reserve. Forms part
of Shareholders' Equity

Share Premium Account

Paid-in Surplus

Share Premium Reserve

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UK Terminology	US equivalent	Australian equivalent
Provision accrued liability, i.e., not part of Total Equity	Reserve can represent either part of Stockholders Equity, accrued liability or estimated depletion in the cost of an asset	Provision accrued liability, i.e., not part of Total Equity
Tangible Assets	Property, Plant and Equipment	Property, Plant and Equipment
Bonus Issue	Stock Dividend	Bonus Issue
Subsidiary	Subsidiary	Controlled Entity
Turnover	Sales Revenue	Sales Revenue
Depreciation	Depreciation and depletion	Depreciation
Profit for the financial year (attributable profit)	Net income	Net profit attributable to members

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IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

ITEM 1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS
A. Directors and Senior Management	
	Not applicable.
B. Advisers	
	Not applicable.
C. Auditors	
	Not applicable.

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OFFER STATISTICS AND EXPECTED TIMETABLE

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

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KEY INFORMATION

ITEM 3. KEY INFORMATION**A. Selected Financial Data**

Set forth below is selected consolidated financial information for (i) the BHP Billiton Group, which reflects the combined operations of both the BHP Billiton Limited Group and the BHP Billiton Plc Group, and (ii) the BHP Billiton Plc Group as a separate, stand-alone group. BHP Billiton Limited and BHP Billiton Plc each report, as its primary financial statements under the requirements of the US Securities and Exchange Commission, the BHP Billiton Group's consolidated financial statements prepared in accordance with generally accepted accounting principles in the United Kingdom and presented in US dollars. These financial statements account for the dual listed company structure as a business combination and accordingly consolidate BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries for all periods presented. Under UK GAAP, the DLC structure has been accounted for under the pooling-of-interests method as though the DLC structure had been effective and the two groups had operated as one enterprise throughout the periods presented. The selected consolidated financial information for the BHP Billiton Plc Group on a stand-alone basis has been derived from the BHP Billiton Plc Group Consolidated Financial Statements, presented in US dollars and prepared in accordance with accounting policies that are in compliance with UK GAAP, except that these financial statements have been prepared as if the DLC merger had not occurred.

Under UK GAAP, the DLC structure has been accounted for as a merger (pooling of interests) in accordance with UK Financial Reporting Standard 6: Acquisitions and Mergers. Under US GAAP, the DLC structure is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group on June 29, 2001. In a merger or a combination, the assets, liabilities and equity of the BHP Billiton Plc Group and the BHP Billiton Limited Group are combined at their respective book values as determined under UK GAAP. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognize the BHP Billiton Plc Group assets and liabilities at their fair values, and to record goodwill.

BHP Billiton Limited's independent chartered accountant in Australia for the two years ended June 30, 2001 was Arthur Andersen. On June 15, 2002, Arthur Andersen LLP, Arthur Andersen's US affiliated firm, was convicted by a jury in Houston, Texas on a single charge of obstructing justice in connection with its actions regarding Enron Corp. As of August 31, 2002, Arthur Andersen LLP has ceased to practice before the SEC. As a US listed company, BHP Billiton Limited is required to file with the SEC annual financial statements audited by its independent certified public accountant. The SEC has said that it will continue accepting financial statements audited or reviewed by Arthur Andersen so long as Arthur Andersen is able to make certain representations to us. Although the financial statements of BHP Billiton Limited for two years ended June 30, 2001 are not included in this annual report, we have included the audit opinion of Arthur Andersen in this annual report because the audit opinion of PricewaterhouseCoopers for the BHP Billiton Group for the two years ended June 30, 2001 insofar as it relates to amounts included in respect of BHP Billiton Limited has expressed reliance on the audit opinion of Arthur Andersen. In connection with its audit of the BHP Billiton Limited financial statements for the two years ended June 30, 2001 and the revision to note 50 of such financial statements, which is dated March 22, 2002, included in this annual report, Arthur Andersen has made the representations to us that are required by the SEC. In the future, our access to the capital markets and our ability to make timely SEC filings could be impaired if the SEC ceases accepting financial statements audited by Arthur Andersen or if Arthur Andersen becomes unable to make the required representations to us. Further, it is possible that events arising out of the indictment may adversely affect the ability of Arthur Andersen to satisfy any claims arising from its provision of auditing and other services to us, including claims that may arise out of Arthur Andersen's prior audit of our financial statements.

Table of Contents**KEY INFORMATION****BHP Billiton Group**

The selected consolidated financial information for the BHP Billiton Group set forth below as at and for the fiscal years ended June 30, 2002, 2001 and 2000 should be read in conjunction with, and is qualified in its entirety by reference to, the audited BHP Billiton Group Annual Financial Statements and the accompanying notes included in this annual report. The selected interim financial information for the BHP Billiton Group set forth below as at and for the six months ended December 31, 2001 and 2002 should be read in conjunction with and is qualified in its entirety by reference to the unaudited BHP Billiton Group interim financial information and the accompanying notes included in this annual report.

Consolidated Profit and Loss Account	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
(US\$ millions except per share data)					
Amounts in accordance with UK GAAP					
Group turnover total	7,071	8,079	15,906	17,789	17,415
Group turnover from continuing operations	7,071	6,926	13,562	14,771	12,744
Operating profit (including share of profit of joint ventures and associates)					
- excluding exceptional items total	1,637	1,569	3,054	3,519	2,877
- including exceptional items total	1,637	1,569	2,943	2,825	2,182
- excluding exceptional items from continuing operations	1,637	1,531	2,984	3,284	2,485
- including exceptional items from continuing operations	1,637	1,531	2,873	2,612	1,790
Net profit before minority interests					
- excluding exceptional items	948	1,220	1,981	2,214	1,764
- including exceptional items	929	1,220	1,737	1,252	1,527
Net profit attributable to members					
- excluding exceptional items	931	1,198	1,934	2,189	1,743
- including exceptional items	912	1,198	1,690	1,529	1,506
Dividends provided for or paid	434	392	784	754	788
Number of Ordinary Shares (millions) ^(a)					
- at period end	6,210	6,026	6,044	6,023	5,817
- weighted average	6,201	6,024	6,029	5,944	5,725
- weighted average diluted	6,219	6,040	6,042	5,973	5,736
Per Ordinary Share: ^(a)					
- Net profit attributable to members					
Excluding exceptional items(c)					
- Basic	US\$0.15	US\$0.20	US\$0.32	US\$0.37	US\$0.30
- Diluted	US\$0.15	US\$0.20	US\$0.32	US\$0.37	US\$0.30
Including exceptional items					
- Basic	US\$0.15	US\$0.20	US\$0.28	US\$0.26	US\$0.26
- Diluted	US\$0.15	US\$0.20	US\$0.28	US\$0.26	US\$0.26
- Dividends provided for or paid BHP Billiton Plc	US\$0.070	US\$0.065	US\$0.130	US\$0.120	US\$0.113
- Dividends provided for or paid BHP Billiton Limited	US\$0.070	US\$0.065	US\$0.130	A\$0.247	A\$0.247
Amounts in accordance with US GAAP^(d)					
Sales revenue from continuing operations	7,071	6,926	13,552	8,100	7,467

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Other income from continuing operations	91	130	321	516	268
Operating income from continuing operations	1,094	1,458	2,532	1,120	270
Net income total	725	982	1,249	882	400
Net income from continuing operations	720	937	1,513	718	257
Net (loss)/income from discontinued operations	5	45	(264)	136	143

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Consolidated Profit and Loss Account	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
Per Ordinary Share^(a):					
Net income attributable to members					
- Basic from continuing operations	US\$0.12	US\$0.16	US\$0.25	US\$0.20	US\$0.07
- Diluted from continuing operations	US\$0.12	US\$0.16	US\$0.25	US\$0.20	US\$0.07
- Basic from discontinued operations	US\$0.00	US\$0.00	US\$ (0.04)	US\$0.04	US\$0.04
- Diluted from discontinued operations	US\$0.00	US\$0.00	US\$ (0.04)	US\$0.04	US\$0.04
- Basic total	US\$0.12	US\$0.16	US\$0.21	US\$0.24	US\$0.11
- Diluted total	US\$0.12	US\$0.16	US\$0.21	US\$0.24	US\$0.11
Per ADS:					
Net income attributable to members					
- Basic total	US\$0.24	US\$0.32	US\$0.42	US\$0.48	US\$0.22
- Diluted total	US\$0.24	US\$0.32	US\$0.42	US\$0.48	US\$0.22

Balance Sheet	Six months ended December 31,		At June 30,		
	2002	2001	2002	2001	2000
(US\$ millions)					
Amounts in accordance with UK GAAP					
Total assets	26,980	27,313	29,552	28,028	27,335
Total non-current portion of interest bearing liabilities ^(b)	6,080	6,748	5,534	6,521	5,040
Contributed equity	3,511	4,817	4,895	4,791	5,356
Equity attributable to members	11,456	12,179	12,356	11,340	11,036
Amounts in accordance with US GAAP^(d)					
Total assets total	33,534	35,507	35,775	35,232	17,698
Total assets of continuing operations	33,534	32,919	33,003	32,562	13,046
Total non-current portion of interest bearing liabilities total	6,645	6,781	6,350	6,607	3,501
Total non-current portion of interest bearing liabilities of continuing operations	6,645	6,718	6,296	6,544	3,412
Equity attributable to members	16,508	17,247	17,147	16,602	6,333

- (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 and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are the BHP Billiton Limited options and partly paid shares and the BHP Billiton Plc executive share awards.

- (b) Includes limited recourse finance and finance leases not repayable within 12 months.
- (c) Whilst the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group's profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 of the BHP Billiton Group's financial statements for details of exceptional items that have been excluded.
- (d) The following US GAAP consolidated financial information for the BHP Billiton Group set forth below as at and for the years ended May 31, 1999 and 1998 has been derived from the audited consolidated financial statements, prepared in Australian dollars, of the BHP Billiton Limited Group (the predecessor to the BHP Billiton Group) and converted to US dollars from Australian dollars at US\$/A\$ rates of 0.6232 and 0.6938 for the years ended May 31, 1999 and 1998, respectively, and rates of 0.6509 and 0.6217 at May 31, 1999 and 1998, respectively.

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	Year ended May 31,	
	1999	1998
	(US\$ millions)	
Sales revenue	11,984	14,701
Net loss attributable to members	(1,165)	(407)
Per ordinary share:		
- Net loss attributable to members		
- Basic	US\$(0.33)	US\$(0.12)
- Diluted	US\$(0.33)	US\$(0.12)
- Dividends provided for or paid		
- As declared	US\$0.318	US\$0.354
- As declared, adjusted for the bonus issue	US\$0.154	US\$0.171
Per ADS:		
- Net loss attributable to members		
- Basic	US\$(0.66)	US\$(0.24)
- Diluted	US\$(0.66)	US\$(0.24)
- Dividends provided for or paid		
- As declared	US\$0.636	US\$0.708
- As declared, adjusted for the bonus issue	US\$0.308	US\$0.342

	Year ended May 31,	
	1999	1998
	(US\$ millions)	
Total assets	21,271	23,529
Total non-current portion of interest bearing liabilities	6,471	7,919
Equity attributable to members	6,509	7,787

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The selected consolidated financial information for the BHP Billiton Plc Group for the period July 1, 2000 to June 28, 2001 and the two years ended June 30, 2000 set forth below has been derived from the audited consolidated financial statements for the BHP Billiton Plc Group included in this annual report and should be read in conjunction with, and is qualified in its entirety by reference to, those financial statements, including the accompanying notes. The selected consolidated financial information for the BHP Billiton Plc Group for the year ended June 30, 1998 set forth below has been derived from the audited consolidated financial statements of the BHP Billiton Plc Group, which are not included in this annual report.

Consolidated Profit and Loss Account	Period ended	Year ended June 30,		
	June 28, 2001	2000	1999	1998
		(US\$ millions)		
<i>Amounts in Accordance with UK GAAP</i>				
Group turnover	7,333	5,550	5,174	6,060
Net profit before minority interest				
- excluding exceptional items	706	607	430	560
- including exceptional items	587	607	430	560
Net profit attributable to members of BHP Billiton Plc				
- excluding exceptional items	693	566	382	429
- including exceptional items	608	566	382	429
Dividends provided for or paid	278	232	218	225
Number of Ordinary Shares (millions)				
- at period end	2,319	2,138	2,138	2,138
- weighted average	2,255	2,076	2,108	2,105
- weighted average diluted	2,269	2,076	2,108	2,105
Per Ordinary Share ^(a) :				
- Net profit attributable to members of BHP Billiton Plc Excluding exceptionals ^(b)				
- Basic	US\$0.31	US\$0.27	US\$0.18	US\$0.20
- Diluted	US\$0.31	US\$0.27	US\$0.18	US\$0.20
Including exceptionals				
- Basic	US\$0.27	US\$0.27	US\$0.18	US\$0.20
- Diluted	US\$0.27	US\$0.27	US\$0.18	US\$0.20
Dividends provided for or paid				
- US\$ per share as declared	US\$0.120	US\$0.113	US\$0.105	US\$0.105
<i>Amounts in Accordance with US GAAP</i>				

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Sales revenue	7,333	5,550	5,174	6,060
Profit from ordinary activities before taxation and borrowing	988	927	675	1,000
Net profits, attributable to members of BHP Billiton Plc	482	528	341	433

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	Period ended	Year ended June 30,		
	June 28, 2001	2000	1999	1998
Per Ordinary Share:				
- Net profit, attributable to members				
- Basic	US\$0.21	\$0.25	\$0.16	\$0.21
- Diluted	US\$0.21	\$0.25	\$0.16	\$0.21
Dividends provided for or paid				
- US\$ per share as declared	US\$0.120	US\$0.113	US\$0.105	US\$0.105

(a) Based upon the weighted average number of shares on issue.

(b) While the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group's profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 of the BHP Billiton Group's financial statements for details of exceptional items that have been excluded.

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KEY INFORMATION

Currency of presentation

The BHP Billiton Group publishes its consolidated financial statements in US dollars. The financial statements of the BHP Billiton Plc Group included in this annual report are published in US dollars.

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The following tables set out the capitalisation of the BHP Billiton Group at December 31, 2002 and any significant events affecting our capitalisation through the date of this annual report, in accordance with UK GAAP.

There has been no material change in short and long-term debt and no material reduction in shareholders funds since December 31, 2002.

	At December 31, 2002
	Actual
	(in US\$ millions unaudited)
Amounts in Accordance with UK GAAP	
Short-term debt	1,857
Long-term debt	
Unsecured	5,568
Secured	512
Total long-term debt	6,080
Shareholders funds	
Share capital ⁽¹⁾	
- BHP Billiton Limited	1,759
- BHP Billiton Plc	1,752
Profit and loss account	7,945
Total shareholders funds	11,456
Total capitalisation	19,393
Amounts in Accordance with US GAAP	
Short-term debt	1,269
Long-term debt	
Unsecured	6,133
Secured	512
Total long-term debt	6,645
Shareholders funds	
Share capital ⁽¹⁾	

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	- BHP Billiton Limited	1,236
	- BHP Billiton Plc	7,449
	Other equity items	229
	Retained profits	7,594
		<hr/>
	Total shareholders funds	16,508
		<hr/>
	Total capitalisation	24,422
		<hr/>

(1) The amount of issued capital yet to be paid at December 31, 2002 was US\$12 million for BHP Billiton Limited and nil for BHP Billiton Plc.

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C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. 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 us.

Fluctuations in commodity prices may negatively impact the BHP Billiton Group's 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. 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 rate 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 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 for holding surplus cash. An exception to this is our borrowings denominated in South African rand, which at December 31, 2002 was 4% of our total debt on a UK GAAP basis. This view-based strategy is based on the historical depreciation of the South African rand against the US dollar and the interest rate differential between the two currencies. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits established by our Boards. Therefore, in any particular year, currency fluctuations may have a significant impact on our financial results.

Our losses due to legacy foreign currency hedging amounted to US\$95 million for the half-year ended December 31, 2002 compared with losses of US\$176 million for the half-year ended December 31, 2001, and we had losses of US\$331 million, US\$360 million and US\$175 million in the years ended June 30, 2002, 2001 and 2000, respectively.

Failure to discover new reserves or enhance existing reserves could negatively affect the BHP Billiton Group's results and financial condition

Because a substantial portion 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 and financial conditions.

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KEY INFORMATION

We may have fewer mineral 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 were 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.

Compliance with health, safety and environment regulations may impose burdensome costs

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 emission targets for developed countries ratifying the Protocol. It is uncertain at this stage how the Kyoto Protocol will affect our operations and our customers. There is a risk that the Kyoto Protocol may negatively impact our operations and our financial results. We may also be exposed to increased operational costs due to the costs and lost worker's time associated with the HIV/AIDS infection rate of our Southern African workforce. These compliance costs, litigation expenses, remediation expenses and operational costs could negatively affect our financial results.

Land tenure disputes may negatively impact the BHP Billiton Group's 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 materially and adversely 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 materially and adversely 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 operations and results

Our operations could be adversely affected by government actions such as controls on imports, exports and prices, new forms of taxation, and increased government regulation in the countries in which we operate or service customers.

Additional risks associated with emerging markets may negatively impact some of the BHP Billiton Group's operations

We operate in emerging markets which may involve additional risks that could have an adverse impact upon the profitability of an operation. Such risks could include civil unrest, nationalization, re-negotiation 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.

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We may not be able to integrate successfully our acquired businesses

We have grown our business in part through acquisitions and 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.

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 recoup 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.

Since BHP Billiton Limited and BHP Billiton Plc reside outside the United States and a substantial portion of their assets is located outside the United States, there is a risk that service of process, enforcement of judgments and bringing of original actions will be more difficult.

BHP Billiton Limited is a corporation organized under the laws of the Commonwealth of Australia. BHP Billiton Plc is a public limited company incorporated under the laws of England and Wales. Substantially all the directors and officers of these companies, and some of the experts named in this document, reside outside the United States, principally in Australia. A substantial portion of the assets of these companies, and the assets of the directors, officers and experts, is located outside the United States. Therefore, you may not be able to effect service of process within the United States upon these companies or persons so that you may enforce judgments of United States courts against them based on the civil liability provisions of the United States federal securities laws. In addition, you may have difficulty bringing an original action in an Australian or United Kingdom court to enforce liabilities against us or any person based on US federal securities laws.

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ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of BHP Billiton

Background

We are one of the world's largest diversified resources groups with a combined market capitalisation of approximately US\$35.0 billion as of December 31, 2002 and combined revenues of US\$17.8 billion for the year ended June 30, 2002. We hold industry leader or near-leader positions in a range of products, including:

world's largest exporter of energy coal;

world's largest exporter of metallurgical coal for the steel industry;

world's third largest producer of iron ore;

world's fourth largest producer of copper;

Western world's fourth largest producer of primary aluminium; and

world's largest producer of manganese, chrome and ferroalloys.

We also have substantial interests in oil, gas, liquefied natural gas, nickel, diamonds, silver and titanium minerals.

On March 19, 2001, we announced that the Directors of BHP Limited and Billiton Plc had agreed to form a Dual Listed Companies structure, to establish a diversified global resource group, to be called BHP Billiton. The implementation of the DLC structure was completed on June 29, 2001. BHP Limited changed its name to BHP Billiton Limited and Billiton Plc changed its name to BHP Billiton Plc.

BHP Billiton Limited and BHP Billiton Plc are now run by a unified Board and management team, with headquarters in Melbourne, Australia, and with a significant corporate management center in London. The existing primary listings on the London and Australian stock exchanges continue to be maintained, as is the secondary listing of BHP Billiton Plc on the Johannesburg and Paris stock exchanges and an American Depositary Receipt listing of BHP Billiton Limited on the New York Stock Exchange.

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

The shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions on matters affecting the combined group through a procedure in which the shareholders of both companies have equal voting rights per share. Accordingly, shareholders of BHP Billiton Limited and BHP Billiton Plc effectively have an interest in a single group combining all of the assets of both companies with a unified Board of Directors and management. Should any future corporate action benefit shareholders in only one of the two companies, an appropriate action will be taken to ensure parity between BHP Billiton Limited and BHP Billiton Plc shares.

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We have grouped our major operating assets into the following customer sector groups:

Aluminium (aluminium and alumina);

Base Metals (copper, silver, zinc and lead);

Carbon Steel Materials (metallurgical coal, iron ore and manganese);

Stainless Steel Materials (chrome, nickel and ferroalloys);

Energy Coal (energy coal);

Diamonds and Specialty Products; and

Petroleum (oil, gas and liquefied natural gas).

The table below sets forth the contribution to combined turnover and profit (before tax) of each of these customer sector groups for the three years ended June 30, 2002 and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30		
	2002	2001	2002	2001	2000
	(US\$ millions)				
Group including share of joint ventures and associates					
Aluminium	1,535	1,371	2,857	2,971	2,357
Base metals	897	817	1,821	1,719	1,933
Carbon steel materials	1,747	1,660	3,306	3,349	2,826
Stainless steel materials	491	449	868	994	1,156
Energy coal	947	1,045	1,919	1,982	1,597
Diamonds and Specialty Products	716	752	1,480	1,318	500
Petroleum	1,511	1,434	2,815	3,361	2,971
Steel (discontinued operations) ⁽¹⁾		1,245	2,550	3,214	4,889
Group and unallocated ⁽¹⁾	424	378	730	755	833
Intersegment	(220)	(257)	(568)	(584)	(660)
Total	8,048	8,894	17,778	19,079	18,402

Table of Contents**INFORMATION ON THE COMPANY**

	Profit before tax				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US\$ millions)				
Group including share of joint ventures and associates					
Aluminium	266	191	492	523	438
Base metals	83	69	200	462	465
Carbon steel materials	506	565	1,084	918	548
Stainless steel materials	61	(36)	3	72	204
Energy coal	124	350	536	382	137
Diamonds and Specialty Products	150	138	272	188	167
Petroleum	660	576	1,073	1,407	1,061
Steel (discontinued operations) ⁽¹⁾		55	86	240	396
Group and unallocated ⁽¹⁾	(191)	(257)	(558)	(565)	(389)
Exceptional Items	(19)		(212)	(1,088)	(760)
Net interest	(245)	(29)	(249)	(476)	(489)
Total	1,395	1,622	2,727	2,063	1,778

(1) The Group's Steel business was demerged in July 2002 and is disclosed as discontinued operations. Comparatives have been stated accordingly.

The table below sets forth the contribution to combined turnover and net profit (before tax and net interest) by geographic origin for the three years ended June 30, 2002, and for the six months ended December 31, 2002 and 2001.

	Turnover				
	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US\$ millions)				
Geographic origin					
Australia	3,048	2,925	5,842	5,854	4,887
Europe	1,046	1,052	2,049	1,907	1,147
North America	1,011	1,072	2,143	1,909	1,264
South America	1,228	1,031	2,255	2,350	2,078
Southern Africa	1,503	1,340	2,696	3,107	3,319
Rest of World	212	229	243	738	818

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Discontinued operations ⁽¹⁾		1,245	2,550	3,214	4,889
Total	8,048	8,894	17,778	19,079	18,402

Table of Contents**INFORMATION ON THE COMPANY****Profit before tax and net interest**

	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US\$ millions)				
Geographic origin					
Australia	930	872	1,655	1,456	447
Europe	108	115	127	191	265
North America	85	66	22	127	133
South America	216	128	301	444	644
Southern Africa	323	339	712	498	483
Rest of World	(3)	76	73	(395)	52
Discontinued operations ⁽¹⁾	(19)	55	86	218	243
Total	1,640	1,651	2,976	2,539	2,267

(1) The Group's Steel business was demerged in July 2002 and is disclosed as discontinued operations. Comparatives have been stated accordingly.

The table below sets forth the analysis of combined turnover by geographic market for the three years ended June 30, 2002, and for the six months ended December 31, 2002 and 2001, and for the six months ended December 31, 2002 and 2001.

Turnover

	Six months ended December 31,		Year ended June 30,		
	2002	2001	2002	2001	2000
	(US\$ millions)				
Geographic market					
Australia	935	670	1,618	1,434	1,220
Europe	2,272	2,198	4,295	4,139	3,130
Japan	1,087	997	2,078	2,531	2,270
South Korea	585	428	1,068	906	954
Other Asia	958	1,121	1,830	1,857	1,691
North America	1,295	1,250	2,344	2,603	1,994
Southern Africa	418	407	1,239	1,159	1,337
Rest of World	498	578	756	1,236	917
Discontinued operations ⁽¹⁾		1,245	2,550	3,214	4,889
Total	8,048	8,894	17,778	19,079	18,402

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(1) The Group's Steel business was demerged in July 2002 and is disclosed as discontinued operations. Comparatives have been stated accordingly.

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 June 30, 2002. All tonnes and grade information has been estimated more precisely than the rounded numbers that are reported, hence small differences may be present in the totals.

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As the reported reserves contained in this annual report have been reported based on historical average commodity prices in accordance with Industry Guide 7, they 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, September 1999 (the JORC Code), which contemplates the use of reasonable investment assumptions in calculating reserve estimates.

Reserves are estimated based on prices reflecting current economic conditions determined by reference to the three year historical average for each commodity. The prices used to estimate the reserves contained in this annual report are as follows:

	<u>Price</u>
Copper	\$0.75/lb
Zinc	\$0.45/lb
Nickel	\$2.92/lb
Aluminium (used for Alumina)	\$1,477/t
Silver	\$4.45/oz
Lead	\$0.22/lb

Contractual commitments for capital expenditure outstanding at June 30, 2002 amounted to US\$1.6 billion. These commitments relate mainly to Petroleum in connection with developments in Algeria (US\$0.3 billion), Gulf of Mexico (US\$0.2 billion), North West Shelf (US\$0.1 billion), and Minerva (US\$0.1 billion); Aluminium in connection with Hillside 3 (US\$0.2 billion) and Mozal II (US\$0.1 billion); Base Metals in connection with Escondida Phase IV (US\$0.1 billion); Energy coal in connection with Mount Arthur North (US\$0.1 billion); and Carbon Steel Materials in relation to Mining Area C (US\$0.1 billion). Of the total of US\$1.6 billion, US\$1.3 billion is expected to be expended in the year ending June 30, 2003. We expect that these contractual commitments for expenditure, together with other expenditure and liquidity requirements, will be met from internal cash flow and, to the extent necessary, from external sources.

Capital expenditures and financial investment totalled US\$2,621 million in 2001-2002, a US\$1,014 million decrease compared with 2000-2001. Expenditure on growth projects amounted to US\$1,590 million, including Escondida Phase IV, the ROD oil and Ohanet wet gas projects in Algeria, Mozal II and Petroleum projects in the Gulf of Mexico. Maintenance capital expenditure was US\$891 million. Exploration expenditure was US\$390 million in 2001-2002, an increase of US\$49 million, compared with 2000-2001. Capital expenditures and financial investment totalled US\$1,200 million in the six months end December 31, 2002, a US\$92 million increase compared to the six months ended December 31, 2001. Expenditure on growth projects and investments was US\$1,020 million including Petroleum projects in the Gulf of Mexico, the Mt Arthur North energy coal project in Australia, the ROD oil and Ohanet wet gas projects in Algeria, the Mining Area C, Yandi and Part and Capacity Expansion (PACE) iron ore projects in Australia, the Hillside 3 expansion in South Africa and the Mozal II expansion in Mozambique. Maintenance capital expenditure was US\$248 million and exploration expenditure was US\$130 million.

During 2001-2002, we committed approximately US\$2.5 billion to new significant growth projects, including: US\$790 million on Gulf of Mexico oil and gas developments (Maddog, Atlantis and the transportation system); US\$123 million on the Minerva gas field and US\$50 million on the Bream Gas Pipeline (Petroleum); US\$449 million on the Hillside 3 expansion (Aluminium); US\$411 million on Mount Arthur North (Energy Coal); US\$480 million on the Mining Area C and Port Capacity expansion projects and US\$170 million on the Dendrobium metallurgical coal mine (Carbon Steel Materials). During the six months ended December 31, 2002, we did not commit to any new significant growth projects.

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INFORMATION ON THE COMPANY

B. Business Overview

Aluminium

Our Aluminium customer sector group is principally involved in the production of aluminium and alumina. The map below sets forth the geographic locations of our key aluminium assets.

WORLD MAP ALUMINIUM

Hillside

We own the Hillside aluminium smelter, which we commissioned between July 1995 and June 1996. Hillside is located in Richards Bay, 200 kilometers north of Durban, KwaZulu-Natal, South Africa. Hillside currently produces approximately 500,000 tonnes of aluminium per year using the Aluminium Pechiney AP30 technology. In February 2002, the Board of Directors approved an increase in Hillside's production capacity by adding a third (half-size) potline, which is expected to add a further 132,000 tonnes per annum of primary aluminium capacity. The cost of this expansion is estimated at US\$449 million with full production expected for mid-2004.

We mostly produce primary aluminium. We sell most of our primary aluminium in standard ingot form, principally to export markets in the Far East, Northern Europe and the United States. We also sell aluminium in liquid metal form to our Bayside operations, which casts it into products for the manufacture of aluminium value-added products such as alloy wheels.

We own all of Hillside's property, plant and equipment, including the land on which it is located. In addition, we own silos, buildings and overland conveyors at Richards Bay Port which sit on leased land. Our lease is for ten years, which expires in 2009 and we have extension options. We have to reline the pots we use in our reduction process every five to six years. Our first relining cycle at Hillside is complete.

The principal raw materials required for our aluminium production operations at Hillside are alumina, petroleum coke, liquid pitch and electricity. Alumina requirements are sourced 50% from our Worsley business and 50% from Alcoa. We import approximately 195,000 tonnes per year of calcined petroleum coke from American suppliers and approximately 45,000 tonnes of liquid pitch each year primarily from Deza and D.C. Chemicals. We purchase our electricity from Eskom, the local state-owned power generation company under a long-term contract with pricing linked to the aluminium price on the London Metal Exchange.

Bayside

We own the Bayside aluminium smelter, which was commissioned in 1971. Bayside is located at Richards Bay, KwaZulu Natal, South Africa. Bayside currently produces approximately 180,000 tonnes of aluminium per year. We have upgraded our smelter to bring its air emissions within our permit limits set for 2003. The smelter uses Alusuisse pre-bake and Soderberg self-bake technologies.

We generate approximately 85% of our sales revenue from the domestic market, which consists of South Africa and the surrounding countries. Our main products include wheel rim alloy, for use in the manufacturing of vehicle rims, extrusion billets, for use in the building industry, rods, for use mainly as electrical cables, and rolling ingot, for use mainly in the production of aluminium sheeting.

The principal raw materials required for our aluminium production at Bayside are alumina, petroleum coke, liquid pitch and electricity. Our alumina is sourced approximately 50% from Worsley and 50% from Alcoa. We purchase approximately 70,000 tonnes per year of calcined

petroleum coke from American suppliers. We purchase most of our

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liquid pitch requirements from Suprachim (Pty) Ltd and we purchase our electricity from Eskom under a power supply agreement which links the cost of electricity to the aluminium price on the London Metal Exchange.

Mozal

We own a 47% interest in the Mozal aluminium smelter, which was commissioned in June 2000. The remaining interest in Mozal is owned by Mitsubishi, which owns a 25% interest, Industrial Development Company of South Africa Limited, which owns a 24% interest, and the government of Mozambique, which owns a 4% interest. The smelter is located in southern Mozambique, on the east coast of Southern Africa, 17 kilometers from Maputo. It is located approximately 5 kilometers from the nearest port facilities. The smelter uses the Aluminium Pechiney AP30 technology.

Mozal produced its first metal in June 2000 and has a nameplate design capacity of 250,000 tonnes per year. Our share of production for 2001-2002 was 127,000 tonnes. The joint venture has approved an increase in Mozal's production capacity by adding a second potline, which is expected to double Mozal's production capacity. The cost of this expansion is estimated at US\$860 million. Under the project agreements relating to this expansion, it is intended that the ownership interest in this expansion will remain the same as the current ownership in Mozal.

The joint venture produces standard ingot. Based on our ownership interest, we are allocated 47% of Mozal's total production. We export most of our share of Mozal's production to Europe.

The principal raw materials required for the aluminium production operations at Mozal are alumina, petroleum coke, liquid pitch and electricity. We furnish approximately 480,000 tonnes of alumina per year to Mozal, which represents its entire alumina requirements. We purchase most of our petroleum coke requirements from American suppliers. The joint venture purchases its electricity from the South African grid from Motraco, a joint venture between Eletricidade de Mozambique, Eskom and the Swaziland Electricity Board, under a power supply agreement which in the first 12 years is at a fixed tariff and thereafter is linked to the aluminium price on the London Metal Exchange.

Worsley

We increased our interest in the Worsley joint venture from 30% to 86% in January 2001. The Worsley joint venture is an integrated bauxite mining and alumina refining operation located in Western Australia. The other participants in the venture are Nissho Iwai Alumina Pty. Limited, which owns a 4% interest, and Kobe Alumina Associates (Australia) Pty Limited, which owns a 10% interest. The refinery is located approximately 55 kilometers southwest of Bunbury and the bauxite mining operation is linked to the refinery via a 51 kilometers overland conveyor.

The mine produces approximately 11 million tonnes of bauxite per year from extensive near surface deposits. The venture operates its mine on a 2,600 square kilometer mining lease. The joint venture was granted an initial 21-year lease by the government of Western Australia in 1983, with two 21-year renewal options. The joint venture may also benefit from a third 21-year renewal under renegotiated terms. At current production rates, the venture expects the mining life of the reserves at Worsley to be approximately 30 years.

The refinery, utilizing the Bayer process, currently produces approximately 3.1 million tonnes of alumina per year, having reached this design output in April 2001 following the completion of a major expansion. The joint venture produces mostly metallurgical grade alumina, which is used as feedstock for aluminium smelting. Our share of alumina production at the refinery is approximately 2.7 million tonnes per year. Our alumina is railed to a shared berth facility at the port of Bunbury, and dispatched from there by ship directly to end-use customers.

The principal raw materials required for alumina production at Worsley, apart from bauxite, are caustic soda and coal for the power station. We currently source our caustic soda requirements from the Middle East and Japan. Supply agreements are usually negotiated for periods of two to three years, with pricing linked to industry published data as opposed to fixed prices. The power and steam needed by the refinery is provided by a venture owned onsite coal fired

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power station and a non-venture owned onsite gas fired power station. Coal for the power station is supplied from the nearby Collie colliery under a medium term contract at competitive rates.

Suriname

We own a 76% interest in a mining joint venture with Suriname Aluminium Company, L.L.C. (Suralco), a subsidiary of Alcoa. We are the operator of the joint venture. We also own a 45% interest in a refining joint venture with Suralco, in which Suralco is the operator. Both are unincorporated joint ventures.

The mining joint venture exploits the Lelydorp deposit, an open pit mine located in the coastal plain of Suriname, approximately 25 kilometers south of Paramaribo. The mining joint venture produces metallurgical grade bauxite, which is processed by the refining joint venture's alumina plant at Paranam, located 17 kilometers east of the Lelydorp III mine. The Lelydorp deposit has a nominal production capacity of 2.25 million tonnes per annum. The refining joint venture owns and operates port facilities located at Paranam, at the Suriname River. Alumina exports take place from the Paranam port.

Suralco holds the exploitation license to the Lelydorp III mine, and has made it available to the mining joint venture. The Lelydorp III bauxite reserves are expected to be depleted by 2007. We hold exploitation licenses with respect to the Para and Kankantrie deposits. These deposits are being reevaluated as the bauxite remnants at these earlier mined deposits could potentially provide additional bauxite supply to the refinery. In addition to these exploitation licenses, we hold title to 70,123 acres of terrain under three exploration licenses. Our exploration licenses expired in 2001. An extension has been filed with the relevant authorities and we are awaiting approval. In the meantime, exploration is continuing. We hold an option on two two-year renewals of these licenses provided the terrain is reduced by 25% for each two-year period and that our planned exploration expenditures are met.

The mining joint venture completed its engineering study and development plans for Lelydorp III in 1993, after which time it started developing the mine. The development was completed in 1997. The mining joint venture's stripping and mining equipment, excavator and conveying system and dragline are all in good condition. The stripping equipment is powered by electricity. Suralco supplies the mine with electricity.

The refining joint venture's alumina plant is a low temperature plant which uses standard Bayer plant technology. We deliver our share of the mining joint venture bauxite to the refinery and Suralco supplements its share of the mining joint venture bauxite, with material from its own mine in eastern Suriname. The refinery produces approximately 1.9 million tonnes of alumina per year. Our share was 850,000 tonnes in 2001-2002.

All alumina produced is exported to Europe. The refinery has three thermal generators, which provide the steam necessary for the process and the electricity supplementary to the hydro electric energy provided by Suralco. The generators are run on fuel oil supplied by the local state oil company. Caustic soda used in the refinery process is imported from the United States.

Alumar

The Alumar Consortium (Alumar) is an unincorporated joint venture comprised of an alumina refinery, an aluminium smelter and support facilities. We own a 46.3% interest in the aluminium smelter and Alcoa Aluminio S.A. (Alcoa) owns the remaining 53.7%. We own a 36% interest in the alumina refinery, an affiliate of Alcan Aluminium Limited (Alcan) owns 10%, Alcoa owns 35.1% and Abalco S.A. (owned 60% by Alcoa and 40% by Alumina Limited) owns the remaining 18.9%. The alumina and aluminium plants are integrated, located in the industrial district of São Luís, the capital of the state of Maranhão, in northern Brazil.

Total annual smelter production, using Alcoa technology, is approximately 370,000 tonnes of aluminium per year. Alumina arrives by conveyor from the adjoining refinery and electricity generated at the Tucuruí hydroelectric dam arrives via two transmission lines. We purchase our electric power requirements from Central Electricas de Norte under a long-

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term contract that will expire in 2004. Most of the production is standard ingots and we sell a quarter of our share of the ingots to domestic customers with the balance sold on the export market.

The refinery began production in 1984. Subsequently it has been expanded several times. Total production has now reached approximately 1.3 million tonnes per year. The required raw materials, caustic soda, coal, and bauxite, are delivered by ship to the Alumar port. Our share of the alumina is allocated to the Alumar smelter and to the Valesul smelter. Approximately 10% of our production share is sold on the export market.

We own 14.8% of Mineraçao Rio Norte S.A. (MRN), a Brazilian mining company jointly owned by affiliates of Alcoa, Alcan, Companhia Brasileira de Alumínio, Companhia Vale do Rio Doce (CVRD) and Norsk Hydro. MRN was incorporated and began its operations in 1967. MRN extracts, processes and supplies bauxite to the Alumar refinery under a long-term contract. In March 2000, the MRN board approved a US\$220 million expansion of bauxite mining production from 11 million tonnes to 16.3 million tonnes per annum. The additional production started at the beginning of 2003. Currently, MRN has estimated reserves that would allow it to produce 16.3 million tonnes of bauxite per annum for approximately 10 years. The mine is actively pursuing an evaluation program of bauxite plateaus within the remaining lease area to establish the overall life of the project. MRN holds valid mining rights to all its reserves until exhaustion of the reserves.

During 2001-2002, we joined two consortia with the objective of participating in auctions being held by the Brazilian Electricity Regulatory Agency for concession to build and operate a series of proposed Hydropower Plants. The first is a consortium made up of affiliates of Alcoa, CRVD, Companhia Brasileira de Alumínio and Camargo Correa Energia S.A. We own a 20.6% interest in this consortium. In the past year the consortium won the auction for the Santa Isabel Baixa concession and has recently signed the concession contract. Our partners in the second consortium are affiliates of Alcoa, CRVD, Tractebel and Camargo Correa Energia S.A. We own a 16.5% interest in this consortium. This consortium won the auction for the Estreito concession in July 2002 and the Estreito concession contract was signed in December 2002. We intend to participate in further auctions.

Valesul Alumínio SA

We own a 45.5% joint venture interest in Valesul Alumínio SA, an aluminium smelter located in Rio de Janeiro, Brazil. The balance is held by the CVRD group. The port of Sepetiba is less than 40 kilometers away and the Port of Rio de Janeiro is less than 60 kilometers away.

Valesul began production in 1981. It currently produces approximately 93,000 tonnes of aluminium per year based on P19 Reynolds technology. The Valesul cast house can supply a wide range of aluminium products for the extrusion, cable and automotive industries. The vast majority of alloys, ingots and billets are sold domestically to independent fabricators. A small portion is exported. With respect to required raw materials, alumina arrives by ship while petroleum coke and liquid pitch arrive by truck. Valesul owns four small hydroelectric stations and has an 8% effective participation in the Maesa hydroelectric consortium which operates the Machadinho hydroelectric plant. Since Machadinho reached full operation in July 2002, Valesul only draws power from the grid outside of the peak power period.

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The table below details our bauxite-ore reserves in metric tonnes, and are presented in 100% terms as estimated at June 30, 2002.

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

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

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

- (4) Third party reserve audits have not been conducted on our reserves for purposes of this annual report.
- (5) Worsley Alumina Pty Ltd (Worsley) and Lelydorp reserve tonnages are quoted on a dry basis.
- (6) Mineracao Rio de Norte washed reserve tonnages and grades are quoted on a nominal 5% moisture content basis.
- (7) Aluminium price used to test the economic viability of the ore reserves is US\$1,477 per tonne.

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The table below details our alumina and aluminium production for the three years ended June 30, 2002 and the six months ended December 31, 2001 and 2002. Production data shown is our share unless otherwise stated.

BHP Billiton Group Share of Production						
BHP Billiton Group Interest	Six months ended December 31,		Year ended June 30,			
	2002	2001	2002	2001	2000	
(thousands of tonnes)						
Alumina⁽¹⁾						
- Worsley ⁽²⁾	86%	1,360	1,333	2,696	1,632	592
- Suriname	45%	434	428	850	852	857
- Alumar	36%	235	168	396	454	429
Total		2,029	1,929	3,942	2,938	1,878
Aluminium⁽¹⁾						
- Hillside	100%	269	242	502	498	494
- Bayside	100%	91	89	174	178	177
- Mozal ⁽³⁾	47%	64	64	127	93	
- Alumar	46.3%	88	67	152	172	171
- Valesul	45.5%	22	17	37	43	41
Total		534	479	992	984	883

(1) These were operations of the BHP Billiton Plc Group prior to the DLC merger with the BHP Billiton Limited Group on June 29, 2001.

(2) Our interest in Worsley increased from 30% to 86% effective January 2001.

(3) Mozal produced its first metal in June 2000 and achieved full commissioning of its 250,000 tonnes per annum capacity in December 2000.

Regulatory and Fiscal Terms*Australia - Western Australia*

In Western Australia, minerals in the ground belong to the government, and rights to mine are granted by the state. The Worsley joint venture operates under a State Agreement made under the Alumina Refinery (Worsley) Agreement Act 1973 (as amended). The Worsley joint venturers are permitted, under the State Agreement, to explore for and mine bauxite and to refine it into alumina.

South African Mining Charter

For a discussion of the South African mining charter you should see [Business Description](#) [Carbon Steel Materials](#) [Regulatory and Fiscal Terms](#) [South African Mining Charter](#) .

Market Conditions

At the beginning of calendar 2003 the aluminium market remained in surplus, which has been reflected in a weak LME aluminium price generally within the range \$1,300-1,400/t. A number of credible market estimates of the 2003 primary aluminium surplus fall within the range of 0.5-1.0mt.

Surpluses remain despite some favourable demand and supply factors. There has been a reasonable year-on-year recovery in consumption in the key economies of the US, Europe and Japan, albeit from very weak levels, and strong

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Chinese consumption. Supply remains substantially curtailed in the Pacific North West of the US. In addition, modest production cutbacks are in place in China, New Zealand and Europe due to low rainfall leading to increased power prices.

The aluminium market looks set to remain in oversupply for the remainder of 2003 and also in 2004. Chinese primary aluminium capacity growth should continue unabated, despite the hitherto modest effect of regional power shortages and rising alumina prices. Despite its strong ongoing consumption growth, China is likely to continue its transition to a large net aluminium exporter in the ensuing years.

In contrast to primary aluminium, the smelter grade alumina market has shown significant improvement in the past 6-months. The Metal Bulletin spot alumina price has risen from US\$145/t at the end of September 2002 to US\$245/t in mid-March 2003. Many of the fundamental factors that have led to a weak aluminium market are correspondingly favourable for alumina. The strong growth in both Chinese and non-Chinese aluminium capacity growth translates directly into improved demand for alumina. This spot price development should progressively be reflected in the pricing of longer-term contracts.

Alumina industry capacity utilisation has risen almost to its limit. Some idle high cost refining capacity might remain idled due to specific local cost factors.

The diverging prospects for aluminium and alumina reflect their different industry structures and underlying economics.

Base metals

Our Base Metals customer sector group is comprised of our assets and interests in copper, lead, zinc, silver, gold and uranium. We provide base metals concentrates to smelters worldwide and copper cathodes to rod and brass mills and casting plants. The map below sets forth the geographic locations of Base Metals key assets.

WORLD MAP BASE METALS

Copper

We are one of the world's top four producers of copper. The Escondida mine is the world's largest and one of the lowest-cost sources of copper. Our other key copper assets include the Cerro Colorado mine in northern Chile, the Tintaya and Antamina operations in Peru, and Alumbra operation in Argentina. We also have a number of greenfield and brownfield expansion opportunities.

In December 2002, we announced we would continue our program of demand-based production in the Base Metals Group originally announced in November 2001. During calendar year 2003, we will target an annualized production rate of 1.05 million tonnes of copper at our Escondida mine (150,000 tonnes of cathode and 900,000 tonnes of copper contained in concentrate), and 34,000 tonnes of cathode at our Tintaya mine. We will continue to maintain our Pinto Valley and Robinson mines in the Southwest United States on standby status. As a consequence, we should produce 390,000 tonnes of copper (305,000 tonnes representing our share) below installed capacity in calendar year 2003 on an annualized basis. Production from our other copper mines are not planned to be affected.

Escondida

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We hold a 57.5% interest in Escondida, an open-pit copper mine accessible by road and located in northern Chile's Atacama Desert, at an altitude of approximately 3,100 meters, 160 kilometers southeast of the port city of Antofagasta. The other owners are affiliates of Rio Tinto plc, which hold a 30% interest, JECO which holds a 10% interest, (Mitsubishi Corporation, 7%, Mitsubishi Materials Corporation, 1%, Nippon Mining and Metals Company Limited, 2%), and the International Finance Corporation, which holds a 2.5% interest.

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Escondida has committed its forecast annual concentrate production under long-term sales contracts ranging in duration from 5 to 10 years. Expiration of these contracts varies from contract to contract with the earliest being at the end of calendar 2003 and the latest in 2012. Forecast production is fully committed (though not 100% priced) through the end of calendar year 2004, under long-term contract arrangements. Approximately 70% of annual cathode production is sold under annual contracts to end-users and traders located primarily in Europe, the Far East and Brazil and the remainder of production is sold on a spot basis.

Original construction of the operation was completed in 1990 at a cost of US\$836 million and the project has since undergone three phases of expansions and additions at an additional cost of US\$1,181 million plus US\$451 million for the construction of an oxide plant. The operation has two conventional processing streams, with high quality copper concentrate being extracted from sulphide ore through a flotation extraction process and pure copper cathode obtained in a plant applying leaching and subsequent solvent extraction and electro-winning to oxide ores. An open pit mine services both operations, with a current total movement of approximately 310 million tonnes of material each year, while dedicated pipeline and port facilities as well as a private railway are used to transport output.

Escondida's past annual production has exceeded 900,000 tonnes of copper contained in concentrate and cathode. However, the total production for 2001-2002 was 762,000 tonnes due to the lower grade ore being fed to the concentrator and as a result of the curtailment in production described below. The average grade of these ores is expected to be approximately 1.6% of contained copper in 2004, before declining further after 2008. Based on a current ore feed grade of 1.6% of contained copper, the existing mine equipment and mill facilities are expected to produce 2.1 million tonnes of concentrate in 2002-2003, containing approximately 770,000 tonnes of copper. The oxide leach plant, commissioned December 1, 1998, and debottlenecked in 2001, has an annual capacity of 150,000 tonnes of copper cathode.

As ore grades decline further, annual copper production in concentrate was expected to decrease to below 600,000 tonnes. The Phase IV expansion is expected to offset this decrease by increasing production capacity of the operation to over 1 million tonnes of copper contained in concentrate beginning in 2003. Development works for the project commenced in late 2000. The Phase IV expansion is budgeted at a total cost of US\$1,045 million. The funding for the Phase IV expansion has been completed through a non-recourse syndicated bank loan, two non-recourse export credit agency loans and a subordinated shareholder loan.

The Phase IV Expansion Project consists of the following equipment and facilities, some of which will be integrated with the existing operations:

a new in-pit ore crusher and conveyor to a new concentrator, which is planned to expand concentrating capacity by 110,000 tonnes per day to 235,000 tonnes per day;

a new concentrate slurry pipeline from the new concentrator to the existing concentrator and refurbishment of an existing pipeline to the port at Coloso;

additional concentrate filtration and storage capacity at Coloso;

increases to the mining fleet to conduct the mining and related materials movements necessary to supply ore feed to the new Phase IV plant;

modifications to the Coloso port facilities; and

a new tailings disposal site.

The plant commenced commissioning in September 2002. The plant is projected to ramp-up to full capacity of 110,000 tonnes per day in the second half of 2002-2003. The estimated remaining mine life after the completion of the Phase IV Expansion Project is in excess of 20 years.

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Escondida is a large porphyry copper deposit with current mine dimensions of 2.2 kilometers in an east-west direction, 3.2 kilometers in a north-south direction and a depth of 464 meters. The ultimate pit limits are estimated to be 3.5 kilometers by 4.8 kilometers, with a depth of 750 meters.

Escondida has the right of indefinite exploitation (mining) concessions for the mining of the Escondida ore body as well as exploration rights for some territory surrounding the existing operation. Exploitation concessions allow the concession holder to mine the area indefinitely contingent upon the annual payment of corresponding license fees.

Separate transmission circuits provide power for the Escondida mine complex. 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 three contracts with local generating companies, Norgener and Nopel.

On November 8, 2001, Escondida announced its decision to temporarily reduce copper production at Escondida by 80,000 tonnes per annum, effective as of that date. This decision was taken in response to the serious fall in demand for copper, arising from unfavourable global economic conditions. In May 2002, Escondida decided to continue these cuts in production until the end of 2002. In December 2002, it was announced that Escondida will operate at a production level of 1.05 million tonnes of copper during calendar 2003, approximately 200,000 tonnes below its installed production capacity of 1.25 million tonnes. This is being achieved through the combination of mining lower grade ores and maintenance shutdowns in the older Los Colorados concentrator facility. The ramp up of the Phase IV Expansion facility is continuing as planned.

Tintaya

Tintaya is an open-pit copper mine located in the Andes at an altitude of approximately 4,000 meters in southern Peru. We hold a 99.9% interest in Tintaya and the remaining interest is held by Peruvian shareholders. The mine site is accessible by road and is located near a public daylight airstrip that we maintain. The deposit is a copper gold skarn system associated with a low grade porphyry copper body and is approximately 3 kilometers long by 2.5 kilometers wide. We hold mining rights over 3,600 hectares and surface rights over 4,097 hectares on which the Tintaya mine and operations are located. These rights can be held indefinitely. Mine operations consist of conventional truck and shovel operations from multiple pit locations. Electricity for the Tintaya operations is sourced from the Peruvian power grid and supplied under contract with two Peruvian power companies.

Production commenced in 1984 and currently consists of a conventional flotation extraction process producing copper in concentrate from sulphide ore. Tintaya's total annual production capacity is 90,000 tonnes of copper contained in concentrate along with gold and silver credits. An acid leach plant for oxide ore commenced commercial operation in June 2002 and is designed to produce 34,000 tonnes of copper cathode per year. This plant is projected to increase production to 40,000 tonnes of copper cathode per year. We expect annual production to remain stable until 2010 and then decrease as sulphide ore mining ceases and low grade stockpiles are processed to the end of the life of the mine, which we estimate will be in 2012-2014. As part of our work to improve mining operation efficiencies, we have moved the majority of the Robinson Mine equipment fleet to Tintaya. This equipment is now assembled at Tintaya replacing the old mining fleet.

In January 2002, we temporarily curtailed all copper concentrate production at Tintaya. This decision was taken in response to the fall in demand for copper, arising from unfavorable global economic conditions. This decision was reviewed in April 2002 and the decision was made to continue with the suspension of concentrate operations until the market improves. Tintaya Copper operations will remain on standby until at least mid-2003. Operation of the oxide leach plant is continuing as planned.

All copper cathode production is committed for sale to BMAG, a marketing and sales company, which is one of our subsidiaries.

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Cerro Colorado

Cerro Colorado is wholly-owned through our subsidiary, Rio Algom Limited. It is an open-pit copper mine located in the Atacama Desert at an altitude of 2,600 meters, approximately 125 kilometers by road, east of Iquique, Chile. Cerro Colorado holds mineral rights over 16,664 hectares and surface rights over approximately 1,305 hectares on which the plant is located. These rights can be held indefinitely. We operate the mine.

At Cerro Colorado, we produce finished cathode copper by crushing, agglomeration and heap leaching followed by a solvent extraction-electrowinning process. The electrowinning process produces copper cathode.

We source water requirements from an underground aquifer at Pampa Lagunillas, the rights to which we hold by grant from the state. Two suppliers under long-term contracts supply power to the facilities through the northern Chile power grid.

Rio Algom completed construction of the facilities in 1994 at a total cost of US\$287 million and began commercial production in June 1994. Rio Algom completed an expansion of annual production capacity to 60,000 tonnes in 1995 at a cost of US\$49 million and in 1998, Rio Algom completed the second expansion of Cerro Colorado at a cost of US\$214 million increasing the mine's annual production to a nominal 100,000 tonnes of refined copper.

The Cerro Colorado deposit is approximately 2 kilometers long east-west and 1.5 kilometers wide north-south. Two main zones are present. Mineralization is from 50 meters to 250 meters thick and is covered with 50 meters to 150 meters of leached cap and post-mineral rocks. The east deposit contains multiple layers of oxide and sulphide mineralization with complex shapes. The west deposit generally consists of one oxide layer overlying one sulphide layer, but locally exhibits some of the complexities present in the east deposit.

We are implementing plant modifications at Cerro Colorado which include increases in the mine's crushing capacity, leach pad area and mine fleet in order to maintain annual production capacity at a level of 120,000 tonnes per year for the next five years. The estimated cost of the modifications is US\$15.6 million. With these modifications, we estimate that the remaining mine life will be 14 years.

Under current sales contracts that expire December 31, 2008, we are committed to deliver a total of 60,000 tonnes of cathode copper annually to two customers, one in Japan and the other in Germany. We sell the remaining production under annual and spot contracts to various international purchasers. Prices under all contracts are based on the monthly average London Metal Exchange cash settlement price in or around the month of delivery.

In May 1999, the London Metal Exchange approved the registration of Cerro Colorado cathodes. The London Metal Exchange registration enables Cerro Colorado to obtain full premium on its sales and to deliver copper directly to London Metal Exchange warehouses. The New York Commodity Exchange approved the Cerro Colorado cathodes in 2001.

Alumbraera

Through Rio Algom we hold 50% and Rio Tinto holds the other 50% interest in Musto Explorations (Bermuda) Limited, which itself holds a 50% interest in Minera Alumbraera Limited. M.I.M. Holdings Limited holds the remaining 50% interest in Minera Alumbraera Limited. Rio Tinto announced on January 15, 2003 that it had signed a non-binding letter of intent under which Rio Tinto would sell its 25 per cent interest in Minera Alumbraera Limited, Argentina to Wheaton River Minerals Ltd.

We have an effective 25% interest in Minera Alumbraera Limited, the company responsible for developing and operating the Alumbraera project. The Alumbraera mine is located in the Province of Catamarca, in the Argentine Andes at an altitude of 2,600 meters, approximately 1,100 kilometers northwest of Buenos Aires, 60 kilometers northwest of

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Andalgalá and 100 kilometers northeast of Belén. It is accessible by road or by propeller aircraft using an airstrip which was constructed for the project at Campo del Arenal, approximately 35 kilometers from the mine. The Alumbreira deposit lies below a bowl-shaped depression, 1,900 meters long in the northeast-southwest direction and 1,200 meters in the northwest-southeast direction.

Minera Alumbreira is responsible for developing and operating the Alumbreira project pursuant to an agreement with Yacimientos Mineros de Agua de Dionisio, the owner of the 600-hectare property over which Minera Alumbreira holds exploitation rights. The term of the agreement coincides with the useful life of the deposit. Yacimientos is entitled to a 20% net profits interest, after cost recovery, in the Alumbreira project. The Province of Catamarca is entitled to a 3% royalty on the value of production after deducting all processing costs, excluding mining costs, and transportation charges. Surface rights are held in fee simple and by legal easements, private easements and usufructs.

Minera Alumbreira substantially completed construction of the project in 1997 and the first concentrate shipment took place in October 1997. The operation attained commercial production on February 1, 1998. Total project costs were US\$1.2 billion. Ore from the open-pit is crushed and ground, with copper-gold concentrate produced by the flotation process. Some free gold is recovered by gravity methods to produce gold doré, which contains approximately 90% gold and other metals like silver and copper. The design capacity of the mill is 80,000 tonnes per day. Copper-gold concentrate produced in the mill is pumped through a 316-kilometer pipeline to a filter plant and load out facility at Cruz del Norte where water is removed, and filtered concentrate is shipped 830 kilometers by rail to Minera Alumbreira's port facility near the city of Rosario. Most of the mine's power needs are supplied under a long-term contract with Hidroelectrica CHACON, with the remainder purchased on the spot market.

In 1997, a US\$670 million financing arrangement provided by a consortium of international lenders was arranged to partially finance the project, with the balance being provided by the project sponsors. At December 31, 2002, the outstanding balance owed to the lenders was US\$263 million. Substantially all the assets of Minera Alumbreira have been pledged to the lenders as security for the loans. As the project has satisfied completion test criteria, the loans are now, subject to certain limited exceptions, non-recourse to our subsidiary, Rio Algom.

Minera Alumbreira has commissioned a third line mill and pebble crushing circuit, which was recently installed at a cost of US\$26.1 million. These expansions were funded from project cashflows and are designed to increase the mine's processing capacity to 100,000 tonnes per day. The mine's annual average production is expected to increase to 190,000 tonnes of copper in concentrate and 600,000 ounces of gold in concentrate and doré over eight years, before declining as low grade stockpiled ore is processed.

Minera Alumbreira has eight long-term concentrate sales contracts with purchasers located in Europe and Asia and one in North America covering approximately 60% of expected annual concentrate production with remaining terms ranging from two to seven years. The balance of the concentrate produced is sold under contracts that expire in one or two years and on a spot basis. Contract prices are based on monthly average London Metal Exchange copper cash settlement prices, generally two to three months after shipment.

We announced on March 26, 2003 that our fully owned subsidiary Rio Algom has agreed to sell its 25% stake in Minera Alumbreira to Wheaton River Minerals Ltd. for a purchase price of US\$180 million. Not less than US\$130 million of the purchase price will be payable on closing. Payment of up to US\$50 million of the purchase price may be deferred by Wheaton until May 30, 2005. Any deferred payment will bear interest at LIBOR plus 2% and will be secured by the interests in Minera Alumbreira acquired by Wheaton. Closing is anticipated in June, 2003. The transaction is subject to the receipt of required regulatory and other consents, approvals and releases, including from the lenders to Minera Alumbreira.

Highland Valley Copper

Through Rio Algom, we own a 33.6% interest in Highland Valley Copper, a partnership with Teck Cominco Limited and its subsidiary, which hold a 61.4% interest, and Highmont Mining Company, which holds a 5% interest in the venture. Rio Algom shares management responsibility of the venture equally with Teck Cominco. Although the partnership was formed in 1986, with Highmont joining in 1988, production from the Lornex pit commenced in 1972.

The Highland Valley venture holds and operates large scale, open-pit copper-molybdenum mining and milling operations in the Highland Valley area near Logan Lake, British Columbia, Canada. These mining and milling operations produce copper and molybdenum in concentrates. The operation is accessible by highway and is located approximately 80 kilometers southwest of Kamloops and 200 kilometers

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northeast of Vancouver. The mine operates throughout the year. B.C. Hydro supplies power to the operations through a 138 kilovolt line. The venture's property interests consist of mineral

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claims and leases, government grants and some properties in fee simple. Included in these property interests are 33,128 hectares of mineral rights and 2,698 hectares of surface rights. These rights can be held indefinitely.

Facilities include the Highland mill and the Lornex and Valley open-pit mines, which are adjacent to the concentrator. The Lornex pit is approximately 2.5 kilometers long and 1.5 kilometers wide and contains mainly chalcopyrite ore. The Valley pit is round in shape and approximately 2 kilometers in diameter. It contains mainly bornite ore. Both deposits are porphyry type. The mill uses semi-autogenous grinding and conventional flotation and has a nominal milling capacity of 120,000 tonnes per day. The venture transports crushed ore from the Valley mine, which comprises approximately 89% of the mill feed, via two 6,000 tonne per hour inclined conveyor belt systems. Two 60 x 89 gyratory semi-mobile crushers, located in the pit, feed the inclined conveyors. Ore from the Lornex mine is trucked to a third fixed gyratory crusher and conveyor system. The three conveyor systems are integrated to allow blending of ore to three mill stockpiles. The venture expects to remain in production for approximately eight years.

The venture sells more than 75% of its production under long-term contracts. The remaining terms of these contracts range from approximately two to seven years. The venture sells the remaining production on a spot basis. Contract prices are based on the monthly average London Metal Exchange cash settlement price, generally three months after delivery.

Ok Tedi Mine

On February 8, 2002, we announced the completion of our withdrawal from the Ok Tedi copper and gold mine in Papua New Guinea and transferred our 52% interest to the PNG Sustainable Development Program Limited, an independent company, which now holds such interest for the benefit of the Western Province and the Independent State of Papua New Guinea. The other equity participants, and their interests, in this project are the Independent State of Papua New Guinea, which holds a 30% interest, and Inmet Mining Corporation, which holds an 18% interest. The interest held by the Independent State of Papua New Guinea is held in defined parcels for each of Papua New Guinea, the Western Province of Papua New Guinea and mine area landowners.

As part of the agreement for our withdrawal from this project, we agreed to provide financial support to PNG Sustainable Development Program, if required, for three years. The facility is for US\$100 million in the first year, US\$85 million in the second year and US\$70 million in the third year. The facility is not cumulative, which means that any amount drawn in one year reduces the amount available in subsequent years, with repayment arrangements if such funds are used. In addition, we have agreed to pre-purchase copper concentrate up to an agreed level if Ok Tedi Mining should so request in a drought situation. The agreement also provides us with protection from legal liability arising from operations after our withdrawal.

Also, as part of the withdrawal process, Mine Continuation Agreements between Ok Tedi Mining and communities affected by the mine's operations were negotiated and executed.

Spence

In January 1997, Rio Algom announced the discovery of the Spence copper deposit in northern Chile. We hold 100% of the mineral rights in approximately 26,000 hectares and surface rights in approximately 16,000 hectares.

We conducted a feasibility study to develop a project for an open pit mine with facilities capable of processing approximately 50,000 tonnes per day of ore through a combination of chemical and bio-leaching processes to produce 200,000 tonnes per year of electrowon copper cathode. A feasibility study independent peer review was conducted during August 2002. This review focused on the technical core of the Spence project. Further study work has been commenced to ensure that recent advances that have proven successful in other operations are incorporated in the project. A revised feasibility study will be produced and reviewed by year end, prior to submission to the Board.

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North American copper assets

Our North American copper assets, other than Highland Valley Copper described above and the San Manuel smelting facilities located in Arizona, continue on care and maintenance while producing a minor amount of cathode copper at some locations for a transitional period while various alternatives are evaluated.

In June 1999, we announced the cessation of these North American copper operations would occur in the August quarter of 1999 and recorded a charge to profit of A\$1,800 million (no tax effect) for asset writedowns (net of estimated realization values attributed to the remaining assets) and provisions. The provisions relate mainly to site remediation which will take place over a significant number of years, together with provisions for other closure costs.

Formal closure plans are being developed and are planned to be submitted in accordance with local regulatory timetables. We expect that the expenditure will be incurred after the closure plans have been approved. Approval is anticipated in the next 3-5 years.

In January 2002, we announced the closure of the San Manuel mining facilities and we are currently in the process of closing such facilities.

In the year ended June 30, 2002, a further charge to profit of US\$101 million was recorded, following a reassessment of the Group's asset disposal and closure plans relating to its South West Copper business in the US (where the Group ceased operations in 1999). This comprised US\$171 million for impairment provisions, principally related to the San Manuel smelter partly offset by a reduction of US\$70 million in provisions relating to the expected timing of site restoration expenditure.

Copper-Zinc

Antamina

The Antamina copper-zinc deposit is owned by Compania Minera Antamina S.A., in which our wholly-owned subsidiary, Rio Algom Limited, owns a 33.75% interest. Noranda Inc. holds a 33.75% interest, Teck Cominco Limited holds a 22.5% interest and Mitsubishi Corporation holds the remaining 10% interest in the Antamina project. The deposit was previously owned by Empresa Minera del Centro del Peru S.A. and was auctioned by CEPRI-Centromin, an agency of the Peruvian Government. The deposit is located in the Peruvian Andes at an altitude of 4,300 meters, approximately 270 kilometers north of Lima, Peru.

A feasibility study based on conventional open-pit mining, milling and flotation technology was completed in March 1998 on the potential of the Antamina deposit to produce 270,000 tonnes of copper and 160,000 tonnes of zinc annually over a 20-year mine life.

In September 1998, the venture participants elected to proceed with development of the project. The agreement with Centromin required the owners to invest US\$2.5 billion in the project by June 6, 2002 or pay 30% of the shortfall to Centromin in lieu of further expenditures. In June 1999, the project company signed definitive documentation with a group of lenders for US\$1.32 billion of financing for the project. On August 2, 2002, a payment of US\$111.5 million was made to Centromin in lieu of the expenditure shortfall making the total development cost, including financing costs, working capital, payments to Centromin and sunk costs US\$2,228 million.

Substantially all the assets of the project company have been pledged to the lenders as security for the loans. Rio Algom has guaranteed its 33.75% pro rata share of the loans until such time as the project achieves completion, which involves the project satisfying certain financial, legal and operating tests prior to February 29, 2004 or, under certain circumstances, by February 28, 2005. Upon completion, the loans will be non-recourse to Rio Algom.

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The property comprising the Antamina mine area consists of mining concessions, mining claims and surface rights covering an area of approximately 14,000 hectares. The project company also owns sufficient surface rights for mining infrastructure, the port facility at Huarney and an electrical substation located at Huallanca. In addition, the project company holds title to all easements and rights of way required for the concentrate pipeline from the mine to the project company's port at Huarney. All of the rights can be held indefinitely.

The Antamina deposit is a large copper skarn with zinc, silver, molybdenum and bismuth mineralization. It has a southwest to northeast strike length of more than 2,500 meters and a width of up to 1,000 meters. The deposit sits at the bottom of a U-shaped glacial valley surrounded by limestone ridges.

Power to the mine site is being supplied under long-term contracts with individual power producers through a 58 kilometer, 220 kilovolt transmission line constructed by the project company which is connected to the Peru national energy grid.

The project company has entered into 19 long-term copper and zinc concentrate sales contracts with 16 smelting companies, which, in aggregate, cover approximately 75% of the project's expected annual production. All but two of the contracts are for terms extending to 2012 or 2013. The balance of production is expected to be sold on an annual or spot basis.

The Antamina project achieved mechanical completion in May 2001. The principal project facilities include a 115-kilometer access road, a truck-shovel pit operation, a 70,000 tonnes per day concentrator, a 300-kilometer concentrate pipeline with a single stage pumping station to transport concentrates in slurry form from the mine to the de-watering, drying, and port facilities at Huarney, and housing for operating employees and their families in the City of Huaraz, located approximately 200 kilometers by road from the mine.

The Antamina project achieved commercial production in October 2001. Since the start of commercial production and as of June 30, 2002, approximately 19.9 million tonnes of ore had been milled, producing more than 242,500 tonnes of payable copper and 143,260 tonnes of payable zinc.

Selbaie

The wholly-owned Selbaie open-pit mine is situated 250 kilometers north of Rouyn-Noranda in northwestern Quebec, Canada. Selbaie produces zinc and copper concentrates by means of conventional flotation, with gold and silver as by-products in the copper concentrate. Nominal capacity at Selbaie is 11,000 tonnes per day (or 4 million tonnes per year), and mill throughput is 10,800 tonnes per day (or 3.9 million tonnes per year). Power is supplied by Hydro-Quebec. The estimated remaining mine life is approximately one year. Leases at Selbaie are renewable as and when they expire. The most recent renewal extends to 2012.

Silver, Lead and Zinc

Cannington

Cannington is a mining and concentrating facility 100% owned and operated by us. The Cannington silver, lead and zinc deposit is located in northwest Queensland, Australia, and is accessible by sealed road 300 kilometers southeast of Mount Isa. The Cannington deposit is entirely contained within mining leases granted to us in 1994 and which expire in 2029 and 2044. The deposit consists of a shallow, low grade northern zone and a deeper, higher grade and more extensive southern zone. The southern zone contains a broadly zoned and faulted sequence of silver-lead-zinc, zinc and silver-lead lodes.

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We use transverse, long hole open stoping for the extraction of the main, thicker, hanging wall orebodies of the deposit and we use predominantly new Tamrock underground mining equipment. Production commenced in October 1997 at a cost of US\$250 million. Underground mine production for the year ended June 30, 2002 was 2.24 million tonnes. The annual production reflected the benefits of the mine optimisation and equipment purchase program which had been undertaken during the year. Work also continued during the year to improve mill throughput and increase metal recovery, and we are continuing an ongoing program of mill improvement. Nominal capacity was 1.5 million tonnes per annum at the time of commissioning. A total of 518,022 wet metric tonnes of concentrate were shipped from the Townsville port facility or sold within Queensland during the year ended June 30, 2002, and 263,071 tonnes were sold for the six months ended December 31, 2002. A 19 megawatt gas-fired power station located at Cannington is operated under contract to supply power solely to Cannington.

Cannington's lead concentrate production for the year ending June 30, 2003, is fully committed under long-term contracts with smelters in Australia, Korea, Japan and Europe. A