



Certain U.S. Federal Income Tax Consequences of the Demerger of BHP Steel Ltd

The following is a discussion of certain U.S. federal income tax consequences to "U.S. holders" (as defined below) relating to the distribution of shares of BHP Steel Ltd pursuant to the demerger of BHP Steel Ltd as described in the Scheme Booklet of BHP Billiton Ltd dated May 13, 2002. This discussion and the worksheet that follows apply only to U.S. holders that hold BHP Billiton Ltd shares or ADSs as capital assets and do not apply to U.S. holders that are subject to special rules, such as U.S. holders that hold BHP Billiton Ltd shares or ADSs as part of a straddle or a hedging or conversion transaction.

This discussion and the worksheet that follows are based on the discussion set forth in Part 7.3 of the Scheme Booklet, entitled "US Resident BHP Billiton Ltd Shareholders".

This discussion and worksheet, and the discussion set forth in Part 7.3 of the Scheme Booklet, were provided by Sullivan & Cromwell, our U.S. tax counsel. This discussion and the worksheet that follows are subject to all of the qualifications and assumptions set forth in (and should be read in conjunction with) Part 7.3 of the Scheme Booklet. In addition, this discussion and the worksheet that follows were prepared on October 17, 2002 and therefore do not reflect any actual or proposed changes in law or any other developments occurring after that date.

The information provided herein does not constitute tax advice. U.S. holders are urged to consult their own tax advisers as to the U.S. federal, as well as the U.S. state and local and foreign tax consequences of the demerger to them in their particular circumstances.

You are a "U.S. holder" if you are a beneficial owner of fully paid BHP Billiton Ltd shares or ADSs and you are (i) a citizen or resident of the United States, (ii) a domestic corporation, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

General. Because the number of BHP Steel Ltd shares sold in the sale facility (including the shares sold by BHP Billiton Ltd) was not greater than 20% of the total number of BHP Steel Ltd shares on issue, a U.S. holder should not (and the remainder of this discussion assumes that a U.S. holder will not) recognize income or gain on the actual or constructive receipt of BHP Steel Ltd shares pursuant to the demerger.

If you are a U.S. holder (other than a "Selling Shareholder" as described below), you must allocate a portion of your tax basis in BHP Billiton Ltd shares or ADSs to the shares of BHP Steel Ltd that you were entitled to receive in the spin-out (even though you may not have actually received shares of BHP Steel Ltd and instead received a payment of cash from the Depository). This allocation is made in proportion to the relative fair market values of BHP Billiton Ltd shares or ADSs and BHP Steel Ltd shares on the date the BHP Steel Ltd shares were distributed. The worksheet that follows sets forth the applicable allocation percentages, using the fair market value

of each of the BHP Billiton Ltd shares, the BHP Billiton Ltd ADSs and the BHP Steel Ltd shares (in each case, on the date of the distribution of BHP Steel Ltd shares) computed as the average of the highest and lowest quoted selling prices on such date on the Australian Stock Exchange (in the case of BHP Billiton Ltd shares or BHP Steel Ltd shares) or on the New York Stock Exchange (in the case of BHP Billiton Ltd ADSs). Against this background, given different ASX and NYSE pricing quotations for the date of distribution, slightly different allocation percentages arise for the BHP Billiton Ltd ADSs compared to the BHP Billiton Ltd shares. You should be aware, however, that there is no definitive guidance under existing U.S. federal income tax law as to how fair market value should be determined for this purpose.

Your holding period for BHP Steel Ltd shares will include your holding period for the BHP Billiton Ltd shares or ADSs on which the BHP Steel shares were distributed.

U.S. Holders of ADSs Who Received Cash from the Depository. JP Morgan Chase Bank (the "Depository") has informed us that with respect to certain US holders of BHP Billiton Ltd ADSs, the BHP Steel Ltd shares that would have otherwise been distributed to such holders were instead sold on the Australian Stock Exchange ("ASX"). Rather than receiving BHP Steel Ltd shares, these holders received a payment from the Depository of the net proceeds from the sale of those shares. If you are one of these holders, you will be deemed, for U.S. federal income tax purposes, to have received the BHP Steel Ltd shares that were sold on your behalf. Although, based on the discussion above under "General", you will not recognize income or gain on the constructive receipt of BHP Steel Ltd shares, you will recognize capital gain or loss on the sale of those shares by the Depository in an amount equal to the difference between the U.S. dollar value of the net proceeds received and your U.S. dollar tax basis in those shares.

Selling Shareholders. If you are a U.S. holder that elected to sell the BHP Steel Ltd shares to which you were entitled through the sale facility (a "Selling Shareholder"), you will be treated as receiving a taxable distribution equal to the US dollar value of the proceeds you received from the sale of those shares through the sale facility. The distribution will be treated as a dividend to the extent of your share of BHP Billiton Ltd's current and accumulated earnings and profits (as determined in accordance with US federal income tax principles), and any excess will be treated as a non-taxable return of capital to the extent of your basis in BHP Billiton Ltd shares and thereafter as capital gain. It is anticipated (and the worksheet that follows assumes) that the entire amount of the distribution will be treated as a dividend and therefore subject to tax as ordinary income at rates of up to 38.6% for Selling Shareholders that are non-corporate U.S. holders.

BHP STEEL DEMERGER – TAX INFORMATION WORKSHEET

This worksheet illustrates certain US federal income tax consequences of the demerger to U.S. holders (as defined above). The statements and examples set forth below are subject to the qualifications and assumptions contained in the preceding discussion and in Section 7.3 of the Scheme Booklet.

The examples below are provided for illustrative purposes only, are based upon hypothetical facts and do not represent tax advice. The consequences to any specific U.S. holder may differ from those set forth below as a result of the holder’s particular tax situation or the particular facts applicable to that holder. U.S. holders are urged to consult their own tax advisors as to the particular consequences to them of the demerger, including the applicability and effect of any state, local and foreign tax laws.

Column A	Column B	Column C
<p>BHP Steel Ltd Shares Received</p> <p>(Use this column if you are a U.S. holder who actually received BHP Steel Ltd shares in the demerger)</p>	<p>Cash Received from Sale of BHP Steel Ltd Shares on ASX</p> <p>(Use this column if you are a U.S. holder who did not actually receive BHP Steel Ltd shares and instead received a cash payment from the depository relating to the sale by the depository on ASX of the BHP Steel Ltd shares to which you were entitled)</p>	<p>Cash Received from Sale of BHP Steel Ltd Shares through Sale Facility</p> <p>(Use this column if you are a U.S. holder who elected to sell the BHP Steel Ltd shares to which you were entitled through the sale facility)</p>
<p><u>Receipt of shares is tax-free</u></p> <p>No income or gain recognized by U.S. holders on the receipt of BHP Steel Ltd shares.</p>	<p><u>Deemed receipt of shares is tax-free; sale taxable</u></p> <p>U.S. holders treated as having received BHP Steel Ltd shares to which they were entitled.</p> <p>No income or gain recognized by U.S. holders on the deemed receipt of BHP Steel Ltd shares.</p> <p>Capital gain/(loss) = net proceeds less basis allocated to BHP Steel Ltd shares (see below for calculation of basis).</p>	<p>Receipt of cash treated as taxable dividend</p> <p>U.S. holders treated as having received a taxable dividend in the amount equal to the US dollar value of the proceeds received by the holder.</p>

<p><u>Allocation of Tax Basis:</u></p> <p>A U.S. holder's tax basis in BHP Billiton Ltd shares or ADSs, determined immediately before the distribution of BHP Steel Ltd shares, would be allocated in the following proportions:</p> <p><u>Shareholders:</u></p> <p>(1) 94.5051% to BHP Billiton Ltd Shares; (2) 5.4949% to BHP Steel Ltd Shares.</p> <p><u>ADS Holders:</u></p> <p>(1) 94.4502% to BHP Billiton Ltd ADSs; (2) 5.5498% to BHP Steel Ltd Shares.</p>	<p><u>Allocation of Tax Basis:</u></p> <p>Same as for U.S. holders that actually receive BHP Steel shares – refer to Column A.</p>	<p><u>Allocation of Tax Basis:</u></p> <p>N/A – a U.S. holder's basis in BHP Billiton Ltd shares or ADSs will not change as a result of the sale of BHP Steel shares through the sale facility.</p>
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Column A**Column B****Column C****Example 1**

U.S. Holder ("A") owns 200 BHP Billiton Ltd shares and has a basis in those shares of US\$1,000. Pursuant to the demerger, A receives 40 BHP Steel Ltd shares (1 BHP Steel share for every 5 BHP Billiton Ltd shares held).

A's basis in the BHP Billiton Ltd. shares and BHP Steel Ltd shares would be allocated as follows:

Basis in BHP Billiton Ltd shares = $US\$1,000 \times 94.5051\% = US\945.05

Basis in BHP Steel Ltd shares = $US\$1,000 \times 5.4949\% = US\54.95

Example 2

U.S. Holder ("B") owns 100 BHP Billiton Ltd ADSs. B's basis in the ADSs is US\$1,000. Pursuant to the demerger, B receives 40 BHP Steel Ltd shares (2 BHP Steel Ltd shares for every 5 BHP Billiton Ltd ADSs held).

B's basis in the BHP Billiton Ltd shares and BHP Steel Ltd shares would be allocated as follows:

Basis in BHP Billiton Ltd. ADSs = $US\$1,000 \times 94.4502\% = US\944.50

Basis in BHP Steel Ltd shares = $US\$1,000 \times 5.5498\% = US\55.50

Example 3

Same facts as in Example 2, except that the depository sells the BHP Steel Ltd shares on ASX. Instead of receiving BHP Steel Ltd shares, B receives a payment from the depository of the net proceeds of the sale on ASX. Assume the net proceeds of the sale are US\$62.80.

B's basis in the BHP Billiton Ltd shares and the BHP Steel Ltd shares equals \$944.50 and \$55.50, respectively, the same as in Example 2. B's capital gain on the sale of the BHP Steel Ltd shares is:

$US\$62.80 \text{ less } \$55.50 = US\$7.30.$

Example 4

U.S. holder ("C") owns 200 BHP Billiton Ltd shares and has a basis in those shares of US\$1,000. C elects to sell all of the shares through the sale facility. Assume C receives net proceeds from the sale of the shares through the sale facility of \$62.40.

C has taxable dividend income of US\$62.40. C's basis in its BHP Billiton Ltd shares remains US\$1,000.