

**PLAIN LANGUAGE GUIDE TO
THE RULES
OF THE
BHP BILLITON
LONG TERM INCENTIVE PLAN**

Purpose

What is the Long Term Incentive Plan (LTIP)

The LTIP is an integral part of the Company's overall approach to competitive performance-based remuneration.

The LTIP is designed to develop a clear line of sight between business objectives and reward. It is intended to bind each member of the senior management team at BHP Billiton through a global performance reward arrangement which ensures his or her focus on the achievement of the global business strategy of BHP Billiton, while providing equity in employee reward throughout the global business.

The LTIP is a long term incentive aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling Participants to have a greater involvement with, and share in the future growth and profitability of, the Company.

What is this document?

This document is a plain language guide to the rules of the LTIP. It has been prepared to assist in understanding the LTIP rules but it is not a substitute for the rules themselves. This guide is a summary only and the rules contain significantly more detail than this guide. If anything in this guide is inconsistent with the rules, the rules will prevail.

Reference is made throughout the guide to the relevant clause references in the rules to assist in finding the full version of the rule which will apply.

BHP Billiton Limited and BHP Billiton Plc have different rules – why is there only one plain language guide?

BHP Billiton Ltd (**Ltd**) and BHP Billiton Plc (**Plc**) operate separate but substantially similar LTIP rules. The terms and rules of the BHP Billiton Ltd LTIP and the BHP Billiton Plc LTIP are the same except where differences are required under the laws or practice of Australia and the United Kingdom respectively.

These differences are not significant and therefore have not been noted in this guide. However, you should refer to the plan rules for Plc or Ltd (as applicable) for the full details of each plan.

Meaning of words used

Other than as defined in this guide, terms used in this guide have the same meaning as set out in the Ltd LTIP rules or Plc LTIP rules as applicable.

"Company" means BHP Billiton Plc or BHP Billiton Limited as applicable.

"LTIP" means the BHP Billiton Plc long term incentive plan or the BHP Billiton Limited long term incentive plan, as applicable.

"LTIP Rules" means the rules of the BHP Billiton Plc long term incentive plan or the BHP Billiton Limited long term incentive plan, as applicable.

"Participant" means a person holding an Performance Share or his or her personal representatives.

"Shares" means fully paid ordinary shares in the capital of BHP Billiton Plc or BHP Billiton Limited, as applicable.

"Vest" means, in relation to a Performance Share, that all the performance conditions applicable to a Performance Share have been satisfied such that the Performance Share vests and may be exercised or vests and is automatically exercised and Shares are awarded to the Participant under the terms of the grant of the Performance Share.

How does the Company grant Performance Shares?

Who grants Performance Shares?

Performance Shares will be granted by the Company. The grant of a Performance Share and the terms of that grant must be approved in advance by the Remuneration Committee.

(LTIP rule 3.1)

Who can be granted Performance Shares?

The Company may grant Performance Shares to any employee (including an executive director) of the Company or of any Subsidiary who has been nominated by the Office of the Chief Executive and approved by the Remuneration Committee. However, Performance Shares cannot be granted to an employee who has given or received notice of termination of employment.

If the Remuneration Committee decides to grant Performance Shares to an employee, the Remuneration Committee will send that employee an invitation to participate in the LTIP.

(LTIP rule 3.1)

What will be in the invitation?

The invitation will explain the terms of the grant of Performance Shares, including the number of Shares which will be issued or transferred to the Participant when the Performance Share Vests, the conditions which must be met for the Performance Shares to Vest and whether the Performance Shares will qualify for a Dividend Equivalent Payment.

Not all invitations are the same - different employees may be sent invitations with different terms so it is important to read your invitation carefully.

(LTIP rule 3.1)

How does a Participant accept/reject an invitation to participate in the LTIP?

A Participant does not need to do anything to accept an invitation to participate in the LTIP.

If a Participant wishes to reject the invitation to participate in the LTIP, they will need to tell the Company by completing and returning a Non-Participation Form by the date set out in the invitation.

(LTIP rules 3.2 and 3.3)

How many Performance Shares can a Participant be granted?

In any case, the maximum Expected Value (see below) of Performance Shares which may be granted to an employee in any one financial year under the LTIP Rules must not be more than two times that employee's Gross Salary.

'**Gross Salary**' means gross annual salary as at 30 June in the relevant year, as calculated under the global net pay formula.

'**Expected Value**' means the value of a Performance Share as at the time of grant, as determined by an independent expert appointed by the Remuneration Committee.

(LTIP rule 4.1)

Does a Participant have to pay for the grant of Performance Shares?

No, a Participant is not required to pay for the grant of any Performance Share.

(LTIP rule 4.1)

How many Shares will a Participant receive when Performance Shares Vest?

The Remuneration Committee will determine the maximum number of Shares which will be transferred or issued to a Participant when the Performance Shares Vest. This number will be set out in the invitation.

What Vesting conditions will apply to the Performance Share?

All Performance Shares are subject to the Performance Hurdle which is linked to the relative performance of Group TSR. Performance Shares will only Vest to the extent that the Performance Hurdle is satisfied as set out in 0 below.

(LTIP rules 3.1, 4.2 and 5)

The Company may impose other conditions for Vesting when granting Performance Shares and will set these out in the invitation. The Performance Share may lapse if the additional conditions are not satisfied (whether or not the Performance Hurdle is met). Such additional conditions may include a requirement to hold or acquire Shares in order to be granted Performance Shares and/or for Performance Shares to Vest (and this could be enforced by a Holding Lock over the Participant's shares).

(LTIP rules 3.1, 5 and 6)

The Performance Hurdle applicable to all Performance Shares

The table below sets out the extent to which Performance Shares will Vest having regard to the Group TSR as against the TSR of the Comparator Group over the Performance Period. Please note that even if the Performance Hurdles set out below are satisfied, the Remuneration Committee can decide that the Performance Shares will not Vest.

Group TSR ranking against Comparator Group	Percentage of Performance Shares which will Vest
(i) Below Median TSR	0%
(ii) Equal to Median TSR	25%
(iii) Exceeds Median TSR by the Specified Percentage	100%
(vi) Is between (ii) and (iii) above	Pro-rata

(LTIP rule 5)

'Comparator Group' means entities determined by the Remuneration Committee from time to time as being appropriate comparator organisations to determine the Median TSR, which group or groups will be set out in the invitation. The Comparator Group(s) may be different for each grant of Performance Shares. The relevant Comparator Group will be set out in the invitation.

'Group TSR' in respect of the Ltd LTIP Rules, means the lower of the TSR of the Group for the Performance Period (as determined by the Remuneration Committee in respect of each grant of Performance Shares) and the Group TSR under the Plc LTIP Rules.

'Group TSR' in respect of the Plc LTIP Rules, means the lower of the TSR of the Group for the Performance Period (as determined by the Remuneration Committee in respect of each grant of Performance Shares) and the Group TSR under the Ltd LTIP Rules.

'Median TSR' for a Comparator Group that consists of companies which are listed on a particular published index, means the TSR of that index as determined by the Remuneration Committee.

'Median TSR' for a Comparator Group that consists of a selected group of companies, is calculated for the relevant performance period as follows:

- (i) the TSR for each company in the Comparator Group is calculated;
- (ii) the TSRs are ranked with each TSR in descending order;
- (iii) the percentile ranking of each Comparator Group company is calculated assuming the TSR occurs 10 times for each 1% of the comparator's weighting;
- (iv) the Median TSR is determined based on the TSR of the Comparator Group company which occupies the 50th percentile.

'Performance Period' means the 5 financial years starting from and including the year the Performance Share was granted.

'Specified Percentage' means the percentage determined by the Remuneration Committee from time to time.

'TSR' means the total shareholder return (including dividends) of the entity for the Performance Period, expressed as a percentage, as determined from time to time by the Remuneration Committee.

(LTIP rule 2.1)

When can Performance Shares be granted?

Performance Shares may only be granted within the Grant Period and will be subject to the BHP Billiton Securities Dealing Procedure.

'Grant Period' means:

- (i) as soon as practicable after the Company's annual general meeting; or
- (ii) within 42 days starting on any of the following:
 - a. the day after the announcement of the Company's results;
 - b. any day on which changes to the law affecting the Performance Shares are made; or
 - c. the lifting of restrictions under law or under the BHP Billiton Securities Dealing Procedure which prevented the granting of Performance Shares during any period specified above.

(LTIP rules 7.2 and 7.3)

Can Participants transfer/dispose of Performance Shares?

Participants may not transfer, assign or otherwise dispose of a Performance Share or any rights in respect of a Performance Share unless they obtain prior approval from the Remuneration Committee. This rule does not apply to the transmission of Performance Shares on the death of a Participant to his personal representatives.

The Remuneration Committee may determine that at the request of a Participant, Performance Shares which have Vested (or any interest in those Performance Shares) may be transferred to the Participant's spouse, civil partner or children of his or her civil or defacto partner under the age of 18 years or to any trust for the benefit of such persons, provided that the Performance Share is exercised within 20 business days of the transfer. The Performance Share will lapse if it is not exercised within this time limit.

(LTIP rule 7.7)

When and how do Performance Shares Vest?

How do Performance Shares Vest and when can they be exercised?

As soon as reasonably practicable after the end of the Performance Period, the Remuneration Committee will determine whether and to what extent the Performance Hurdle or any other condition applicable to the Performance Share has been satisfied. The Remuneration Committee will then determine an exercise period during which the Participant may exercise any Performance Shares which have Vested. If the Performance Share is not exercised within the exercise period, it will lapse.

(LTIP rule 4.2)

Are there limits on exercising a Vested Performance Share during the exercise period?

The general rule is that a Participant may only exercise a Vested Performance Share during the exercise period up to the following cap:

Cap for a financial year = (Participant's Gross Salary for that financial year x 4) ÷ Market Value on the date the Performance Share is exercised.

An exception to the general rule applies where the Performance Share is scheduled to lapse within 6 months or at the discretion of the Remuneration Committee where the Participant is required to pay tax on the Vested Performance Share before exercising it.

In any case, the Performance Share will lapse 10 years after it is granted, if not before.

(LTIP rule 4.2)

Does a Participant have to pay to exercise Performance Shares?

The Remuneration Committee may require a Participant to pay to exercise their Performance Shares.

(LTIP rule 4.3)

Do Participants get dividends before their Performance Shares Vest?

No, a Participant is not entitled to receive dividends in respect of Performance Shares until the Performance Share Vests and the relevant Shares are issued or transferred to the Participant.

The Remuneration Committee will determine at the time of grant whether a particular grant of Performance Shares will qualify for a Dividend Equivalent payment. If the invitation states that the Participant is entitled to a Dividend Equivalent Payment, the Participant may be paid an amount equivalent to the amount of dividend that would have been paid to them if the Performance Shares were ordinary Shares. The Dividend Equivalent Payment will be made in respect of Performance Shares that have Vested as soon as practicable after Vesting or exercise.

(LTIP rule 7.8)

What about rights after Vesting/exercise?

Where Shares are transferred on the Vesting or exercise of a Performance Share, the Participant will be entitled to all rights attaching to the Shares by reference to a record date on or after the transfer date. The Participant will not be entitled to rights before that date.

(LTIP rules 7.8 and 17)

What happens if a Participant leaves BHP Billiton?

What is the general rule?

The general rule is that Performance Shares will lapse when the Participant ceases employment with a Group Company. This general rule will be applied where a Participant resigns or is dismissed from employment with a Group Company.

The Remuneration Committee has discretion whether or not to apply the general rule in other circumstances. Specific exceptions to the general rule will apply if a Participant leaves in the circumstances described below.

(LTIP rules 9.4 and 9.6)

Please note that regardless of how a Participant leaves employment with a Group Company, if the Participant owes money to a Group Company, the Remuneration Committee can reduce the number of Performance Shares granted to that Participant or the amount of Performance Shares that will Vest in order to take that debt into account.

(LTIP rule 9.8)

Exceptions to the general rule

Death, serious injury, disability or illness

If a Participant ceases employment with a Group Company because of death, serious injury, disability or illness, then his or her Performance Shares will Vest in full on the date of cessation.

(LTIP rule 9.1)

Retirement, redundancy and termination by mutual agreement

If a Participant retires from employment with a Group Company, is made redundant or terminates their employment by mutual agreement with the Group Company, then a proportion of his or her Performance Shares will not lapse but will continue and Vest in the ordinary course on the original dates of Vesting. The number of Performance Shares will be reduced pro rata to reflect the number of whole months during the period from the date of cessation of employment until the end of the Performance Period as a proportion of 60 and will Vest on the original dates of Vesting. The remaining Performance Shares will then lapse.

(LTIP rules 9.2, 9.3 and 9.5)

Transfer to a Connected Company

If a Participant ceases employment with a Group Company to transfer to a Connected Company, this will not be treated as ceasing employment with a Group Company. The Participant's existing Performance Shares will continue to Vest in the ordinary course and the Participant will remain eligible to receive additional Performance Shares for the current Performance Year. The Participant will be treated as ceasing employment with a Group Company if they leave the Connected Company and are not employed by a Group Company.

'**Connected Company**' means a company in which Plc and/or Ltd have an interest and which the Remuneration Committee has designated as a Connected Company.

(LTIP rule 9.7)

Transfer from a Connected Company

If a Participant transfers their employment from a Connected Company to a Group Company, they will only be eligible to participate in the LTIP in respect of any year after the Performance Year in which they transferred.

(LTIP rule 9.7)

Temporary or unpaid leave and fraud

If a Participant goes on temporary leave due to serious injury, disability or sickness, or for parental leave or unpaid leave, the Remuneration Committee may reduce the number of Shares comprised in, or capable of being exercised under, a grant of Performance Shares on a pro rata basis to reflect the period of leave.

(LTIP rule 10)

If, in the opinion of the Remuneration Committee, a Participant acts fraudulently or dishonestly or in material breach of their duties then the Remuneration Committee may determine that all the Participant's Performance Shares lapse.

(LTIP rule 11)

What happens if there is a takeover or reorganisation etc?

What if there is a takeover or change in control?

If there is a change in control of the Company (including a takeover, court sanctioned scheme of arrangement or if the Company passes a voluntary resolution for winding up) then approval from both Plc and Ltd shareholders is required before any Performance Shares can be exercised or awarded. Alternatively, the Remuneration Committee may cancel unvested Performance Shares if it decides that Participants will be offered an acceptable alternative employee share incentive scheme.

(LTIP rule 12)

What if there is a change in the Company's share capital?

The Remuneration Committee may adjust the number of Shares comprised in or issued under a grant of Performance Shares, or the exercise price of Performance Shares if there are certain variations of the share capital of the Company. Such variations include:

- (i) a capitalisation or rights issue, sub-division, consolidation or reduction of share capital;
- (ii) a demerger; or
- (iii) the payment of a special dividend or distribution.

(LTIP rule 19)

How can the Company change the LTIP Rules?

Do shareholders have to approve changes?

Advance approval from the shareholders of both Ltd and Plc is required for the following changes to the LTIP:

- (i) the persons to or for whom Shares may be provided under the LTIP Rules;
- (ii) the limitations on the number of Shares which may be issued under the LTIP Rules;
- (iii) the individual limit on the grant of Performance Shares to each Participant under the LTIP Rules;
- (iv) the terms of grants of Performance Shares;
- (v) the rights of a Participant in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital of the Company; or
- (vi) the requirement for shareholders to approve certain changes to the LTIP Rules,

unless the changes are minor changes:

- (i) to benefit the administration of the LTIP;
- (ii) to comply with or take account of the provisions of any proposed or existing legislation;
- (iii) to take account of any changes to legislation; or
- (iv) to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any Subsidiary or any present or future Participant.

Any other change to the LTIP (including the creation of sub-plans) does not require shareholder approval.

(LTIP rule 15)

Does the Company have to tell Participants about changes?

The Company may give written notice of any changes made to any Participant affected.

General

The rules contain a number of general provisions for how the LTIP will be administered. These include limits on how many shares the Company may commit to issue each year under grants of Performance Shares and the governing law of the LTIP. Not all these provisions are summarised here – we have included only those provisions most relevant to Participants.

Notices

How can notice be given to the Participant?

Any notice or other document which has to be given to a person who is or will be eligible to be a Participant under or in connection with the LTIP may be:

- (i) delivered or sent by post to him or her at his or her home address according to the records of his employing company; or
- (ii) sent by e-mail to any e-mail address which according to the records of his or her employing company is used by him or her,

or, in either case, such other address which the Company considers appropriate; or

- (iii) sent by telephone or other electronic means approved by the Company.

(LTIP rule 23.6)

How can notice be given to the Company?

Any notice or other document which has to be given to the Company or other duly appointed agent under or in connection with the LTIP may be delivered or sent by post to it at its registered office (or such other place as the Remuneration Committee or duly appointed agent may from time to time decide and notify to Participants) or sent by e-mail to any e-mail address notified to the Participant, or by telephone or by other electronic means notified by the Company.

(LTIP rule 23.6)

Disputes

The decision of the Remuneration Committee on the interpretation of the LTIP Rules or in any dispute relating to Performance Shares or matter relating to the LTIP will be final and conclusive.

(LTIP rule 23.5)

Costs

The Company will pay the costs of introducing and administering the LTIP. The Company may require a Participant's employer to bear the costs in respect of Performance Shares granted to that Participant.

(LTIP rule 23.1)

Terms of employment

Nothing in the rules or the operation of the LTIP forms part of the contract of employment of an Eligible Employee or Participant. The rights and obligations arising from the employment relationship between the Eligible Employee or Participant and the Company are separate from, and are not affected by, the LTIP Rules or participation in the LTIP. Participation in the LTIP does not create any right to, or expectation of, continued employment with a Group Company. The rights of a Group Company to terminate the

employment of an Eligible Employee or a Participant are not affected by the operation of or participation in the LTIP, will not be taken into account in determining termination or severance pay and may not be used to increase damages in any action brought against a Group Company in relation to a termination.

No employee has a right to participate in the LTIP. Participation in the LTIP or the grant of Performance Shares on a particular basis in any year does not create any right to or expectation of participation in the LTIP or the grant of Performance Shares on the same basis, or at all, in any future year. Performance Shares granted under the LTIP are not pensionable.

(LTIP rule 21)

Privacy and personal information

By participating in the LTIP the Participant consents to the holding and processing of personal data provided by the Participant to any Group Company, trustee or third party service provider, for all purposes relating to the operation of the LTIP. These include, but are not limited to:

- (i) administering and maintaining any Participant records;
- (ii) providing information to the Group Company, trustees of any employee benefit trust, registrars, brokers or third party administrators of the LTIP;
- (iii) providing information to future purchasers of the Company or the business in which the Participant works; and
- (iv) transferring information about the Participant to a country or territory that may not provide the same statutory protection for the information as the Participant's home country.

(LTIP rule 23.3)

Termination and suspension of the LTIP

The Remuneration Committee may suspend or terminate the LTIP at any time at its discretion and without notice to Participants.

(LTIP rule 22)