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Currency of presentation

The BHP Billiton Group publishes its consolidated financial statements in US dollars in both the United Kingdom and Australia.

B. Capitalisation and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Fluctuations in commodity prices may negatively impact the BHP Billiton Group's results

The prices we obtain for our oil, gas, minerals and other commodities are determined by, or linked to, prices in world markets, which have historically been subject to substantial variations because of fluctuations in supply and demand. We expect that volatility in prices for most of our commodities will continue for the foreseeable future. This volatility creates the risk that our operating results will be materially and adversely affected by unforeseen declines in the prevailing prices of our products.

Our profits may be negatively affected by currency exchange rate fluctuations

Our assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which we operate. Fluctuations in the exchange rate of those currencies may have a significant impact on our financial results. The US dollar is the currency in which the majority of our sales are denominated. Operating costs are influenced by the currencies of those countries where our mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian dollar, South African rand and US dollar are the most important currencies influencing our operating costs. Given the dominant role of the US currency in our affairs, the US dollar is the currency in which the BHP Billiton Group measures its financial performance. It is also the natural currency for borrowing and for holding surplus cash. An exception to this is our net borrowings denominated in South African rand, which at 30 June 2004 were approximately 4% of our net debt on a UK GAAP basis. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. We may consider currency protection measures appropriate in specific commercial circumstances, subject to strict limits established by our Boards. Therefore, in any particular year, currency fluctuations may have a significant impact on our financial results.

Our gains or losses due to legacy foreign currency hedging amounted to gains of US$39 million, losses of US$86 million, and losses of US$305 million in the years ended 30 June 2004, 2003 and 2002, respectively. These legacy hedge contracts expired during the year. Our gains and losses on restatement of non US dollar net monetary liabilities were losses of US$278 million, losses of US$380 million and gains of US$180 million in the years ended 30 June 2004, 2003 and 2002, respectively.

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

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

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

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

Compliance with health, safety and environment regulations may impose burdensome costs and if compliance is not achieved our reputation may be detrimentally impacted

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

The December 1997 Kyoto Protocol established a set of emission targets for developed countries that have ratified the Protocol. It is uncertain at this stage how the Kyoto Protocol will affect our operations and our customers. There is a risk that the Kyoto Protocol may negatively impact our operations and our financial results.

We may also be exposed to increased operational costs due to the costs and lost worker’s time associated with the HIV/AIDS infection rate of our Southern African workforce.

The European Registration, Evaluation and Authorisation of Chemicals (REACH)-system is anticipated to commence operation in 2006. REACH will require manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be used without negatively affecting health or the environment. The extent to which our operations and customers are impacted by these changes is not yet clear. These compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs could negatively affect our financial results.

Given the nature of our operations and some of the harsh and difficult conditions in which we operate there remains a risk that, despite our best efforts and best intentions, health, safety and/or environmental incidents or accidents may occur which may negatively impact our reputation and freedom or licence to operate.

Land tenure disputes may negatively impact the BHP Billiton Group’s operations

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

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

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

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

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

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

We also could be adversely affected by regulatory inquiries into our business practices, such as the ongoing investigation of the copper concentrate market by the European Commission and the US and Canadian authorities.

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

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

We may not be able to integrate successfully our acquired businesses

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

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

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

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

The Chinese market has become a significant source of global growth for basic commodities. China now represents in excess of 29% of global seaborne iron ore demand, 20% of copper and alumina, 12% of nickel and 7% of oil demand. Chinese demand for these commodities on average approximately doubled from 7% of global demand to 15% between 1990 and 2000 and has continued to grow.

Whilst this increase represents a significant business opportunity, our exposure to China's economic fortunes and economic policies has increased.

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

Shortages of skilled labour could negatively impact our operations and expansion plans

The strong commodity cycle and large numbers of projects being developed in the industry has increased demand for skilled workers. If sufficient skills cannot be developed or acquired this may adversely affect the development of new projects, the expansion of existing operations or the results of those operations.

Our costs may increase due to inflationary pressures

Shortages of skilled labour, contractors, materials and supplies and increased demands of unions and governments in the context of high growth levels in the resources industry could potentially lead to increases in costs. Such cost increases could negatively impact our results, financial condition and prospects.