




**IEA Workshop
OUTLOOK FOR COAL INDUSTRY & MARKETS**

Oriental Bay International Hotel, Beijing, China
14th April 2011
Mick Buffier, Group Executive – Xstrata Coal





Xstrata - a world leading export coal company

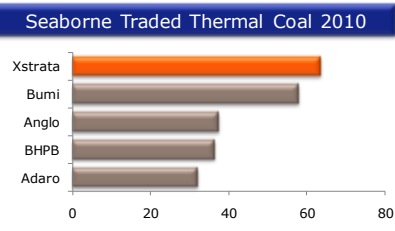
Thermal

- Leading global producer
- Balanced regional exposure
- Operational diversification
- Competitive advantage through marketing network
- Returns through the cycle

Metallurgical coal

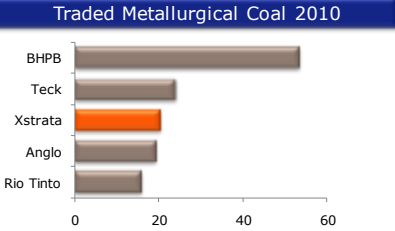
- Significant position in prime hard coking coal
- Leading producer of high volatile semi-soft coking coal
- Potential for high returns

Seaborne Traded Thermal Coal 2010



Company	Production (Million Tons)
Xstrata	~65
Bumi	~55
Anglo	~35
BHPB	~35
Adaro	~30

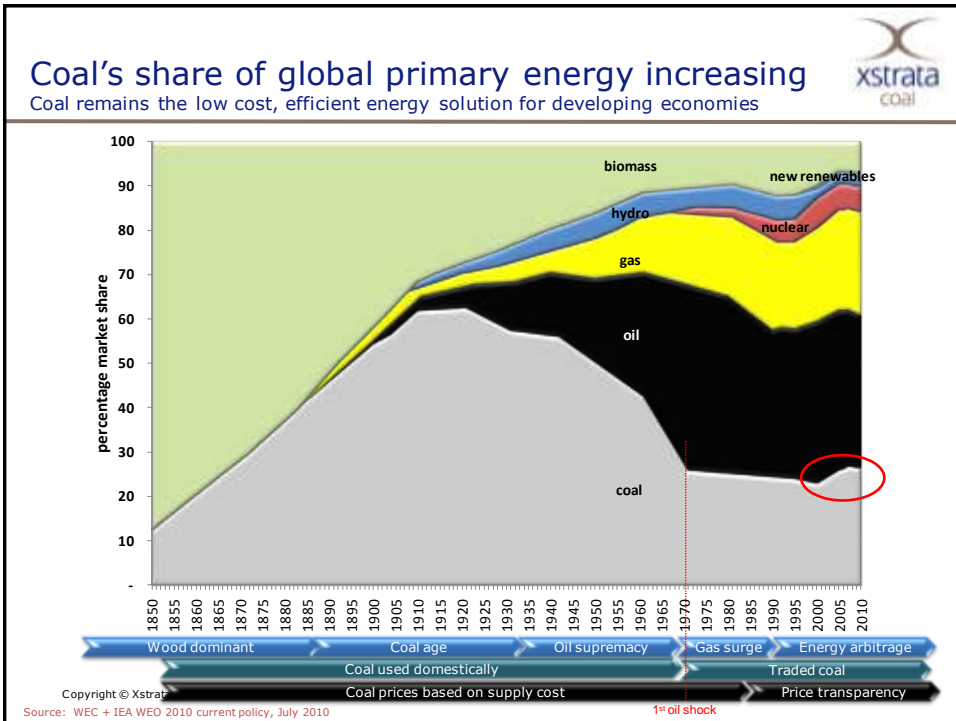
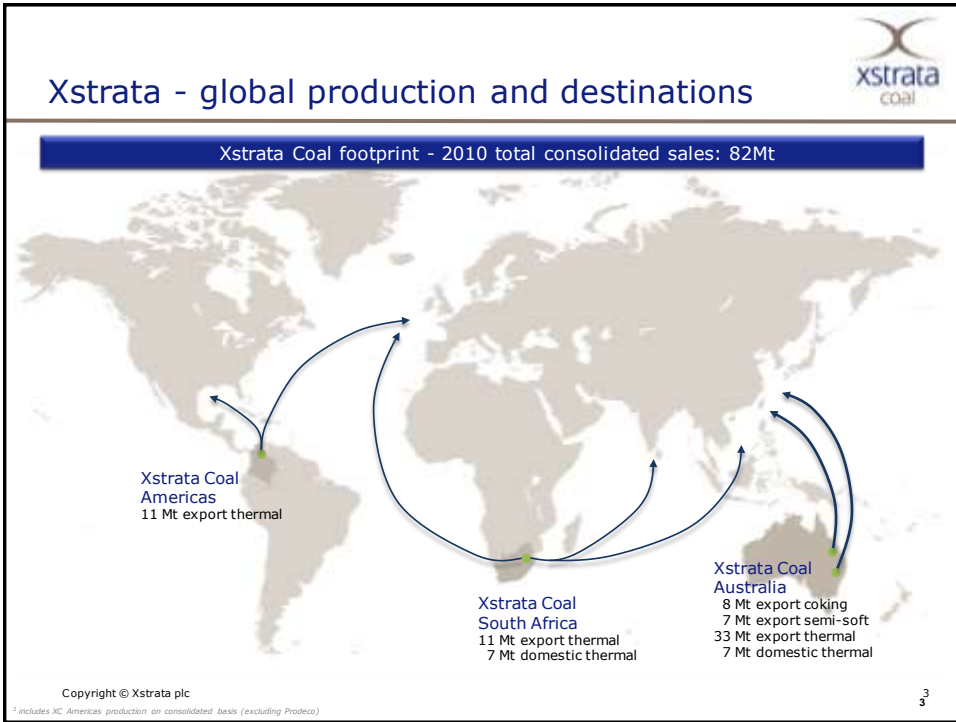
Traded Metallurgical Coal 2010

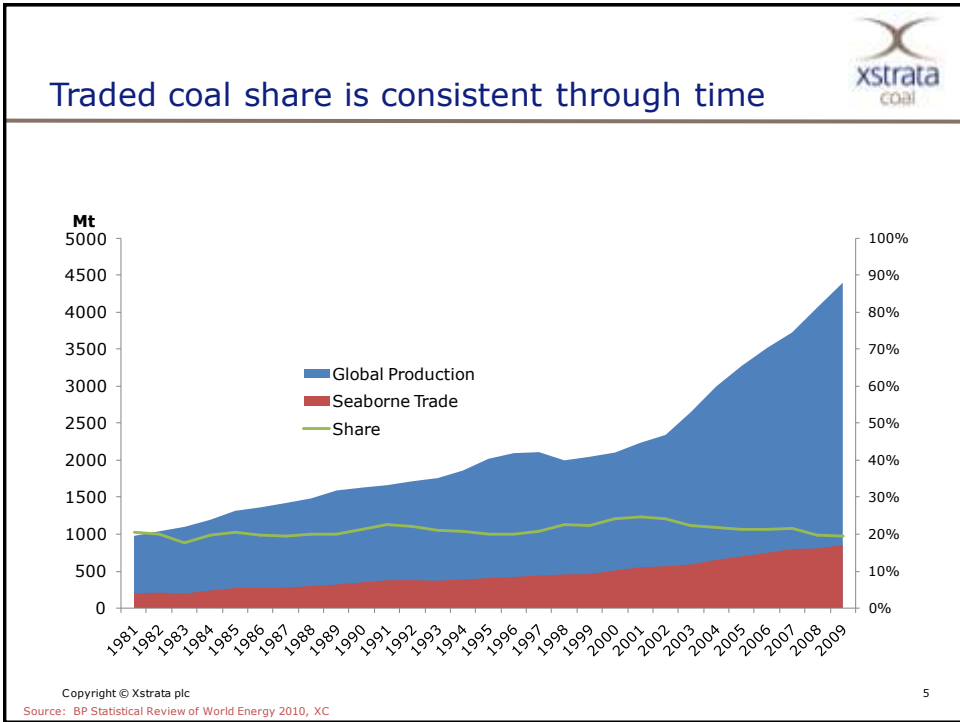


Company	Production (Million Tons)
BHPB	~55
Teck	~25
Xstrata	~20
Anglo	~20
Rio Tinto	~15

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Source: Xstrata estimates; ¹ Production on managed basis (Cerrejon consolidated), excludes Prodeco

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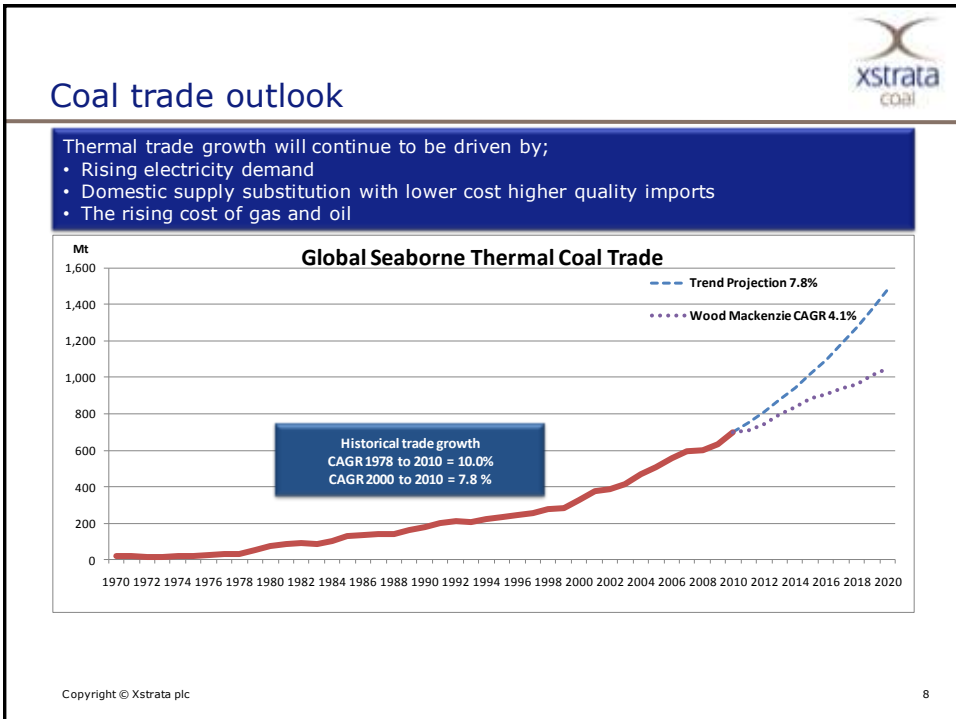
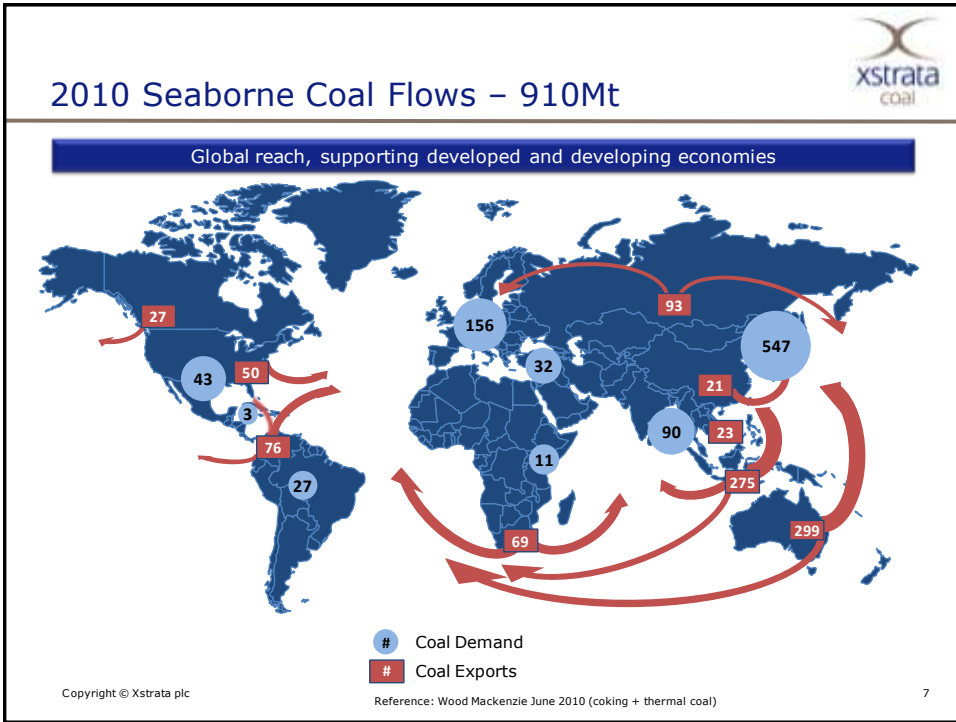


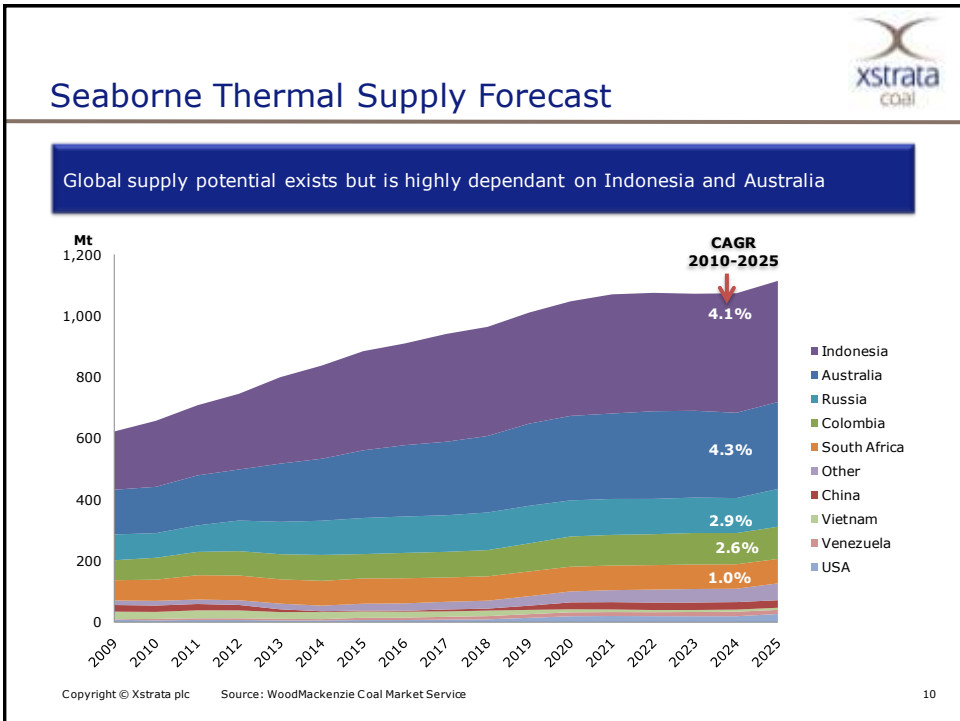
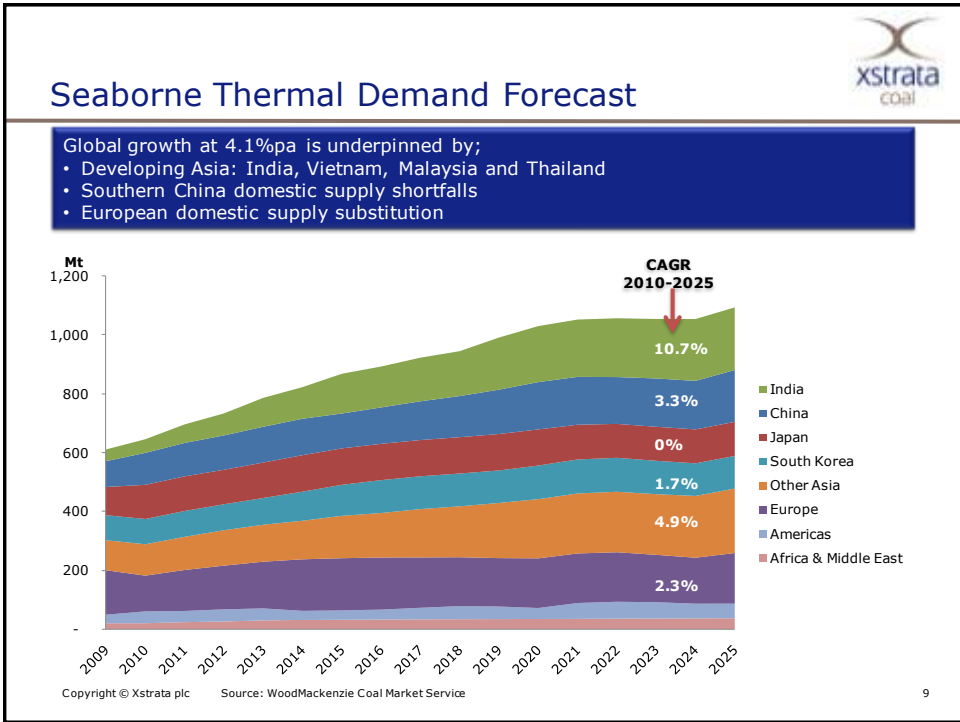
Global Coal Production and Exports


Lowest cost, highest quality coal producers dominate seaborne trade

Major Coal Producers			Major Seaborne Exporters		
Country	Production - Mt	Prod'n %	Country	Exports- Mt	Export %
China	3,050	44	China	21	2
USA	973	14	USA	50	6
India	521	8			
Australia	409	6	Australia	299	33
Russia	298	4	Russia	93	10
Indonesia	333	5	Indonesia	275	30
South Africa	330	5	South Africa	69	8
Germany	184	3			
Poland	135	2			
Kazakhstan	102	1			
Colombia	72	1	Colombia + Ven	76	8
Canada	63	1	Canada	27	3
World	6,941		World	910	100

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 Source: BP Statistical Review of World Energy 2010








Australian Seaborne Thermal Supply

All new growth requires substantive investment in new rail and port capacity but is increasingly challenged by regulatory and environmental constraints

	2000	cagr	2010	cagr	2020	Comments
Australia	85.5	5.9%	151.2	6.2%	276	
Newcastle+PKCT	41.1	5.9%	93.5	7.8%	154	Hunter Valley increasingly restricted by environmental offset requirements
Gunnedah Basin	3.1	5.9%	5.5	10%	15	Resources constrained by competing land uses
Surat Basin	1.4	5.9%	2.5	26%	25	Green field project development; rail and port infrastructure required
Galilee Basin	-		-		25	Green field project development; rail and port infrastructure required
Bowen Basin	24.1	5.9%	42.6	3%	57	Primary focus is coking coal with thermal by-product; existing rail and port capacity requires expansion

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Australian Port Capacities

New port capacity options have been identified but environmental and regulatory approvals have not been secured

Port	2000	cagr	2010	cagr	2020	Comments
Australia	219.7	5.4%	370.4	4%	549	
Brisbane	5.0	4.1%	7.5	2.9%	10	Constrained by city interaction
Gladstone	35.0	8.1%	76.0	4.9%	123	New Wiggins Island and Balaclava Island terminals
Hay Point	34.0	2.6%	44.0	2.3%	55	BHPB owned and operated
DBCT	40.7	7.6%	85.0	0%	85	Dudgeon point option could add additional capacity
Abbot Point	13.0	8.4%	29.3	5.5%	50	Expansion to 50Mtpa underway
Newcastle	77.0	5.2%	128.0	5.1%	211	Expansions underwritten by producers
Port Kembla	15.0	0.0%	15.0	0%	15	Expansion options being evaluated

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Market Prices

Coal prices are projected to remain high, supporting future capacity investment while also remaining a competitive fuel source

			2011	2012	2013	2014
GC Newc Fwd Curve	\$/t	7 th Apr 2011	124.4	128.8	128.6	129.8
Analysts - Consensus	\$/t	Jan 2011	113.8	115.0	108.6	
API2 fwd Curve	\$/t	7 th Apr 2011	129.0	131.5	132.0	133.8
Dark Spread	\$/MWh	7 th Apr 2011	5.5	9.7	14.7	14.4
Spark Spread	\$/MWh	7 th Apr 2011	2.5	2.5	6.8	6.7

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Renewable Energy policy does not equate to energy delivery = more coal demand?

Cutting-edge energy promises just hot air

RENEWABLE ENERGY IN THE "SUSTAINABLE STATE"

Goal 1: 100%
 Goal 2: 100%

• Increase the share of Victoria's electricity consumption from renewable sources from 4 per cent to 33 per cent by 2010

• Consistent firm renewable energy generation

• 3.5 percentage points from 2008 to 2010

What the AG says

"Victoria's energy targets to facilitate the development of renewable energy... are not proven to be effective"

Goal 1: 100%

• Facilitate the development of up to 1500 MW of solar energy

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- Victorian (Aust) auditor-general found Govt renewable energy targets were not being achieved
- 2002 goal of increasing Victoria's electricity consumption from renewable sources was 4% to 10% by 2010
- Reality achieved was 3.6% to 3.9%
- "Reliance on setting targets to facilitate the development of renewable energy .. not effective"

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