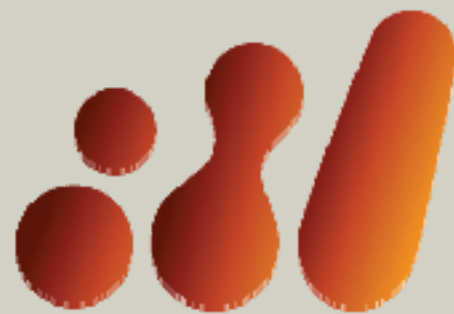




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Meeting the Challenges of Chinese Import Demand



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BHP Billiton Energy Coal Marketing

December 4-5, 2006 Shanghai



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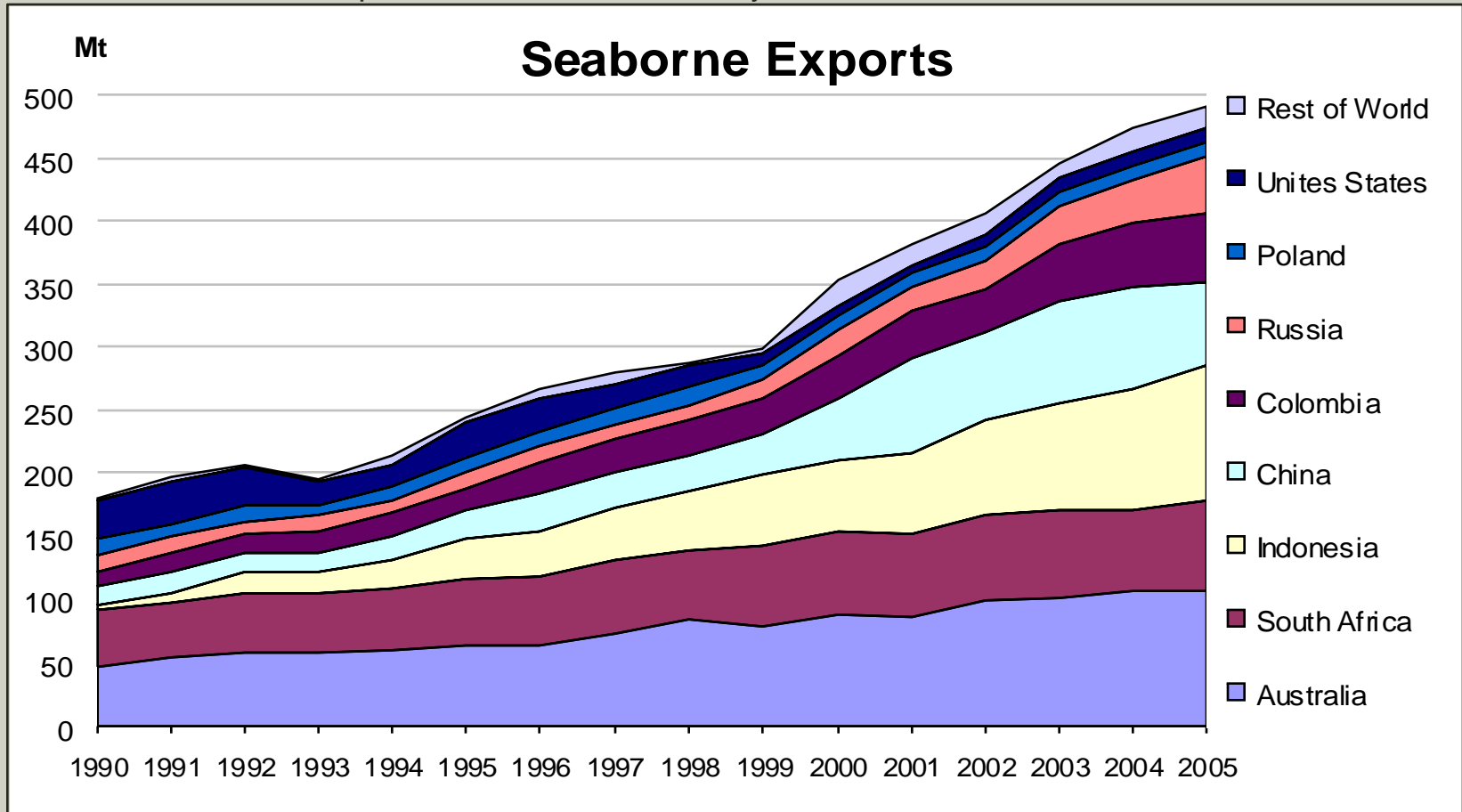
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Thermal export coal supply dynamics have changed

- Over the last decade, supply dynamics have changed with basins such as the US replaced by Indonesia, Colombia and China.
- However Chinese exports have fallen in recent years.



Source: IEA

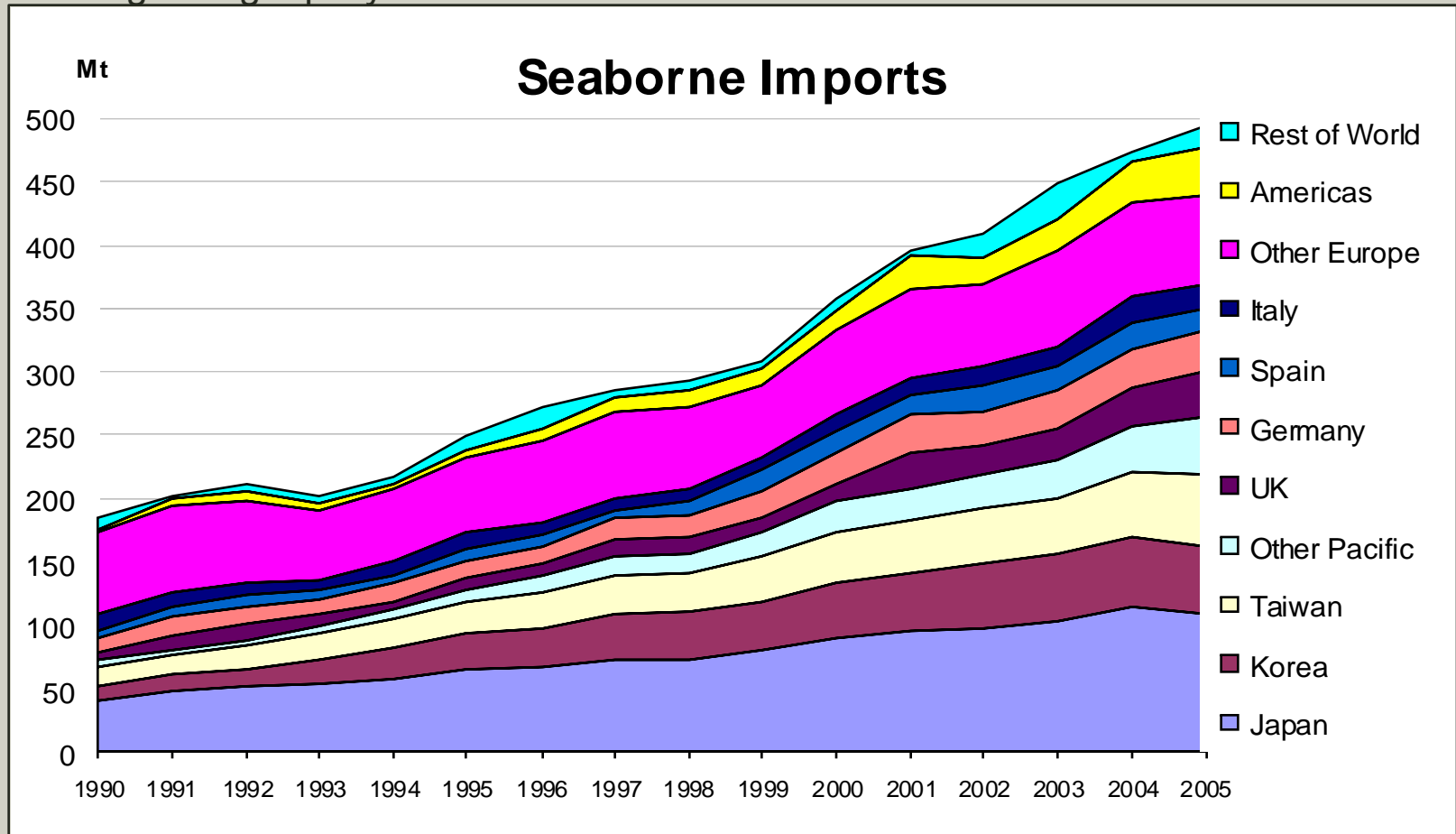
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Demand side dynamics have also changed

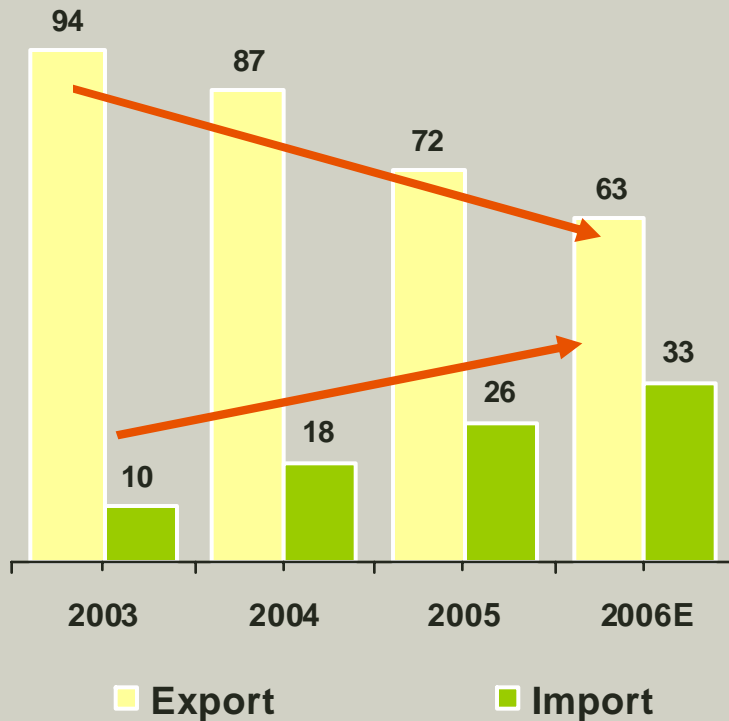
Japan has remained the largest import market, with UK, the Americas, India and China growing rapidly.



Source: IEA

China's coal imports are growing while exports drop

China All Coal Exports & Imports (Mtpa)

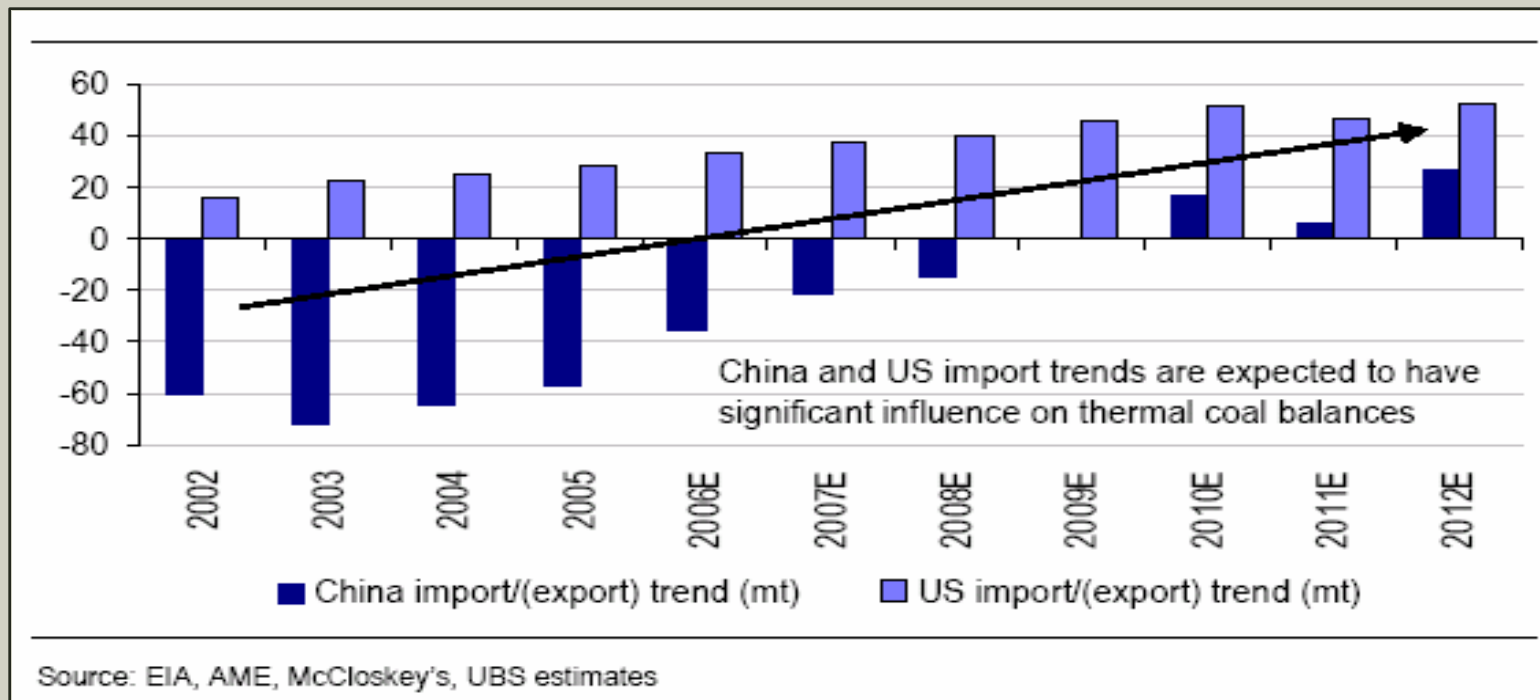


China Thermal Coal Exports & Imports (Mtpa)



Total Coal Net Exports dropped by 54mt and thermal coal dropped 25Mt in the past 4 years

China may be transitioning towards becoming a net importer – similar to what happened in the US



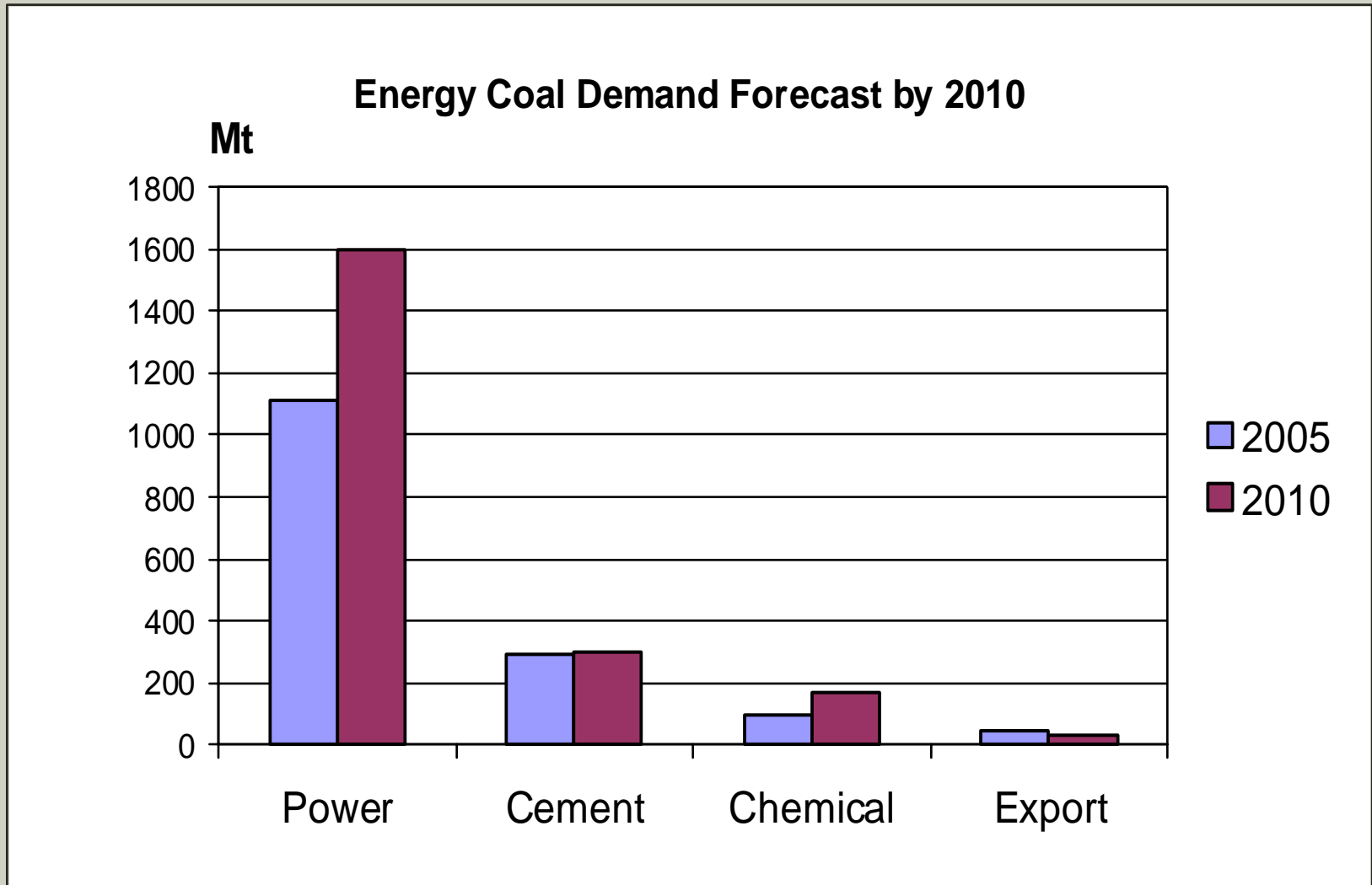
- Both the US and China have significant domestic coal fired power
- Continued strong demand growth in China and an increasing cost base are making imports more competitive
- China faces further infrastructure constraints in future – only 40% of the rail network is double tracked
- New coal resources in China are incrementally further away from the demand centres of the South

Thermal power increase during the 11th 5-year plan

According to the forecast by from China Electricity Council (CEC)

- Additional 75GW will be added during 2006
- Another 70GW to be added in 2007
- 250 GW will be added during 2006-2010 with the total installed capacity reaching 750 GW.
- Total installed power capacity for the big 5 national power companies will reach 350 GW
- Thermal power remains the most significant proportion of the growth

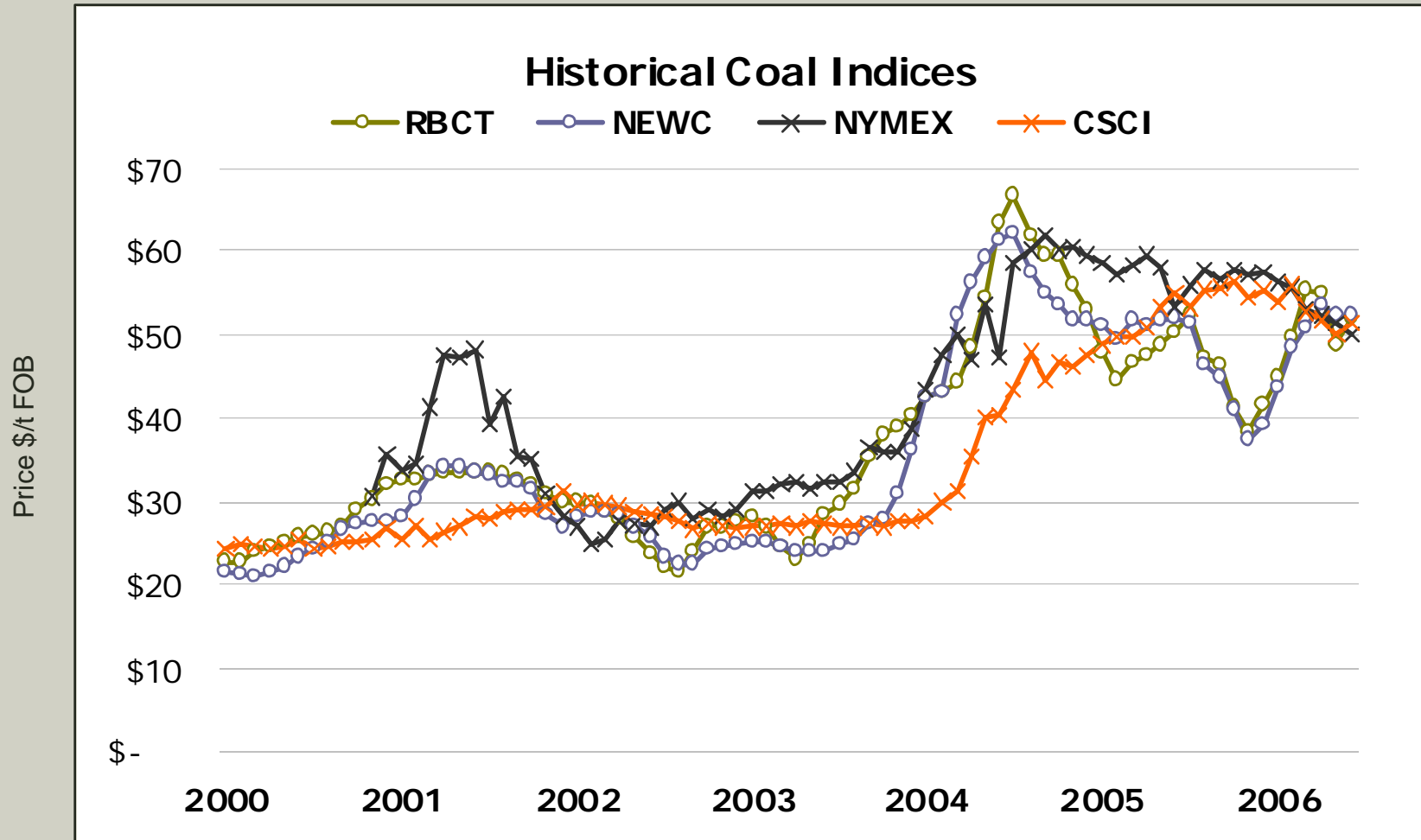
Energy coal demand forecast by 2010



Data source: China National Coal Industry Association

International and domestic prices are correlated

- Strong correlation between Atlantic and Pacific seaborne markets
- Strong correlation between seaborne prices and US/China domestic coal prices



Domestic coal price as of Nov-06 2006

<i>US\$ 1=RMB 8.0</i>	Datong Premium	Shanxi Premium	Datong Blend	General Blend	General Blend
CV (Kcal/kg)	>6000	>5500	>5000	>4500	>4000
FOR (RMB/ton)	440-447	405-415	360-370	315-325	280-290
FOB (RMB/ton)	465-475	435-445	387-397	345-355	305-315

Source: China Coal Market Network

Coal price on rise in China

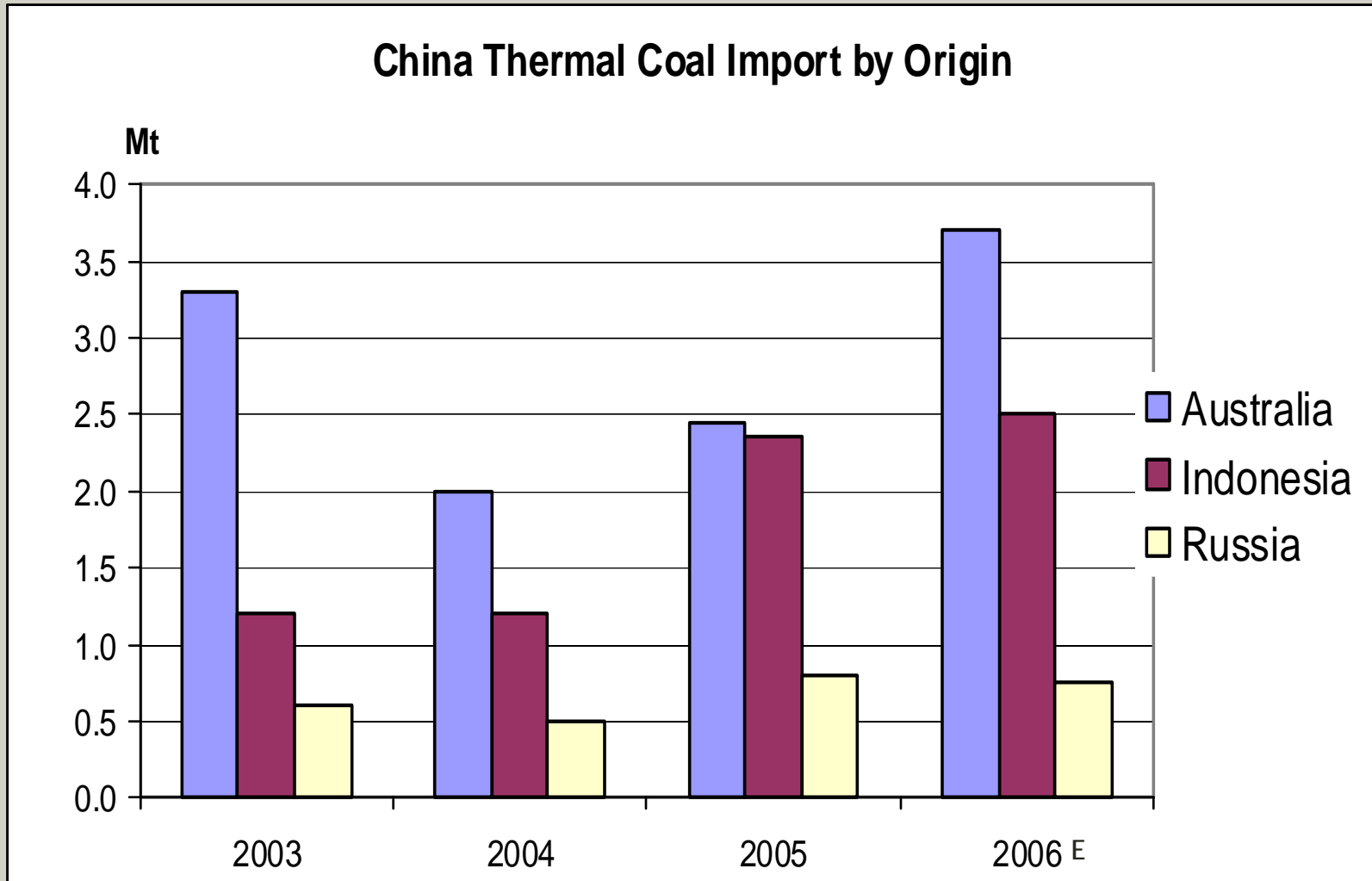
As per recent NDRC report on coal supply situation:

“Price of coal went up an average of 5 Yuan (about US\$0.625) in September 2006 resulting in the cost to power plants in Guangzhou as 515-525 Yuan (US\$64.37-65.62) and in Shanghai/Ningbo as 505-515 Yuan (US\$63.12-64.37)”.

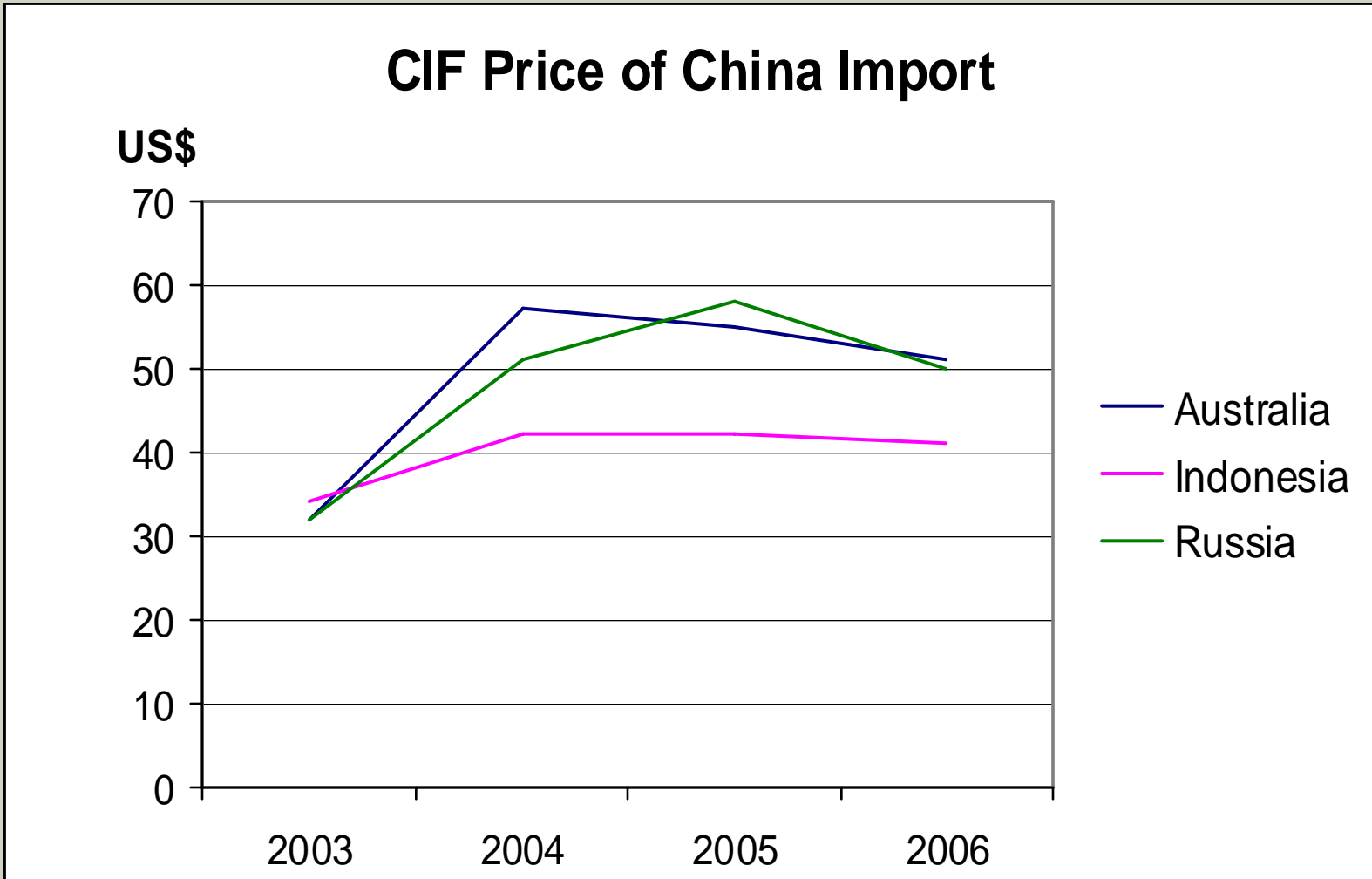
“Coal export fell 9.1% yoy to 4.93Mt in September and the total export for the first 9 months was 47.22Mt, down 12.8% or 6.95Mt less than the same period of last year.”

-----by Xinhua News Agency on Nov. 2,2006

China thermal coal import by origin



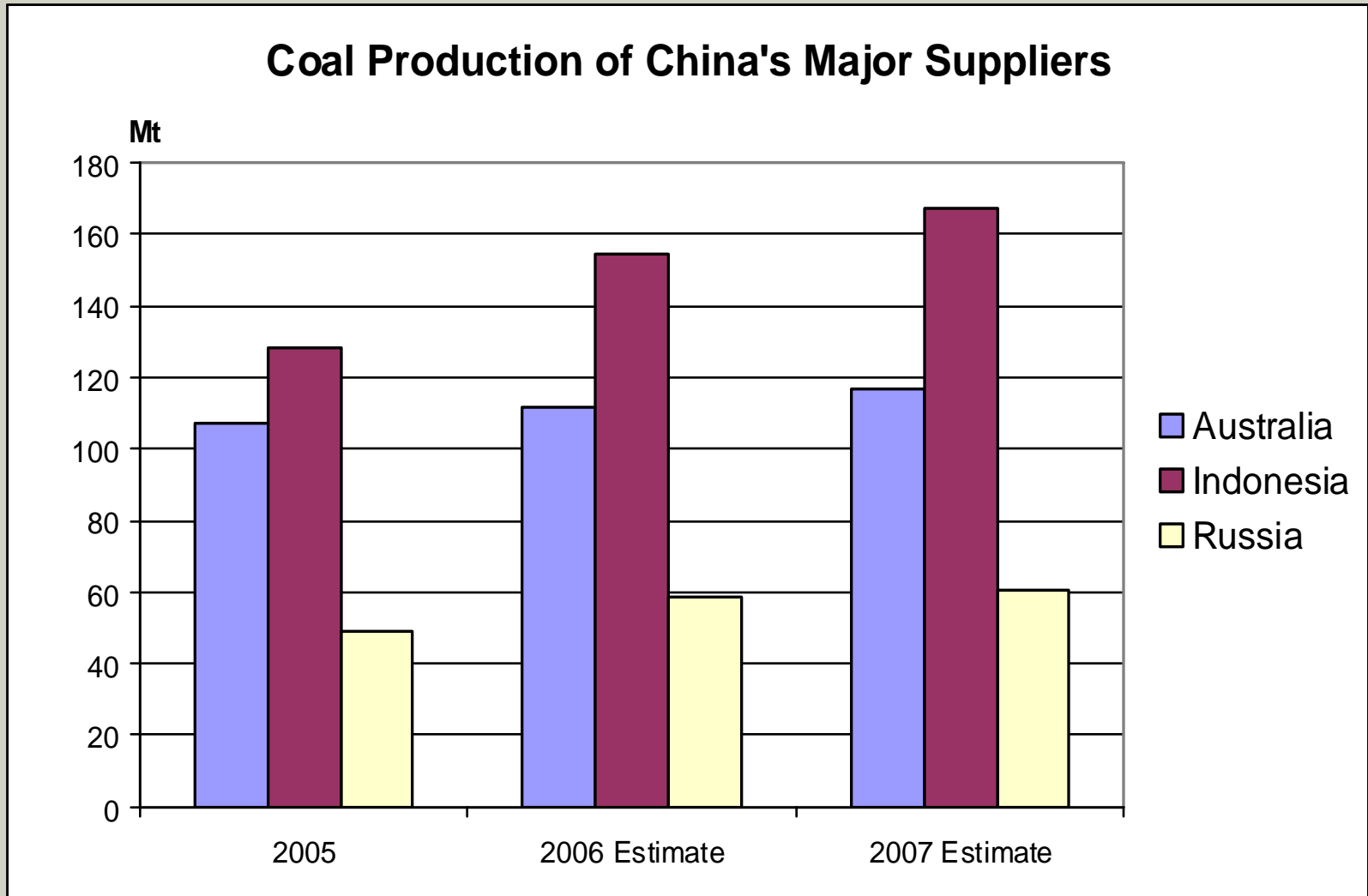
Delivered cost to China



Data source: China Customs



Production increase for China's major suppliers



Data source: McClosky Steam Coal Forecasters



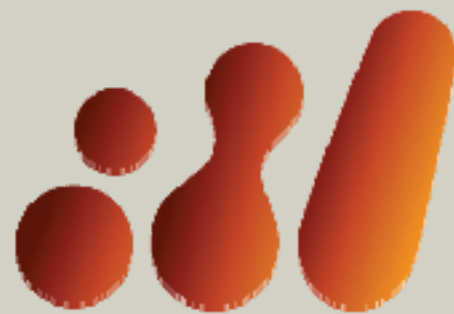
Conclusion

- In concluding I would like to say that the broad macro environment is positive for coal.
- China coal demand is expected to continue to grow over the next 5 years driven by strong power demand and GDP growth.
- Domestic coal prices are expected to remain strong given the strong demand, an increasing production cost base and limitations on supply and logistics.
- Coal exports are expected to fall while imports will grow.
- Coal imports into the south east coastal region is becoming increasingly competitive and can be expected to meet a growing share of China coal needs.





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