

NEWS RELEASE

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BHP BILLITON PROVIDES AN UPDATE ON ITS COAL BUSINESS

BHP Billiton today outlined the path for its Coal business to improve returns by unlocking productivity, reducing costs and releasing latent capacity.

President Operations Minerals Australia, Mike Henry, told investors at a Coal briefing that the Company saw significant opportunity to further increase the competitiveness of its coal operations – both in terms of costs and volumes.

“Rather than waiting for higher prices, we have been deliberate in shaping a quality, focused portfolio that allows us to deliver value in challenging market conditions and positions us well for an expected longer-term improvement in coal market fundamentals,” Mr Henry said.

BHP Billiton’s Coal business has delivered over US\$3 billion of productivity gains since 2012 and is targeting another US\$600 million by the end of the 2017 financial year.

“While cost compression has been evident across the industry, we continue to work hard under our new operating model to improve our performance,” Mr Henry said.

“Even in today’s difficult environment, all of our operations remain cash positive.”

BHP Billiton can also grow its Coal business by releasing low-cost, latent capacity as well as by exercising high quality growth options if market conditions call for it.

The Group’s strong position in coal will be further supported by improving market dynamics.

“The developing world needs steel, steel needs coking coal, and we have the strongest resource position in the seaborne market,” Mr Henry said.

“Against the backdrop of greater uncertainty in the outlook for thermal coal, we are confident that base demand in emerging economies will remain resilient for decades to come and our higher quality coals position us well in an increasingly carbon constrained world.”

Further information on BHP Billiton can be found at: bhpbilliton.com

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Coal: The path to improve returns

21 June 2016

Mike Henry
President Operations, Minerals Australia



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BHP Billiton results are reported under International Financial Reporting Standards (IFRS) including Underlying EBIT and Underlying EBITDA which are used to measure segment performance. This release may also include certain non-IFRS measures including Adjusted effective tax rate, Free cash flow, Gearing ratio, Net debt, Net operating assets, Underlying attributable profit, Underlying basic (loss)/earnings per share, Underlying EBIT margin and Underlying EBITDA margin. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

Presentation of data

Unless specified otherwise: all data is presented on a continuing operations basis to exclude the contribution from assets that were demerged with South32; references to Underlying EBITDA margin exclude third party trading activities; data from subsidiaries is shown on a 100 per cent basis and data from equity accounted investments and other operations is shown on a proportionate consolidation basis. Queensland Coal comprises the BHP Billiton Mitsubishi Alliance (BMA) asset, jointly operated with Mitsubishi, and the BHP Billiton Mitsui Coal (BMC) asset, operated by BHP Billiton.

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Statement of Coal Reserves

Coal Reserves

The information on slide 10 of this presentation that relates to Coal Reserves has been sourced from Wood Mackenzie. BHP Billiton's estimates of its Coal Reserves are shown below.

BHP Billiton Marketable Coal Reserves are compiled by J Field (MAusIMM). J Field is a full time employee of BHP Billiton, has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". This is based on Marketable Coal Reserve information in the BHP Billiton 2015 Annual Report for all assets. All reports can be found at www.bhpbilliton.com.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Marketable Coal Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

Coal Reserve classifications (100% basis) for each province, where relevant, are contained in Table 1.

Table 1 – BHP Billiton FY15 Marketable Reserves

Province	Proved (Mt)	Probable (Mt)	Total (Mt)	BHP Billiton interest (%) ¹
Metallurgical coal				
CQCA JV & Gregory JV	1,315	971	2,287	50
BHP Billiton Mitsui	94	50	144	80
Indonesia ²	4.6	0.1	4.7	75
Energy coal				
Australia	409	376	785	100
Colombia	543	90	633	33.3
New Mexico ³	15	-	15	100

1. Weighted average equity interest.

2. Sales agreement entered into following strategic review.

3. New Mexico excludes the Navajo Mine which was sold on 30 December 2013. The sale of the San Juan Mine was completed on 31 January 2016.

Mike Henry, President Operations, Minerals Australia

21 June 2016

The path to improve returns

- Safe and reliable operations provide the platform for success
- Longer-term coal market outlook remains positive
- We continue to optimise our simple portfolio of high-quality assets
- We will unlock further productivity, reduce costs and release latent capacity

Experienced team enabled by new Operating Model

- Our new Operating Model supports improved returns
 - enhanced focus on safety, volume and cost
 - lower overheads and more effective functional support
 - accelerated replication of best practice
 - global centres of excellence for Maintenance, Projects and Geoscience
- Deep operating experience across the leadership team
 - average industry experience of 23 years
 - operating experience across 6 continents and 13 commodities

Minerals Australia Leadership Team



**Vice President
Planning & Technical**
David Ruddell
24 years



**Asset President
BMA**
Rag Udd
19 years



**Vice President
HSE**
Hannes van Rensburg
28 years



**Asset President
Nickel West**
Eddy Haegel
25 years



**Asset President
WAIO**
Edgar Basto
20 years



**Asset President
Olympic Dam**
Jacqui McGill
28 years



**Vice President
Projects**
Matthew Furrer
25 years



**Asset President
BMC, NSWEC, IndoMet**
James Palmer
19 years



**Vice President
Improvement**
Rob Telford
23 years



**President Operations
Minerals Australia**
Mike Henry
26 years



**Vice President
Maintenance**
Brandon Craig
21 years

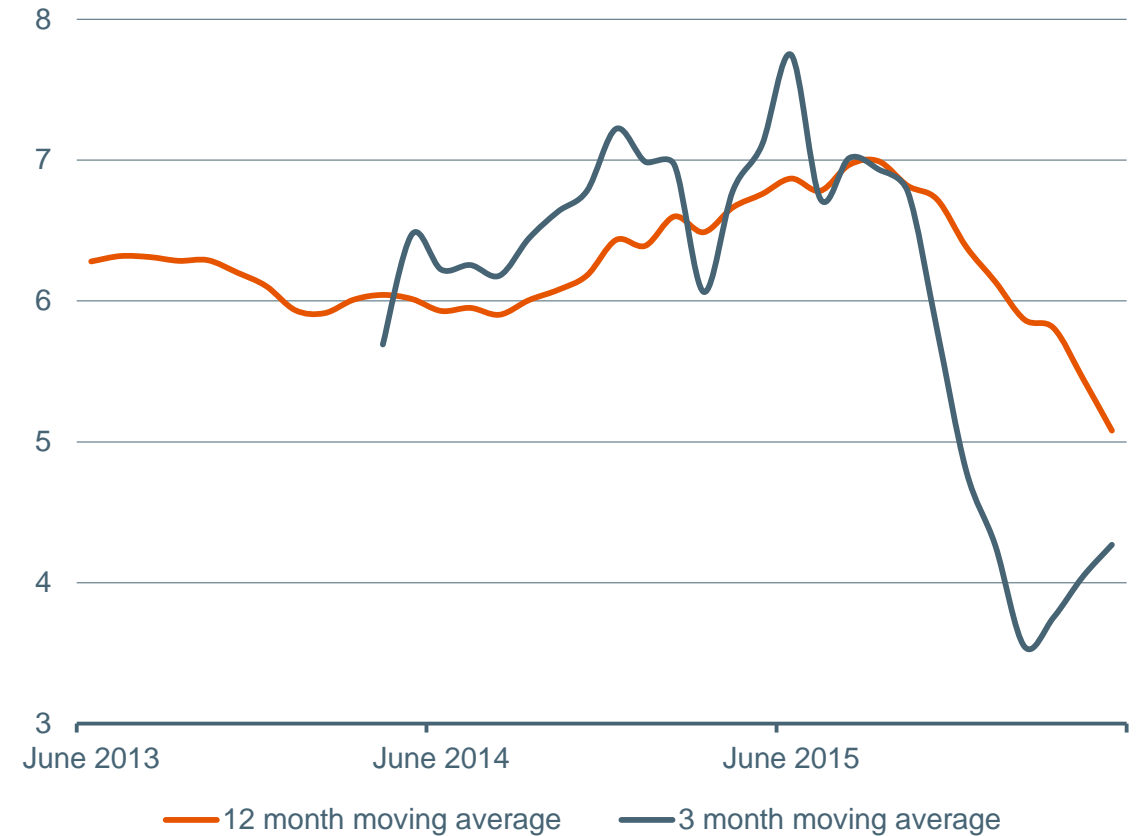


Safe and sustainable operations

- ~50% improvement in TRIF since June 2015^{1,2}
 - focused on the elimination of fatalities and serious incidents
- Replication of the Field Leadership Program from Western Australia Iron Ore in FY16 is supporting a safer business
 - strengthened safety engagement with our employees
 - improved control verification
 - better incident reporting and reviews

Improving our safety performance

(TRIF per million hours worked¹, operated coal assets)



1. Total recordable injury frequency (TRIF) for operated coal assets. Excludes assets demerged with South32 from March 2015 and San Juan Coal from January 2016.

2. Reflects improvement in 3 month moving average TRIF.

Mike Henry, President Operations, Minerals Australia

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Metallurgical coal outlook supported by growing demand for high-quality product

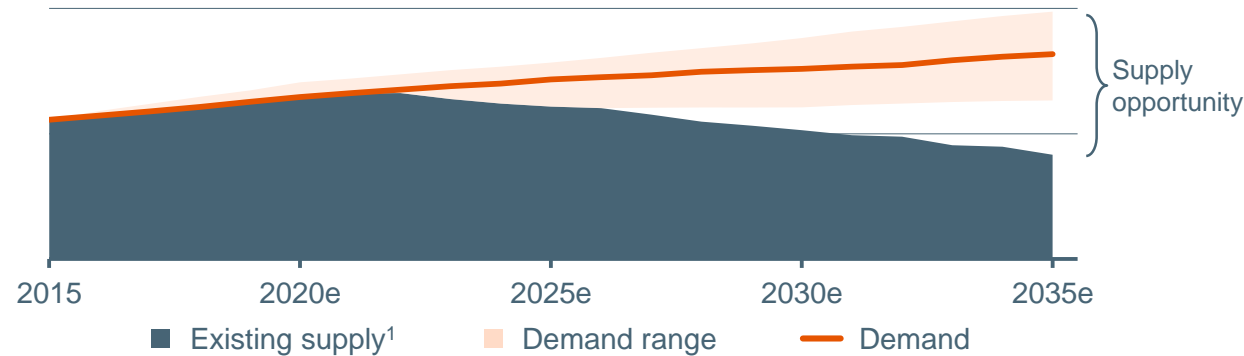
Short-term

- Cost curve has flattened
- Lower prices are leading to closures and reduced investment

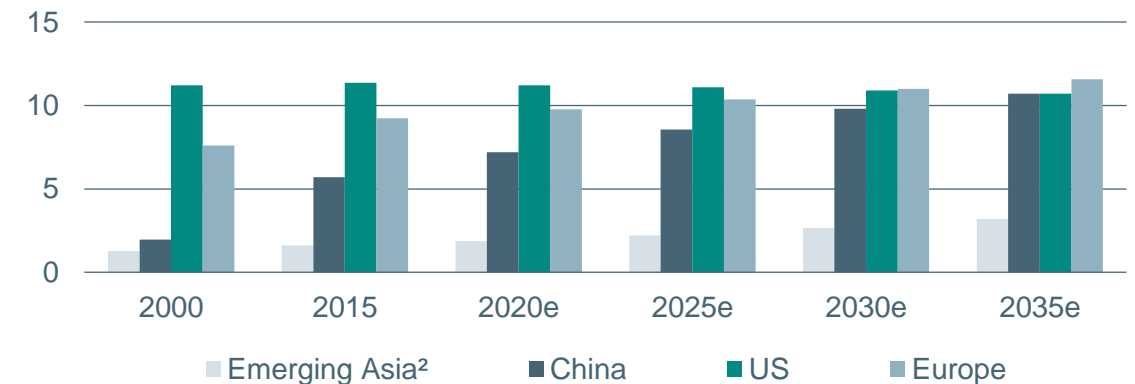
Long-term

- The world continues to require steel and metallurgical coal is essential for pig iron production
- China will continue to import seaborne metallurgical coal
 - demand supported by coastal market access and requirement for consistent, quality product in larger blast furnaces
 - commitment to rationalise domestic supply remains a risk
- Scarcity of high-quality resources and demand growth in emerging economies underpins robust outlook
 - particularly in India where we expect strong steel production growth

Seaborne metallurgical coal supply and demand (Bt)



Gap to close in emerging market steel stock (finished steel per capita, t)



Source: Wood Mackenzie; Worldsteel; BHP Billiton analysis.

1. Includes productivity improvements.

2. Emerging Asia includes India and countries in South Asia and North Asia, excluding China, Japan and South Korea.

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Energy coal will remain an important part of the global energy complex

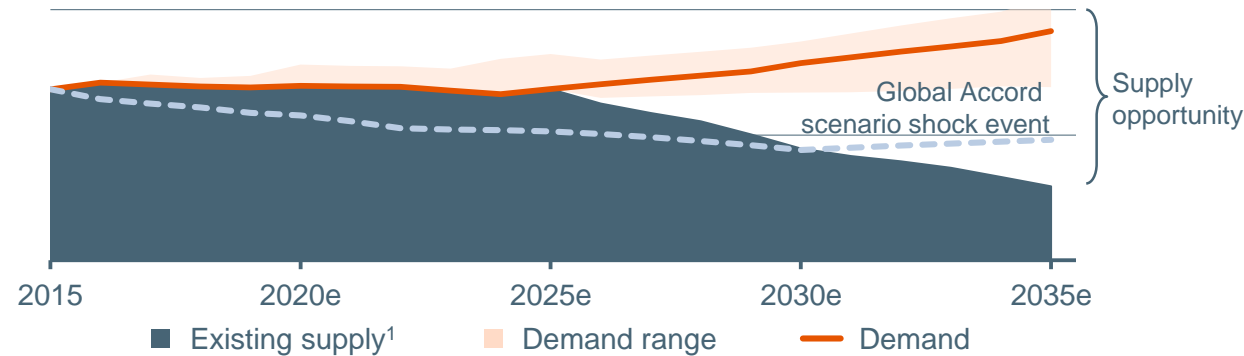
Short-term

- Markets are expected to remain oversupplied in the near term
 - China's demand for imports is likely to fall further as domestic overcapacity persists

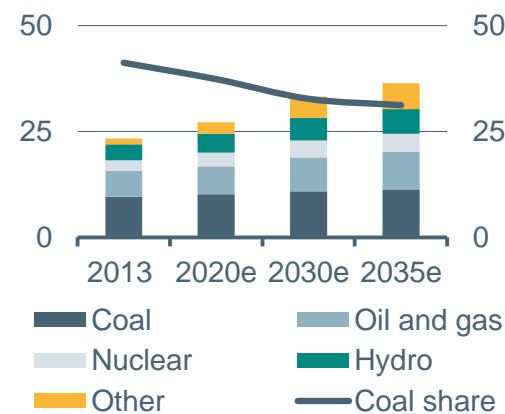
Long-term

- Absolute demand expected to increase by 10-15% by the mid-2020s, despite a declining share in the global electricity generation fuel mix
- India and South East Asia have 26% of the world's population, but account for only 13% of global electricity generation
 - low-cost energy coal is expected to be a preferred fuel source
- China consumes >50% of the world's energy coal and while its total long-term demand for energy coal is expected to increase, its demand for seaborne coal is likely to decline

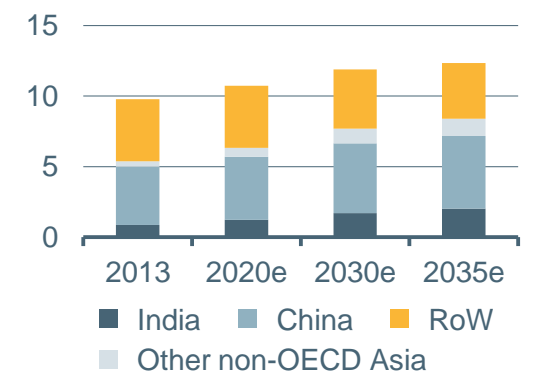
Additional seaborne supply required to meet expected demand (Bt)



Global electricity fuel mix² (PWh) (coal share, %)



Energy coal use in electricity² (PWh)



Source: Wood Mackenzie; IEA; BHP Billiton analysis.

1. Includes productivity improvements.

2. Based on IEA data from WEO2015_AnnexA © OECD/IEA, www.iea.org/statistics. Licence: www.iea.org/t&c; as modified by BHP Billiton.

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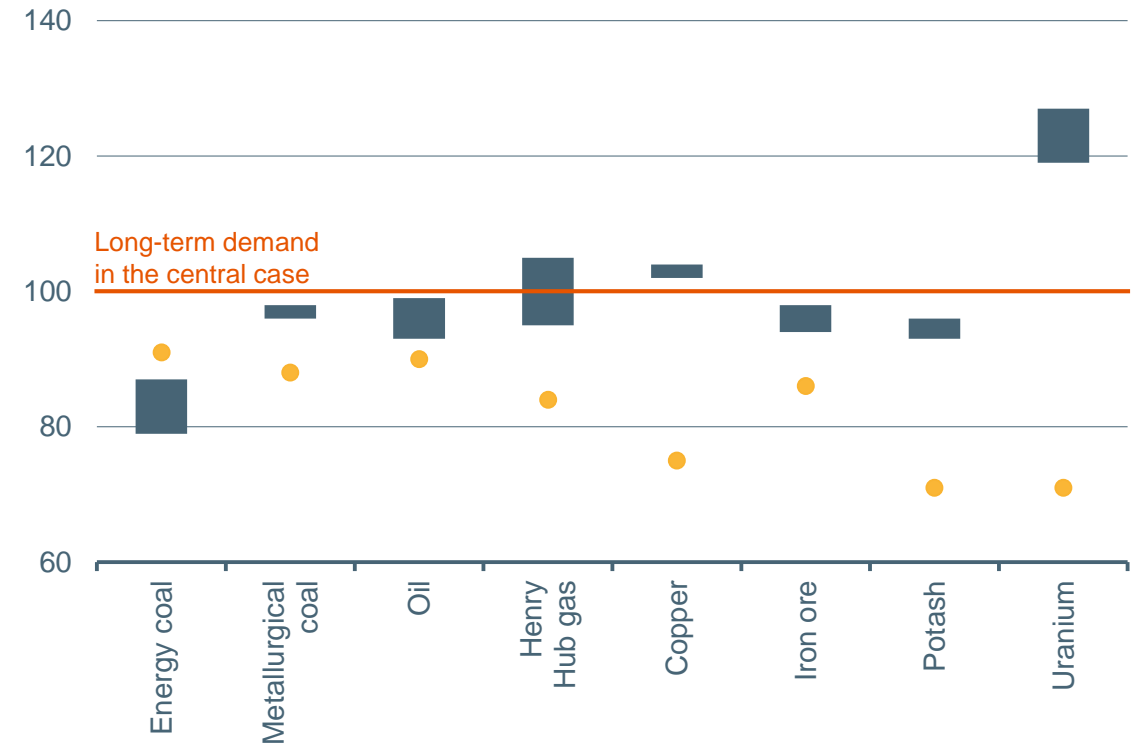
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Our portfolio is resilient in a 2°C world

- Warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable
- We believe the world must pursue the twin objectives of limiting climate change and providing access to affordable energy
 - we do not prioritise one of these over the other – both are essential
- Our diverse portfolio is resilient in both an orderly and a rapid transition to a 2°C world¹
 - metallurgical coal is essential for pig iron production, with more stringent regulations to reduce emissions likely to increase VIU² for quality metallurgical coal
 - base demand for energy coal is resilient in emerging economies given its cost competitiveness against other fuel types, with demand for higher-quality product expected to increase in a carbon constrained world

1. Our Global Accord scenario reflects a global outcome whereby the long-term goal of holding the increase in global average temperature to below 2°C above pre-industrial levels is met.
 2. Value-in-use (VIU).

Long-term commodity demand range in a 2°C world



- Long-term demand range across Global Accord¹ scenario and shock event (relative to long-term demand in central case)
- 2014 actual demand (relative to long-term demand in central case)

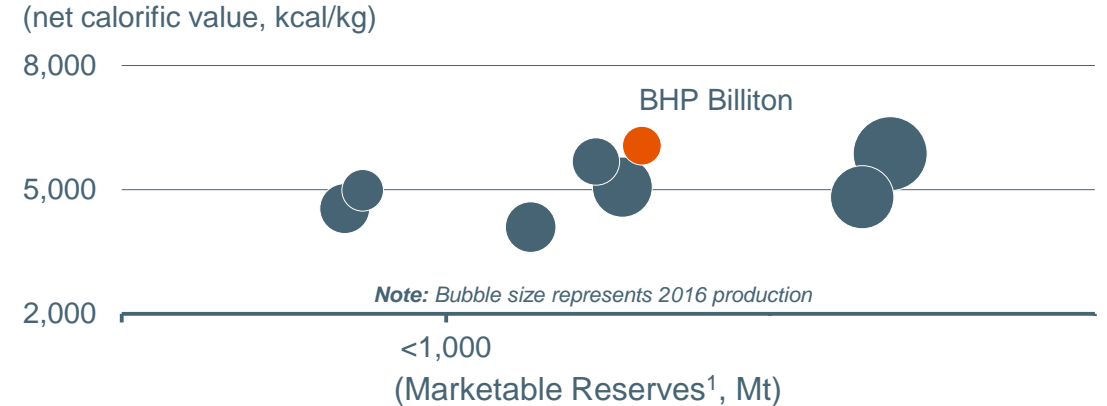
A simple portfolio of large, long-life assets

-  **Scale**
-  **Resource quality**
-  **Stable geo-political environment**
-  **Cost position**
-  **Logistics**

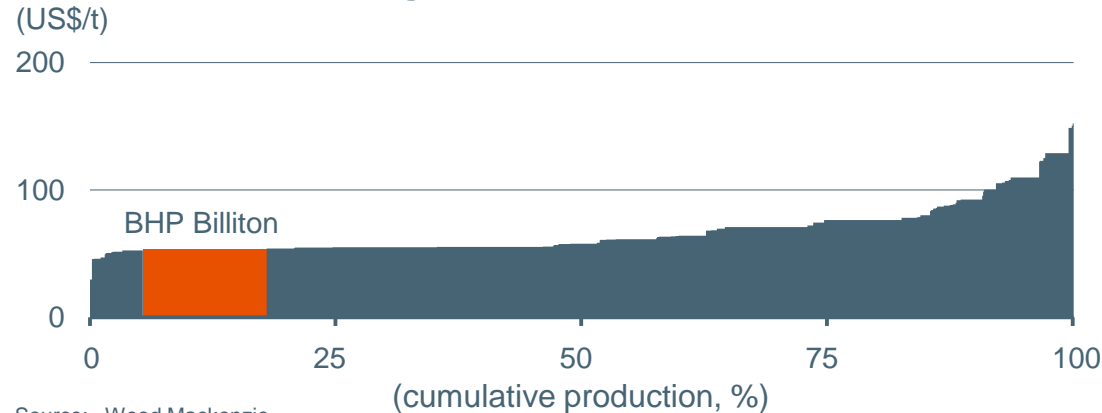
Metallurgical coal portfolio



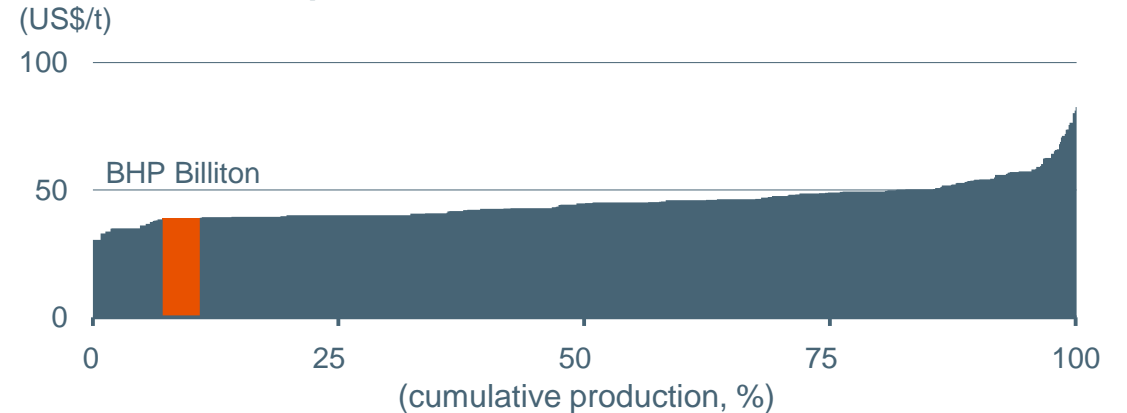
Energy coal portfolio



2016 seaborne metallurgical coal C1 cash cost curve²



2016 seaborne export thermal coal C1 cash cost curve²



Source: Wood Mackenzie.

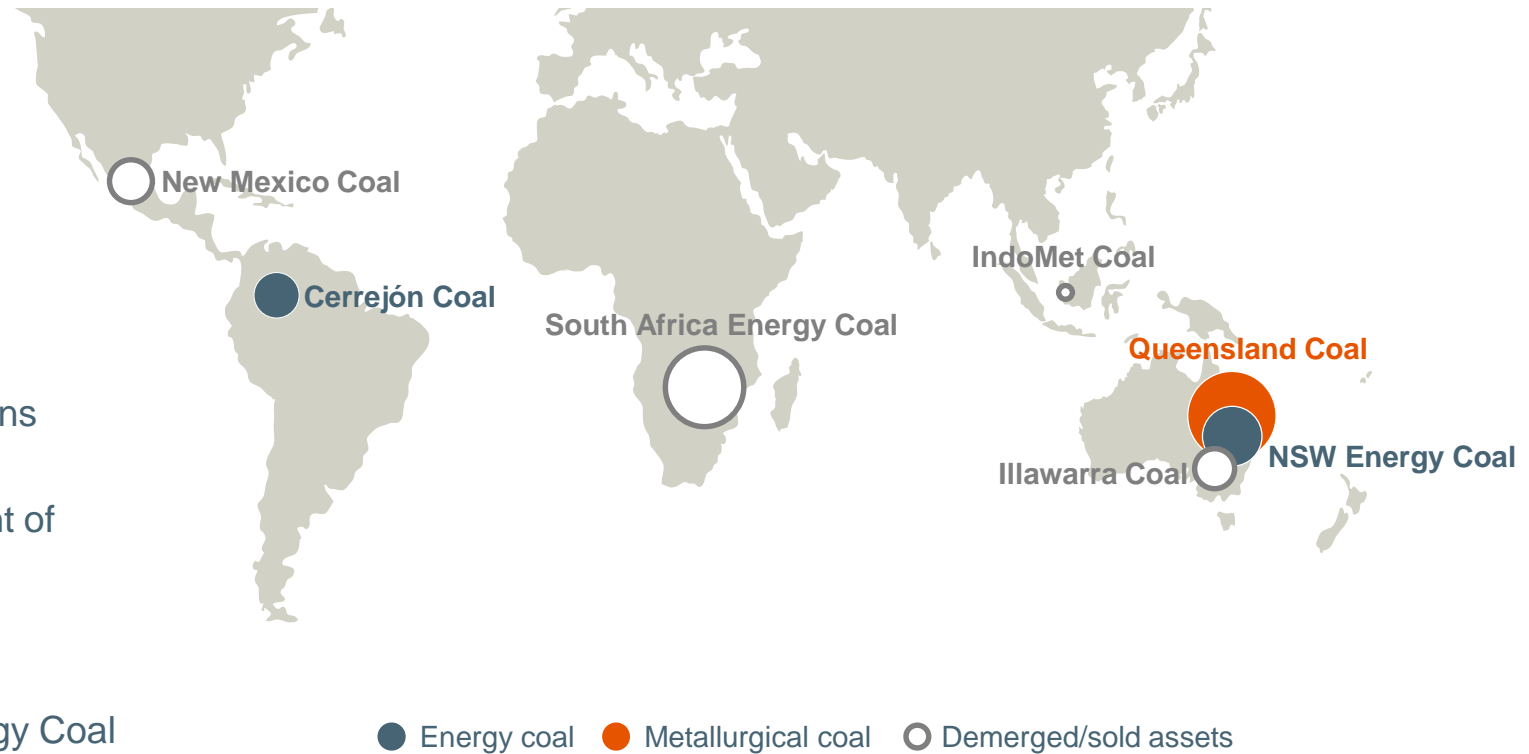
1. Marketable Reserves for all companies including BHP Billiton have been sourced from Wood Mackenzie and are shown on a 100% basis. A breakdown of BHP Billiton's estimates of its Marketable Coal Reserves is shown on slide 3.
2. Based on equity share of production. Thermal coal cost curve is energy adjusted to 6,063 kcal/kg (NAR).

Mike Henry, President Operations, Minerals Australia

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We continue to simplify our portfolio

- We have created a concentrated portfolio of tier 1 assets that retain significant growth optionality
 - Illawarra Coal and South Africa Energy Coal demerged with South32
 - sale agreement entered into for IndoMet Coal
 - sale of San Juan Mine completed and transition of Navajo Coal to NTEC¹ on track for end-CY16
- Our response to the economics of individual operations has been disciplined
 - closure of Crinum operations prior to development of high-cost final longwall panel
 - suspension of high-cost, loss-making capacity at Norwich Park and Gregory
 - reduction of higher-cost production at NSW Energy Coal
 - outsourcing of drill, blast and pre-strip operations at Blackwater and pursuit of fit for purpose enterprise agreement
- We will continue to pursue further optimisation of our portfolio



Note: Bubble size indicative of FY15 production/capacity.

1. Navajo Transitional Energy Company (NTEC).

Mike Henry, President Operations, Minerals Australia

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Continued improvements in productivity...

- Delivered >US\$3 billion in productivity gains since FY12¹
 - additional ~US\$600 million expected by end-FY17
- Most operations will have the bottleneck at the wash plant by end-FY17
 - targeting wash plant utilisation of 8,000 hours by FY19
 - improvement driven by a focus on maintenance strategies and reducing non-coal delays
- Focus on achieving truck utilisation of 6,500 hours by FY20²
 - Daunia’s ultra-class fleet is achieving ~6,000 hours – the best across BHP Billiton’s ultra class fleet
 - improvement driven by improved shift change processes, pit stop servicing, and upgraded dispatch and reporting systems
- We expect to deliver a 5 Mt (8%) increase in volumes³ from FY15 to FY18

1. FY15 relative to FY12.

2. Truck hours exclude queue time. Target represents wash plant availability of 96% and 8,000 operating hours, and truck availability of 88% and 6,500 operating hours.

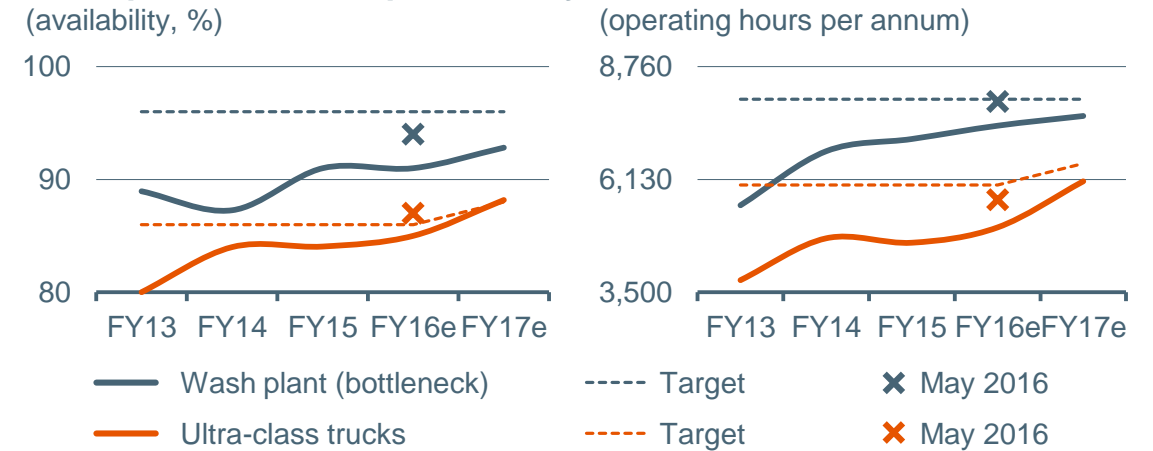
3. Includes Queensland Coal and NSW Energy Coal.

4. Average over FY15 and FY16 YTD.

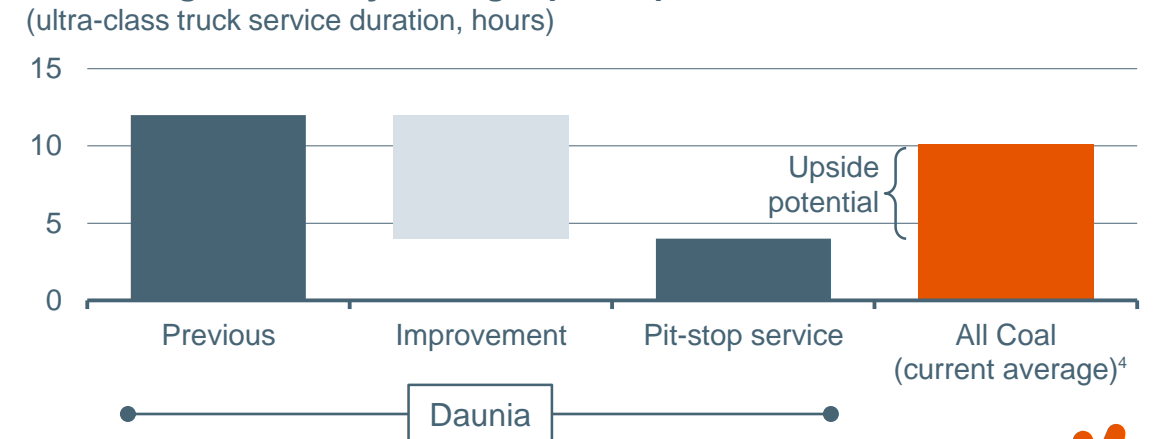
Mike Henry, President Operations, Minerals Australia

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Wash plant and truck productivity²



Increasing availability through ‘pit-stop’ maintenance



...is sustainably lowering costs...

- Absolute cash costs ~25% below FY12¹ despite higher volumes
 - 56% reduction in unit costs at Queensland Coal
 - 29% reduction in unit costs at NSW Energy Coal
- Further 16% reduction in absolute costs anticipated by FY17²
 - unit costs down 20% to US\$52/t³ at Queensland Coal
 - unit costs down 9% to US\$38/t³ at NSW Energy Coal
- At NSW Energy Coal, geological constraints (monocline transition) will increase waste stripping, haulage distances and unit costs post FY17
 - studies underway to assess mitigating options
- Recovery in FY17 EBITDA margins despite lower expected prices
- All operations remain cash flow positive

1. FY15 relative to FY12.

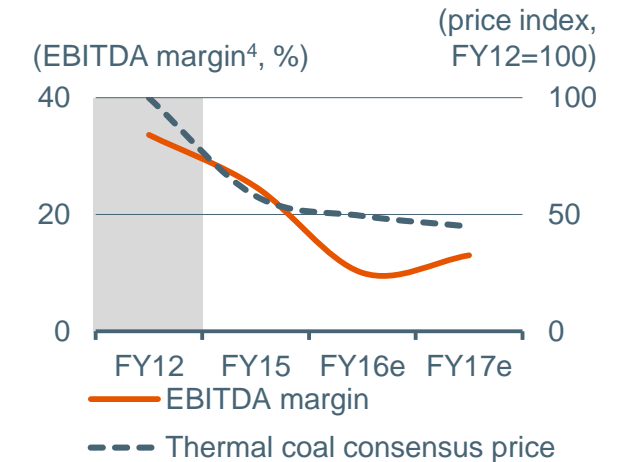
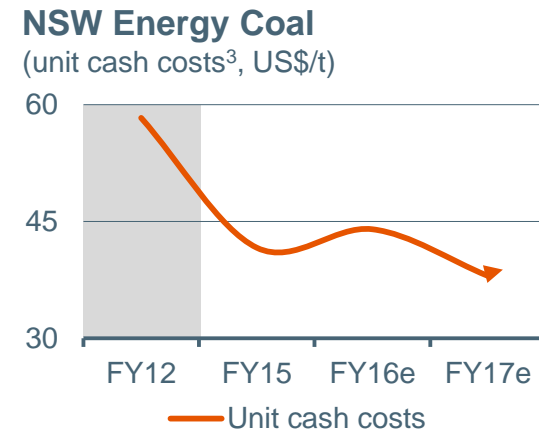
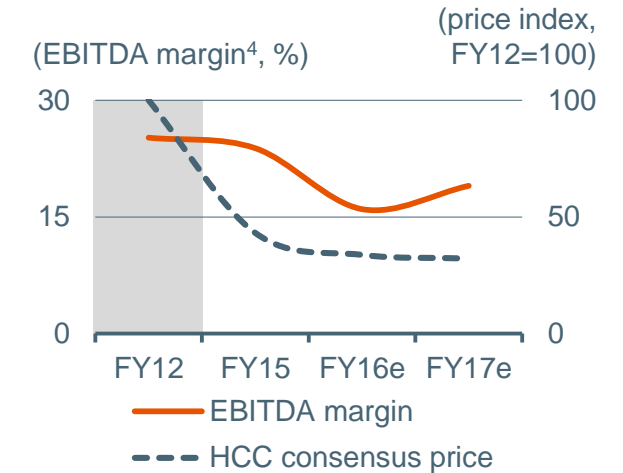
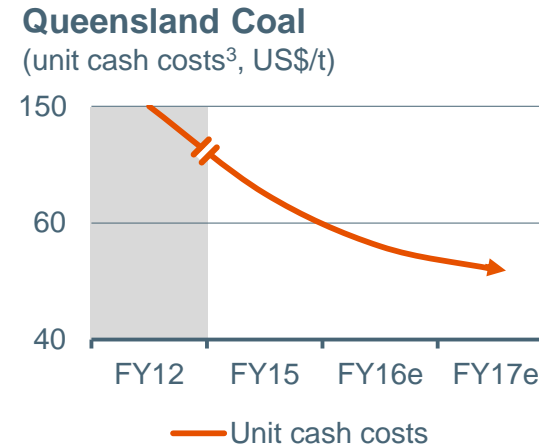
2. FY17 relative to FY15.

3. Based on exchange rates of AUD/USD 0.72 in FY16 and 0.71 in FY17. Excludes freight and royalties.

4. FY16 and FY17 EBITDA margins based on production and unit cost guidance, and consensus prices.

Mike Henry, President Operations, Minerals Australia

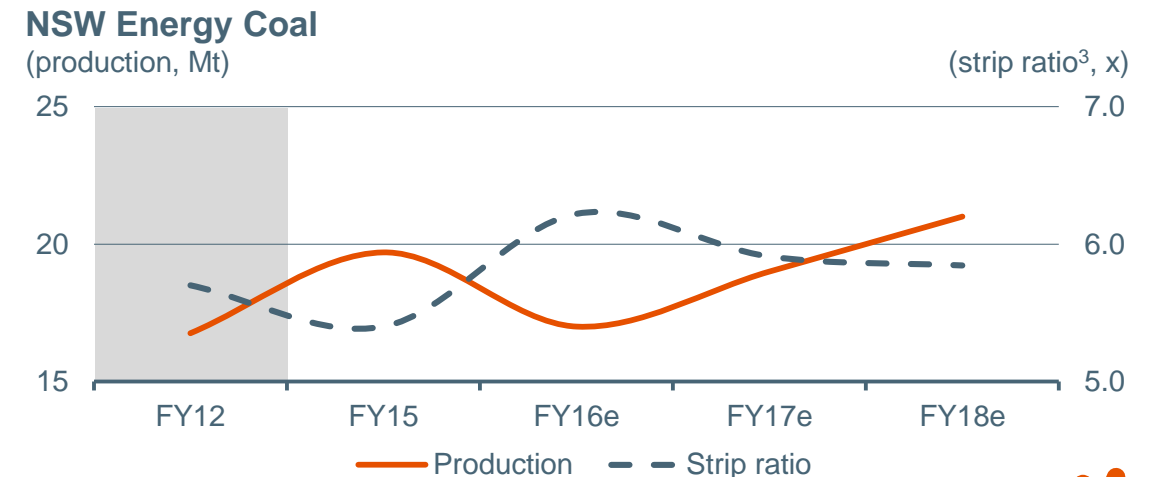
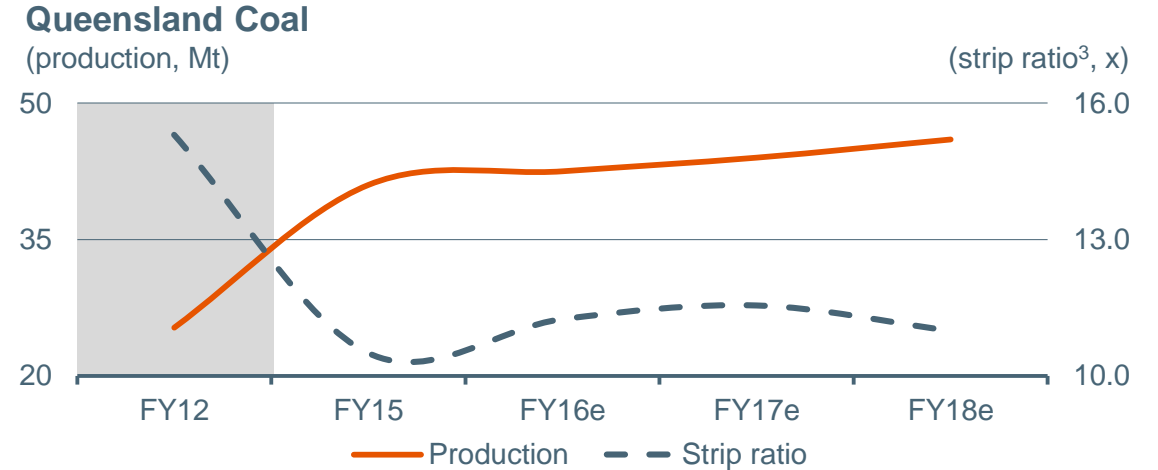
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...and releasing latent capacity

- Focus on maximising output from our existing operations allows us to grow without major capital projects
 - Queensland Coal expected to deliver 42.5 Mt in FY16, 44 Mt in FY17 and 46 Mt in FY18
 - NSW Energy Coal expected to deliver 17 Mt in FY16¹, 19 Mt in FY17 and 21 Mt in FY18
- We have rigorously assessed our sustaining capital expenditure
 - Queensland Coal: US\$6 per tonne²
 - NSW Energy Coal: US\$4 per tonne²
- Caval Ridge Southern Circuit can unlock a further 4 Mtpa (100% basis) with a conveyor and additional mining fleet
- We have long-term options that we can exercise when the time is right
 - BMA Goonyella Complex Optimisation
 - BMC Wards Well underground development

1. BHP Billiton FY16 total energy coal production guidance revised from 37 Mt to 34 Mt.
 2. Average sustaining capital expenditure over FY17e to FY21e. NSW Energy Coal +/- 50% in any given year.
 3. Represents total overburden stripping (bcm) to production (tonnes).



Enterprise Agreement (EA) renewals

- Caval Ridge, Poitrel, Daunia and Mt Arthur Coal EAs recently approved
- Progress continuing on Broadmeadow Mine EA
- BMA has commenced renegotiating the BMA EA 2012
 - seeking to simplify the EA
 - focus on flexibility to better enable safe productivity improvements and cost efficiencies
 - proposing a standalone agreement for Blackwater reflecting its unique operating environment
 - coverage to exclude Norwich Park and Gregory Crinum which are no longer in operation
 - outcomes need to reflect the current market environment



The path to improve returns

- Safe and reliable operations provide the platform for success
- Longer-term coal market outlook remains positive
- We continue to optimise our simple portfolio of high-quality assets
- We will unlock further productivity, reduce costs and release latent capacity



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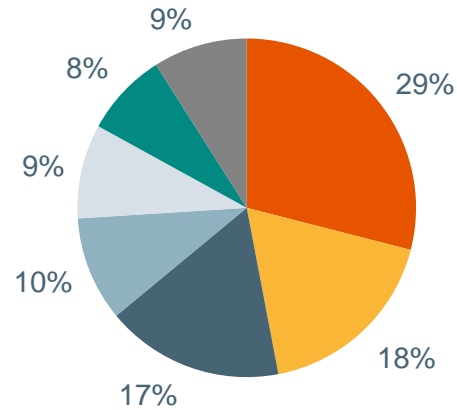
BHP Billiton guidance

Coal	FY16e	FY17e	FY18e	Notes
Total metallurgical coal production (Mt)	43	44	46	FY16 comprises Queensland Coal and IndoMet Coal.
Total energy coal production (Mt)	34			
Queensland Coal				
Production (Mt)	42.5	44	46	
Unit cash costs (US\$/t)	56	52		Excludes freight and royalties; based on an exchange rate of AUD/USD 0.72 in FY16 and 0.71 in FY17.
Sustaining capital expenditure (US\$/t)	3	6		FY17e–FY21e average.
NSW Energy Coal				
Production (Mt)	17	19	21	
Unit cash costs (US\$/t)	44	38		Excludes freight and royalties; based on an exchange rate of AUD/USD 0.72 in FY16 and 0.71 in FY17.
Sustaining capital expenditure (US\$/t)	1	4		FY17e–FY21e average; +/- 50% in any given year.

Breakdown of costs

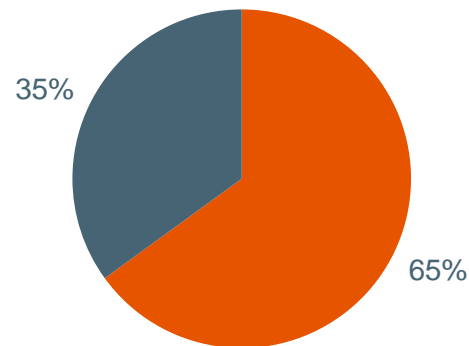
BMA

Cash costs
(FY16e, %)



- Contractors and consultants
- Consumables
- Labour
- Port and rail
- Royalties, rates and taxes
- Fuel and electricity
- Other

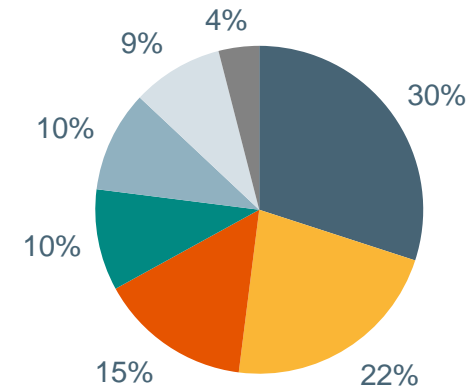
Fixed versus variable split (approximate)
(FY16e, %)



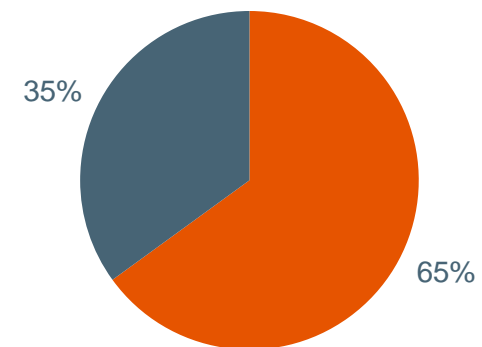
- Fixed
- Variable

NSW Energy Coal

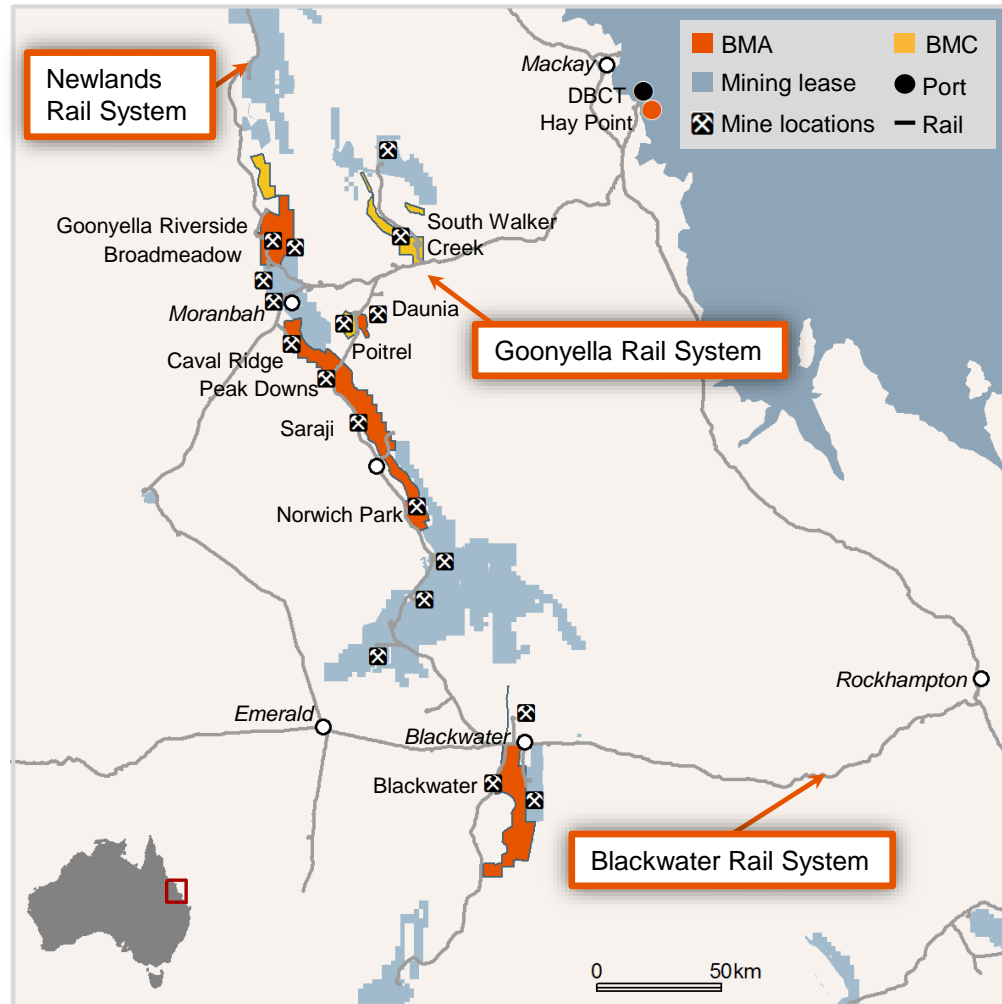
Cash costs
(FY16e, %)



Fixed versus variable split (approximate)
(FY16e, %)



Queensland Coal operations

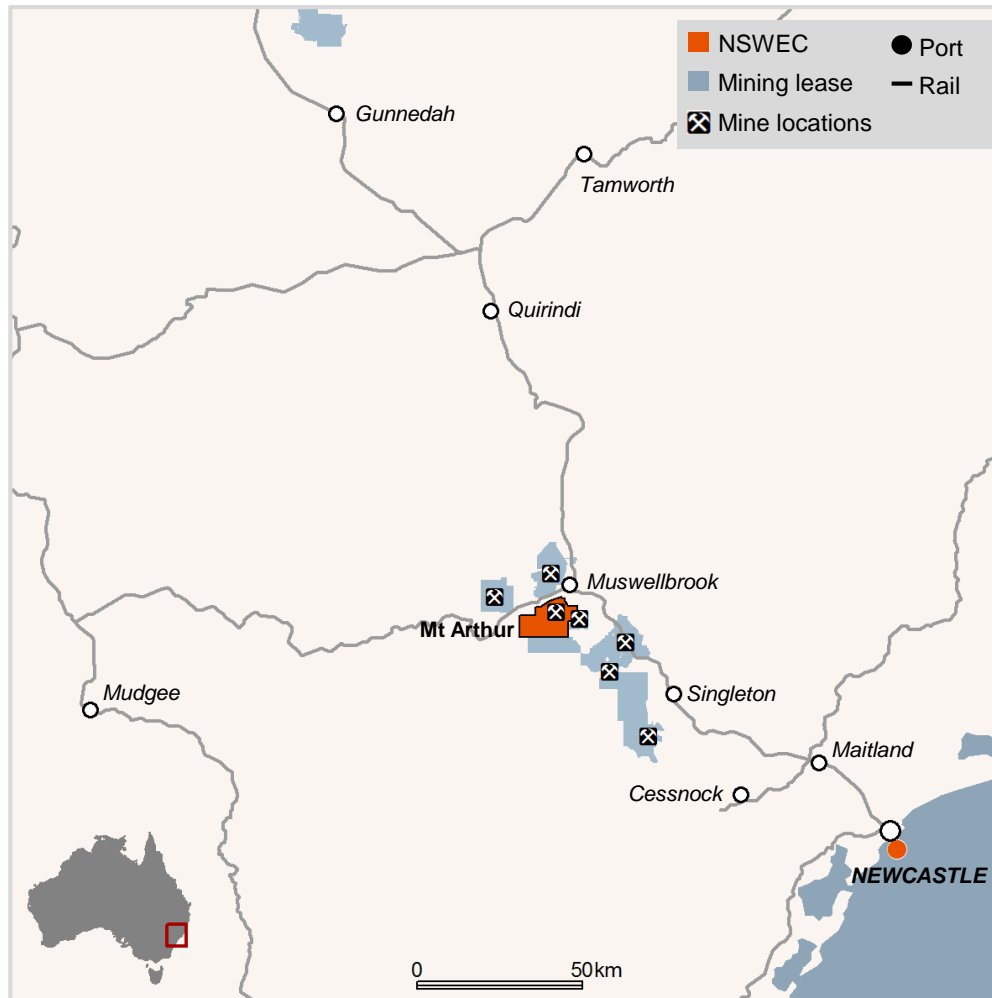


- Largest supplier of seaborne metallurgical coal
- BHP Billiton interest: BMA 50%; BMC 80%
- Capacity at four Queensland ports with matched rail flexibility allows us to optimise the supply chain
- Key BMA fleet statistics
 - 33 draglines (world's largest fleet)
 - 53 shovels and excavators
 - 313 dump trucks
 - 142 dozers
 - 19 loaders
- Key BMC fleet statistics
 - 1 dragline
 - 7 shovels and excavators
 - 42 dump trucks
 - 26 dozers
 - 3 loaders

Note: All rail and port capacities are shown at 100%.
 1. Blackwater Rail System capacity has been estimated.

Mike Henry, President Operations, Minerals Australia
 21 June 2016

New South Wales Energy Coal operations



- Open-cut coal mine in the Hunter Valley, Australia, with 23 Mtpa of coal handling, preparation and wash plant capacity
- BHP Billiton interest: 100%
- ~6%¹ of production sold to Bayswater power station via conveyor, remainder exported from Newcastle Port
- Owns 35.5% stake in Newcastle Coal Infrastructure Group (NCIG), which operates the Newcastle Third Port export coal loading facility
- Key fleet statistics
 - 2 shovels
 - 15 excavators
 - 87 dump trucks
 - 28 dozers

1. Based on FY15 sales volumes.

Mike Henry, President Operations, Minerals Australia
21 June 2016

Cerrejón Coal operations

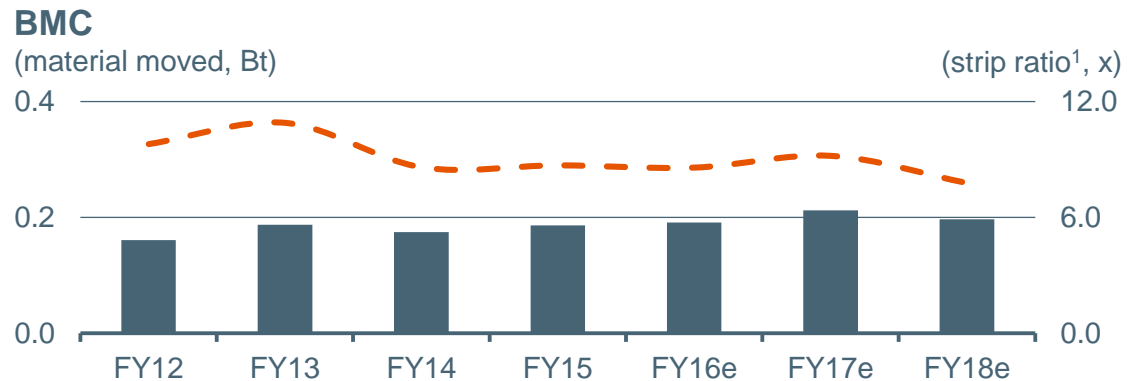
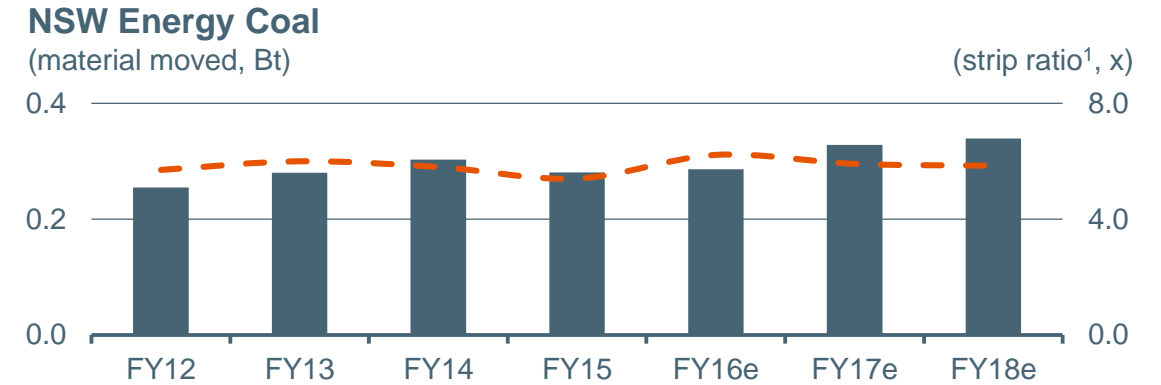
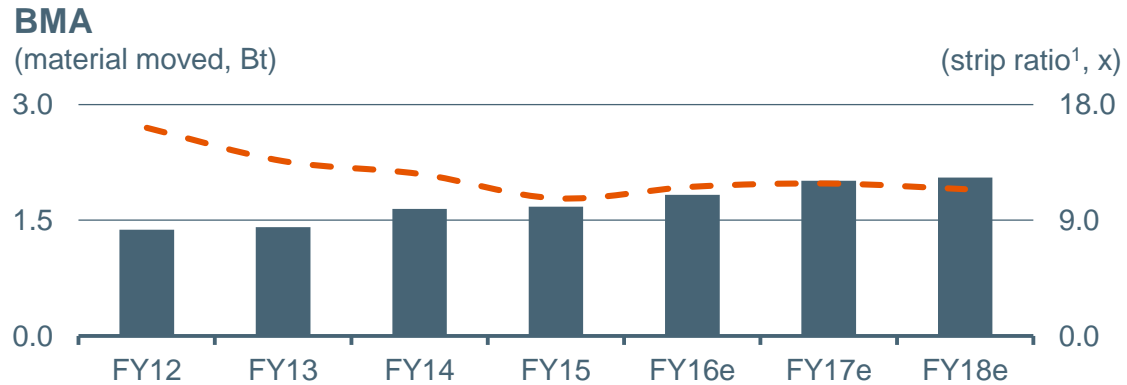


- One of the world's largest open-cut export energy coal mines, located in the La Guajira province of Colombia
- BHP Billiton interest: 33.3%
- Cerrejón owns and operates integrated rail and port facilities
- Key fleet statistics
 - 36 shovels and excavators
 - 101 dozers
 - 11 front end loaders
 - 258 waste trucks
 - 56 coal trucks

Note: Port capacity shown at 100%.

Mike Henry, President Operations, Minerals Australia
21 June 2016

Coal operations material moved and strip ratios



■ Material moved - - - Strip ratio

1. Represents total overburden stripping (bcm) to production (tonnes).



bhpbilliton