

# BHP Billiton Coal CSG Analyst Visit Hunter Valley Energy Coal

Dave Murray  
President – Coal

2<sup>nd</sup> November 2007



# Important notices

## Reliance on third party information

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## Ore Reserves and Mineral Resources

The information in this presentation that relates to Ore Reserves and Mineral Resources is as at 30 June 2007 and is based on information prepared by the relevant Competent Persons. The Competent Persons agree with the form and context of the Mineral Resources and Ore Reserves presented. The complete tables of Ore Reserves and Mineral Resources as at 30 June 2007 (including the relevant Competent Persons) for Metallurgical and Energy Coal are presented in the BHP Billiton Annual Report 2007 on pages 74, 75, 76, 77, 78 and 79.

Safety briefing

Coal CSG in New South Wales

The energy world we play in

How we play – strategy and growth

Hunter Valley Energy Coal

Safety briefing

Coal CSG in New South Wales – Dave Murray

The energy world we play in

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Hunter Valley Energy Coal

# Hunter Valley Energy Coal visit agenda

- 08:00 Bus travel to Muswellbrook  
Arrive at HVEC  
Coffee/tea on arrival
- 09:00 Coal CSG in NSW – Dave Murray
- 09:25 The energy world we play in – Mike Henry
- 10:10 Morning Tea
- 10:25 How we play – strategy & growth – Dave Murray, Neil Scott
- 11:10 HVEC operations – Eduard Haegal
- 11:55 Q&A
- 12:15 Lunch and Safety Briefing
- 13:00 Site tour – ROM pad lookout; CD2 lookout; MAU adit area
- 14:45 Return to office and meeting room
- 15:00 Bus departs Muswellbrook
- 17:00 Arrive Newcastle Airport

# Presentation Team

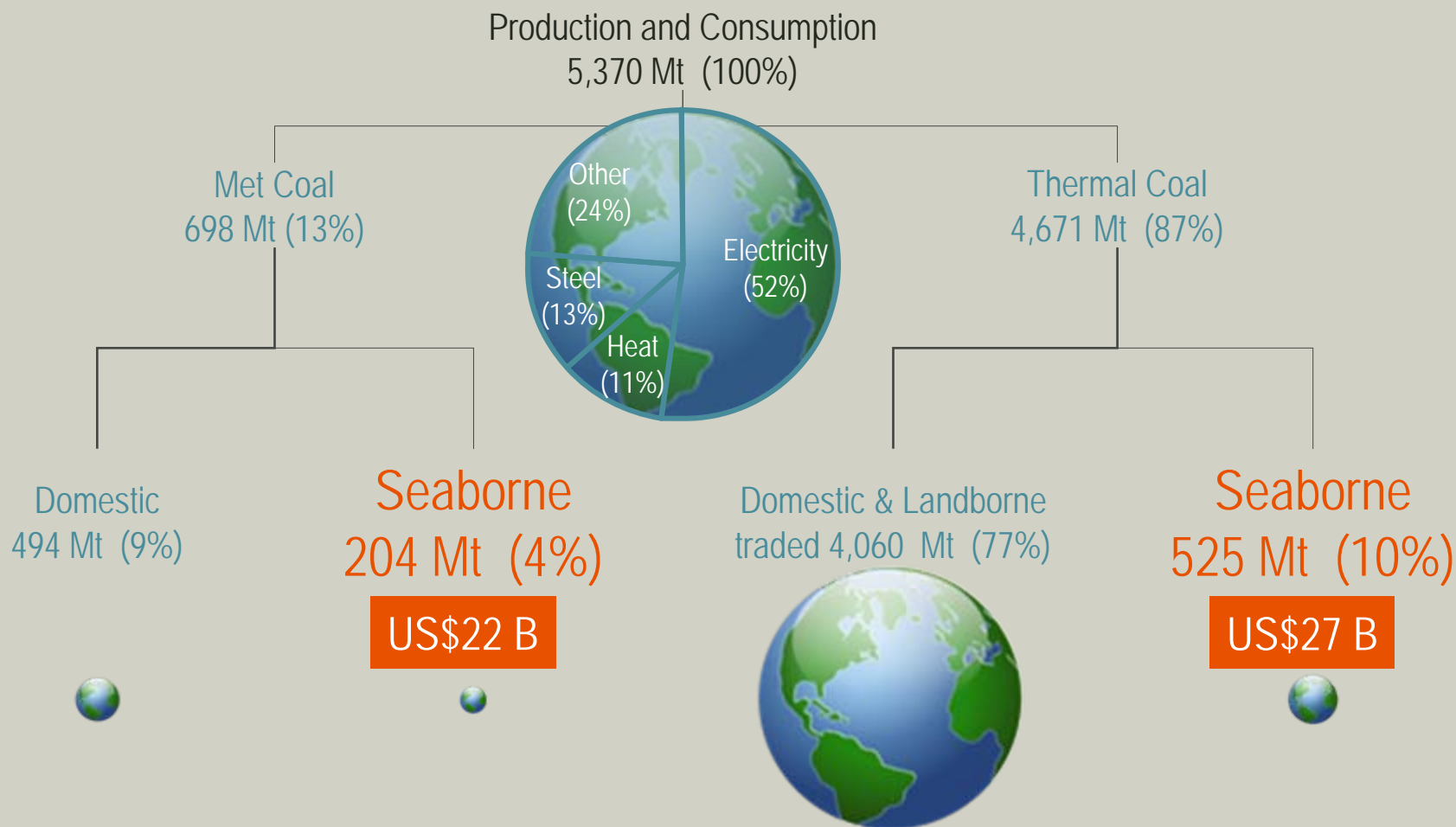
## Coal CSG Corporate

- |                  |  |
|------------------|--|
| Dave Murray      | – President                                  |
| Neil Scott       | – Chief Development Officer                  |
| Mike Henry       | – Marketing Director, Energy Coal            |
| Richard Malysiak | – VP Project Delivery                        |
| Barry Formosa    | – VP Health, Safety, Environment & Community |

## HVEC

- |               |                           |
|---------------|---------------------------|
| Eduard Haegel | – Chief Operating Officer |
|---------------|---------------------------|

# Almost 90% annual coal production is thermal coal



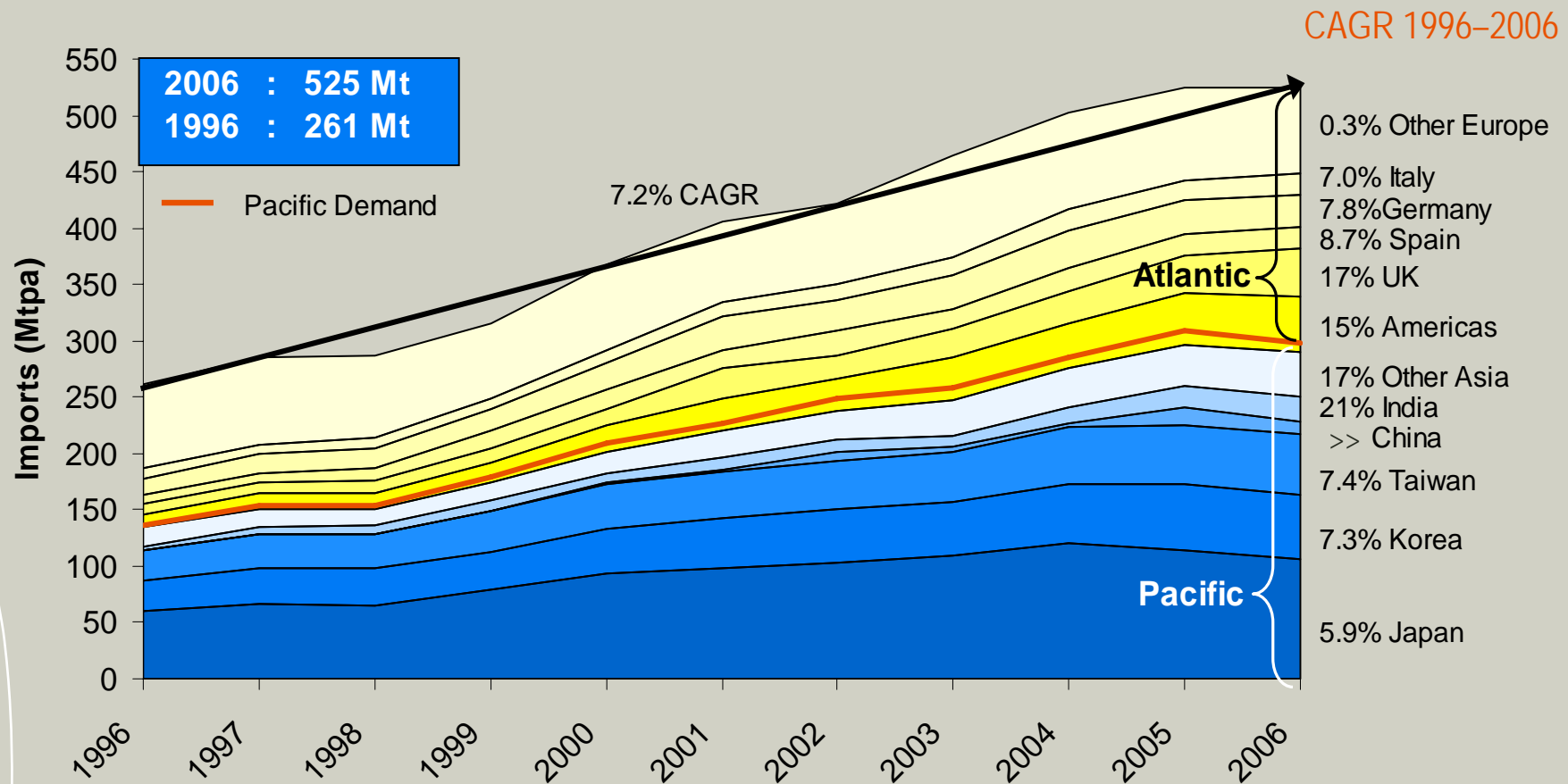
Our industry definition

Global, Traded Seaborne Metallurgical & Thermal Coal

Source: IEA Coal information 2007

The seaborne thermal coal market has more than doubled over the past 10 years...

## Global Traded Thermal Coal demand

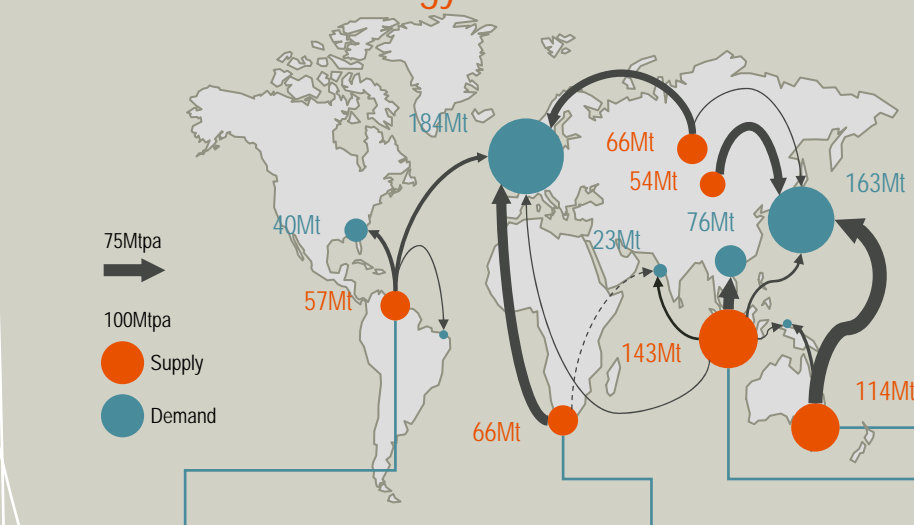


Source: McCloskey Coal, IEA Coal, BHP Billiton analysis



...and with increased consolidation, industry structure has improved particularly within major supply basins

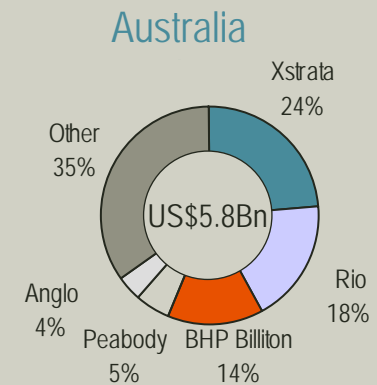
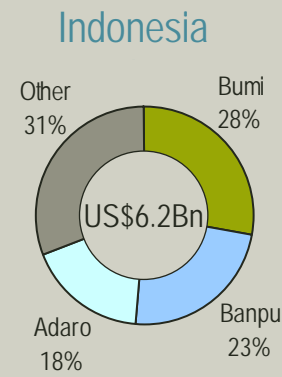
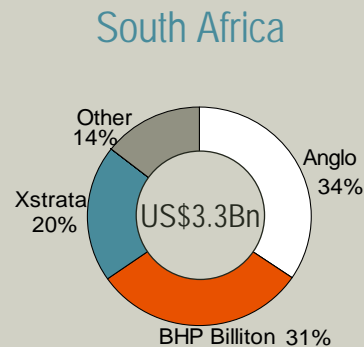
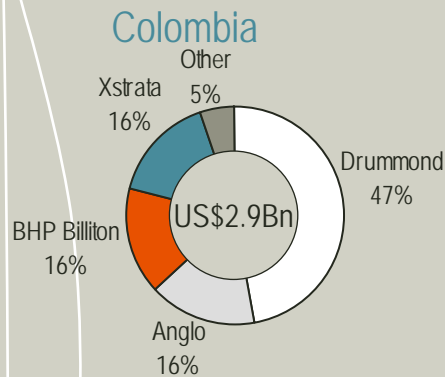
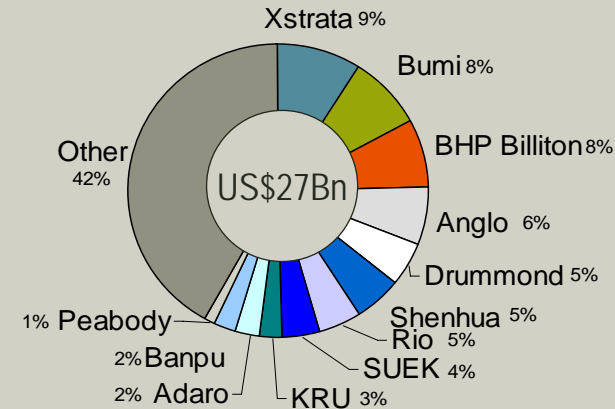
## 2006 Global Energy Coal Flows 525Mt<sup>1</sup>



Russia  
Dominated by SUEK, KRU

China  
Dominated by Shenhua,  
China Coal  
Expected to reduce  
exports

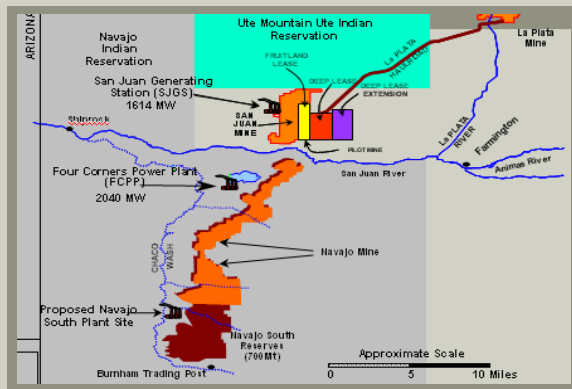
## Global – Fragmented Industry



(1) Source: McCloskey Coal, BHP Billiton Analysis. Only major coal flows shown  
 Source: AME, May 2007, BHP Billiton analysis.  
 Note: All graphs are on an equity tonnage basis.

# Our business benefits from a multi-source production base

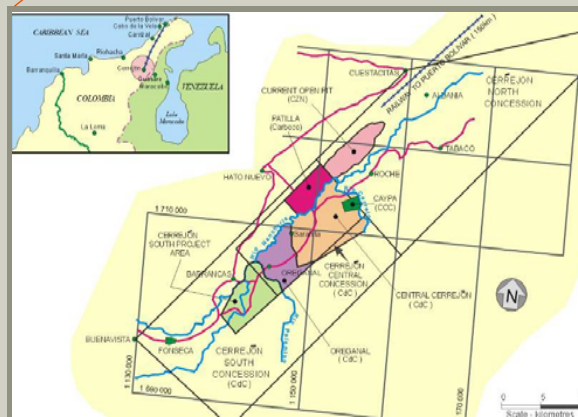
## New Mexico Coal



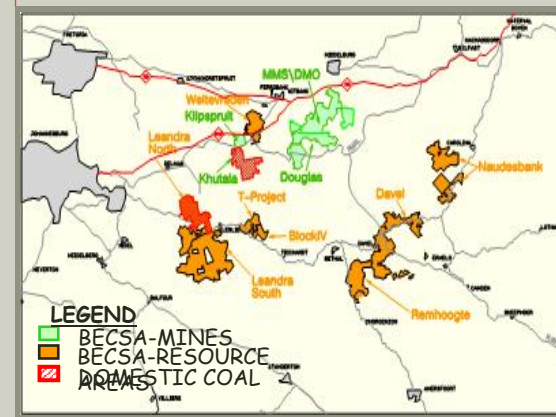
## HVEC



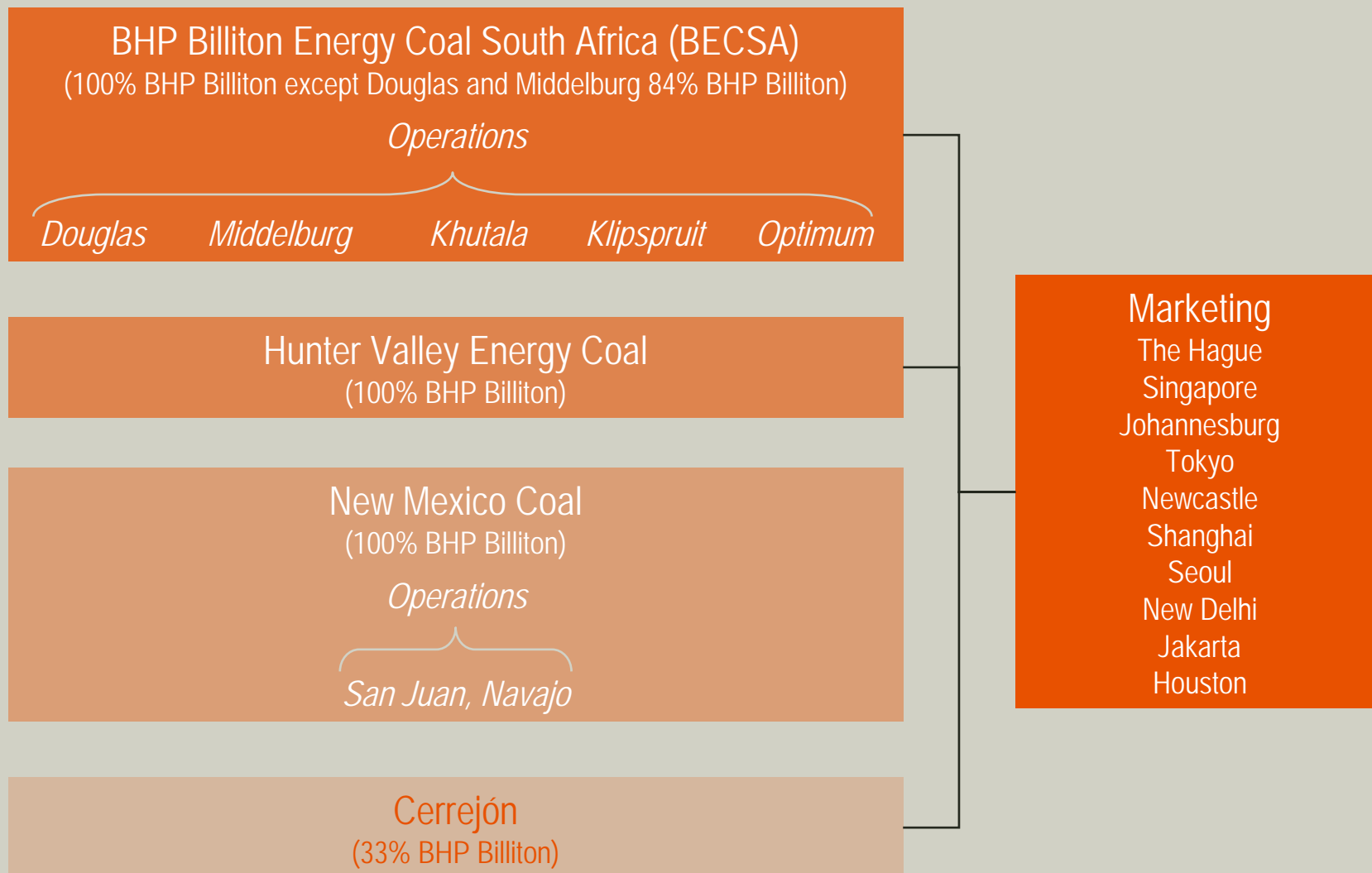
## Cerrejón



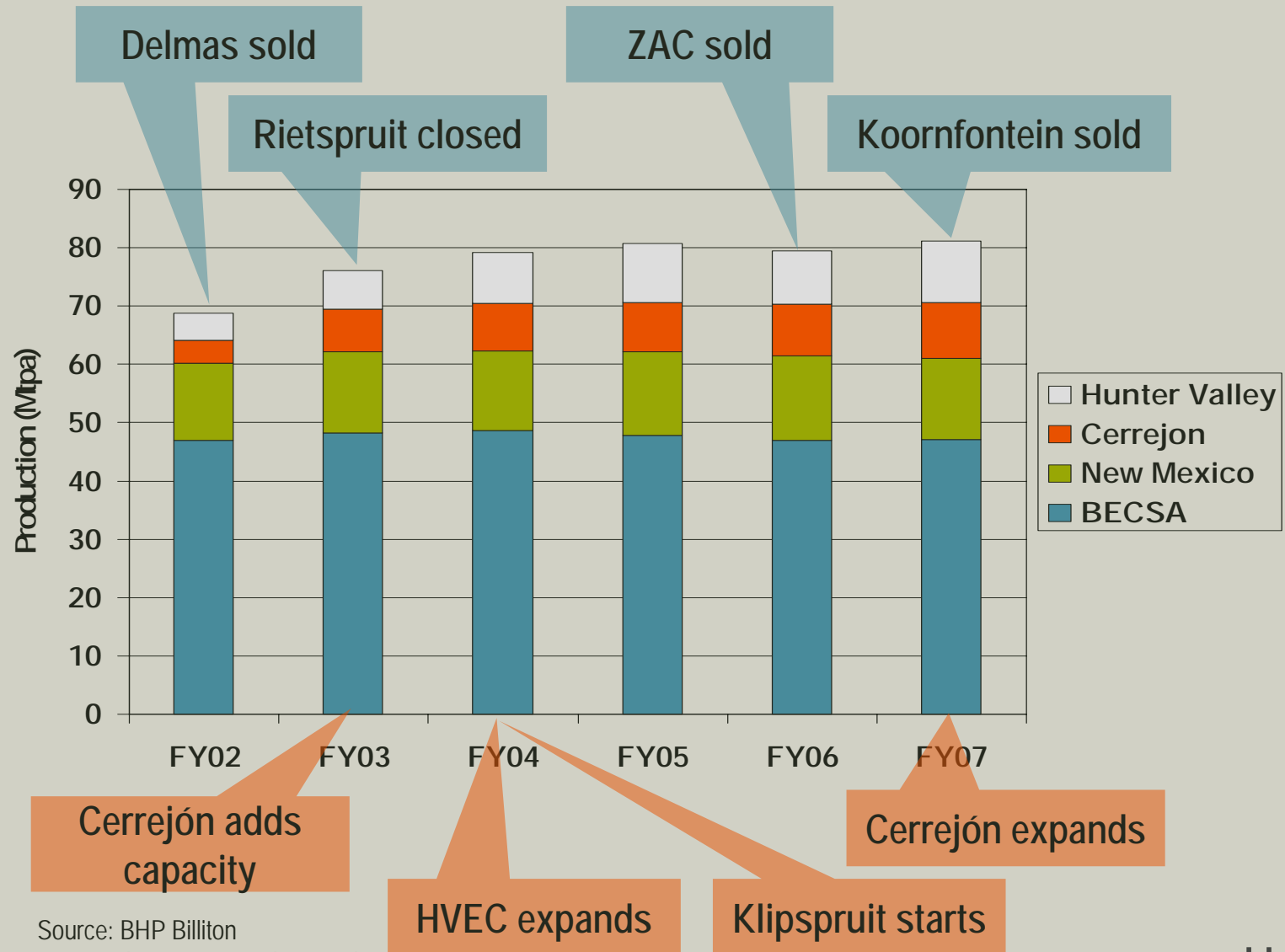
## BECSA



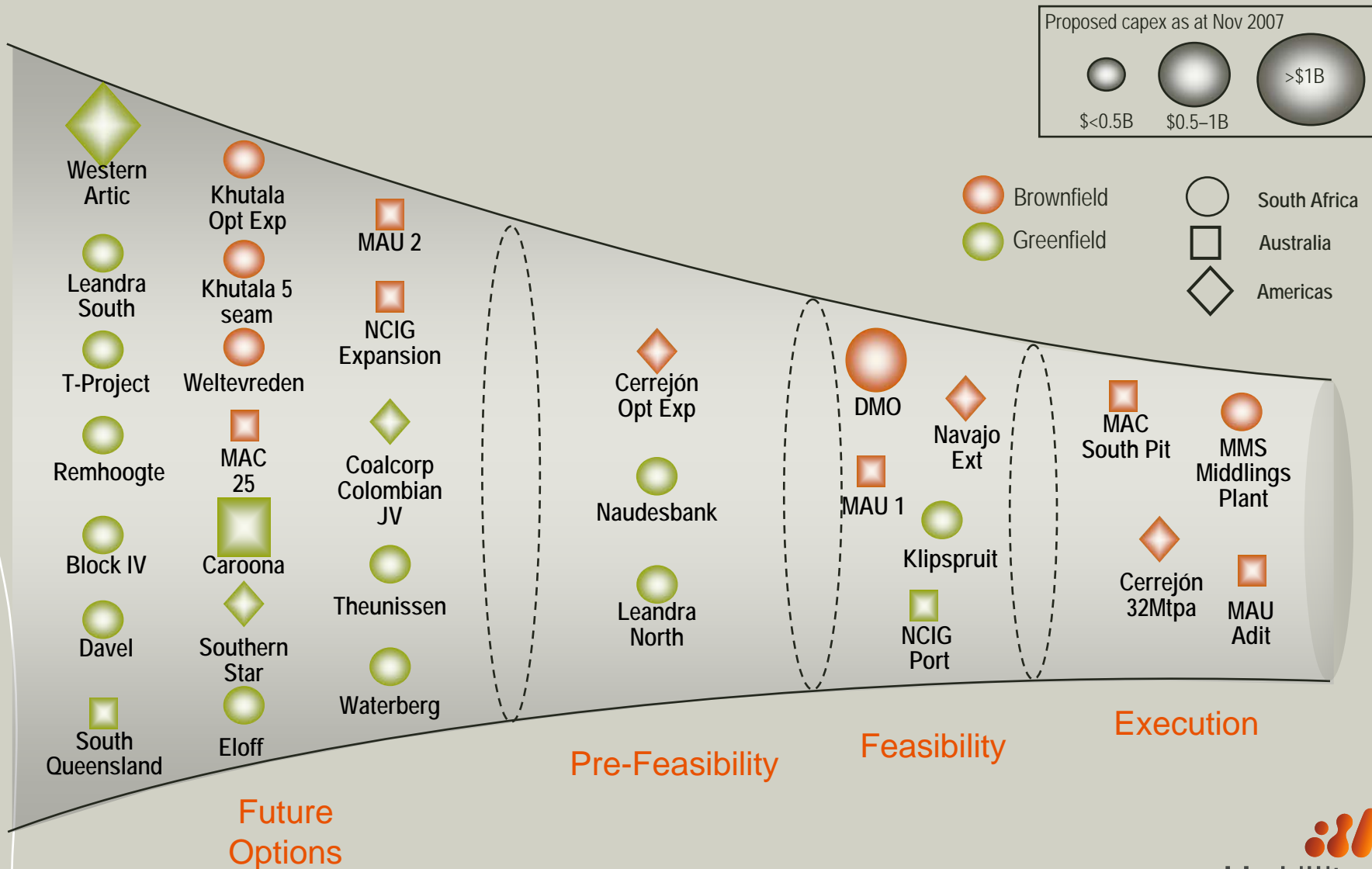
# Our Energy Coal businesses



We have simplified our portfolio and increased production at HVEC and Cerrejón since the merger...



# ...and have a deep inventory of projects and options



Safety briefing

Coal CSG in New South Wales

The energy world we play in – Mike Henry

Increasing energy demand

Impact on seaborne thermal coal

Short term issues

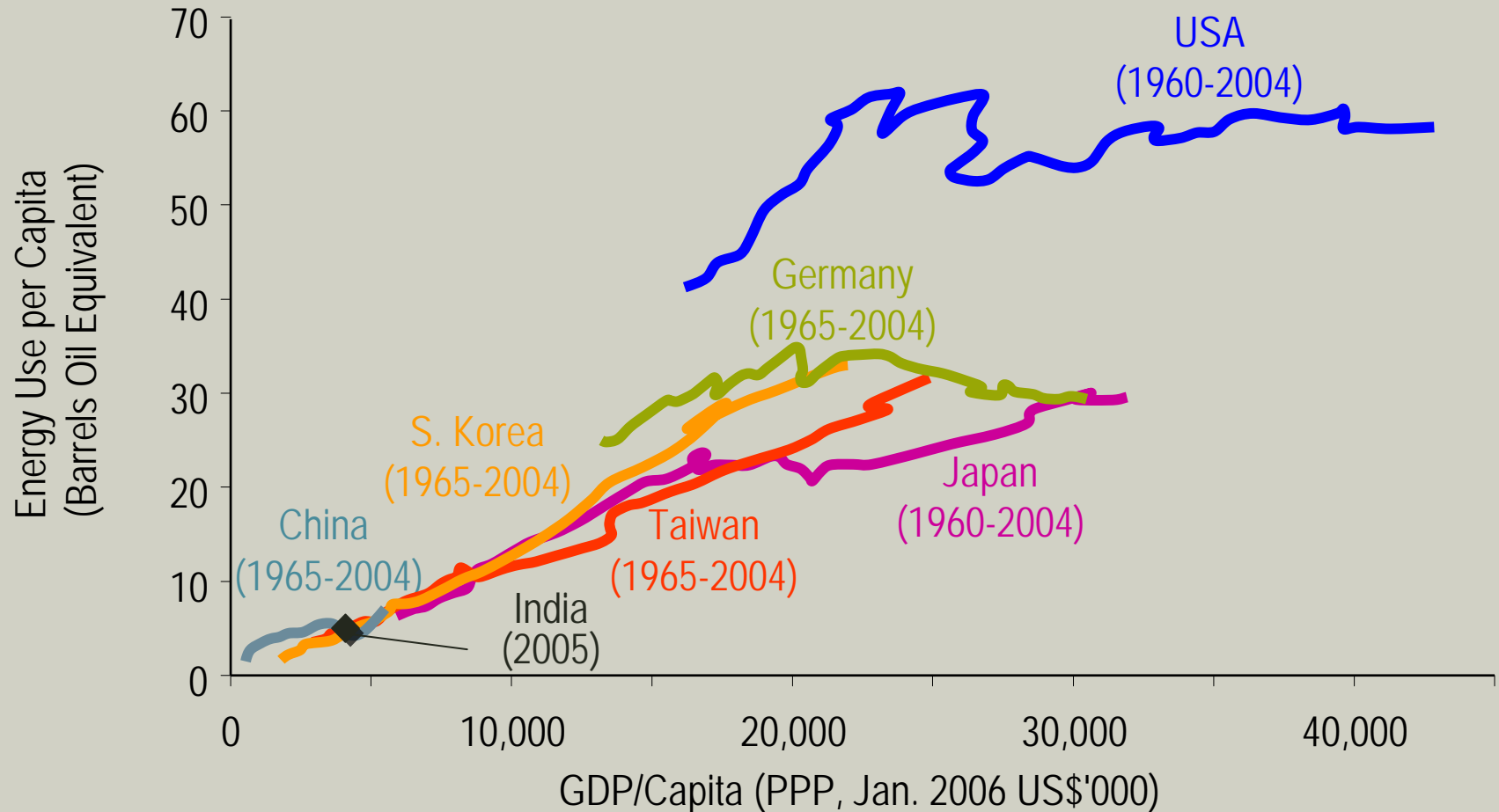
BHP Billiton marketing

How we play – strategy and growth

Hunter Valley Energy Coal

# Primary energy consumption is strongly correlated to economic development...

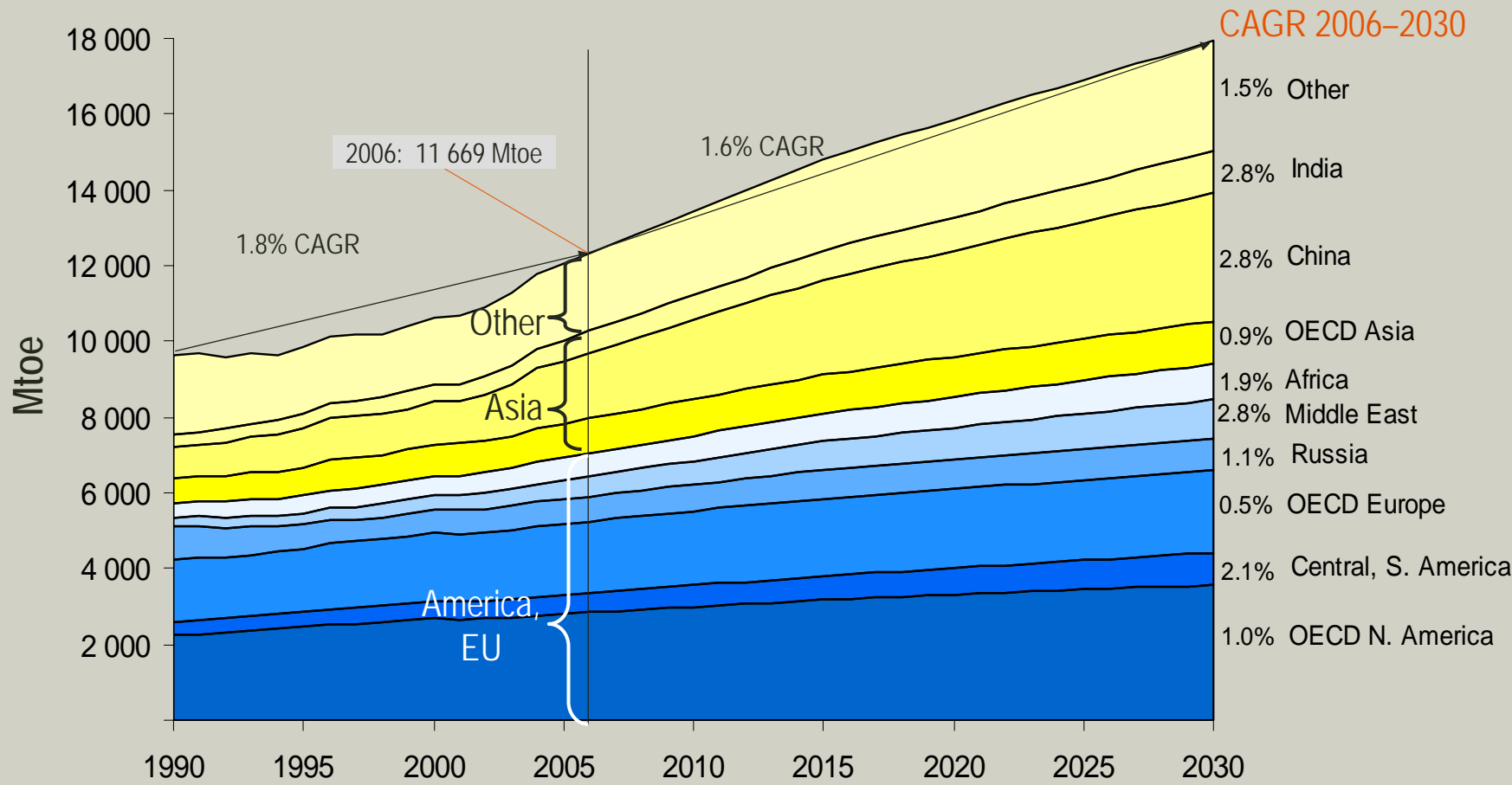
## Energy intensity per capita



Source: World Bank, OECD (GDP at Purchasing Power Parity), BP Statistical Review

...with world primary energy demand predicted to grow by almost 50% by 2030 driven by developing economies

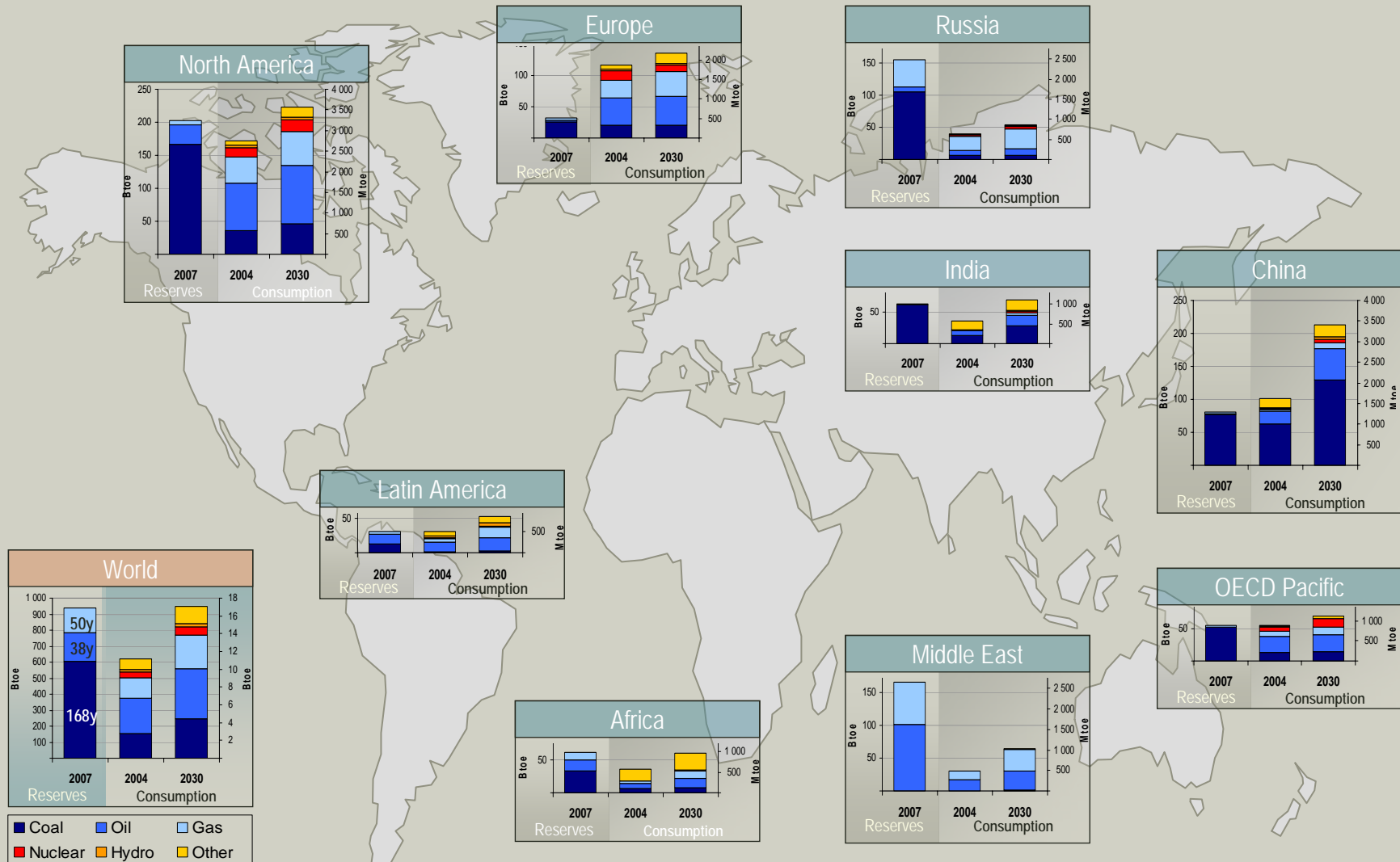
## Global demand, history and forecast



Source: IEA Energy Balances 2007, WEO 2006



# Coal is well placed given the geographical spread of reserves and its low cost...



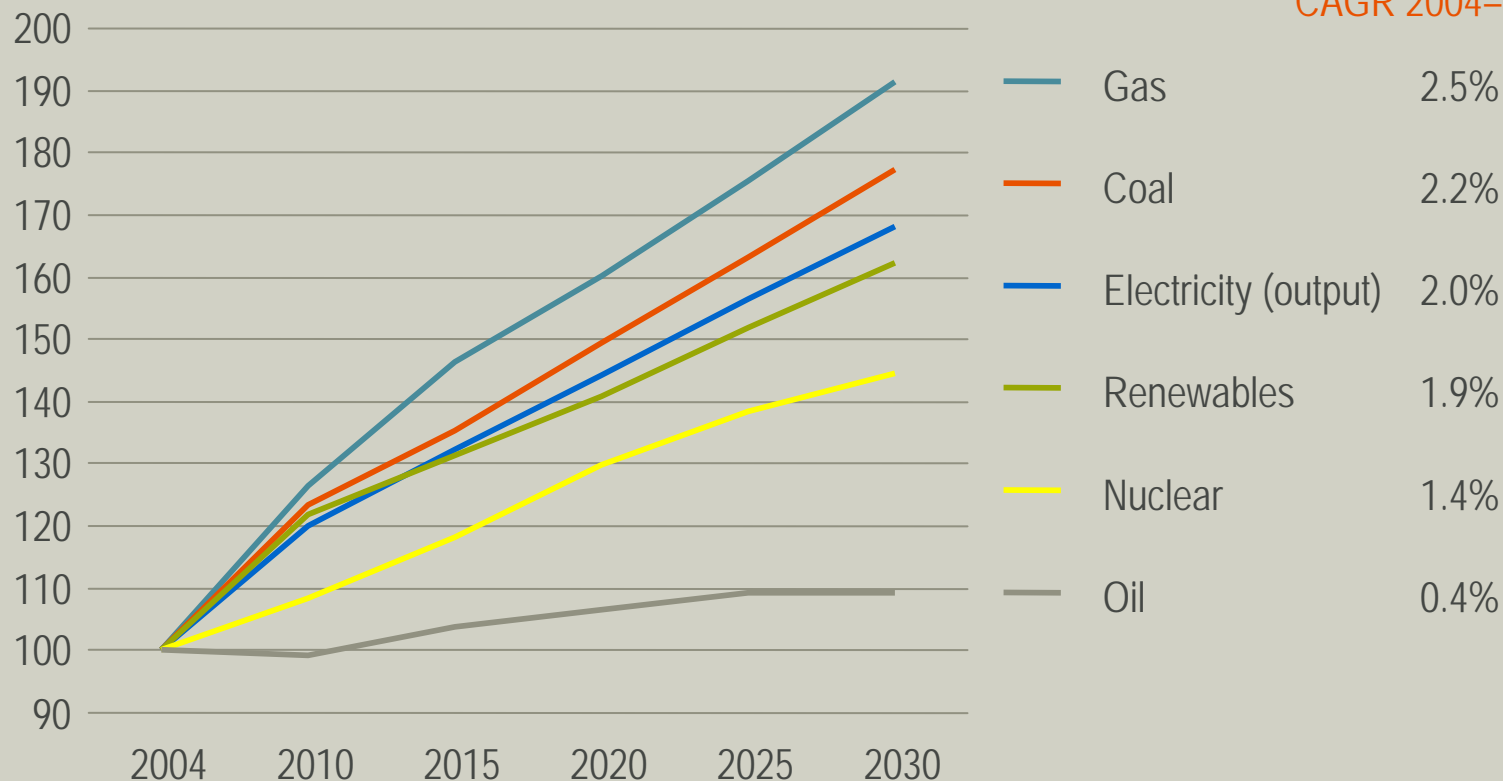
Source: WEO Outlook 2006 for Primary Energy, IEO for Reserve data.

Note: Reserves includes *known* reserves only

...therefore coal is to remain #1 fuel for power generation...

Fuel inputs used in the production of electricity  
2004 = 100

CAGR 2004–2030



Thermal coal will continue to be the #1 fuel for electricity generation (44% share by 2030), followed by natural gas (21% share)

Source: EIA International Energy Outlook 2007

# ...with energy efficiency and carbon capture and sequestration key to address climate change

CO<sub>2</sub> concentration targeted at 500 ppm for stabilization

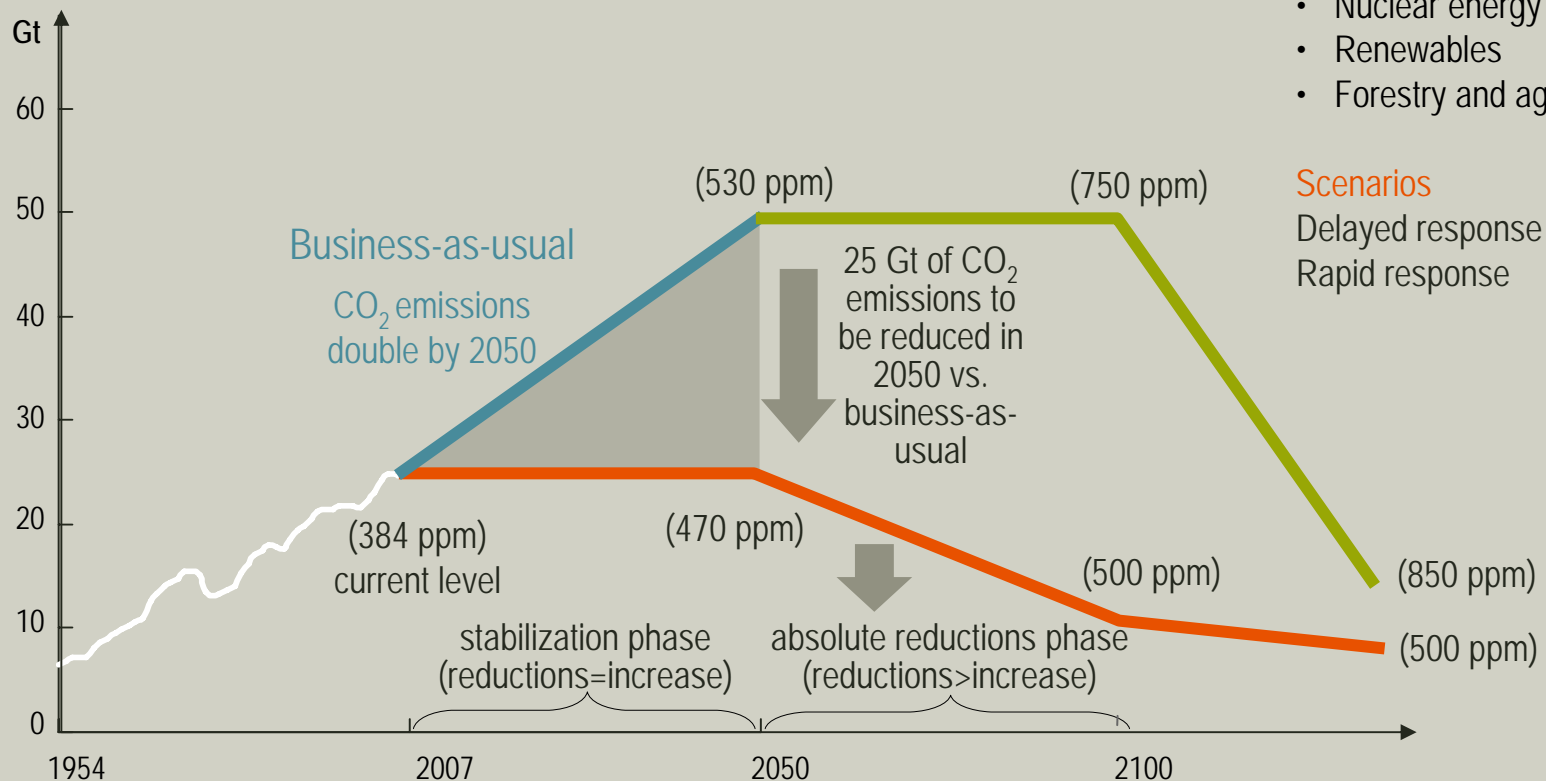
## Potential areas

- Energy efficiency
- CO<sub>2</sub> capture and storage
- Nuclear energy
- Renewables
- Forestry and agriculture

## Scenarios

Delayed response

Rapid response



Source: EIA, 2006; Socolow, R, 2006

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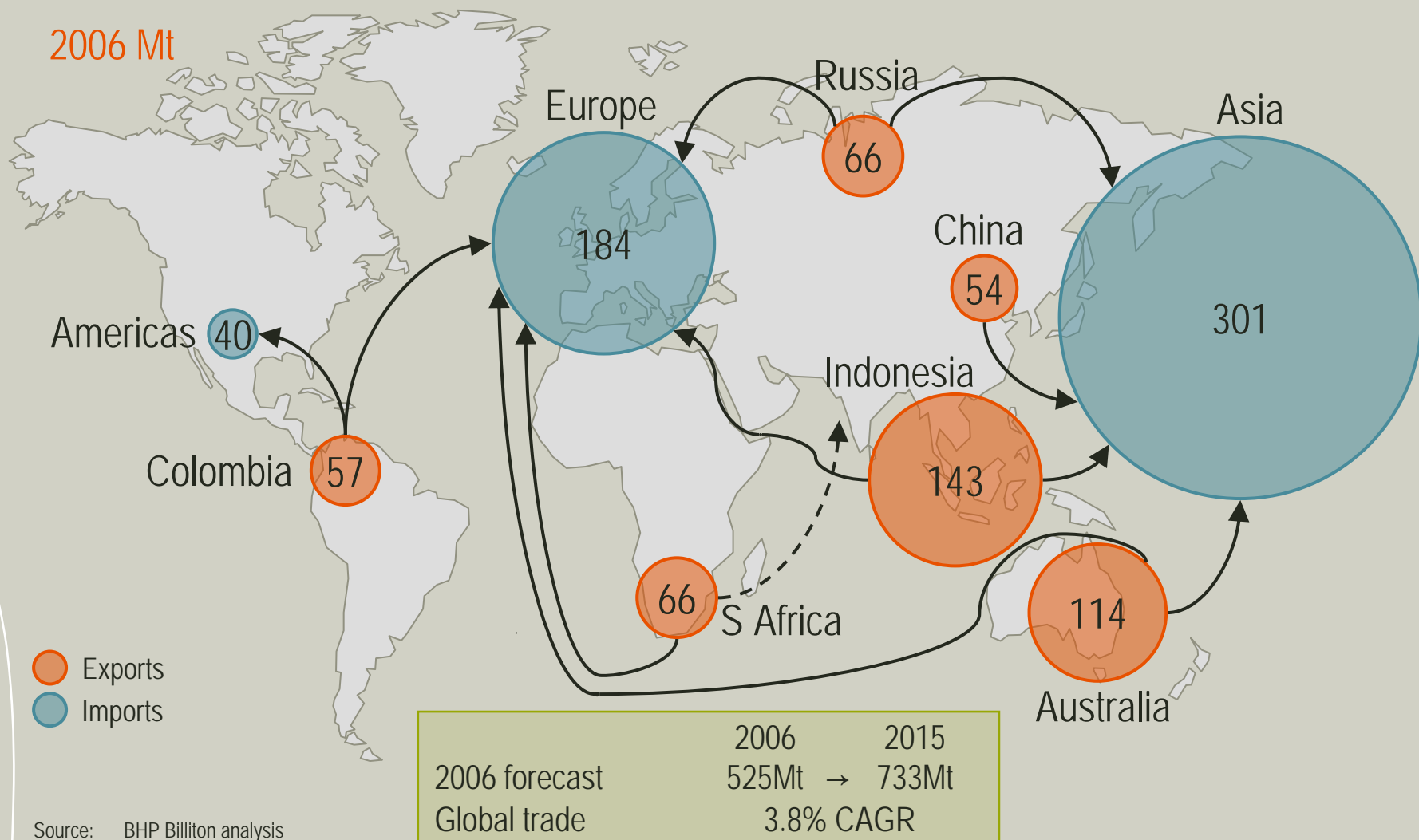
Short term issues

BHP Billiton marketing

How we play – strategy and growth

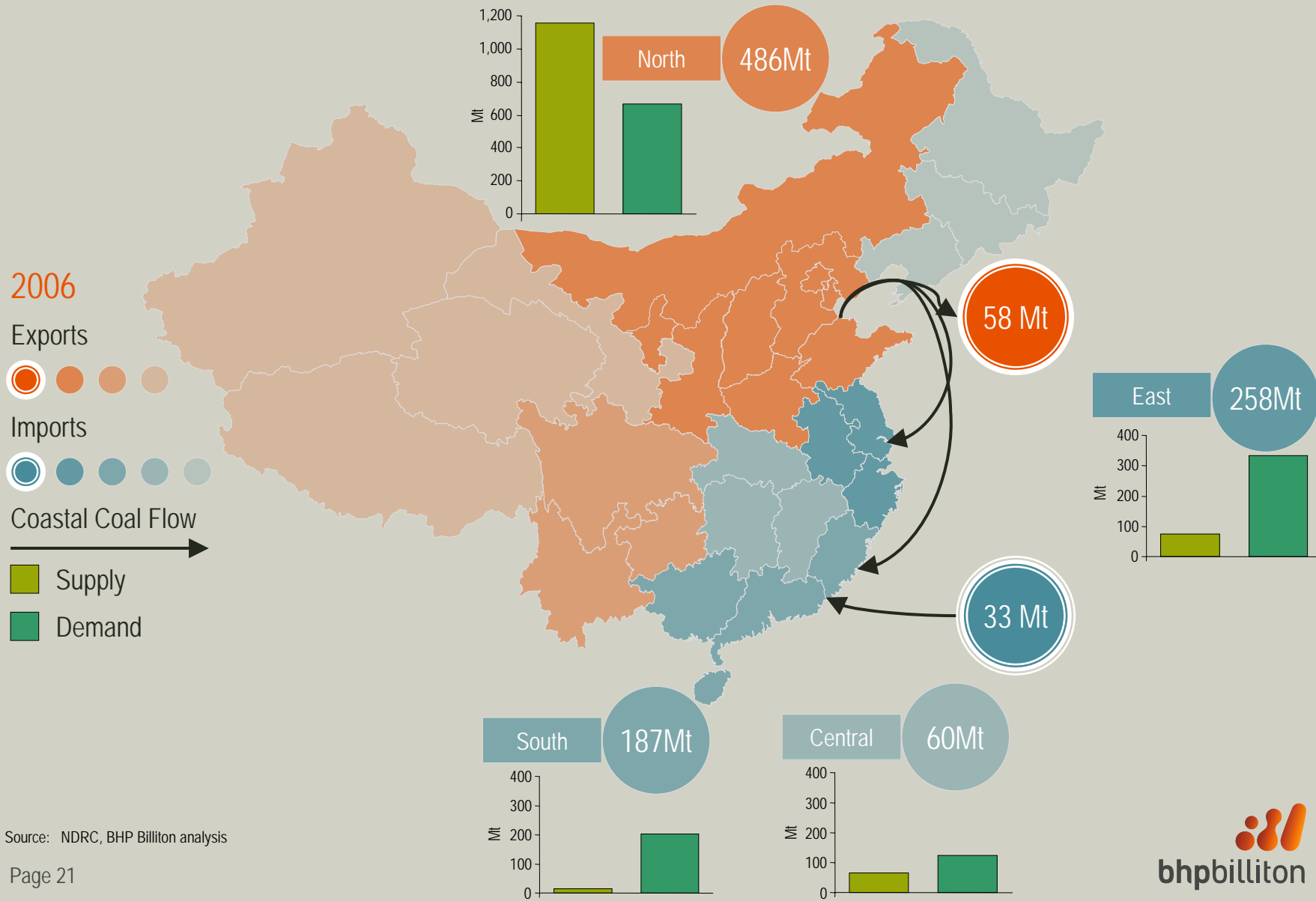
Hunter Valley Energy Coal

# Global seaborne trade set to increase by 40% to 2015



Source: BHP Billiton analysis

# Driven by China - coal demand by coastal provinces is met from the north and imports...



# ...and India - coal demand in the west and supply of low CV coal on the east driving imports

## Key characteristics

- Indian Thermal Coal industry is the third largest globally
- 409Mt consumed in 2006
- Large flows (only 36% mine mouth)

## 2006

### Exports



### Imports



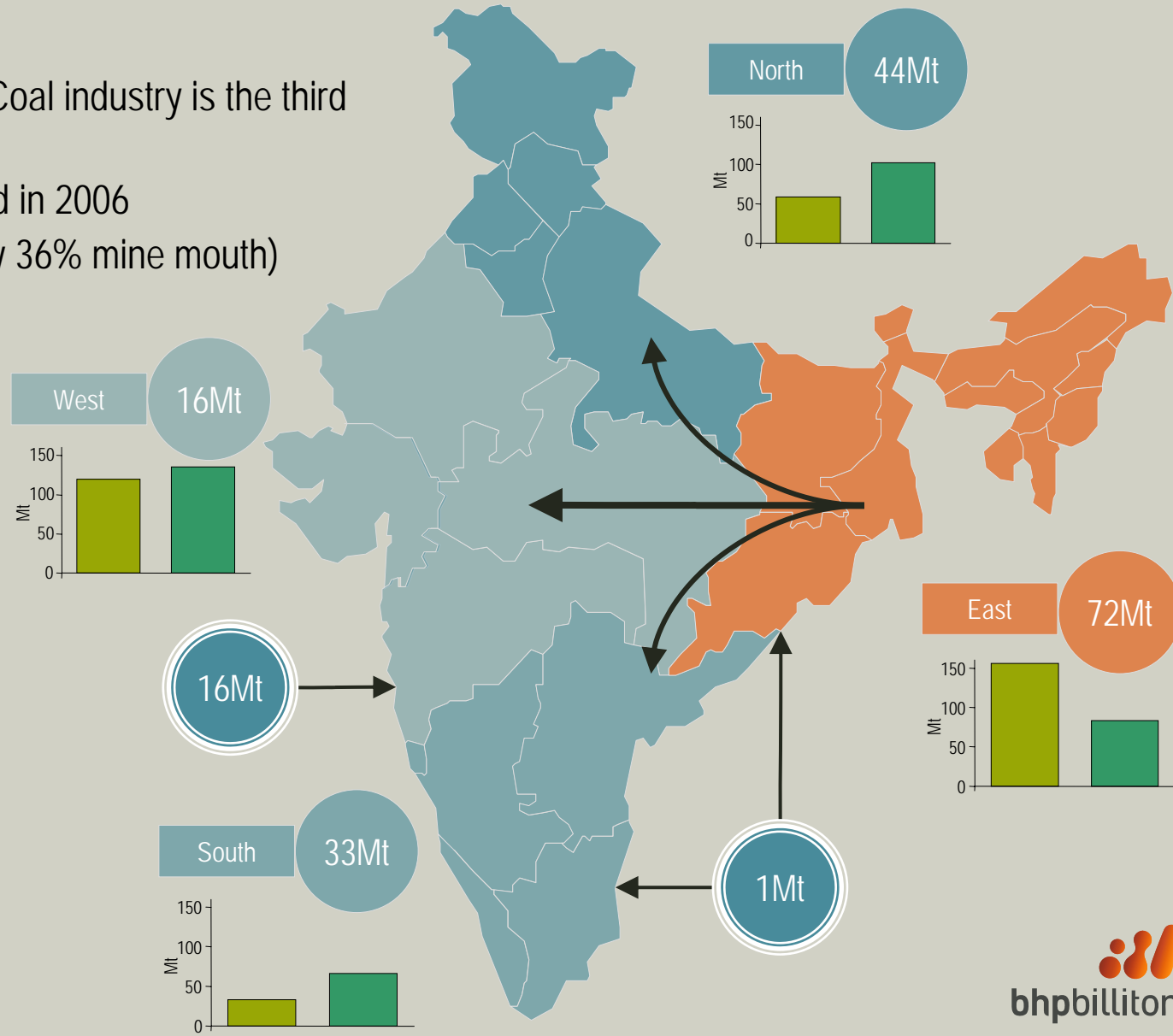
### Coal flow



Supply

Demand

Thermal Coal basin

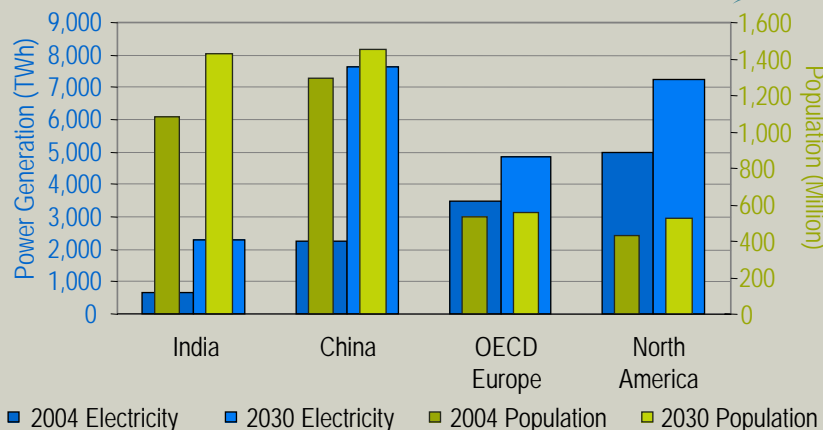


Source:  
BHP Billiton Analysis,  
Barlow Jonker 2006,  
Barlow Jonker India Study 2007

# Together, China and India provide significant upside

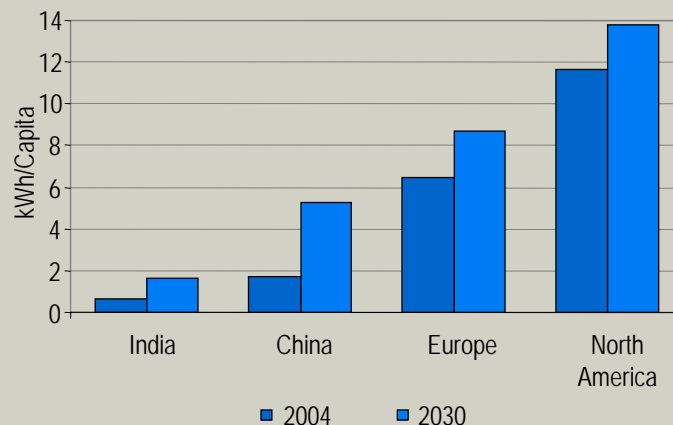
If we compare China and India to the rest of the world...

Population and electricity generation



...and compare electricity intensities...

Electricity generation – intensity

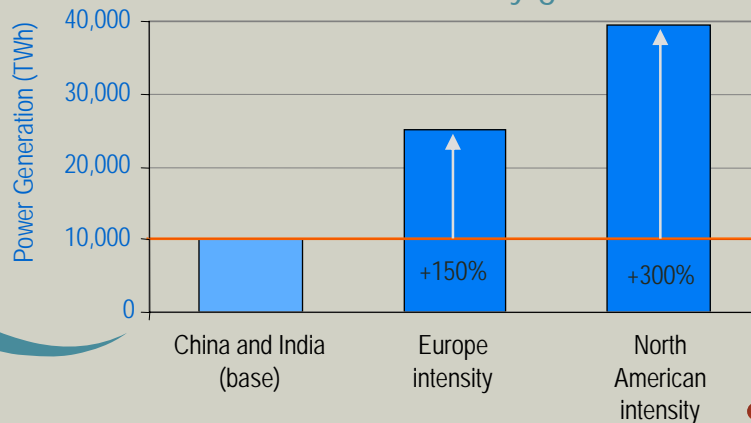


...which would require China and India to...

- ...produce 3 times as much power as Europe in 2004 (Expected forecast)
- ...produce 7 times as much power as Europe in 2004, if European power intensity is assumed
- ...produce about twice as much power as the rest of the world in 2030, if North American power intensity is assumed

...there may be a range of outcomes...

2030 China and India electricity generation





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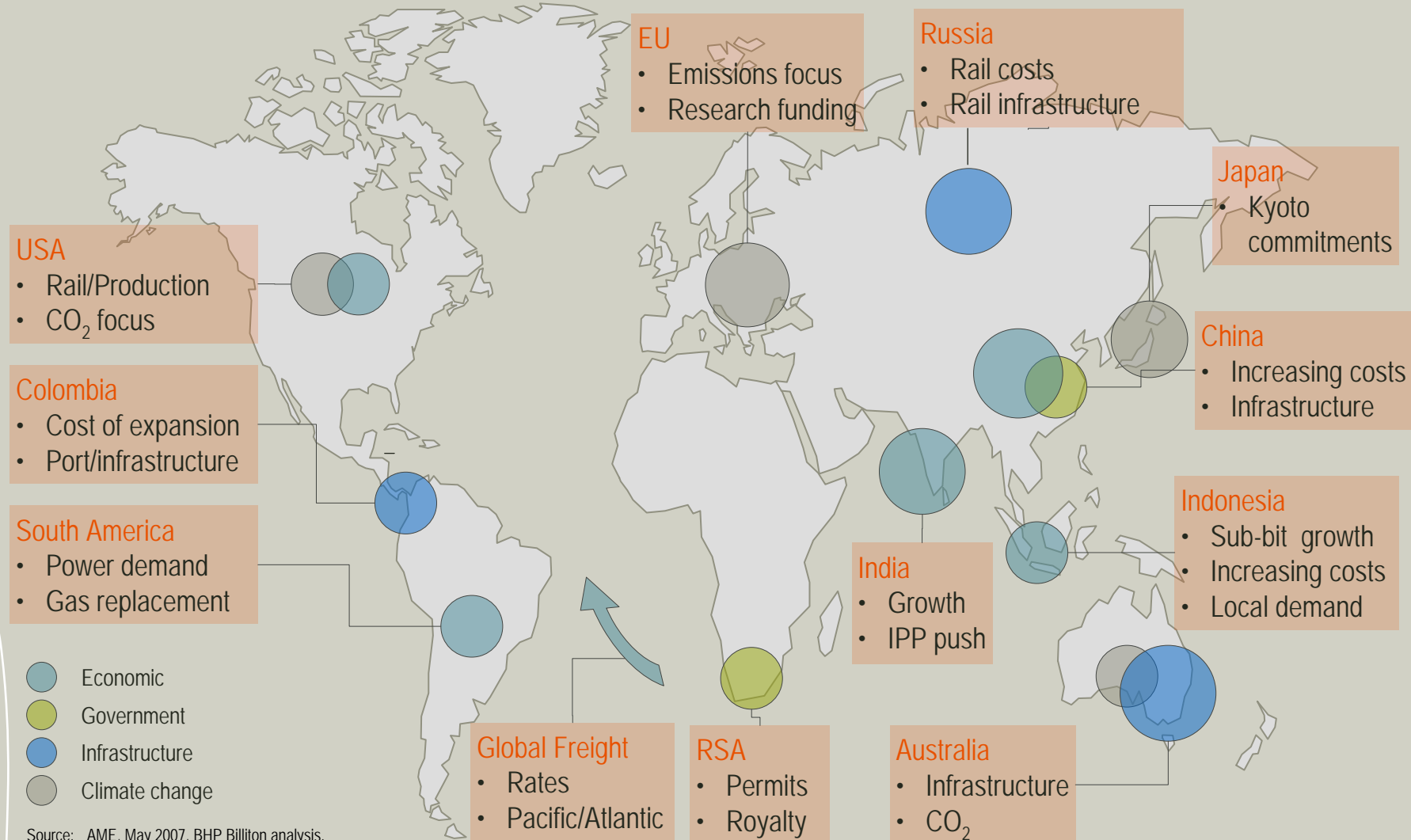
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# Current global issues are mainly related to Chinese and Indian growth, CO<sub>2</sub> and infrastructure



Source: AME, May 2007, BHP Billiton analysis.

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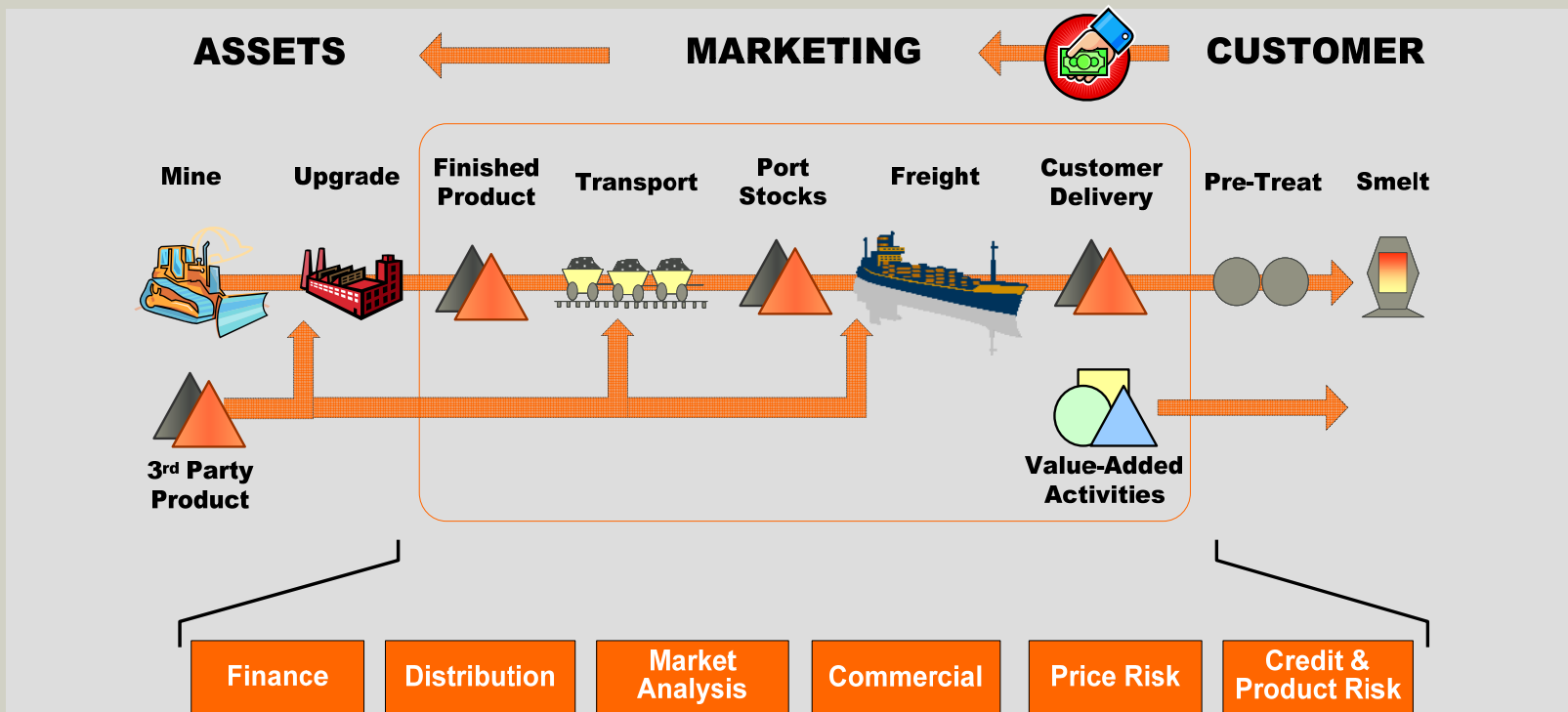
How we play – strategy and growth

Hunter Valley Energy Coal

# Marketing adds significant value...

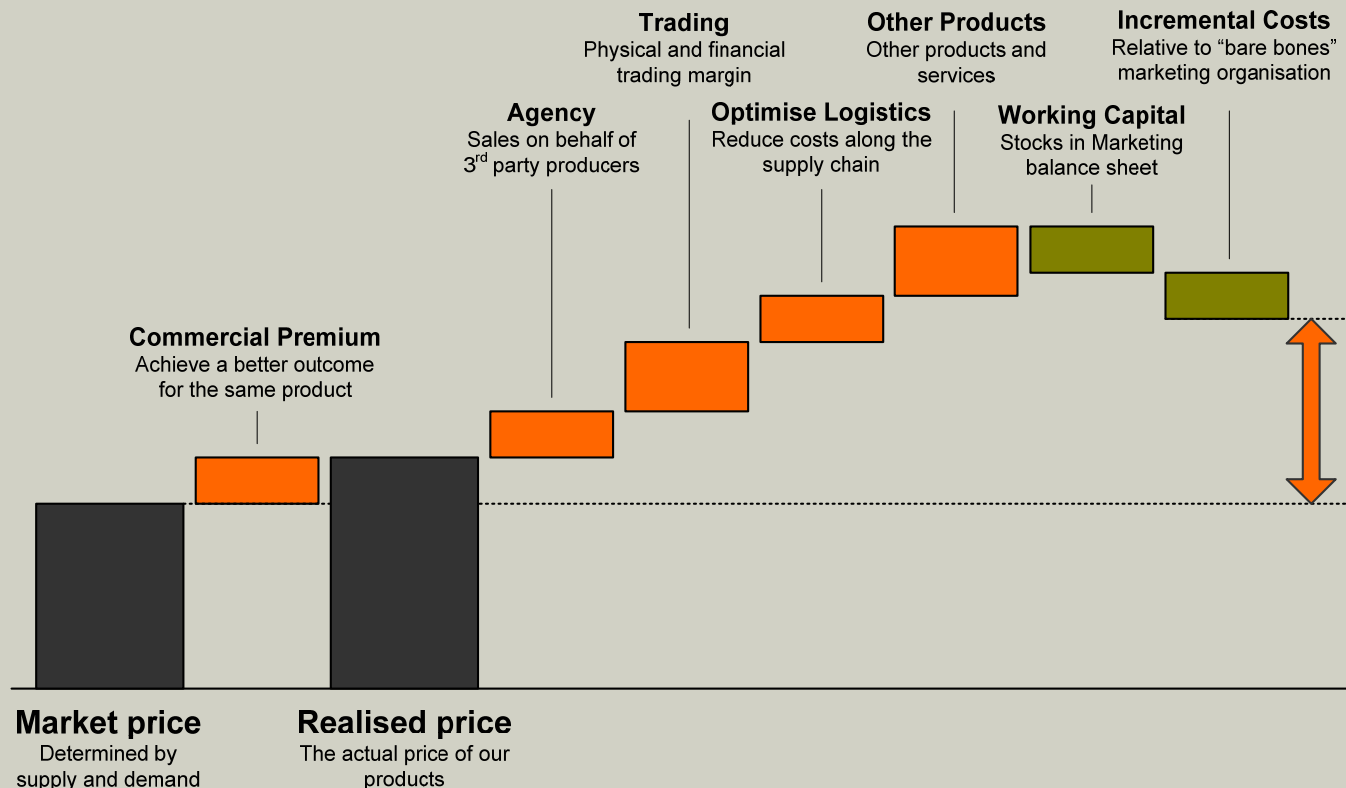
The objectives of the EC marketing group are to:

- Sell our equity product;
- De-risk pricing on sales of equity product;
- Achieve optimal incremental margins over market at lowest cost;
- Support the organisation's strategic foresight and optionality



## ...using a variety of tools...

- Provision of an integrated offering of products and services that meet customers' needs – equity coal, third party coal, emissions credits, logistics, risk management
- Use of the paper markets to unwind fixed price sales
- Active optimisation of the supply chain
- Agency and trading



# ...supporting our competitive advantage

## Market

- Global seaborne market, many supply basins, many markets
- Changing regulatory environment – deregulation, environmental
- Complex competitive dynamic – fuel-on-fuel competition, domestic vs. seaborne, resource companies, traders and financial institutions
- Significant degree of commoditisation – but quality still a significant factor
- Varied risk management models
- Freight and broader supply chain a major driver of relative economics

## BHP Billiton

- Global position – equity, agency and traded
- Understanding of customer drivers – participation in coal, emissions, power, gas, uranium, oil
- People and capabilities – beyond traditional 'sales'
- Ability to structure broader offering – meets customer needs while providing opportunity for value creation
- World's largest bulk freight charterer, leverage economies of scale
- Systems – best in class
- Governance

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Energy Coal Strategy

Growth and Optimisation

Highlight on Operations

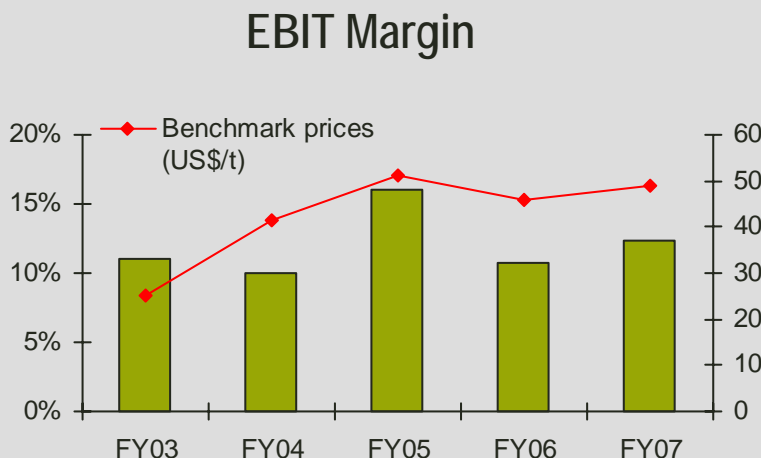
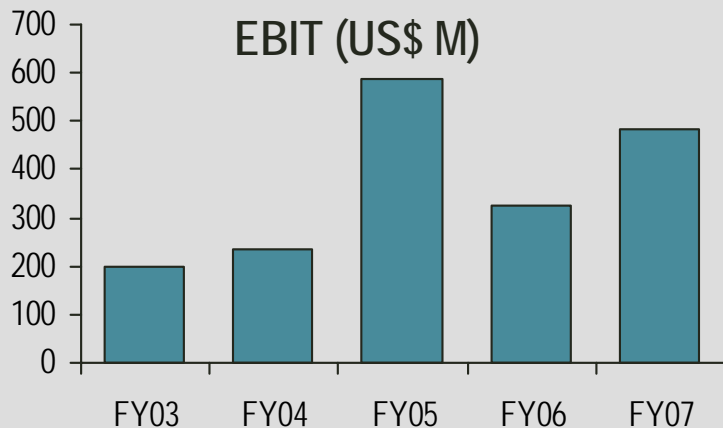
Hunter Valley Energy Coal

# Our strategy is focused on the key drivers of competitive advantage in our industry





Our performance has improved in FY07 with a better conversion of price to the bottom line



- Higher prices reflecting growth in energy demand and supply side constraints.
- Sales volumes increased by 3% driven by export growth at HVEC and Cerrejón
- BECSA rationalisation has impacted volume growth & unit costs
- Unit costs have increased, but stabilised in FY07
  - Inflation
  - FX (AUD, ZAR, Col Pesos)
  - Labour
  - Consumables

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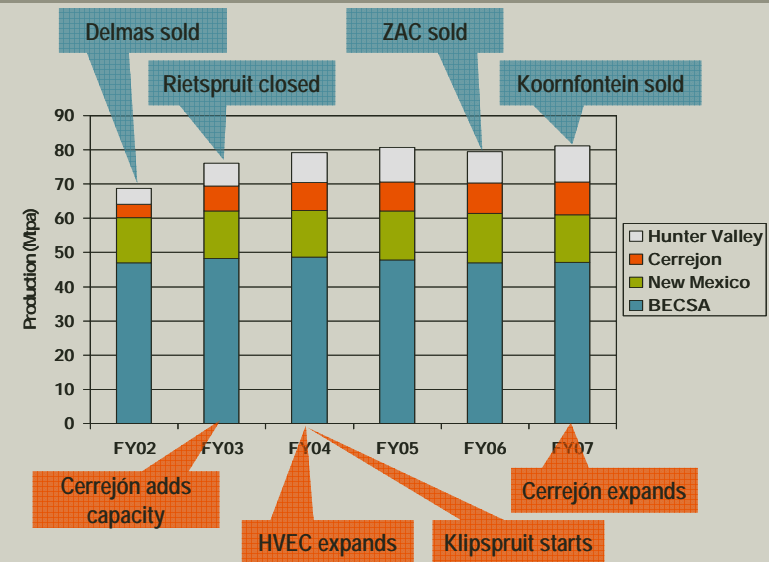
# Our growth strategy actively positions to have the right assets in the right locations...

## Atlantic

- Portfolio optimisation in South Africa
  - Disposal of Koornfontein and Optimum
  - Consolidation of Middelburg and Douglas with DMO
  - Development of Klipspruit
- Expansion of Cerrejón

## Pacific

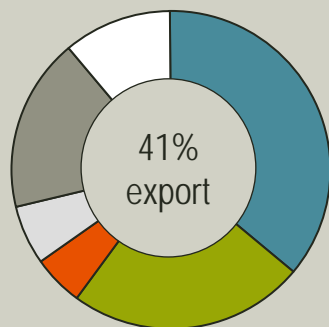
- Brownfield expansion in HVEC (Mt Arthur Underground, Mount Arthur Coal)
- Greenfield projects (Caroona, Western Arctic, Southern Star)
- Ensuring infrastructure is available (NCIG)



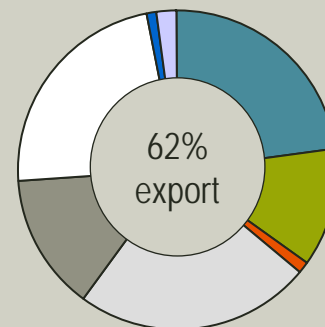
# ...with a deliberate focus on export growth...

## BHP Billiton Thermal Coal Equity Production – assuming all projects deliver

2007



2020

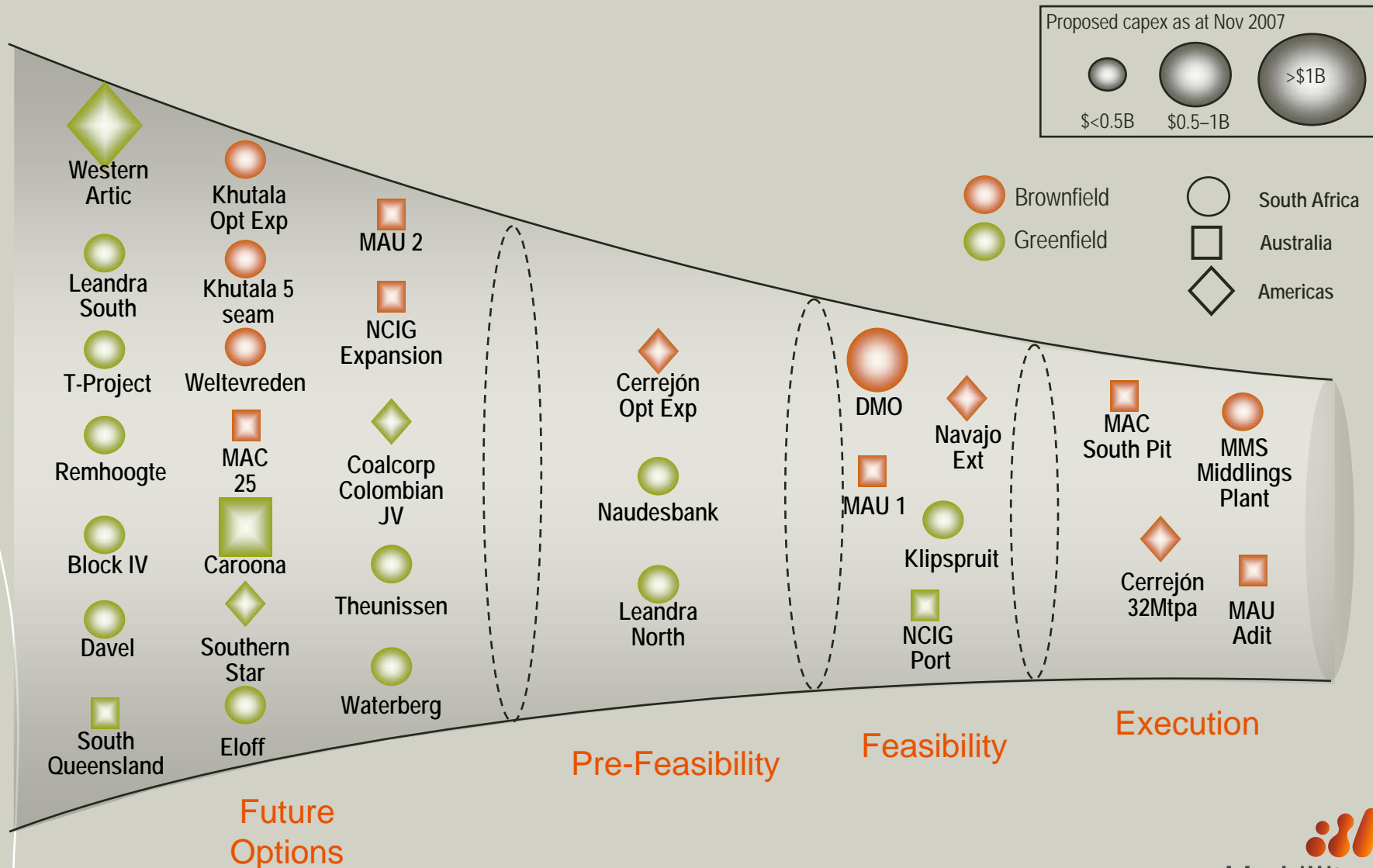


- Australian exports increase their contribution by the greatest amounts
- Colombia maintains position in growing portfolio
- South Africa decreases marginally
- Undeveloped areas potentially add significant tonnage to the portfolio – shown assuming all deliver

Source: BHP Billiton analysis

Note: All projects unrisked

# ...and a deep inventory of projects and options



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Energy Coal Strategy

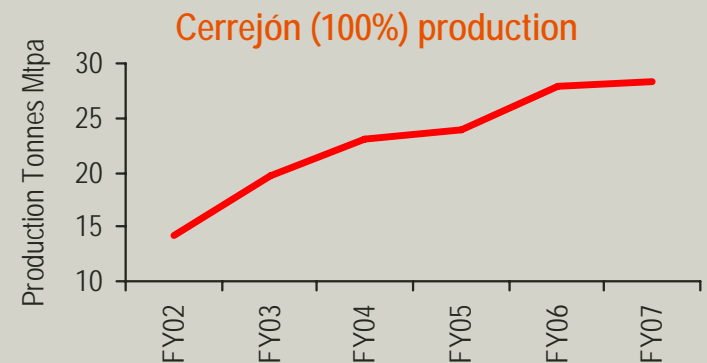
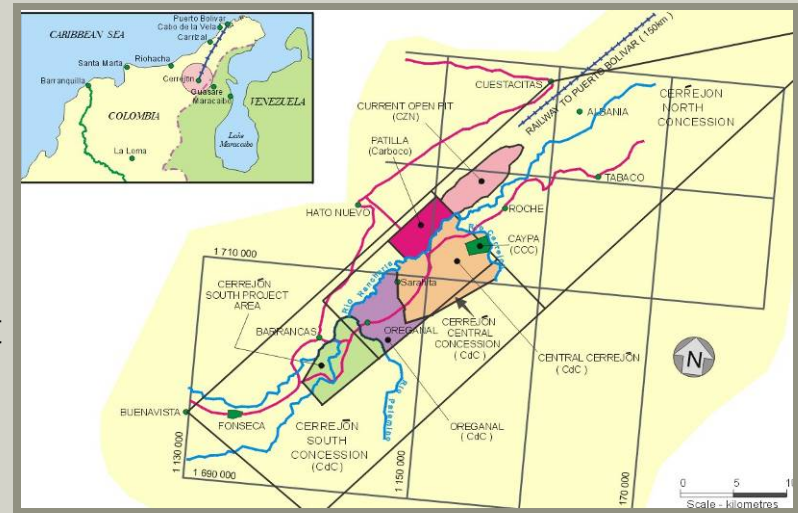
Growth and Optimisation

Highlight on Operations

Hunter Valley Energy Coal

# Colombia Coal – Cerrejón Coal Company

- Independently operated with 8,500 contractors and employees
- Ownership of Puerto Bolívar 150km from mine with exclusive direct loading port
- Record breaking performance in FY07: 188Mbcm of overburden and 28.2Mt production
- FY07 Recordable Injury Frequency Rate of 2.2 against a target of 3.8
- FY08 production forecast – 30Mt. Mine experiencing cost pressures due to:
  - higher strip ratios;
  - strong local currency; and
  - inflationary pressure
- 32Mt Expansion Project
  - Project completion planned for Jan 2008
  - Annualised 32Mtpa capacity will be achieved by Jul 2008
  - Approved capex of \$127M.
- P40 Project in pre-feasibility
  - incremental expansion to 40Mtpa (100%).



# New Mexico Coal

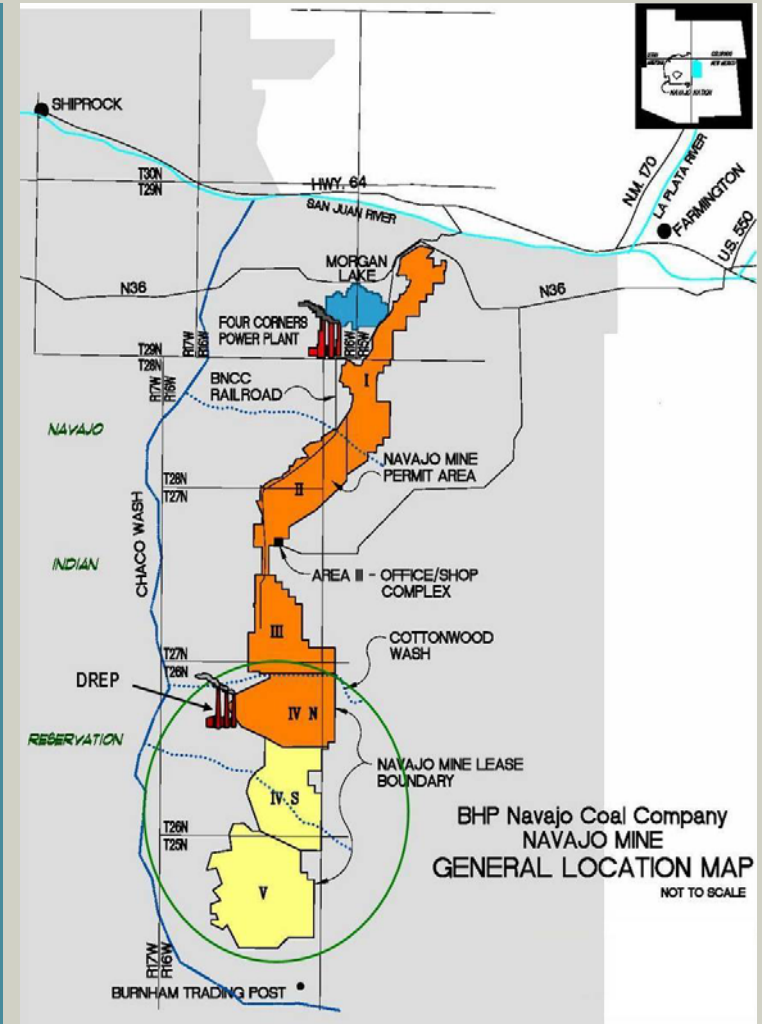


	San Juan Mine	Navajo Mine
Mining Method	Underground - Longwall	Surface - 3 Dragline
Customer Power Plant Capacity (MW)	1,800	2,040
Customer	San Juan Generating Station (PNM)	Four Corners Power Plant (APS)
Production (Mtpa)	6.6	8.1
Current Sales Contract Expiry	July 2016	December 2017
Marketable reserves (June 07 Mt)	79	205
Employees (64% Native American)	588	429
Reclamation activities	La Plata Surface – Scheduled 12/07 completion	

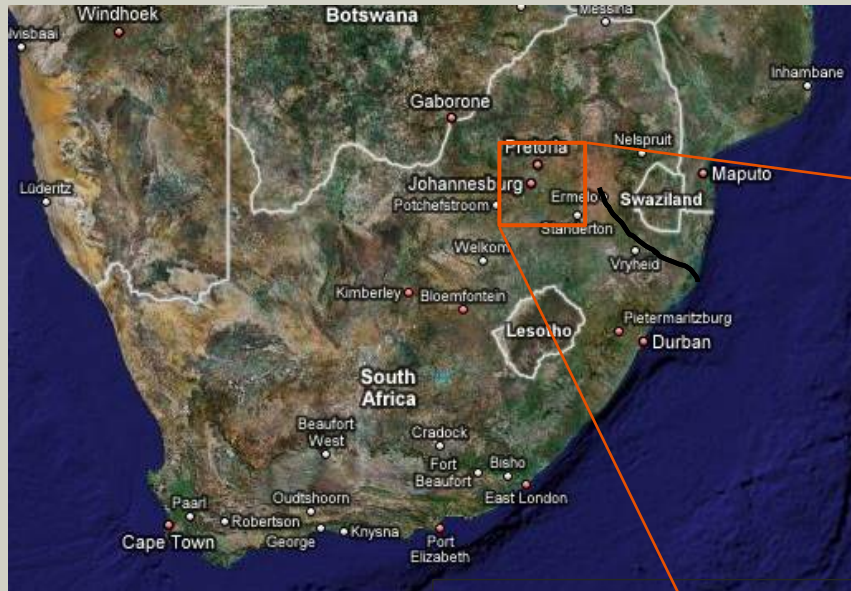


# New Mexico Coal - Navajo Mine Extension Project

- Surface (dragline) mine and will serve as sole-source coal supply to the Desert Rock Energy Project, a proposed 1500 MW mine-mouth power station under development by Sithe Global.
- Project Life: 50+ years. Coal will be supplied from Areas 4 South and 5 of the existing BNCC Lease.
- Annual Production: up to 5.7Mtpa
- Capex: USD \$480M
- The project schedule is tied directly to the power plant environmental approvals schedule; first production scheduled for end CY2010.



# BECSA's 5 mines in Mpumalanga...



## Middelburg

Type	O/C mine
Capacity	13Mtpa (84%)
Life	27 yrs

## Optimum

Type	O/C mine
Capacity	11.6Mtpa
Life	12 yrs

## Klipspruit

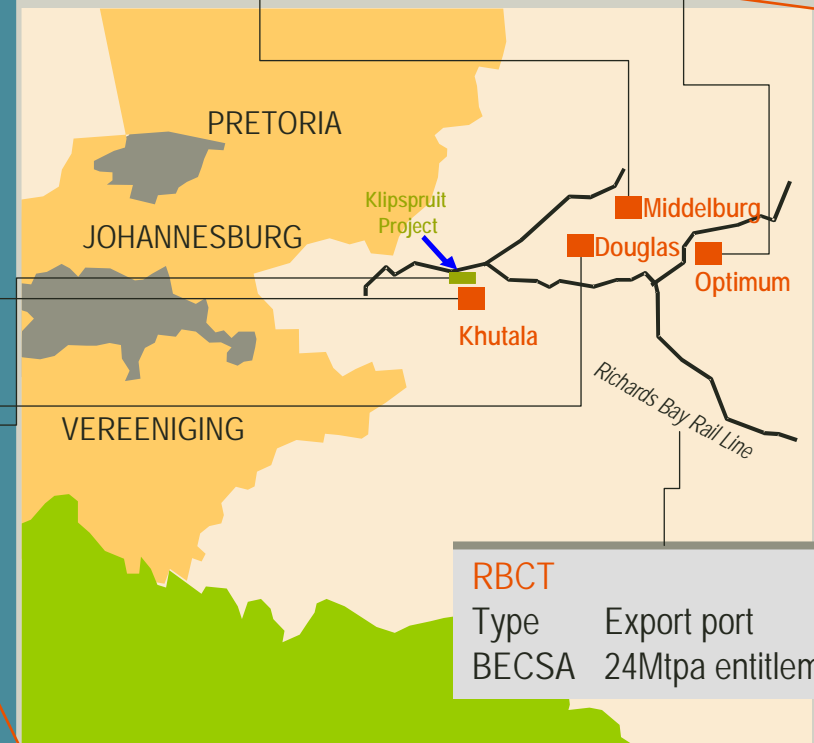
Type	O/C mine
Capacity	3.4Mtpa
Life	Refer project

## Douglas

Type	U/G O/C mine
Capacity	4.5Mtpa (84%)
Life	1yr

## Khutala

Type	U/G mine
Capacity	13.5Mtpa
Life	27 yrs



## RBCT

Type	Export port
BECSA	24Mtpa entitlement

... form a material business...

6,000

People

5

Operating assets

66.7 Mt

ROM Production

51.6 Mt

Saleable Production

21.4 Mt

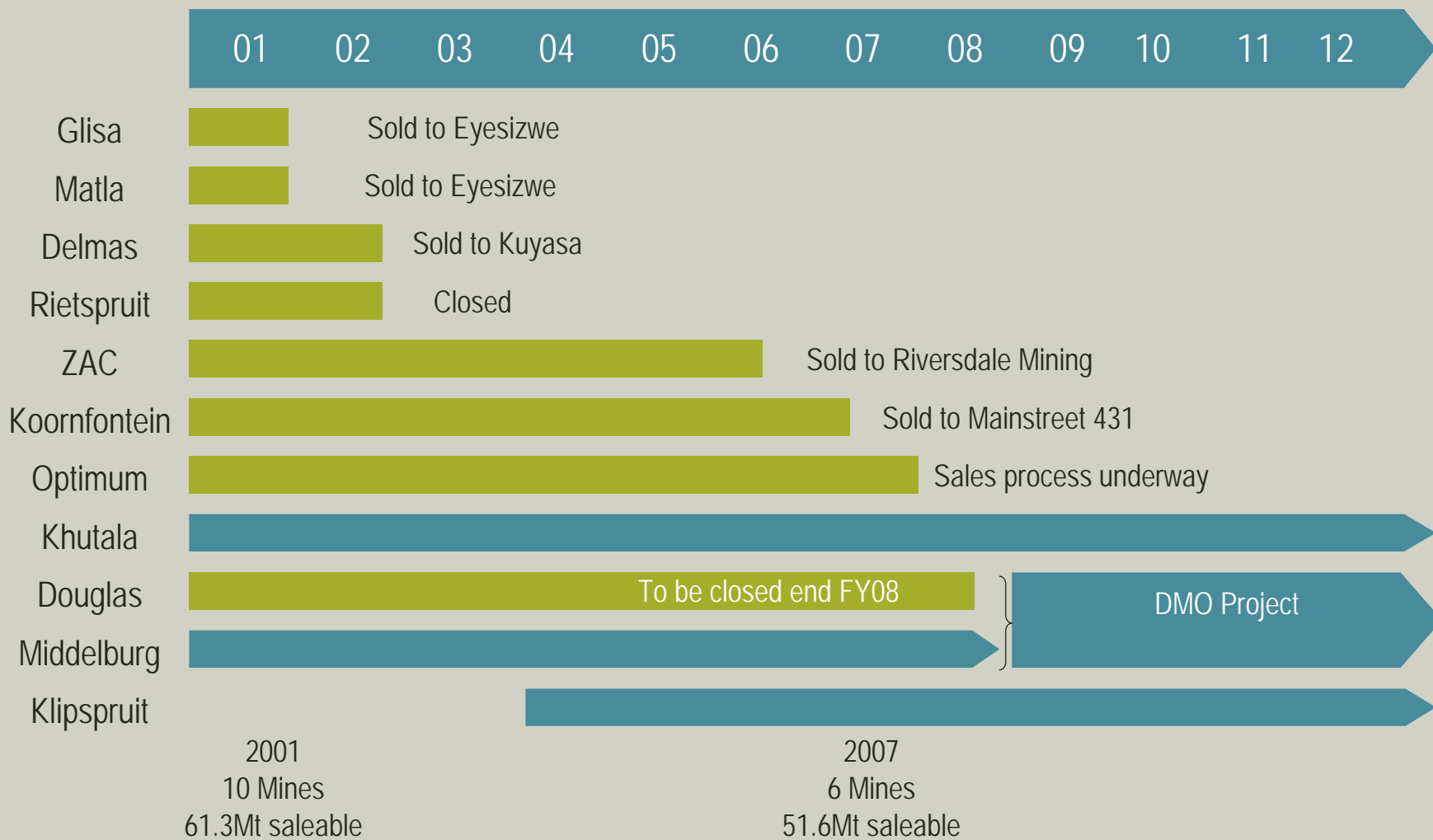
Export Steam Coal Sales

30.2 Mt

Eskom Sales

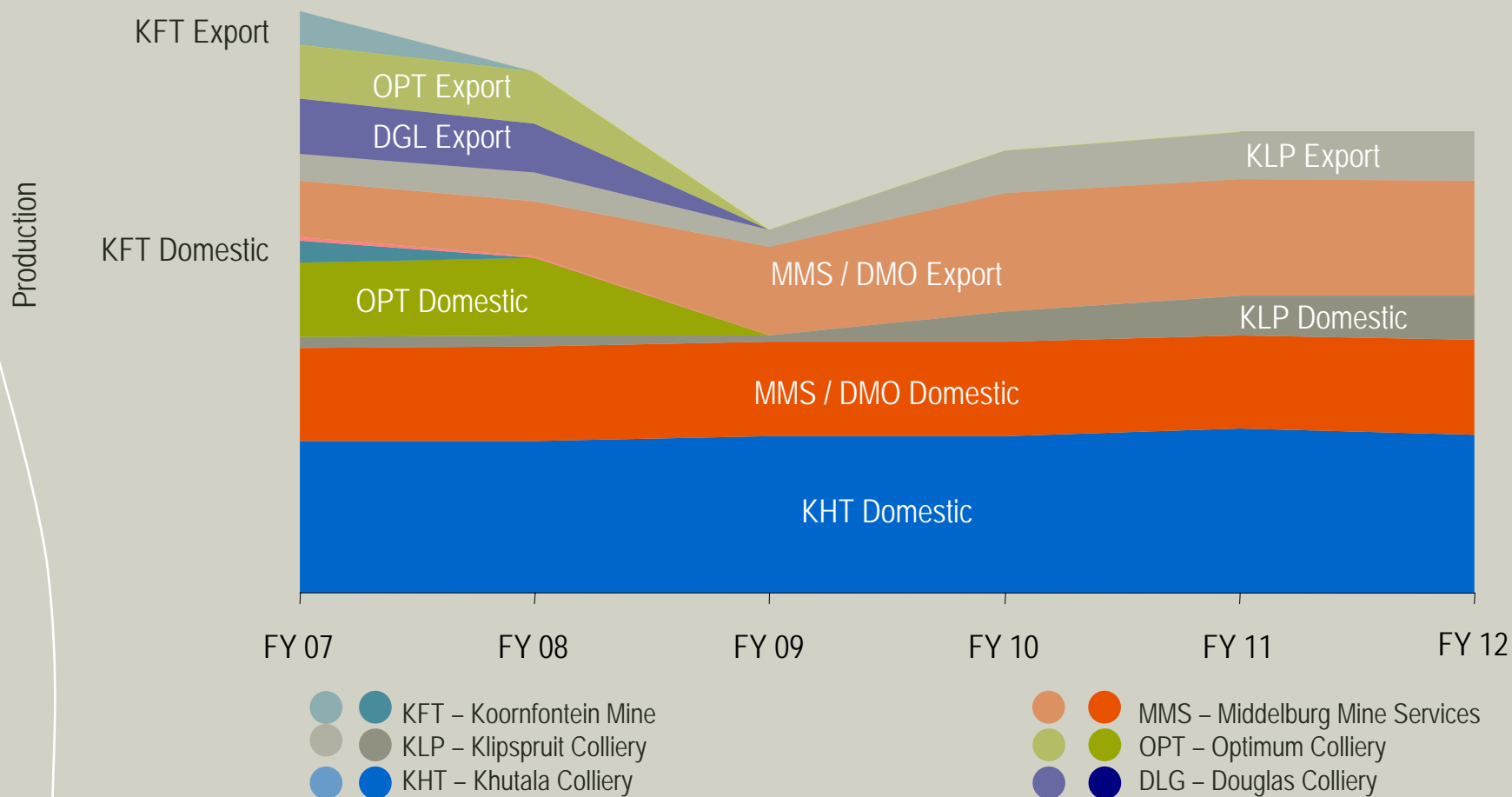
Note: FY07 data. Tonnes include Koorfontein

# ...simplified to core tier 1 assets



# Production profile will dip before DMO and Klipspruit start

## BECSA production



# Douglas Middelburg Optimisation (DMO) project



## Key Statistics

- Forecast production
  - Exports 10-12 Mtpa
  - Eskom 10 Mtpa
- Employees
  - Direct 1650 (permanent)
  - Construction 2900 (peak)
- Brownfield expansion – Large opencast
- 84% BHP Billiton :16% Xstrata
- Capital estimate: US\$460M (84% basis)
- Key infrastructure
- Coal processing plant
- Overland conveyors
- Opencast tip and crushers
- Workshops, offices and support services
- Commissioning & first production H1 CY2009



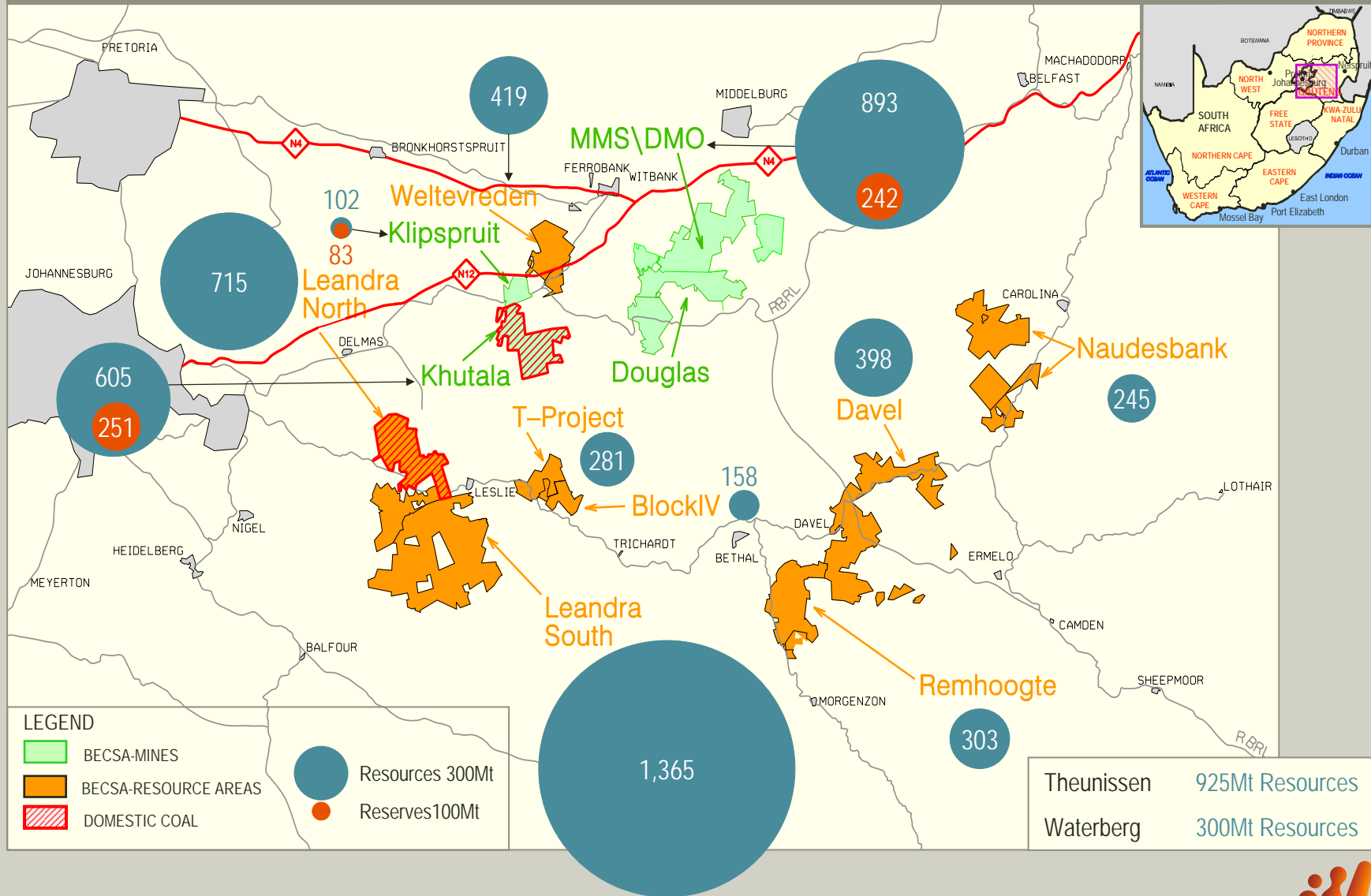
# Klipspruit project

## Key Statistics

- Forecast production
  - Exports 4.5 Mtpa
  - Eskom 2.9 Mtpa
- Strip ratio of 2.3 bcm / tonnes (lowest in group)
- Employees
  - Direct 330 (permanent)
  - Construction 2400 (peak)
- Brownfield project
  - Contractor mining at present
- 100% BHP Billiton opencast operation
- 16 Mtpa coal processing plant
- 50/50 JV with Anglo Inyosi processing facility
- Capital estimate: US\$ 420M
- Key infrastructure
  - Coal processing plant
  - Stockpiles, load out and rail loop
  - Opencast tip and crushers
  - Workshops, offices and infrastructure
- Commissioning & first production end CY2009

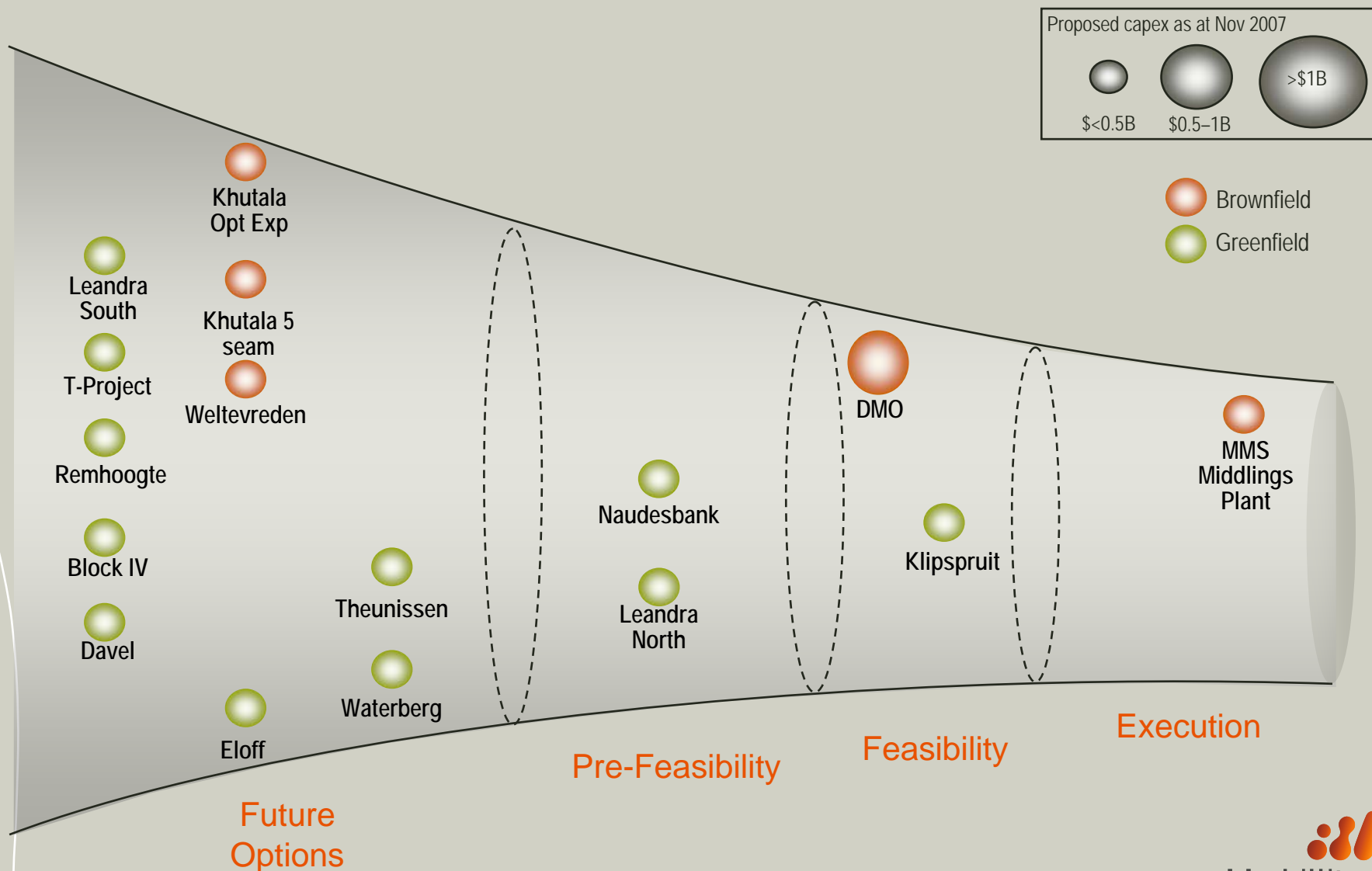


# And there are significant additional resources held under prospecting licenses...





# ...with a deep inventory of projects and options



Coal CSG in New South Wales

The energy world we play in

How we play – strategy and growth

Hunter Valley Energy Coal – Eduard Haegel

Background

Performance

Growth



# Hunter Valley Energy Coal

2nd November 2007

Eduard Haegel    Chief Operating Officer



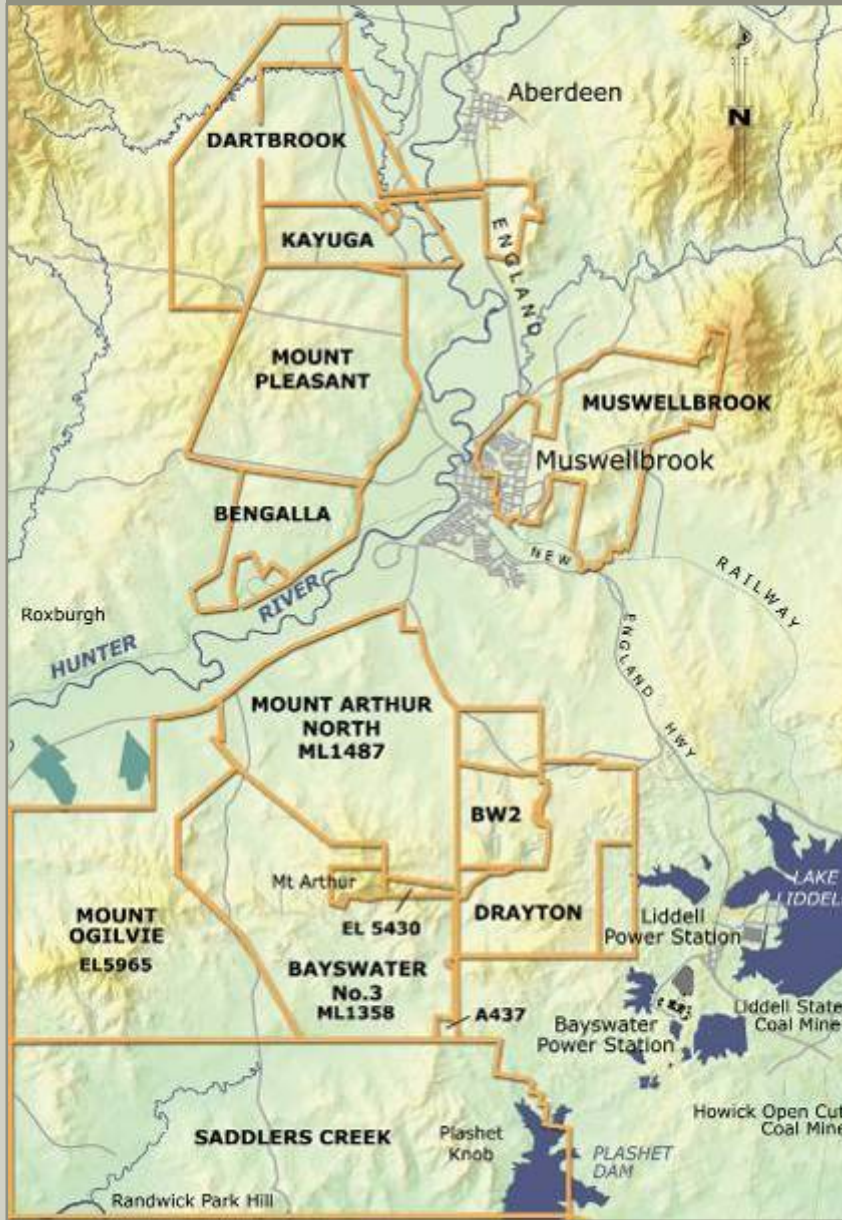
# New mine developments move further up the valley



© Barlow Jonker.



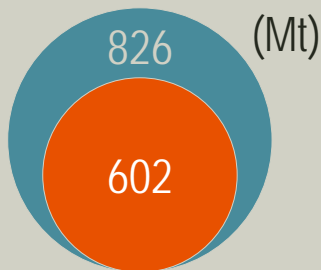
# BHP Billiton through HVEC secures 100% of Mount Arthur ...



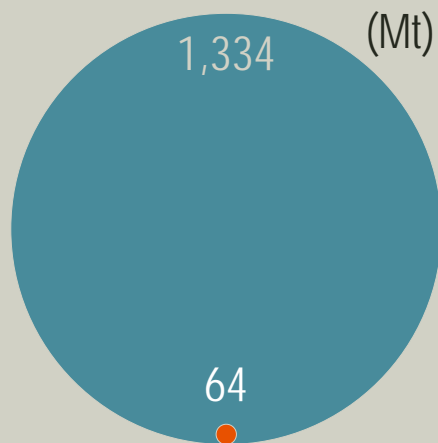
- Bayswater commenced operations in 1968
- Purchased by Billiton in 1996
- Mt Arthur North lease secured in 1998 via a 5 year x 3.0 Mtpa domestic contract
- Mining Lease granted in June 2001
- First coal mined in April 2002
- First fiscal year of MAC production is FY03

... and wins a significant long life resource ...

Mt Arthur Coal



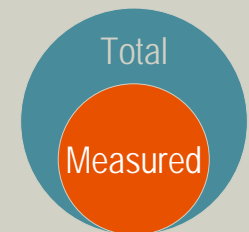
Mt Arthur Underground



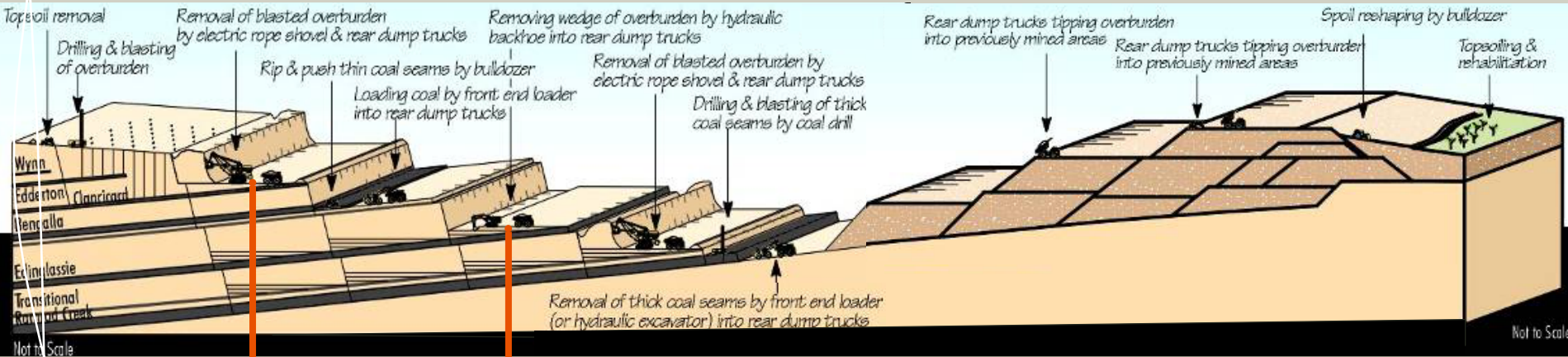
Caroona

NCIG

Resource



... with a constant low strip ratio over the mine's life



Coal CSG in New South Wales

The energy world we play in

How we play – strategy and growth

Hunter Valley Energy Coal – Eduard Haegel

Background

Performance

Growth



# Exceptional HSEC performance ...

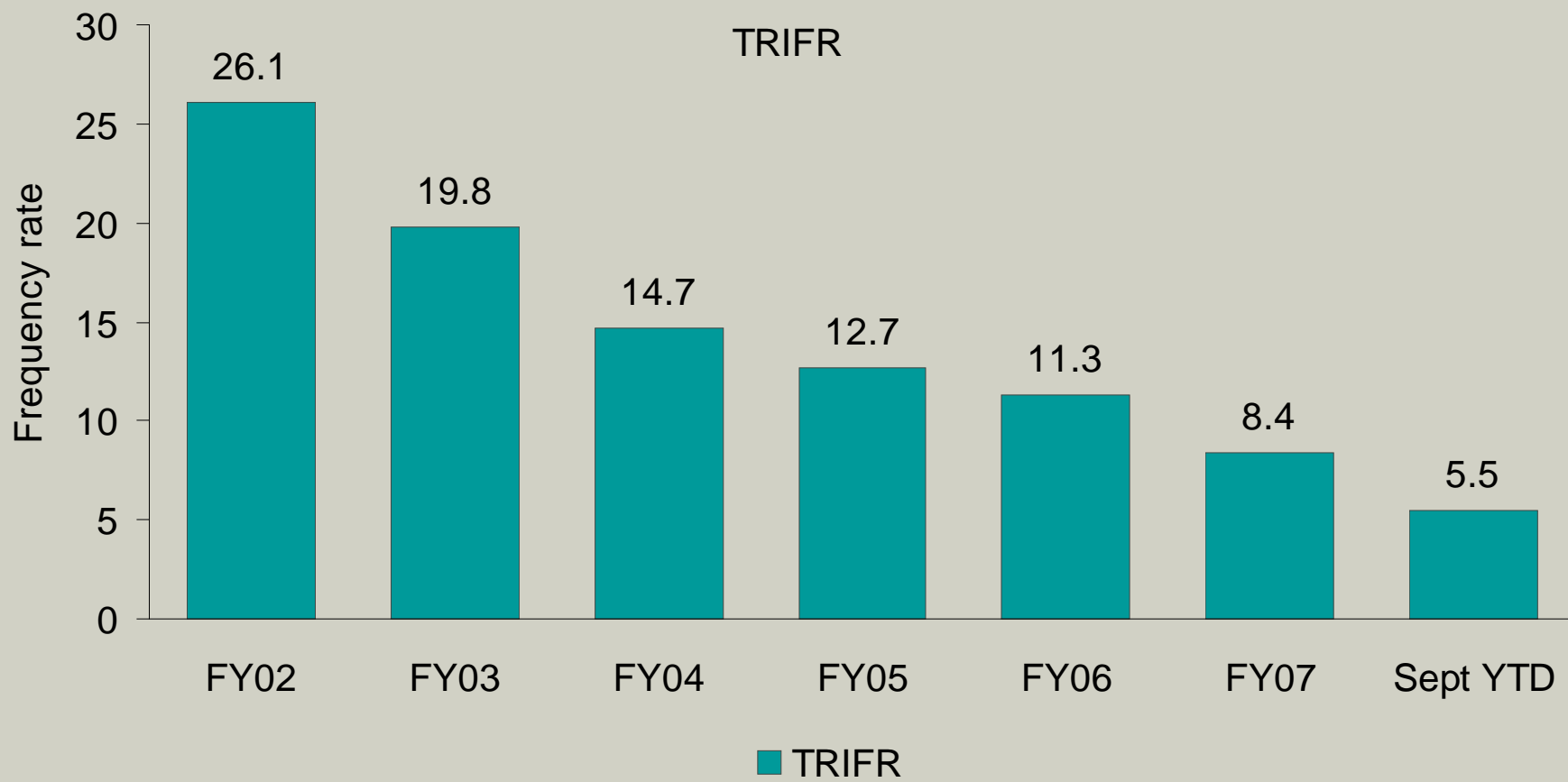
Year ended June	2007	2006	% change
TRIFR	8.4	11.7	-28.2

- CEO's Sustainability Excellence Award
- BHP Billiton Community Award for Hunter Life Education
- Effective and valued community engagement programs
- Industry leader in noise management
  - Attenuation
  - noise bund
  - noise monitoring and management



... with the long term trend continuing in FY08

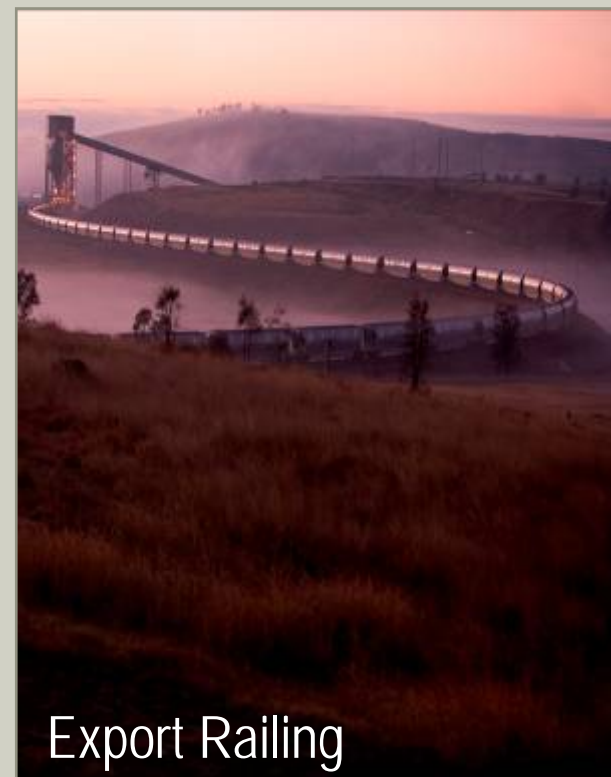
## Historical safety performance



## Production records ...

Year ended June	2007	2006	% change
Total Production (Mt)	10.898	9.147	+19.1

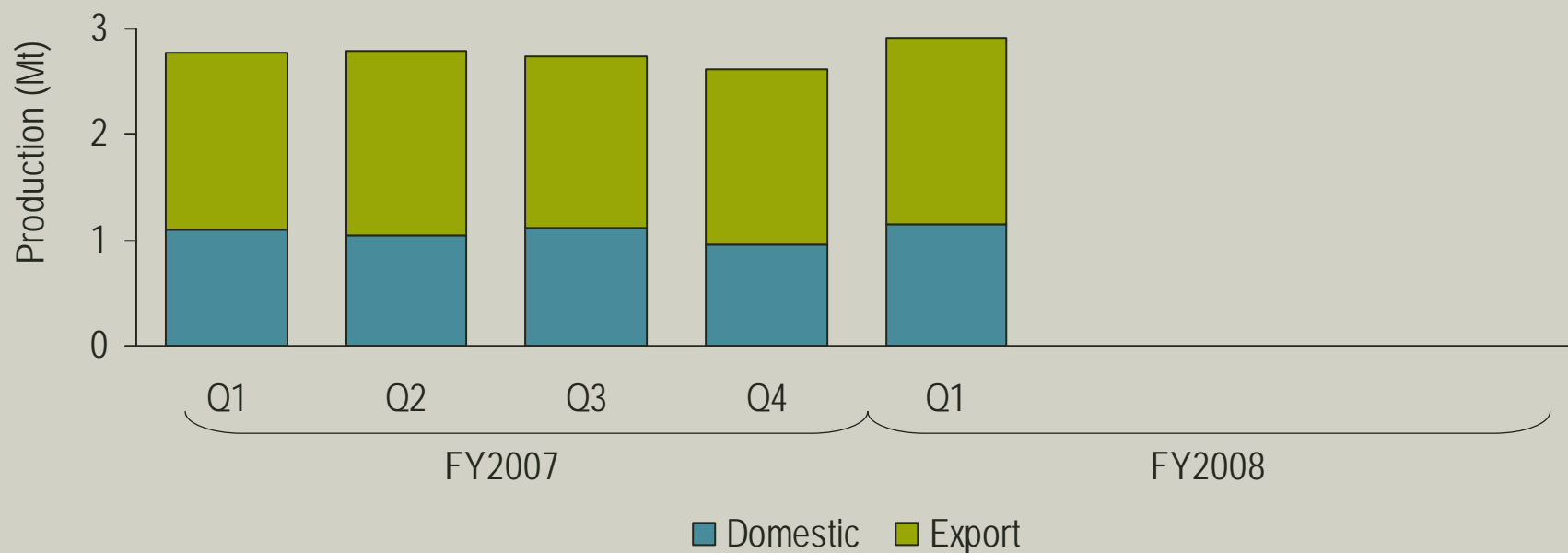
- Record annual production
- Two record production quarters
- Record export sales
- The June flood event replenished local water supplies with manageable operational impacts



... continue in 2008 with consistent performance ...

First quarter production	Q108	Q107	% change
Production (Mt)	2.918	2.766	+5.5

- Record total production and export production for 1st quarter FY08
- Record monthly production in Aug, Sep, Oct



... underpinned by the '100k bcm per shift Project' ...

## Mining operational performance

- Project Team of seven production staff and wages employees and three Six Sigma blacks belts
- Benchmarked against Caterpillar Equipment Investment Analysis
- New loading methodology rolled out
- Increased focus on road conditions for improved truck cycling



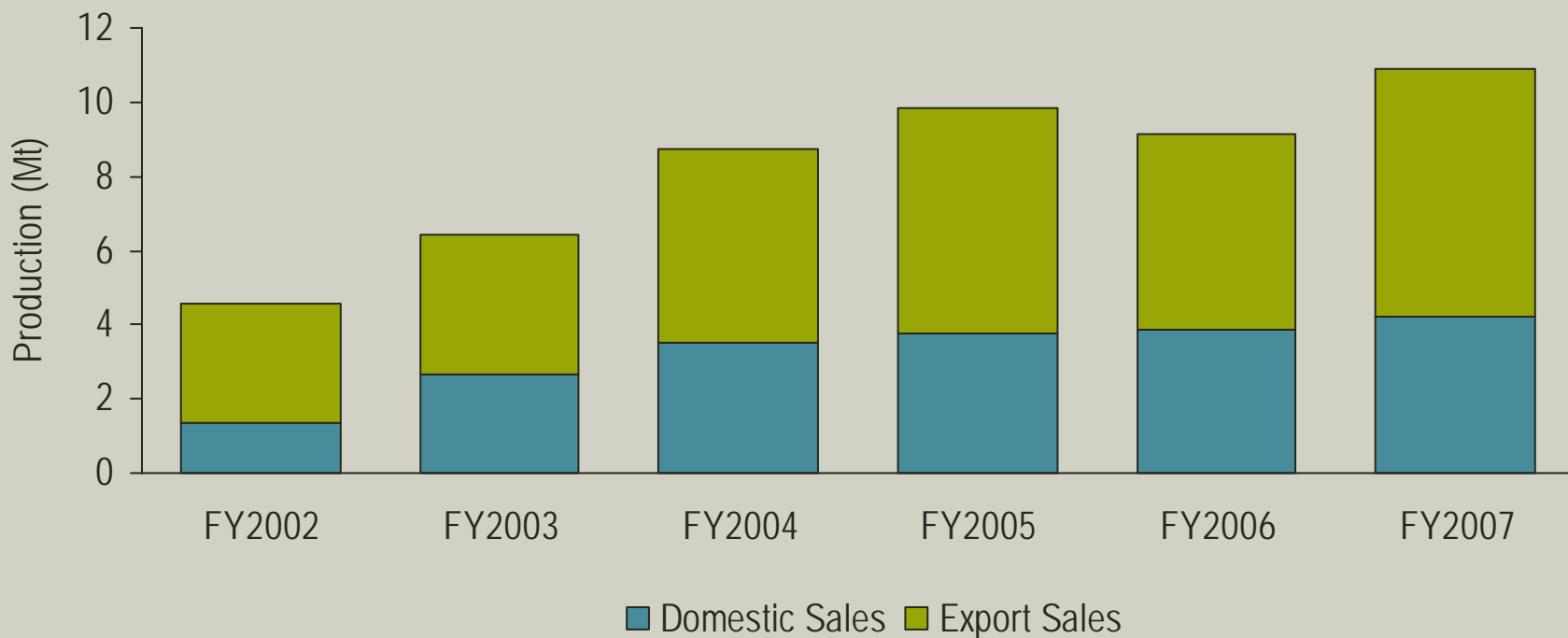
996 Record Performance

... and the new dig methodology ...



... and 2Mt away from completing the domestic contract

## Domestic and export production history



Third Module Installed at CPP

Queensland Rail Contract



## Financials improve ...

Year ended June	2007	2006	% Change
EBIT (USD M)	82.5	22.0	+375

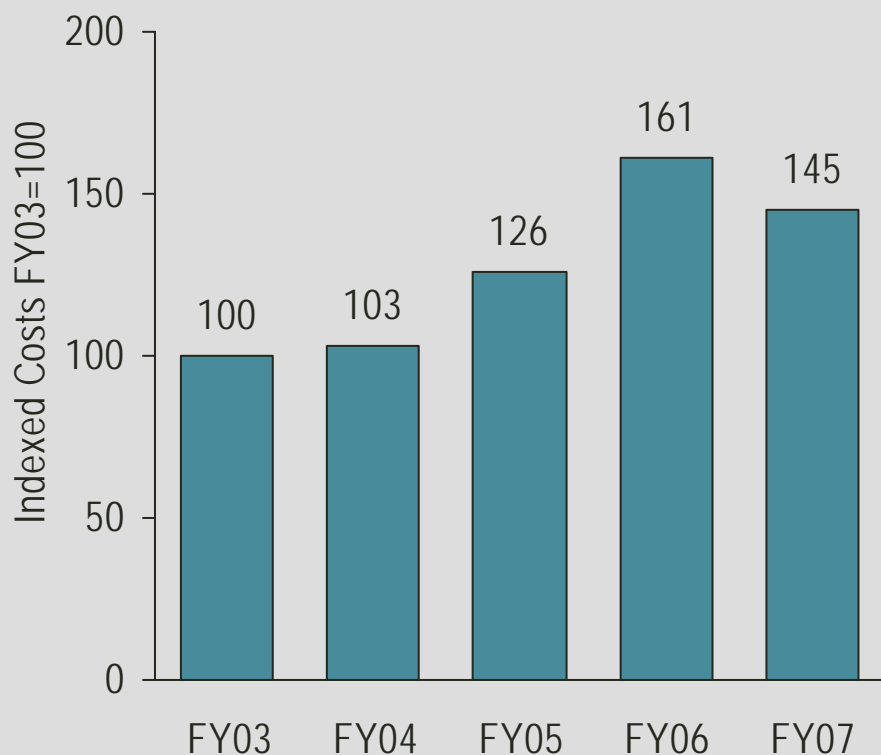
- Implemented “Fit for Growth” cost reduction program
- 9.5% reduction in mine gate cost per product tonne
- 280% increase in demurrage cost
- 2% increase in FOB cost per product tonne





... with costs back under control ...

## Minegate costs



### FY07 minegate cost breakdown (AUD Basis)

Employees and contractors	35%
Maintenance	23%
Energy	17%
Royalty	8%
Explosives	6%
Consumables	5%
Other	5%
<b>Total</b>	<b>100%</b>

## ... using 'Fit for Growth' cost reduction program

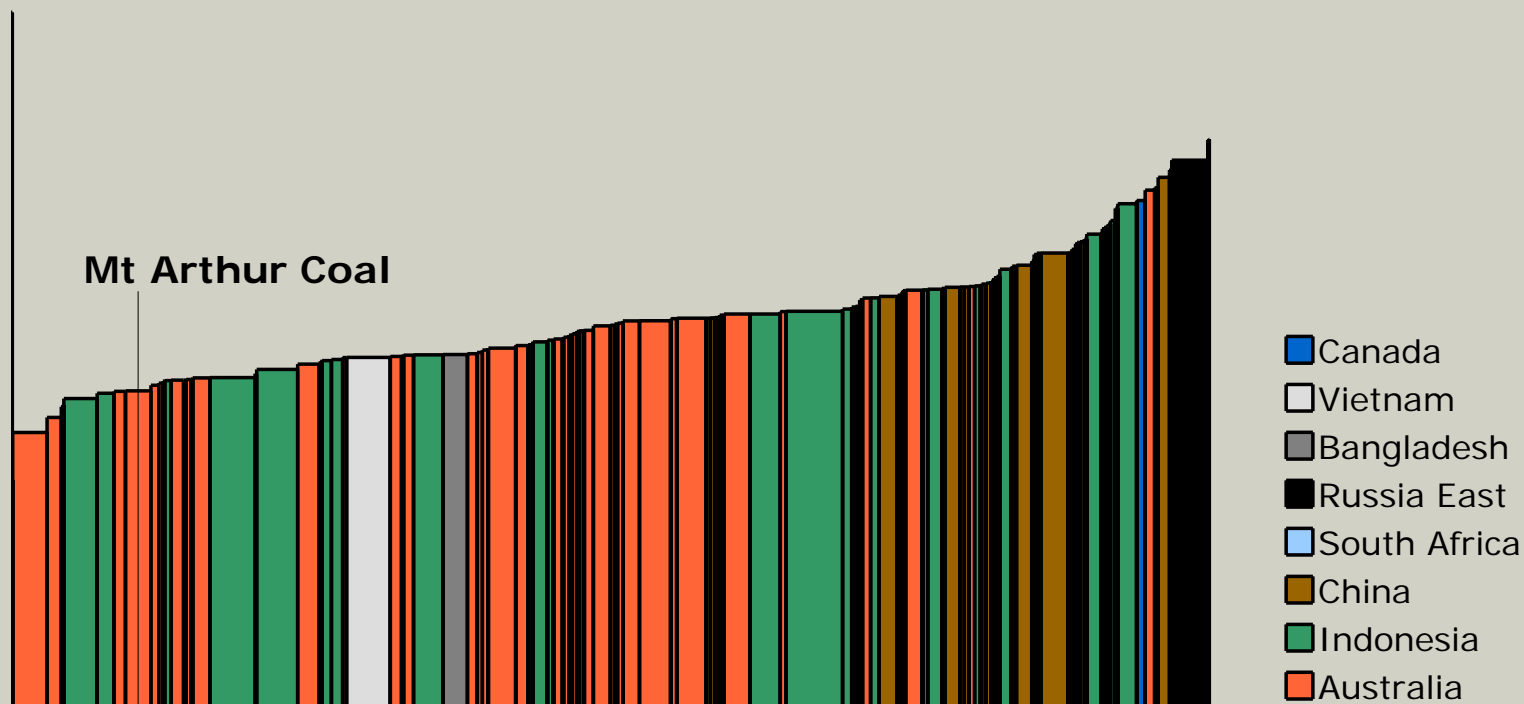
Year ended June	Actual	Target	% Change
Savings (USD M)	25.9	19.7	+31

- In house nine week cost reduction program
- Maintenance labour costs reduced by improving manning efficiency ratios
- Mining labour costs reduced through using casual contract labour
- Replacement of high cost equipment



...leading to a First Tier mine

## 2015 Pacific CIF cost curve



Source : Barlow Jonker Data, not to be used in any third party presentation

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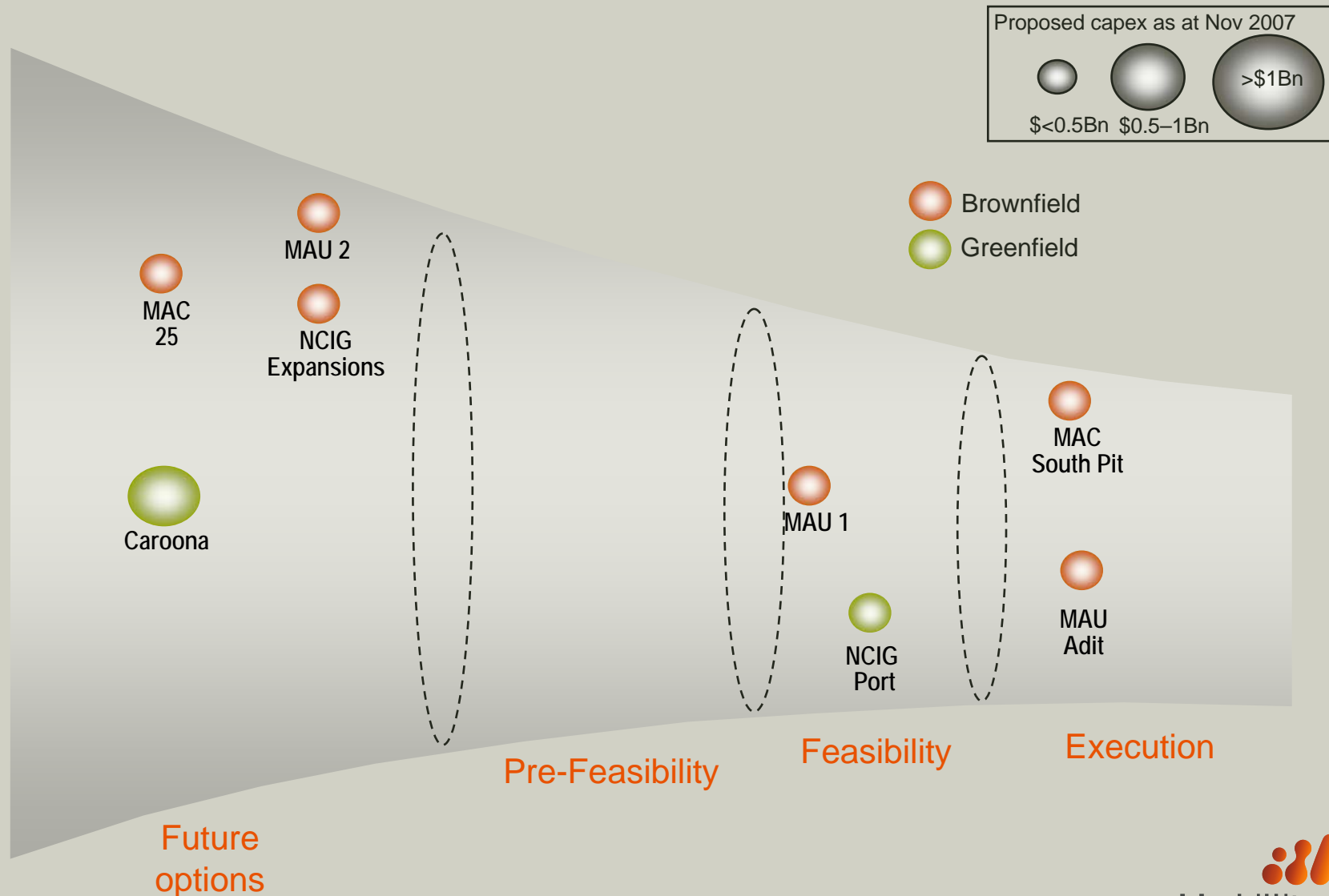
Hunter Valley Energy Coal – Eduard Haegel

Background





Performance

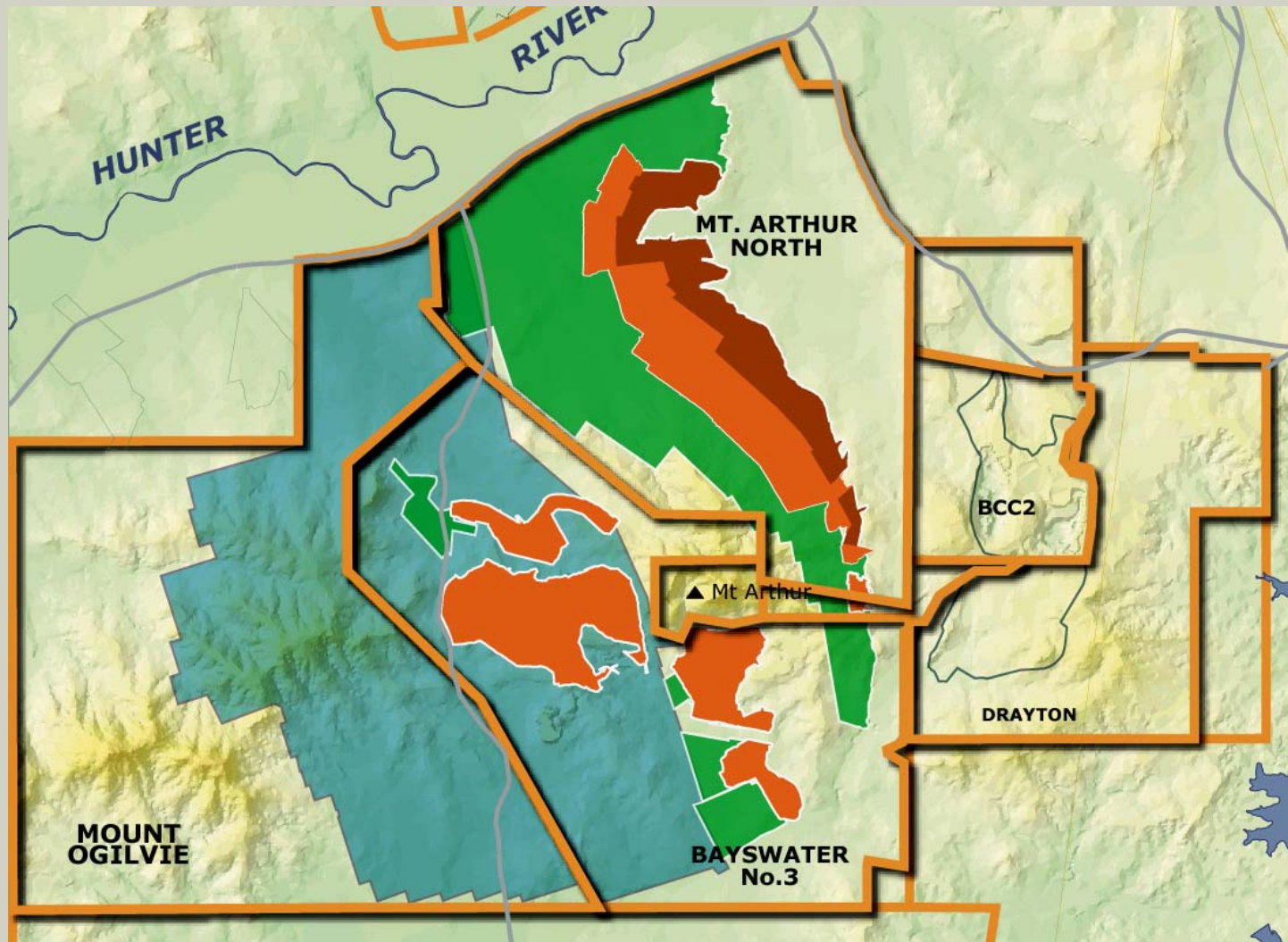
Growth

# Pacific strategy can leverage first class growth options



... with expanded opencut operations – MAC 25 ...

-  Mined Out Opencut Area
-  Current Disturbed Area of Opencut
-  Mt Arthur Coal Open Cut Reserve Area
-  Mt Arthur Underground Reserve Area



## ... or by building underground operations

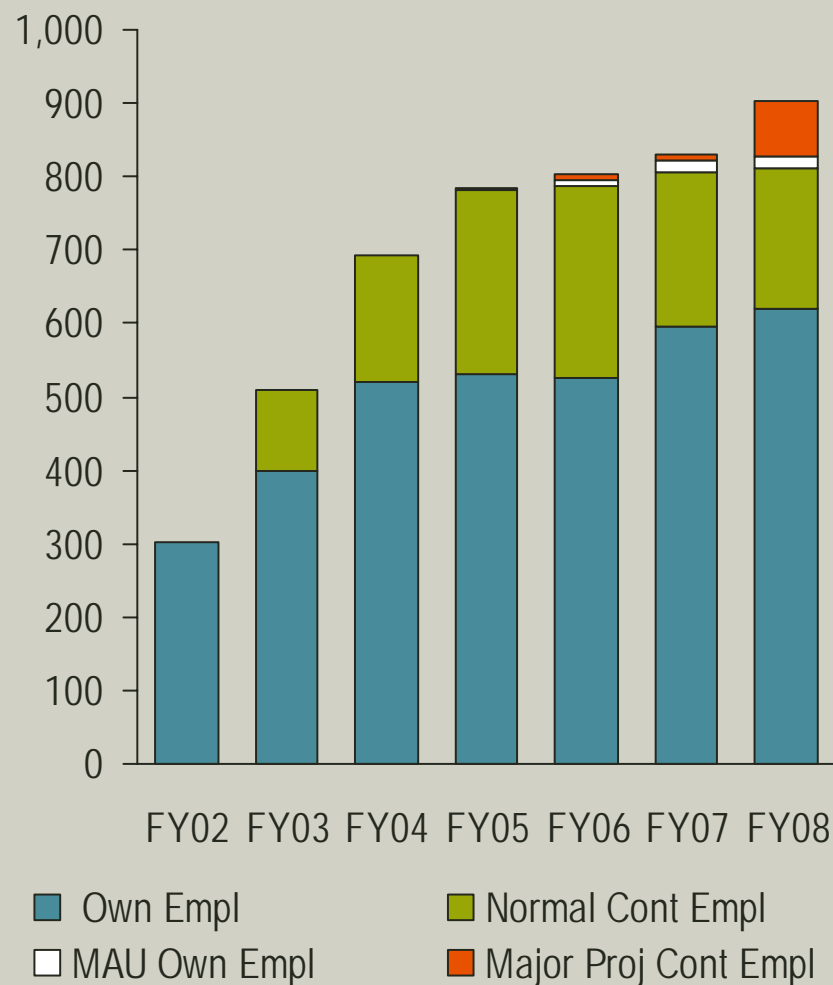
- Low cost project leveraging off MAC infrastructure, management team and final opencut highwalls (allows Punch LW mining)
- Experienced project team assembled with a track record of success
- Staged expansion (Exploration Adit, MAU 1 and MAU 2)



Milestone	Date	Status
MAU 1 Pre-feasibility Study	Sep-06	Complete
BHPB approval for MAU 1 Adit	Apr-07	Complete
Adit- First underground Coal	Sep-07	Complete
Lodge MAU 1 Development Consent	Oct-07	Complete
Complete Adit	End 2008	
MAU 1 first LW coal	End 2010	

# People are being attracted by the HVEC growth story

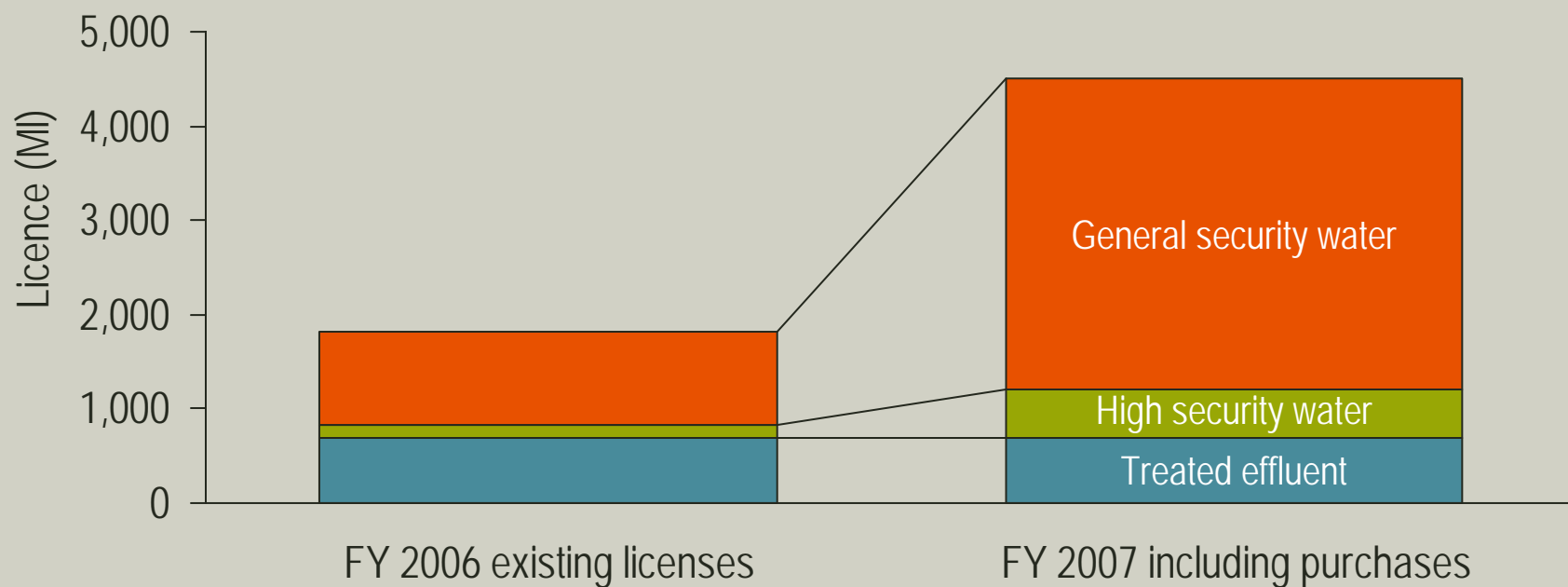
- Attractive area to live
- 18 years without a local industrial stoppage
- Turnover 6.7% ... low in a tight labour market
- Unplanned Absenteeism 2.4%
- Positive workforce culture
- Average Age 41
- Currently finalising the 2007 Workplace Agreement





# Water resources are being secured ahead of growth

- Significant water license purchases or recovered from leases
- Investment in new pumping and pipeline infrastructure
- Reduced consumption using wetting agents
- Planned increases in site storage capacity



# Rail capacity is available for growth plans



- HVEC is the foundation partner for Queensland Rail (QR) in NSW
- QR performance has been exceptional
- HVEC has contracted capacity to meet the growth profile
- QR has further installed capacity and a willingness to grow
- ARTC installing capacity to match industry growth

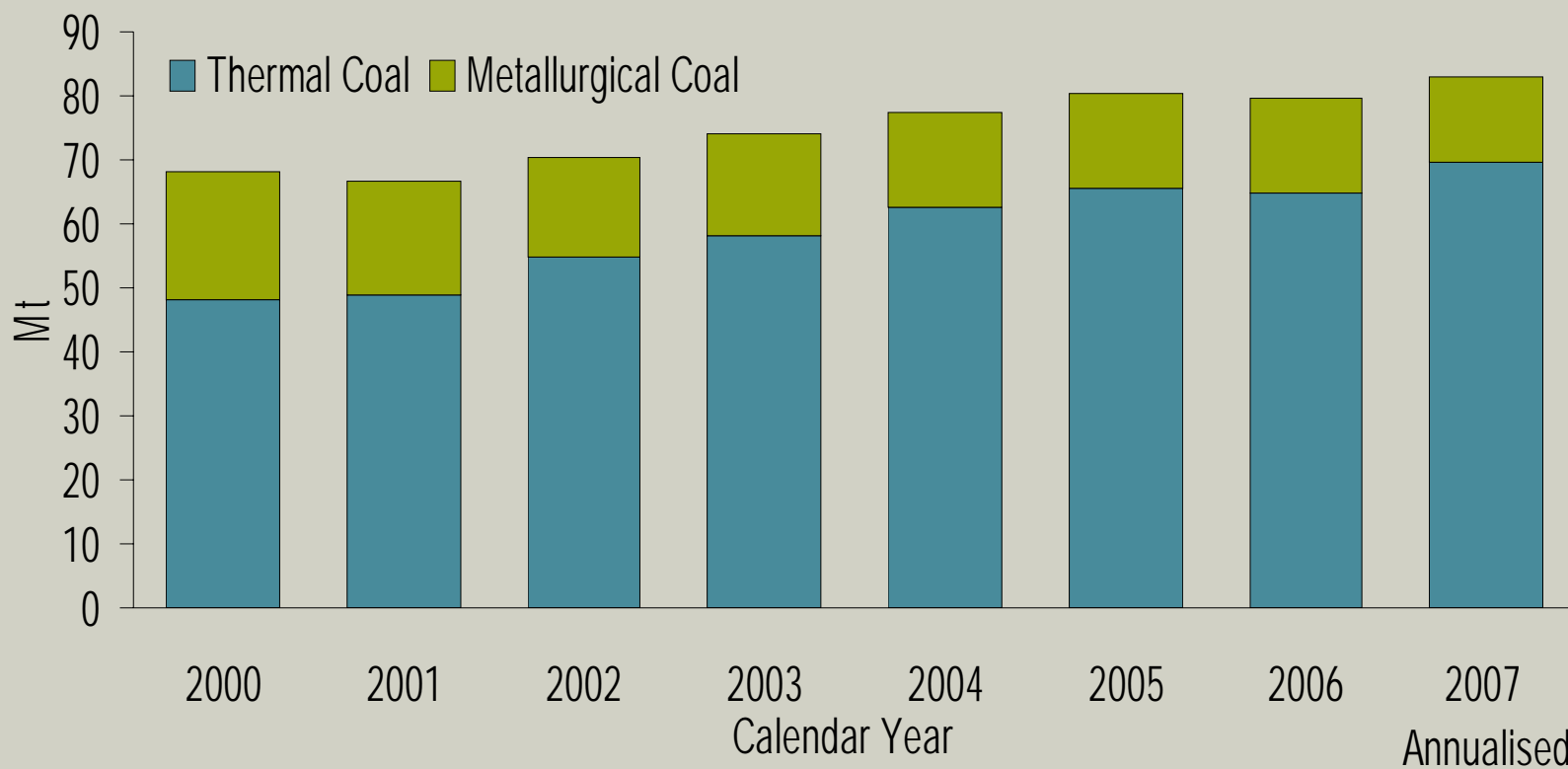
# Coal washplant is readily expandable



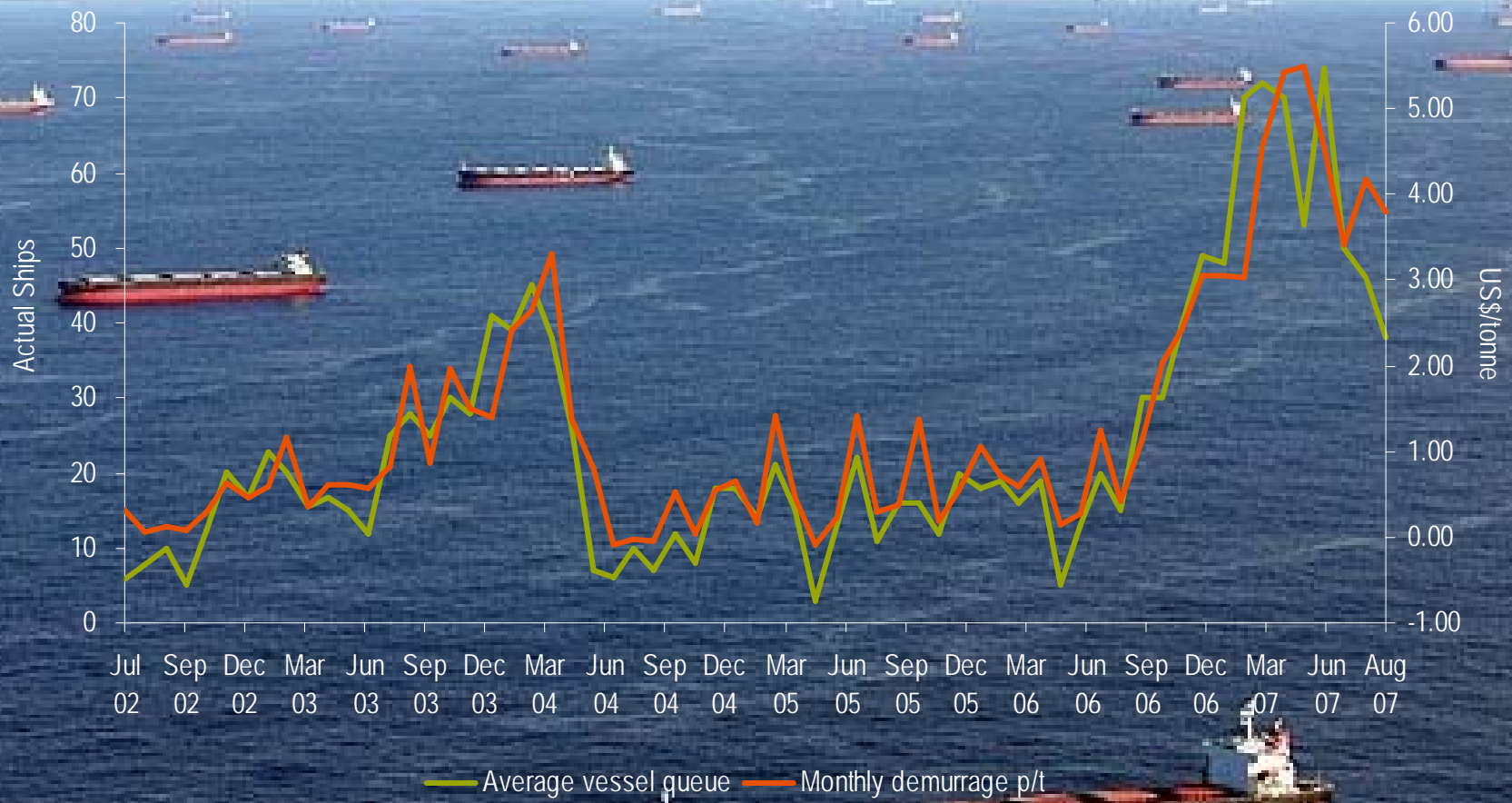
- Built with 2 x 700tph modules expandable to 900tph
- Third module installed in FY07 at 900tph
- Scope for a further two additional modules to be added
- Adequate space for additional coal handling facilities
- Coal washplant can be expanded to manage all expansion propositions

# Port capacity has not kept pace with mining developments..

## Port capacity growth profile

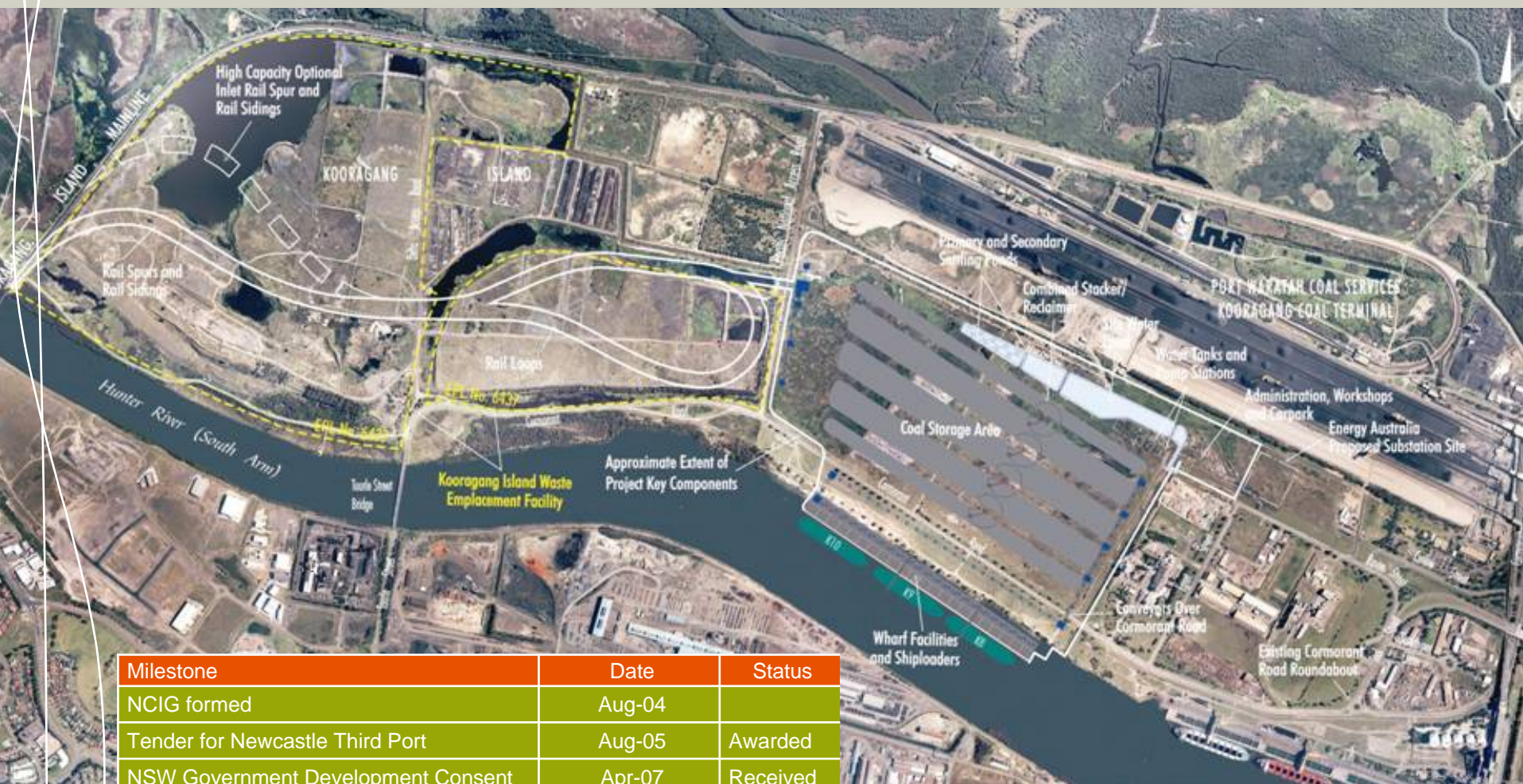


... creating this...





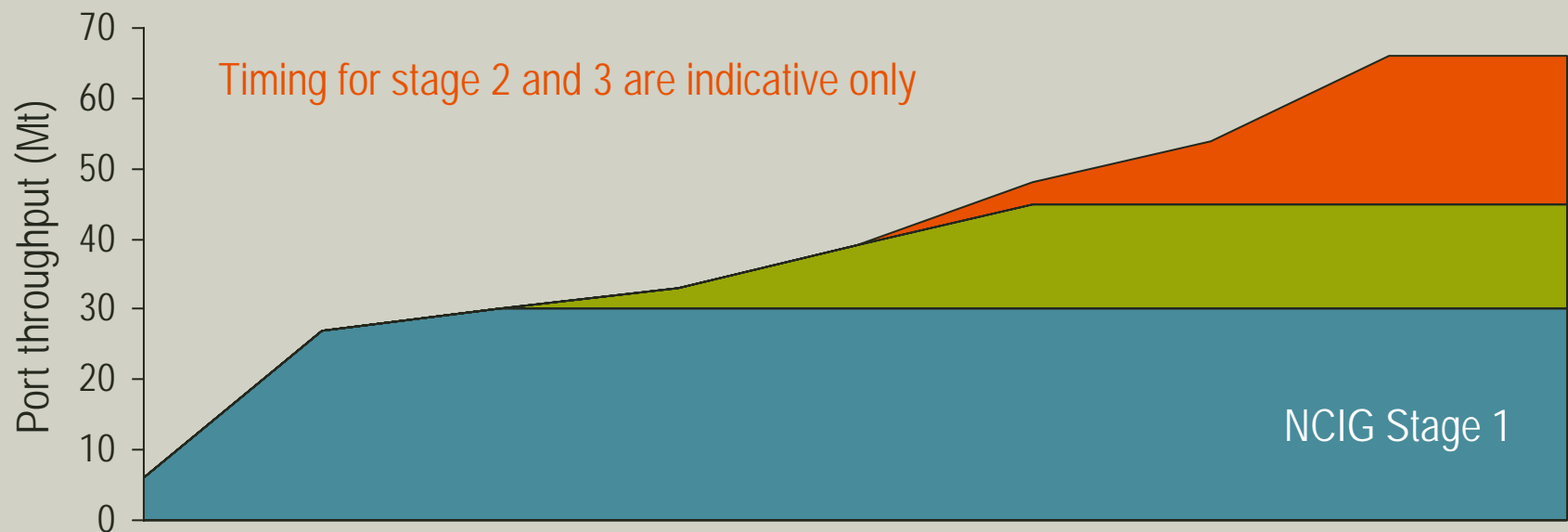
# Newcastle Third Port (NCIG) creates a pathway to the sea ...



Milestone	Date	Status
NCIG formed	Aug-04	
Tender for Newcastle Third Port	Aug-05	Awarded
NSW Government Development Consent	Apr-07	Received
Construction Start (dredging works)	Oct-07	Complete
Project Sanction	Dec-07	
Mechanical Completion (1st coal on ship)	2010	
Project Completion (throughput @ 30Mtpa)	12 months later	

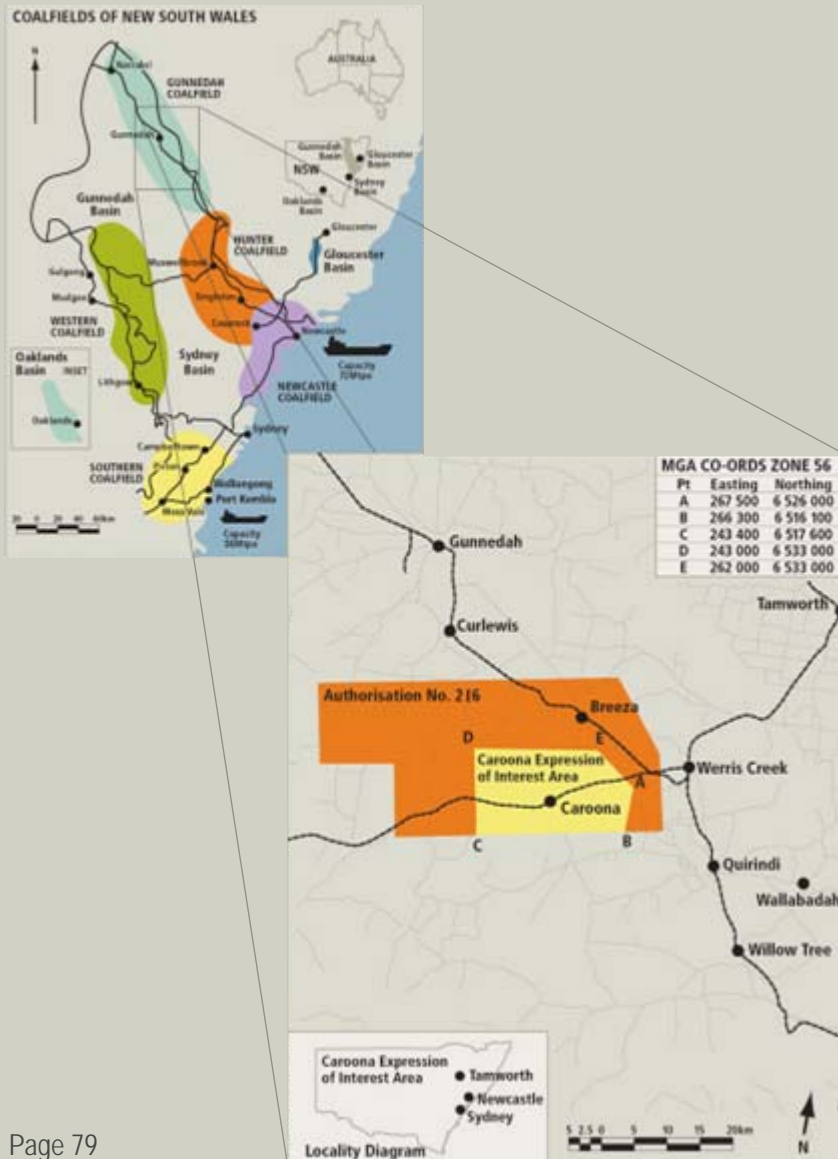
NCIG Shareholding			
HVEC (10.6mt)	35.5%	Donaldson	11.6%
Peabody	17.7%	Whitehaven	11.1%
Felix	15.3%	Centennial	8.8%

... with expandability to 66Mt over three phases





... and then there is Caroona – a significant greenfield opportunity



## Project Details

- Caroona identified as exploration project
- 5 year exploration licence
- Potentially the most significant undeveloped coal project in NSW
- Exploration area approx 350km<sup>2</sup>
- 50+ exploration bores completed to date with results consistent with expectations

Milestone	Date	Status
BHPB lodged EOI	Dec-05	Complete
Exploration Licence awarded	Apr-06	Complete
Exploration drilling commence	Jul-06	Complete
Identification Study	Jun-07	Complete
Pre-selection study drilling		Progressing



# The outlook for HVEC



Market outlook is strong

Production is growing

Costs are under control

Business Excellence delivering results

Outstanding growth options

Risks lie with PWCS

