Market Briefing

BHP Billiton Petroleum

19 October 2006 – London and Sydney

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Agenda

- Objectives for Today
- J. Michael Yeager Introduction
- BHP Billiton Petroleum Approach to Business
- Strategies
- Individual Strategy Updates
- Next Areas of Focus
- Summary

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Objectives for Today

- Show you the new approach we are taking to manage the business
- Update you on the status of our high-value projects in progress
- Give you a view of the additional depth of our opportunities
- Show you the significant confidence we have that good things are ahead of us

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BHP Billiton Petroleum Leadership

J. Michael Yeager – Group President, Energy

- Started with BHP Billiton 28 April 2006
- 25 years with Mobil and ExxonMobil
- 100 percent Upstream oil and gas experience
- Worked in all phases of Upstream business
- Direct responsibility for activities in over 20 countries
- Heavily influenced by creativity / relationship building of Mobil and performance drive/discipline of ExxonMobil

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First Six Months

- Assess our leadership and overall organisational capability
- Understand the status of our highest priorities
- Address gaps in our execution capability
- Align everyone to our targets with clear responsibility
- Measure progress, start to adjust as necessary

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Organisation / Approach

In the last six months, we have evolved from a geographically-based organisation to a worldwide functional organisation.

Now,

- Explorers explore
- Developers develop
- Producers produce
- Marketers market

- Support groups enable execution with common world-wide systems
- Leaders provide direction, measure against targets and ensure appropriate actions are taken to meet objectives
- All with an overriding objective of Zero Harm

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Organisation / Approach

Objectives:

- Attain “world-class functional excellence” in all we do.
- Ensure that whoever knows the most about a problem is involved in solving it.
- Work in a purposeful way with the right people and right information that clearly gives us the maximum opportunity to make the best decision for success.
- Emphasise what is most important and get it done.

How:

- Ensure we have clear roles for everyone in our organisation.
- Place greater management emphasis on parts of our business critical to success.
- Measure our progress in a more systematic way to always know how we are performing.

Why

- Excellence in Execution
- Learn continuously and adjust quickly

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Functional Organisation

Exploration →
0. Safety
1. Opportunity inventory
2. Resource adds
3. Seismic and data quality
4. Finding costs

Development →
0. Safety
1. Concept optimisation
2. Project / drilling execution
3. Cost and schedule
4. Commission and start-up

Production →
0. Safety
1. Post-start up execution
2. Daily production
3. Lowest-cost operations
4. Reserve recovery
5. Additional opportunities

Marketing
0. Safety
1. Maximise revenue
2. Gas market development
3. Gas project sponsorship
4. Contract management

Worldwide Presidents

Steve Bell	Nigel Smith	David Walker Mike Weill	Rebecca McDonald Alex Green

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Organisational Advantages

- Clear accountability – clear focus of management and the organisation
- Emphasises functional excellence in execution
- Common approach and measurement across entire portfolio
- Top talent touches all similar problems
- Measure against milestones, adjust activities, measure again
- Lowest cost per barrel
- Drive for year after year functional improvement leads to overall business performance improvement

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Strategies

- Drive Base Performance
- Execute Project Portfolio
- Capture Additional Opportunities in our Knowledge Areas

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Strategies

- **Drive Base Performance**

- Execute Project Portfolio

- Capture Additional Opportunities in our Knowledge Areas

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Base Operations

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Strategy - Drive Base Performance

- Production Management responsible for base performance worldwide
- Production for 4Q FY 2006 averaged 336,000 boe/day
- Daily focus on operational uptime – both wells and facilities
  - 100% of our wells, 100% of maximum rate, 100% of the time is our measuring point
  - FY 2007 actual uptime to date is 94% excluding planned shutdowns
- Natural annual decline is 8-10%
  - Production's objective is to decrease this impact
  - New wells, new compression, new opportunities
  - Opportunities in base will slow decline to about 5% per annum
- FY 2007 1Q volume estimate is very near FY 2006 4Q
- Other major focus areas
  - Cost/boe produced
  - Reserve recovery over time
- Goal is to extract maximum value from all barrels produced

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Strategies

- Drive Base Performance
- **Execute Project Portfolio**
- Capture Additional Opportunities in our Knowledge Areas

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Development Projects in Execution

- Development Management responsible for project and drilling execution worldwide

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Sanctioned Projects

Project (Country)	Working Interest	Gross Capacity	Gross Reserves MMboe	BHP Billiton Share (funding) (US$MM)	Initial Production Date
Atlantis South (US)	44%	200,000 BOPD 180 MMcfPD	560	1,115	Under Review
Neptune (US)	35%	50,000 BOPD 50 MMcfPD	100-150	300	End CY07
Stybarrow (Australia)	50%	80,000 BOPD	60-90	300	Q1 CY08
NWS Train 5 (Australia)	17%	4.2 million tonnes per annum LNG	450	300	Late CY08
NWS Angel (Australia)	17%	800 MMcfPD (feeds Train 5)	–	200	End CY08
Shenzi (US)	44%	100,000 BOPD 50 MMcfPD	350-400	1,940	Mid CY09
Zamzama Ph-2 (Pakistan)	38.5%	150 MMcfPD (Additional)	389 (total)	46	Q3 CY07

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Sanctioned Projects in Execution
Atlantis South (44% BHP Billiton)

- Capacity: 200,000 bbl of oil/day
  180 mmscf/day of gas
- Mooring completed in August 2006, now installing risers
- Development drilling in progress and planned to meet start-up capacity
- Capex under review, at least a 30% increase
- Subsea manifold issues are being actioned

- Hurricane delays have carried over into heavy-lift vessel schedule
- Split start-up possible for field segments
- First production 1H 2007 (operator estimate)

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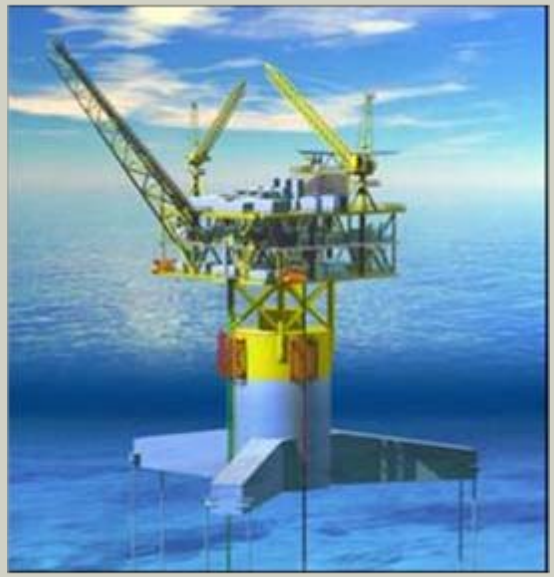
Sanctioned Projects in Execution
Neptune (35% BHP Billiton – Operated)

- Capacity: 50,000 bbl of oil/day
  50 mmscf/day of gas
- Cut steel on topsides October 2005
- Started TLP hull fabrication December 2005
- Development drilling commenced June 2006, and is in progress
- 2005 hurricane data absorbed into design and schedule
- First production Q4 CY 2007



TLP Schematic

DDI at Neptune

Deck Fabrication

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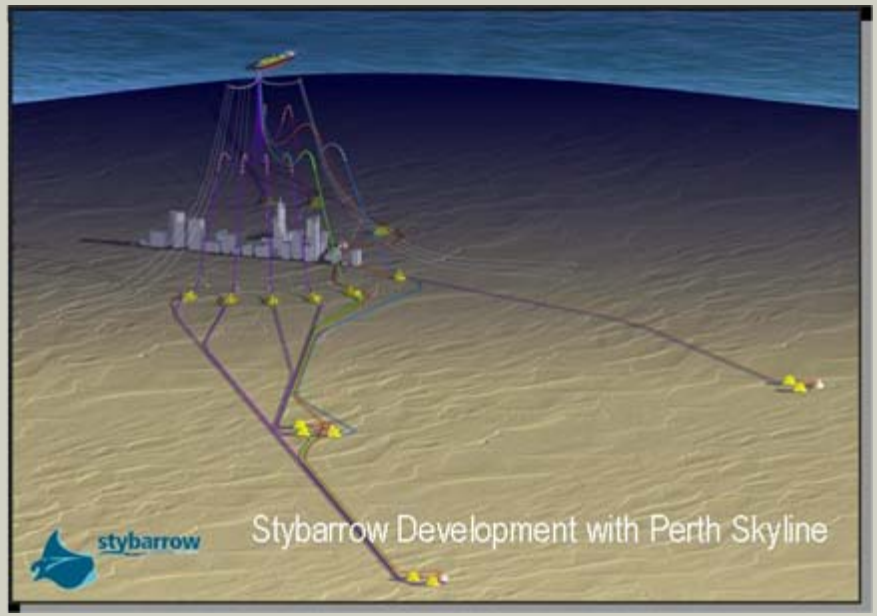
Sanctioned Projects in Execution
Stybarrow (50% BHP Billiton – Operated)

- Capacity: 80,000 bbl of oil/day
  40 mmscf/day of gas
- At 850m depth, deepest development offshore Australia
- Started FPSO hull fabrication January 2006



- Development drilling September 2006, in progress
- First production Q1 CY 2008

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Sanctioned Projects in Execution
NWS Train 5 (16.67% BHP Billiton)

- Capacity: 4.2 mtpa
- Civil Works near complete
- 1st shipment of Pre-Assembly Units completed September 2006 – Modular Construction methodology
- Mechanical Erection to commence Q4 2006
- Market costs have increased Capex by over 20%
- First production late CY 2008

Onshore Gas Plant pre-Train 5

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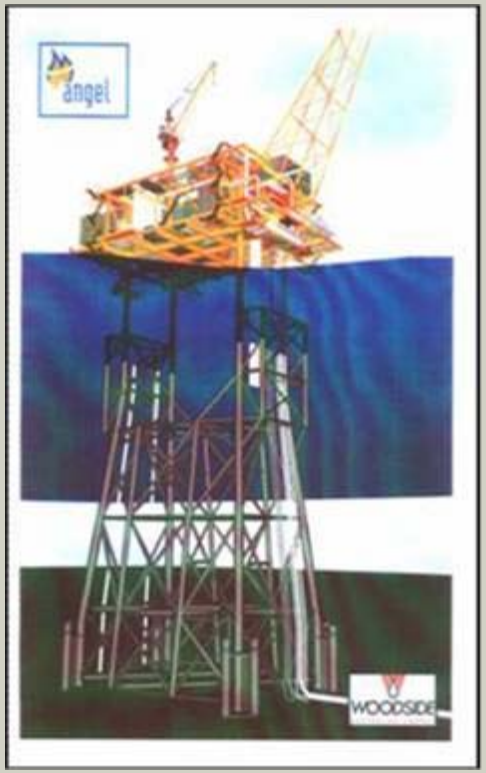
Sanctioned Projects in Execution
Angel (16.67% BHP Billiton)

- Offshore Platform in 260 ft water depth with 3 subsea wells
- Capacity: 800 mmscf/day of gas (Train 5 LNG)
- Jacket Fabrication commenced March 2006 in China
- Topsides (Integrated float-over deck) Fabrication started March 2006 in Malaysia
- First production late CY 2008 (operator estimate)



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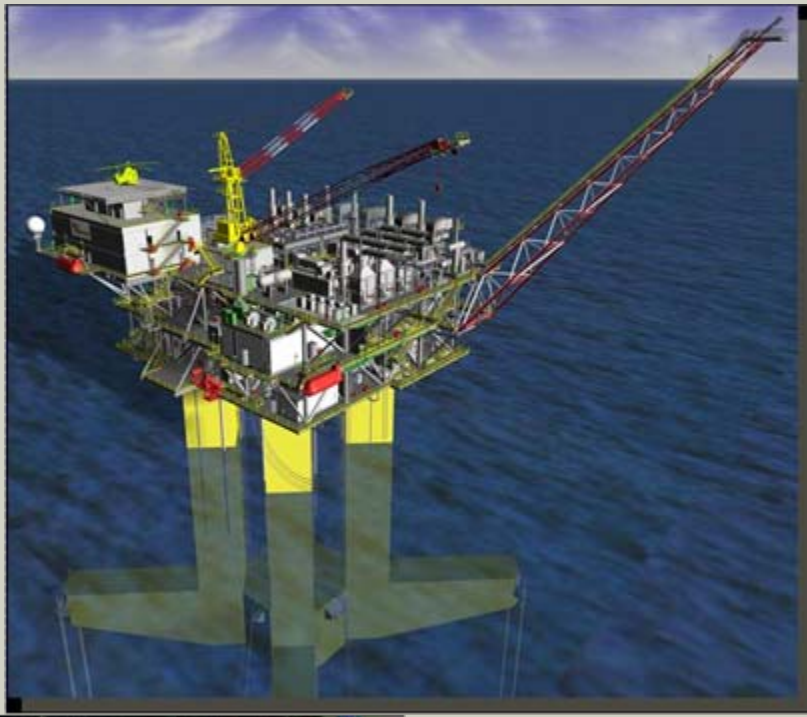
Sanctioned Projects in Execution
Shenzi (44% BHP Billiton – Operated)

- Sanctioned June 2006
- Capacity:
  - 100,000 bbl of oil/day
  - 50 mmscf/day of gas
- Cut steel on Topsides July 2006
- Cut steel on TLP Hull September 2006
- Development drilling began September 2006
- First production mid CY 2009



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Sanctioned Projects in Execution
Pakistan Zamzama Phase II (38.5% BHP Billiton – Operated)

- Gas Sales Agreement signed and project sanctioned in November 2005.
- Increasing current gas production capacity of 300MMscfd to 450MMscfd.
- Use of cryogenic process for removing nitrogen to produce higher calorific value gas.
- Extensive pre-treatment facilities involving CO2 removal and dehydration
- First Gas in Q3 CY 2007.

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Strategies

- Drive Base Performance
- Execute Project Portfolio
- Capture Additional Opportunities in our Knowledge Areas
  - Development Opportunities
  - Exploration Opportunities

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Additional Development Opportunities

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Additional Development Opportunities not Sanctioned

- Pyrenees: 71.43% and 40% BHP Billiton – Operated
  - FPSO oil development off Western Australia
- Angostura Gas: 45% BHP Billiton – Operated
  - Trinidad gas sales integrated with existing oil facilities
- NWS: North Rankin B and Western Flank Gas – 16.67% BHP Billiton
  - Projects to support LNG Trains 1–5 for next generation of contracts
- Bass Strait: Kipper and Turrum: 32.5% BHP Billiton
  - Liquids projects with long-term gas sales
- Scarborough: 50% BHP Billiton
  - Gas for LNG export in Western Australia
- Cabrillo Port: 100% BHP Billiton – Operated
  - California re-gasification
- Concept Phase: NWS Cossack-Pioneer extension, Western Flank oil, Perseus Ph1C (16.67%)

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Additional Exploration Opportunity Areas

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Strategy - Capture Additional Opportunities

Exploration Focus

1. GoM Exploration (7,000km^2) – prospect / regional mapping ongoing
2. GoM Appraisal
   - Puma – appraisal drilling ongoing for this BP-operated discovery
   - Knotty Head – studying appraisal options, planning CY2007 appraisal well
   - Mad Dog South West Ridge – subsea tie-back to Mad Dog
3. Trinidad (1,300km^2) – Angostura *operated* near field exploration ongoing and DW / UDW New Ventures opportunities under evaluation / negotiation
4. Western Australia (87,000km^2) – Exmouth *operated* near field exploration and Browse (non-op) gas exploration and appraisal
5. Algeria (23,000km^2)– 3 large *operated* blocks with Berkine / Illizi basins containing existing oil & gas discoveries, currently mapping new 2D dataset

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Strategy - Capture Additional Opportunities

Exploration Focus (continued)

6. **Colombia** (9,500km^2) – recently captured ***operated*** offshore blocks with both oil & gas prospectivity and significant running room / upside, currently acquiring 2D seismic
7. **Maritime Canada** (29,000km^2) – CoP operated gas prospectivity close to world's largest energy market and developing infrastructure, currently mapping 3D dataset
8. **South Africa** (50,000km^2) - dominant ***operated*** Orange Basin shelf / DW position with oil & gas prospectivity and significant running room, ready to drill in CY07/08
9. **Namibia** (29,000km^2) - 2 large ***operated*** blocks with domestic and export market options, currently processing new 3D dataset
10. **Confidential Bids** under evaluation in additional countries

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Next Areas of Focus

- Continuous improvement on costs – Capex and Opex
- High-grade, rank additional opportunities for action
- Booking schedule for discovered barrels to Proved Reserves
- Continuously evaluate execution status and act

- Very material impact to BHP Billiton over the next several years.
- Some market cost pressure, but working to offset
- We will not chase price to justify a project – long term view

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Summary

- New organisational alignment and management focus allows for continuous improvement in cost, high-grading of opportunities, and ability to adjust to problems
- Base Production focus will provide improvement in value of all barrels
- Strong project slate will yield significant volume increases
    - Production increases mean a much larger company by the end of the decade
    - Significant project upsides already identified
- Many additional growth opportunities being pursued
- Quality and Quantity
- Solid expectation of improvement in business performance

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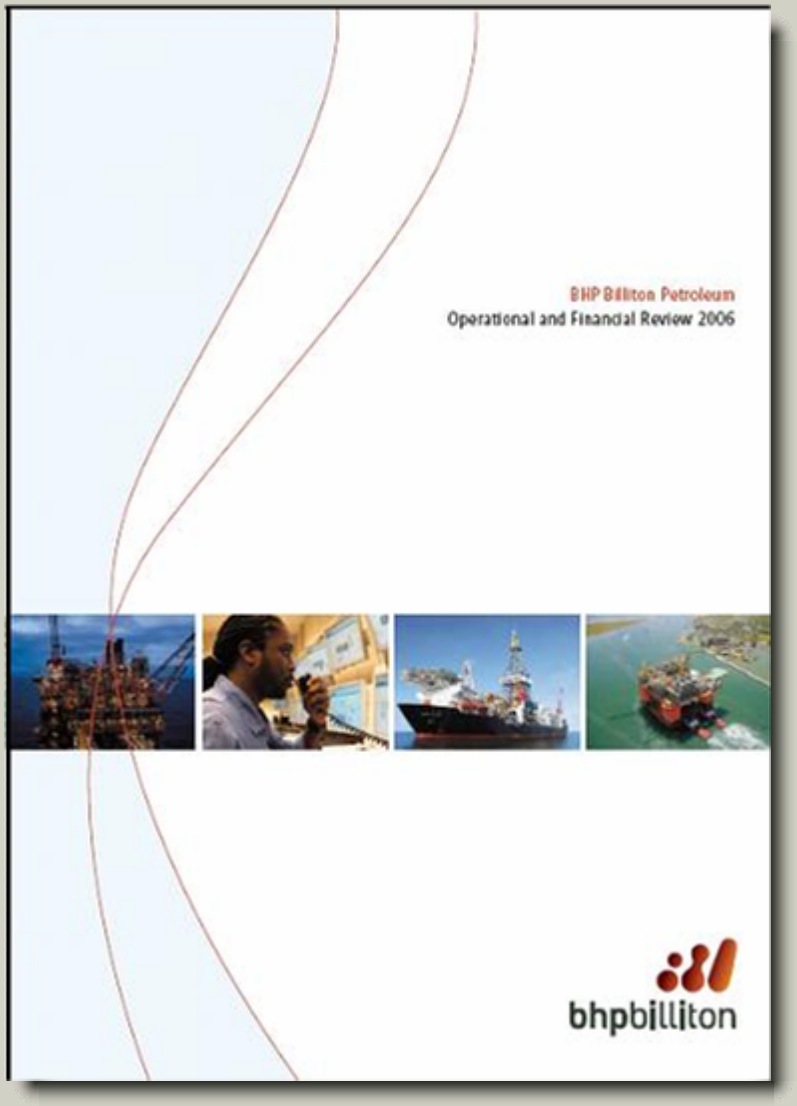
Petroleum Operational and Financial Review 2006 available



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Backup

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Tax and Royalty Regime

- Common in developed countries such as USA, Australia and UK- a majority of Petroleum's current operations operate under this regime.
- PRRT/PRT – Other than NWS, Petroleum's Australian operations pay Petroleum Resource Rent Tax – this is a tax on oil company profits arising from production. Petroleum's UK Operation in the North Sea pay PRT which is also tax on profits (treated as an income tax under IAS 12)
- Key features under a tax and royalty regime are:
  - Companies are provided with a right to take title to the hydrocarbons through production
  - Companies maintain legal ownership of infrastructure constructed to produce hyrdocarbons
  - Tax/royalties are paid to the owner of the petroleum rights, usually a government. This can be in the form of a percentage of the gross wellhead value of production or tax on oil company profits arising from production
  - Production entitlement represents the company's economic interest in the lease arrangement
  - Enables companies to fully participate in price movements

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Production Sharing Contracts

- Production Sharing Contracts are very common in major resource holding countries
- Petroleum currently has two PSC's, in Trinidad and Algeria
- Key features of a PSC are generally:
  - Contractor pays for / bears risk of all exploration, development and production however government retains legal title to the resources and infrastructure.
  - Contractor reimbursed for share of "agreed" costs from production over a fixed term (consisting of capital and operating cost contributions). Remaining "profit oil" is divided between Contractor and local government at an agreed rate.
  - Contractor able to participate in any price movements however government royalty/tax rate increases when price increases therefore contractor exposure to price movements is mitigated.
  - Income tax remains the liability of the Contractor under domestic law but under the PSC this liability is assumed by Local Government

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Risk Sharing Contracts

- Risk Sharing Contracts are a variation on the PSC and combine a contractor–type service agreement and a rate of return on risk capital
- Petroleum currently has one RSC in Algeria
- RSC's are becoming more common as host governments seek to retain upside from exploitation of natural resources
- Key features under a RSC are similar to PSC but also include:
    - Volumetric entitlement of the contractor is equivalent to dollar value of legal entitlement divided by a price
    - Results in an inverse relationship between price and production entitlement i.e. as price increases production entitlement decreases, with the same value outcome
    - The contractor is exposed to product price risk on the downside if there is insufficient reserves to meet the required return. Generally no participation in price upside

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