



Capital Gains Tax (“CGT”) Cost Base of BHP Billiton Limited and BHP Steel Limited shares

The intention of the following is to provide general tax information (updated as at 28 October 2002) to Australian BHP Billiton and BHP Steel Shareholders who have acquired BHP Steel Shares in association with the demerger of BHP Steel from BHP Billiton:

- (1) through the sales facility; or
- (2) on a one for five basis as a result of owning shares in BHP Billiton Limited.

The following information does not consider the particular circumstances of individual shareholders. Accordingly, shareholders should consult their taxation advisers and not rely solely on the following information.

(1) CGT cost base of BHP Steel Shares acquired through the Sales Facility

As the BHP Steel Shares were acquired in July 2002, they will fall within the Australian CGT regime. The cost base of the BHP Steel Shares acquired through the sales facility will be \$2.80 per share, being the price you paid for them.

(2) CGT Cost Base of BHP Billiton Limited and BHP Steel Limited Shares

New tax demergers legislation, which has effect from 1 July 2002, has become law. Shareholders do not have a choice between applying the cost base rules under the previous tax rules (as outlined in Part 7.2.4 of the Scheme Booklet) and the new cost base allocation rules, which have come into effect and apply from 1 July 2002. Under the demergers legislation, only the new rules will apply to BHP Billiton’s demerger of BHP Steel as the transaction was executed post 1 July 2002.

The new cost base allocation method under the demergers legislation results in a cost base allocation percentage of 94.937% remaining in the BHP Billiton Shares and 5.063% going towards the BHP Steel Shares. It is outlined in more detail below in updated extracts of the Scheme Booklet. We note that the comments in the Scheme Booklet which outline the current law are no longer relevant [i.e. paragraph 7.2.2 to 7.2.5].

“7.2.7 (c) Cost Base of BHP Billiton Limited Shares – application of demerger rules

The application of the demerger rules impacts the determination of the cost base of both BHP Billiton Limited Shares and BHP Steel Shares. Accordingly, its impact should be understood before making any decision regarding these shares.

For BHP Billiton Limited Shareholders who acquired BHP Billiton Limited Shares before 20 September 1985, those BHP Billiton Limited Shares will continue to remain outside the Australian CGT regime.

For BHP Billiton Limited Shareholders who acquired (or are deemed to have acquired) BHP Billiton Shares on or after 20 September 1985, the cost base (indexed up to the September 1999 quarter if appropriate) of those BHP Billiton Limited Shares for Australian CGT purposes will change. Generally, it will be reduced by the amount of the cost base allocated to their BHP Steel Shares. It is considered that BHP Steel represented 5.063% of the market value of the entire BHP Billiton Limited group, based on the 2 July 2002 trading in BHP Billiton Limited Shares on a cum and ex BHP Steel basis as required by the Australian Stock Exchange in order to determine a market based adjustment to the strike price of exchange traded options. Accordingly, the reduction will be 5.063% of the cost base of each BHP Billiton Share.

For example, if a shareholder acquired a BHP Billiton Limited Share for \$8.00, the cost base of each BHP Billiton Share will decrease by 40.5 cents to \$7.595 (i.e. 5.063% x \$8.00).

7.2.7 (d) Cost base of BHP Steel Shares - application of demerger rules

The application of the demerger rules impacts the determination of the cost base of both BHP Billiton Limited Shares and BHP Steel Shares. Accordingly, its impact should be understood before making any decision regarding these shares.

For those BHP Billiton Limited Shareholders who acquired BHP Billiton Limited Shares before 20 September 1985, BHP Steel Shares acquired in connection with these BHP Billiton Limited Shares will also be considered to have been acquired before 20 September 1985 and will remain outside the Australian CGT regime.

For those BHP Billiton Limited Shareholders who acquired their BHP Billiton Limited Shares on or after 20 September 1985, their BHP Steel Shares will fall within the Australian CGT regime. The BHP Steel Shares will be deemed to have been acquired at the same time the underlying BHP Billiton Limited Shares were acquired. Generally, the cost base for Australian CGT purposes of the BHP Steel Shares acquired under the Scheme will be determined using the proportion that the relative market value of the BHP Steel business bears to the market value of the BHP Billiton Limited group as a whole (including BHP Steel). It is considered that BHP Steel represented 5.063% of the market value of the entire BHP Billiton Limited group, based on the 2 July 2002 trading in BHP Billiton Limited shares on a cum and ex BHP Steel basis as required by the Australian Stock Exchange in order to determine a market based adjustment to the strike price of exchange traded options.

For example, if a shareholder acquired a BHP Billiton Limited Share for \$8.00, the cost base of the BHP Steel Share received under the Scheme for every five BHP Billiton Limited Shares will be \$2.025 (i.e. $5.063\% \times \$8.00 \times 5$.)”