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Mr Jacques Nasser
Chairman
BHP Billiton Limited
180 Lonsdale Street
MELBOURNE VIC 3000

14 November 2011

Dear Chairman

We have been notified of a number of shareholders' questions directed to the auditor in advance of the Annual General Meeting ("AGM") to be held on 17 November 2011.

In Appendix One we set out the questions and our formal responses.

Please do not hesitate to contact me should you wish to discuss any of the questions or answers in more detail.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Sheppard'. The signature is fluid and cursive, with a large loop at the end.

Martin Sheppard
Partner

Appendix One – Additional comments in relation to specific questions asked

Question 1

*Have the remuneration policies of management been reviewed and do they seem reasonable?
What is the accountability?*

Answer

KPMG has audited the compliance of the remuneration disclosures contained in BHP Billiton Limited's ("BHP Billiton") 30 June 2011 Directors' Remuneration Report with Section 300A of the Corporations Act 2001. In addition, we have formed an audit opinion on the compliance of the "non-statutory" remuneration disclosures contained within the Remuneration Report with the basis of preparation stated therein.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the Directors' Remuneration Report, sufficient to give reasonable assurance that the remuneration report is free from material misstatement, whether caused by fraud or error.

Our audit procedures were designed to provide reasonable assurance that the remuneration of key executives and directors is determined in accordance with the stated policies and that BHP Billiton's performance against the benchmarks and performance measures disclosed are free from material misstatement.

The audit evidence we obtained was sufficient and appropriate and enabled us to provide unqualified audit opinions at 30 June 2011.

The Board, in consultation with the Remuneration Committee, are responsible for setting and assessing the adequacy of the remuneration policies, benchmarks and performance measures for board and executive remuneration. It is not appropriate for us as external auditors to provide a view on appropriateness of remuneration policies or the quantum or nature of executive remuneration. Our responsibility is to audit the disclosures against the companies policies and the requirements of the Corporations Act and accounting standards.

Question 2

There seems to be a perception that an audit is confirmation that all expenditure and transactions are proved as correct, authentic and appropriate. Can you please explain the fundamental difference between the audit process and an investigation into perceived irregularities and why an audit is not an investigation and why it is not confirmation that some irregularities may have escaped detection.

Answer

An audit of a financial report is performed in accordance with auditing standards and is designed to enable the auditor to conclude whether or not the financial statements have been prepared, in all material respects, in accordance with a specified basis of accounting.

Audit procedures are designed to obtain reasonable, but not absolute, assurance regarding the financial statements taken as a whole. An audit of the financial statements does not enable the auditor to express an opinion on individual transactions or financial statement line items contained within those financial statements.

In developing the procedures to be performed, the auditor will have regard to the risk that a misstatement may occur and also the materiality of that misstatement, which is the threshold at which the financial statements become misleading. These procedures may include sampling and other procedures performed over a population of data rather than verification of individual transactions. Consequently, an audit performed in accordance with audit standards is not a confirmation that all “irregularities” have been identified.

An investigation into perceived irregularities is not necessarily performed in accordance with auditing standards, nor is it designed to identify whether the transactions being investigated have been recorded in accordance with accounting standards. The procedures performed, and the report issued, will vary depending on the nature of the transactions or perceived irregularities being investigated.

Question 3

Is the actual auditor from KPMG a shareholder? If so, how can he or she do his or her job?

Answer

We confirm that the audit partner does not hold shares in BHP Billiton. KPMG has strict policies prohibiting the investment in BHP Billiton shares by partners and employees. The firm and all partners are prohibited from investing in BHP Billiton shares, as are all employees involved in the audit of BHP Billiton regardless of their level of seniority within KPMG.

These policies ensure that KPMG complies with the auditor independence requirements in Australia, the United Kingdom and the United States of America.

Question 4

We question the independence of the auditors as it seems we have two former managing partners of the firm as directors. These directors would still be receiving benefit from the firm, not necessarily in the form of remuneration but a pension?

Answer

KPMG is subject to the auditor independence regulations set out in legislation in Australia, the United Kingdom and the United States of America, in addition to the requirements set out in applicable auditing standards for each jurisdiction. These requirements outline the independence requirements governing the appointment to Boards of previous partners of the company's audit firm.

We confirm that KPMG is independent having regard to the above requirements.

With specific reference to Mr David Crawford and Mr Lindsay Maxsted's appointments as Directors of BHP Billiton, we note the following:

- Prior to their appointment as Directors, both Mr Crawford and Mr Maxsted had severed all financial relationships with KPMG as a firm and had also ceased any external business relationships held with KPMG partners.
- Neither Mr Crawford nor Mr Maxsted receives any on-going financial benefit from KPMG, and neither receives a pension or similar retirement benefit.
- The legislation in Australia, the United Kingdom and the United States of America governing auditor independence contains "cooling off" periods for a former partner of an audit firm before they are allowed to accept appointment as a Director. These periods were satisfied in both cases.
- In addition to the above, neither Mr Crawford nor Mr Maxsted had any direct involvement in the conduct of the audit of BHP Billiton during their time with KPMG.

The appointment of Mr Crawford and Mr Maxsted as directors has been evaluated by both KPMG and also separately by the Board of BHP Billiton and we are satisfied that their appointment does not create a breach of the auditor independence requirements.



Question 5

Were there any significant issues raised by the external auditors?

Answer

In forming our opinion on the financial report as a whole we comply with Australian and International Auditing Standards. These auditing standards require that we communicate matters relevant to the audit to both management and also to the Risk and Audit Committee.

We attend regular meetings with the Risk and Audit Committee, and at these meetings a range of matters relating to the preparation of the financial statements for the year ended 30 June 2011 were raised by both KPMG and management of BHP Billiton. All such matters were satisfactorily resolved and, where appropriate, have been reflected in the financial statements.

Examples of significant issues considered during the course of the audit included:

- The acquisition of the Fayetteville shale gas assets from Chesapeake Energy Corporation;
- Items considered by management to be “exceptional” by virtue of either their nature or size and which, in accordance with the requirements of Accounting Standards, were separately disclosed in Note 3 to the financial statements; and
- The treatment of the post-balance date acquisition of Petrohawk Energy Corporation.