

BHP BILLITON POLICY

Subject: Provision of Audit and Other Services by the External Auditor
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Approval: Risk and Audit Committee

BHP Billiton's policy for the engagement by Group entities of the external auditor for Audit services and services other than external audits is as follows:

1. PROHIBITION OF SPECIFIC SERVICES

The external auditor must not provide services that have the potential to impair or appear to impair the independence of their audit role. Generally, these include services where the external auditor:

- Participates in activities that are normally undertaken by management;
- Is remunerated by way of success fees, contingent fees or commissions;
- Acts in an advocacy role for BHP Billiton; or
- May be required to audit their own work.

The concepts of independence and integrity are more a state of mind and as such are not conducive to prescription by detailed rules. However, specific services that must not be provided by the external auditor are defined in Appendix 1.0 - Prohibited external auditor services.

2. THE PROVISION OF OTHER SERVICES

In addition to audit services, the external auditor will be permitted to provide other (non-audit) services that are not, and are not perceived to be, in conflict with the role of the external auditor, subject to the authorisation process outlined below. Section 3 describes the categories of services that are permitted under this policy.

This policy does not imply that the external auditor has a preferred supplier status for the provision of other services. Any significant engagements for other services are subject to procurement procedures in accordance with STA.021 Supply "Source to Contract" Management Standard. Due to the potential consequences of a breach of independence of the external auditor (forced disqualification in the provision of an external audit opinion), the external auditor should be appointed for other service engagements only when they must or are best suited to undertake the work and do not have a conflict of interest due to a relationship with another client.

Notwithstanding the approval for the external auditor to provide an Other Service (whether pre-approved under this policy or specifically approved by the Risk and Audit Committee), the auditor must furnish their opinion that provision of the service will not impair their independence. This opinion must be in writing and state that it has been approved by the appropriate authority within the audit firm (such as the principal engagement partner, or where significant in value or unclear, the firm's Auditor Independence Panel or SEC Practice Division).

While not specifically prohibited by this policy, any proposed non-audit engagement of the external auditor relating to internal control (such as a review of internal controls or assistance with implementing the regulatory requirements of the Sarbanes-Oxley Act) must obtain specific prior approval by the Risk and Audit Committee. With the exception of the external audit of the Group financial report, any engagement identified in the attached schedules that contains an internal control-related element is not considered to be pre-approved.

In addition, whilst the other services prescribed below are pre-approved services, the use of the external auditor to perform such services shall always be subject to the over-riding governance practices of BHP Billiton articulated in Section 1.

3. AUDIT AND OTHER SERVICES THAT ARE PRE-APPROVED

In accordance with the requirements of the US Sarbanes Oxley Act and guidance contained in PCAOB Release 2004-001, the specific services prescribed in the attached schedules (Schedule A through to Schedule D) have been "pre-approved" by the Risk and Audit Committee. Each of these services fall within broader categories of services described below. Services not listed specifically in the Schedules are not "pre-approved". In application of this policy, any proposed engagement type that is not specifically identified in the Schedules or that calls on management to exercise judgement as to whether it is covered by services prescribed in the Schedules, is not considered to be pre-approved. The Risk and Audit Committee must approve (prior to engagement of the auditor) all services that are not "pre-approved", regardless of the dollar value involved.

The "pre-approved" services specifically identified in Schedules A, B, C and D are categorised as follows:

Schedule A. Audit services – This is work that constitutes the agreed scope of the statutory audit (including interim reviews or audits) of the Group consolidated financial report and the financial reports of all subsidiaries and affiliates of the Group.

The Risk and Audit Committee will monitor the Audit services engagements and approve, if necessary, any changes in terms and conditions resulting from changes in audit scope, Group structure or other relevant events.

Schedule B. Audit-related/assurance services – This is work that is outside the required scope of a statutory audit, but is consistent with the role of the external statutory auditor. This category includes work that is reasonably related to the performance of an audit or review and is a logical extension of the audit or review scope, is of an assurance or compliance nature and is work that the auditors must or are best placed to undertake.

Schedule C. Tax services – Work of a tax nature that does not compromise the independence of the external auditor. Items of such work are typically confined to compliance related services and must not extend to services involving the tax-related investments or transactions.

Schedule D. Other services – Work of an advisory nature that does not compromise the independence of the external auditor. Items of such work are typically confined to risk management, funding or investigative advisory services.

4. APPROVAL PROCESS FOR ENGAGEMENTS FOR NON-AUDIT SERVICES

The process for approving the engagement of the external auditors for non-audit services is described in detail in the prescribed Management Procedure and covers both pre-approved activities and activities which have not been pre-approved. This Management Procedure has been distributed throughout BHP Billiton and is maintained on the Group portal. Confirmation of adherence to this procedure is required in the annual Representation Letter as described in PRO.xxx Financial Governance Procedure.

Tax services

With respect to permitted tax services, all approvals by Management or the Risk and Audit Committee require:

- An engagement letter from the external auditor setting out:
 - The scope of the service, the fee structure and details of any side letter or other amendment to the engagement letter (whether oral, written or otherwise) between the external auditor and the Group entity.
 - Any compensation arrangement or other agreement between the external auditor and any other party with respect to the promoting, marketing or recommending of a transaction covered by the service.
- Documentation of Management or Risk and Audit Committee deliberations concerning the potential effects of the services on the external auditor's independence.

All services

Notwithstanding a service being pre-approved under this policy, the Group has established monetary approval thresholds that require specific approval of engagements by the Risk and Audit Committee or the Group Financial Controller. Management is not permitted to pre-approve the authorities required to be obtained under this policy. The table below sets out the approvals required.

| Engagement | Approval Required | | | |
|-----------------------------------------------------------------------------|-------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------|
| | Prior approval from RAC | Prior approval from Group Financial Controller | Prior approval by Direct Report to GMC Member, CSG President or other Direct Report to CEO | Details reported quarterly to RAC |
| Any engagement > US\$100,000 | ✓ | | | ✓ |
| Pre-approved by this policy and between US\$20,000 and US\$100,000 | | ✓ | | ✓ |
| Pre-approved by this policy and < US\$20,000 | | | ✓ | ✓ |
| Activities not specifically pre-approved in this policy (regardless of fee) | ✓ | | | ✓ |

5. DISCLOSURE OF NATURE AND COST OF NON-AUDIT SERVICES

BHP Billiton is required to disclose details of fees paid to Group auditors according to the nature of services rendered. Details of fees paid to the external auditor must be disclosed in the Group financial report in accordance with applicable laws and regulations described in STA.040 Financial Reporting Standard.

6. INDEPENDENCE STATEMENT BY THE DIRECTORS

The Australian Corporations Law requires a statement by the Directors that they are satisfied that the non-audit services provided by the external auditors does not compromise auditor independence.

Factors that the Directors should consider in making this statement include:

- The level of fees paid for the provision of non-audit services, as a proportion of total fees paid to the external auditor;
- Whether the compensation of the individuals employed by the external auditor who are performing the audit of BHP Billiton is tied to the provision of non-audit services and, if so, whether this impairs or appears to impair the external auditor's judgment or independence;
- Whether the individuals performing the audit would also be involved in providing the non-audit services; and
- Whether the audit fees are sufficient to adequately compensate the auditors or whether the audit fees are at a level that could increase the need for the auditor to perform non-audit services to make the external audit commercially viable.

In forming their view, the Directors should also have regard to the Independence Declaration required to be provided by the external auditor. That declaration is required to identify whether there have been any contraventions of auditor independence requirements.

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7. EXCEPTIONS TO THE POLICY

An exception can be made to the above policy where such an exception is in the interests of BHP Billiton and appropriate arrangements are put in place to ensure the integrity and independence of the external auditor. Any such exception requires the specific prior approval of the Risk and Audit Committee and must be reported to the Board.

8. DEFINITION OF KEY TERMS USED IN THIS POLICY

| | |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Group | Refers to the Group comprising BHP Billiton Limited and BHP Billiton Plc and all controlled entities included in the combined DLC financial report |
| Company | Refers to either or both BHP Billiton Limited and BHP Billiton Plc |
| Subsidiary | Refers to any controlled entity of the Group included in the combined DLC financial report |
| Affiliate | Refers to any entity over which the Group (or any Group entity) has significant influence or joint control (as defined in the Group Accounting Policy Manual) |
| External auditor | Refers to each auditor and audit firm engaged to conduct the external statutory audit of the financial reports of the Company and the Group in accordance with the companies and securities legislation of Australia, the United Kingdom and the US. This term also refers to each affiliated organisation of the External auditor. |
| Confidential transactions | As defined by PCAOB Rule 3501 (c)(i), confidential transactions are those offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid an advisory fee. |
| Financial reporting oversight role | Refers to a role in which a person is in a position to or does exercise influence over the contents of the financial report or anyone who prepares them. Examples of such roles include, but are not limited to, a person who is a member of the board of directors or similar management or governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, treasurer, or any equivalent position. |

APPENDIX 1.0

Prohibited external auditor services

The following services must not be provided by the external auditor:

- Book-keeping, preparation of, and other services in relation to, accounting records and financial statements
- The design and implementation of financial information systems or financial controls
- Valuation services, appraisals or fairness opinions
- Outsourced internal audit services
- Secondments to BHP Billiton where the audit firm secondee acts as a BHP Billiton employee or performs any decision-making, supervisory or ongoing monitoring functions
- Human resources and recruitment services
- Actuarial services
- Management functions
- Legal services
- Broker-dealer, investment advisor or investment banking services
- Expert services unrelated to the audit (advocacy in litigation proceedings, other than tax matters)
- The marketing, planning or positively opining on the tax treatment of confidential transactions or aggressive tax position transactions
- Tax services to a person in a financial reporting oversight role

SCHEDULE A

Pre-approved audit services by the external auditors

The following specific audit services are pre-approved by the Risk and Audit Committee:

- Statutory audit engagements for the Company, the Group and each subsidiary and affiliate as required by applicable companies and securities legislation
- Financial statement audit engagements for any Group entity, incremental to the audit work required for the purpose of the consolidated financial statements, where required by applicable laws or regulations or as requested to meet internal management requirements for audited financial statements of nominated Group entities
- Audits of selected financial information as required by legislation for the purpose of the Group satisfying self insurance and workers compensation arrangements
- Reviews of interim financial reports of the Group as required by applicable companies and securities legislation
- Audits of management certifications as to the adequacy of internal controls where such audits are mandated by applicable companies and securities legislation

SCHEDULE B

Pre-approved audit related and other assurance services by the external auditors

The following specific audit related and other assurance services are pre-approved by the Risk and Audit Committee:

- Audits of financial statements of Group entities for the purpose of inclusion in prospectuses and other forms of offering documents relating to the issuance or registration of debt or equity securities of Group entities
- Conduct of agreed procedures to permit the issuance of comfort letters in connection with prospectuses and other forms of offering documents referred to above
- Financial statement audits of employee benefit plans as required by applicable legislation
- Conduct of review procedures to permit the issuance of Working Capital reports as specified by UK listing rules
- Conduct of review or audit procedures to permit the issuance of an Independent Accountants Report that the Company may call for in connection with regulated market transactions, but only where that Report addresses historical financial information
- Agreed-upon procedures, extended audit procedures and regulated attest engagements applied to selected financial and non-financial information or financial statements required to respond to or comply with financial, accounting or regulatory reporting matters, including audits of Royalty, emissions and similar returns
- Audits of reports containing financial or non-financial information prepared to meet Group governance objectives, such as the annual Sustainability Report
- The audit of selected financial information of Group entities in support of disposal and borrowing transactions
- Consultations on the accounting treatment or disclosure requirements of transactions or events including discussions, research consultations and auditing procedures relating to unusual or non-recurring transactions, including assistance in responding to regulatory comment letters on the Group's financial reports
- Consultations on the accounting treatment or disclosure requirements emanating from new or proposed rules, standards or interpretations by regulatory or standard setting bodies
- Assistance with financial due diligence investigations pertaining to potential business acquisitions/dispositions and other major transactions and events (excluding valuation services, appraisals or fairness opinions) including the review of financial statements and other financial data and records and discussions with counterparty finance and accounting personnel
- Translation of audited financial reports into another language for the purpose of filing with a National regulator or to satisfy other financial reporting requirements of a Group entity or affiliate

SCHEDULE C

Pre-approved tax services by the external auditors

The following specific tax services are pre-approved by the Risk and Audit Committee - none of these services are pre-approved where they would contain elements of assistance or advice on matters of a strategic tax planning or structuring nature:

- Acting as agent of Group companies in the lodgement of income tax returns pursuant to federal, state and local tax legislation
- Acting as agent of Group companies in the lodgement of returns relating to any form of indirect or secondary tax, including Government royalties, GST, VAT, excise, sales, usage, property and equivalent taxes
- Assistance in the preparation of tax returns referred to in the two items immediately above but with no authority for making elections or determining amounts declared therein
- The provision of advice concerning the filing of tax returns and the handling of specific items in those returns and in connection with responding to queries in relation to those returns from the tax authorities
- Advice and assistance with respect to transfer pricing matters, including preparation of reports used by the Group to comply with taxing authority documentation requirements regarding royalties and inter-company pricing and assistance with tax exemptions
- Compliance reviews and advice on compliance in the areas of tariffs and classification, origin, pricing, and documentation, including assistance with customs audits
- The provision of independent opinions containing interpretations of taxation legislation as it applies to specific transactions executed or proposed by a Group entity, where those opinions are complementary to the auditor's examination of the relevant financial statements
- The provision of independent opinions containing interpretations of taxation legislation in connection with tax audits, negotiations with or appeals before federal, state, local and foreign tax agencies
- Valuation services pertaining exclusively to tax compliance matters
- The provision of tax services described provided in connection with acquisition and disposal due diligence activities undertaken by Group management, or in conjunction with assurance services provided by the auditor on due diligence engagements (refer Schedule B)
- The provision of general news and information regarding statutory, regulatory or administrative taxation developments

SCHEDULE D

Pre-approved other services by the external auditors

The following specific types of other services are pre-approved by the Risk and Audit Committee:

- Review of operational effectiveness of Treasury operations relating to cheque-clearing and float-management practices and recommendations regarding potential areas of improvement
- Conducting internal investigations and fact finding in connection with alleged improprieties, other than where they relate to potential accounting irregularities
- Review of actuarial reports and calculations to assist the Group in understanding the various processes surrounding actuarial valuations and the potential impact of plan changes or changes in accounting standards
- Review of compliance by Group companies with local statutory regulations concerning incorporation of entities, constituent documentation (such as constitutions and articles of association) and lodgement of statutory filings with regulatory bodies
- Assistance in the registration of pension plans as and when required by country specific regulations
- Risk management advisory services in the assessment and testing of security infrastructure controls