BHP BILLITON LTD
Form 20-F
September 21, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

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

FOR THE FISCAL YEAR ENDED 30 JUNE 2016

OR

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

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

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-09526	Commission file number: 001-31714
BHP BILLITON LIMITED	**BHP BILLITON PLC**
(ABN 49 004 028 077)	**(REG. NO. 3196209)**
(Exact name of Registrant as specified in its charter)	**(Exact name of Registrant as specified in its charter)**
VICTORIA, AUSTRALIA	**ENGLAND AND WALES**
(Jurisdiction of incorporation or organisation)	**(Jurisdiction of incorporation or organisation)**
171 COLLINS STREET, MELBOURNE,	**NEATHOUSE PLACE, LONDON**
VICTORIA 3000 AUSTRALIA	**UNITED KINGDOM**
(Address of principal executive offices)	**(Address of principal executive offices)**

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

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

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

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

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

None

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

None

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

BHP Billiton Limited **BHP Billiton Plc**

Fully Paid Ordinary Shares	3,211,691,105	2,112,071,796

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

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

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

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

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 ¨

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

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Our Charter

We are BHP Billiton, a leading global resources company.

Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.
Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our Values

Sustainability

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

Integrity

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

Respect

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

Performance

Achieving superior business results by stretching our capabilities.

Simplicity

Focusing our efforts on the things that matter most.

Accountability

Defining and accepting responsibility and delivering on our commitments.

We are successful when:

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

Our teams are inclusive and diverse.

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

Our asset portfolio is world-class and sustainably developed.

Our operational discipline and financial strength enables our future growth.

Our shareholders receive a superior return on their investment.

Andrew Mackenzie

Chief Executive Officer

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

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

Throughout this Annual Report, the terms BHP Billiton, the Company and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHP Billiton Plc and subsidiary companies. Cross references refer to sections of the Annual Report, unless stated otherwise.

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Forward looking statements

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

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

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. Readers are cautioned not to put undue reliance on forward looking statements.

For example, our future revenues from our operations, projects or mines described in this Annual Report will be based, in part, on the market price of the minerals, metals or petroleum products produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project, the expansion of certain facilities or mines, or the continuation of existing operations.

Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of operations, mines or facilities include our ability to profitably produce and transport the minerals, petroleum and/or metals extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the minerals, petroleum or metals we produce; activities of government authorities in the countries where we are exploring or developing projects, facilities or mines, including increases in taxes, changes in environmental and other regulations and political uncertainty; labour unrest; and other factors identified in the risk factors set out in section 1.9.2.

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

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

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Form 20-F Cross Reference Table

Item Number	Description	Report section reference
1.	**Identity of directors, senior management and advisors**	Not applicable
2.	**Offer statistics and expected timetable**	Not applicable
3.	**Key Information**	
A	Selected financial information	1.13
B	Capitalisation and indebtedness	Not applicable
C	Reasons for the offer and use of proceeds	Not applicable
D	Management of Risk	1.9
4.	**Information on the company**	
A	History and development of the company	1.6, 1.12 to 1.14, 4.1, 6.1 to 6.4, 7.1 to 7.3 and 7.12
B	Business overview	1.5, 1.8, 1.9.2, 1.12.4, 7.3.2, 7.11
C	Organisational structure	7.3 and Note 27 to the Financial Statements
D	Property, plant and equipment	1.12.1 to 1.12.3 and 6.1 to 6.3 and Note 10 to the Financial Statements
4A.	**Unresolved staff comments**	None
5.	**Operating and financial review and prospects**	
A	Operating results	1.7 to 1.9, 1.12.1 to 1.12.3, 1.13 to 1.14
B	Liquidity and capital resources	1.13.3, 5.1.4 and Note 31 to the Financial Statements
C	Research and development, patents and licences etc	1.6.3, 1.8.2, 1.12, 1.13, 4.14 and 6.3
D	Trend information	1.8.1, 1.8.2, 1.12.1 to 1.12.3
E	Off-balance sheet arrangements	1.15 and Notes 31 and 32 to the Financial Statements
F	Tabular disclosure of contractual obligations	1.15 and Notes 31 and 32 to the Financial Statements
6.	**Directors, senior management and employees**	
A	Directors and senior management	2.2
B	Compensation	3
C	Board practices	2.13.1, 2.13.2, 2.2, 3.2 and 3.3
D	Employees	1.10 and 1.10.7
E	Share ownership	3.4.23, 3.4.24 and 4.18
7.	**Major shareholders and related party transactions**	
A	Major shareholders	7.6
B	Related party transactions	Notes 22 and 30 to the Financial Statements
C	Interests of experts and counsel	Not applicable
8.	**Financial information**	
A	Consolidated statements and other financial information	5, 7.7 and the pages beginning on page F-1 in this Annual Report
B	Significant changes	Note 33 to the Financial Statements
9.	**The offer and listing**	

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1 Strategic Report

About this Strategic Report

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

This disclosure is intended to assist shareholders and other stakeholders to understand and interpret the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) included in this Annual Report. The basis of preparation of the Consolidated Financial Statements is set out in section 5.1 Basis of preparation to the Financial Statements. To obtain full details of the financial and operational performance of BHP Billiton, this Strategic Report should be read in conjunction with the Consolidated Financial Statements and accompanying notes.

This Strategic Report meets the requirements of the UK Companies Act 2006 and the Operating and Financial Review required by the Australian Corporations Act 2001.

Section 1 of this Annual Report 2016 constitutes our Strategic Report 2016. References to sections beyond section 1 are references to sections in this Annual Report 2016. Shareholders may obtain a hard copy of the Annual Report free of charge by contacting our Share Registrars, whose details are set out in our Corporate Directory at the end of this Annual Report.

All references to websites in this Annual Report are intended to be inactive textual references for information only and any information contained in, or accessible through, any such website does not form a part of this Annual Report.

1.1 Chairman s Review

Dear Shareholder,

Without doubt, this year has been a difficult one for BHP Billiton.

We are deeply sorry to all those who have been affected by the tragic events at the Samarco iron ore operations in Brazil in November last year. At the 2015 Annual General Meeting (AGM) of BHP Billiton Limited, we made a commitment to support Samarco with the response effort and to find out what went wrong.

As our stakeholders would expect, the Board has spent a significant amount of time discussing Samarco and considering our response. Soon after the tragedy occurred, we set up a sub-committee of the Board with specific authorities delegated to it in relation to Samarco. Alongside the Samarco sub-committee, the Risk and Audit Committee and the Sustainability Committee have considered matters relating to Samarco as part of those committees ongoing duties.

In November 2015, BHP Billiton Brasil, Samarco and Vale jointly commissioned an external investigation into the technical cause of the breach of the Fundão tailings dam at Samarco s iron ore operations. A panel of four geotechnical specialists from Brazil, Canada and the United States was engaged to advise on the technical aspects of the failure. On 29 August 2016, the panel published its findings into the immediate causes of the dam failure.

We have shared the findings widely so that the sector can learn from the dam failure and develop and implement further standards to prevent a similar event happening elsewhere. In addition, we have conducted an in-depth review of significant dams in our portfolio. We have also reviewed the non-operated minerals joint ventures in our portfolio. We have identified a number of actions that we will take in the management of our tailings dams and joint venture arrangements. More information can be found in section 1.4. We will provide an update in our FY2017 Annual Report on progress with implementation of the actions we have identified.

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Against the backdrop of a volatile and uncertain global environment, a strong balance sheet remains a key enabler of our strategy. In 2016, we therefore announced a new dividend policy that further protects our balance sheet and ensures financial flexibility. While a difficult decision to make, this was the right decision for your Company. The dividend policy provides for a minimum 50 per cent payout of Underlying attributable profit at every reporting period. For FY2016, the Board determined a final dividend of 14 US cents per share, which is covered by free cash flow. This dividend comprises the minimum payout per share plus an additional amount of six US cents per share.

At every reporting period, the Board will assess the Company s capacity to pay amounts additional to the minimum payment, in accordance with the capital allocation framework. We will be accountable for every dollar we spend and strictly adhere to our capital allocation framework, which takes into account the changing conditions in which we operate.

Responding to climate change remains a priority governance and strategic issue for BHP Billiton in the context of the transformational changes now underway in the global energy market, driven by climate policy and technology advances. Active engagement with our stakeholders, including investors, policy makers, peers and non-governmental organisations, on our approach to climate change is also a priority. We encourage governments to develop long-term and effective policy frameworks that align with their strategic priorities and include a portfolio of complementary measures.

We understand the importance of reducing the Company s greenhouse gas emissions and ensuring the resilience of our business. Following on our well-received Climate Change: Portfolio Analysis which was published in September 2015, we will, prior to the 2016 AGMs, issue an update on the activities we have undertaken during the year to progress our response to climate change risk. We look forward to discussing this with a wide range of stakeholders.

I would like to thank John Schubert for his outstanding service to the Board and the Company over many years. John will retire after the 2016 BHP Billiton Limited AGM. In line with our planned approach to Board succession, we appointed Ken MacKenzie to the Board as a Non-executive Director with effect from 22 September 2016. Ken has a proven track record, having led a successful company in a challenging sector for a decade. His extensive global and executive experience will enable him to make a significant contribution to the Board.

Your Board is confident in the outlook for BHP Billiton and we thank you for your continued support of the Company.

Jac Nasser AO

Chairman

1.2 Chief Executive Officer s Report

Dear Shareholder,

This year was difficult for both BHP Billiton and the resources industry generally.

I again want to convey our deep sorrow for all who have been impacted by the tragic events in Brazil after the Fundão dam failure at Samarco on 5 November 2015 especially to the families and friends of the 19 people who died, as well as those who have lost their homes or livelihoods and face an uncertain future.

BHP Billiton is committed to doing the right thing to help those affected recover and to work closely with our joint venture partner, Vale, and the operator, Samarco, to achieve this.

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I visited the region again in June 2016 and was impressed by the progress in the restoration and recovery efforts to date. We are acutely aware that this will be a long process to provide full redress and we are working tirelessly to remediate the community and environmental impacts.

I encourage you to read more about our response in section 1.4 or in our 2016 Sustainability Report.

While it is hard to be positive about our safety performance in the shadow of Samarco, this past year we achieved some strong improvements at our BHP Billiton operated sites, such as no fatalities and a 20 per cent decrease in high-potential injury events.

Our safety measure of total recordable injury frequency (TRIF) slightly increased to 4.3 per million hours worked. While this is low by historic and industry standards, we are determined to improve it. We put safety first in all that we do nothing is more important.

FY2016 saw significantly weaker commodity prices and three exceptional charges that contributed to a statutory loss of US$6.4 billion. While we are disappointed by this result, our underlying performance is strong. Our Underlying EBITDA margin is healthy at 41 per cent. Costs were down 16 per cent and we delivered productivity gains of more than US$400 million (on top of the US$10 billion secured since FY2012). These gains contributed to free cash flow of US$3.4 billion and the continued strength of our balance sheet.

Despite the challenges confronted this year, we have stayed true to *Our BHP Billiton Charter* values and not wavered from our plans. We have made the necessary changes to our Company and completed the structural work (including a new streamlined Operating Model) to simplify our portfolio and increase our agility.

We now have everything in place to create significant future value through more productivity gains, attractive growth projects, our ambitious exploration program and new technology.

When we deliver this value for our shareholders, our employees and the communities in which we work BHP Billiton also contributes to society more broadly.

I m really proud of the contribution that BHP Billiton makes. In FY2016, our total economic contribution was US$26.7 billion, through employment, purchased goods and services, and taxes and royalties. This also includes the US$178.7 million we voluntarily invested in communities.

None of this would have been possible without the 65,000 dedicated BHP Billiton team members who walk through our gates and doors each day with a sense of purpose and a determination to make a difference. The team s contributions are valued and their commitment to step up and deliver even in the face of challenge inspires me.

Thank you also to our broader BHP Billiton family of customers, suppliers and host communities who work together with us to make our results and our future possible. Finally, thank you to our shareholders for your continued commitment to our great Company.

We have the right assets in the right commodities with the capability and culture to build even more momentum and prosper in 2017 and beyond.

Andrew Mackenzie

Chief Executive Officer

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1.3 Performance summary

Not required for US reporting. Refer to section 1.13.

1.4 Samarco

Introduction

Samarco Mineração S.A. (Samarco) is a non-operated joint venture owned by BHP Billiton Brasil Ltda (BHP Billiton Brasil) and Vale S.A. (Vale), each having a 50 per cent shareholding. The Samarco operations comprise an iron ore mine, and processing and concentration facilities located in Bento Rodrigues in the Mariana region of the state of Minas Gerais, and four pellet plants and a port located in the state of Espírito Santo.

The failure of Samarco s Fundão dam

On 5 November 2015, the Fundão dam failed. The dam is one of Samarco s two primary tailings dams at the mine site. This failure led to a significant volume of mine tailings (water and mud-like mine waste) being released (Samarco dam failure). As a result, the communities of Bento Rodrigues, Gesteira and Paracatu were flooded and a number of other communities further downstream were also affected.

Tragically, 19 people died - five community members and 14 people who were working on the dam facility at the time of the failure.

The tailings spill caused extensive damage to the natural environment, communities and associated infrastructure along the Rio Doce. Approximately 700 people were rendered homeless after the Samarco dam failure. Seven bridges were destroyed, access roads were damaged and 100 kilometres of fencing was impacted.

Over 2,000 hectares of riverside vegetation and agricultural land were impacted, with millions of tonnes of tailings material deposited along the banks of the river system.

BHP Billiton is deeply sorry to all who have been impacted by this tragedy, in particular to the families and friends of those who died, as well as those who have lost their homes or livelihoods and face an uncertain future in the near term.

Our immediate response

Following the Samarco dam failure, BHP Billiton extended its immediate support and assistance to Samarco in the response effort. Our immediate concern was for the welfare of the Samarco workforce and the affected communities.

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Samarco assisted in providing temporary accommodation, water and food aid for affected communities. BHP Billiton and Vale also dispatched geotechnical, disaster relief and humanitarian response experts, along with senior health and safety executives, environmental scientists and a number of other support staff, to support the response efforts.

BHP Billiton CEO Andrew Mackenzie travelled to Bento Rodrigues immediately following the Samarco dam failure to meet with Vale, Samarco, the local authorities and members of the community, and to gain a first-hand understanding of the human, environmental and operational impacts of the disaster and the scale of the assistance required. In addition, members of the BHP Billiton Forum on Corporate Responsibility (FCR), which is made up of nine highly respected civil society leaders, visited the Mariana region in January 2016 to understand the impacts of the Samarco dam failure and Samarco s response.

Our ongoing support

BHP Billiton has now established a permanent presence in Belo Horizonte to continue to support Samarco s remediation and response work over the longer term. We have a team of around 35 technical experts and senior management now engaged full-time in the ongoing response effort.

Chief Commercial Officer, Dean Dalla Valle, assumed day-to-day responsibility at an Executive Leadership Team level for BHP Billiton s response to the dam failure, and has been based in Brazil since February 2016.

Socio-economic programs and environment programs were commenced shortly after the Samarco dam failure.

The Framework Agreement and Fundação Renova

In December 2015, the Federal Government of Brazil, the states of Espírito Santo and Minas Gerais and certain other public authorities (Brazilian Authorities) filed a R$20 billion claim against Samarco, Vale and BHP Billiton Brasil for clean-up costs and damages.

In March 2016, an agreement was entered into by Samarco, Vale and BHP Billiton Brasil and the Brazilian Authorities for the restoration of the environment and communities affected by the dam failure (Framework Agreement). The Framework Agreement provides a long-term, participatory framework for responding to the Samarco tragedy.

The Framework Agreement outlines a set of actions, measures and programs, including 17 environmental and 22 socio-economic programs, to restore and compensate the communities and environment affected by the Samarco dam failure.

In accordance with the Framework Agreement, Samarco, Vale and BHP Billiton Brasil have established a private foundation (Fundação Renova) to develop and execute the environmental and socio-economic programs. Samarco is responsible for funding the Fundação Renova and will make annual contributions. However, to the extent that Samarco does not meet its funding obligations, each of Vale and BHP Billiton Brasil has agreed to provide funding to the Fundação Renova in proportion to its 50 per cent shareholding in Samarco.

The Fundação Renova will be overseen by an Inter-Federative Committee comprising representatives of the Ministry for the Environment, the Federal Government, the states of Minas Gerais and Espírito Santo, the municipalities of Minas Gerais and Espírito Santo, the Public Defenders Union and the Rio Doce Hydrographic Basin Committee.

The Framework Agreement mandates community involvement in the development of the remediation and compensation programs through a formal advisory committee and social dialogue program. It includes a local level grievance mechanism and the establishment of an Ombudsman-like process, which is currently being designed with input from international experts and communities.

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The Framework Agreement was ratified by the Federal Court of Appeal in Brasilia on 5 May 2016, suspending the R$20 billion public civil claim commenced by the Brazilian Authorities against Samarco, Vale and BHP Billiton Brasil. However, on 30 June 2016, the Superior Court of Justice issued a preliminary order suspending the decision of the Federal Court of Appeal to ratify the Framework Agreement. Samarco, Vale and BHP Billiton Brasil have appealed the decision of the Superior Court of Justice.

The effect of the preliminary order of the Superior Court of Justice is to reinstate the R$20 billion public civil claim. Notwithstanding this preliminary order, Samarco will continue to remediate and compensate for the effects of the Samarco dam failure.

The Framework Agreement remains a binding agreement between the parties and Samarco will continue to undertake the economic and socio-economic programs under the Framework Agreement.

Ongoing socio-economic and environmental programs

Compensation for those affected, the reconstruction of public infrastructure and the relocation of the impacted communities of Bento Rodrigues, Paracatu and Gesteira are key programs under the Framework Agreement. Ninety per cent of the 41 programs prescribed by the Framework Agreement have been initiated and have been transitioned to the Fundação Renova.

Following a participatory process, the Bento Rodrigues community voted on the location of Lavoura as the place to rebuild their community. The site is located approximately nine kilometres from the location of the former town.

Following a similar consultation process, 95 per cent of community members from Gesteira, in the district of Barra Longa, voted in favour of reconstructing homes and public facilities in the area of Macacos.

Residents of Paracatu have visited options for their resettlement site and are in the process of deciding on their preferred location. The next step in the process is to engage the communities in architectural and urban design, as well as the construction standards of the residences.

Over 7,000 families whose livelihoods have been impacted by the dam failure are receiving financial assistance from Samarco. The majority of these are either from the communities closest to the mine site in Mariana and Barra Longa or from the communities along the Rio Doce and near the coast in Minas Gerais and Espírito Santo where fishing-based livelihoods were common.

An extensive negotiated compensation program has been developed to ensure affected people receive fair and reasonable compensation. The program commenced in August 2016 and will take six months to implement in 20 locations. Payments are expected to be completed by mid-2017. Preliminary compensation has already been paid to those most severely impacted.

Works are underway to reinforce and improve the dam structures at Samarco so as to contain the remaining tailings materials. A large portion of the works are scheduled to be completed before the next wet season commences. Among the measures being taken, Samarco is building a series of sediment dams to reduce the potential for tailings to be transported further downstream. Works also include re-contouring tailings deposits, establishing a temporary vegetation cover and rock armouring sections of the main river channel and tributaries to reduce erosion.

Water testing is being conducted at 94 different points along the Rio Doce and marine areas near the mouth of the river. Extensive geochemical analyses of the tailings and existing sediments and toxicity test work have also been undertaken. Results indicate that the water quality of the river, in terms of metals of environmental concern, is similar to that determined by studies conducted in 2010 by the Brazilian Geological Service and National Water Agency, and support the earlier determination that the tailings released into the river system are not toxic.

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Understanding the cause

In November 2015, BHP Billiton Brasil, Samarco and Vale jointly engaged New York-based law firm Cleary Gottlieb Steen & Hamilton LLP (Cleary Gottlieb) to coordinate an external investigation into the immediate cause of the breach of the Fundão tailings dam.

Cleary Gottlieb retained a panel of four geotechnical specialists to support the investigation. BHP Billiton committed to publicly share the findings in order to provide a detailed technical understanding of the cause of this tragedy and help to prevent a similar event from occurring again.

The panel s findings can be viewed at *www.fundaoinvestigation.com.*

In addition to this external investigation, BHP Billiton initiated a comprehensive internal review of other significant dams and non-operated minerals joint ventures in the portfolio. A primary purpose of the dams review was to assure the integrity of significant dam structures.

BHP Billiton has identified a number of actions that we will take in our management of tailings dams and joint venture arrangements, including:

- creating a centralised dam management function that will bring additional specialist expertise in-house at BHP Billiton;
- assessing technology options to enhance dam management across the portfolio;
- applying at all of our operated minerals assets the process for dam safety reviews developed by the Canadian Dam Association, which is considered to be the most rigorous in the industry;
- centralising management of our interest in all major non-operated minerals joint ventures in the Minerals Americas operating group;
- establishing a new BHP Billiton global standard for non-operated minerals joint ventures.

Other legal matters

On 3 May 2016, the Federal Public Prosecution Service filed a public civil claim against Samarco, Vale and BHP Billiton Brasil as well as 18 other public entities seeking R$155 billion (approximately US$48 billion) for reparation, compensation and collective moral damages in relation to the Samarco dam failure. The claim also includes a number of preliminary injunction requests. BHP Billiton Brasil has applied to have the injunctions dismissed.

BHP Billiton Brasil is among the companies named as defendants in proceedings initiated by individuals, non-governmental organisations (NGOs), corporations and governmental entities in Brazilian federal and state courts following the Samarco dam failure. The other defendants include Vale and Samarco.

For more information on these legal proceedings, refer to section 6.5.

Restart

Samarco s mining and processing operations remain suspended. Samarco is progressing plans to restart operations; however, there is uncertainty around the timing and nature of future ongoing operations. Samarco has confirmed it is unlikely to have in place the necessary approvals to restart its operations in the 2016 calendar year. Samarco makes an important contribution to the national economy and the livelihoods of thousands of people, but Samarco s operations will restart only when it is safe to do so, and when all necessary regulatory approvals have been obtained.

1.5 Business model

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

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1.5.1 About us

BHP Billiton is among the world s top producers of major commodities including iron ore, metallurgical coal, copper and uranium. We also have substantial interests in oil, gas and energy coal.

We extract and process minerals, oil and gas from our production operations located primarily in Australia and the Americas.

Our products are sold worldwide, with sales and marketing led through Singapore and Houston, United States. Our global headquarters are in Melbourne, Australia.

We operate under a Dual Listed Company structure with two parent companies (BHP Billiton Ltd and BHP Billiton Plc) operated as a single economic entity. We are run by a unified Board and management.

With a team of more than 65,000 employees and contractors as of 30 June 2016, we prioritise our people s health and safety and strive to create an environment free from fatalities, injuries and occupational illnesses.

Our size and scope allow us to make meaningful contributions to communities and the long-term nature of our operations means we are able to build collaborative community relationships.

We aim to maximise the social and economic benefits of our operations, contribute to economic development and minimise our environmental footprint through innovation, productivity and technology.

1.5.2 What we do

Exploration and evaluation

We discover resources through brownfield and greenfield exploration. To enhance our portfolio, we also consider acquisition and divestment opportunities.

Development

To develop our options, we evaluate, plan and then invest in infrastructure, studies or trials and make decisions using a robust, rigorous process. Projects progress only if they have internal and external approvals, including Board approval for major projects.

Extraction, processing and transportation

Our goal is to safely operate our assets through mining, extracting, processing and transporting commodities. Asset teams are focused on safety, productivity and sustainability, including rehabilitation when an operation closes.

Marketing and logistics

We manage product distribution through our global logistics chain, including freight and pipeline transportation. We sell our products through direct supply agreements with our customers and on global commodity exchanges. Customer insights, economic analysis and our deep knowledge of commodity markets enable us to develop a view of markets and future pricing.

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Contribution

We make a broader contribution to the communities, regions and nations in which we operate. At each step of our business model we create value through creating jobs, purchasing goods and services and paying taxes and royalties. This generates the economic activity that supports the contribution we make to our host communities and nations.

Creating value

We create value for both our shareholders and the broader community through the activities performed at each step of our business model.

The commodities we produce underpin nearly every facet of modern life the essential infrastructure, telecommunications, transportation and energy supplies that contribute to higher living standards for many people globally.

1.5.3 Our Operating Model

Our Operating Model describes how we are organised and work together.

The demerger of South32 in May 2015 significantly simplified our portfolio and created further opportunity for productivity improvements across our operations. Our new Operating Model, announced in February 2016, makes BHP Billiton a more agile company ready to respond to the challenges and opportunities presented by a changing global market place. The new Operating Model is designed for our simpler portfolio of 12 core operated assets. It aims to remove duplication, realise economies of scale and facilitate greater coordination in order to enhance safety, productivity and the sharing of best practice.

Under the new Operating Model, BHP Billiton is organised by:

- ***Assets:*** Assets are a set of one or more geographically proximate operations (including open-cut mines, underground mines and onshore and offshore oil and gas production and processing facilities). Our assets develop and convert resources and are focused on safety, volume and cost.

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Asset groups: We group our assets in order to drive collaboration, promote new technology adoption and to share best practice within and between groups. Our minerals assets are grouped under Minerals Australia or Minerals Americas, based on their geographic location. Our oil and gas assets are grouped together as one global Petroleum unit, reflecting the operating environment in that sector.

Marketing: Marketing secures product sales, manages the supply chain from resources to markets, supports strategic decision-making through market insights and optimises working capital.

Functions: Functions operate along global reporting lines to provide support to all areas of the organisation. Functions have specific accountabilities and deep expertise in areas such as finance, legal, governance, technology, corporate affairs, health, safety and community.

Leadership: Our Executive Leadership Team (ELT) is responsible for day-to-day management of the Company and for leading the delivery of our strategic objectives. The Operations Management Committee (OMC) has responsibility for planning, directing and controlling the activities of the Company, including key Company strategic, investment and operational decisions, and recommendations to the Board.

BHP Billiton will continue to disclose financial performance by reportable commodity segments, as this provides the most meaningful insight into the nature and financial outcomes of our business activities within the economic environment in which we operate. Reporting by commodity also facilitates greater comparability against industry peers.

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1.5.4 BHP Billiton locations (includes non-operated)

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1.6 Company strategy

1.6.1 Our strategy

Strategy

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

We believe our position in the resources industry is unique, largely due to our proven and consistent strategy. The simplicity of our portfolio, the scale and quality of our assets and our standardised systems and processes are all distinctive attributes further strengthened by our people and operational excellence.

We operate in a dynamic, globally competitive environment. Our strategy has delivered strong performance over time, which has created sustainable value for our shareholders, customers, employees and the communities in which we operate.

Values

In everything we do, we are guided by *Our BHP Billiton Charter* values of Sustainability, Integrity, Respect, Performance, Simplicity and Accountability.

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

Success factors

We are successful when our:

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

1.6.2 Planning

We have a robust corporate planning framework that allows us to identify risks and opportunities, inform our strategic priorities and optimise returns to shareholders.

Core principles

Ownership senior executives develop our strategy and strategic priorities for the input, consideration and ultimately, approval by the Board.

Engagement the Executive Leadership Team (ELT), assets, Marketing and functions regularly collaborate and discuss plans.

Systematic

The plans of assets, Marketing and functions are aggregated to form an overall integrated corporate plan.

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Long-term directional plans are first developed for each asset. Short-term plans are developed from the long-term plans to deliver strategic priorities.

Plans are reviewed, assessed and endorsed at appraisals of the assets and functions.

Evaluation our portfolio and plans are regularly tested for resilience under scenarios and signals tracking.

Corporate planning framework

Our corporate planning framework is rigorous yet flexible, providing the capability to respond and adapt to a dynamic external environment. It ensures strategic insights from across BHP Billiton are captured and considered as part of our investment decisions and capital allocation.

The main components of our corporate planning framework include:

Board Strategy Forum the Board and the ELT regularly discuss and debate the Company s strategy.

Strategic Reviews assets prepare long-term plans, discuss them with the ELT and seek their endorsement.

Appraisals assets and functions prepare short-term plans and budgets, and review them during annual appraisals with ELT members.

A BHP Billiton 20-year corporate plan is prepared based on input from the assets long-term and short-term plans which include various alternatives for capital investments. The planning framework seeks to allocate capital to maximise shareholder value. Our capital allocation process looks at possible combinations of investment options and selects the most valuable combination that also satisfies our capital constraints. The most valuable combination of growth options is prioritised and sequenced over the 20-year plan.

The capital allocation process includes analysis using a range of metrics[1] to inform decision-making. All available growth options are assessed and prioritised to generate a high-value and capital-efficient portfolio.

For more information on our capital allocation framework, refer to section 1.6.3.

1 Net Present Value (NPV), internal rates of return (IRR), return on capital (ROC) and margin are the main metrics used in analysis during the capital allocation process.

Scenarios and signals tracking

Our corporate planning process involves many tools, including scenarios and signals tracking to help us interpret trends in the external environment. Scenarios provide a way to factor uncertainty in to the strategy process, to identify new opportunities and alternatives and to test the robustness of our decisions.

Our set of scenarios is designed to be divergent and contrasting, as well as to consider plausible and intuitively logical, future worlds. Our scenarios do not represent preferred or most likely outcomes for BHP Billiton.

Signals, including signposts (trends) and triggers (events), are regularly tracked to provide timely insights in to the potential impacts on our portfolio. This provides us with a tool to inform decision-making and enables us to act early.

1.6.3 Focus areas

We maintain a strong focus on the following strategic priorities to execute our strategy. A number of these are monitored using the key performance indicators as presented in section 1.7.

Operating sustainably

Sustainability is at the core of *Our Charter* values. It means putting health and safety first, being environmentally responsible and supporting communities.

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We integrate health, safety, environmental, social and economic factors into our decision-making. Our sustainability framework, including risk management and sustainable development, guides our investments in our host countries and local communities, as well as directly at our own operations. The priority for our sustainability framework is identifying and managing material risks a core part of creating value.

We play an important role in economic development and improving standards of living. As part of making a valuable contribution as community partners, we seek meaningful, long-term relationships that respect local cultures and create lasting benefits.

For more information on sustainability, refer to section 1.11 and our Sustainability Report 2016, which is available at *www.bhpbilliton.com.*

A more productive organisation

To date, our productivity improvements have delivered significant value, including gains of over US$10 billion secured since 2012. In FY2016, we achieved US$437 million in productivity gains and we expect this strong momentum to continue, with US$2.2 billion of gains targeted over the two years to the end of FY2017.

Future productivity gains over the short to medium term will be achieved through further cost reductions, taking advantage of latent capacity in our assets and investing in capital efficient projects.

Our productivity initiatives are expected to result in production growth of five per cent in copper, four per cent in iron ore and three per cent in metallurgical coal in FY2017.

In addition, our new Operating Model provides a further productivity opportunity across the Company. We now have a simplified, global structure and streamlined ways of working that will enable us to realise economies of scale, remove duplication, facilitate greater coordination and replicate best practice faster.

The new model incorporates an integrated technology function to provide operational and information technology services, as well as lead technology innovation across the organisation and support productivity initiatives.

For more information on our new Operating Model, refer to section 1.5.3.

Disciplined capital management

Our strong balance sheet remains a fundamental enabler of our strategy. It provides access to sufficient, low-cost funding at all points in the cycle, which offers optionality and helps to insulate our operations from rising volatility. Our balance sheet strength is demonstrated by our solid cash flow to net debt metrics (reflected in our credit ratings), liquidity, moderate gearing and long-dated debt maturity profile.

We continue to implement measures to both preserve this balance sheet strength and align our capital allocation framework with our industry s cyclical nature.

Our capital allocation framework sets clear parameters. Capital is allocated under the following hierarchy:

maintain capital to support safe and stable operations;

maintain balance sheet strength to provide protection through the cycle;

pay shareholders a minimum of 50 per cent of Underlying attributable profit as dividends;

direct remaining cash to the value-optimising outcome, with debt reduction, paying additional amounts by way of dividend, buying back shares, investing in growth projects and acquiring assets all competing for capital.

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This capital allocation framework is simple and by strict adherence to the framework, we can balance value creation, cash returns to shareholders and balance sheet strength in a transparent and consistent manner through the cycle.

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

For more information on our dividend policy, refer to section 7.7.

1.7 Key performance indicators

Our key performance indicators (KPIs) enable us to measure our sustainable development and financial performance.

These KPIs are used as direct and indirect measures in the short-term or long-term incentive remuneration arrangements for senior executives. Certain KPIs (Total recordable injury frequency, Greenhouse gas emissions, Underlying attributable profit, Underlying EBITDA and Total shareholder return) are used directly to calculate incentive outcomes (subject to certain adjustments as described further in section 3) and the remainder (Social investment, Net operating cash flows and Long-term credit rating) are considered more broadly in determining final overall results.

Our Remuneration Report is contained in section 3 and provides information on our overall approach to executive remuneration, including remuneration policies and the remuneration outcomes.

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1.7.1 Sustainability KPIs

Total recordable injury frequency (TRIF) [1] [2]

Definition

Total recordable injury frequency (TRIF) is an indicator in highlighting broad personal injury trends and is calculated based on the number of recordable injuries per million hours worked. This data covers the assets that have been wholly owned and operated by BHP Billiton or that have been operated by BHP Billiton in a joint venture operation.

Link to strategy

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

FY2016 performance

While we had no fatalities at any BHP Billiton operated assets, tragically 19 people died as a result of the dam failure in November 2015 at the non-operated joint venture, Samarco.

Our TRIF performance in FY2016 was 4.3 per million hours worked, a slight increase on FY2015. While we did not meet our target of year-on-year TRIF improvement, this is a reduction of nine per cent over the past five years.

For information on our approach to health and safety and our performance, refer to section 1.11.

(1) Includes data for continuing and discontinued operations for the financial years being reported.

(2) Includes work-related events occurring outside of our operation locations for FY2015 and FY2016 only. In FY2015 we expanded our definition of work-related activities to align with the reporting boundaries of the International Council on Mining and Metals, which includes the recording of events that occur outside of our operated locations where we have established the work to be performed and can set and verify the health and safety standards.

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GHG emissions [(1) (6)]

Definition

Greenhouse gas (GHG) emissions are measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol. This data covers the assets that have been wholly owned and operated by BHP Billiton or that have been operated by BHP Billiton in a joint venture operation (including, until 8 May 2015, assets that now form part of South32).

Link to strategy

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

FY2016 performance

In FY2016, the Company s total GHG emissions of 18.0 million tonnes of carbon dioxide equivalent (CO_2-e) was 13 per cent lower than our adjusted FY2006 baseline. We remain on track to keep our absolute FY2017 GHG emissions below our adjusted FY2006 baseline.

For more information on our GHG emissions, refer to section 1.11.2.

(1) Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol.

(2) In order to compare the total GHG emissions in FY2015 to prior financial years, GHG emissions (estimated) from South32 assets between the date of demerger and 30 June 2015 have been added to FY2015 GHG emissions as shown above.

(3) Scope 2 refers to indirect GHG emissions from the generation of purchased electricity and steam that is consumed by operated assets (calculated using the market-based method).

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

(5) Our FY2006 baseline is adjusted as necessary for material acquisitions and divestments based on asset GHG emissions at the time of the applicable transaction.

(6) Our Company GHG target is to keep our absolute FY2017 GHG emissions below our adjusted FY2006 baseline.

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Social investment [1]

Definition

Our voluntary social investment (including BHP Billiton s equity share for both operated and non-operated joint venture operations) comprises cash, administrative costs and contributions to our BHP Billiton supported charities, BHP Billiton Sustainable Communities (up to FY2012) and the BHP Billiton Foundation.

Link to strategy

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

FY2016 performance

Our voluntary social investment totalled US$178.7 million, comprising US$123.7 million in cash (for community development programs) and administrative costs and a US$55.0 million contribution to the BHP Billiton Foundation.

For more information on our social investment, refer to section 1.11.

(1) Includes BHP Billiton s equity share for both operated and non-operated joint venture operations. Data prior to FY2016 includes payments made by operations demerged with South32.

1.7.2 Financial KPIs

Underlying attributable profit [1]

Definition

Underlying attributable profit represents (Loss)/profit after taxation attributable to owners of the BHP Billiton Group excluding Discontinued operations and any exceptional items. Underlying attributable profit is the key performance indicator against which short-term incentive outcomes for our senior executives are measured and, in our view, is a relevant measure to assess the financial performance of the Company for this purpose. In past periods, we have reported attributable (loss)/profit as a key performance indicator.

Link to strategy

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

FY2016 performance

Underlying attributable profit decreased to US$1.2 billion, due to a significant decline in commodity prices.

For a reconciliation of Underlying attributable profit to Attributable (loss)/profit, refer to section 1.13.2. For our Financial Statements, refer to section 5.

(1) Comparative data excludes Discontinued operations.

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Underlying EBITDA [1]

Definition

Underlying EBITDA is earnings before net finance costs, depreciation, amortisation and impairments, taxation expense, Discontinued operations and any exceptional items. Management believes focusing on Underlying EBITDA more closely reflects the operating cash generative capacity and hence the underlying performance of our business. In past periods, we have reported Underlying EBIT as a key non-IFRS measure of operating results.

Link to strategy

This is a key financial measure used across the Group. It provides insight to cost management, production growth and performance efficiency. Underlying EBITDA is the key measure that management uses internally to assess the performance of our segments and make decisions on the allocation of resources, and is more relevant to capital intensive industries with long-life assets.

FY2016 performance

Underlying EBITDA declined by 44 per cent to US$12.3 billion, as the reduction in controllable cash costs was more than offset by lower average realised prices net of price-linked costs.

For a reconciliation of Underlying EBITDA to (Loss)/profit after taxation from Continuing operations, refer to section 1.13.2. For our Financial Statements, refer to section 5.

(1) Comparative data excludes Discontinued operations.

Net operating cash flows [1]

Definition

Net operating cash flows represent the cash generated by the Group s consolidated operations, after dividends received, interest, taxation and royalty-related taxation. This figure excludes cash flows relating to investing and financing activities and includes net operating cash flows from Discontinued operations.

Link to strategy

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

FY2016 performance

Net operating cash flows decreased by 45 per cent to US$10.6 billion during FY2016. The major contributor was the US$8.9 billion decrease in cash generated from operations (after changes in working capital balances), which was partially offset by a decrease of US$2.4 billion in net taxes paid.

For our Financial Statements, refer to section 5.

(1) Comparative data includes Continuing and Discontinued operations.

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1.7.3 Capital management KPIs

Total Shareholder Return (TSR)

Definition

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

Link to strategy

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

FY2016 performance

TSR was negative 36.8 per cent during FY2016 as a result of decreases in both the BHP Billiton share price and the dividends paid. From 1 July 2011 to 30 June 2016, BHP Billiton underperformed the weighted median TSR of its peer companies by 5.0 per cent and underperformed the Index TSR by 102.3 per cent.

For more information on our long-term incentive performance outcomes to June 2016, refer to section 3.4.7.

Long-term credit rating

Definition

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

Link to strategy

One of BHP Billiton s objectives is to maintain a strong balance sheet through the cycle. This is consistent with seeking to achieve and maintain a solid A credit rating.

FY2016 performance

On 1 February 2016, Standard & Poor s lowered BHP Billiton s credit rating from A+ to A credit watch negative. On 29 February 2016, Standard & Poor s affirmed the A rating, removed the negative credit watch and changed the rating outlook to negative. On 3 March 2016, Moody s lowered BHP Billiton s credit rating from A1 to A3 negative outlook. BHP Billiton remains committed to maintaining its strong balance sheet through the cycle.

For more information on our liquidity and capital resources, refer to section 1.13.3.

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1.8 Our operating environment

Economic, social, technological and environmental forces are creating transformational change across the globe, creating opportunities for development and innovation at an unprecedented rate.

As one of the world s leading global resources companies, with a strong portfolio of high-quality growth opportunities, BHP Billiton is well placed to support changes across the globe through the provision of the mineral and energy commodities essential to modern life and sustainable global growth and development.

Through our diversified portfolio, we are able to meet the changing needs of our customers and the resources demand of emerging economies at every stage of their growth. We think and plan in decades and generations.

The products in our portfolio are the raw materials that are used to fuel change and support an improvement in living standards for people in many parts of the world.

Today, short-term demand for commodities has slowed. Global markets are experiencing economic uncertainty, extreme volatility and geopolitical instability on top of already well supplied markets. The speed, quantum and synchronised nature of those declines have been greater than anticipated. However, we did foresee some of these trends and took a series of early actions that have prepared us well for the current low price commodity environment.

We expect the longer-term outlook for the resources we produce to improve in many parts of the world. Global energy needs are expected to increase by around 30 per cent in the next 20 years. Around two-thirds of new demand is expected to originate from Asia, with the majority from China and India. Sub-Saharan Africa is expected to see the fastest growth, albeit from a lower base.

Responding to climate change is a priority for our Company. We accept the scientific assessment by the Intergovernmental Panel on Climate Change (IPCC). BHP Billiton believes that sustainable development requires both the continued growth of emerging economies and a significant reduction in global greenhouse gas emissions.

We believe the world must pursue the twin objectives of limiting climate change to the lower end of the IPCC emission scenarios in line with current international agreements, and providing access to reliable and affordable energy to support economic development and improved living standards.

Fossil fuels are likely to continue to be a significant part of the energy mix for decades, but technology and innovation have the potential to significantly reduce global emissions and enable long-term climate goals to be met. Renewables are anticipated to become more competitive with traditional fuels in power generation, leading to a considerable increase in their share of newly installed electricity capacity, including in China and India.

Our strategic approach to climate change is underpinned by engagement with policy makers and other stakeholders, including investors, companies and non-governmental organisations. For more information on climate change, refer to section 1.11.2.

A number of external factors and trends may continue to have a material impact on our financial and operational results. These factors include commodity prices, exchange rates and operating costs, as described in sections 1.8.1, 1.9.2 and 1.13.

1.8.1 Market factors and trends

Economic outlook

In FY2016, the global economy grew at a modest rate of 3.1 per cent. This was consistent with our forecast and the range of recent history. In the United States, growth was a relative bright spot, while Eurozone growth improved only modestly. In Asia, the Japanese economy was soft and China decelerated modestly, while the Indian growth remained healthy. Non-Asian emerging markets continue to struggle. Global trade has returned to growth after contracting in FY2015, but the lift has been small. The UK referendum result (Brexit) adds considerable uncertainty into the short- and medium-term outlook.

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China

Growth slowed modestly while the process of rebalancing continued. The services sector and consumer demand provided the largest contribution to growth. At the same time, production in bulk commodity-intensive sectors, including steel, was soft. Chinese steel production decreased by 2.1 per cent during FY2016, despite higher steel exports.

The deceleration in growth was moderated by policies that targeted infrastructure and real estate spending. We expect both the monetary and fiscal policy stance to remain accommodative. We forecast the authorities growth target of 6.5 7 per cent for CY2016 will be achieved, as policy makers continue to seek a balance between reforms and employment objectives.

Over the medium term, the economy is likely to grow more slowly. The government s reform program will focus on promoting more efficient use of resources and boost productivity to partly offset the impact of declines in the workforce and the maturation of the underlying economic structure.

In the longer run, we expect reform will continue to occur in a cautious but sustained manner. China s authorities will continue to seek to improve the efficiency of capital allocation in the economy, while boosting the role of consumer demand through raising the household share of income and lowering precautionary savings. With Chinese steel stock per capita still below that of developed nations, we expect moderate but sustainable growth in Chinese steel production over the next decade.

Eurozone

The Eurozone economy continues to see modest broad-based economic growth. Consumer demand has been the primary driver, supported by improved labour market conditions. However, despite more positive conditions in the real economy, the European Central Bank remains concerned about very low inflation expectations. Consequently, we expect monetary policy will remain strongly expansionary. The uncertainty and market volatility associated with the Brexit decision is expected to impact on business and household sector confidence in both the United Kingdom and continental Europe.

Japan

Despite significant additional monetary stimulus during the year, economic growth has remained soft. A sharp appreciation of the exchange rate did not support the Japanese industry. Domestically, consumer demand remains soft, reflecting flat wages and the ageing population. Reform remains critical to long-term growth prospects.

United States

The fundamentals remain positive in the United States, particularly for consumer demand. Importantly, the labour market remains strong, and there are signs of improving disposable incomes. These factors, alongside low interest rates and higher household wealth (reflecting improved housing prices), should continue to support consumer spending. However, business investment remains relatively soft as a result of weak export demand and a stronger US dollar. This mixed picture suggests the Federal Reserve will be cautious in its monetary policy deliberations.

Global long-term outlook

We expect ongoing increases in global living standards over the longer term, with urbanisation, industrialisation and pro-trade liberalisation to underpin commodity demand. The development trajectory of emerging economies in Asia should provide particular support for industrial metals, energy and fertilisers.

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Commodity performance and outlook

Global economic growth in FY2016 was little changed from FY2015. However, average year prices for all our commodities were lower compared to FY2015, reflecting ample supply and widespread cost compression. The low point for price was reached for most commodities in the March 2016 quarter.

The following table shows the prices for our most significant commodities for the years ended 30 June 2016, 2015 and 2014. These prices represent selected quoted prices from the relevant sources as indicated and will differ from the realised prices due to differences in quotation periods, quality of products, delivery terms and the range of quoted prices that are used for contracting sales in different markets.

Year ended 30 June	**2016 Closing**	2015 Closing	2014 Closing	**2016 Average**	2015 Average	2014 Average	2016 vs 2015 Average
Natural gas Henry Hub[1] (US$/MMBtu)	**2.93**	2.81	4.39	**2.23**	3.32	4.25	(33%)
Natural gas Asian Spot LNG[2] (US$/MMBtu)	**5.23**	7.30	11.28	**6.09**	9.74	16.38	(37%)
Crude oil (Brent)[3] (US$/bbl)	**48.44**	61.05	111.02	**43.19**	73.91	109.36	(42%)
Ethane[4] (US$/bbl)	**9.74**	8.40	12.02	**7.65**	8.56	11.92	(11%)
Propane[5] (US$/bbl)	**21.71**	16.25	44.47	**17.87**	29.34	48.05	(39%)
Butane[6] (US$/bbl)	**28.88**	23.89	54.39	**24.18**	36.89	56.70	(34%)
Copper (LME cash) (US$/lb)	**2.19**	2.60	3.15	**2.22**	2.89	3.18	(23%)
Iron ore[7] (US$/dmt)	**55.0**	59.5	93.25	**51.37**	71.61	122.70	(28%)
Metallurgical coal[8] (US$/t)	**91.5**	88.0	110.50	**81.6**	102.9	128.4	(21%)
Energy coal[9] (US$/t)	**56.49**	61.66	70.89	**53.42**	64.37	78.38	(17%)
Nickel (LME cash) (US$/lb)	**4.27**	5.30	8.49	**4.24**	7.02	6.88	(40%)

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

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

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

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

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

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

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

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

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

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The prices we obtain for our products are a key driver of value for our business. Fluctuations in these commodity prices affect our results, including cash flows and asset values. The estimated impact of changes in commodity prices on FY2016 Underlying EBITDA are set out below.

	US$M
US$1/bbl on oil price	88
US¢10/MMBtu on US gas price	37
US¢1/lb on copper price	32
US$1/t on iron ore price	201
US$1/t on metallurgical coal price	34
US$1/t on energy coal price	16
US¢1/lb on nickel price	1

Henry Hub gas

Despite continued demand growth for gas, inventories increased to record levels on strong production and reduced heating demand due to the mild 2015/2016 winter weather across North America. Natural gas inventories at the end of FY2016 were 3,140 billion cubic feet (Bcf) (week ending 24 June), which was 25 per cent (or 637 Bcf) above the five-year average and 23 per cent (or 582 Bcf) higher year-on-year. In the near term, high inventory levels will continue to weigh on the market. In the longer term, due to inherent environmental, operational and economic advantages of gas for power generation, heating and industrial applications, we continue to expect robust natural gas demand growth. While continued investment in new supply sources will be required to replace natural field decline, abundant lower-cost supply will moderate price inflation.

Liquefied natural gas

Demand was subdued due to mild winter weather in northern Asia, while supply grew strongly as new liquefied natural gas (LNG) projects in Australia and the United States were commissioned. The year-end price was 14 per cent below the average for the year. We believe new supply will continue to weigh on the market in the near term. Longer-term, as overall demand for energy rises and indigenous supplies deplete, a positive outlook for LNG is supported by growing demand from Asia and Europe.

Crude oil

Global crude supply outpaced demand during FY2016. During January 2016, prices dropped to their lowest level since CY2003 due to OPEC supply growth, resilient US production, record high inventories and a strong US dollar. However, during the June 2016 quarter, the oil market began to recover on signs of rebalancing. Declining US production, unplanned supply outages and strong non-OECD demand growth contributed to a shift in market sentiment despite persistent volatility. Although the market has begun to rebalance, we expect prices in the short term to be within an established range, due to record inventory levels. We believe the long-term outlook remains healthy, with new supply required to meet growing demand in developing countries and offset natural field decline.

Copper

The copper price trended lower during the first six months of FY2016 before reaching a six-year low in mid-January. Over the first half of FY2016, the price was impacted by weaker than expected copper consumption, industry cost compression, US dollar strength and negative sentiment on the outlook of the Chinese economy. The price subsequently increased during February to April as sentiment on China improved and the US dollar weakened, but it eventually closed the year lower as supply growth outpaced consumption. In the near term, new supply under development is expected to continue to keep steady demand growth well covered. In the medium to

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long term, the trend remains positive: China s future demand will be fuelled by an increasingly consumption-based economy and will be supported by continued growth in other emerging markets. A deficit is expected to emerge as grade declines, a rise in costs and a scarcity of high-quality future development opportunities are likely to constrain the industry s ability to cheaply meet this demand growth.

Iron ore

The iron ore price decrease was driven by lower pig iron production in China and an increase in low-cost seaborne supply. Domestic Chinese iron ore production at private mines recovered to 35 per cent of capacity late in the financial year from February lows of 28 per cent, due to higher prices and seasonality. This is still below its CY2015 average of 38 per cent of capacity. Additional price pressure came from productivity gains and input price deflation, which lowered the industry s cost structure. The short-term outlook appears stable, with most of the incremental seaborne supply forecast to enter the market in the second half of this calendar year and in CY2017, although demand growth is expected to remain modest. In the medium and longer term, seaborne supply is expected to gain momentum as new projects ramp-up, and production increases from productivity and de-bottlenecking translate into a further flattening of the cost curve.

Metallurgical coal

Uneconomic high-cost supply continued to be slowly withdrawn from the seaborne market. However, prices remained subdued as industry-wide cost reductions and weaker producer currencies against the US dollar supported continued production from marginal suppliers. Prices are expected to moderate in the short term as committed growth projects ramp-up production and demand growth remains modest. The key uncertainty for the seaborne market is how China s domestic supply will respond to government capacity controls, which have the potential to impact seaborne demand. The long-term outlook remains robust, as the supply of premium hard coking coal becomes scarce and demand is driven by steel production growth in emerging markets, particularly India.

Energy coal

The Global Coal Newcastle price decrease was driven by weak Chinese seaborne demand growth, offsetting healthy growth from Japan, South Korea, Taiwan and South East Asia. Sustained supply from Australia and Indonesia was supported by depreciating currencies, which prolonged the weak pricing environment. In the short term, weaker Chinese imports are likely to continue and this limits prospects for near-term price recovery. In the long term, global demand for energy coal is expected to grow modestly, with Indian and South East Asian demand offsetting declining demand from OECD countries.

Nickel

The fall in nickel price was due to weak demand growth, driven by a slowdown in global stainless steel production and ample nickel inventories as a result of high levels of supply. A significant fraction of nickel production had operating costs above current price levels, with some supply being withdrawn from the market and hereby providing support to the price. Demand growth is expected to improve. In the medium term, excess nickel stocks will decline closer to historic levels, which should lead to a recovery in price.

Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases. Operating costs and costs of locally sourced equipment are influenced by fluctuations in local currencies, primarily the Australian dollar and

Chilean peso. The majority of our sales are denominated in US dollars and we borrow and hold surplus cash predominately in US dollars. Those transactions and balances provide no foreign exchange exposure relative to the US dollar functional currency of the Company.

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The US dollar strengthened against our main local currencies during FY2016.

We are also exposed to exchange rate translation risk in relation to net monetary liabilities, being our foreign currency denominated monetary assets and liabilities, including certain debt and other long-term liabilities. Details of our exposure to foreign currency fluctuations are contained within note 21 Financial risk management to the Financial Statements.

Interest rates

We are exposed to interest rate risk on our outstanding borrowings and investments. Our policy on interest rate exposure is to pay on a US dollar floating interest rate basis.

Our earnings are sensitive to changes in interest rates on the floating component of the Company s borrowings. Our main exposure is to the three-month US LIBOR benchmark, which increased by 0.243 per cent in FY2016 to an average of 0.495 per cent.

For more information, refer to note 21 Financial risk management to the Financial Statements.

1.8.2 Other factors and trends

Exploration of resources

Minerals exploration

We have secured growth opportunities via brownfield exploration around our portfolio of existing assets, principally aimed at delineating and categorising mineral deposits in resource basins near our existing operations, while advancing projects through the development pipeline, primarily in copper.

For a description of our major projects, refer to section 6.4.

This has enabled us to reduce brownfield exploration expenditure and to rationalise our greenfield exploration program.

Greenfield exploration is now focused on advancing copper targets within Chile, Peru, southwestern United States and Canada. Our activities include opportunity identification, mineral title applications and acquisitions, early reconnaissance operations and multi-million dollar delineation drilling programs.

Our brownfield minerals exploration expenditure declined by 40 per cent in FY2016 to US$116 million, while our greenfield expenditures increased slightly to US$59 million. Expenditure on minerals exploration over the last three financial years is set out below.

Year ended 30 June	2016 US$M	2015 US$M	2014 US$M
Greenfield exploration	**59**	55	46
Brownfield exploration	**116**	194	340

Total minerals exploration	**175**	249	386

Petroleum exploration

Petroleum exploration is focused on high-impact liquids opportunities in the Gulf of Mexico, Western Australia and Trinidad and Tobago.

Year ended 30 June	**2016 US$M**	**2015 US$M**	**2014 US$M**
Petroleum exploration	**590**	567	600

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Exploration expense

Exploration expense represents that portion of exploration expenditure that is not capitalised in accordance with our accounting policies, as set out in note 10 Property, plant and equipment to the Financial Statements.

Exploration expense for each segment over the last three financial years is set out below.

Year ended 30 June	2016 US$M	2015 US$M Restated	2014 US$M Restated
Exploration expense [1]			
Petroleum [2]	**288**	529	497
Copper	**64**	90	111
Iron Ore	**74**	38	56
Coal	**18**	20	29
Group and unallocated items [2]	**1**	21	77
BHP Billiton Group	**445**	698	770

(1) Includes US$15 million (FY2015: US$28 million; FY2014: US$72 million) exploration expense previously capitalised, written off as impaired.

(2) Group and unallocated items includes functions, other unallocated operations, including Potash (previously disclosed in the former Petroleum and Potash reportable segment), Nickel West and consolidation adjustments. Comparative information for FY2015 and FY2014 have been restated for the effects of the change in the reporting related to Potash.

Health, safety, environment and community

Many of our activities are highly regulated by laws and regulations relating to health, safety, environment and community impacts. We are committed to complying with the laws and regulations of the countries in which we operate and, where applicable, to exceeding legal and other requirements that are less stringent than our own. However, our governance and compliance processes may not guarantee compliance with legal or regulatory requirements and regulatory standards and community expectations are constantly developing. As a result, we may be exposed to increased regulatory review, litigation, compliance costs and unforeseen environmental rehabilitation expenses and loss of reputation, despite our best efforts to work with governments, community groups, scientists and other interest groups to keep pace with regulations, law and public expectations.

For more information on our approach to climate change, refer to sections 1.9.3 and 1.11.2.

For more information about our compliance with health, safety, environment and community (HSEC) regulations, refer to section 1.11.

Insurance

BHP Billiton maintains an insurance program covering property damage, business interruption, sabotage and terrorism, marine and aviation, construction, employee benefits, directors and officers liability and public and certain other liabilities. The program includes a combination of self-insurance via subsidiary captive insurance companies, industry mutuals and external market insurance and reinsurance. Required standards are established and applied for risk retention levels, policy cover and, where applicable, insurance and reinsurance counterparty security.

In line with our risk financing (insurance) approach to minimise or not to purchase external insurance, we are largely self-insured for losses arising from various risks including property damage and business interruption, sabotage and terrorism, marine cargo, construction, primary public liability and employee benefits. We internally insure our operations for these risks (for wholly owned assets and, where possible, by local insurance regulation and appropriate commercial market terms, our share of joint venture assets) via our captive insurance companies. Any such losses incurred will consequently impact the Financial Statements as they arise.

As part of our portfolio risk management approach, we regularly conduct an assessment of maximum foreseeable loss potential, cash flow at risk, loss experience, claims received and insurance premiums paid. We make adjustments to the balance of self-insurance, external insurance and reinsurance, as required.

1.9 Management of risk

1.9.1 Approach to risk management

Identifying and managing risk is central to achieving our corporate purpose of creating long-term shareholder value.

If realised, risks have the potential to impact our health, safety, environment, community, regulatory, market and financial performance, as well as our reputation, and thereby the achievement of our corporate purpose. Successful risk management can be a source of competitive advantage.

We provide greater certainty and confidence for our stakeholders by understanding and managing risk.

BHP Billiton s risks are viewed and managed on a Company-wide basis. Our diversified portfolio of commodities, geographies, currencies, assets and liabilities is a key part of our risk management approach.

We embed risk management in our critical business activities, functions, processes and systems. Materiality and risk tolerance are key considerations in our decision-making.

We seek to identify, analyse and assess risk issues. We implement the following performance requirements for material risks that could threaten our corporate purpose or strategy:

- Risk assessments we identify, analyse (including likelihood and impact assessment), evaluate, treat and monitor risks.

- Risk controls we design, implement, operate and assess controls to determine control effectiveness. We establish performance standards for critical controls over material risks with supporting verification processes.

- Risk materiality and tolerability evaluation we assess the materiality of the risk based on the degree of financial and non-financial impacts, including health, safety, environment, community, reputation and legal impacts. Tolerability assessment is based on a combination of residual risk and control effectiveness.

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

For information on our risk management governance approach, refer to sections 2.13.1 and 2.14.

Robust risk assessment and viability statement

In accordance with the UK Corporate Governance Code, the Board confirms that it has carried out a robust assessment of the Company s principal risks, including those that would threaten the business model, future performance, solvency or liquidity.

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In accordance with the UK Corporate Governance Code (longer-term viability), the Directors have assessed the prospects of the Company over the next three years, taking account of the Company s current position and principal risks.

The Directors believe a three-year viability assessment period is appropriate for the following reasons. BHP Billiton has a two-year budget, a five-year outlook and a 20-year strategic planning horizon. The extent and synchronised nature of the decline in commodity prices experienced in FY2016 were stronger than anticipated, and the Company has publicly stated our view that the outlook for the sector remains challenging and volatile in the short to medium term. A significant proportion of the variability in plans and budgets for the Company is influenced by exchange rate volatility and price volatility. A three-year period was therefore seen as striking an appropriate balance.

The Directors assessment took into account, among other things, the Company s commodity price protocols including low-case prices; the latest funding and liquidity update; the long-dated maturity profile of the Company s debt and the maximum debt maturing in any one year; the Company-level risk profile and the mitigating actions available should particular risks materialise; the annual Board strategy forum, which provides a strategic review of the Company s markets and plans under divergent scenarios and considers available strategic options; the flexibility in the Company s capital and exploration expenditure programs under the enhanced capital allocation framework; and the reserve life of the Company s minerals assets and the reserves-to-production life of its oil and gas assets.

The Directors assessment also took account of additional stress-testing of the balance sheet against two significant risk events: a shipping blockage of the Port Hedland Channel that could disrupt export of iron ore and a short-term extreme hypothetical event that catches the global resource industry off-guard, causing an abrupt and significant disruption to global capital markets.

The Directors were also mindful of the scenario analysis incorporated into the Company s corporate planning process. While the scenarios use a 20-year time horizon, scenario planning is important in helping identify the key uncertainties facing the global economy and natural resources sector.

Taking account of these matters, and the Company s current position and principal risks, the Directors have a reasonable expectation that BHP Billiton will be able to continue in operation and meet its liabilities as they fall due over the next three years.

1.9.2 Risk factors

There are a number of factors that may have an adverse effect on our results and operations.

The principal risks discussed below, separately or in combination, could have a material effect on BHP Billiton s strategic and operational plans and its reputation. In addition, we have also set out the risks relating to the failure of the Fundão tailings dam at Samarco Mineração S.A. (Samarco dam failure), which could, separately or in combination with the principal risks, have a material effect on our business, competitive position, cash flows, prospects, liquidity and shareholder returns.

Samarco dam failure

Our potential liabilities from litigation and other actions resulting from the Samarco dam failure are subject to significant uncertainty and cannot be reliably estimated at this time but they could have a material adverse effect on our business

On 5 November 2015, the Samarco Mineração S.A. (Samarco) iron ore operations experienced a tailings dam failure that resulted in a release of mine tailings, flooding the communities of Bento Rodrigues, Gesteira and Paracatu and impacting other communities downstream and the Rio Doce. Samarco is a joint venture owned equally by BHP Billiton Brasil Ltda (BHP Billiton Brasil) and Vale S.A. (Vale). For information on the Samarco dam failure, refer to section 1.4.

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The Samarco dam failure and subsequent suspension of Samarco s mining and processing operations have had a significant impact on our financial results for the year ended 30 June 2016, as described in section 1.4 and in note 3 Significant events Samarco dam failure to the Financial Statements.

Mining and processing operations remain suspended following the dam failure. Samarco is currently progressing plans to resume operations; however, significant uncertainties surrounding the nature and timing of any resumption of operations remain, including as a result of Samarco s significant debt obligations. For further details of financial information relating to Samarco, refer to note 28 Investments accounted for using the equity method to the Financial Statements.

BHP Billiton Brasil is among the defendants named in a number of legal proceedings initiated by individuals, non-governmental organisations (NGOs), corporations and governmental entities in Brazilian federal and state courts following the Samarco dam failure. The other defendants include Vale and Samarco. The lawsuits seek various remedies, including rehabilitation costs, compensation to injured individuals and families of the deceased, recovery of personal and property losses, moral damages and injunctive relief. These legal proceedings include civil public actions filed by state prosecutors in Minas Gerais (claiming damages of approximately R$7.5 billion (US$2.3 billion)), public defenders in Minas Gerais (claiming damages of approximately R$10 billion (US$3.1 billion)) and state prosecutors in Espírito Santo (claiming damages of approximately R$2 billion (US$620 million)). Given the preliminary status of all these proceedings, and the duplicative nature of the damages sought in these proceedings and the R$20 billion (US$6.2 billion) and R$155 billion (US$48 billion) claims noted below, it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures for BHP Billiton Brasil.

Among the claims brought against BHP Billiton Brasil is a public civil claim commenced by the Federal Government of Brazil, the states of Espírito Santo and Minas Gerais, and other public authorities (Brazilian Authorities) on 30 November 2015, seeking the establishment of a fund of up to R$20 billion (US$6.2 billion) in aggregate for clean-up costs and damages.

On 2 March 2016, BHP Billiton Brasil together with Samarco and Vale entered into a Framework Agreement (Framework Agreement) with the Brazilian Authorities to establish the Fundação Renova that will develop and execute environmental and socio-economic programs to remediate and provide compensation for damage caused by the Samarco dam failure. In light of the significant uncertainties surrounding the nature and timing of ongoing future operations at Samarco and based on currently available information, at 30 June 2016, BHP Billiton recognised a provision of US$1.2 billion, before tax and after discounting, in respect of BHP Billiton Brasil s potential obligations under the Framework Agreement.

The Framework Agreement was ratified by the Federal Court of Appeal in Brasilia on 5 May 2016, suspending the R$20 billion public civil claim. However, on 30 June 2016, the Superior Court of Justice issued a preliminary order (Interim Order) suspending the ratification of the Framework Agreement and reinstating the R$20 billion public civil claim. Samarco, Vale and BHP Billiton Brasil and the Federal Government have appealed the Interim Order before the Superior Court of Justice. It is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures for BHP Billiton Brasil in relation to the R$20 billion public civil claim.

BHP Billiton Brasil is also among the defendants named in a claim brought by the Federal Public Prosecution Service on 3 May 2016, seeking R$155 billion (approximately US$43 billion) for reparation, compensation and moral damages in relation to the Samarco dam failure. Given the preliminary status of these proceedings, it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures for BHP Billiton Brasil.

In addition, government inquiries and investigations relating to the Samarco dam failure have been commenced by numerous agencies of the Brazilian Government, and other lawsuits and investigations are at the early stages of proceedings, including a shareholder action filed in the United States against BHP Billiton and certain current or former Directors and officers. For more information on the shareholder action and other lawsuits relating to the Samarco dam failure, refer to section 6.5. Additional lawsuits and government investigations relating to the Samarco dam failure may be brought against BHP Billiton Brasil and possibly other BHP Billiton entities in Brazil or other jurisdictions.

Works are underway to reinforce and improve the dam structures at Samarco so as to contain the remaining tailings materials. A large portion of the works are scheduled to be completed before the next wet season commences. The potential nonetheless remains for further release or downstream movement of tailings material during this season, which may result in additional claims, fines and proceedings (or impact existing proceedings) and may also have additional consequences on the environment and the feasibility, timing and scope of any restart of Samarco operations.

Our potential costs and liabilities in relation to the Samarco dam failure are subject to a high degree of uncertainty and cannot be reliably estimated at this time. The total amounts that we may be required to pay will be dependent on many factors, including the timing and nature of a potential restart of operations at Samarco, the number of claims that become payable, the quantum of any fines levied, the outcome of litigation and the amount and timing of payments under any judgements or settlements. Nevertheless, such potential costs and liabilities could have a material adverse effect on our business, competitive position, cash flows, prospects, liquidity and shareholder returns.

For more information on the Samarco dam failure, refer to section 1.4.

External risks

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

The prices we obtain for our oil, gas and minerals are determined by, or linked to, prices in world markets, which have historically been subject to significant volatility. Our usual policy is to sell our products at the prevailing market prices. The diversity provided by our relatively broad portfolio of commodities does not necessarily insulate the Company from the effects of price changes. Fluctuations in commodity prices can occur due to price shifts reflecting underlying global economic and geopolitical factors, industry demand, increased supply due to the development of new productive resources or increased production from existing resources, technological change, product substitution and national tariffs. We are particularly exposed to price movements in iron ore, coal, copper, oil and gas. For example, a US$1 per tonne decline in the average iron ore price and US$1 per barrel decline in the average oil price would have an estimated impact on FY2016 profit after taxation of US$141 million and US$58 million, respectively. For more information in relation to commodity price impacts, refer to section 1.8.1. Volatility in global economic growth, particularly in developing economies, has the potential to adversely affect future demand and prices for commodities. The impact of sustained price shifts and short-term price volatility, including the effects of unwinding the sustained monetary stimulus in the United States, and uncertainty surrounding the details of the United Kingdom s exit from the European Union following the June 2016 referendum, creates the risk that our financial and operating results, including cash flows and asset values, will be materially and adversely affected by short or long-term declines in the prevailing prices of our products.

Our financial results may be negatively affected by exchange rate fluctuations

The geographic diversity of the countries in which we operate means that our assets, earnings and cash flows are influenced by a wide variety of currencies. Fluctuations in the exchange rates of those currencies may have a significant impact on our financial results. The US dollar is the currency in which the majority of our sales is denominated and the currency in which we present our financial performance. Operating costs are influenced by the currencies of those countries where our assets and facilities are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian dollar, Chilean peso and US dollar are some of the currencies influencing our operating costs. We do not generally believe active currency hedging provides long-term benefits to our shareholders. From time to time, we consider currency protection measures appropriate in specific commercial circumstances, subject to strict limits established by the Board.

Reduction in Chinese demand may negatively impact our results

The Chinese market has been driving global materials demand and pricing over the past decade. Sales into China generated US$13.2 billion (FY2015: US$16.3 billion) or 42.6 per cent (FY2015: 36.6 per cent) of our revenue in FY2016. FY2016 sales into China by commodity included 61 per cent Iron Ore, 28 per cent Copper, 10 per cent Coal and one per cent Nickel (reported in Group and Unallocated). A continued slowing in China s economic growth and demand could result in lower prices for our products and negatively impact our results, including cash flows.

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

There are varying degrees of political, judicial and commercial stability in the locations in which we have operated and non-operated assets around the globe. At the same time, our exposure to emerging markets may involve additional risks that could have an adverse effect on the profitability of an operation. These risks could include terrorism, civil unrest, judicial activism, regulatory investigation, nationalisation, protectionism, renegotiation or nullification of existing contracts, leases, permits or other agreements, imposts, controls or prohibitions on the production or use of certain products, restrictions on repatriation of earnings or capital and changes in laws and policy, as well as other unforeseeable risks. Risks relating to bribery and corruption, including possible delays or disruption resulting from a refusal to make so-called facilitation payments, may be prevalent in some of the countries in which we operate. If any of our major operations are affected by one or more of these risks, it could have a negative effect on our operations in those countries, as well as the Company s overall operating results, financial condition and prospects.

Our operated and non-operated assets are based on material long-term investments that are dependent on long-term fiscal stability and could be adversely affected by changes in fiscal legislation, changes in interpretation of fiscal legislation, periodic challenges and disagreements with tax authorities and legal proceedings relating to fiscal matters. The natural resources industry continues to be regarded as a source of tax revenue and can also be adversely affected by broader fiscal measures applying to businesses generally. The Group is currently involved in a number of uncertain tax and royalty matters refer to note 5 Income tax expense to the Financial Statements for further detail.

Our business could be adversely affected by new or evolving government regulations and international standards, such as controls on imports, exports, prices and greenhouse gas emissions. The nature of the industries in which we operate means many of our activities are highly regulated by laws relating to health, safety, environment and community impacts. Increasing requirements relating to regulatory, environmental, social or community approvals can potentially result in significant delays or interruptions and may adversely affect the economics of new mining and oil and gas projects, the expansion of existing operations and the performance of our operations. As regulatory standards and expectations are constantly developing, we may be exposed to increased regulatory review, compliance costs to meet new operating and reporting standards and unforeseen closure and site rehabilitation expenses.

Infrastructure, such as rail, ports, power and water, is critical to our business operations. We have operations or potential development projects in countries where government-provided infrastructure or regulatory regimes for access to infrastructure, including our own privately operated infrastructure, may be inadequate, uncertain or subject to legislative change. The impact of climate change may increase competition for, and the regulation of, limited resources, such as power and water. These factors may adversely affect the expansion of our business and ability of our assets to operate efficiently.

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We operate in countries where land tenure can be uncertain and where disputes may arise in relation to ownership and use. For example, in Australia, the Native Title Act 1993 provides for the establishment and recognition of native title under certain circumstances.

New or evolving regulations and international standards are complex, difficult to predict and outside our control. Potential compliance costs, litigation expenses, regulatory delays, rehabilitation expenses and operational costs arising from government action, regulatory change and evolving standards could negatively affect our Company, future results, prospects and our financial condition.

Business risks

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

The demand for our products and production from our operations results in existing reserves being depleted over time. As our revenues and profits are derived from our oil, gas and minerals operations, our future results and financial condition are directly related to the success of our exploration and acquisition efforts, and our ability to generate reserves to meet our future production requirements at a competitive cost. Exploration activity occurs adjacent to established operations and in new regions, in developed and less-developed countries. These activities may increase land tenure, infrastructure and related political risks. A failure in our ability to discover or acquire new resources, maintain reserves or develop new operations in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects. Deterioration in commodities pricing may make some existing reserves uneconomic. Our actual exploration drilling activities and future drilling budget will depend on our inventory size and quality, drilling results, commodity prices, drilling and production costs, availability of drilling services and equipment, lease expirations, land access, transportation pipelines, railroads and other infrastructure constraints, regulatory approvals and other factors.

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

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

We regularly review the composition of our asset portfolio and from time to time may add assets to, or divest assets from, the portfolio. There are a number of risks associated with acquisitions or divestments. These include:

- adverse market reaction to such changes or the timing or terms on which changes are made;

- the imposition of adverse regulatory conditions and obligations;

- commercial objectives not being achieved as expected;
- unforeseen liabilities arising from changes to the portfolio;
- sales revenues and operational performance not meeting our expectations;
- anticipated synergies or cost savings being delayed or not being achieved;
- inability to retain key staff and transaction-related costs being more than anticipated.

These factors could negatively affect our reputation, future results and financial condition.

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Increased costs and schedule delays may adversely affect our development projects

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

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

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

Financial risks

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

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

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

One or more of our assets may be adversely affected by changed market or industry structures, commodity prices, technical operating difficulties, inability to recover our mineral, oil or gas reserves and increased operating cost levels. These may cause us to fail to recover all or a portion of our investment in mining, oil and gas assets and may require financial write-downs, including goodwill, adversely affecting our financial results.

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

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

Operational risks

Unexpected natural and operational catastrophes may adversely impact our operations

We operate onshore and offshore extractive, processing and logistical operations in many geographic locations. Our key port facilities are located at Coloso and Antofagasta in Chile and Port Hedland and Hay Point in

Australia. We have four underground mines, including one underground coal mine. Our operational processes may be subject to operational accidents, such as port and shipping incidents, underground mine and processing plant fire and explosion, open-cut pit wall or tailings/waste storage facility failures, loss of power supply, railroad incidents, loss of well control, environmental pollution, and mechanical critical equipment failures and cyber security attacks on Company infrastructure. Our operations may also be subject to unexpected natural catastrophes such as earthquakes, floods, hurricanes and tsunamis. Our northwest Western Australia iron ore, Queensland coal and Gulf of Mexico oil and gas operations are located in areas subject to cyclones or hurricanes. Our Chilean copper and Peruvian base metals operations are located in a known earthquake and tsunami zone. Based on our risk management and concerns about the value of external insurance in the natural resource sector, our risk financing (insurance) approach is to minimise or not to purchase external insurance for certain risks, including property damage and business interruption, sabotage and terrorism, marine cargo, construction, primary public liability and employee benefits. Existing business continuity plans may not provide protection for all the costs that arise from such events, including clean-up costs, litigation and other claims. The impact of these events could lead to disruptions in production, increased costs and loss of facilities. Where external insurance is purchased, third party claims arising from these events may exceed the limit of liability of the insurance policies we have in place. Additionally, any uninsured or underinsured losses could have a material adverse effect on our financial position or results of operations.

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

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

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

Many of our Australian employees have conditions of employment, including wages, governed by the operation of the Australian Fair Work Act 2009. Conditions of employment are often contained within collective agreements that are required to be renegotiated on expiry (typically every three to four years). In some instances, under the operation of the Fair Work Act it can be expected that unions will pursue increases to conditions of employment, including wages, and/or claims for greater union involvement in business decision-making.

In circumstances where a collective agreement is being renegotiated, industrial action is permitted under the Fair Work Act. Industrial action and any subsequent settlement to mitigate associated commercial damage can adversely affect productivity and customer perceptions as a reliable supplier, and contribute to increases in costs.

The industrial relations environment in Chile remains challenging and it is possible that we will see further disruptions. Changes to labour legislation are being considered by the Chilean Congress, and if passed would result in the right to have a single negotiating body across different operations owned by a single company, which may also result in higher risk of operational stoppages.

More broadly, cost and productivity pressures on our Company and our contractors and sub-contractors may increase the risk of industrial action and employment litigation.

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

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Our non-operated assets and our commercial counterparties may not comply with our standards

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

Commercial counterparties, such as our suppliers, contractors and customers, may not comply with our HSEC standards causing adverse reputational and legal impacts.

Breaches in, or failures of, our information technology may adversely impact our business activities

We maintain and increasingly rely on information technology (IT) systems, consisting of digital infrastructure, applications and networks to support our business activities. These systems may be subject to security breaches (e.g. cyber-crime or activists) or other incidents (e.g. from negligence) that can result in misappropriation of funds, increased health and safety risks to people, disruption to our operations, environmental damage, poor product quality, loss of intellectual property, disclosure of commercially or personally sensitive information, legal or regulatory breaches and liability, other costs and reputational damage.

Evolving convergence of IT and Operational Technology (OT) networks across industries, including ours, present additional cyber-related risk as traditionally IT networks have been focused on availability of service to the enterprise.

Sustainability risks

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

Safety

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

Health

Health risks faced include fatigue, musculoskeletal illnesses and occupational exposure to substances or agents including noise, silica, coal mine dust, diesel exhaust particulate, nickel and sulphuric acid mist and mental illness. Longer-term health impacts may arise due to unanticipated workplace exposures or historical exposures of our workforce to hazardous substances. These effects may create future financial compensation obligations, adversely impact our people, reputation or licence to operate and affect the way we conduct our operations.

Given we operate globally, we could be affected by a public health emergency such as influenza or other infectious disease outbreaks in any of the regions in which we operate.

Environment

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

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

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

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

The physical and non-physical impacts of climate change may affect our operations, productivity and the markets in which we sell our products. This includes acute and chronic changes in weather, policy and regulatory change, technological development and market and economic responses. Fossil fuel-related emissions are a significant source of greenhouse gases contributing to climate change. We produce fossil fuels such as coal, oil and gas for sale to customers, and we use fossil fuels in our mining and processing operations either directly or through the purchase of fossil fuel based electricity.

A number of national governments have already introduced, or are contemplating the introduction of, regulatory responses to greenhouse gas emissions from the combustion of fossil fuels to address the impacts of climate change. This includes countries where we have operations such as Australia, the United States and Chile, as well as customer markets such as China, India and Europe. In addition, the international community completed a new global climate agreement at the 21st Conference of the Parties (COP21) in Paris in December 2015. The absence of regulatory certainty, global policy inconsistencies and the challenges presented by managing our portfolio across a variety of regulatory frameworks has the potential to adversely affect our operations and supply chain. From a medium- to long-term perspective, we are likely to see some adverse changes in the cost position of our greenhouse gas-intensive assets and energy-intensive assets as a result of regulatory impacts in the countries where we operate. These proposed regulatory mechanisms may adversely affect our operations directly or indirectly through our suppliers and customers. Assessments of the potential impact of future climate change regulation are uncertain given the wide scope of potential regulatory change in the many countries in which we operate. For example, the Australian Government repealed a carbon tax in 2014 and carbon pricing is being discussed as part of a broader tax reform package in Chile.

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

The growth of alternative energy supply options, such as renewables and nuclear, could also present a change to the energy mix that may reduce the value of fossil fuel assets.

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

Community

Local communities may be directly impacted by and become dissatisfied with our operations or oppose our new development projects, including through legal action, potentially affecting schedules, costs and production, and in extreme cases viability and adversely impacting our reputation and licence to operate. Community-related risks may include community protests or civil unrest, complaints to grievance mechanisms and civil society activism and may cause delays or changes to proposed developments and interruptions to existing operations. Our operations or activities also risk the potential for adverse impacts on human rights or breaches of other international laws or conventions.

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Hydraulic fracturing

Our Onshore US operations involve hydraulic fracturing, which involves using water, sand and a small amount of chemicals to fracture hydrocarbon-bearing subsurface rock formations, to allow flow of hydrocarbons into the wellbore. We depend on the use of hydraulic fracturing techniques in our onshore US drilling and completion programs.

In the United States, the hydraulic fracturing process is typically regulated by relevant US state regulatory bodies. Arkansas, Louisiana and Texas (the states in which we currently operate) have adopted various laws and regulations, or issued regulatory guidance, concerning hydraulic fracturing. Some states are considering changes to regulations in relation to permitting, public disclosure, and/or well construction requirements on hydraulic fracturing and related operations, including the possibility of outright bans on the process.

Several US federal agencies are also reviewing or advancing regulatory proposals concerning hydraulic fracturing and related operations. The US Environmental Protection Agency (EPA) commenced a study of the potential impacts of hydraulic fracturing activities on drinking water resources. The agency issued a non-determinative Progress Report in December 2012 and released a preliminary analysis on 30 March 2015. The EPA s Science Advisory Board (SAB) engaged a research advisory panel to address criticism over the study s core conclusion and that panel issued a draft report on 7 January 2016. The EPA s Office of Inspector General continues to research the EPA s and states ability to manage potential threats to water resources from hydraulic fracturing and produced a report on 16 July 2015 identifying two areas for improvement. The US Bureau of Land Management (BLM) issued a final rule on 20 March 2015 that would impose new requirements on hydraulic fracturing operations conducted on federal lands, including the disclosure of chemicals used, wellbore integrity, water use and disposal of flow back water. The BLM regulation took effect on 24 June 2015. On 30 September 2015, the US District Court for the District of Wyoming granted a motion for a preliminary injunction that prevents enforcement of the regulation by BLM pending litigation. Activity at the federal level, including the ongoing EPA study, BLM rules and other analysis by federal and state agencies to assess the impacts of hydraulic fracturing, could spur additional legislative or regulatory actions.

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

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

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

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1.9.3 Management of principal risks

The scope of our operations and the number of industries in which we operate and engage mean that a range of factors may impact our results. Material risks that could negatively affect our results and performance are described in section 1.9.2. Our approach to managing these risks is outlined below.

Principal risk area	Risk management approach
Samarco dam failure Our potential liabilities from litigation and other actions resulting from the Samarco dam failure are subject to significant uncertainty and cannot be reliably estimated at this time.	The Board has spent a significant amount of time discussing Samarco and considering our approach to the Samarco dam failure. Soon after the Samarco dam failure occurred, a sub-committee of the Board was established to further consider and oversee matters relating to the Samarco dam failure, including BHP Billiton s support of the recovery and response efforts, investigation of the cause of the dam failure and our engagement with key stakeholders. The Samarco sub-committee comprises John Schubert (Chairman), Jac Nasser, Lindsay Maxsted and Malcolm Brinded. Alongside the Samarco sub-committee, the Risk and Audit Committee and the Sustainability Committee have continued to consider matters relating to Samarco as part of the ongoing duties of those committees, including Samarco funding and the review of significant dams in the portfolio. We believe these efforts provide a robust and comprehensive approach for the Board to best provide its oversight and input, and allows appropriate consideration to be brought to the various aspects of the response. For further information on BHP Billiton s response to the Samarco dam failure, refer to section 1.4.
External risks	

Risks arise from fluctuations in commodity prices and demand in major markets (such as China or Europe) or changes in currency exchange rates and actions by governments, including new regulations and standards, and political events that impact long-term fiscal stability.	The diversification of our portfolio of commodities, geographies and currencies is a key strategy for reducing the effects of volatility. Section 1.8.1 describes external factors and trends affecting our results and note 21 Financial risk management to the Financial Statements outlines the Company s financial risk management strategy, including market, commodity, and currency risk. The Financial Risk Management Committee oversees these risks as described in sections 2.14 and 2.15. We also engage with governments and other key stakeholders to ensure the potential adverse impacts of proposed fiscal, tax, resource investment, infrastructure access, regulatory changes and evolving international standards are understood and where possible mitigated.

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Principal risk area	Risk management approach
Business risks	
Risks include the inherent uncertainty of identifying and proving reserves, adding and divesting assets and managing our capital development projects.	Our Geoscience Centre of Excellence manages governance and technical leadership for Ore Reserves reporting as described in section 6.3.2. Our governance over reporting of Petroleum reserves is described in section 6.3.1. We have established investment approval processes that apply to all major capital projects and asset divestment and acquisitions. The Investment Committee oversees these as described in sections 2.14 and 2.15. Our Project Management function additionally seeks to ensure that projects are safe, predictable and competitive.
Financial risks	
Continued volatility in global financial markets may adversely impact future cash flows, our ability to adequately access and source capital from financial markets and our credit rating. Volatility may impact planned expenditures, as well as the ability to recover investments in mining, oil and gas projects. In addition, the commercial counterparties (customers, suppliers, contractors and financial institutions) we transact with may, due to adverse market conditions, fail to meet their contractual obligations.	We seek to maintain a strong balance sheet, supported by our portfolio risk management strategy. As part of this strategy, the diversification of our portfolio reduces overall cash flow volatility. Commodity prices and currency exchange rates are not generally hedged, and wherever possible we take the prevailing market price. A trial hedging program for our shale gas operations is an exception and reflects the inherent differences in shale gas operations in our portfolio. A shale gas operation has a short-term investment cycle and a price responsive supply base and hedging prices and input costs can be used to fix investment returns and manage volatilities. We use Cash Flow at Risk analysis to monitor volatilities and key financial ratios. Credit limits and review processes are required to be established for all customers and financial counterparties. The Financial Risk Management Committee oversees these as described in sections 2.14 and 2.15. Note 21 Financial risk management to the Financial Statements outlines our financial risk management strategy.
Operational risks	
Operating cost pressures and reduced productivity could negatively affect operating margins and expansion plans. Non-operated assets may not comply with our standards. Unexpected natural and operational catastrophes may adversely affect our operations. Breaches in IT security	We aim to maintain adequate operating margins through our strategy to own and operate large, long-life, low-cost and expandable upstream assets. The organisation s concentrated effort to reduce operating costs and drive productivity improvements

processes may adversely affect the conduct of our business activities.

has realised tangible results, with a reduction in controllable costs.

The capability to sustain productivity improvements is being further enhanced through continued

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Principal risk area	Risk management approach
	refinements to our Operating Model. The Operating Model is designed to deliver a simple and scalable organisation, providing a competitive advantage through defining work, organisation and performance measurements. Defined global business processes, including 1SAP, provide a standardised way of working across the organisation. Common processes generate useful data and improve operating discipline. Global sourcing arrangements have been established to ensure continuity of supply and competitive costs for key supply inputs. We seek to influence the application of our standards to non-operated assets. By applying our risk management processes, we seek to identify catastrophic operational risks and implement the critical controls and performance requirements to maintain control effectiveness. Business continuity plans are required to be established to mitigate consequences. Consistent with our portfolio risk management approach, we continue to be largely self-insured for losses arising from property damage, business interruption and construction. From an industrial relations perspective, detailed planning is undertaken to support the renegotiation of employment agreements, and is supported by training and access to expertise in negotiation and agreement making. IT security controls to protect IT infrastructure, business applications and communication networks and respond to security incidents are in place and subject to regular monitoring and assessment. To maintain adequate levels of protection, we also continue to monitor the development of threats in the external environment and assess potential responses to those threats. BHP Billiton has identified a number of actions that we will take in the management of tailings dams and joint venture arrangements. For details of those actions refer to section 1.4.
Sustainability risks HSEC incidents or accidents may adversely affect our people or neighbouring communities, operations and reputation or licence to operate. The potential physical impacts and related responses to climate change may impact the value of our Company, our operations and markets.	Our approach to sustainability risks is reflected in *Our Charter* and described in section 1.11, including a Company-level safety intervention that was initiated in FY2015. *Our Requirements* standards set out Group-wide HSEC-related performance requirements

designed to support effective management control of these risks.

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Principal risk area	Risk management approach
	Our approach to corporate planning, investment decision-making and portfolio management provides a focus on the identification, assessment and management of climate change risks. We have been applying an internal price on carbon in our investment decisions for more than a decade. Through a comprehensive and strategic approach to corporate planning, we work with a broad range of scenarios to assess our portfolio, including consideration of a broad range of potential policy responses to and impacts from climate change. Our approach to engagement with community stakeholders is outlined in our minimum organisational requirements for Community. Operations are also required to undertake stakeholder identification analysis, social impact and opportunity assessments, community perception surveys and human rights impact assessments to identify, mitigate or manage key potential social and human rights risks. The *Our Requirements for Risk Management* standard provides the framework for risk management relating to climate change and material health, safety, environment and community risks. Internal audits are conducted to test compliance with the *Our Requirements* standards and action plans are developed to address any gaps. Key findings are reported to senior management and reports are considered by relevant Board committees. Our *Code of Business Conduct* sets out requirements related to working with integrity, including dealings with government officials and third parties. Processes and controls are in place for the internal control over financial reporting, including under Sarbanes-Oxley. We have established anti-corruption, competition and trade sanctions performance requirements, which are overseen by the Compliance functions, as described in section 2.16. Additionally, the Disclosure Committee oversees our compliance with securities dealing obligations and continuous and periodic disclosure obligations as described in sections 2.14, 2.15 and 2.17.

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1.10 People

With a workforce of more than 65,000 employees and contractors working across 91 locations worldwide, BHP Billiton strives to create an environment where our teams have a sense of purpose and achieve their full potential. A harmonious workplace is more productive, and we recognise that diversity of people and cultures, high motivation levels and recognition for contribution are all factors for success.

1.10.1 Our people

We believe our people have the right to a safe and productive work environment that supports ongoing training and development in fulfilling jobs. We have a comprehensive set of policies, initiatives and frameworks to achieve this.

Examples include:

- ***Our Charter*** is central to everything we do and our single most important document at BHP Billiton. *Our Charter* describes our purpose and values and how we measure our success. It communicates who we are, what we do and what we stand for as an organisation. It is the basis for our decision-making.

- ***Our Requirements* standards** outline the expected actions and standards for those who work for or on behalf of BHP Billiton. Some of those standards relate to people activities; for example, recruitment and talent retention. Discrimination on any basis, including disability, is not acceptable. In instances where employees require support for a disability, we work with them to identify roles that meet their skill, experience and capability, and offer retraining where required.

- **Our *Code of Business Conduct*** helps guide our daily work. It demonstrates how to practically apply the commitments and values set out in *Our Charter* and reflects many of the standards and procedures we apply throughout our organisation.

- Our **business conduct advisory service (EthicsPoint) and dispute and grievance handling** processes are available to address issues across the Company.

- We provide employees with access to an **Employee Assistance Program (EAP)** in each region where we operate. The EAPs provide short-term assistance through free, confidential counselling and support services.

- Our all-employee share purchase plan, **Shareplus**, is available to all permanent full-time and part-time employees, and those on fixed term contracts, except where local regulations limit operation of the scheme. In these instances, alternate arrangements are in place.

1.10.2 New, simplified Operating Model

A major focus for FY2016 was the announcement and implementation of a new Operating Model, which articulates how we are organised and work together. In March 2016, we commenced transitioning from an operating model primarily organised by commodity to one organised by assets.

Our new Operating Model creates a more agile and responsive company designed to best suit our now simpler portfolio of 12 core operated assets. It aims to accelerate productivity and value creation by removing duplication, standardising key processes and systems, realising economies of scale and facilitating greater coordination in order to enhance safety, productivity and learning.

This important step in the simplification of BHP Billiton will allow our assets to focus primarily on safety, volume and cost, while our functions have become globally integrated to drive deeper expertise.

For more information on the new Operating Model, refer to section 1.5.3.

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1.10.3 Inclusion and diversity

We recognise that inclusion and diversity are key enablers to delivering on our safety, culture and productivity priorities. Our internal benchmarking demonstrates that operations which are more inclusive and diverse achieve better performance results. Safety outcomes are better, production is more stable and employee engagement is higher. Results also show that greater employee engagement leads to improved productivity and higher retention rates. It is this business case that underpins our Inclusion and Diversity Strategy, which is rooted in the principle that leadership drives culture, and culture drives performance. Our strategy focuses on engaging, enabling, and supporting our line leaders in creating a work environment of greater inclusion where our employees feel involved, respected, valued and connected, where difference is embraced and *Our Charter* values are reflected.

Achieving a culture of inclusion and increasing female representation have been key priorities for BHP Billiton since 2010. Recently we took the step to embed a more unified approach and amplify our commitment by establishing a CEO-led Inclusion and Diversity Council comprising asset and functional leaders from across the organisation. Since its launch, the Council has collaborated to develop recommendations to accelerate the delivery of a more inclusive work environment and enhanced overall workforce diversity.

Each financial year, the Board considers, approves and monitors progress on the Group s performance objectives. A summary of the inclusion and diversity objectives set in FY2016 and progress to date are set out below.

Progress on our inclusion and diversity objectives

1. ***Assets, Marketing and functions to demonstrate progress against key objectives to improve the diversity of our workforce profile (where legally permissible), with particular emphasis on demonstrating a contribution to increasing female representation year-on-year, both overall and in leadership.***

During FY2016, the following activities were prioritised by our assets, Marketing and functions to improve inclusion and diversity:

- initiatives to engage with, and continue to educate employees on, inclusion and diversity, including unconscious bias training; diversity focus groups; town hall events on targeted inclusion and diversity topics; and external benchmarking to identify opportunities for improvement;

- targeted female development, including mentoring to build capability of female employees; focusing on identifying female candidates for the talent pipeline; and increasing female representation in entry-level roles;

- resourcing campaigns targeting greater female participation;

- further embedding of flexible work options across different assets, Marketing and functions, with toolkits and support for leaders to think differently about flexible work options;

continued commitment to enabling a positive parental leave experience, with parental leave networks and toolkits to build engagement; and targeted parental leave coaching for some employees;

enablement of a more inclusive environment through building amenities, with provision of prayer facilities, expectant mother parking, and breastfeeding/nursing facilities in key buildings to support the varying requirements of our employees;

initiatives to increase representation of Indigenous people in our workforce, including targeted resourcing strategies; and development programs to broaden opportunities for Indigenous candidates;

commitment to broader facets of diversity, including membership with Pride in Diversity in Australia for greater inclusion of LGBTI employees, and early work on a small pilot with the Australian Network on Disability s intern program.

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FY2016 outcomes

Compared to FY2015, female representation (i) increased by one per cent in manager and senior leadership roles to 22 per cent, and (ii) remained steady in our overall workforce representation at 17.6 per cent.

Female representation in our graduate intake increased by seven per cent to 49 per cent at a global level and by six per cent to 52 per cent in Australia. Representation of Indigenous Australians in the graduate program decreased by two per cent to nine per cent.

The Board achieved its goal to increase the number of women on the Board to three by the end of CY2015, following Anita Frew s appointment to the Board effective 15 September 2015.

2. ***Demonstrate year-on-year improvement in creating a work environment of inclusion, as measured by our Employee Perception Survey (EPS) inclusion index.***

As in previous years, an inclusion index to gauge employees perceptions of feeling valued and heard was measured as part of our EPS. Our results from the CY2016 Survey show a one per cent improvement from CY2015, continuing our positive progress since CY2014.

Continuous improvement

While female representation has increased at leadership levels and our progress over the past three years regarding overall female representation and our inclusion index has demonstrated a positive shift, we recognise that further accelerated action is required. Core to delivering this commitment will be the Inclusion and Diversity Council; its defined program of work and inclusion of the following objective in all asset, Marketing and function FY2017 scorecards.

As in previous years, progress will be evaluated and successful completion of these objectives will be taken into account in determining bonus remuneration outcomes. Progress against each year s measurable objectives will continue to be tracked as part of the Group s internal compliance requirements and disclosed in the Annual Report.

The proportion of women in our workforce and in senior management positions is set out in section 1.10.8, which contains further information on diversity and our workforce profile.

At BHP Billiton, we aspire to create a work environment that is truly inclusive for all people. We will measure our success through demonstrated:

- year-on-year global progress on creating a more inclusive culture as measured by a three per cent global increase on the EPS inclusion index;

- contribution to a three per cent global increase in representation of women through the leadership team developing and implementing a specific Inclusion and Diversity Plan consistent with the Inclusion and

Diversity Council s guidelines (where, and to the extent, legally permissible in the applicable jurisdictions in which BHP Billiton operates).

Case study: Inclusion and Diversity Council

BHP Billiton s Executive Leadership Team recognised that to deliver meaningful, sustainable change in inclusion and diversity, greater visibility of senior leadership commitment and stronger involvement of line management were required. As a result, the Inclusion and Diversity Council was formed. The Council is sponsored by the CEO and comprises a group of senior leaders, including Asset Presidents and Heads of Functions, and is supported by Human Resources. The role of the Council is to create an integrated Company-wide Inclusion and Diversity Strategy and drive the execution and ownership of that strategy at a local level.

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Since its formation in November 2015, the Council has been working to:

- develop a Company-wide narrative and value case on inclusion and diversity;
- create a deliberate platform to enable greater dialogue about inclusion and diversity across the Company;
- define specific strategies to accelerate progress on achieving greater inclusion at BHP Billiton;
- build performance on inclusion and diversity objectives into asset, Marketing and functional scorecards;
- implement visible symbols in the organisation to signify that inclusion and diversity is an imperative.

Specific actions planned, underway or completed include the enhancement of *Our Charter* with the addition of the sentence: We are successful when: Our teams are inclusive and diverse , global awareness programs on inclusion, diversity and unconscious bias, deliberate sourcing and development of female candidates to increase our talent pool; and leveraging the new Operating Model to connect the efforts of different assets, Marketing and functions in order to accelerate progress.

1.10.4 Employee engagement

Regular, honest and transparent communications are a key part of our employee engagement. For BHP Billiton, communication is a two-way process, achieved through a variety of channels including face-to-face meetings, town hall meetings, intranet, email, newsletters, social media, online collaboration forums and other channels tailored to local environments.

We also seek regular feedback from our employees, including via an annual Employee Perception Survey (EPS). The EPS helps us measure our culture, allowing us to better understand what we are doing well and where we can improve. The EPS contains 50 core questions that focus on senior leadership, safety and sustainability, communication, inclusion and diversity, work processes, leadership, development as well as career opportunities.

Our CY2016 EPS results show we are doing well at focusing on creating a safe workplace. Our line leaders are also encouraging diverse views when it comes to problem-solving and doing well at engaging their teams and leading change.

We have room to improve in better enabling our employees (by removing obstacles and increasing access to needed resources), helping employees feel more connected to the Company and providing clarity about future career opportunities.

1.10.5 Leadership development

Our aspiration is to develop distinctive BHP Billiton leaders based on the premise that leadership drives culture and culture drives performance. Our commitment to a globally consistent leadership development approach is key to our continued success.

We are focusing on continuing to build a step-up culture, which means our people are empowered, speak up and get involved in improving safe productivity. To support this culture, a leadership development framework called Leading the Future was launched in FY2015, incorporating a number of development programs targeted at leaders. The first program in this framework, Leading Step Up, was targeted at frontline leaders and focused on three capabilities engage, lead change and develop. As at 30 June 2016, 97 per cent of targeted people leaders across BHP Billiton had completed Leading Step Up.

Other programs in the Leading the Future framework will focus on identifying, creating and capturing value and increasing productivity through focusing on continuous improvement and better decision-making.

We have also sustained our deep commitment to selecting and developing graduates, our future talent pipeline. The Graduate Development Program is aligned to our Company priorities and embeds our three key principles for learning: leader-led, embedded at work and focused on business problems.

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1.10.6 Performance enhancement process improvements

For FY2016, we made some improvements to how we develop, assess and reward our employees through the Performance Enhancement Process (PEP).

The changes broadly include having leaders undertake more regular one-on-one conversations with their team members to discuss performance and development throughout the year (rather than formalised conversations at scheduled points in time). Our main focus is to make sure leaders guide continuous improvement through regular, meaningful performance and development conversations with their employees. The enhanced program will be implemented progressively through FY2017.

In FY2016, 93 per cent of employees participated in a formal performance management process. This process provides the opportunity for employees to align their goals, receive feedback and coaching, and identify skills and capabilities for further development. Due to industrial agreements, not all of our employees are able to participate in individual performance programs.

1.10.7 Employment relations

In FY2016, 57 per cent of our employees were covered by collective agreements. We respect and recognise the right of employees to have the representative of their choice, including labour unions. We also comply with statutory and contractual requirements that include minimum notice periods for termination of employment. These notice periods vary from one to eight weeks, depending on the employee s location and role. We also work closely with our contracting partners and encourage them to ensure that their employment relationships are governed in a manner consistent with *Our Charter* and the *Code of Business Conduct*.

1.10.8 Employees and contractors

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

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The table below shows the gender composition of our workforce, senior leaders and the Board (Non-executive Directors) over the last three financial years.

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

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

Changes in market conditions and our business transformation programs focused on improving efficiencies and driving greater productivity have resulted in a decrease in our workforce requirements.

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1.11 Sustainability

Sustainability is at the core of *Our Charter* values. It means putting health and safety first, being environmentally responsible and supporting communities.

Additional information relating to our materiality assessment process and our sustainability management approach and performance for FY2016 is available in our Sustainability Report 2016 and can be found online at *www.bhpbilliton.com.*

1.11.1 Our sustainability approach

Our approach to sustainability is led by a sustainability framework that guides our investments in our host countries and local communities, as well as directly at our operated assets. The framework applies a risk-based approach to sustainability, and assesses sustainability risks deemed material to our business with consideration of the potential health, safety, environmental, community, reputational, legal and financial impacts. Risk severity is assessed according to the most severe associated impact, which allows us to understand the potential causes and impacts in the context of business plans.

We also have public sustainability performance targets and mandatory minimum performance requirements, as articulated in *Our Requirements* standards. These standards are the foundation for developing and implementing management systems at our operated assets. We seek to influence the application of our standards at our non-operated joint ventures.

Our Board oversees our sustainability approach, with the Sustainability Committee overseeing health, safety, environment and community (HSEC) matters, including climate change, human rights, HSEC-related risk control, and legal and regulatory compliance, sustainability reporting and overall HSEC performance.

1.11.2 Climate Change

Our perspective on climate change

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

The world is facing two critical challenges. As the global population steadily grows, the continued development of emerging economies depends on access to reliable and affordable energy. At the same time, limiting the negative impacts of climate change requires the global average temperature increase to remain well below two degrees Celsius relative to pre-industrial levels. Successfully addressing these two challenges will result in substantial changes to the global economy.

We believe:

The world must pursue the twin objectives of:

limiting climate change to the lower end of the IPCC emission scenarios in line with current international agreements, while

providing access to reliable and affordable energy to support economic development and improved living standards.

Both of these objectives are essential to sustainable development, and we do not prioritise one of these objectives over the other.

Under all current plausible scenarios, fossil fuels will continue to be a significant part of the energy mix for decades.

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There needs to be an acceleration of effort to drive energy efficiency, develop and deploy low-emissions technology and adapt to the impacts of climate change.

There should be a price on carbon, implemented in a way that addresses competitiveness concerns and achieves lowest cost emissions reductions.

We will:

Continue to take action to reduce our emissions.

Continue to build the resilience of our operations, investments, communities and ecosystems to the negative effects of climate change.

Seek to enhance the global response by engaging with governments, recognising their role as policy makers.

Work in partnership with resource sector peers to improve sectoral performance and increase the industry s influence in policy development to deliver effective long-term regulatory responses.

Contribute to reducing emissions from the use of fossil fuels by making material investments in low-emissions technology.

Our approach

Role and responsibility

Sustainable development requires an effective response to climate change. Responding to climate change is a priority Board governance and strategic issue for our Company. Management has primary responsibility for the design and implementation of an effective position on, and response to, climate change.

To reflect updates in scientific knowledge and global regulatory and political responses, we regularly review our position on climate change. We incorporate climate change considerations into our Group scenario planning to understand potential impacts on our portfolio. The Sustainability Committee has considered a range of climate change scenarios and continues to monitor the actions being taken to manage a range of climate change impacts and policy responses. Performance against our greenhouse gas (GHG) emissions target contributes to our HSEC performance, which is measured as a balanced scorecard within the overall annual financial bonus assessment for our management.

Active engagement

Our climate change strategy is underpinned by active engagement with our stakeholders, including investors, policy makers, peer companies and non-government organisations. Industry has a key role to play in climate change policy development by working with government and other stakeholders to inform the development of an effective, long-term policy framework that delivers a measured transition to a lower emissions economy.

As part of our strategic approach, we regularly seek to share lessons learned with our stakeholders and identify solutions that we believe can drive emissions reductions at the lowest cost. We also seek input and insight from external experts, such as the Forum on Corporate Responsibility. BHP Billiton is a signatory to the World Bank s Putting a Price on Carbon statement, and we are a member of the World Bank s Carbon Pricing Leadership Coalition.

In September 2015, BHP Billiton signed the CEO Statement on Business, Climate Change and the Paris Negotiations, calling for a positive outcome at the United Nations Framework Convention on Climate Change (UNFCCC) 21st Conference of the Parties (COP21). Additionally, together with a group of public, private and social leaders, we joined the Energy Transitions Commission, which aims to identify pathways for change in our energy systems to ensure both better growth and a better climate .

More information is available in our Sustainability Report 2016, which can be found online at *www.bhpbilliton.com*.

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The importance of COP21 and the Paris Agreement

The Paris Agreement is a new international accord that aims to hold the increase in the global average temperature to well below two degrees Celsius and to pursue efforts to limit the temperature increase to 1.5°C. The agreement sets out:

- a common framework that commits countries to put forward their best efforts and to strengthen such efforts as these in the years ahead; and

- a requirement for parties to report regularly on both their emissions performance and progress made towards implementation of their Nationally Determined Contribution (NDC), as well as to undergo international review.

BHP Billiton and the Paris Agreement

BHP Billiton welcomes the Paris Agreement formalised in December 2015 at COP21. We believe the Paris Agreement provides a solid, long-term foundation for further progress in the global response to climate change. We welcome the in-principle support for both robust market mechanisms that will enable countries to trade emissions reductions and provision for the development of frameworks to strengthen cooperative action towards technology transfer.

Together with a range of businesses and other non-state entities, we demonstrated our support for the Paris Agreement by signing the UNFCCC Paris Pledge.

Mitigation

As a major producer and consumer of energy, we prioritise GHG reductions and energy efficiency. Rather than use an intensity metric to define our Company GHG target, we have set ourselves a challenging goal to limit our overall emissions by keeping our absolute FY2017 GHG emissions below our FY2006 baseline (adjusted as necessary for material acquisitions and divestments based on asset GHG emissions at the time of the applicable transaction). As we grow our business, our GHG target encourages us to improve our energy efficiency, increase productivity and implement additional GHG reduction projects across our operations. All our operations are required to identify, evaluate and implement suitable GHG reduction opportunities, including during project design and equipment selection.

The Company s total GHG emissions of 18.0 million tonnes of carbon dioxide equivalent (CO_2-e) in FY2016 is significantly lower than our total GHG emissions in FY2015, primarily as a result of the demerger of South32. When compared to our adjusted baseline, which takes into account the demerger, the Company s emissions are 13 per cent below FY2006 emissions. We are on track to meet our FY2017 target. For further information, see the Sustainability Report 2016.

GHG Scope 1 and 2 *(millions of tonnes CO_2-e)* [(1)]

Year ended 30 June [(2)]	2016	2015	2014
Scope 1 [(3)]	**11.3**	20.7	22.7

Scope 2 [4]	**6.7**	17.6	22.3
Total GHG millions of tonnes CO_2-e	**18.0**	38.3	45.0

(1) Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol.

(2) Includes data for Continuing and Discontinued operations.

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

(4) Scope 2 refers to indirect GHG emissions from the generation of purchased electricity and steam that is consumed by our operated assets (calculated using the market-based method).

In line with the requirements of the UK Companies Act 2006, our reported FY2016 GHG intensity was 2.8 tonnes of CO_2-e per tonne of copper equivalent production (FY2015: 3.8 tonnes of CO_2-e). Our reported FY2016 energy intensity was 23 petajoules per million tonnes of copper equivalent production. Copper equivalent production has been based on FY2013 average realised product prices.

We are currently developing Company GHG targets for the period after FY2017, taking into account an understanding of GHG forecasts and reduction opportunities, technology options and the expectations of our stakeholders.

In addition to identifying opportunities within our Company, we also seek to contribute to global GHG emissions reductions. We are currently implementing a strategy to support REDD+ (Reducing Emissions from Deforestation and Forest Degradation), an international mechanism that provides economic, social and environmental incentives for developing countries to reduce GHG emissions from deforestation and related activities through the creation of carbon credits. Through improved governance, project support, and market stimulation, BHP Billiton is playing a role in reducing deforestation, enhancing community livelihoods and improving biodiversity and watershed conservation.

In June 2016, we committed to support the Alto Mayo REDD+ Project, managed by Conservation International Peru. BHP Billiton will provide approximately US$5 million to Conservation International Peru for the project over two years (commencing FY2017). This aims to contribute to alternative livelihood opportunities, including sustainable coffee growing and enhanced forest governance, and generate 800,000 tonnes of carbon credits. As well as being pivotal to our REDD+ strategy, this investment supports our current public conservation target.

Adaptation

Our assets are long-lived, and therefore we must take a robust, risk-based approach to adapting to the physical impacts of climate change. Effective analysis of climate science is critical to informing our resilience planning. We continue to work with the CSIRO (Australia s national science agency) to obtain regional analyses of climate change science. This informs climate resilience planning at an asset level, improving our understanding of the material climate vulnerabilities that our operations face.

It is a requirement for all our operations to build climate resilience into our current activities through *Our Requirements for Environment and Climate Change* standard. We also require new investments to assess and manage risks associated with the forecast impacts of climate change.

Testing the resilience of our operations to these physical impacts has already changed the way we work. For example:

- Identification and assessment of increasing storm intensity and storm surge levels in project design resulted in us raising the height of the trestle at our Hay Point coal port facility in Queensland as part of our expansion plans.

- In our Western Australia Iron Ore (WAIO) business, cyclone management is critical for operations and maintaining adaptive management practices will allow them to respond to the expected increase in cyclone intensity in the Pilbara.

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Low-emissions technology

Technology and innovation have the potential to significantly reduce global emissions and enable long-term climate goals to be met. Given that fossil fuels are likely to continue to be a significant part of the energy mix for decades, it is vital that low-emissions technology is available at scale, lower cost and much faster than the usual commercial timeframes, to meet the challenge of climate change. We believe industry has a significant collaborative role to play with government, academia and the community to facilitate this necessary step change.

As a natural resource producer, it is not only important for us to focus on technologies that have the potential to lead to material emissions reductions in our operations, but also to assess how we can contribute to lowering the emissions from the use of our products. We look to develop technologies that align with the Company s skills and expertise but are currently not available at commercial scale or acceptable cost. This includes carbon capture and storage (CCS), technologies to reduce fugitive emissions from coal and petroleum operations, battery storage and high-efficiency/low-emissions power generation and transportation.

Renewable energy represents a potentially significant opportunity for our operations. Battery storage solutions at grid-scale, particularly to manage the intermittency of renewable energy and to provide security of supply, may transform the way that the resources sector accesses electricity. To learn more, we are participating in the innovative Lakeland Solar and Storage Project, a 13 megawatt solar photovoltaic installation with associated grid-scale storage of 5.3 megawatt hour located at the fringe of the grid in regional Queensland, Australia. Our contribution to the project will enable informed testing of the installation for a range of conditions experienced in the resources sector. Outcomes will provide significant insight for BHP Billiton, and the results of the project will be shared widely.

BHP Billiton and Saskatchewan-based electricity provider SaskPower have established the International CCS Knowledge Centre to help advance CCS as a means of managing GHG emissions. The Knowledge Centre will enhance global access to the data, information and lessons learned from SaskPower s unique Boundary Dam facility the first power plant to successfully integrate CCS. In sharing the outcomes of this unique project broadly, we hope to assist project developers to reduce both the capital and operating costs of subsequent projects.

In June 2016, we announced an agreement with Peking University to help unlock the potential of CCS for steel production in China. The three-year agreement will identify the key technical, policy and economic barriers to CCS deployment in the industrial sector, with a particular focus on the steel industry. Research outcomes will be communicated via collaborative industry forums and conferences, and a multidisciplinary Advisory Board will guide the research team. The partnership is an example of how we work with our supply chain to reduce emissions.

More information on our approach to low-emissions technology is available in our Sustainability Report.

Transparent reporting

We recognise the importance of openly engaging on a regular basis with our stakeholders, including investors, to ensure a good understanding of how climate-related risks and opportunities are identified, assessed and managed.

We have an ongoing commitment to transparent and open communications through our voluntary submission to CDP (formerly the Carbon Disclosure Project, refer to *www.cdp.net*). Our commitment to the enhancement of disclosure has resulted in a significant improvement in our CDP transparency score since FY2013. Reflecting this, BHP Billiton was included in the Climate Disclosure Leadership Index in 2015, with a disclosure score of 99 out of 100.

A key feature of COP21 was the strong support from the investment community, including the announcement of the Financial Stability Board s Taskforce on Climate-related Financial Disclosures (TCFD). This industry-led group aims to develop voluntary, consistent climate-related financial risk disclosures that would be useful to lenders, insurers, investors and other stakeholders. The TCFD is chaired by Michael Bloomberg and comprises senior technical representatives from organisations that are both preparers and users of company disclosures. BHP Billiton s Vice President of Sustainability and Climate Change, Dr Fiona Wild, is a member of the TCFD. We see this as a strong endorsement of the work we have already undertaken.

Portfolio evaluation

We continue to identify and assess the impacts of climate change on our portfolio. Our planning process starts with the construction of a central case, a forecast built through an in-depth, bottom-up analysis using rigorous processes and benchmarked with external views. This central case is thoroughly reviewed and endorsed periodically by the ELT and the Board.

Scenarios that describe the different ways the world could evolve beyond our central case allow us to explore potential portfolio discontinuities and opportunities. In our Climate Change: Portfolio Analysis report (released in September 2015), we outlined four different scenarios, each designed to be divergent, plausible and internally consistent. Our four scenarios assess the timing and implementation of various government policies, emission reduction targets and technology developments. In one of the scenarios, we see a more unified focus on limiting climate change, including an orderly transition to a two degree Celsius world. We also stress test our portfolio against a shock event that leads to a much more rapid transition to a two degree Celsius world by 2030, driven by higher government emission reduction targets and faster technology developments.

The analysis highlights that our uniquely diversified portfolio of high-quality, low-cost assets is robust under both an orderly and a more rapid transition to a two degree Celsius world. We also have a strong project pipeline with many capital-efficient growth options that continue to generate high shareholder value in a two degree Celsius world. We will continue to align our portfolio to where we see a strong long-term growth story for different commodities. Further information on the potential risk that climate change represents to the Company, including regulatory impacts, is covered in section 1.9.2.

There will be many risks and opportunities as the world continues to respond to climate change and they will be faced by companies in all sectors, albeit to varying degrees. With the right market settings, including a price on carbon, the greatest opportunities will emerge for those who can produce the lowest cost and most efficient solutions, in line with the expectations of communities and policy makers.

Our Climate Change: Portfolio Analysis report is available online at *www.bhpbilliton.com.*

1.11.3 Governance

Operating with integrity and transparency

Integrity and accountability are two of *Our Charter* values. We believe high governance standards are integral to creating long-term value.

We are committed to ethical business practice. While we operate in a variety of international regulatory environments, we always seek to go beyond minimum legal or regulatory compliance wherever we work.

Our BHP Billiton *Code of Business Conduct* sets behavioural standards for everyone who works for, or on behalf of, BHP Billiton and demonstrates how to apply the values and commitments set out in *Our Charter*. Acting in accordance with the Code is a condition of employment, and annual risk-based *Code of Business Conduct* training must be undertaken by all our people in each area of the organisation.

Anti-corruption compliance

Corruption deprives communities of the benefits that should flow from the development of natural resources and undermines effective government decision-making.

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We are determined to play a significant role in the global fight against corruption in the resources industry. Building on a strong framework, we are committed to continuous improvement and work to adapt our compliance program to changes in the Company s risk profile.

BHP Billiton s compliance function is responsible for the design of the anti-corruption compliance program and plays a key role in advising, monitoring and reporting on program implementation. The function is independent of our operations and reports via the Chief Compliance Officer to the Chief External Affairs Officer and the Risk and Audit Committee.

Closure planning

Closure planning touches many areas of our operations and is an important consideration throughout the life cycle of our operations. We have a governance framework for mine closures that integrates resource planning and development, health, safety, environment, community and social considerations, stakeholder engagement, finance and assurance into the operational design.

Each operated asset must develop a closure plan and a corresponding financial assessment to minimise closure-related risks over the life of the asset. Our internal audit function tests the effectiveness of these plans and their alignment to the closure planning framework. Information about the financial provisions related to closure liabilities is available in note 14 Closure and rehabilitation provisions to the Financial Statements.

Contributing to local and national economies and beyond

The scale and long-term nature of our assets enable us to make a significant and long-term economic contribution to the countries in which we operate, and this is a key feature of our commitment to sustainability.

Payments to host governments

We also support local and national economies through the payment of taxes and royalties to our host governments. We act responsibly in relation to our tax affairs, to be able to provide our host communities with the best opportunity to benefit from these contributions.

BHP Billiton is a founding supporter of the Extractive Industries Transparency Initiative and an early adopter of best practice in disclosure and transparency. We believe transparency by governments and companies around revenue flows from the extraction of natural resources is an important element in the fight against corruption.

Our payments of US$3.7 billion of taxes and royalties on a project-by-project basis and payments to state and provincial governments at a subnational level in FY2016 are presented in our standalone Economic contribution and payments to governments Report 2016.

The Economic contribution and payments to governments Report 2016 is available online at *www.bhpbilliton.com.*

1.11.4 Health and safety

Managing our responsibility for people s safety

When reflecting on safety for the year, our thoughts are with the families and friends of the 19 people who died as a result of the tragic dam failure at Samarco. We remain committed to supporting Samarco in the response efforts to the tragedy. For more information on the Samarco dam failure, see section 1.4.

In developing our broader safety strategy for our operated assets, in FY2016, we reviewed our priorities under each material safety issue, assessed our performance and determined our priorities. This was the foundation for functional planning. Over time we will continue embedding the desired safety culture, capability and systems to meet our aspirations and drive better performance.

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The *Our Requirements for Safety* standard defines a number of the most common safety risks and their minimum controls. Each operated asset assesses further controls that may be required to manage specific risks at its operations to meet the objective of no fatalities.

In FY2016, we had no fatalities at our operated assets and there was a reduction in high-potential safety events.

Our total recordable injury frequency (TRIF) performance in FY2016 was 4.3 per million hours worked, a slight increase on FY2015. While we did not meet our target of year-on-year TRIF improvement, this represents a reduction of nine per cent over the past five years.

Total recordable injury frequency (per million hours worked)

Year ended 30 June	2016	2015	2014
Total recordable injury frequency (TRIF) [1]	**4.3**	4.1	4.2

(1) Includes data for continuing and discontinued operations for the financial years being reported.

Addressing potential health impacts associated with our operations

We strive to ensure our people are fit for work and remain free from work-related injury or illness.

Our operated assets seek to identify and manage health risks by establishing and maintaining exposure risk profiles for harmful agents. We manage our exposures by complying with our internally specified occupational exposure limits that are always at least in line with, or more stringent than, applicable regulated limits. Where relevant, we monitor the health status of our people to detect early signs of occupational illness. Where illness is detected, we assist our people in the recovery and management of illness to prevent further deterioration.

We also invest in the quality of public health in many ways, including improving access to general medical care in the communities in which we operate.

Occupational exposures

In FY2012, we established a health target baseline and committed to reducing potential occupational exposure [1] to carcinogens and airborne contaminants by 10 per cent by 30 June 2017. As at FY2016, the number of potential exposures to carcinogens and airborne contaminants that exceeded our FY2012 baseline had reduced by 70 per cent. We have therefore exceeded our target to date [2].

While good progress has been made in controlling occupational exposures to carcinogens and airborne contaminants, we remain vigilant in adopting and maintaining exposure controls.

(1) For exposures exceeding our FY2012 baseline occupational exposure limits requiring the use of personal protective equipment.

(2) Since setting the baseline in FY2012, the baseline has been adjusted for material acquisitions and divestments. In FY2016, the baseline was adjusted to reflect divested operations, which represented approximately 60 per cent of our exposures. Our performance against targets has been impacted by the removal of the divested assets data with current operated assets showing larger reductions than those reported for the Company in previous years. The contraction of the industry during FY2016 also influenced our performance, with a notable proportion of the exposure reduction due to decreased activity. However, we also made significant improvements with engineering controls.

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Queensland coal health review

In FY2016, the Queensland Government initiated a review of the Queensland Coal Mine Workers Health Scheme, following the identification of a number of confirmed cases of coal workers pneumoconiosis across the industry. We actively supported the review process and are working with the government to implement the recommendations. We are continuing to invest in and improve controls to further reduce the potential for exposure to coal mine dust, noting that our internal coal mine dust occupational exposure limit is lower than the current Australian regulatory requirements. In addition, we have offered concerned employees consultations with the Company s nominated medical advisers.

Occupational illness

For reporting consistency, we require our operated assets to report illnesses using the US Government s Occupational Safety and Health Administration (OSHA) criteria.

The incidence of employee occupational illness in FY2016 was 4.17 per million hours worked, a decrease of 15 per cent on FY2015. The incidence of contractor occupational illness was 1.16 per million hours worked, an increase of 38 per cent compared with FY2015.

We continue to work with our contractors and regulatory medical surveillance agencies to collect the most accurate data available and monitor occupational illness carefully to ensure our improvement is sustained.

The majority of our occupational illnesses reported are noise-induced hearing loss and musculoskeletal illness.

Employee occupational illness (per million hours worked)

Year ended 30 June	**2016**	2015	2014
Noise-induced hearing loss	**1.75**	3.05	0.68
Musculoskeletal	**1.75**	1.52	1.61
Other illnesses	**0.67**	0.36	0.55
Total occupational illness	**4.17**	4.93	2.39

1.11.5 Society

Actively supporting communities

As part of making a valuable contribution as community partners, we seek meaningful long-term relationships that respect local cultures and create lasting benefits. Our community relations approach is detailed in the *Our Requirements for Community* standard.

The identification and management of community risks are central to achieving our purpose and strategy. Community risks of greatest concern are those involving safety and security, resettlement, community health, economic impacts and any event that leads to a breach of human rights. While no significant community incidents occurred at our operated assets, we deeply regret the significant community impacts of the dam failure at our non-operated joint venture, Samarco, in Brazil.

Making a positive contribution

Through a collaborative approach, we work with communities to identify social needs and existing resources through which we can build our social investment. Our Social Investment Framework, implemented in FY2015, underpins our voluntary social investment from FY2016-FY2020 and provides a consistent framework for our local, regional, national and global investment. This Framework aligns strongly with the UN Sustainable Development Goals.

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Where possible, we employ local people and purchase local goods and services. We support local, regional and national economies by paying taxes and royalties, and we seek to develop infrastructure that benefits entire communities.

We believe we also have a responsibility, in line with *Our Charter* values, to acknowledge our host communities through our voluntary social investment. To do this, we voluntarily invest one per cent of our pre-tax profit in community programs (calculated on the average of the previous three years pre-tax profit).

During FY2016, our voluntary social investment totalled US$178.7 million, comprising US$123.7 million of cash for community development programs and administrative costs and a US$55 million contribution to the US-based charity, the BHP Billiton Foundation.

Excluding our contribution to the BHP Billiton Foundation, 45 per cent of the cash component of our social investment expenditure was invested in local communities, 29 per cent was invested regionally, 21 per cent was invested in national or international programs in countries where we operate, and the remaining five per cent expenditure represented administration costs.

Social investment (US$M)

Year ended 30 June	**2016**	2015	2014
Expenditure [1] (including administrative costs)	**123.7**	142.0	141.7
Contribution into BHP Billiton supported charities	**55.0**	83.0	100.0
Total social investment	**178.7**	225.0	241.7

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

BHP Billiton supported charities

BHP Billiton Sustainable Communities (UK-based) and the BHP Billiton Foundation (US-based) are two charities that contribute to improving the quality of life for people living in regions and countries where we have a business interest and in other regions of the world, as each charity may independently select. These two charities provide grants to organisations, enabling them to deliver large-scale, long-term social and environmental development projects. Our contribution to the BHP Billiton Foundation complements the local community development work undertaken by our assets.

At the end of FY2016, BHP Billiton Sustainable Communities had a total of US$60.4 million, and the BHP Billiton Foundation had a total of US$277.5 million, in funds available for future sustainable development projects.

Working with Indigenous peoples

As the majority of our assets are located on or near Indigenous peoples lands, Indigenous peoples are critical partners for BHP Billiton around the world.

Our approach to engaging with Indigenous peoples is articulated in the BHP Billiton Indigenous Peoples Policy Statement. In our Policy Statement, we commit to the International Council on Mining and Metals (ICMM) Indigenous Peoples and Mining Position Statement.

In FY2016, we developed a global BHP Billiton Indigenous Peoples Strategy to guide effective implementation of our Indigenous Peoples Policy Statement across our businesses. Through successful implementation of this

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strategy, we aim to be regarded as a partner of choice for Indigenous peoples through which we will respect their rights and seek to ensure our relationships contribute to their economic empowerment, social development needs and cultural wellbeing.

Realising and respecting human rights

Respect for human rights is critical to the sustainability of our business. We take our human rights obligations seriously. We demonstrate this by committing to operate in a manner consistent with the United Nations (UN) Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the 10 UN Global Compact principles.

Our human rights commitments outlined in our *Code of Business Conduct* are operationalised through mandatory human rights performance requirements for each of our operated assets reflected in *Our Requirements* standards.

Each of our operated assets assigns accountability for compliance with *Our Requirements for Human Rights* standard to appropriate senior managers and leaders. We obtain assurance of compliance with our human rights commitments through internal audits of operational compliance with relevant *Our Requirements* standards.

Governance oversight of BHP Billiton human rights performance is the responsibility of the Board s Sustainability Committee as part of its mandate for monitoring HSEC-related performance.

Ok Tedi

BHP Billiton exited from Ok Tedi Mining Limited (OTML) in February 2002. The exit arrangements included the transfer of BHP Billiton s shares in OTML to PNG Sustainable Development Program Limited (PNGSDP) and a statutory undertaking protecting BHP Billiton from environmental claims by the PNG Government. In September 2013, the Papua New Guinea (PNG) Parliament passed laws which compulsorily acquired PNGSDP s shares in OTML and changed other aspects of the exit arrangements, including the repeal of the protection from environmental claims by the PNG Government.

PNGSDP is challenging the validity of actions taken by the PNG Government to compulsorily acquire its OTML shares and to restructure and obtain control of PNGSDP. BHP Billiton retains an indemnity from PNGSDP in respect of environmental claims by the PNG Government and certain environmental claims by third parties. This indemnity is secured against certain key assets of PNGSDP. BHP Billiton remains committed to ensuring that the substantial long-term fund held by PNGSDP remains well governed for the benefit of the people of Papua New Guinea, and the Western Province in particular.

1.11.6 Environment

Using responsible and sustainable environmental practices

Our operations can have significant environmental impacts. Additionally, our operations and growth strategy are dependent on obtaining and maintaining access to environmental resources. We are committed to our environmental obligations, as detailed in *Our Requirements for Environment and Climate* standard.

Environmental incidents

Environmental incidents have the potential to generate long-lasting physical, socio-economic and psycho-social impacts. We seek to avoid environmental incidents by identifying risks with potential environmental impacts and applying preventative controls, including implementing the mitigation hierarchy. In addition, all our operated assets are required to maintain emergency response plans as mitigating controls to minimise the potential severity of impacts should an incident occur.

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While no significant environmental incidents occurred at any BHP Billiton-operated assets in FY2016, we deeply regret the significant environmental impacts of the dam failure at Samarco, our non-operated joint venture in Brazil.

Biodiversity and land management

Across our organisation, we hold ourselves to account through targets for biodiversity conservation and land management. In FY2016, each of our operated assets achieved their specific targets for land and biodiversity management planning, while at a wider company level, our conservation target has seen us contribute more than US$27.5 million to the conservation and ongoing management of nationally and internationally significant areas of high biodiversity and ecosystem value since FY2013.

Around our operated assets, we have made the following commitments:

- to not explore or extract resources within the boundaries of World Heritage-listed properties;
- to not explore or extract resources adjacent to World Heritage-listed properties (unless our activity is compatible with the property s outstanding universal values);
- to not explore or extract resources within the boundaries of the International Union for Conservation and Nature (IUCN) Protected Areas Categories I to IV, unless we can implement a plan that meets regulatory requirements, takes into account stakeholder expectations and contributes to the values for which the protected area is listed;
- to not operate where we could directly impact ecosystems resulting in the extinction of an IUCN Red List Threatened Species in the wild;
- to not dispose of mined waste rock or tailings into a river or marine environment.

Rehabilitating land no longer required for our activities is integral to managing our impacts on land and biodiversity. Our operated assets are required to maintain rehabilitation plans that support life of asset and closure plans. This includes rehabilitating disturbed areas consistent with the pre-disturbance land use or an alternate use, taking into account regulatory requirements and stakeholder expectations.

Managing water responsibly

The sustainability of our assets relies on our ability to obtain an appropriate quality and quantity of water, use it responsibly and manage it appropriately, including taking account of natural supply variations. With assets located across the world, the water-related risks and impacts experienced by our assets vary from region to region. We therefore assess and manage our water-related risks on a regional basis.

All our operated assets are required to maintain quantitative water balance models that predict and support the management of water inputs, use and outputs, consistent with business strategies and plans and facilitate timely management responses to water-related risks. Where possible, we seek to use lower-quality or recycled water to minimise extraction requirements from higher-quality water resources.

We report our water use, consistent with the Input Output model of the Minerals Council of Australia Water Accounting Framework. Under this Framework, water is categorised as Type 1 (close to drinking water standards), Type 2 (suitable for some purposes) and Type 3 (unsuitable for most purposes).

Our total water input (water intended for use) in FY2016 was 282,800 megalitres with 88 per cent defined as Type 2 or Type 3. This demonstrates our approach to utilising lower-quality water wherever feasible.

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1.12 Overview of assets and Marketing

1.12.1 Minerals Australia

The Minerals Australia asset group includes operated assets in Western Australia, Queensland, New South Wales and South Australia. Our assets focus on copper, iron ore, coal and nickel.

Copper asset

Olympic Dam

Olympic Dam is one of the world s largest ore bodies. Located 560 kilometres north of Adelaide, it is one of the world s largest deposits of copper, gold and uranium and it also has a significant deposit of silver. Olympic Dam operates a fully integrated processing facility from ore to metal.

Olympic Dam s underground mine is made up of more than 450 kilometres of underground roads and tunnels, with a mine depth of 860 metres. The operation extracts copper uranium ore, with the ore hauled by automated train to feed underground crushing, storage and ore hoisting facilities.

Olympic Dam s processing plant consists of two grinding circuits in which high-quality copper concentrate is extracted from sulphide ore through a flotation extraction process. The operation includes a fully integrated metallurgical complex with a grinding and concentrating circuit, a hydrometallurgical plant incorporating solvent extraction circuits for copper and uranium, a copper smelter, a copper refinery and a recovery circuit for precious metals.

Olympic Dam produced 203 kilotonnes (kt) of copper cathode, 4.4 kt of uranium oxide, 118 thousand-ounces (koz) of refined gold and 917 koz of refined silver in FY2016.

The Brownfield Expansion (BFX) project at Olympic Dam, which is part of the staged expansion approach to approximately 280 ktpa, is now at concept study phase. We continue to receive encouraging results from the heap leach trials which would enable growth beyond this to 450 ktpa of copper.

Refer to section 6.1 for additional information on mining operations, section 6.2.1 for production information and section 6.3.2 for the reserve life.

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Iron ore asset

Western Australia Iron Ore

Western Australia Iron Ore (WAIO) is an integrated system of four processing hubs and five mines, connected by more than 1,000 kilometres of rail infrastructure and port facilities in the Pilbara region of northern Western Australia.

WAIO s Pilbara reserve base is relatively concentrated, allowing development to be planned around integrated mining hubs joined to the mines and satellite orebodies by conveyors or spur lines. This approach enables the value of installed infrastructure to be maximised by using the same processing plant and rail infrastructure for a number of orebodies.

At each mining hub Newman, Yandi, Mining Area C and Jimblebar ore from mines is crushed, beneficiated (where necessary) and blended to create high-grade hematite lump and fines products. Iron ore products are then transported along the Port Hedland-Newman Rail Line to the Finucane Island and Nelson Point port facilities at Port Hedland.

The port facilities include five ore car dumpers, three lump rescreening plants, eight stackers, five reclaimers, stock and blending yards, and eight ship loaders. Vessels depart the harbour via a dredged channel that is approximately 43 kilometres long and has an average width of 300 metres.

The Integrated Remote Operations Centre (IROC), located in Perth, monitors and operates the entire supply chain providing a real-time view of operations. IROC co-locates rail control, port production control, mine dispatch control and mine fixed plant control.

WAIO produced 257 million tonnes (Mt) on a 100 per cent basis (222 Mt BHP Billiton share) for FY2016. A continued focus on productivity and the ramp-up of additional capacity at the Jimblebar mining hub will deliver an increase in system capacity to 290 Mt in FY2019.

Production at the Yarrie mine in the northern Pilbara has been suspended since 25 February 2014, following improved productivity at our other mining operations.

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There are four main WAIO joint ventures (JVs): Mt Newman, Yandi, Mt Goldsworthy and Jimblebar. BHP Billiton s interest in the joint ventures is 85 per cent, with Mitsui and ITOCHU owning the remaining 15 per cent. The joint ventures are unincorporated, except Jimblebar.

WAIO, along with Mitsui and ITOCHU, have entered into joint venture agreements with some customers which involve the sublet of part of WAIO s existing mineral leases: JW4, Wheelarra and Posmac. The ore is sold to the main joint ventures with contractual terms applying to the customers share. WAIO is entitled to 85 per cent of production from these subleases.

All ore is transported by rail on the Mt Newman JV and Mt Goldsworthy JV rail lines to our port facilities. WAIO s port facilities at Nelson Point are owned by the Mt Newman JV, and Finucane Island is owned by the Mt Goldsworthy JV.

Refer to section 1.14.3 for information on our capital projects and exploration activities. Refer to section 6.1 for additional information on mining operations, section 6.2.1 for production information and section 6.3.2 for the reserve lives.

Coal assets

Our coal assets in Australia consist of both open-cut and underground mines. At open-cut mines, overburden is removed after blasting, using either draglines or truck and shovel. Coal is then extracted using excavators or loaders and loaded onto trucks to be taken to stockpiles or directly to a beneficiation facility. At our underground mine, coal is extracted by either longwall or continuous miner. The coal is then transported to stockpiles on the surface by conveyor. Coal from stockpiles is then crushed, and for a number of the operations, washed and processed through the coal preparation plant. Domestic coal is transported to nearby customers via conveyor or rail. Export coal is transported to the port via trains or trucks, and as part of this coal supply chain both single and multi-user rail and port infrastructure is used.

Queensland Coal

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

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The Bowen Basin s high-quality metallurgical coals are ideally suited to efficient blast furnace operations. The area s proximity to Asian customers means it is well positioned to supply the seaborne market.

Queensland Coal has access to key infrastructure in the Bowen Basin, including a modern, multi-user rail network and its own coal-loading terminal at Hay Point, located near the city of Mackay. Queensland Coal also has contracted capacity at three other multi-user port facilities, including the Port of Gladstone (RG Tanna Coal Terminal), Dalrymple Bay Coal Terminal and Abbot Point Coal Terminal.

BHP Billiton Mitsubishi Alliance (BMA)

BMA is Australia s largest coal producer and supplier of seaborne metallurgical coal. BMA is owned 50:50 by BHP Billiton and Mitsubishi Development.

BMA operates seven Bowen Basin mines (Goonyella Riverside, Broadmeadow, Daunia, Peak Downs, Saraji, Blackwater and Caval Ridge) and owns and operates the Hay Point Coal Terminal near Mackay. With the exception of the Broadmeadow underground longwall operation, BMA s mines are open-cut, using dragline and truck and shovel fleets for overburden removal.

The Crinum underground mine ceased production in the December 2015 quarter. The mine is now under care and maintenance.

BMA s share of total metallurgical coal production in FY2016 was 33.4 Mt.

BHP Billiton Mitsui Coal (BMC)

BMC owns and operates two open-cut metallurgical coal mines in the Bowen Basin South Walker Creek Mine and Poitrel Mine. BMC is owned by BHP Billiton (80 per cent) and Mitsui and Co (20 per cent).

South Walker Creek Mine is located on the eastern flank of the Bowen Basin, 35 kilometres west of the town of Nebo and 132 kilometres west of the Hay Point port facilities. Poitrel Mine is situated southeast of the town of Moranbah and began open-cut operations in October 2006.

BMC s share of total metallurgical coal production in FY2016 was 8.9 Mt.

New South Wales Energy Coal

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New South Wales Energy Coal consists of the Mt Arthur Coal open-cut energy coal mine in the Hunter Valley region of New South Wales, Australia. The site produces coal for domestic and international customers in the energy sector.

New South Wales Energy Coal produced 17.1 Mt in FY2016.

IndoMet Coal (Indonesia)

For more information on IndoMet Coal, refer to section 1.14.4.

Refer to section 1.14.4 for information on our capital projects. Refer to section 6.1 for additional information on mining operations, section 6.2.1 for production information and section 6.3.2 for the reserve lives.

Nickel West

Nickel West is a fully integrated mine-to-market nickel business. All nickel operations (mines, concentrators, a smelter and refinery) are located in Western Australia.

The integrated business adds value throughout our nickel supply chain, with the majority of Nickel West s production sold as briquettes.

Low-grade disseminated sulphide ore is mined from Mt Keith, a large open-pit operation. The ore is crushed and processed on-site to produce nickel concentrate.

High-grade nickel sulphide ore is mined at Cliffs and Leinster underground mines and Rocky s Reward open-pit mine. The ore is processed through a concentrator and dryer at Leinster.

Nickel West s concentrator plant in Kambalda processes ore and concentrate purchased from third parties.

The three streams of nickel concentrate come together at the Nickel West Kalgoorlie smelter, a vital part of our integrated business. The smelter uses a flash furnace to smelt more than 650 ktpa of concentrate to produce nickel matte.

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Nickel West Kwinana refines granulated nickel matte from the Kalgoorlie smelter into nickel powder and premium-grade nickel metal briquettes containing over 99 per cent nickel.

Nickel matte and metal are exported to overseas markets via the Port of Fremantle.

Refer to section 6.1 for additional information on mining operations, section 6.2.1 for production information and section 6.3.2 for the reserve lives.

1.12.2 Minerals Americas

The Minerals Americas asset group includes projects, operated and non-operated assets in Canada, Chile, Peru, United States, Colombia and Brazil. Our assets and projects focus on copper, zinc, iron ore, coal and potash.

Copper assets

Our copper assets in the Americas (Chile and Peru) consist of open-cut mines. At these mines, overburden is removed after blasting, using a truck and shovel. Ore is then extracted and further processed into high-quality copper concentrate or cathode. Copper concentrate is obtained through a grinding and flotation process, while copper cathode is produced from a leaching, solvent extraction and electrowinning process. Copper concentrate is transported to ports via pipeline, while cathode is transported by either rail or road where it is exported to our customers around the world.

Escondida (Chile)

BHP Billiton owns 57.5 per cent of, and operates, the Escondida mine which is a leading producer of copper. Escondida, located in the Atacama Desert in northern Chile, is a copper porphyry deposit that also produces gold and silver. Its two open-cut pits currently feed two concentrator plants which use grinding and flotation technologies to produce copper concentrate, as well as two leaching operations (oxide and sulphide).

The Escondida Organic Growth Project 1 (OGP1) is a recently commissioned concentrator with a nominal capacity of 152 ktpd. Following the successful commissioning and ramp-up of the OGP1 concentrator, the Los Colorados concentrator was placed on care and maintenance in the March 2016 quarter.

Total Escondida production in FY2016 was 649 kt of payable copper in concentrate, 330 kt of copper cathode, 108,996 troy oz of payable gold in concentrate and 5,561 troy koz of payable silver in concentrate. Escondida achieved record material mined in FY2016, averaging 1.2 Mt of material per day.

Escondida celebrated 25 years of operation during FY2016, having processed more than two billion tonnes of ore through leaching (solvent extraction and electrowinning) and flotation.

Pampa Norte (Chile)

Pampa Norte consists of two wholly owned operations in the Atacama Desert in northern Chile Spence and Cerro Colorado. During FY2016, Spence and Cerro Colorado produced 174 kt and 77 kt, respectively, of high-quality copper cathode, using oxide and sulphide ore treatment through leaching, solvent extraction and electrowinning processes.

During FY2016, the Regional Environmental Committee of the Tarapacá Region approved the extension of operational permits for Cerro Colorado until 2023, enabling further potential to be realised.

Antamina (Peru)

BHP Billiton owns 33.75 per cent of Antamina, a large, low-cost copper and zinc mine in north central Peru. Our share of Antamina s total production for FY2016 was 146 kt of copper concentrate and 55 kt of zinc concentrate. Antamina by-products include molybdenum and lead/bismuth concentrate and small amounts of silver.

Antamina continues to study options to debottleneck the operation and increase throughput.

Refer to section 1.14.2 for information on our capital projects and exploration activities. Refer to section 6.1 for additional information on mining operations, section 6.2.1 for production information and section 6.3.2 for the reserve lives.

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Iron ore asset

Samarco (Brazil)

Each of BHP Billiton Brasil and Vale holds a 50 per cent shareholding in the Samarco Mineração S.A. (Samarco), which operates the Samarco iron ore operation in Brazil. As a result of the tragic dam failure at Samarco in November 2015, operations at Samarco are currently suspended. For further information on the Samarco dam failure, refer to section 1.4. Samarco comprises a mine and three concentrators located in the state of Minas Gerais, and four pellet plants and a port located in Anchieta in the state of Espírito Santo. Three 400-kilometre pipelines connect the mine site to the pelletising facilities.

Samarco s main product is iron ore pellets. Prior to the suspension of operations, the extraction and beneficiation of iron ore were conducted at the Germano facilities in the municipalities of Mariana and Ouro Preto. Conveyor systems were used to extract the ore and convey it from the mines. Ore beneficiation then occurred in concentrators, where crushing, milling, desliming and flotation processes produced iron concentrate. The concentrate leaves the concentrators as slurry and is pumped through the slurry pipelines from the Germano facilities to the pellet plants in Ubu, Anchieta, where the slurry is processed into pellets. The iron ore pellets are then heat treated. The pellet output is stored in a stockpile yard before being shipped out of the Samarco-owned Port of Ubu in Anchieta.

Samarco is currently seeking the necessary approvals to restart operations at reduced capacity and use mining pits for safe tailings storage while a longer-term solution is sought. Restart is not expected to occur before CY2017.

In FY2016, our share of production was 5.2 Mt of pellets.

Refer to section 6.1 for additional information on mining operations, section 6.2.1 for production information and section 6.3.2 for the reserve life.

Coal assets

Our coal assets in the Americas (Colombia and the United States) consist of open-cut mines. At these mines, overburden is removed after blasting, using either draglines or truck and shovel. Coal is then extracted using

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excavators or loaders, and loaded onto trucks to be taken to stockpiles or directly to our beneficiation facility. Coal from stockpiles is crushed, of which a certain portion is washed and processed through the coal preparation plant. Domestic coal is transported to nearby customers via conveyor. Export coal is transported to the port via trains.

New Mexico Coal (United States)

New Mexico Coal consists of the Navajo mine, which is located on Navajo Nation land in the US state of New Mexico. Full ownership of the Navajo Coal Company was transferred to the Navajo Transitional Energy Company (NTEC), an entity of the Navajo Nation, effective 30 December 2013.

New Mexico Coal and NTEC entered into a Mine Management Agreement whereby New Mexico Coal will continue as mine operator. The sale of the Navajo mine was completed in July 2016; however, BHP Billiton will continue to manage and operate the mine until the Mine Management Agreement ends on 31 December 2016.

Navajo mine transports its production directly to the nearby Four Corners Power Plant. Production for FY2016 was 4 Mt.

The nearby San Juan energy coal mine is also located in New Mexico and was divested during FY2016. The sale of the San Juan energy coal mine to Westmoreland Coal Company was completed on 31 January 2016. Production to 31 January 2016 was 3.1 Mt.

Cerrejón (Colombia)

BHP Billiton has a one-third interest in Cerrejón, which owns, operates and markets one of the world s largest open-cut export energy coal mines, located in the La Guajira province of Colombia. Cerrejón also owns and operates integrated rail and port facilities through which the majority of production is exported to European, Asian, North and South American customers.

In FY2016, our share of production was approximately 10.1 Mt.

Refer to section 6.1 for additional information on mining operations, section 6.2.1 for production information and section 6.3.2 for the reserve lives.

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Potash

Jansen Potash Project

Potash is a potassium rich salt, deposited millions of years ago when vast inland seas dried up. It is mainly used as fertiliser to improve the quality and yield of agricultural production. We believe demand will continue to grow with an increasing global population and improving incomes in emerging economies. Increasing urbanisation, more people and better diets demand sufficient food supply rich in protein that must be sourced from decreasing arable land per capita. Potash provides us with long-term growth and diversification benefits beyond our current portfolio, with a geographically diverse demand and customer base.

Our potash investment is consistent with our strategy to own and operate large, expandable assets that deliver value. Potash provides BHP Billiton with long-term growth and diversification benefits   supplying markets with the raw materials needed to meet the food needs of larger, more affluent populations transitioning from agrarian societies to cities.

Jansen Potash Project

BHP Billiton holds mineral rights in the province of Saskatchewan, Canada. We believe Jansen is one of the world s best undeveloped potash projects. Our footprint is substantial and we believe we have an ideal position within this basin. The Jansen Potash Project is about 140 kilometres east of Saskatoon. Using our technological expertise, we are focused on ensuring the preparatory work of sinking the shafts and preparing the mine is done safely and efficiently. Building a potash mine can present a number of opportunities and challenges. For example, the shafts need to reach about one kilometre underground and they need to be lined to ensure that water, which dissolves potash, does not flow into the mine.

Jansen is capable of supporting a mine with an annual capacity of approximately 10 Mt for up to 50 years, which means we are well positioned to help supply the future agricultural production demands needed to feed a growing world population.

The current work progressing at Jansen is the excavation and lining of two shafts (service and production), which are located 300 metres apart.

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Project work has focused on de-risking shaft excavation over the last two years by introducing specialised boring machines that reduce the safety risk associated with shaft construction. We progressed both shafts in FY2016 well beyond the Blairmore formation, which lies about 450 metres below the surface and contains a major aquifer about 100 metres thick.

Jansen is in the studies phase. Construction beyond the current scope of work remains subject to Board approval.

Our opportunity

Our investment in Jansen presents an opportunity to develop a multi-decade, multi-mine business in Saskatchewan, a fifth major commodity offering for BHP Billiton.

We announced in August 2013 an additional US$2.6 billion investment in Jansen, bringing total approved spending to US$3.8 billion. This investment is funding the excavation and lining of the production and service shafts as well as the installation of essential surface infrastructure and utilities. The scope of work was 60 per cent complete as of 30 June 2016.

Capital expenditure in the Jansen Potash Project in FY2016 was US$189 million.

Laying the foundation to meet expected future demand

We believe in the long-term market fundamentals for potash. Our commitment is to unlock value and to do so we also need to consider the market environment. On the basis of our current projections and subject to Board approval, Jansen could be in a position to ramp-up production in the decade beginning 2020.

1.12.3 Petroleum

Our Petroleum unit comprises conventional and unconventional oil and gas operations, and includes exploration, development and production activities. We have a high-quality resource base concentrated in the United States and Australia. Our core production operations consist of conventional assets located in the US Gulf of Mexico, Australia and Trinidad and Tobago and unconventional Onshore US assets. We produce crude oil and condensate, gas and natural gas liquids (NGLs) that are sold on the international spot market or delivered domestically under contracts with varying terms, depending on the location of the asset.

Operating assets

Our conventional and unconventional oil and gas assets are outlined below.

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United States

Gulf of Mexico

We operate two fields in the Gulf of Mexico Shenzi (44 per cent interest) and Neptune (35 per cent interest).

We hold non-operating interests in three other fields Atlantis (44 per cent interest), Mad Dog (23.9 per cent interest) and Genesis (4.95 per cent interest).

All of BHP Billiton s producing fields are located between 155 and 210 kilometres offshore from the US state of Louisiana. We also own 25 per cent and 22 per cent, respectively, of the companies that own and operate the Caesar oil pipeline and the Cleopatra gas pipeline. These pipelines transport oil and gas from the Green Canyon area, where our Gulf of Mexico fields are located, to connecting pipelines that transport product onshore.

Our share of production in FY2016 was 37.0 million barrels of oil equivalent (MMboe), up from 36.6 MMboe in FY2015.

Onshore US

We hold more than 838,000 net acres in four prolific US shale areas Eagle Ford, Permian, Haynesville and Fayetteville where we produce oil, condensate, gas and NGLs. The Black Hawk area of Eagle Ford and the Permian area are two of our largest liquids-focused field developments.

Onshore US prices for oil, condensate, NGLs and gas are based on US regional price indices, including West Texas Intermediate prices for condensate, relevant published US regional gas indices for natural gas and Mont Belvieu prices for NGLs.

Our share of production in FY2016 was 108.9 MMboe, down from 125.7 MMboe in FY2015.

Eagle Ford

We are one of the largest producers in the liquids-focused Eagle Ford shale. Our Eagle Ford area (approximately 252,000 net acres) consists of Black Hawk and Hawkville fields with production operations located primarily in the southern Texas counties of DeWitt, Karnes, McMullen and LaSalle. We produce condensate, gas and NGLs

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from the two fields. The condensate and gas produced are sold domestically in the United States via connections to intrastate and interstate pipelines, and internationally through the export of processed condensate. The Eagle Ford gathering system consists of approximately 1,600 kilometres of pipelines that deliver volumes to five central delivery points (CDPs), from which volumes are processed and transported to market. Our average net working interest is approximately 64 per cent. We acted as joint venture operator for approximately 39 per cent of our gross wells.

Permian

The Permian production operation is located primarily in the western Texas county of Reeves and consists of approximately 93,000 net acres. We produce oil, condensate, gas and NGLs. The condensate and gas are sold domestically in the United States via connections to intrastate and interstate pipelines. Our average net working interest is approximately 91 per cent. We acted as joint venture operator for approximately 91 per cent of our gross wells. Permian has 45 kilometres of water pipelines and a gathering system that consists of 165 kilometres of gas pipelines that deliver volumes to third party CDPs, from where processed volumes are transported to market.

Haynesville

The Haynesville production operation is located primarily in northern Louisiana and consists of 206,000 net acres. We produce gas that is sold domestically in the United States via connections to intrastate and interstate pipelines. Our average net working interest is approximately 37 per cent. We acted as joint venture operator for approximately 35 per cent of our gross wells.

Fayetteville

The Fayetteville production operation is located in north central Arkansas and consists of 287,000 net acres. We produce gas that is sold domestically in the United States via connections to intrastate and interstate pipelines. Our average net working interest is approximately 22 per cent. We acted as joint venture operator for approximately 20 per cent of our gross wells. The Fayetteville gathering system consists of approximately 760 kilometres of pipelines that deliver volumes to multiple compressor stations where processed volumes are transported to market.

Australia

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Bass Strait

In 1965, we, along with our 50-50 joint venture partner and operator, Esso Australia (a subsidiary of ExxonMobil), through the Gippsland Basin joint venture, participated in the original discovery of hydrocarbons. We have produced oil and gas from Bass Strait over the past 40 years. The Bass Strait operations are located between 25 and 80 kilometres off the southeastern coast of Australia.

We sell the majority of our Bass Strait crude oil and condensate production to refineries along the east coast of Australia under spot and 12-month contracts with occasional export cargos. The contract price is based on the average Dated Brent crude oil price marker. Gas is piped onshore to the joint venture s Longford processing facility, from where we sell our share of production to domestic retailers and end users under contracts with periodic price reviews. Liquefied petroleum gas (LPG) is dispatched via pipeline, road tanker or sea tanker. Ethane is dispatched via pipeline to a petrochemical plant in western Melbourne.

Our share of production in FY2016 was 35.3 MMboe, up from 31.2 MMboe in FY2015.

North West Shelf

We are a joint venture participant in the North West Shelf Project, located approximately 125 kilometres northwest of Dampier in Western Australia. The North West Shelf Project supplies gas to the Western Australian domestic market, mainly under long-term contracts and liquefied natural gas (LNG) to buyers primarily in Japan, South Korea and China under a series of long-term contracts.

North West Shelf gas is piped from offshore fields to the onshore Karratha Gas Plant for processing. LPG, condensate and LNG are transported to market by ship, while domestic gas is transported by the Dampier-to-Bunbury and Pilbara Energy pipelines to buyers. We are also a joint venture partner in four nearby oil fields Cossack, Wanaea, Lambert and Hermes. All North West Shelf gas and oil joint ventures are operated by Woodside.

Our share of production in FY2016 was 27.5 MMboe, down from 28.7 MMboe in FY2015.

Pyrenees

We operate six oil fields in Pyrenees which are located offshore approximately 23 kilometres northwest of Northwest Cape, Western Australia. We had an effective 62 per cent interest in the fields as at 30 June 2016, based on inception-to-date production from two permits in which we have interests of 71.43 per cent and 40 per cent, respectively. The development uses a floating, production, storage and off-take (FPSO) facility. The crude oil produced is sold internationally on the spot market.

Our share of production in FY2016 was 8.6 MMboe, up from 7.2 MMboe in FY2015.

Macedon

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

Our share of production in FY2016 was 8.5 MMboe, up from 6.8 MMboe in FY2015.

Minerva

We are the operator of Minerva (90 per cent interest), a gas field located 11 kilometres south-southwest of Port Campbell in western Victoria. The operation consists of two subsea wells, with gas piped onshore to a processing plant. After processing, the gas is delivered into a pipeline and sold domestically under long-term contracts.

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Our share of production in FY2016 was 2.3 MMboe, down from 3.1 MMboe in FY2015.

Other production operations

Trinidad and Tobago

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

Our share of production in FY2016 was 5.9 MMboe, down from 6.7 MMboe in FY2015.

Algeria

Our Algerian operations comprise an effective 38 per cent interest in the ROD Integrated Development, which consists of six satellite oil fields that pump oil back to a dedicated processing train. The oil is sold on a spot basis to international markets. Our interest in ROD is subject to a contractual determination with our joint venture partner ENI, which could result in a future change in our interest under certain conditions.

Our share of production in FY2016 was 3.7 MMboe, down from 3.9 MMboe in FY2015.

United Kingdom

We hold a 16 per cent non-operating interest in the Bruce oil and gas field in the North Sea and a 31.83 per cent non-operating interest in the Keith oil and gas field, a subsea tie-back. Operatorship of the Keith field was transferred to BP on 31 July 2015. Oil and gas from both fields are processed via the Bruce platform facilities.

Our share of production in FY2016 was 1.0 MMboe, down from 1.1 MMboe in FY2015.

Pakistan

We divested our interest in the Zamzama joint venture gas project in the Sindh province of Pakistan (38.5 per cent interest) on 31 December 2015 to Tri-Resources. We were the operator of that joint venture.

Our share of production in FY2016 was 2.5 MMboe, down from 4.0 MMboe in FY2015.

Refer to section 1.14.1 for information on our capital projects and exploration activities. Refer to section 6.1 for information on mining operations, section 6.2.2 for production information and section 6.3.1 for oil and gas reserves.

1.12.4 Marketing

Marketing is an independent core business of BHP Billiton. It is the link between BHP Billiton s global operations and our global customers.

It s how we take our iron ore mined in Australia and sell it to customers in China to make steel. It s how we connect a fabricator in Japan with copper cathode from our Chilean operations and how we pump oil in the Gulf of Mexico to fuel US transport.

Our objectives

Marketing is critical to ensuring we receive full value when selling our commodities. It has accountability for:

- securing sales of BHP Billiton products and managing associated risks;

- purchasing raw materials that are used by our assets;
- managing the supply chains from resources to markets;
- effective governance of credit, market and price risk management;
- supporting strategic decision-making by analysing commodity markets and providing insights.

Our Marketing business adds value by understanding our customers needs and connecting them with the right product, working with the assets to maximise the value of upstream resources, optimising freight and distribution costs and ensuring the Company-wide view of commodity markets is well informed and insightful. This allows the assets to focus on safety, production and cost, while Marketing focuses on optimising realised prices and sales outcomes.

A simple, centralised organisation co-located with key markets

Our Marketing businesses are strategically located in close proximity to our customers. Singapore is our primary Marketing business, reflecting the fact that about 72 per cent of our sales are in Asia. Our other major Marketing business is located in Houston, United States. More than half of our oil and gas sales are to customers in North America.

The Marketing business incorporates all the functions required to manage sales and distribution from our assets to our customers. In addition, we have regional marketers located close to our customers in eight other cities across the world.

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BHP Billiton Marketing businesses strategically located close to our customers

Marketing is organised into two trading and marketing units (TMUs) aligned to our major asset groups Minerals Australia, Minerals America and Petroleum. Our TMUs have specialist expertise in their respective areas. Being co-located with customers allows us to:

- develop and maintain strong relationships with our customers;
- participate in technical collaboration with customers to better understand how our products perform in a customer s production process;
- adopt tailored strategies for each product and market.

With our centralised model, we present one face to markets and customers across multiple assets and optimise BHP Billiton s sales positions. The centralised model allows us to rapidly replicate best practice and share market insights across commodity teams. It also ensures effective governance and risk management.

Optimising the cost of freight and distribution

BHP Billiton is one of the largest global shippers of bulk commodities.

The objective of the freight business is to create a competitive advantage through the procurement of safe, sustainable shipping solutions, using the highest quality freight service providers and ship owners. The scope and scale of our commodity portfolio enable us to pursue this objective by:

- providing us with a strong voice in driving improvement in industry safety standards;
- minimising freight costs through arbitrage and optimising positions, including through moving physical tonnages between markets, maximising tonnages for both inbound and outbound journeys.

Developing market insight to inform strategic decision-making

BHP Billiton s market insight is enhanced by the Company s proximity to customers and the flow of information through the centralised structure, with a network of key analysts in China, India and the United States. Marketing analyses the fundamentals of demand and incorporates views on supply to inform our long-run outlook of commodity markets. We consider various global scenarios in our modelling and regularly monitor evolving trends in the market to ensure we have an in-depth understanding. Our holistic approach to analysis ensures that we have integrated views across commodities, taking into account global and regional economic drivers.

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Our commodity price forecasts support asset and portfolio investment decisions, strategic planning and capital management. Marketing s outlook on the global economy, the resource industry and each of the commodities in our portfolio also serves to inform broader organisational priorities, such as our position on climate change.

1.13 Summary of financial performance

1.13.1 Group overview

Our selected financial information reflects the operations of the BHP Billiton Group and should be read in conjunction with the FY2016 Financial Statements, together with the accompanying notes.

We prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and as outlined in the Financial Statements in this Annual Report. We publish our Consolidated Financial Statements in US dollars.

Comparative financial information for FY2014, FY2013 and FY2012 has been restated for the effects of the application of IFRS 5/AASB 5 Non-current Assets Held for Sale and Discontinued Operations following the demerger of South32 in FY2015, unless otherwise noted. Consolidated Balance Sheet information for these periods is not required to be, and has not been, restated. All Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement information below has been derived from audited Financial Statements, except the previously published FY2012 restated data which was not required to be, and was not, subject to audit. For more information, refer to section 5.

Information in this section has been presented on a Continuing operations basis to exclude the contribution from assets that were demerged with South32, unless otherwise noted. Details of the contribution of the South32 assets to the Group s results are disclosed in note 26 Discontinued operations to the Financial Statements.

Year ended 30 June

US$M	2016	2015	2014	2013	2012
Consolidated Income Statement (section 5.1.1)					
Revenue	**30,912**	44,636	56,762	53,860	56,642
(Loss)/profit from operations	**(6,235)**	8,670	22,649	21,977	22,602
(Loss)/profit after taxation from Continuing operations	**(6,207)**	4,390	14,955	14,132	15,233
(Loss)/profit after taxation from Discontinued operations		(1,512)	269	(1,312)	1,384
(Loss)/profit after taxation from Continuing and Discontinued operations attributable to owners of BHP Billiton Group (attributable (loss)/profit) [1]	**(6,385)**	1,910	13,832	11,223	15,473
Dividends per ordinary share paid during the period (US cents)	**78.0**	124.0	118.0	114.0	110.0
Dividends per ordinary share determined in respect of the period (US cents)	**30.0**	124.0	121.0	116.0	112.0
Basic (loss)/earnings per ordinary share (US cents) [1] [2]	**(120.0)**	35.9	260.0	210.9	290.7
Diluted (loss)/earnings per ordinary share (US cents) [1] [2]	**(120.0)**	35.8	259.1	210.2	289.4
Basic (loss)/earnings from Continuing operations per ordinary share (US cents) [2]	**(120.0)**	65.5	256.5	238.6	265.3
	(120.0)	65.3	255.7	237.8	264.1

Diluted (loss)/earnings from Continuing operations per ordinary share (US cents) (2)					
Number of ordinary shares (million)					
At period end	**5,324**	5,324	5,348	5,348	5,348
Weighted average	**5,322**	5,318	5,321	5,322	5,323
Diluted	**5,322**	5,333	5,338	5,340	5,346

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Year ended 30 June

US$M	2016	2015	2014	2013	2012
Consolidated Balance Sheet (section 5.1.3) (3)					
Total assets	**118,953**	124,580	151,413	139,178	129,201
Net assets	**60,071**	70,545	85,382	75,291	69,315
Share capital (including share premium)	**2,761**	2,761	2,773	2,773	2,773
Total equity attributable to owners of BHP Billiton Group	**54,290**	64,768	79,143	70,667	65,526
Other financial information					
Underlying attributable profit (4)	**1,215**	6,417	13,263	12,017	15,928
Underlying EBITDA (4)	**12,340**	21,852	30,292	28,109	31,554
Underlying EBIT (4)	**3,469**	11,866	22,098	21,680	25,948
Underlying basic earnings per share (US cents) (4)	**22.8**	120.7	249.3	225.8	299.2
Capital and exploration expenditure (Cash basis) (5)	**7,711**	12,763	16,210	22,425	21,130
Capital and exploration expenditure (BHP Billiton share) (5)	**6,396**	11,040	14,608	21,422	19,793
Net debt	**26,102**	24,417	25,786	27,510	22,208
Net operating cash flows (6)	**10,625**	19,296	25,364	20,154	25,259

(1) Includes (Loss)/profit after taxation from Discontinued operations attributable to owners of the BHP Billiton Group.

(2) For more information on earnings per share, refer to note 6 Earnings per share to the Financial Statements.

(3) The Consolidated Balance Sheet for FY2015 does not include the assets and liabilities demerged with South32. IFRS 5/AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not require the Consolidated Balance Sheet to be restated for comparative periods.

(4) Underlying attributable profit, Underlying EBITDA, Underlying EBIT and Underlying basic earnings per share are non-IFRS financial measures that we use to reflect the underlying performance of BHP Billiton. Underlying attributable profit is attributable (loss)/profit excluding Discontinued operations and any exceptional items and Underlying basic earnings per share is Underlying attributable profit per basic share. Underlying EBITDA is earnings before net finance costs, depreciation, amortisation and impairments, taxation expense, Discontinued operations and any exceptional items. Underlying EBIT is Underlying EBITDA, including depreciation, amortisation and impairments. We believe that these non-IFRS measures provide useful information, but should not be considered as an indication of, or as an alternative to attributable (loss)/profit as an indicator of actual operating performance or as an alternative to cash flow as a measure of liquidity. Underlying EBITDA and Underlying EBIT are included in the FY2016 Consolidated Financial Statements as required by IFRS 8 Operating Segments . For a reconciliation of Underlying attributable profit to attributable (loss)/profit and of Underlying EBITDA to (Loss)/profit after taxation from Continuing operations for FY2016, FY2015 and FY2014, refer to section 1.13.2.

(5)

Cash basis capital and exploration expenditure represents purchases of property, plant and equipment plus exploration expenditure from the Consolidated Cash Flow Statement. BHP Billiton share capital and exploration expenditure represents Cash basis, plus BHP Billiton s share of equity accounted investments capital and exploration expenditure, less capitalised deferred stripping and non-controlling interests. FY2012 capital and exploration expenditure Cash basis and BHP Billiton share includes capital and exploration expenditure from Discontinued operations.

(6) Net operating cash flows are after dividends received, net interest and taxation and include Net operating cash flows from Discontinued operations.

Non-IFRS measures

We use a number of non-IFRS measures to assess our performance. Non-IFRS measures include:

Underlying attributable profit comprises (Loss)/profit after taxation attributable to owners of the BHP Billiton Group less exceptional items as described in note 2 Exceptional items to the Financial Statements and excludes Discontinued operations. Underlying attributable profit is the key performance indicator against which short-term incentive outcomes for our senior executives are measured and, in our view, is a relevant measure to assess the financial performance of the Company for this purpose. In past periods, we have reported attributable (loss)/profit as a key performance indicator.

Underlying basic earnings per share represents Underlying attributable profit per basic share.

Adjusted effective tax rate comprises Total taxation benefit/(expense) excluding exceptional items, Discontinued operations and exchange rate movements included in taxation benefit/(expense) divided by (Loss)/profit before taxation and exceptional items. Management believes this measure provides useful information regarding the tax impacts from underlying operations.

Underlying EBITDA is earnings before net finance costs, depreciation, amortisation and impairments, taxation expense, Discontinued operations and any exceptional items. Underlying EBITDA includes BHP Billiton s share of (loss)/profit from investments accounted for using the equity method, including net finance costs, depreciation, amortisation and impairments and taxation expense. Management believes focusing on Underlying EBITDA more closely reflects the operating cash generative capacity and hence the underlying performance of our business. In past periods, we have reported Underlying EBIT as a key non-IFRS measure of operating results.

Underlying EBIT is Underlying EBITDA, including depreciation, amortisation and impairments.

Controllable cash costs comprises operating cash costs and exploration and business development costs and excludes Discontinued operations. Management believes this measure provides useful information regarding the Company s financial performance because it considers these expenses to be the principal operating and overhead expenses that are most directly under the Company s control.

Underlying EBITDA margin comprises Underlying EBITDA, excluding third party product Underlying EBITDA, divided by revenue excluding third party product revenue.

Net operating assets represents operating assets net of operating liabilities, including the carrying value of equity accounted investments and predominantly excludes cash balances, loans to associates, Interest bearing liabilities and deferred tax balances. The carrying value of investments accounted for using the equity accounted method represents the balance of the Group s investment in equity accounted investments, with no adjustment for any cash balances, interest bearing liabilities and deferred tax balances of the equity accounted investment. Management believes this measure provides useful information by isolating the net operating assets of the business from the financing and tax balances which, in combination with our other measures, provides a meaningful indicator of underlying performance.

We believe that these non-IFRS measures provide useful information, but should not be considered as an indication of, or as an alternative to, comparable IFRS measures.

Other financial measures

We use a number of other financial measures (each of which is calculated by reference to IFRS measures) to assess our performance. Such other financial measures include:

Free cash flow comprises Net operating cash flows less Net investing cash flows and excludes Discontinued operations.

Gearing ratio represents the ratio of net debt to net debt plus Net assets.

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Net debt comprises Interest bearing liabilities less Cash and cash equivalents for the total operations within the Group at the reporting date.

For our Financial Statements, refer to section 5.

Financial results for year ended 30 June 2016 compared with year ended 30 June 2015

The following table provides a summary of the Consolidated Income Statement contained in section 5.1.1:

Year ended 30 June	2016 US$M	2015 US$M	2014 US$M
Revenue [1]			
Petroleum	**6,894**	11,447	14,833
Copper	**8,249**	11,453	12,789
Iron Ore	**10,538**	14,753	21,356
Coal	**4,518**	5,885	6,563
Group and unallocated items/eliminations [2]	**713**	1,098	1,221
Total revenue	**30,912**	44,636	56,762
Other income	**444**	496	1,225
Employee benefits expense	**(3,702)**	(4,971)	(5,413)
Raw materials and consumables used	**(4,063)**	(4,667)	(5,540)
Freight and transportation	**(2,226)**	(2,644)	(3,119)
External services	**(4,984)**	(6,284)	(6,780)
Third party commodity purchases	**(1,013)**	(1,165)	(1,702)
Net foreign exchange gains/(losses)	**153**	469	(168)
Government royalties paid and payable	**(1,349)**	(1,708)	(2,412)
Depreciation and amortisation expense	**(8,661)**	(9,158)	(7,716)
Exploration and evaluation expenditure incurred and expensed in the current period	**(430)**	(670)	(698)
Impairment of assets	**(7,394)**	(4,024)	(478)
Operating lease rentals	**(528)**	(636)	(665)
All other operating expenses	**(1,290)**	(1,552)	(1,832)
Total expenses excluding net finance costs	**(35,487)**	(37,010)	(36,523)
(Loss)/profit from equity accounted investments, related impairments and expenses	**(2,104)**	548	1,185
(Loss)/profit from operations	**(6,235)**	8,670	22,649
Net finance costs	**(1,024)**	(614)	(914)
Total taxation benefit/(expense)	**1,052**	(3,666)	(6,780)
(Loss)/profit after taxation from Continuing operations	**(6,207)**	4,390	14,955
(Loss)/profit after taxation from Discontinued operations		(1,512)	269
(Loss)/profit after taxation from Continuing and Discontinued operations	**(6,207)**	2,878	15,224
Attributable to non-controlling interests	**178**	968	1,392
Attributable to owners of BHP Billiton Group	**(6,385)**	1,910	13,832

(1) Includes the sale of third party products and excludes revenue from investments accounted for using the equity method.

(2) Group and unallocated items includes functions, other unallocated operations, including Potash (previously disclosed in the former Petroleum and Potash reportable segment), Nickel West and consolidated adjustments. Revenue not attributable to reportable segments comprises the sale of freight and fuel to third parties, as well as revenues from unallocated operations.

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Revenue of US$30.9 billion reduced by US$13.7 billion, or 31 per cent, from US$44.6 billion in FY2015. This decrease was primarily attributable to weaker average realised prices across all major commodities. For a discussion of the average realised prices of our commodities, refer to section 1.8.1. Lower volumes during the year, particularly for copper at Escondida (due to anticipated grade decline) and Onshore US (deferral of development activity for value), also contributed to the decline in revenue. For production results from our operations during the periods, refer to section 6.2.

Total expenses of US$35.5 billion reduced by US$1.5 billion, or four per cent, from US$37.0 billion in FY2015. This was due to a US$1.3 billion reduction in Employee benefits expense related to lower headcount, a US$1.3 billion reduction in External services related to lower contractor expenditure and a US$604 million reduction in Raw materials and consumables used due to lower fuel and energy costs.

Depreciation and amortisation expense declined by US$497 million due to a reduction in the depreciable asset base at Onshore US due to impairments previously recorded. Impairment of assets of US$7.4 billion in FY2016 primarily relates to Onshore US assets.

(Loss)/profit from operations of US$(6.2) billion reduced by US$14.9 billion from FY2015 primarily as a result of a significant decline in commodity prices, the impairment of the Onshore US assets and the financial impacts of the Samarco dam failure (refer to section 1.13.2), partially offset by the cost reductions described above.

Net finance costs of US$1.0 billion increased by US$410 million, or 67 per cent, from US$614 million in FY2015 due to the issue of multi-currency hybrid notes during FY2016 (refer to section 1.13.3 and note 19 Net debt to the Financial Statements), higher benchmark interest rates and a gain on the early redemption of the Petrohawk Energy Corporation Senior Notes in FY2015.

The Group s statutory effective tax rate for FY2016 presents as nil (FY2015: 45.5 per cent) because we recognised a total taxation benefit of US$1.1 billion (including government imposed royalty-related taxation calculated by reference to profits), and a loss before taxation for the period of US$7.3 billion. The Group s adjusted effective tax rate was 35.8 per cent (FY2015: 31.8 per cent).The increase in the Group s adjusted effective tax rate in FY2016 reflects the relative higher proportion of profit from Australian petroleum assets (which are subject to a higher rate of tax due to the Petroleum Resource Rent Tax) in the Group s overall profit compared to FY2015.

The adjusted effective tax rate is reconciled to the statutory effective tax rate in the table below:

	2016			**2015**		
	(Loss)/profit before taxation	**Income tax benefit/(expense)**		**(Loss)/profit before taxation**	**Income tax benefit/(expense)**	
Year ended 30 June	**US$M**	**US$M**	**%**	**US$M**	**US$M**	**%**
Statutory effective tax rate	**(7,259)**	**1,052**		8,056	(3,666)	45.5%
Adjusted for:						
Exchange rate movements		**125**			339	
Exceptional items	**9,704**	**(2,053)**		3,196	(250)	
Adjusted effective tax rate	**2,445**	**(876)**	**35.8%**	11,252	(3,577)	31.8%

Government royalties paid and payable which are not profit based are recognised as operating costs within (Loss)/profit before taxation. These amounted to US$1.3 billion during the period (FY2015: US$1.7 billion).

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Financial results for the year ended 30 June 2015 compared with year ended 30 June 2014

Revenue of US$44.6 billion reduced by US$12.2 billion, or 21 per cent, from US$56.8 billion in FY2014. The decrease was primarily attributable to weaker average realised prices across all major commodities, which more than offset additional revenue attributable to increased volumes during the year.

Other income of US$496 million reduced by US$729 million from US$1.2 billion in FY2014, mainly due to the gain on sale for the Pinto Valley mining operation of US$551 million recognised in FY2014.

Total expenses of US$37.0 billion increased by US$487 million, or one per cent, from US$36.5 billion in FY2014. The increase was due to a US$3.5 billion increase in impairments and US$1.4 billion increase in depreciation and amortisation. Impairment of assets in FY2015 mainly related to Onshore US assets (US$2.8 billion) and Nickel West assets (US$409 million).This increase more than offset the reduction in operating costs across the Group.

Reductions in operating expenses included a US$873 million reduction in Raw materials and consumables used due to lower fuel and energy costs, a US$704 million reduction in Government royalties paid and payable in line with lower revenue, a US$637 million favourable exchange rate movement (including a favourable restatement of monetary items in the balance sheet) and a US$537 million reduction in Third party commodity purchases primarily at Petroleum. Further reductions included a US$496 million reduction in External services, US$475 million reduction in Freight and transportation and US$442 million reduction in Employee benefits expense.

(Loss)/profit from operations of US$8.7 billion reduced by US$13.9 billion from FY2014 primarily as a result of a significant decline in commodity prices and impairments of Onshore US and Nickel West assets, partially offset by the reductions in operating costs described above.

Net finance costs of US$614 million decreased by US$300 million, or 33 per cent, from US$914 million in FY2014 due to foreign exchange gains on finance leases and the early redemption of the Petrohawk Energy Corporation Senior Notes in August 2014, which resulted in a gain on redemption and lower interest expense.

The Group s statutory effective tax rate for FY2015 was 45.5 per cent (FY2014: 31.2 per cent), due to the recognition of a total taxation expense of US$3.7 billion (including government imposed royalty-related taxation calculated by reference to profits). The Group s adjusted effective tax rate was 31.8 per cent (FY2014: 32.2 per cent). An exceptional item of US$698 million tax expense (2014: US$ nil) was recognised on a Continuing operations basis for the derecognition of deferred taxes upon the repeal of the MRRT legislation in Australia.

The adjusted effective tax rate is reconciled to the statutory effective tax rate in the table below:

	2015			2014		
Year ended 30 June	**(Loss)/profit before taxation US$M**	**Income tax benefit/(expense) US$M**	**%**	**(Loss)/profit before taxation US$M**	**Income tax benefit/(expense) US$M**	**%**
Statutory effective tax rate	8,056	(3,666)	45.5%	21,735	(6,780)	31.2%
Adjusted for:						
Exchange rate movements		339			(34)	
Remeasurement of deferred tax assets associated with the					(170)	

MRRT						
Exceptional items	3,196	(250)		(551)	166	
Adjusted effective tax rate	11,252	(3,577)	31.8%	21,184	(6,818)	32.2%

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Government royalties paid and payable which are not profit based are recognised as operating costs within (Loss)/profit before taxation. These amounted to US$1.7 billion during the period (2014: US$2.4 billion).

Discontinued operations

South32 s contribution to BHP Billiton s FY2015 results comprised a US$1.5 billion Loss after taxation. Details of the contribution of the South32 assets to the Group s results are disclosed in note 26 Discontinued operations to the Financial Statements.

Cash flow statement

The following table provides a summary of the Consolidated Cash Flow Statement contained in section 5.1.4 to show the key sources and uses of cash during the periods presented:

Year ended 30 June	2016 US$M	2015 US$M	2014 US$M
Cash generated from operations	**12,671**	21,620	29,318
Dividends received	**301**	740	1,264
Net interest paid	**(702)**	(541)	(795)
Taxation paid	**(1,645)**	(4,025)	(6,147)
Net operating cash flows from Continuing operations	**10,625**	17,794	23,640
Net operating cash flows from Discontinued operations		1,502	1,724
Net operating cash flows	**10,625**	19,296	25,364
Purchases of property plant and equipment	**(6,946)**	(11,947)	(15,224)
Exploration expenditure	**(765)**	(816)	(986)
Exploration expenditure expensed and included in operating cash flows	**430**	670	698
Net investment and funding of equity accounted investments	**40**	117	(29)
Other investing	**(4)**	474	407
Net investing cash flows from Continuing operations	**(7,245)**	(11,502)	(15,134)
Net investing cash flows from Discontinued operations		(1,066)	(700)
Cash disposed on demerger of South32		(586)	
Net investing cash flows	**(7,245)**	(13,154)	(15,834)
Net proceeds from/(repayment of) interest bearing liabilities	**4,607**	(728)	(1,011)
Contributions from non-controlling interests		53	1,435
Dividends paid	**(4,130)**	(6,498)	(6,387)
Dividends paid to non-controlling interests	**(87)**	(554)	(119)
Other financing activities	**(106)**	(346)	(354)

Net financing cash flows from Continuing operations	**284**	(8,073)	(6,436)
Net financing cash flows from Discontinued operations		(203)	(32)
Net financing cash flows	**284**	(8,276)	(6,468)
Net increase/(decrease) in cash and cash equivalents from Continuing operations	**3,664**	(1,781)	2,070
Net increase in cash and cash equivalents from Discontinued operations		233	992
Cash disposed on demerger of South32		(586)	

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Net operating cash flows after interest and tax of US$10.6 billion reduced by US$8.7 billion from FY2015. The major contributor was a US$8.9 billion decrease in cash generated from operations (after changes in working capital balances), which was partially offset by a decrease of US$2.4 billion in net taxes paid. Despite the significant decline in commodity prices, we generated US$3.4 billion of free cash flow (net operating cash flows less net investing cash flows) during FY2016 due to a reduction in operating costs and a targeted reduction of working capital.

Net investing cash flows of US$7.2 billion reduced by US$5.9 billion from FY2015 due to a US$5.1 billion reduction in capital and exploration expenditure. Exploration expenditure was US$765 million, including US$430 million classified within Net operating cash flows.

Net financing cash inflows of US$284 million increased by US$8.6 billion from outflows of US$8.3 billion in FY2015, due to the issue of multi-currency hybrid notes during FY2016 (refer to section 1.13.3 and note 19 Net debt to the Financial Statements) and lower dividends paid in line with the new dividend policy.

Financial results for the year ended 30 June 2015 compared with year ended 30 June 2014

Net operating cash flows from Continuing operations after interest and tax of US$17.8 billion reduced by US$5.8 billion from FY2014. The major contributor was a US$7.7 billion decrease in cash generated from operations (after changes in working capital balances), which was partially offset by a decrease of US$2.1 billion in net taxes paid. Despite the significant decline in commodity prices, we generated US$6.3 billion of free cash flow (net operating cash flows from Continuing operations less net investing cash flows from Continuing operations) during FY2015 as we further improved both operating and capital productivity.

Net investing cash flows from Continuing operations of US$11.5 billion reduced by US$3.6 billion from FY2014 due to a US$3.4 billion reduction in capital and exploration expenditure. Exploration expenditure was US$816 million, including US$670 million classified within Net operating cash flows.

Net financing cash outflows from Continuing operations of US$8.1 billion increased by US$1.6 billion from FY2014, due to a decrease in contributions from non-controlling interests of US$1.4 billion due to the equity proceeds received for the sale of 15 per cent interest in Jimblebar in July 2013 and higher dividends paid to non-controlling interests of US$435 million.

Capital expenditure

Capital and exploration expenditure is disclosed for each segment in the table below:

Year ended 30 June	2016 US$M	2015 US$M Restated	2014 US$M Restated
Capital and exploration expenditure (1)			
Petroleum (2)	**3,107**	5,590	6,479
Copper	**2,850**	3,912	3,808
Iron Ore	**1,153**	2,048	3,118
Coal	**316**	749	2,000
Group and unallocated items (2)	**285**	464	805

BHP Billiton Group	**7,711**	12,763	16,210

(1) Capital expenditure is presented on a cash basis; it excludes capitalised interest, but includes capitalised exploration. Exploration expenditure is capitalised in accordance with our accounting policies, as set out in note 10 Property, plant and equipment to the Financial Statements.

(2) Group and unallocated items includes functions, other unallocated operations, including Potash (previously disclosed in the former Petroleum and Potash reportable segment), Nickel West and consolidation adjustments. Comparative information for FY2015 and FY2014 have been restated for the effects of the change in the reporting related to Potash.

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Capital expenditure encompasses expenditure on major projects, as set out in section 6.4, and capital expenditure on sustaining and other items.

Year ended 30 June	2016 US$M	2015 US$M	2014 US$M
Capital expenditure	**6,946**	11,947	15,224
Exploration expenditure			
Petroleum	**590**	567	600
Minerals	**175**	249	386
Total exploration expenditure	**765**	816	986
Capital and exploration expenditure (cash basis)	**7,711**	12,763	16,210
Add: equity accounted investments	**269**	434	871
Less: capitalised deferred stripping [1]	**(750)**	(815)	(1,275)
Less: non-controlling interests	**(834)**	(1,342)	(1,198)
Capital and exploration expenditure (BHP Billiton share)	**6,396**	11,040	14,608

(1) Capitalised deferred stripping includes US$183 million attributable to non-controlling interests in FY2016 (FY2015: US$142 million; FY2014: US$243 million).

BHP Billiton s share of capital and exploration expenditure declined by 42 per cent during FY2016 to US$6.4 billion. On a cash basis, capital and exploration expenditure was US$7.7 billion, a decrease of 40 per cent from FY2015. Our rate of investment is expected to decline to US$5.4 billion on a cash basis and to US$5.0 billion BHP Billiton s share in FY2017.

Financial results for the year ended 30 June 2015 compared with year ended 30 June 2014

BHP Billiton s share of capital and exploration expenditure declined by 24 per cent during FY2015 to US$11.0 billion. On a cash basis, capital and exploration expenditure was US$12.8 billion, a decrease of 21 per cent from FY2014.

1.13.2 Underlying financial measures

We use several financial measures to monitor the financial performance of our overall strategy. The two key non-IFRS measures are Underlying attributable profit and Underlying EBITDA. Underlying attributable profit is the key performance indicator against which short-term incentive outcomes for our senior executives are measured. Underlying EBITDA is the key non-IFRS measure that management uses internally to assess the performance of our segments and make decisions on the allocation of resources and, in our view is more relevant to capital intensive industries with long-life assets.

Underlying attributable profit

Underlying attributable profit of US$1.2 billion decreased by US$5.2 billion from FY2015 due to a significant decline in commodity prices.

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Underlying attributable profit for the year ended 30 June 2015 compared with year ended 30 June 2014

Underlying attributable profit of US$6.4 billion decreased by US$6.8 billion from FY2014 due to a significant decline in commodity prices.

The following table reconciles Underlying attributable profit to Attributable (loss)/profit:

Year ended 30 June	2016 US$M	2015 US$M	2014 US$M
Underlying attributable profit	**1,215**	6,417	13,263
Attributable loss Discontinued operations		(1,573)	184
Exceptional items (after taxation)	**(7,651)**	(2,946)	385
Non-controlling interest in exceptional items [1]	**51**	12	
Attributable (loss)/profit	**(6,385)**	1,910	13,832

(1) Relates to non-controlling interest included in the impairment of Onshore US assets in FY2016.

Exceptional items

We exclude what we consider are exceptional items from Underlying attributable profit and Underlying EBITDA in order to enhance the comparability of such measures from period-to-period and provide clarity into the underlying performance of our operations.

The following table provides a summary of exceptional items for FY2016, which are discussed further below:

Year ended 30 June 2016	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Samarco dam failure	**(2,450)**	**253**	**(2,197)**
Impairment of Onshore US assets [1]	**(7,184)**	**2,300**	**(4,884)**
Global taxation matters	**(70)**	**(500)**	**(570)**
Total	**(9,704)**	**2,053**	**(7,651)**

(1) Includes amounts attributable to non-controlling interests of US$(51) million after tax benefit.

Samarco Mineração S.A. (Samarco) dam failure

The exceptional loss of US$2,450 million (before tax) related to the Samarco dam failure in November 2015 comprises the following:

Year ended 30 June 2016	**US$M**
Share of loss relating to the Samarco dam failure	**(655)**
Impairment of the carrying value of the investment in Samarco	**(525)**
Samarco dam failure provision	**(1,200)**
Costs incurred directly by BHP Billiton in relation to the Samarco dam failure	**(70)**
Loss from equity accounted investments, related impairments and expenses [1]	**(2,450)**

(1) BHP Billiton Brasil Ltda has adjusted its investment in Samarco to US$ nil (resulting from US$(655) million share of loss from Samarco and US$(525) million impairment), recognised a provision of US$(1,200) million for potential obligations under the Framework Agreement and together with other BHP Billiton entities incurred US$(70) million of direct costs in relation to the Samarco dam failure. US$(572) million of the US$(1,200) million provision represents an additional share of loss from Samarco with the remaining US$(628) million recognised as provision expense. Refer to note 3 Significant events Samarco dam failure to the Financial Statements.

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Impairment of Onshore US assets

The Group recognised an impairment charge of US$4.9 billion (after tax benefit) against the carrying value of its Onshore US assets in FY2016. The impairment reflects changes to price assumptions, discount rates and development plans. This follows significant volatility and much weaker prices experienced in the oil and gas industry, which have more than offset our substantial productivity improvements.

Global taxation matters

Global taxation matters include amounts provided for unresolved tax matters and other claims for which the timing of resolution and potential economic outflow are uncertain (refer to note 5 Income tax expense to the Financial Statements).

The following table provides a summary of exceptional items for FY2015, which are discussed further below:

Year ended 30 June 2015	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Impairment of Onshore US assets	(2,787)	829	(1,958)
Impairment of Nickel West assets	(409)	119	(290)
Repeal of Minerals Resource Rent Tax legislation (1)		(698)	(698)
Total	(3,196)	250	(2,946)

(1) Includes amounts attributable to non-controlling interests of US$(12) million.

In FY2015, the Group recognised an impairment charge of US$2.0 billion (after tax benefit) in relation to its Onshore US assets. The gas-focused Hawkville field accounts for the substantial majority of this charge reflecting its geological complexity, product mix, acreage relinquishments and amended development plans. The remainder relates to the impairment of goodwill associated with the Petrohawk acquisition.

The Group announced on 12 November 2014 that the review of its Nickel West business was complete and the preferred option, the sale of the business, was not achievable on an acceptable basis. As a result of operational decisions made subsequent to the conclusion of this process, an impairment charge of US$290 million (after tax benefit) was recognised in FY2015.

The legislation to repeal the Minerals Resource Rent Tax (MRRT) in Australia took effect on 30 September 2014. As a result, the Group derecognised a MRRT deferred tax asset of US$809 million and corresponding taxation charges of US$698 million related to Continuing operations and US$111 million related to Discontinued operations were recognised in FY2015.

The following table provides a summary of exceptional items for FY2014, which are discussed further below:

Year ended 30 June 2014	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Sale of Pinto Valley	551	(166)	385
Total	551	(166)	385

In FY2014, the Group announced on 11 October 2013 that it had completed the sale of its Pinto Valley mining operation for cash consideration of US$653 million, after working capital adjustments. A gain on sale of US$385 million (after tax expense) was recognised in FY2014.

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Underlying EBITDA

Underlying EBITDA of US$12.3 billion reduced by US$9.5 billion from FY2015.

Underlying EBITDA for the year ended 30 June 2015 compared with year ended 30 June 2014

Underlying EBITDA of US$21.9 billion reduced by US$8.4 billion from FY2014.

The following table reconciles Underlying EBITDA to (Loss)/profit after taxation from Continuing operations:

Year ended 30 June	2016 US$M	2015 US$M	2014 US$M
Underlying EBITDA	**12,340**	21,852	30,292
Depreciation, amortisation and impairments [(1)]	**(8,871)**	(9,986)	(8,194)
Exceptional items (before taxation) [(1)]	**(9,704)**	(3,196)	551
(Loss)/profit from operations	**(6,235)**	8,670	22,649
Net finance costs	**(1,024)**	(614)	(914)
Total taxation benefit/(expense)	**1,052**	(3,666)	(6,780)
(Loss)/profit after taxation from Continuing operations	**(6,207)**	4,390	14,955

(1) Impairments that we classify as exceptional items are excluded from depreciation, amortisation and impairments. Depreciation, amortisation and impairments includes non-exceptional impairments of US$210 million (FY2015: US$828 million; FY2014: US$478 million).

Group and segment level information is reported on a statutory basis in accordance with IFRS 8 Operating Segments . The following table provides a summary of Underlying EBITDA for our segments:

Year ended 30 June	2016 US$M	2015 US$M Restated	2014 US$M Restated
Underlying EBITDA			
Petroleum [(1)]	**3,658**	7,201	9,826
Copper	**2,619**	5,205	6,127
Iron Ore	**5,599**	8,648	13,531
Coal	**635**	1,242	1,258
Group and unallocated items [(1)]	**(171)**	(444)	(450)
BHP Billiton Group	**12,340**	21,852	30,292

(1) Group and unallocated items includes functions, other unallocated operations, including Potash (previously disclosed in the former Petroleum and Potash reportable segment), Nickel West and consolidated adjustments. Comparative information for FY2015 and FY2014 have been restated for the effects of the change in the reporting related to Potash.

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The following table describes the impact of the principal factors that affected Underlying EBITDA for FY2016 and relates them back to our statutory accounts:

	Revenue US$M	Total expenses, other income and (Loss)/profit from equity accounted investments US$M	(Loss)/profit from operations US$M	Depreciation, amortisation and impairments and Exceptional Items US$M	Underlying EBITDA US$M
For the year ended 30 June 2015					
Revenue	**44,636**				
Other income		**496**			
Expenses excluding net finance costs		**(37,010)**			
(Loss)/profit from equity accounted investments, related impairments and expenses		**548**			
Total other income, expenses excluding net finance costs and (Loss)/profit from equity accounted investments, related impairments and expenses		**(35,966)**			
(Loss)/profit from operations			**8,670**		
Depreciation, amortisation and impairments [1]				**9,986**	
Exceptional items [1] (refer to note 2 Exceptional items to the Financial Statements)				**3,196**	
Underlying EBITDA					**21,852**
Change in sales prices	(11,996)	690	**(11,306)**		**(11,306)**
Price-linked costs		592	**592**		**592**
Net price impact	(11,996)	1,282	**(10,714)**		**(10,714)**
Productivity volumes	(378)	(404)	**(782)**		**(782)**
Growth volumes	(568)	185	**(383)**		**(383)**
Changes in volumes	(946)	(219)	**(1,165)**		**(1,165)**
Operating cash costs		1,040	**1,040**		**1,040**
Exploration and business development		368	**368**		**368**
Change in controllable cash costs [2]		1,408	**1,408**		**1,408**
Exchange rates	(142)	1,248	**1,106**		**1,106**

Inflation on costs		(328)	**(328)**		**(328)**
Fuel and energy		248	**248**		**248**
Non-cash		196	**196**		**196**
One-off items		338	**338**		**338**
Change in other costs	(142)	1,702	**1,560**		**1,560**

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	Revenue US$M	Total expenses, other income and (Loss)/profit from equity accounted investments US$M	(Loss)/profit from operations US$M	Depreciation, amortisation and impairments and Exceptional Items US$M	Underlying EBITDA US$M
Asset sales		25	**25**		**25**
Ceased and sold operations	(414)	157	**(257)**		**(257)**
Share of operating profit from equity accounted investments		(272)	**(272)**		**(272)**
Other	(226)	129	**(97)**		**(97)**
Depreciation, amortisation and impairments [1]		1,115	**1,115**	(1,115)	
Exceptional items [1]		(6,508)	**(6,508)**	6,508	
For the year ended 30 June 2016					
Revenue	**30,912**				
Other income		**444**			
Expenses excluding net finance costs		**(35,487)**			
(Loss)/profit from equity accounted investments, related impairments and expenses		**(2,104)**			
Total other income, expenses excluding net finance costs and (Loss)/profit from equity accounted investments, related impairments and expenses		**(37,147)**			
(Loss)/profit from operations			**(6,235)**		
Depreciation, amortisation and impairments [1]				**8,871**	
Exceptional items [1] (refer to note 2 Exceptional items to the Financial Statements)				**9,704**	
Underlying EBITDA					**12,340**

(1) Impairments that we classify as exceptional items are excluded from depreciation, amortisation and impairments. Depreciation, amortisation and impairments includes non-exceptional impairments of US$210 million (FY2015: US$828 million; FY2014: US$478 million).

(2) Collectively we refer to the change in operating cash costs and change in exploration and business development as change in controllable cash costs. Operating cash costs by definition do not include non-cash costs. The change in operating cash costs also excludes the impact of exchange rates and inflation, changes in fuel and energy costs, changes in exploration and business development costs and one-off items. These items are excluded so as to provide a consistent measurement of changes in costs across all segments, based on the factors that are within the control and responsibility of the segment. Change in controllable cash costs and change in operating cash costs are not measures that are recognised by IFRS. They may differ from similarly titled measures reported by other

companies.

Principal factors affecting Underlying EBITDA

Lower average realised prices across our major commodities reduced Underlying EBITDA by US$11.3 billion in FY2016, partially offset by a reduction in price-linked costs by US$592 million reflecting lower royalty charges at Western Australia Iron Ore as a result of lower average realised prices.

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Anticipated grade decline of 28 per cent at Escondida was the major contributor to lower productivity-led volumes of US$782 million in Underlying EBITDA. Deferral of development activity for value at Onshore US reduced gas volumes supporting a further volume-related decrease in Underlying EBITDA of US$383 million.

Our focus on best-in-class performance underpinned a US$1.0 billion reduction in operating cash costs during FY2016. Lower operating cash costs across the Group more than offset the impact of the drawdown of lower-grade inventory and grade decline at Escondida.

A stronger US dollar against the Australian dollar and Chilean peso increased Underlying EBITDA by US$1.1 billion during the period.

Principal factors affecting Underlying EBITDA for the year ended 30 June 2015 compared with year ended 30 June 2014

Lower average realised prices reduced Underlying EBITDA by US$16.4 billion in FY2015, partially offset by a reduction in price-linked costs of US$1.2 billion reflecting lower royalty charges in our Iron Ore segment.

Productivity-led volume efficiencies and the ramp-up of major projects underpinned a US$3.9 billion increase in Underlying EBITDA. Western Australia Iron Ore (WAIO) was the major contributor as the improved performance of our integrated supply chain and the ramp-up of the Jimblebar mining hub supported a US$2.2 billion increase in Underlying EBITDA. A doubling of liquids production from both Black Hawk and Permian supported a further US$1.1 billion volume-related increase in Petroleum s Underlying EBITDA.

Our focus on best-in-class performance underpinned a US$2.7 billion reduction in operating cash costs during FY2015. A reduction in labour, contractor and maintenance costs increased Underlying EBITDA by US$1.5 billion during the year. This was most evident in WAIO where the standardisation of our equipment and maintenance systems, and the insourcing of third party services facilitated a step change in the performance of our mining operations. Mining-related efficiencies contributed to a further US$580 million reduction in cash costs and largely reflected improved productivity at Escondida.

A stronger US dollar increased Underlying EBITDA by US$1.6 billion during the period. One-off items comprising a US$268 million expense related to the mill outage at Olympic Dam and US$188 million costs associated with the implementation of the Escondida Voluntary Redundancy Program decreased Underlying EBITDA. In addition, lower average realised prices received by our equity accounted investments further decreased Underlying EBITDA by US$637 million.

The method of calculation of the factors that affected Underlying EBITDA are as follows:

Factor affecting Underlying EBITDA	**Method of calculation**
Change in sales prices	Change in average realised price for each operation from the corresponding period to the current period, multiplied by current period volumes.
Price-linked costs	Change in price-linked costs for each operation from the corresponding period to the current period, multiplied by current period volumes.

Productivity volumes	Change in volumes for each operation not included in the Growth category from the corresponding period to the current period, multiplied by the prior year Underlying EBITDA margin.

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Factor affecting Underlying EBITDA	Method of calculation
Growth volumes	Volume Growth comprises Underlying EBITDA for operations that are new or acquired in the current period minus Underlying EBITDA for operations that are new or acquired in the corresponding period, change in volumes for operations identified as a Growth project from the corresponding period to the current period multiplied by the prior year Underlying EBITDA margin, and change in volume for our petroleum assets from the corresponding period to the current period multiplied by the prior year Underlying EBITDA margin.
Operating cash costs	Change in total costs, other than price-linked costs, exchange rates, inflation on costs, fuel and energy costs, non-cash costs and one-off items as defined below for each operation from the corresponding period to the current period.
Exploration and business development	Exploration and business development expense in the current period minus exploration and business development expense in the corresponding period.
Exchange rates	Change in exchange rate multiplied by current period local currency revenue and expenses. The majority of the Company s selling prices are denominated in US dollars and so there is little impact of exchange rate changes on Revenue.
Inflation on costs	Change in inflation rate applied to expenses, other than depreciation and amortisation, price-linked costs, exploration and business development expenses, expenses in ceased and sold operations and expenses in new and acquired operations.
Fuel and energy	Fuel and energy expense in the current period minus fuel and energy expense in the corresponding period.
Non-cash	Includes non-cash items mainly depletion of stripping capitalised.
One-off items	Change in costs exceeding a pre-determined threshold associated with an unexpected event that had not occurred in the last two years and is not reasonably likely to occur within the next two years.
Asset sales	Profit/loss on the sale of assets or operations in the current period minus profit/loss on sale in the corresponding period.
Ceased and sold operations	Underlying EBITDA for operations that ceased or were sold in the current period minus Underlying EBITDA for operations that ceased or were sold in the

corresponding period.

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Factor affecting Underlying EBITDA	Method of calculation
Share of operating profit from equity accounted investments	Share of operating profit from equity accounted investments for the period minus share of operating profit from equity accounted investments in the corresponding period.
Other	Variances not explained by the above factors.

Underlying EBITDA margin

We differentiate sales of our production from sales of third party products to better measure the operational profitability of our operations as a percentage of revenue. The table below shows the breakdown between our production and third party products, which is necessary for the calculation of the Underlying EBITDA margin:

Year ended 30 June [(1)]	2016 US$M	2015 US$M	2014 US$M
Group production	**29,844**	43,457	55,045
Third party products	**1,068**	1,179	1,717
Revenue	**30,912**	44,636	56,762
Group production	**12,285**	21,838	30,277
Third party products	**55**	14	15
Underlying EBITDA	**12,340**	21,852	30,292
Underlying EBITDA Margin	**41.2%**	50.3%	55.0%
Margin on third party products [(2)]	**5.1%**	1.2%	0.9%

(1) Excludes exceptional items.

(2) Underlying EBITDA third party products divided by Revenue third party products.

We engage in third party trading for the following reasons:

Production variability and occasional shortfalls from our assets means that we sometimes source third party materials to ensure a steady supply of product to our customers.

To optimise our supply chain outcomes, we may buy physical product from third parties.

To support the development of liquid markets, we will sometimes source third party physical product and manage risk through both the physical and financial markets.

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Net operating assets

The following table reconciles Net operating assets for the Group to Net assets on the Consolidated Balance Sheet:

Year ended 30 June	2016 US$M	2015 US$M Restated
Net operating assets		
Petroleum [1]	**25,168**	33,603
Copper	**23,844**	23,701
Iron Ore	**20,541**	23,954
Coal	**10,651**	11,769
Group and unallocated items [1]	**2,723**	2,717
BHP Billiton Group	**82,927**	95,744
Cash and cash equivalents	**10,319**	6,753
Trade and other receivables [2]	**939**	1,023
Other financial assets [3]	**2,557**	1,014
Current tax assets	**567**	658
Deferred tax assets	**6,147**	2,861
Trade and other payables [4]	**(421)**	(322)
Interest bearing liabilities	**(36,421)**	(31,170)
Other financial liabilities [5]	**(1,768)**	(1,267)
Current tax payable	**(451)**	(207)
Deferred tax liabilities	**(4,324)**	(4,542)
Net assets	**60,071**	70,545

(1) Group and unallocated items includes functions, other unallocated operations, including Potash (previously disclosed in the former Petroleum and Potash reportable segment), Nickel West and consolidated adjustments. Comparative information for FY2015 has been restated for the effects of the change in the reporting related to Potash.

(2) Represents loans to associates of US$897 million (FY2015: US$995 million) and accrued interest receivable of US$42 million (FY2015: US$28 million) included within other receivables.

(3) Represents cross currency and interest rate swaps and available for sale shares and other investments (refer to note 21 Financial risk management to the Financial Statements) included in other financial assets.

(4) Represents accrued interest payable included within other payables.

(5) Represents cross currency and interest rate swaps (refer to note 21 Financial risk management to the Financial Statements) included in other financial liabilities.

1.13.3 Net debt and sources of liquidity

Our policies on debt and liquidity management pursue the following objectives:

- a strong balance sheet through the cycle;
- diversification of funding sources;
- maintain borrowings and excess cash predominantly in US dollars.

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Gearing and net debt

At the end of FY2016, net debt, comprising Interest bearing liabilities less Cash and cash equivalents, was US$26.1 billion, which represented an increase of US$1.7 billion compared with the net debt position at 30 June 2015. Gearing, which is the ratio of net debt to net debt plus net assets, was 30.3 per cent at 30 June 2016, compared with 25.7 per cent at 30 June 2015.

Cash and cash equivalents less overdrafts at 30 June 2016 was US$10.3 billion compared with US$6.6 billion at 30 June 2015. Included within Cash and cash equivalents were short-term deposits of US$9.8 billion compared with US$5.8 billion at 30 June 2015.

Funding sources

In October 2015, BHP Billiton issued the following hybrid notes:

- US$3.25 billion of subordinated fixed rate reset notes across two tranches, comprising US$1,000 million in a 60NC5 maturity bearing an initial coupon of 6.250 per cent and US$2,250 million in a 60NC10 maturity bearing an initial coupon of 6.750 per cent.

- 2.0 billion of subordinated fixed rate reset notes across two tranches comprising 1,250 million in a 60.5NC5.5 maturity bearing an initial coupon of 4.750 per cent and 750 million in a 64NC9 maturity bearing an initial coupon of 5.625 per cent.

- £600 million of subordinated fixed rate reset notes in a 62NC7 maturity bearing an initial coupon of 6.500 per cent.

None of our Company-level borrowing facilities is subject to financial covenants. Certain specific financing facilities in relation to specific assets are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities. In addition to the Company s uncommitted debt issuance programs, we hold the following committed standby facilities.

	Facility available 2016 US$M	**Drawn 2016 US$M**	**Undrawn 2016 US$M**	Facility available 2015 US$M	Drawn 2015 US$M	Undrawn 2015 US$M
Revolving credit facility [1]	**6,000**		**6,000**	6,000		6,000
Total financing facilities	**6,000**		**6,000**	6,000		6,000

(1) The Company s committed US$6.0 billion revolving credit facility operates as a back-stop to the Company s uncommitted commercial paper program. The combined amount drawn under the facility or as commercial paper will not exceed US$6.0 billion. As at 30 June 2016, US$ nil commercial paper was drawn (2015: US$ nil), therefore US$6.0 billion of committed facility was available to use (2015: US$6.0 billion). The revolving credit

facility expires on 7 May 2021. A commitment fee is payable on the undrawn balance and an interest rate comprising an interbank rate plus a margin applies to any drawn balance. The agreed margins are typical for a credit facility extended to a company with the Company s credit rating.

For more information regarding the maturity profile of our debt obligations and details of our standby and support agreements, refer to note 21 Financial risk management to the Financial Statements.

In the Company s opinion, working capital is sufficient for the Company s present requirements.

The Company s credit ratings are currently A3/P-2 outlook negative (Moody s long-term/short-term) and A/A-1 outlook negative (Standard & Poor s long-term/short-term).

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Year ended 30 June 2015 compared with year ended 30 June 2014

Gearing and net debt

At the end of FY2015 net debt, comprising Interest bearing liabilities less Cash and cash equivalents, was US$24.4 billion, which represented a decrease of US$1.4 billion compared with the net debt position at 30 June 2014. Gearing, which is the ratio of net debt to net debt plus net assets, was 25.7 per cent at 30 June 2015, compared with 23.2 per cent at 30 June 2014.

IFRS 5/AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not require the Consolidated Balance Sheet to be restated for comparative periods. The FY2014 figures therefore includes assets and liabilities as part of the demerged South32. For information relating to Discontinued operations refer to note 26 Discontinued operations to the Financial Statements.

Cash and cash equivalents less overdrafts at 30 June 2015 was US$6.6 billion compared with US$8.8 billion at 30 June 2014. Included within Cash and cash equivalents were short-term deposits of US$5.8 billion compared with US$7.1 billion at 30 June 2014.

Funding sources

During FY2015, we issued the following long-term debt:

- In March 2015, we issued an A$1.0 billion 3.000 per cent Australian bond due 2020.

- In April 2015, we issued a three tranche Euro bond comprising 600 million Floating Rate Notes due 2020 paying three-month Euribor plus 0.350 per cent, 650 million 0.750 per cent bonds due 2022 and 750 million 1.500 per cent bonds due 2030.

None of our Group-level borrowing facilities are subject to financial covenants. Certain specific financing facilities in relation to specific assets are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities.

Additional information regarding the maturity profile of our debt obligations and details of our standby and support agreements is included in note 21 Financial risk management to the Financial Statements.

1.14 Performance by commodity

Management believes the following financial information presented by each commodity provides meaningful indicators of the underlying performance of the assets, including equity accounted investments, of each reportable segment. Information relating to assets that are accounted for as equity accounted investments are shown to reflect BHP Billiton s share, unless otherwise noted, to provide insight into the drivers of these operations.

For financial information, segments are reported on a statutory basis in accordance with IFRS 8 Operating Segments and consequently the tables included for each commodity include an adjustment for equity accounted investments to reconcile the equity accounted results to the statutory segment results. For more information on the financial results of our segments, refer to note 1 Segment reporting to the Financial Statements.

Unit cash costs is one of the financial measures used to monitor the performance of our individual assets and is included in the analysis of each reportable segment.

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1.14.1 Petroleum

Detailed below is Petroleum financial information for FY2016 and FY2015 and an analysis of Petroleum s financial performance for FY2016 compared to FY2015.

Year ended 30 June 2016 US$M	**Revenue [i]**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross [ii]**	**Exploration to profit [iii]**
Australia Production Unit [iv]	707	542	349	193	1,166	246		
Bass Strait	930	690	174	516	3,082	226		
North West Shelf	1,171	830	182	648	1,389	180		
Atlantis	652	481	485	(4)	1,795	328		
Shenzi	499	386	245	141	1,133	55		
Mad Dog	123	84	44	40	697	128		
Eagle Ford	1,508	687	1,710	(1,023)	7,193	781		
Permian	260	52	279	(227)	1,114	365		
Haynesville	299	(67)	305	(372)	2,994	44		
Fayetteville	246	20	154	(134)	945	49		
Trinidad/Tobago [v]	123	95	22	73	986	(26)		
Algeria	144	41	33	8	44	86		
Exploration		(273)	97	(370)	758			
Other [vi] [vii]	119	56	119	(63)	2,727	55		
Total Petroleum from Group production	6,781	3,624	4,198	(574)	26,023	2,517	590	288
Closed mines [viii]		20		20	(855)			
Third party products	128	17		17				
Total Petroleum	6,909	3,661	4,198	(537)	25,168	2,517	590	288
Adjustment for equity accounted investments [ix]	(15)	(3)	(3)					
Total Petroleum statutory result	**6,894**	**3,658**	**4,195**	**(537)**	**25,168**	**2,517**	**590**	**288**

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Year ended 30 June 2015 (Restated) [(x)] US$M	Revenue (i)	Underlying EBITDA	D&A	Underlying EBIT	Net operating assets	Capital expenditure	Exploration gross (ii)	Exploration to profit (iii)
Australia Production Unit [(iv)]	1,003	862	337	525	1,091	44		
Bass Strait	1,291	1,025	127	898	3,055	328		
North West Shelf	1,899	1,351	186	1,165	1,400	135		
Atlantis	1,071	904	368	536	2,146	354		
Shenzi	973	868	287	581	1,399	268		
Mad Dog	175	87	34	53	581	101		
Eagle Ford	2,932	1,792	2,172	(380)	10,754	2,315		
Permian	263	69	502	(433)	1,096	773		
Haynesville	532	13	554	(541)	5,916	411		
Fayetteville	448	162	195	(33)	2,960	183		
Trinidad/Tobago	220	159	28	131	827	10		
Algeria	309	247	38	209	97	23		
Exploration		(481)	48	(529)	733			
Other [(vi) (vii)]	276	98	342	(244)	2,518	78		
Total Petroleum from Group production	11,392	7,156	5,218	1,938	34,573	5,023	567	529
Closed Mines [(viii)]		47		47	(970)			
Third party products	69	1		1				
Total Petroleum	11,461	7,204	5,218	1,986	33,603	5,023	567	529
Adjustment for equity accounted investments [(ix)]	(14)	(3)	(3)					
Total Petroleum statutory result	11,447	7,201	5,215	1,986	33,603	5,023	567	529

(i) Petroleum revenue from Group production includes: crude oil US$3,566 million (2015: US$6,592 million), natural gas US$1,761 million (2015: US$2,489 million), LNG US$864 million (2015: US$1,366 million), NGL US$383 million (2015: US$665 million) and other US$192 million (2015: US$266 million).

(ii) Includes US$317 million of capitalised exploration (2015: US$86 million).

(iii) Includes US$15 million of exploration expenditure previously capitalised, written off as impaired (included in depreciation and amortisation) (2015: US$48 million).

(iv) Australia Production Unit includes Macedon, Pyrenees, Minerva and Stybarrow (ceased production June 2015).

(v) Negative capital expenditure reflects movements in capital creditors.

(vi) Predominantly divisional activities, business development, Pakistan (divested in December 2015), UK, Neptune and Genesis. Also includes the Caesar oil pipeline and the Cleopatra gas pipeline which are equity accounted investments and their financial information presented above with the exception of net operating assets reflects BHP Billiton s share.

(vii) Goodwill associated with Onshore US of US$3,026 million is included in Other net operating assets (2015: US$3,026 million).

(viii) Comprises closed mining and smelting operations in Canada and the United States.

(ix) Total Petroleum segment Revenue excludes US$15 million (2015: US$14 million) revenue related to the Caesar oil pipeline and the Cleopatra gas pipeline. Total Petroleum segment Underlying EBITDA includes US$3 million (2015: US$3 million) D&A related to the Caesar oil pipeline and the Cleopatra gas pipeline.

(x) Comparative information for the year ended 30 June 2015 has been restated for the effects of the change in reporting related to Potash.

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Performance

Total petroleum production for FY2016 decreased by six per cent to 240 MMboe.

Conventional production increased by one per cent to 131 MMboe as new production wells at Atlantis, Mad Dog and Pyrenees and higher gas demand at Bass Strait, offset natural field decline across the portfolio and the divestment of our gas business in Pakistan. Onshore US production declined by 13 per cent to 109 MMboe largely as a result of the decision to defer development activity in the Black Hawk and Hawkville.

Petroleum revenue decreased by US$4.6 billion to US$6.9 billion. Onshore US, which includes Eagle Ford, Permian, Haynesville and Fayetteville, decreased by US$1.9 billion to US$2.3 billion. Gulf of Mexico, which includes Atlantis, Shenzi and Mad Dog, decreased by US$945 million to US$1.3 billion. In Australia, Bass Strait and North West Shelf collectively decreased by US$1.1 billion to US$2.1 billion and the Australia Production Unit, which includes Macedon, Pyrenees, Minerva and Stybarrow, decreased by US$296 million to US$707 million.

Underlying EBITDA for Petroleum decreased by US$3.5 billion to US$3.7 billion in FY2016. Price impacts, net of price-linked costs, decreased Underlying EBITDA by US$3.6 billion due to the decrease in average realised prices of crude and condensate oil from US$68/bbl to US$39/bbl, US natural gas from US$3.27/Mscf to US$2.16/Mscf and LNG from US$11.65/Mscf to US$7.71/Mscf. Conventional unit cash costs (excluding inventory movements, freight, third party and exploration expense) decreased by 30 per cent to US$8.53 per barrel as a result of lower lifting, labour and maintenance expenses.

Petroleum capital expenditure declined by 50 per cent to US$2.5 billion in FY2016, which includes a decline of US$2.4 billion of Onshore US drilling and development expenditure. Our Onshore US operated rig count has been reduced to four, however, completion activity in the Black Hawk resumed late in the June 2016 quarter.

Increased shale drilling and completions efficiency during the year was reflected in a significant improvement in drill time and completion techniques in the Black Hawk and Permian. Drilling times improved by 19 per cent to 15 days per well in the Black Hawk and by 22 per cent to 26 days per well in the Permian.

2016 financial year		**Liquids-focused areas**		**Gas-focused areas**		
(2015 financial year)		**Eagle Ford**	**Permian**	**Haynesville**	**Fayetteville**	**Total**
Capital expenditure (i)	US$ billion	**0.8** (2.3)	**0.4** (0.8)	**0.0** (0.4)	**0.0** (0.2)	**1.2** (3.7)
Rig allocation	At period-end	**2** (7)	**2** (3)	( )	( )	**4** (10)
Net wells drilled and completed (ii)	Period total	**89** (188)	**30** (45)	**5** (25)	**11** (45)	**136** (303)
Net productive wells	At period-end	**929** (836)	**107** (75)	**411** (395)	**1,086** (1,070)	**2,533** (2,376)

(i) Includes land acquisition, site preparation, drilling, completions, well site facilities, mid-stream infrastructure and pipelines.

(ii) Can vary between periods based on changes in rig activity and the inventory of wells drilled but not yet completed at period-end (62 net drilled and uncompleted wells at the end of FY2016).

Petroleum exploration expenditure for FY2016 was US$590 million, of which US$273 million was expensed. Activity for the year was largely focused on our core areas in the deepwater Gulf of Mexico, the Caribbean and the Northern Beagle sub-basin off the coast of Western Australia, where we acquired additional acreage, seismic data and increased drilling activity. Our exploration activity has increased in the Gulf of Mexico following the positive exploration well results at Shenzi North. The Group is also encouraged by the early indications from the deepwater Le Clerc well in Trinidad and Tobago which encountered gas in multiple zones. While the focus is on a commercial oil discovery, these results support the further appraisal of the basin.

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Capital projects

United States

Onshore US

The development phase of an onshore shale operation requires an extensive drilling and completion program, which may include associated gas compression and treatment facilities and connecting pipelines. Shale development has a repetitive, manufacturing-like nature that provides opportunities for increased efficiency. Much of our development of the shale reservoirs utilises horizontal drilling, with average lateral lengths between 1,200 3,000 metres. We enter into service contracts with third parties to provide drilling and completion services at our operated sites. We had four drilling rigs in operation at the end of FY2016.

BHP Billiton s Onshore US drilling and development expenditure in FY2016, which is presented on an accruals basis within this section, was US$859 million (FY2015: US$3.3 billion). The expenditure was primarily related to drilling and completion activities in our liquids-focused Black Hawk and Permian fields, while deferring development in areas that are predominantly gas.

Eagle Ford capital expenditure for FY2016 was US$486 million (FY2015: US$2.1 billion). The expenditure was primarily related to drilling and completion activities, resulting in 90 net development wells completed during the year. Of the US$487 million, approximately US$15.3 million was spent on the installation of more than nine kilometres of pipeline infrastructure and additional gas processing facilities. The operated rig count was two for the year (FY2015: seven).

Permian capital expenditure for FY2016 was US$332 million (FY2015: US$0.7 billion). The expenditure was primarily related to drilling and completion activities, resulting in 30 net development wells completed during the year. Of the US$332 million, approximately US$14.7 million was spent on the installation of more than 65 kilometres of pipeline infrastructure and additional gas processing facilities. The operated rig count was two for the year (FY2015: three).

Haynesville capital expenditure for FY2016 was US$32 million (FY2015: US$0.3 billion). The expenditure was primarily related to drilling and completion activities, resulting in five net development wells completed during the year. There were no operated rigs in Haynesville at the end of the year (FY2015: zero).

Fayetteville capital expenditure for FY2016 was US$9 million (FY2015: US$0.2 billion). The expenditure was primarily related to participation in drilling and completion activities for wells operated by third parties, resulting in 11 net development wells completed during the year.

Our Onshore US capital investment is expected to decrease to US$600 million in FY2017 in response to changes in the global commodity markets. This includes an operated rig count of three for the period, with shale oil investment accounting for approximately 76 per cent of the investment. Our decision to cut spending will mean deferring gas volumes in the near term with our drilling programs in the Fayetteville and Haynesville areas remaining temporarily suspended. However, we expect to realise greater value by developing our acreage as prices recover.

Australia

Bass Strait Kipper gas field development

Initial development of the Kipper gas field in the Gippsland Basin, located offshore from Victoria, was approved by the Board in December 2007. A supplemental approval of the development was granted in January 2011. The first phase of the project included two new subsea wells, three new pipelines and platform modifications to supply 10 Mbbl/d of condensate and 80 MMcf/d of gas.

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Gas and liquids will be processed via the existing Gippsland Basin Joint Venture facilities. The Kipper gas field development comprises the Kipper Unit Joint Venture and the Gippsland Basin Joint Venture. We own a 32.5 per cent interest in the Kipper Unit Joint Venture, with Esso Australia owning 32.5 per cent and MEPAU A Pty Ltd owning 35 per cent. We own a 50 per cent interest in the Gippsland Basin Joint Venture, with Esso Australia owning the remaining 50 per cent.

The main Kipper gas field facilities were completed in September 2012, however, first production has not yet commenced due to the need to provide for mercury removal. Funding for the installation of the mercury treatment facilities of US$120 million was approved in March 2014, with completion expected to occur in FY2017. Our share of costs incurred to 30 June 2016 was US$67 million.

Bass Strait Turrum field development

Further expansion of the Gippsland Basin facilities is underway following approval by the Board in July 2008 of the full field development of the Turrum oil and gas field. A supplemental approval of the development was obtained in January 2011. The project consists of five wells and a new platform, Marlin B, linked by a bridge to the existing Marlin A platform. The Turrum field, which has a capacity of 11 Mbbl/d of oil and 200 MMcf/d of gas, is located 42 kilometres offshore in approximately 60 metres of water. Our share of development costs is approximately US$1.4 billion, of which US$1.4 billion was incurred as of 30 June 2016.

The Turrum field development operates under the Gippsland Basin Joint Venture, in which we own a 50 per cent interest, with Esso Australia owning the remaining 50 per cent. Initial production of low carbon dioxide gas through the Turrum facilities occurred in June 2013. High carbon dioxide gas production from the Turrum reservoir will come online with completion of the Longford Gas Conditioning Plant in FY2017.

Bass Strait Longford Gas Conditioning

The Longford Gas Conditioning Plant (LGCP) Project was approved by the Board in December 2012 to enable the production of Turrum reserves plus the production of Kipper and other undeveloped high carbon dioxide content hydrocarbons. The Project scope includes a carbon dioxide extraction facility, brownfield tie-ins, an electrical upgrade and multiple supporting utilities. Our share of development costs is approximately US$520 million, of which US$382 million was incurred as of 30 June 2016. First gas production is expected in FY2017. Esso Australia is the operator of the LGCP, owning a 50 per cent interest. BHP Billiton owns the remaining 50 per cent.

North West Shelf Greater Western Flank A

The North West Shelf Greater Western Flank A (GWF-A) gas project was approved by the Board in November 2011 to recover gas from the Goodwyn H and Tidepole fields. The project consists of a five well subsea tie-back of the Goodwyn H and Tidepole fields to the Goodwyn A platform. The Goodwyn A platform is located in 130 metres of water, approximately 130 kilometres offshore from Karratha on the northwest coast of Australia. Our share of development costs is approximately US$400 million, of which US$269 million was incurred as of 30 June 2016. First gas was produced in the December 2015 quarter from the first two wells. Woodside is the operator and BHP Billiton owns a 16.67 per cent interest.

North West Shelf Other Greater Western Flank B

The Greater Western Flank 2 project was sanctioned by the Board in December 2015 and represents the second phase of development of the core Greater Western Flank fields, behind the GWF-A development. It is located to the southwest of the existing Goodwyn A platform. Woodside is the operator and BHP Billiton owns a 16.67 per cent share. Execution activities are in progress, with first production expected in CY2019.

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Significant evaluation activities

We perform development evaluation activities to determine the technical feasibility and commercial viability of prospective projects after exploration and appraisal. Our significant recent evaluation activities include:

United States

Mad Dog Phase 2

The Mad Dog Phase 2 project is in response to the successful Mad Dog South appraisal well, which confirmed significant hydrocarbons in the southern portion of the Mad Dog field. The project was sent back to study phase in 2013, following which a revised development concept was selected by the owners. The revised concept will undergo further refinement and undertake additional investigations in FY2017. BP is the operator. BHP Billiton holds a 23.9 per cent working interest.

Australia

Scarborough

Development planning for the large Scarborough gas field offshore Western Australia is in progress. Further work to optimise a preferred development option is ongoing. Esso is the operator of the WA-1-R lease and we hold a 50 per cent working interest. We are the operator of, and have a 100 per cent working interest in, the adjacent Thebe discovery and the WA-346-P block. On 5 September 2016, BHP Billiton announced it had reached agreement with Woodside Energy Limited (Woodside) to divest 50 per cent of BHP Billiton s interest in the undeveloped Scarborough area gas fields.

For more information on the partial divestment of Scarborough interests refer to note 33 Subsequent events to the Financial Statements.

Exploration and appraisal

Our exploration strategy is to focus on material opportunities, at high working interest, with a bias for liquids and operatorship. While the majority of the expenditure incurred in FY2016 was in our Gulf of Mexico, Western Australia and Trinidad and Tobago focus areas, we also incurred expenditure in South Africa, Brazil, South-East Asia, India and Onshore US.

Access

We acquired acreage in the US sector of the Gulf of Mexico and in Australia during FY2016. In the Gulf of Mexico, we were awarded 26 blocks from Lease sale 246, held in August 2015 (100 per cent working interest and operator on all blocks; 606 square kilometres). In addition, we were awarded four blocks from Lease sale 241, held in March 2016 (100 per cent working interest and operator; 93 square kilometres).

A Lease Exchange Agreement was executed in April 2016 with Chevron for 61 blocks totalling 1,422 square kilometres (60 per cent working interest and operator in 54 blocks, 50 per cent working interest in the remaining seven leases and operator of five of them). A purchase agreement was executed in May 2016 with Conoco Philips for 26 blocks totalling 606 square kilometres (100 per cent working interest and operator).

In Australia, we finalised a farm-in and joint operating agreement for a 60 per cent interest and operatorship in Western Australia Block WA-484-P (totalling 13,611 square kilometres) with CNOOC Limited.

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Exploration program expenditure details

Our gross expenditure on exploration was US$590 million in FY2016, of which US$273 million was expensed.

Exploration and appraisal wells drilled, or in the process of drilling, during the year included:

Well	Location	Target	BHP Billiton equity	Spud date	Water depth	Total depth	Status
Shenzi North-ST1	Gulf of Mexico GC609	Oil	44% (operator)	14 June 2015	1,309m	8,315m	Plugged and abandoned
Shenzi North-ST2	Gulf of Mexico GC609	Oil	44% (operator)	15 August 2015	1,309m	9,332m	Hydrocarbons encountered; plugged and abandoned
Shenzi North-ST3	Gulf of Mexico GC609	Oil	72% (operator)	24 October 2015	1,309m	9,577m	Hydrocarbons encountered; plugged and abandoned
LeClerc-1	Trinidad and Tobago Block 5	Oil	65% (operator)	21 May 2016	1,800m	6,974m	Hydrocarbons encountered; plugged and abandoned
Caicos-1	Gulf of Mexico GC564	Oil	100% (operator)	21 June 2016	1,288m	3,135m	Drilling ahead
Ruby-3	Trinidad and Tobago Block 3A	Oil	25.5% (operator)	4 May 2016	65m	1,996m	Hydrocarbons encountered; plugged and abandoned

In the US Gulf of Mexico, we drilled Shenzi North-2 sidetracks ST1, ST2 and ST3 on Green Canyon Block 609 during the period. Hydrocarbons were encountered in ST2 and ST3 and all wellbores were plugged and abandoned. Results of the program are currently being evaluated. A significant investment in seismic data acquisition, licensing and reprocessing was also completed in order to evaluate prospects in our focus areas (including Mexico). In June 2016, we commenced drilling of the Caicos well to further appraise the Shenzi North area.

In Western Australia, we have accessed a dominant position over the largely untested Beagle sub-basin. We participated in a regional multi-client 3D seismic survey totalling 10,032 square kilometres during the second half of the year to progress evaluation of the play. This work is ongoing.

In Trinidad and Tobago, we continue to mature prospects utilising the 3D seismic data acquired over Blocks 3, 5, 6, 7, 14, 23a, 23b, 28 and 29. LeClerc-1, the first well of an eight well deepwater program was spud in May 2016, representing an industry leading three-year timeframe from access to drill test. The well encountered gas in multiple zones and the well bore was plugged and abandoned. The Ruby-3 well was also drilled in Block 3A during the quarter to further appraise the greater Angostura field. Hydrocarbons were encountered and results of the program are being evaluated.

In South Africa, we hold 100 per cent exploration rights to Block 3B/4B off the west coast. During the year, we completed the evaluation of the 10,075 square kilometre 3D seismic survey that was acquired in FY2013. Aligned with our strategic priorities, in July 2016, we elected not to enter the next optional exploration phase of our 100 per cent interest and operatorship in Block 3B/4B.

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In Brazil, we continue to evaluate the Tier 1 potential of our two blocks in the deepwater Foz do Amazonas Basin.

In Malaysia, we formally assigned our 80 per cent interest and operatorship in Block SK-2A to Murphy and Ophir in March 2016.

In the Philippines, we formally re-assigned our 60 per cent interest and operatorship in Block SC55 to Otto Energy in 2015. We reimbursed Otto a total of $23.7 million in August and November 2015, finalising our commitments as per the Termination and Release agreement.

In India, we have received regulatory approval for relinquishment of our ownership rights of 10 operated blocks acquired during the NELP VII and VIII licensing rounds and one non-operated block acquired from the NELP IX licensing round. We are awaiting regulatory compliance clearance approval, which will complete the exit process.

In Onshore US, we continue to evaluate opportunities aligned with our strategic priorities, leveraging the expertise gained from our production units.

Drilling

The number of wells in the process of drilling and/or completion during the year included:

	Exploratory wells		Development wells		Total	
	Gross	Net [1]	Gross	Net [1]	Gross	Net [1]
Australia			3	1	3	1
United States	1	1	153	71	154	72
Other	1	1	4	2	6	3
Total	2	2	160	74	162	76

(1) Represents our share of the gross well count.

Delivery commitments

We have delivery commitments of gas and LNG of approximately 1,766 Bcf through FY2031 (85 per cent Australia and Asia, five per cent United States and 10 per cent other), crude and condensate commitments of 11.7 million barrels through FY2018 (53 per cent United States, 29 per cent Australia and Asia and 18 per cent other) and LPG commitments of 234,800 metric tonnes through FY2017. We have sufficient proved reserves and production capacity to fulfil these delivery commitments.

We have obligations for contracted capacity on transportation pipelines and gathering systems on which we are the shipper. In FY2017, volume commitments to gather and transport are 1,032 Bcf of gas (97 per cent Onshore US and three per cent Other) and 49.9 million barrels of oil (54 per cent Onshore US and 46 per cent Offshore US). The agreements with the gas gatherers and transporters have annual escalation clauses.

Outlook

Total petroleum production is forecast to decrease to between 200 MMboe and 210 MMboe in FY2017. Onshore US volumes are forecast to decline to between 77 MMboe and 83 MMboe due to lower capital expenditure and development activity as we continue to balance near-term cash flow performance and long-term value maximisation. Conventional volumes are forecast to decrease to between 123 MMboe and 127 MMboe due to the divestment of our gas business in Pakistan, a planned 35-day maintenance shutdown at Atlantis in the September 2016 quarter, deferral of infill drilling in the Gulf of Mexico and natural field decline.

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In FY2017, conventional unit cash costs are forecast to increase to approximately US$10 per barrel as a result of lower volumes and planned maintenance at Atlantis.

Petroleum capital expenditure of approximately US$1.4 billion is planned in FY2017. Conventional capital expenditure of US$0.8 billion is focused on life extension projects at Bass Strait and North West Shelf. Onshore US capital expenditure is forecast to be approximately US$0.6 billion, with development activity tailored to market conditions.

We are pursuing high-quality oil plays in our three priority basins and a US$700 million exploration program is planned for FY2017 as we accelerate testing of our future growth opportunities.

Performance for the year ended 30 June 2015 compared with year ended 30 June 2014

Total petroleum production increased by four per cent in FY2015 to a record 256 MMboe. A 17 per cent increase in liquids production to 125 MMboe was supported by a 67 per cent increase in Onshore US liquids volumes and strong uptime performance in the Gulf of Mexico. Natural gas production declined by six per cent to 787 billion cubic feet due to weaker seasonal demand at Bass Strait, along with lower Onshore US gas volumes as a result of the decision to defer development activity for longer-term value.

Petroleum revenue decreased by US$3.4 billion to US$11.4 billion. Revenue in Australia for the Australia Production Unit (which includes Macedon, Pyrenees, Stybarrow and Minerva), Bass Strait and North West Shelf collectively decreased by US$1.5 billion (27 per cent) to US$4.2 billion and revenue in the Gulf of Mexico for Atlantis, Shenzi and Mad Dog decreased by US$963 million (30 per cent) to US$2.2 billion.

Underlying EBITDA for Petroleum decreased by US$2.6 billion to US$7.2 billion in FY2015. Price related impacts, net of price-linked costs decreased Underlying EBITDA by US$4.1 billion due to the decrease in average realised prices of crude and condensate oil from US$102/bbl to US$68/bbl, US natural gas from US$4.10/Mscf to US$3.27/Mscf and LNG from US$14.67/Mscf to US$11.65/Mscf. Higher volumes contributed an increase of US$1.1 billion to Underlying EBITDA.

Petroleum capital expenditure declined by 15 per cent to US$5.0 billion in FY2015, which included US$3.7 billion of Onshore US drilling and development expenditure. We continued to realise significant improvements in shale drilling efficiency during the period as spud to sales timing in the Black Hawk improved by 17 per cent and drilling costs declined by 19 per cent to US$3.4 million per well.

Petroleum exploration expenditure for FY2015 was US$567 million, of which US$481 million was expensed. Activity for the period was largely focused on the Gulf of Mexico, Western Australia and Trinidad and Tobago.

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1.14.2 Copper

Detailed below is Copper financial information for FY2016 and FY2015 and an analysis of Copper s financial performance for FY2016 compared to FY2015.

Year ended 30 June 2016 US$M	Revenue	Underlying EBITDA	D&A	Underlying EBIT	Net operating assets	Capital expenditure	Exploration gross	Exploration to profit
Escondida (i)	4,881	1,743	930	813	14,449	2,268		
Pampa Norte (ii)	1,098	401	401		1,786	321		
Antamina (iii)	891	439	114	325	1,349	198		
Olympic Dam	1,432	385	237	148	6,339	197		
Other (iii) (iv)		(158)	10	(168)	(79)			
Total Copper from Group production	8,302	2,810	1,692	1,118	23,844	2,984		
Third party products	838	46		46				
Total Copper	9,140	2,856	1,692	1,164	23,844	2,984	65	65
Adjustment for equity accounted investments (v)	(891)	(237)	(115)	(122)		(198)	(1)	(1)
Total Copper statutory result	**8,249**	**2,619**	**1,577**	**1,042**	**23,844**	**2,786**	**64**	**64**

Year ended 30 June 2015 US$M	Revenue	Underlying EBITDA	D&A	Underlying EBIT	Net operating assets	Capital expenditure	Exploration gross	Exploration to profit
Escondida (i)	7,819	4,064	920	3,144	13,909	3,273		
Pampa Norte (ii)	1,437	762	669	93	1,926	242		
Antamina (iii)	854	420	107	313	1,379	163		
Olympic Dam	1,244	280	253	27	6,665	307		
Other (iii) (iv)		(152)	11	(163)	(178)			
Total Copper from Group production	11,354	5,374	1,960	3,414	23,701	3,985		

Third party products	953	23		23				
Total Copper	12,307	5,397	1,960	3,437	23,701	3,985	91	91
Adjustment for equity accounted investments (v)	(854)	(192)	(108)	(84)		(163)	(1)	(1)
Total Copper statutory result	11,453	5,205	1,852	3,353	23,701	3,822	90	90

(i) Escondida is consolidated under IFRS 10 and reported on a 100 per cent basis.

(ii) Includes Spence and Cerro Colorado.

(iii) Antamina and Resolution are equity accounted investments and their financial information presented above with the exception of net operating assets reflects BHP Billiton s share.

(iv) Predominantly comprises divisional activities, greenfield exploration and business development. Includes Resolution.

(v) Total Copper segment Revenue excludes US$891 million (2015: US$854 million) revenue related to Antamina. Total Copper segment Underlying EBITDA includes US$115 million (2015: US$108 million) D&A and US$122 million (2015: US$84 million) net finance costs and taxation benefit/(expense) related to Antamina and Resolution that are also included in Underlying EBIT. Copper segment Capital expenditure excludes US$198 million (2015: US$163 million) and US$1 million (2015: US$1 million) Exploration expenditure related to Antamina.

Performance

Total copper production for FY2016 decreased by eight per cent to 1.6 Mt. Escondida copper production decreased by 20 per cent to 979 kt. Record cathode production and record material mined, together with the Organic Growth Project 1 reaching full capacity in the June 2016 quarter, was more than offset by an expected 28 per cent decline in grade. Pampa Norte copper production increased by one per cent to 251 kt, supported by record ore milled and higher grades at Spence. Olympic Dam copper production increased by 63 per cent to 203 kt. This reflected higher grades and improved smelter and mill utilisation after the Svedala mill outage in FY2015. Antamina copper production increased by 36 per cent to a record 146 kt due to higher grades and higher mill throughput.

Copper revenue decreased by US$3.2 billion to US$8.2 billion, primarily due to Escondida which decreased by US$2.9 billion to US$4.9 billion.

Underlying EBITDA for FY2016 decreased by 50 per cent to US$2.6 billion. Price impacts, net of price-linked costs, decreased Underlying EBITDA by US$2.2 billion due to the decrease in average realised prices for copper from US$2.78/lb to US$2.14/lb. Anticipated grade-related volume decline decreased Underlying EBITDA by a further US$1.6 billion. This was partially offset by US$369 million increase in estimated recoverable copper contained in the sulphide leach pad following the successful completion of the Escondida Bioleach Pad Extension project, US$188 million due to the implementation of the Escondida Voluntary Retirement Program in FY2015, and productivity-led initiatives of US$243 million. A stronger US dollar against the Chilean peso and Australian dollar increased Underlying EBITDA by US$323 million.

Unit cash costs (excluding one-off items, by-product credits, freight and treatment and refining charges) at our copper operated assets increased by nine per cent to US$1.20 per pound during FY2016 due to anticipated grade decline at Escondida. This was six per cent lower than prior guidance of US$1.27 per pound and was underpinned by a significant reduction in absolute costs. In addition, Olympic Dam unit cash costs declined by 29 per cent to US$1.38 per pound as a result of productivity-led cost improvements and a further reduction in labour and contractor costs.

Projects

Escondida (Chile)

BHP Billiton is investing in long-term sustainable water and power solutions in Chile. The Escondida Water Supply project was approved in July 2013 and consists of a new 2,500 litres per second sea water desalination facility. This project will provide an alternative, sustainable water supply to Escondida. The new facility is expected to be commissioned in CY2017 at a cost of US$3.4 billion (US$2.0 billion BHP Billiton share).

In November 2013, BHP Billiton awarded a long-term energy agreement for the development, operation and maintenance of a 517 megawatt (MW) combined-cycle gas-fired power plant in the town of Mejillones, Chile.

The plant, which will be connected to the Northern Interconnected Grid, will supply the increasing demand for electricity at our operations. Construction work is progressing as planned and generation is expected to begin in the second half of CY2016.

In June 2016, the Escondida Los Colorados Extension project was approved at a cost of US$180 million (US$103 million BHP Billiton share). First production is expected in the second half of FY2017 adding incremental capacity of approximately 200 ktpa in the FY2018.

The Escondida Bioleach Pad Extension IV project, which includes the expansion of the sulphide leach pad to four layers, was completed and fully commissioned as planned during the March 2016 quarter. Following the successful commissioning of this project, an increase to the estimated copper recoverable from the sulphide heap leach was recognised.

Pampa Norte (Chile)

In the short term, the Spence Recovery Optimisation (SRO) project will facilitate the full utilisation of approximately 200 ktpa of tankhouse capacity.

The Spence Growth Option (SGO) project remains in feasibility with the potential to increase copper production capacity by approximately 200 ktpa and extend Spence mining operations by more than 50 years. The project will access primary ore beneath the current mine footprint through the continued development of the existing pit and will involve construction of a 95 ktpd concentrator and the outsourcing of a desalination plant. Final Board review is expected in the second half of CY2017 and, if approved, the project is expected to deliver first production in FY2020.

Resolution Copper (United States)

We hold a 45 per cent interest in the Resolution Copper project in the US state of Arizona, which is operated by Rio Tinto (55 per cent interest). Resolution Copper is one of the largest undeveloped copper projects in the world and has the potential to be the largest copper producer in North America.

An environmental and cultural review process, as required by the National Environmental Policy Act (NEPA), commenced in March 2016. Our share of project expenditure for FY2016 was US$45 million.

Exploration activities

Our greenfield copper exploration activities during FY2016 were focused on advancing projects in Chile, Peru, southwestern United States and Canada. Greenfield activities include opportunity identification, application for and acquisition of mineral title, early reconnaissance operations and drilling programs around the globe.

Outlook

Total copper production is forecast to increase by five per cent in FY2017 to 1.66 Mt. Escondida production is forecast to increase by nine per cent to 1,070 kt enabled by the commissioning of the Escondida Water Supply project and the ramp up of the Los Colorados Extension project, which will allow the use of three concentrators to mitigate grade decline and support a strong recovery in production, with volumes weighted to the second half of FY2017. At Olympic Dam, production is forecast to remain broadly unchanged from FY2016. We will continue with our underground transition into the higher-grade Southern Mining Area. This high-grade ore will release latent capacity and lay the foundation for the longer-term underground expansion. Production is forecast to decrease by 11 per cent to

130 kt at Antamina as the planned mining sequence moves through lower copper grades and zones of high zinc content.

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In FY2017, unit cash costs at our operated copper assets are expected to decline by 12 per cent to US$1.05 per pound. At Escondida, unit cash costs are expected to decline by 11 per cent to US$1.00 per pound, largely reflecting higher concentrate throughput as a result of the completion of Escondida Water Supply and ongoing productivity improvements.

Performance for the year ended 30 June 2015 compared with year ended 30 June 2014

Total copper production for FY2015 was unchanged at 1.7 Mt. Escondida copper production increased by six per cent to 1.23 Mt as an 11 per cent improvement in truck utilisation and higher grades more than offset the impact of severe wet weather, water restrictions, industrial action and a power outage throughout northern Chile. Pampa Norte copper production increased by seven per cent to 250 kt as Spence benefited from higher recoveries. Olympic Dam copper production decreased by 32 per cent to 125 kt following an electrical failure in January 2015 which caused a mill outage. Antamina copper production decreased by 25 per cent to 108 kt as lower grades more than offset record mill throughput.

Copper revenue decreased by US$1.3 billion to US$11.5 billion. The decrease was across all operations, with revenue for Escondida decreasing by three per cent to US$7.8 billion, revenue at Olympic Dam decreased 30 per cent to US$1.2 billion and revenue at Pampa Norte decreased 20 per cent to US$1.4 billion.

Underlying EBITDA for FY2015 decreased by US$922 million to US$5.2 billion. Price related impacts, net of price-linked costs, decreased Underlying EBITDA by US$1.6 billion due to lower average realised prices for copper from US$3.22/lb to US$2.78/lb. An increase in non-cash costs of US$494 million largely reflected a lower capitalisation rate and increased depletion of stripping capitalised in prior periods in line with the Escondida mine plan. In contrast, a stronger US dollar against the Chilean peso and Australian dollar increased Underlying EBITDA by US$359 million. Productivity cost efficiencies increased Underlying EBITDA by US$1.0 billion driven by improved productivity at Escondida and improved ore grades.

Unit cash costs (excluding one-off items, by-product credits, freight and treatment and refining charges) at our operated copper assets declined by 18 per cent during FY2015. At Escondida, the improvement in truck utilisation and significant costs savings resulted in a seven per cent decrease to US$1.01 per pound. The excluded one-off costs primarily reflect the implementation of the Escondida voluntary redundancy program which reduced employee head count by more than 20 per cent.

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1.14.3 Iron Ore

Detailed below is Iron Ore financial information for FY2016 and FY2015 and an analysis of Iron Ore s financial performance for FY2016 compared to FY2015.

Year ended 30 June 2016 US$M	**Revenue**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Western Australia Iron Ore	10,333	5,492	1,855	3,637	21,641	969		
Samarco [(i)]	442	196	46	150	(1,193)	42		
Other [(ii)]	121	(19)	4	(23)	93	86		
Total Iron Ore from Group production	10,896	5,669	1,905	3,764	20,541	1,097		
Third party products [(iii)]	84	(8)		(8)				
Total Iron Ore	10,980	5,661	1,905	3,756	20,541	1,097	92	74
Adjustment for equity accounted investments [(iv)]	(442)	(62)	(46)	(16)		(36)		
Total Iron Ore statutory result	**10,538**	**5,599**	**1,859**	**3,740**	**20,541**	**1,061**	**92**	**74**

Year ended 30 June 2015 US$M	**Revenue**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Western Australia Iron Ore	14,438	8,297	1,713	6,584	22,804	1,911		
Samarco [(i)]	1,406	695	118	577	1,044	170		
Other [(ii)]	135	(8)	3	(11)	106	19		
Total Iron Ore from Group production	15,979	8,984	1,834	7,150	23,954	2,100		
Third party products [(iii)]	180	(10)		(10)				
Total Iron Ore	16,159	8,974	1,834	7,140	23,954	2,100	118	38

Adjustment for equity accounted investments (iv)	(1,406)	(326)	(118)	(208)		(170)		
Total Iron Ore statutory result	14,753	8,648	1,716	6,932	23,954	1,930	118	38

(i) Samarco is an equity accounted investment and its financial information presented above with the exception of net operating assets reflects BHP Billiton Brasil s share. Includes BHP Billiton Brasil s share of operating profit prior to the Samarco dam failure but does not include any financial impacts following the dam failure which has been treated as an exceptional item.

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(ii) Predominantly comprises divisional activities, towage services, business development and ceased operations.

(iii) Includes inter-segment and external sales of contracted gas purchases.

(iv) Total Iron Ore segment Revenue excludes US$442 million (2015: US$1,406 million) revenue related to Samarco. Total Iron Ore segment Underlying EBITDA includes US$46 million (2015: US$118 million) D&A and US$16 million (2015: US$208 million) net finance costs and taxation benefit/(expense) related to Samarco that are also included in Underlying EBIT. Iron Ore segment Capital expenditure excludes US$36 million (2015: US$170 million) related to Samarco.

Performance

Total iron ore production for FY2016 decreased by two per cent to 227 Mt. Record production at Western Australia Iron Ore (WAIO) offset the suspension of operations at Samarco. WAIO production increased by two per cent to 257 Mt (100 per cent basis) as the Jimblebar mining hub operated at full capacity and utilisation at the Newman ore handling plant improved. Samarco production for FY2016 was 11 Mt (100 per cent basis). For further information on the Samarco dam failure, refer to section 1.4.

Total iron ore revenue decreased by US$4.2 billion to US$10.5 billion. The decrease in revenue was due to a 28 per cent decline in the average realised price of iron ore from US$61 per wet metric tonne (FOB) to US$44 per wet metric tonne (FOB).

Iron ore Underlying EBITDA decreased by US$3.0 billion to US$5.6 billion. Price impact, net of price-linked costs, reduced Underlying EBITDA by US$3.6 billion. Higher volumes and cost efficiencies increased Underlying EBITDA by US$368 million, coupled with a stronger US dollar against the Australian dollar which favourably impacted Underlying EBITDA by US$328 million.

WAIO unit cash costs (excluding freight and royalties) declined by 19 per cent to US$15 per tonne, underpinned by reductions in labour and contractor costs, increased equipment productivity, lower diesel prices and consumption and a stronger US dollar.

Completed development projects

Western Australia Iron Ore

WAIO has undertaken a number of significant expansion projects during the past five years to deliver an integrated operation with a minimum capacity of 220 Mtpa (100 per cent basis).

The projects completed before or during FY2016 included:

the Jimblebar Mine Expansion project to develop the Jimblebar mine and rail links, and procure mining equipment and rolling stock in order to deliver a capacity of 35 Mtpa;

further development of Port Hedland, including two additional berths and ship loaders, a car dumper, connecting conveyor route and associated rail works and rolling stock improving supply chain;

port blending facilities and rail yards to enable ore blending.

Sustaining project options at year-end

South Flank

As the mining of ore from Yandi becomes exhausted and the current operation commences progressive ramp-down from an annual production rate of 80 Mtpa at some point during the next five years, an additional mine deposit will be required to sustain WAIO s supply chain capacity.

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An option currently being studied is to develop the South Flank deposit adjacent to the existing Mining Area C operations. If approved, this could eventually replace the 80 Mtpa currently coming from the Yandi mine and result in an expanded Mining Area C operation.

Exploration activities

Western Australia

WAIO has a substantial existing deposit supported by considerable additional mineralisation, all within a 250-kilometre radius of our existing infrastructure. This concentration of orebodies also gives WAIO the flexibility to add growth tonnes to existing hub infrastructure and link brownfield developments to our existing mainline rail and port facilities. The total area covered by exploration and mining tenure amounts to 6,500 square kilometres, excluding crown leases and general purpose and miscellaneous licences, which are used for infrastructure space and access.

Total exploration expenditure in FY2016 amounted to US$92 million.

Guinea Iron Ore

We have a 41.3 per cent interest in a joint venture that holds the Nimba Mining Concession and four iron ore prospecting permits in southeast Guinea. We will continue to assess our options for the Mount Nimba iron ore project.

Liberia Iron Ore

The sale of our 100 per cent interest in the Liberia iron ore project to Cavalla Resources was completed in October 2015.

Outlook

WAIO production is forecast to increase to between 265 Mt and 275 Mt (100 per cent basis). The 24-month rail renewal and maintenance program, which will support the integrated supply chain s long-term reliability, is progressing on schedule. Along with our focus on productivity and the ramp-up of additional capacity at the Jimblebar mining hub, this should deliver an increase in system capacity to 290 Mtpa (100 per cent basis) in FY2019.

WAIO unit cash costs are forecast to decline a further seven per cent to US$14 per tonne in FY2017.

Performance for the year ended 30 June 2015 compared with year ended 30 June 2014

Total iron ore production increased by 14 per cent in FY2015 to a record 233 Mt. WAIO production increased by 13 per cent to a record 254 Mt (100 per cent basis) as a result of continued improvement in the performance of our integrated supply chain and the successful ramp-up of the Jimblebar mining hub. Continued optimisation of the port facilities and an increase in direct to ship ore resulted in record sales volumes at WAIO of 256 Mt (100 per cent basis). Samarco production increased by 33 per cent to 29 Mt (100 per cent basis) as the fourth pellet plant ramped up to full capacity.

Iron Ore revenue decreased by US$6.6 billion to US$14.8 billion, which included a 31 per cent decrease in revenue for WAIO of US$6.4 billion to US$14.4 billion. The major contributor to this decline was a 41 per cent decline in average realised price of iron ore from US$103 per wet metric tonne to US$61 per wet metric tonne (FOB), which was partially offset by an increase in WAIO sales volumes.

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Underlying EBITDA for FY2015 decreased by US$4.9 billion to US$8.6 billion. The fall in the average realised price of iron ore reduced Underlying EBITDA by US$8.7 billion, net of price-linked costs. This was partially offset by a weaker Australian dollar, which increased Underlying EBITDA by US$499 million. The improved performance of our integrated supply chain at WAIO and the successful ramp-up of the Jimblebar mining hub supported an increase of US$2.2 billion volume impact to Underlying EBITDA. Cost efficiencies from productivity initiatives increased Underlying EBITDA by US$1.2 billion.

WAIO unit cash costs (excluding freight and royalties) declined by 31 per cent to US$19 per tonne, underpinned by reductions in labour, contractor and maintenance costs, lower diesel prices and stronger US dollar against the Australian dollar.

1.14.4 Coal

Detailed below is Coal financial information for FY2016 and FY2015 and an analysis of Coal s financial performance for FY2016 compared to FY2015.

Year ended 30 June 2016 US$M	**Revenue**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Queensland Coal	3,351	584	723	(139)	8,423	246		
New Mexico	320	114	43	71	45	5		
New South Wales Energy Coal (i)	914	133	155	(22)	1,181	15		
Colombia (i)	525	134	96	38	863	31		
Other (ii)	23	(88)	95	(183)	139	36		
Total Coal from Group production	5,133	877	1,112	(235)	10,651	333		
Third party products	6							
Total Coal	5,139	877	1,112	(235)	10,651	333	18	18
Adjustment for equity accounted investments (iii)	(621)	(242)	(128)	(114)		(35)		
Total Coal statutory result	**4,518**	**635**	**984**	**(349)**	**10,651**	**298**	**18**	**18**

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Year ended 30 June 2015 US$M	Revenue	Underlying EBITDA	D&A	Underlying EBIT	Net operating assets	Capital expenditure	Exploration gross	Exploration to profit
Queensland Coal	4,221	1,006	719	287	9,154	599		
New Mexico	531	134	47	87	173	20		
New South Wales Energy Coal [i]	1,225	303	161	142	1,322	121		
Colombia [i]	719	231	105	126	924	73		
Other [ii]		(91)	1	(92)	196	17		
Total Coal from Group production	6,696	1,583	1,033	550	11,769	830		
Third party products	7							
Total Coal	6,703	1,583	1,033	550	11,769	830	20	20
Adjustment for equity accounted investments [iii]	(818)	(341)	(139)	(202)		(101)		
Total Coal statutory result	5,885	1,242	894	348	11,769	729	20	20

(i) Newcastle Coal Infrastructure Group and Cerrejón are equity accounted investments and their financial information presented above with the exception of net operating assets reflects BHP Billiton s share.

(ii) Predominantly comprises divisional activities and IndoMet Coal. D&A includes an US$85 million impairment for the planned divestment of IndoMet Coal.

(iii) Total Coal segment Revenue excludes US$621 million (2015: US$818 million) revenue related to Newcastle Coal Infrastructure Group and Cerrejón. Total Coal segment Underlying EBITDA includes US$96 million (2015: US$105 million) D&A and US$46 million (2015: US$126 million) net finance costs and taxation benefit/(expense) related to Cerrejón, that are also included in Underlying EBIT. Total Coal segment Underlying EBITDA excludes US$32 million (2015: US$34 million) D&A and US$68 million (2015: US$76 million) total EBIT related to Newcastle Coal Infrastructure Group, that is excluded from Underlying EBIT. Coal segment Capital expenditure excludes US$35 million (2015: US$101 million) related to Newcastle Coal Infrastructure Group and Cerrejón.

Performance

Metallurgical coal production increased by one per cent to 43 Mt in FY2016. Record metallurgical coal production at five Queensland Coal mines and first production from the Haju mine in Indonesia, offset the cessation of production at the Gregory Crinum mine and a convergence event at the Broadmeadow mine.

Energy coal production decreased by 16 per cent to 34 Mt in FY2016. Production declined following the divestment of the San Juan Mine, operational rescheduling at New South Wales Energy Coal (NSWEC) and unfavourable weather at NSWEC and Cerrejón.

Coal revenue for FY2016 decreased by US$1.4 billion to US$4.5 billion. The decrease in revenues was due to a 21 per cent reduction in the average realised price for hard coking coal from US$105/t to US$83/t, a 22 per cent reduction in the average price received for weak coking coal from US$88/t to US$69/t and a 17 per cent reduction in the average realised price for thermal coal from US$58/t to US$48/t.

Underlying EBITDA for FY2016 decreased by US$607 million to US$635 million. Price impacts, net of price-linked costs, decreased Underlying EBITDA by US$917 million. Ceased and sold operations further decreased Underlying EBITDA by US$181 million. This was partially offset by a stronger US dollar against the Australian dollar, which increased Underlying EBITDA by US$404 million, and productivity-led cost efficiencies which increased Underlying EBITDA by US$175 million.

Queensland Coal unit cash costs (excluding freight and royalties) declined by 15 per cent to US$55 per tonne, supported by increased equipment and wash-plant utilisation, lower labour and contractor costs, lower diesel prices and a stronger US dollar. NSWEC unit cash costs decreased by two per cent to US$41 per tonne despite lower volumes.

Completed development projects

Hay Point Coal Terminal Expansion Stage 3

The new third berth at BMA s Hay Point Coal Terminal was officially opened in December 2015. The project involved construction of a new berth and ship-loader alongside the existing two berths. It also included the replacement of the existing jetty, trestle conveyors, surge bins and linking conveyors.

The US$3 billion (US$1.5 billion BHP Billiton share) project is designed to withstand significant weather events, improving the resilience of the BMA business and reliability of supply. It has increased export capacity by an additional 11 Mt of annual port capacity (100 per cent basis).

Newcastle Port Third Phase Expansion

We announced in August 2011 a US$367 million (BHP Billiton share) investment in the third stage development of the Newcastle Coal Infrastructure Group s coal handling facility in Newcastle. The port expansion project is expected to increase total capacity at the coal terminal from 53 Mtpa to 66 Mtpa. This is expected to increase New South Wales Energy Coal s allocation by 4.6 Mtpa to 19.2 Mtpa. First coal on ship, being the first ship loaded through the new facility, was achieved in June 2013, ahead of schedule. The project was 100 per cent complete at 30 June 2016.

IndoMet Coal Project

IndoMet Coal comprises seven coal contracts of work covering a large metallurgical coal resource in Central and East Kalimantan, Indonesia, which was discovered by BHP Billiton in the 1990s. Following an assessment of the importance of local participation in developing the project, we sold a 25 per cent interest to PT Alam Tri Abadi (Adaro), a subsidiary of PT Adaro Energy TBK in 2010.

The first shipment from the Haju mine in Indonesia was achieved during the March 2016 quarter. Total production in FY2016 was 0.5 Mt.

Refer to section 6.3.2 for the reserve lives.

In FY2016, following a strategic review of our investment, BHP Billiton entered into an agreement to sell our remaining 75 per cent interest in IndoMet Coal to equity partner PT Alam Tri Abadi (Adaro). Completion of the sale is conditional upon the fulfilment of customary regulatory approvals.

Outlook

Metallurgical coal production is forecast to increase in FY2017 to 44 Mt, as higher wash-plant and truck utilisation at Queensland Coal will offset the planned divestment of IndoMet Coal. Energy coal production is forecast to decline in FY2017 to 30 Mt due to the divestment of our New Mexico Coal assets, with the divestment of Navajo Coal completed on 29 July 2016. Productivity improvements at NSWEC will partially offset the decline in production. Excluding New Mexico Coal, energy coal volumes are expected to increase by approximately 10 per cent.

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In FY2017, unit costs at Queensland Coal are forecast to decline a further five per cent to US$52 per tonne, reflecting continued productivity improvements. NSWEC unit costs are forecast to decline a further seven per cent to US$38 per tonne in FY2017.

Performance for the year ended 30 June 2015 compared with year ended 30 June 2014

Metallurgical coal production increased by 13 per cent in FY2015 to a record 43 Mt. Record production and sales volumes at Queensland Coal were supported by the successful ramp-up of the Caval Ridge mine and continued productivity improvements. An increase in equipment and wash-plant utilisation rates underpinned record volumes at six other operations.

Energy coal production for FY2015 decreased by five per cent to 41 Mt as anticipated. Lower production reflected drought conditions and the need to manage dust emissions at Cerrejon, as well as reduced demand for our Navajo Coal product.

Coal revenue for FY2015 decreased by US$678 million to US$5.9 billion. The decrease in revenues was driven by a 20 per cent reduction in the average realised price for hard coking coal from US$131/t to US$105/t, a 21 per cent reduction in the average price received for weak coking coal from US$111/t to US$88/t and a 22 per cent reduction in the average realised price for thermal coal from US$74/t to US$58/t.

Underlying EBITDA for FY2015 decreased by US$16 million to US$1.2 billion. The price impact, net of price-linked costs, decreased Underlying EBITDA by US$1.0 billion. This was partially offset by a stronger US dollar against the Australian dollar, which increased Underlying EBITDA by US$406 million, and productivity cost efficiencies which increased Underlying EBITDA by US$418 million.

Queensland Coal unit cash costs (excluding freight and royalties) declined by 23 per cent to US$65 per tonne, supported by increased equipment and wash-plant utilisation rates, a continued reduction in labour, contractor and maintenance costs and a favourable currency movement.

1.14.5 Other assets

Potash

Potash recorded an Underlying EBITDA loss of US$149 million in FY2016 compared to a loss of US$178 million in FY2015. The reduction in loss was due to a decrease in operating cash costs.

Nickel West

Nickel West production in FY2016 decreased by 10 per cent to 81 kt, reflecting planned major maintenance outages at the Kalgoorlie smelter and Kwinana refinery during the December 2015 quarter and a reduction in third party ore delivered to the Kambalda concentrator. Higher nickel matte production during the June 2016 quarter was supported by additional third party concentrate purchases. Revenue for Nickel West decreased by 41 per cent to US$819 million predominantly due to lower average realised prices.

Underlying EBITDA for Nickel West decreased by US$152 million due to lower average realised prices which more than offset lower operating costs.

Performance for the year ended 30 June 2015 compared with year ended 30 June 2014

Potash recorded an Underlying EBITDA loss of US$178 million in FY2015 compared to a loss of US$211 million in FY2014. The reduction in loss was driven by a decrease in exploration expenditure.

Revenue for Nickel West decreased by 13 per cent to US$1.4 billion predominately due to lower sales volumes.

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Underlying EBITDA for Nickel West increased by US$129 million due to cost efficiencies and a favourable exchange rate movement, which was partially offset by a movement in ceased and sold operations from the closure of the Nickel West Leinster Perseverance underground mine during FY2014.

1.15 Other information

Application of critical accounting policies

The preparation of the Consolidated Financial Statements requires management to make judgements and estimates and form assumptions that affect the amounts of assets, liabilities, contingent liabilities, revenues and expenses reported in the Financial Statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the reported amounts that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The Group has identified a number of critical accounting policies under which significant judgements, estimates and assumptions are made. Actual results may differ for these estimates under different assumptions and conditions. This may materially affect financial results and the financial position to be reported in future. These critical accounting policies are as follows:

- taxation;
- inventories;
- exploration and evaluation expenditure;
- development expenditure;
- overburden removal costs;
- depreciation of property, plant and equipment;
- property, plant and equipment, intangible assets and impairments of non-current assets recoverable amount;
- closure and rehabilitation provisions;
- reserve estimates.

In accordance with IFRS, we are required to include information regarding the nature of the judgements and estimates and potential impacts on our financial results or financial position in the Financial Statements. This information can be found in section 5.1 Consolidated Financial Statements .

Quantitative and qualitative disclosures about market risk

We identified our principal market risks in section 1.8.1. A description of how we manage our market risks, including both quantitative and qualitative information about our market risk sensitive instruments outstanding at 30 June 2016, is contained in note 21 Financial risk management to the Financial Statements.

Off-balance sheet arrangements and contractual commitments

Information in relation to our material off-balance sheet arrangements, principally contingent liabilities, commitments for capital expenditure and commitments under leases at 30 June 2016 is provided in note 31 Commitments and note 32 Contingent liabilities to the Financial Statements.

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Subsidiary information

Information about our significant subsidiaries is included in note 27 Subsidiaries to the Financial Statements.

Related party transactions

Related party transactions are outlined in note 30 Related party transactions to the Financial Statements.

Significant changes since the end of the year

Significant changes since the end of the year are outlined in note 33 Subsequent events to the Financial Statements.

The Strategic Report is made in accordance with a resolution of the Board.

Jac Nasser AO

Chairman

Dated: 8 September 2016

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2 Governance at BHP Billiton

2.1 Governance at BHP Billiton

Dear Shareholder,

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

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

The diagram below describes the governance framework at BHP Billiton. It shows the interaction between our shareholders and the Board, demonstrates how the Board Committee structure facilitates the relationship between the Board and the Chief Executive Officer (CEO) and illustrates the flow of delegation from shareholders. We have robust processes in place to ensure the delegation flows through the Board and its committees to the CEO, the Operations Management Committee (OMC), the Executive Leadership Team (ELT) and into the organisation. At the same time, accountability flows upwards from the Company to shareholders. This process helps to ensure alignment with shareholders. While the ELT has responsibility for the day-to-day management of the Company, the OMC retains responsibility for planning, controlling and directing the activities of BHP Billiton, including key Company, strategic, investment and operational decisions and recommendations to the Board. As such, the OMC members are classified as Key Management Personnel for remuneration reporting purposes.

We will always be guided by *Our BHP Billiton Charter* values, including our value of Sustainability, in how we operate our business, interact with our stakeholders and plan for the future.

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

BHP Billiton governance structure

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Samarco

The importance of our values was evident in our response to the tragic events at Samarco Mineração S.A. As we have said from the outset, we remain committed to doing everything we can to support Samarco in the response effort as it works to rebuild the local communities and restore the surrounding environment. For more information on our approach, refer to section 1.4.

As our stakeholders would expect, the Board has spent a significant amount of time discussing Samarco and considering our approach. Soon after the tragedy occurred, we set up a sub-committee of the Board with specific authorities delegated to it relating to Samarco. Alongside the Samarco sub-committee, the Risk and Audit Committee and the Sustainability Committee have considered matters relating to Samarco as part of the ongoing duties of those committees. We believe this provides a robust and comprehensive approach which allows the Board to best provide its oversight and input, and allows appropriate consideration to be brought to the various aspects of the response. For more information relating to the Samarco sub-committee, refer to section 2.13.5.

Ongoing renewal

As noted in our Annual Report 2015, Anita Frew was appointed to the Board with effect from 15 September 2015. Ms Frew has significant experience as a director and chairman on public company boards across a range of global sectors, including chemicals, engineering and finance. She is currently Deputy Chairman of Lloyds Banking Group and Chairman of Croda International Plc, a speciality chemicals group.

Carlos Cordeiro retired from the Board following the 2015 Annual General Meetings (AGMs).

We announced in August 2015 that Shriti Vadera had been appointed as Senior Independent Director of BHP Billiton Plc. The Board believes that Baroness Vadera s skills and attributes, as well as her experience with BHP Billiton, enable her to support the Chairman and the Board in this important governance role.

John Schubert has decided to retire from the Board after the 2016 AGMs. On behalf of all shareholders, I thank John for his outstanding service to the Board and the Company over many years and wish him all the best for the future. We will miss his wise counsel and good judgement.

On 10 August 2016, we announced that Ken MacKenzie will join the Board on 22 September 2016 as an independent Non-executive Director. From 2005 to 2015, Mr MacKenzie served as the Managing Director and Chief Executive Officer of Amcor Limited, a global packaging company with operations in over 40 countries. He is currently a Senior Adviser with McKinsey and Company. The appointments of Anita Frew in September 2015 and Ken MacKenzie in September 2016 reflect our structured and rigorous approach to Board succession planning, having regard to the skills, experience and attributes required to effectively govern and manage risk within the Company. Ken MacKenzie will join the Sustainability Committee.

A number of other changes were made to the composition of our Board committees during FY2016. Shriti Vadera was appointed to the Nomination and Governance Committee on 14 August 2015 and stepped down from the Risk and Audit Committee on 30 September 2015. Anita Frew was appointed to the Risk and Audit Committee with effect from 3 February 2016, and Malcolm Brinded joined the Remuneration Committee with effect from 13 April 2016. With effect from 22 September 2016, John Schubert will step down from the role of Sustainability Committee Chairman, and will be succeeded in that position by Malcolm Brinded. John Schubert will remain on the Sustainability Committee until he retires from the Board at the conclusion of the 2016 AGMs. For more information, refer to section 2.13.

In relation to gender diversity, the Board set a goal of increasing the number of women on the Board to at least three. This goal was met following the appointment of Anita Frew. For more information on the Board s diversity of skills and experience, refer to section 2.7.

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Continuous improvement

The Board has a commitment to ongoing improvement.

The Board continued its program of evaluations during the year and post year-end. We commenced an external Board evaluation during FY2016, an internal evaluation of the individual Directors and the annual review of each Director prior to re-election. All of these evaluations were completed in early FY2017. For information about the outcomes of the Board evaluation and the Director assessments, refer to sections 2.10 and 2.12.

I hope you find this description of our corporate governance helpful and I look forward to receiving any feedback that fellow shareholders may have.

Jac Nasser AO

Chairman

2.2 Board of Directors and Executive Leadership Team

2.2.1 Board of Directors

Jac Nasser AO, BBus, Hon DT, 68

Chairman and Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since June 2006. Appointed Chairman of BHP Billiton Limited and BHP Billiton Plc on 31 March 2010.

Skills and experience:

Following a 33-year career with Ford Motor Company in leadership positions in Europe, Australia, Asia, South America and the United States, Mr Nasser served as a member of the Board of Directors and as President and Chief Executive Officer of Ford Motor Company from 1998 to 2001. He has more than three decades of experience in large-scale global businesses and a decade of private equity investment and operating expertise.

Other directorships and offices (current and recent):

- Director of 21st Century Fox (since June 2013).
- Director of Koç Holding A.Ş. (since March 2015).
- Member of the International Advisory Council of Allianz Aktiengesellschaft (since February 2001).

Former Member of Australian Prime Minister s Business Advisory Council (from December 2013 until the Council was disbanded in December 2015).

Former Non-executive Consultant (from March 2010 to August 2014) to One Equity Partners (Partner from November 2002 until March 2010).

Former Director of British Sky Broadcasting Group plc (from November 2002 to November 2012).

Former Director of Brambles Limited (from March 2004 to January 2008).

Board Committee membership:

Chairman of the Nomination and Governance Committee.

Andrew Mackenzie BSc (Geology), PhD (Chemistry), 59

Non-independent

Director of BHP Billiton Limited and BHP Billiton Plc since May 2013. Mr Mackenzie was appointed Chief Executive Officer on 10 May 2013.

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Skills and experience:

Mr Mackenzie has over 30 years experience in oil and gas, petrochemicals and minerals. He joined BHP Billiton in November 2008 as Chief Executive Non-Ferrous, with responsibility for over half of BHP Billiton s 100,000 strong workforce across four continents. He was appointed Chief Executive Officer in May 2013. Prior to BHP Billiton, Mr Mackenzie worked at Rio Tinto, where he was Chief Executive of Diamonds and Minerals, and BP, where he held a number of senior roles, including Group Vice President for Technology and Engineering, and Group Vice President for Chemicals.

Other directorships and offices (current and recent):

- Fellow of the Royal Society of London (since May 2014).
- Director of the Grattan Institute (since May 2013).
- Director of the International Council on Mining and Metals (since May 2013).
- Former Non-executive Director of Centrica plc (from September 2005 to May 2013).

Board Committee membership:

- None.

Malcolm Brinded MA, 63

Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since April 2014.

Skills and experience:

Mr Brinded has extensive experience in energy, governance and sustainability. He served as a member of the Board of Directors of Royal Dutch Shell plc from 2002 to 2012. During his 37-year career with Shell, Mr Brinded held various leadership positions in the United Kingdom, Europe, the Middle East and Asia, including Executive Director of Exploration and Production, Executive Director of Upstream International and Chairman and Upstream Managing Director of Shell UK.

Other directorships and offices (current and recent):

- Former Director of Royal Dutch Shell plc (from July 2002 to March 2012, including as a Director of Royal Dutch Petroleum and Shell Transport and Trading Ltd prior to unification of Shell s corporate structure).

Former Director of Shell Petroleum N.V. (from July 2002 to March 2012).

Director of CH2M Hill Companies, Ltd (since July 2012).

Former Director of Network Rail Ltd; Network Rail Infrastructure Ltd (from October 2010 to July 2016).

Chairman of the Shell Foundation (since July 2009 and Trustee since June 2004).

President-elect of The Energy Institute, UK (since June 2016 and before that, Vice President from October 2013).

Chair-designate of Engineering UK (from October 2016).

Board Committee membership:

Member of the Remuneration Committee.

Member (and from 22 September 2016, Chairman) of the Sustainability Committee.

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Malcolm Broomhead MBA, BE, 64

Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since March 2010.

Skills and experience:

Mr Broomhead has extensive experience in running industrial and mining companies with a global footprint and broad global experience in project development in many of the countries in which BHP Billiton operates. He was Managing Director and Chief Executive Officer of Orica Limited from 2001 until September 2005. Prior to joining Orica, Mr Broomhead held a number of senior positions at North Limited, including Managing Director and Chief Executive Officer and, prior to that, held senior management positions with Halcrow (UK), MIM Holdings, Peko Wallsend and Industrial Equity.

Other directorships and offices (current and recent):

- Chairman of Orica Limited (since January 2016).
- Former Chairman of Asciano Limited (from October 2009 to August 2016).
- Former Director of Coates Group Holdings Pty Ltd (from January 2008 to July 2013).
- Director of the Walter and Eliza Hall Institute of Medical Research (since July 2014).
- Chairman of the Australia China One Belt One Road Advisory Board (since August 2016).

Board Committee membership:

- Member of the Sustainability Committee.
- Member of the Risk and Audit Committee.

Pat Davies BSc (Mechanical Engineering), 65

Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since June 2012.

Skills and experience:

Mr Davies has broad experience in the natural resources sector across a number of geographies, commodities and markets. From July 2005 until June 2011, he was Chief Executive of Sasol Limited, an international energy, chemical and mining company with operations in 38 countries and listings on the Johannesburg and New York stock exchanges. Mr Davies began his career at Sasol in 1975 and held a number of diverse roles, including managing the group s oil and gas businesses, before becoming Chief Executive in July 2005. He is a former Director of various Sasol Group companies and joint ventures.

Other directorships and offices (current and recent):

Former Director (from August 1997 to June 2011) and Chief Executive (from July 2005 to June 2011) of Sasol Limited.

Board Committee membership:

Member of the Remuneration Committee.

Member of the Sustainability Committee.

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Anita Frew BA (Hons) MRes, Hon. D.Sc, 59

Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since September 2015.

Skills and experience:

Ms Frew has extensive board, strategy, marketing, governance and risk management experience in the chemicals, engineering, water and finance industries. She is the Chairman of Croda International Plc and Deputy Chairman of Lloyds Banking Group Plc. Ms Frew was the Chairman of Victrex Plc, Senior Independent Director of Aberdeen Asset Management Plc and IMI Plc and a Non-executive Director of Northumbrian Water.

Other directorships and offices (current and recent):

Chairman of Croda International Plc (since September 2015).

Deputy Chairman of Lloyds Banking Group Plc (since December 2010).

Former Senior Independent Director of Aberdeen Asset Management Plc (from October 2004 to September 2014).

Former Senior Independent Director of IMI Plc (from March 2006 to May 2015).

Former Chairman of Victrex Plc (from 2008 to October 2014).

Board Committee membership:

Member of the Risk and Audit Committee.

Carolyn Hewson AO, BEc (Hons), MA (Econ), 61

Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since March 2010.

Skills and experience:

Ms Hewson is a former investment banker with over 30 years experience in the finance sector. She was previously an Executive Director of Schroders Australia Limited and has extensive financial markets, risk management and investment management expertise. Ms Hewson is a former Director of BT Investment Management Limited, Westpac Banking Corporation, AMP Limited, CSR Limited, AGL Energy Limited, the Australian Gas Light Company, South

Australian Water and the Economic Development Board of South Australia.

Other directorships and offices (current and recent):

Member of Federal Government Growth Centres Advisory Committee (since January 2015).

Director of Stockland Group (since March 2009).

Trustee Westpac Foundation (since May 2015).

Member of Australian Federal Government Financial Systems Inquiry (from January 2014 to December 2014).

Former member of the Advisory Board of Nanosonics Limited (from June 2007 to August 2015).

Former Director of BT Investment Management Limited (from December 2007 to December 2013).

Former Director of Australian Charities Fund Operations Limited (from June 2000 to February 2014).

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Former Director and Patron of the Neurosurgical Research Foundation (from April 1993 to December 2013).

Former Trustee and Chairman of Westpac Buckland Fund (from January 2011 to December 2013) and Chairman of Westpac Matching Gifts Limited (from August 2011 to December 2013), together known as the Westpac Foundation.

Former Director of Westpac Banking Corporation (from February 2003 to June 2012).

Board Committee membership:

Chairman of the Remuneration Committee.

Lindsay Maxsted DipBus (Gordon), FCA, FAICD, 62

Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since March 2011.

Skills and experience:

Mr Maxsted is a corporate recovery specialist who has managed a number of Australia s largest corporate insolvency and restructuring engagements and, until 2011, continued to undertake consultancy work in the restructuring advisory field. He was the Chief Executive Officer of KPMG Australia between 2001 and 2007. Mr Maxsted is the Board s nominated audit committee financial expert for the purposes of the US Securities and Exchange Commission Rules, and the Board is satisfied that he has recent and relevant financial experience for the purposes of the UK Financial Conduct Authority s Disclosure and Transparency Rules and the UK Corporate Governance Code.

Other directorships and offices (current and recent):

Chairman of Westpac Banking Corporation (since December 2011) and a Director (since March 2008).

Chairman of Transurban Group (since August 2010) and a Director (since March 2008).

Director and Honorary Treasurer of Baker IDI Heart and Diabetes Institute (since June 2005).

Board Committee membership:

Chairman of the Risk and Audit Committee.

Wayne Murdy BSc (Business Administration), CPA, 72

Independent Non-executive Director

Director of BHP Billiton Limited and BHP Billiton Plc since June 2009.

Skills and experience:

Mr Murdy has a background in finance and accounting, where he has gained comprehensive experience in the financial management of mining, oil and gas companies during his career with Getty Oil, Apache Corporation and Newmont Mining Corporation. He served as the Chief Executive Officer of Newmont Mining Corporation from 2001 to 2007 and Chairman from 2002 to 2007. Mr Murdy is also a former Chairman of the International Council on Mining and Metals, a former Director of the US National Mining Association and a former member of the Manufacturing Council of the US Department of Commerce.

Other directorships and offices (current and recent):

- Former Director of Weyerhaeuser Company (from January 2009 to February 2016).
- Former Director of Qwest Communications International Inc (from September 2005 to April 2011).

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Board Committee membership:

- Member of the Risk and Audit Committee.

John Schubert AO BCh Eng, PhD (Chem Eng), 73

Independent Non-executive Director

Director of BHP Limited since June 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001.

Skills and experience:

Dr Schubert has considerable experience in the international oil industry, including at Chief Executive Officer level. He has had executive mining and financial responsibilities and was Chief Executive Officer of Pioneer International Limited for six years, where he operated in the building materials industry in 16 countries. Dr Schubert has experience in mergers, acquisitions and divestments, project analysis and management. He was previously Chairman and Managing Director of Esso Australia Limited and President of the Business Council of Australia.

Other directorships and offices (current and recent):

- Chairman of Garvan Institute of Medical Research (since May 2013).

- Former Chairman of G2 Therapies Pty Limited (from November 2000 to April 2013).

- Former Director of Qantas Airways Limited (from October 2000 to November 2012).

- Former Chairman (from November 2004 to February 2010) and Director (from October 1991 to February 2010) of Commonwealth Bank of Australia.

Board Committee membership:

- Chairman of the Sustainability Committee (until 22 September 2016).

- Member of the Nomination and Governance Committee.

Baroness Shriti Vadera MA, 54

Senior Independent Director, BHP Billiton Plc

Director of BHP Billiton Limited and BHP Billiton Plc since January 2011.

Skills and experience:

Baroness Vadera brings wide-ranging experience in finance, economics and public policy as well as extensive experience of emerging markets and international institutions. She is Chairman of Santander UK Group Holdings Plc and Santander UK Plc, and has been a Director of AstraZeneca Plc since 2011. She was an investment banker with S G Warburg/UBS from 1984 to 1999, on the Council of Economic Advisers, HM Treasury 1999 to 2007, Minister in the UK Department of International Development in 2007, Minister in the Cabinet Office and Business Department 2008 to 2009 with responsibility for dealing with the financial crisis, G20 Adviser 2009 to 2010, and advised governments, banks and investors on the Eurozone crisis, banking sector, debt restructuring and markets from 2010 to 2014.

Other directorships and offices (current and recent):

Chairman of Santander UK Group Holdings Plc and Santander UK Plc (since March 2015).

Director of AstraZeneca Plc (since January 2011).

Former Trustee of Oxfam (from 2000 until 2005).

Board Committee membership:

- Member of the Nomination and Governance Committee.

- Member of the Remuneration Committee.

Margaret Taylor BA, LLB, GAICD, FCIS, 56

Group Company Secretary and Chairman of the Disclosure Committee

Ms Taylor was appointed Group Company Secretary of BHP Billiton effective June 2015. Previously she was Group Company Secretary of Commonwealth Bank of Australia, and before joining the Bank, held the position of Group General Counsel and Company Secretary of Boral Limited. Prior to that, Ms Taylor was Regional Counsel Australia/Asia with BHP Billiton, and earlier, a partner with law firm Minter Ellison, specialising in corporate and securities laws. She is a Fellow of the Governance Institute of Australia.

2.2.2 Executive Leadership Team

Andrew Mackenzie BSc (Geology), PhD (Chemistry), 59

Chief Executive Officer

(See section 2.2.1 for biography).

Arnoud Balhuizen BBE, 47

President Marketing and Supply

Mr Balhuizen was appointed President Marketing and Supply in March 2016. Prior to this, he was President Marketing (from 2013). Mr Balhuizen started his career with Billiton in 1994, working for the Marketing and Trading division in the Netherlands and since then he has held various marketing roles, including General Manager Marketing for Copper Cathodes, Vice President Iron Ore Marketing and Vice President Petroleum Marketing.

Peter Beaven BAcc, CA, 49

Chief Financial Officer

Mr Beaven was appointed Chief Financial Officer in October 2014. Previously, he was the President of Copper and prior to that appointment in May 2013, President of Base Metals. Mr Beaven was previously the President of BHP Billiton s Manganese Business and Vice President and Chief Development Officer for Carbon Steel Materials, having joined BHP Billiton in 2003. He has wide experience across a range of regions and businesses in BHP Billiton, UBS Warburg, Kleinwort Benson and PricewaterhouseCoopers.

Dean Dalla Valle MBA, 57

Chief Commercial Officer (seconded to Brazil)

Mr Dalla Valle was appointed President, HSE, Marketing & Technology in January 2015. Mr Dalla Valle s title changed to Chief Commercial Officer effective 1 July 2015. Mr Dalla Valle is currently seconded to lead the Company s response to the Samarco dam failure. He has 39 years experience in BHP Billiton. Mr Dalla Valle was previously the President of the Coal Business, President of the Uranium business and prior to that held the positions of Asset President, Olympic Dam, Asset President of the Cannington silver mine and Vice President Ports for Iron Ore. He was also the General Manager of the Appin, Tower and Westcliff Collieries for Illawarra Coal.

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Geoff Healy BEc, LLB, 50

Chief External Affairs Officer

Mr Healy joined BHP Billiton as Chief Legal Counsel in June 2013. He was appointed Chief External Affairs Officer in February 2016. Prior to BHP Billiton, Mr Healy was a partner at Herbert Smith Freehills for 16 years and a member of its Global Partnership Council, and worked widely across its network of Australian and international offices.

Mike Henry BSc (Chemistry), 50

President Operations, Minerals Australia

Mr Henry joined BHP Billiton in 2003. He served as President, Coal from January 2015 to February 2016 when he was appointed President Operations, Minerals Australia. Prior to January 2015, he was President, HSE, Marketing & Technology. His earlier career with BHP Billiton included a number of commercial roles covering both Minerals and Petroleum, including the role of Chief Marketing Officer.

Diane Jurgens BSEE, MSEE, MBA, 54

Chief Technology Officer

Ms Jurgens joined BHP Billiton in 2015 and was appointed Chief Technology Officer in February 2016. Prior to joining the Company, Ms Jurgens was based in China for nearly 10 years, serving as Board Member and Managing Director of Shanghai OnStar Telematics Company, in addition to prior roles as Chief Information Officer and Strategy Board member for General Motors International and China Operations. Ms Jurgens early career was with the Boeing Company where she worked for 12 years in engineering, information technology and business development leadership roles.

Daniel Malchuk BEng, MBA, 50

President Operations, Minerals Americas

Mr Malchuk was appointed President Operations, Minerals Americas in February 2016 based in Santiago, Chile. Previously he was President of the Copper Business. Mr Malchuk has held a number of roles in the organisation, including President Aluminium, Manganese and Nickel; President of Minerals Exploration; and Vice President Strategy and Development Base Metals. He has worked in four countries with BHP Billiton having joined BHP Billiton in April 2002.

Steve Pastor BSc (Mechanical Engineering), MBA, 50

President Operations, Petroleum

Mr Pastor joined BHP Billiton in 2001 and was appointed President Operations, Petroleum in February 2016. He is responsible for the Company s global oil and gas operations and exploration program. During his career with the Company, Mr Pastor has served as Asset President Conventional and has held leadership roles in deepwater and shale operations. Prior to joining BHP Billiton, Mr Pastor s experience included 11 years with Chevron.

Laura Tyler BSc (Geology (Hons)), MSc (Mining Engineering), 49

Chief of Staff, Head of Geoscience

Ms Tyler joined BHP Billiton in 2004 and was appointed Chief of Staff to the CEO in 2015. Previously, Ms Tyler was Asset President of the Cannington Mine and held technical and operational roles at the EKATI Diamond Mine in Canada and corporate HSEC in London. Prior to joining BHP Billiton, Ms Tyler worked for Western Mining Corporation, Newcrest Mining and Mount Isa Mines, in various technical and operational roles and also spent five years in the civil engineering industry.

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Athalie Williams BA (Hons), FAHRI, 46

Chief People Officer

Ms Williams joined BHP Billiton in 2007 and was appointed President, Human Resources in January 2015. Ms Williams title changed to Chief People Officer effective 1 July 2015. She has previously held senior human resources positions, including Vice President Human Resources Marketing, Vice President Human Resources for the Uranium business and Group HR Manager, Executive Resourcing & Development. Prior to BHP Billiton, Ms Williams was an organisation strategy advisor with Accenture (formerly Andersen Consulting) and National Australia Bank. Ms Williams is a member of Chief Executive Women (CEW).

2.3 Shareholder engagement

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

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

- the Chairman, supported by Group Governance strategy, governance and remuneration. The Chairman s meetings are scheduled throughout the year to ensure we have the benefit of regular feedback. This schedule is designed to ensure governance issues can be discussed separately to the AGM and where appropriate, allows time to respond to feedback and shape new policies for the forthcoming financial year. The Chairman met with investors in Australia and the United Kingdom during FY2016;

- the Senior Independent Director and the Remuneration Committee Chairman governance and remuneration. Meetings with the Remuneration Committee Chairman and the Senior Independent Director were held in the United Kingdom in March 2016. This was an opportunity for investors to discuss Board succession, the Company s strategy and remuneration issues;

- the CEO, Chief Financial Officer (CFO), senior management and the Investor Relations team strategy, financial and operating performance. Important briefings are webcast live from our website: *www.bhpbilliton.com.* Meetings between management and shareholders were held in Australia, Canada, Chile, China, France, Germany, Japan, Malaysia, Netherlands, Singapore, South Africa, the United Kingdom and the United States during FY2016. Meetings between management and bondholders were held in France, Germany, Netherlands, the United Kingdom and the United States as part of our commitment to engage with providers of all types of capital;

the Head of Health, Safety and Environment (HSE) HSE and Community strategy (together, HSEC). We conduct group and one-on-one meetings and briefings with investors each year focused on key HSEC issues. These meetings took place in Australia, the United States and the United Kingdom during FY2016, with additional meetings in mainland Europe and Canada held by conference call;

Group Governance governance strategy and briefings. Group Governance provides a conduit to enable the Board and its committees to remain abreast of evolving investor expectations and to continuously enhance the governance processes of the Company. The team held meetings with investors in Australia, South Africa, the United Kingdom and the United States during FY2016.

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We take a coordinated approach to engagement on corporate governance and during the year responded to a wide range of shareholders, their representatives and non-governmental organisations. Issues covered included Samarco; human rights; climate change; hydraulic fracturing; long-termism; IndoMet Coal; stewardship; Cerrejón community engagement; succession planning and quarterly reporting.

Shareholder communications

The Company provides shareholders with the option to receive communications from, and send communications to, the Company and our registrar electronically. Shareholders can contact us at any time through our Investor Relations team, with contact details available on our website: *www.bhpbilliton.com*. Shareholder and analyst feedback is shared with the Board through the Chairman, the Senior Independent Director, the Chairman of the Remuneration Committee, other Directors, the CEO, the CFO and the Group Company Secretary. In addition, the Head of Investor Relations and Vice President Governance provide regular reports to the Board on shareholder and governance manager feedback and analysis. This approach provides a robust mechanism to ensure Directors are aware of issues raised and have a good understanding of current shareholder views.

Annual General Meetings

As described above, a key part of our approach to governance involves shareholders views being heard and understood. The AGMs provide a forum to facilitate this and are important events in the BHP Billiton calendar. These meetings provide an update for shareholders on the Company s performance and offer an opportunity for shareholders to ask questions and vote.

Questions can be registered prior to the meeting by completing the relevant form accompanying the Notice of Meeting. Shareholders can also email the Company at *Investor.Relations@bhpbilliton.com*. Key members of management, including the CEO and CFO, are present and available to answer questions. The External Auditor attends the AGMs and is also available to answer questions.

Proceedings at shareholder meetings are webcast live from our website. Copies of the speeches delivered by the Chairman and CEO to the AGMs are released to the stock exchanges and posted to our website. A summary of proceedings and the outcome of voting on the items of business are released to the relevant stock exchanges and posted to our website as soon as they are available following completion of the BHP Billiton Limited meeting.

Information relating to our AGMs is available online at

www.bhpbilliton.com/home/investors/shareholderinfo/Pages/Meetings.aspx.

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2.4 Role and responsibilities of the Board

The Board s role is to represent the shareholders. It is accountable to shareholders for creating and delivering value through the effective governance of the Company. This role requires a high-performing Board, with all Directors contributing to the Board s collective decision-making processes.

The *Board Governance Document* is a statement of the practices and processes the Board has adopted to discharge its responsibilities. It includes the processes the Board has implemented to undertake its own tasks and activities; the matters it has reserved for its own consideration and decision-making; the authority it has delegated to the CEO, including the limits on the way in which the CEO can execute that authority; and guidance on the relationship between the Board and the CEO.

The *Board Governance Document* specifies the role of the Chairman, the membership of the Board and the role and conduct of Non-executive Directors. It also provides that the Company Secretary is accountable to the Board and advises the Chairman and, through the Chairman, the Board and individual Directors on all matters of governance process. The *Board Governance Document* was reviewed and updated during FY2016 to ensure it continues to align with best practice. For more information, refer to sections 2.5 to 2.7.

The *Board Governance Document* is available online at

www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.

Allocation of decision-making authority

The Board has reserved the following matters for its decision:

- appointing the CEO and determining the terms of the appointment;
- approving the appointment of executives reporting to the CEO and membership of the Executive Leadership Team (ELT), and material changes to the organisational structure involving direct reports to the CEO;
- succession planning for direct reports to the CEO;
- monitoring the performance of the CEO and the Group;
- establishing and assessing measurable diversity objectives;
- approving strategy, annual budgets, balance sheet management and funding strategy;

- approving commitments, capital and non-capital items, acquisitions and divestments above specified thresholds;
- approving the dividend policy and determining dividends;
- approving market risk management strategy and limits;
- monitoring Board composition processes and performance;
- reviewing and monitoring systems of risk management and internal control;
- determining and adopting documents (including the publication of reports and statements to shareholders) that are required by the Group s constitutional documents, statute or by other external regulation;
- determining and approving matters that are required by the Group s constitutional documents, statute or by other external regulation to be determined or approved by the Board.

The Board has delegated to the CEO authority to take all decisions and actions that further the corporate purpose of creating long-term shareholder value through the discovery, acquisition, development and marketing of natural resources. This is subject to the limits imposed by the Board on the CEO s decision-making authority as set out in the *Board Governance Document* and the matters the Board has specifically reserved for its decision, including in the Company s authorities framework. The CEO remains accountable to the Board for the authority that is delegated and for the performance of the Company, with the expectation that the CEO works in a constructive partnership with the Board. The Board monitors the decisions and actions of the CEO and the performance of the Company to gain assurance that progress is being made towards the corporate purpose within the limits imposed through the Company s governance assurance framework. The Board also monitors the performance of the Company, and assesses its risk profile, through its committees. Reports from the committees are set out in section 2.13.

The CEO is required to report regularly to the Board in a spirit of openness and trust on the progress being made by the Company. Open dialogue between individual members of the Board and the CEO and other members of the management team is encouraged to enable Directors to gain a better understanding of the organisation.

Key activities during the year

The Board approved a range of business decisions during the year, as outlined in section 4.1.

2.5 Board membership

The Board currently has 11 members, each of whom must seek re-election by shareholders annually. With the appointment of Ken MacKenzie to the Board effective 22 September 2016, the Board will have 12 members. This will reduce to 11 following the retirement of John Schubert after the 2016 AGMs. The Non-executive Directors are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement. For more information on the process for assessing independence, refer to section 2.9.

In terms of Non-executive Director recruitment, the Nomination and Governance Committee retains the services of external recruitment specialists to continue to assist in the identification of potential candidates for the Board.

The Board believes there is an appropriate balance between Executive and Non-executive Directors to promote shareholder interests and govern the Company effectively. While the Board includes a smaller number of Executive Directors than is common for UK-listed companies, its composition is appropriate for the DLC structure and is in line with Australian-listed company practice. In addition, the Board has extensive access to members of senior management who frequently attend Board meetings, where they make presentations and engage in discussions with Directors, answer questions and provide input and perspective on their areas of responsibility. The CFO attends all Board meetings. The Board, led by the Chairman, also holds discussions in the absence of management at the beginning and end of Board meetings.

The Directors of the Company, along with their biographical details, are listed in section 2.2.1.

2.6 Chairman

The Chairman, Jac Nasser, is considered by the Board to be independent. He was appointed Chairman of the Company from 31 March 2010 and has been a Non-executive Director of the Company since 6 June 2006. Mr Nasser was last re-elected at the 2015 AGMs and, in accordance with the Company s policy that each Director stand for election annually, will stand for re-election in 2016. More information in relation to his tenure on the Board is set out in section 2.9.

The Chairman s role includes:

leading the Board and ensuring that it is operating to the highest governance standards;

encouraging a culture of openness and debate to foster a high-performing and collegial team of Directors that operates effectively;

ensuring strategic issues and shareholder and relevant stakeholder views are regularly reviewed, clearly understood and underpin the work of the Board;

facilitating the relationship between the Board and the CEO;

ensuring the provision of accurate, timely and clear information to the Board;

- setting agendas for meetings of the Board, in consultation with the CEO and Company Secretary, that focus on the strategic direction and performance of the Company s business;
- ensuring that adequate time is available for discussion on all agenda items;
- leading the Board and individual Director performance assessments;
- speaking and acting for the Board and representing the Board to shareholders.

The Board considers that none of Mr Nasser s other commitments (set out in section 2.2.1) interferes with the discharge of his responsibilities to the Company. The Board is satisfied that Mr Nasser makes sufficient time available to serve the Company effectively.

The Company does not have a Deputy Chairman but has identified Shriti Vadera to act as Chairman should the need arise at short notice. Shriti Vadera is the Senior Independent Director of BHP Billiton Plc (in accordance with the UK Corporate Governance Code).

2.7 Director skills, experience and attributes

Skills, experience and attributes required

The Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required in order to effectively govern the business. The Board and its Nomination and Governance Committee work to ensure the Board continues to have the right balance necessary to discharge its responsibilities in accordance with the highest standards of governance.

Non-executive Directors must have a clear understanding of the Company s overall strategy, together with knowledge about the Company and the industries in which it operates. Non-executive Directors must be sufficiently familiar with the Company s core business to be effective contributors to the development of strategy and to monitor performance. Part of the required understanding of our strategy and the core business is the requirement to understand the risks the Company faces and the processes in place to mitigate and manage those risks. We operate in an uncertain external environment and the Company is exposed to many material risks across our operations, including some that are systemic, such as financial risks and climate change. All those risks are factored into the Board s approach to strategy and its assessment of an optimised portfolio. The risk management governance structure is described in section 2.14.

Current Board profile

The Board considers that each of the Non-executive Directors has the following attributes:

- time to undertake the responsibilities of the role;
- unquestioned honesty and integrity;

- a willingness to understand and commit to the highest standards of governance;
- an ability to apply strategic thought to relevant matters;
- an ability to consider materiality and risk tolerance as key considerations in decision-making;
- a preparedness to question, challenge and critique;
- experience of managing in the context of uncertainty and an understanding of the risk environment of the Company, including the potential for risk to impact our health, safety, environment, community and reputation as well as the Company s regulatory, market and financial performance;
- knowledge of world capital markets;
- a proven track record of creating value for shareholders.

The Executive Director brings additional perspectives to the Board through a deeper understanding of the Company s business and day-to-day operations.

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The following table sets out the mix of skills and experience the Board considers necessary or desirable in its Directors and the extent to which they are represented on the Board and its committees. The table includes Ken MacKenzie who will join the Board as of 22 September 2016.

Skills and experience	**Board**	**Risk and Audit**	**Nomination and Governance**	**Remuneration**	**Sustainability**
Total Directors	12 Directors	4 Directors	3 Directors	4 Directors	4 Directors
Executive leadership					
Sustainable success in business at a very senior executive level in a successful career.	100%	100%	100%	100%	100%
Global experience					
Senior management or equivalent experience in multiple global locations, exposed to a range of political, cultural, regulatory and business environments.	92%	75%	100%	100%	100%
Governance					
Commitment to the highest standards of governance, including experience with a major organisation that is subject to rigorous governance standards, and an ability to assess the effectiveness of senior management.	100%	100%	100%	100%	100%
Strategy/Risk					
Track record of developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of agreed strategic planning objectives. Track record in developing an asset or business portfolio over the long term that remains resilient to systemic	100%	100%	100%	100%	100%

risk.					
Financial acumen					
Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.	100%	100%	100%	100%	100%
Capital projects					
Experience working in an industry with projects involving large-scale capital outlays and long-term investment horizons.	92%	100%	100%	75%	100%
Health, safety and environment					
Experience related to workplace health and safety, environmental and social responsibility, and community.	92%	75%	100%	100%	100%

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Skills and experience	Board	Risk and Audit	Nomination and Governance	Remuneration	Sustainability
Remuneration					
Board Remuneration Committee membership or management experience in relation to remuneration, including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration.	100%	100%	100%	100%	100%
Mining					
Senior executive experience in a large mining organisation combined with an understanding of the Company s corporate purpose to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.	33%	50%	0%	25%	40%
Oil and gas					
Senior executive experience in the oil and gas industry, including in-depth knowledge of the Company s strategy, markets, competitors, operational issues, technology and regulatory concerns.	42%	25%	33%	50%	60%
Marketing					
Senior executive experience in marketing and a detailed understanding of the Company s corporate purpose to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.	83%	100%	67%	50%	100%
Public policy					
Experience in public and regulatory policy, including how it affects corporations.	92%	75%	100%	100%	100%

Board skills and experience climate change

The strategic issues facing the Board change over time. The important thing is that the Board is able to identify these issues and access the best possible advice.

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Climate change is a multi-faceted issue that impacts on investment decisions, oversight of the sustainability of our operations and engagement with government, investors, suppliers and customers. The BHP Billiton Board includes an appropriate mix of skills and experience to understand the implications of climate change on our operations, market and society.

Climate change is treated as a Board-level governance issue and is discussed regularly, including at the Board strategy days and in the context of scenario triggers and signposts. The Sustainability Committee spends a significant amount of time considering systemic climate change matters relating to the resilience of, and opportunities for, the Company s portfolio.

Framed as a Board-level governance issue requiring experience of managing in the context of uncertainty and an understanding of the risk environment of the Group, all of the Non-executive Directors bring relevant experience to bear in our climate change discussions.

Board members bring significant sectoral experience, which equips them to consider potential implications of climate change on the Group and its operational capacity. Board members also possess extensive experience in energy, governance and sustainability. There is also wide-ranging experience in finance, economics and public policy, which helps BHP Billiton to understand the nature of the debate and the international policy response as it develops. In addition, there is a deep understanding of systemic risk and the potential impacts on our portfolio.

Collectively, this means that the Board has the experience and skills to assist the Company in the allocation of financial, capital and human resources for the creation of long-term shareholder value. It also means that the Board understands the importance of meeting the expectations of stakeholders, including in respect of the natural environment.

To enhance that experience, the Board has taken a number of measures to ensure that its decisions are appropriately informed by climate change science and expert advisors.

The Board seeks the input of management, (including Dr Fiona Wild, our Vice President Environment and Climate Change), our Forum on Corporate Responsibility (which advises the Board on sustainability issues and includes Don Henry, former CEO of the Australian Conservation Foundation), and other independent advisers.

Renewal

The Board believes orderly succession and renewal are achieved as a result of careful planning, with the appropriate composition of the Board continually under review. This planning involves looking out over a five-year period, which provides a robust framework within which to consider Board succession and renewal. In doing this, the Board, with the assistance of the Nomination and Governance Committee:

- considers the skills, background, knowledge, experience and diversity of geographic location, nationality and gender necessary to allow it to meet the corporate purpose as compared to those qualities currently represented;

- identifies any inadequate representation of those attributes and agrees the process necessary to ensure a candidate is selected who brings those attributes to the Board;

reviews how Board performance might be enhanced, at an individual Director level and for the Board as a whole. When considering new appointments to the Board, the Nomination and Governance Committee oversees the preparation of a position specification that is provided to an independent recruitment organisation retained to conduct a global search. Independent search firms are instructed to consider a wide range of candidates, including taking into account the criteria and attributes set out in the *Board Governance Document*.

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Once a candidate is identified, the Board, with the assistance of external consultants when necessary, conducts appropriate background and reference checks before the candidate is appointed to the Board or stands for re-election at the AGMs.

The Board has adopted a letter of appointment that contains the terms on which Non-executive Directors will be appointed, including the basis upon which they will be indemnified by the Company. The letter of appointment clearly defines the role of Directors, including the expectations in terms of independence, participation, time commitment and continuous improvement.

A copy of the terms of appointment for Non-executive Directors is available online at

www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.

Inclusion and diversity

Our Charter and *Our Requirements for Human Resources* standard guides management on all aspects of human resource management, including inclusion and diversity. Underpinning *Our Requirements* standards and supporting the achievement of diversity across the Company are principles and measurable objectives that define our approach to diversity and our focus on creating an inclusive work environment.

The Board and the Nomination and Governance Committee believe many facets of diversity are required, as set out in section 2.13.3, in order to meet the corporate purpose. Diversity is a core consideration in ensuring the Board and its committees have the right blend of perspectives to ensure the Board oversees BHP Billiton effectively for shareholders.

Alongside Board composition, part of the Board s role is to consider and approve the Company s measurable objectives for workforce diversity each financial year and to oversee the Company s progress in achieving those objectives. This progress will continue to be disclosed in the Annual Report, along with the proportion of women in our workforce, in senior management positions and on the Board. For more information on inclusion and diversity at BHP Billiton, including our progress against FY2016 measurable objectives and our employee profile more generally, refer to sections 1.10.3 and 1.10.8.

2.8 Director induction, training and development

The Board believes the development of industry and Company knowledge is a continuous and ongoing process. The Board s development activity reflects the diversification of the portfolio through the provision of regular updates to Directors on the Company s assets, commodities, geographies and markets to enable the Board to remain up-to-date.

Upon appointment, each new Non-executive Director undertakes an induction program specifically tailored to his or her needs.

A copy of an indicative induction program is available online at

www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.

Following the induction program, Non-executive Directors participate in continuous improvement programs (Training and Development Program), which are overseen by the Nomination and Governance Committee. The Training and Development Program covers a range of matters of a business nature, including environmental, social and governance matters. Programs are designed to maximise the effectiveness of the Directors throughout their tenure and reflect their individual performance evaluations.

During the year, Non-executive Directors participated in the following activities that underpin and support the Board s work in monitoring and overseeing progress towards the corporate purpose:

briefings intended to provide each Director with a deeper understanding of the activities, environment, key issues and direction of the assets along with HSEC and public policy considerations. Briefings were

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presented to the Board by senior executives, including ELT members and other team members with operational and non-operational responsibilities. When they were combined with a site visit, the briefings took place on-site, otherwise they took place at Board meetings. Briefings during FY2016 covered climate change, coal strategy and an energy update;

development sessions on specific topics of relevance, such as climate change, commodity markets, the world economy, changes in corporate governance standards, inclusion and diversity, Directors duties and shareholder feedback. In relation to climate change, the Board and its committees once again spent time considering systemic climate change as it relates to the resilience of, and opportunities for, the Company s portfolio of assets, while also considering actions to manage the implications of climate change;

visits to Escondida and Spence, Copper, Chile; and Gulf of Mexico, Petroleum, United States, including briefings on the assets, operations and other relevant issues and meetings with key personnel;

addresses by expert external speakers.

These sessions and site visits also allow an opportunity to discuss in detail the changing risk environment and the potential for impacts on the achievement of our corporate purpose and business plans. For information on the management of principal risks, refer to sections 1.9.3 and 2.14.

In addition, Business Risk and Audit Committee (RAC) meetings take place twice yearly as part of our financial governance framework. Directors who are members of the Board s Risk and Audit Committee chair the Business RAC meetings. For more information on Business RACs, refer to section 2.13.1.

As part of the yearly review process, the Chairman discusses development areas with each Director. Board committees in turn review and agree their training needs. The benefit of this approach is that induction and learning opportunities can be tailored to Directors committee memberships, as well as the Board s specific areas of focus. This approach also ensures a coordinated process in relation to succession planning, Board renewal, training and development and committee composition, which are all relevant to the Nomination and Governance Committee s role in securing the supply of talent to the Board.

In addition, each Board committee provides a standing invitation for any Non-executive Director to attend committee meetings (rather than just limiting attendance to committee members). Committee agendas are provided to all Directors to ensure Directors are aware of matters to be considered by the committees and any Director can elect to attend meetings where appropriate.

2.9 Independence

The Board is committed to ensuring a majority of Directors is independent. The Board considers all of the current Non-executive Directors, including the Chairman, are independent.

Process to determine independence

The Board has adopted a policy which it uses to determine the independence of its Directors. This determination is carried out upon appointment, annually and at any other time where the changed circumstances of a Director warrant reconsideration.

A copy of the policy on Independence of Directors is available online at

*www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx***.**

Under the policy, an independent Director is one who is: *independent of management and any business or other relationship that could materially interfere with the exercise of objective, unfettered or independent judgement by the Director or the Director s ability to act in the best interests of the BHP Billiton Group* .

Where a Director is considered by the Board to be independent but is affected by circumstances that appear relevant to the Board s assessment of independence, the Board has undertaken to explain the reasons why it

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reached its conclusion. In applying the independence test, the Board considers relationships with management, major shareholders, subsidiary and associated companies and other parties with whom the Company transacts business against pre-determined materiality thresholds, all of which are set out in the policy.

Tenure

As at the end of the year under review, two Directors, Jac Nasser and John Schubert, had each served on the Board for more than nine years. Jac Nasser is standing for re-election at the 2016 AGMs, having undergone a formal performance assessment.

Mr Nasser was first appointed to the Board in June 2006 as an independent Non-executive Director. The Board believes his expertise and broad international experience materially enhance the skills and experience profile of the Board. In accordance with the UK Corporate Governance Code, Mr Nasser s term of appointment has been subject to a particularly rigorous review which took into account the need for progressive refreshing of the Board.

The Board does not believe Mr Nasser s tenure materially interferes with his ability to act in the best interests of the Company. The Board believes he has retained independence of character and judgement and has not formed associations with management (or others) that might compromise his ability to exercise independent judgement or act in the best interests of the Company.

Relationships and associations

Lindsay Maxsted was the CEO of KPMG in Australia from 2001 until 2007. The Board believes this prior relationship with KPMG does not materially interfere with Mr Maxsted s exercise of objective, unfettered or independent judgement, or his ability to act in the best interests of BHP Billiton. The Board has determined, consistent with its policy on the independence of Directors, that Mr Maxsted is independent. The Board notes in particular that:

- at the time of his appointment to the Board, more than three years had elapsed since Mr Maxsted s retirement from KPMG. The Director independence rules and guidelines that apply to the Company which are a combination of Australian, UK and US rules and guidelines all use three years as the benchmark cooling off period for former audit firm partners;

- Mr Maxsted has no financial (e.g. pension, retainer or advisory fee) or consulting arrangements with KPMG;

- Mr Maxsted was not part of the KPMG audit practice after 1980, and while at KPMG was not in any way involved in, or able to influence, any audit activity associated with BHP Billiton.

The Board believes Mr Maxsted s financial acumen and extensive experience in the corporate restructuring field to be important in the discharge of the Board s responsibilities. His membership of the Board and Chairmanship of the Risk and Audit Committee are considered by the Board to be appropriate and desirable.

Some of the Directors hold or have previously held positions in companies with which BHP Billiton has commercial relationships. Those positions and companies are set out in the Director profiles in section 2.2.1. The Board has assessed all of the relationships between the Company and companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors exercise of objective, unfettered or independent judgement or their ability to act in the best interests of the Company.

A specific instance is Malcolm Broomhead, who on 1 January 2016 was appointed Chairman of Orica Limited (a company with which BHP Billiton has commercial dealings). Orica provides commercial explosives, blasting systems and mineral processing chemicals and services to the mining and resources industry, among others. At the time of Mr Broomhead s appointment to the Board of Orica, the BHP Billiton Board assessed the relationship

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between BHP Billiton and Orica and determined (and remains satisfied) that Mr Broomhead is able to apply objective, unfettered and independent judgement and to act in the best interests of BHP Billiton.

Transactions during the year that amounted to related party transactions with Directors or Director-related entities under International Financial Reporting Standards (IFRS) are outlined in note 30 Related party transactions to the Financial Statements.

Executive Director

The Executive Director, Andrew Mackenzie, is not considered independent because of his executive responsibilities. Mr Mackenzie does not hold directorships in any other company included in the ASX 100 or FTSE 100.

Conflicts of interest

The UK Companies Act 2006 requires that BHP Billiton Directors avoid a situation where they have or can have an unauthorised direct or indirect interest that conflicts, or possibly may conflict, with the Company s interests, unless approved by non-interested Directors. In accordance with the UK Companies Act 2006, BHP Billiton Plc s Articles of Association allow the Directors to authorise conflicts and potential conflicts where appropriate. A procedure operates to ensure the disclosure of conflicts and for the consideration and, if appropriate, the authorisation of those conflicts by non-conflicted Directors. The Nomination and Governance Committee supports the Board in this process by reviewing requests from Directors for authorisation of situations of actual or potential conflict and making recommendations to the Board, and by regularly reviewing any situations of actual or potential conflict that have previously been authorised by the Board, and making recommendations regarding whether the authorisation remains appropriate. In addition, in accordance with Australian law, if a situation arises for consideration in which a Director has a material personal interest, the affected Director takes no part in decision-making unless authorised by non-interested Directors. Provisions for Directors interests are set out in the Constitution of BHP Billiton Limited.

2.10 Board evaluation

The Board is committed to transparency in determining Board membership and in assessing the performance of Directors. The Board evaluates its performance through a combination of both internal peer and externally facilitated assessments.

The Board conducts regular evaluations of its performance, the performance of its committees, the Chairman, individual Directors and the governance processes that support the Board s work. The Board evaluation process comprises both assessment and review, as summarised in the diagram below.

The evaluation considers the balance of skills, experience, independence and knowledge of the Company and the Board, its overall diversity including gender, and how the Board works together as a unit.

Directors provide anonymous feedback on their peers performance and individual contributions to the Board, which is passed on to the relevant Director via the Chairman. In respect of the Chairman s performance, feedback

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is provided directly to the Senior Independent Director. External independent advisers are engaged to assist with these processes, as necessary. The involvement of an independent third party has assisted in the evaluation processes being rigorous and fair and ensuring continuous improvement in the operation of the Board and committees, as well as the contributions of individual Directors.

Director evaluation

The evaluation of individual Directors focuses on the contribution of the Director to the work of the Board and the expectations of Directors as specified in the Company s governance framework. The performance of individual Directors is assessed against a range of criteria, including the ability of the Director to:

- focus on creating shareholder value;
- contribute to the development of strategy;
- understand the major risks affecting the Company;
- provide clear direction to management;
- contribute to Board cohesion;
- commit the time required to fulfil the role and perform their responsibilities effectively;
- listen to and respect the ideas of fellow Directors and members of management.

Board effectiveness

The effectiveness of the Board as a whole and of its committees is assessed against the accountabilities set out in the *Board Governance Document* and each committee s terms of reference. Matters considered in evaluations include:

- the effectiveness of discussion and debate at Board and committee meetings;
- the effectiveness of the Board s and committees processes and relationship with management;
- the quality and timeliness of meeting agendas, Board and committee papers and secretariat support;

the composition of the Board and each committee, focusing on the blend of skills, experience, independence and knowledge of the Company and its diversity, including geographic location, nationality and gender.

The process is managed by the Chairman, with feedback on the Chairman s performance being provided to him by the Senior Independent Director. For information on the performance review process for executives, refer to section 2.15.

Evaluations conducted in respect of FY2016

During FY2016, the Board commenced an external Board evaluation, a review of compliance with the *Board Governance Document*, an internal terms of reference review of the committees and an internal evaluation of individual Directors, which supported the review of each Director prior to the Board s recommendation on re-election. All of these evaluations were completed in early FY2017 and have been discussed with the Board.

JCA Group (during FY2016) and Heidrick & Struggles Leadership Assessment (in previous years) have provided services in respect of Director performance assessments. Both companies have also conducted external searches and assisted in the identification of potential candidates for the Board as set out in section 2.13.3. In both cases, the search and assessment services operate independently and neither firm has any other connection with the Company.

Board assessment

The Board evaluation commenced during FY2016 was externally facilitated by JCA Group. The evaluation focused on a range of issues, including Board performance, committee performance, the effectiveness of debate

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and discussion and individual contributions, interaction with the CEO and management, Board succession and composition, Director training and development and ideas for improvement. Feedback was obtained from individual Directors and management. The evaluation, which took place over a period of two months, indicated that the Board is engaged, inclusive and diverse, with effective debate and discussion that achieves a balance between support and challenge. The evaluation also concluded that shareholders are the focus of the Board s deliberations and that Board planning is thorough and processes are rigorous.

The improvements, which will be implemented following the Board evaluation, include enhancements to Director induction, training and development, and the involvement in relevant Board discussions of additional subject matter experts with challenging views.

The review of the Board as a whole also indicated that the Board is continuing to function effectively and in compliance with the *Board Governance Document.*

Director review

As the FY2015 assessment was conducted externally, the FY2016 review of individual Directors was internally facilitated. The overall findings were presented to the Board and discussed. Each Director was provided with feedback on his or her contribution to the Board and its committees. This review supported the Board s decision to endorse all retiring Directors standing for re-election.

Committee terms of reference review

During the year, the terms of reference of each of the committees were reviewed and updated as appropriate. In particular, this was to reflect continued enhancements to ensure the Board, the Company and its systems and processes are right-sized for the simplified BHP Billiton following the demerger of South32. The review also focused on ensuring that the terms of reference describe key responsibilities rather than describing how work is undertaken. Other objectives of the review included ensuring that recent regulatory and governance developments are reflected, improving readability and removing repetition. An internal review was then conducted to confirm continued compliance with each committee s respective terms of reference.

2.11 Board meetings and attendance

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Company to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the reporting year, the Board met 14 times, with 11 of those meetings held in Australia, two in the United Kingdom and one in the United States. Regularly scheduled Board meetings generally run over two days (including committee meetings and Director training and development sessions).

Members of the ELT and other members of senior management attended meetings of the Board by invitation. Senior managers delivered presentations on the status and performance of our assets and matters reserved for the Board, including the approval of budgets, annual Financial Statements and strategy.

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Attendance at Board and standing Board committee meetings during FY2016 is set out in the table below.

	Board		Risk and Audit		Nomination and Governance		Remuneration		Sustainability	
	A	B	A	B	A	B	A	B	A	B
Malcolm Brinded	14	14					1	1	5	5
Malcolm Broomhead	14	14	10	10					5	5
Carlos Cordeiro	7	7					2	2		
Pat Davies	14	14					5	5	5	5
Anita Frew	11	11	3	3						
Carolyn Hewson	14	14					5	5		
Andrew Mackenzie	14	14								
Lindsay Maxsted	14	13	10	10						
Wayne Murdy	14	13	10	10						
Jac Nasser	14	14			4	4				
John Schubert	14	14			4	4			5	5
Shriti Vadera	14	14	3	3	3	3	5	5		

Column A: indicates the number of scheduled and ad-hoc meetings held during the period the Director was a member of the Board and/or committee.

Column B: indicates the number of scheduled and ad-hoc meetings attended by the Director during the period the Director was a member of the Board and/or committee.

2.12 Director re-election

The Board adopted a policy in 2011, consistent with the UK Corporate Governance Code, under which all Directors must seek re-election by shareholders annually if they wish to remain on the Board. The Board believes annual re-election promotes and supports accountability to shareholders. The combined voting outcome of the BHP Billiton Plc and BHP Billiton Limited 2015 AGMs was that each Director received more than 98.9 per cent in support of their re-election.

Board support for re-election is not automatic. Directors who are seeking re-election are subject to a performance appraisal overseen by the Nomination and Governance Committee. Annual re-election effectively means all Directors are subject to a performance appraisal annually. The Board, on the recommendation of the Nomination and Governance Committee, makes a determination as to whether it will endorse a retiring Director for re-election. The Board will not endorse a Director for re-election if his or her performance is not considered satisfactory. The Notice of Meeting will provide information that is material to a shareholder s decision whether or not to re-elect a Director, including whether or not re-election is supported by the Board.

BHP Billiton does not apply or implement a no vacancy rule in relation to Board appointments. Accordingly, Director candidates can be elected to the Board by ordinary resolution and are not required to out-poll an incumbent Director in order to be elected.

2.13 Board committees

The Board has established committees to assist it in exercising its authority, including monitoring the performance of the Company to gain assurance that progress is being made towards the corporate purpose within the limits imposed by the Board.

Each of the permanent committees has terms of reference under which authority is delegated by the Board.

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Group Goverance provides secretariat services for each of the committees. Committee meeting agendas, papers and minutes are made available to all members of the Board. Subject to appropriate controls and the overriding scrutiny of the Board, committee chairmen are free to use whatever resources they consider necessary to discharge their responsibilities.

Reports from each of the committees follow.

The terms of reference for each committee are available online at

www.bhpbilliton.com/home/aboutus/ourcompany/Pages/governance.aspx.

2.13.1 Risk and Audit Committee Report

Role and focus

The role of the Risk and Audit Committee (RAC) is to assist the Board in monitoring the decisions and actions of the CEO and the Company and to gain assurance that progress is being made towards achieving the corporate purpose within the limits imposed by the Board, as set out in the *Board Governance Document.*

The RAC discharges its responsibilities by overseeing:

- the integrity of the Company s Financial Statements;
- the appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the audit process as a whole;
- the plans, performance, objectivity and leadership of the internal audit function and the integrity of the internal audit process as a whole;
- the effectiveness of the systems of internal controls and risk management;
- the Company s systems for compliance with applicable legal and regulatory requirements within the RAC s area of responsibility;
- capital management (funding, liquidity, balance sheet management, dividends).

For more information about our approach to risk management, refer to sections 1.9.1 and 2.14.

The RAC met 10 times during the year. Information on meeting attendance by Committee members is included in the table in section 2.11 and information on Committee members qualifications is set out in section 2.2.1.

In addition to the regular business of the year, the Committee discussed matters including cyber security, the hybrid debt issue and changes to the UK Corporate Governance Code, including the requirement for a viability statement in the Annual Report and the obligations surrounding the robust risk assessment. The viability statement and the Board s confirmation that it has carried out a robust risk assessment are at section 1.9.1. Statements follow relating to tendering of the external audit contract, significant matters relating to the Financial Statements and the process for evaluating the external audit. In addition to those items of business, the RAC spent significant time dealing with matters relating to Samarco. For more information on Samarco, refer to section 1.4.

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Risk and Audit Committee members during the year

Name	Status
Lindsay Maxsted (Chairman) [1]	Member for whole period
Malcolm Broomhead	Member for whole period
Anita Frew	Member from 3 February 2016
Wayne Murdy	Member for whole period
Shriti Vadera	Member until 30 September 2015

(1) Mr Maxsted is the Committee s financial expert nominated by the Board.

Business Risk and Audit Committees

To assist management in providing the information necessary to allow the RAC to discharge its responsibilities, Business Risk and Audit Committees have been established, covering each asset group and Treasury. These committees, known as Business RACs, operate as committees of management but are chaired by members of the RAC. The responsible member of the ELT participates in these meetings. Business RACs perform an important monitoring function in the overall governance of the Company.

Significant financial and risk matters raised at Business RAC meetings are reported to the RAC by the Group Financial Controller and the Head of Group Risk Assessment and Assurance.

Activities undertaken during the year

Fair, balanced and understandable

Directors are required to confirm that they consider the Annual Report, taken as a whole, to be fair, balanced and understandable. They are required to provide the information necessary for shareholders to assess the Company s position, performance, business model and strategy.

The Company has a substantial governance framework in place for the Annual Report. This includes management representation letters, certifications, RAC oversight of the Financial Statements and a range of other financial governance procedures focused on the financial section of the Annual Report, together with verification procedures for the narrative reporting section of the Report.

The RAC advises the Board on whether the Annual Report meets the fair, balanced and understandable requirement. The process to support the giving of this confirmation involved the following:

- ensuring all individuals involved in the preparation of any part of the Annual Report are briefed on the fair, balanced and understandable requirement through training sessions for each content manager that detail the key attributes of fair, balanced and understandable ;

employees who have been closely involved in the preparation of the Financial Statements review the entire narrative for the fair, balanced and understandable requirement, and sign off an appropriate sub-certification;

key members of the team preparing the Annual Report confirm they have taken the fair, balanced and understandable requirement into account and that they have raised, with the Annual Report project team, any concerns they have in relation to meeting this requirement;

the Annual Report suite sub-certification incorporates a fair, balanced and understandable declaration;

in relation to the requirement for the auditor to review parts of the narrative report for consistency with the audited Financial Statements, asking the External Auditor to raise any issues of inconsistency at an early stage.

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As a result of the process outlined above, the RAC, and then the Directors, were able to confirm their view that BHP Billiton s Annual Report 2016 taken as a whole is fair, balanced and understandable. For the Board s statement on the Annual Report, refer to the Directors Report in section 4.

Integrity of Financial Statements

In addition to the assurance process above, the RAC continues to assist the Board in assuring the integrity of the Financial Statements. The RAC evaluates and makes recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgement, compliance with Accounting Standards, stock exchange and legal requirements and the results of the external audit. It reviews the half-yearly and annual Financial Statements and makes recommendations on specific actions or decisions (including formal adoption of the Financial Statements and reports) the Board should consider in order to maintain the integrity of the Financial Statements.

For the FY2016 full year and the half year, the CEO and CFO have certified that the Company s financial records have been properly managed and that the FY2016 Financial Statements present a true and fair view, in all material respects, of our financial condition and operating results and are in accordance with applicable regulatory requirements.

Significant issues

In addition to the Group s key judgements and estimates disclosed throughout the FY2016 Financial Statements, the Committee also considered the following significant issues:

Samarco dam failure

On 5 November 2015, the Samarco Mineração S.A. (Samarco) iron ore operation in Minas Gerais, Brazil experienced a tailings dam failure that resulted in a release of mine tailings, flooding the community of Bento Rodrigues and impacting other communities downstream. Samarco is jointly owned by BHP Billiton Brasil Ltda (BHP Billiton Brasil) and Vale S.A. (Vale). BHP Billiton Brasil s 50 per cent interest in Samarco is accounted for as an equity accounted joint venture investment.

Samarco s provisions and contingent liabilities

The Committee reviewed matters relating to the dam failure reported by Samarco in its 31 December 2015 Annual Report and updates to these matters to 30 June 2016. BHP Billiton Brasil s 50 per cent share of the loss recorded by Samarco was subsequently recognised and disclosed in the Group s Financial Statements.

Potential direct financial impacts to BHP Billiton Brasil

The Committee considered:

- the recoverability of BHP Billiton Brasil s remaining equity investment in Samarco;

- the accounting implications of funding requested by Samarco to support activities under the Framework Agreement, carry out remediation and stabilisation work and support Samarco s operations;

the ability to determine a range of possible outcomes or a reliable estimate of existing and potential future exposures of BHP Billiton Brasil or other BHP Billiton entities;

legal assessments underpinning, and IFRS basis of, the provisions recognised and contingent liabilities disclosed in respect of existing and potential future claims against BHP Billiton Brasil or other BHP Billiton entities;

the impact of the dam failure on previously recognised deferred tax assets and liabilities.

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Based on currently available information, the Committee concluded that the accounting for the equity investment in Samarco (including an impairment charge made after consideration of, among other things, the uncertainties surrounding the nature and timing of ongoing future operations), the provision recognised by BHP Billiton Brasil, the treatment of deferred tax balances and contingent liabilities disclosed in the Group s Financial Statements were appropriate.

For further information, refer to note 3 Significant events Samarco dam failure to the Financial Statements.

Carrying value of long-term assets

The assessment of carrying values of long-term assets uses a number of significant judgements and estimates.

The Committee compared the carrying value of the Onshore US petroleum assets, including goodwill, to internal valuations and concluded that an impairment charge was appropriate. Specific consideration was given to the most recent short, medium and long-term prices, geological complexity, expected production volumes and mix, amended development plans, operating and capital costs and discount rates.

The Committee examined the carrying value of BHP Billiton s 75 per cent interest in the IndoMet Coal Project in Indonesia in light of the conditional sale agreement reached with its equity partner PT Alam Tri Abadi (Adaro) and concluded that an impairment charge was appropriate.

Conclusions from these reviews are reflected in note 12 Impairment of non-current assets to the Financial Statements.

Tax and royalty liabilities

The Group is subject to a range of tax and royalty matters across many jurisdictions. The Committee considered updates on changes to the wider tax landscape, estimates and judgements supporting the measurement and disclosure of tax and royalty provisions and contingent liabilities, including the following:

- tax risks arising from the Group s cross-border operations and transactions, including transfer pricing estimates impacting taxes payable in various jurisdictions, including disputed assessments issued by the Australian Tax Office;