BHP BILLITON IRON ORE
MINING AREA C & PORT AND CAPACITY EXPANSON TELECONFERENCE

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DR PORTER: Good afternoon everybody, thank you very much for joining us at this BHP Billiton teleconference. We're here to discuss the Mining Area C development approval, and also the port and capacity expansion. In Perth we have Bob Kirkby, President of Carbon Steel Materials, Graeme Hunt, President Western Australia Iron Ore & HBI, and Stefano Giorgini, Vice President and Chief Strategic Officer for Carbon Steel Materials. I'll hand over to Bob and Graeme first of all to make some observations on the announcement today and then we'll come back for some questions.

MR KIRKBY: Thank you Rob. It's Bob Kirkby here. I assume everyone has our press release where we set out the details of this announcement, but in essence we're announcing the approval of the Mining Area C development. We're also announcing the approval of the Port Hedland capacity expansion, infrastructure expansion, and also today we have signed a joint venture agreement with POSCO, who are our largest customer, to take equity in an area called the C area of the Mining Area C mine.

These developments are part of our iron ore and our Carbon Steel Materials strategy. We see continuing growth in the seaborne iron ore trade. A lot of that will be driven by China, and also in the rest of our Asian region. Secondly, we see our most advanced steel making customers seeking new products, new value in use products that they can use to their advantage to lower their costs. Yandi was an example of that. We're now seeing the demand for Marra Mamba ore and the Mining Area C deposit is a Marra Mamba deposit.

Thirdly our infrastructure and the capacity of our port in Western Australia is near its limits, so it is timely that we invest to increase our capacity to enable us to retain our global market share in the expanding iron ore business. They're the key drivers behind the decision to proceed with the individual announcements that we have made today.

From BHP Billiton investors' point of view this is a robust project. It's in an area where the company has considerable expertise. We're very fortunate to have our largest customer POSCO join in the development of Mining Area C. They will receive the first material from that deposit and test it and use it to their advantage in years to come, as they are the world's premier steel producer.

The rest of the details are really in the news release, the amounts of money we're spending, the timing of the projects, and the various sizes. I might just now hand over to Graeme Hunt who's the President of our iron ore business in Western Australia, and will have responsibility for executing and implementing this project.

MR HUNT: I won't go through all the detail because I think you would all have the press release and the briefing paper, but just to touch on some of the highlights. The Mining Area C deposit itself will be a 15 million tonne per annum capacity facility. It will produce both lump and fines product at the mine and rail them down to Port Hedland. That involves a 38 kilometre rail link between the Mining Area C operation back to Yandi. We plan to have fully operational independent operation at Mining Area C so it will be self sufficient. The construction process we think will involve about 500 people, and there will be about 150 people full-time once the mine is up and operating, and we expect that that will be in operation before the end of next calendar year (2003).

I think many of you would know that we are in the process of extracting a large bulk sample from the site at the moment. We have in fact trucked quite a lot of material from Mining Area C back to Orebody 25, and railed some of the material down to the port already, and we will be shipping bulk sample material to our customers over the next couple of months. So the customers will have the opportunity to trial the material over the balance of this calendar year and early into the next one, and then the material from the mine will be available before the end of CY2003.

The port products and capacity expansion, as Bob said, we have been running fairly close to our capacity. This project will effectively allow an equivalent of a greenfields development on our Finucane Island site, and that is the best option for us to ensure that we can continue a development path into the 80’s and 90 million tonne plus into the next decade. That means an upgrading of the link between our Nelson Point facilities and Finucane Island, and upgrading the under harbour tunnel, and we've done work which will allow us to stage that development and then at the right point in the future when we need the capacity beyond the 80 million tonnes we can add additional increments to the Finucane Island site which will take us beyond 90 million tonnes, and at the right point in time would involve co-dumping facilities on that site.

There is a significant investment in environmental improvement technology to ensure that the operations at Port Hedland meets community expectations going forward. We see that as very important particularly given the nature of the Marra Mamba material. Perhaps that's all I wanted to say about the details of the investment, and maybe that's a good place to hand it back to Rob and then open to questions.

DR PORTER: Thank you Graeme. We'll open it now to take questions. Could I just ask because the desired time is somewhat limited, if we could restrict questions to just one per individual. Also could we just retain the questioning on this particular announcement rather than spreading it into iron ore or coal prices. We can tackle that on another occasion.

QUESTION: Good afternoon gentlemen. Just a question on the - you said there was going to be lump exported. Are you able to tell us the lump fines ratio, and also for POSCO to take equity in the project, is there any cash transaction, or is it purely on the tonnage that they're contracting to take?

MR HUNT: Thanks. I'll take the first part and Stefano Giorgini will handle the second part. The lump fines ratio we would be expecting is somewhere between 35 to 38 percent lump. The initial information out of the bulk sample suggests that we might do a little better than that but it's early days to get too excited about it. It's a fairly significant lump proportion.

MR GIORGINI: In relation to POSCO they will be paying an entry fee in terms of acquiring a portion of the resource, the resource in the ground effectively. The resources that they're subleasing in the POSMAC joint venture relates to the C deposit, which is an initial 200 million tonnes resource within the broader Mining Area C, which exceeds potentially over a billion tonnes of iron ore. So they will be buying into that resource with a commitment to off-take 3 million tonnes per annum over approximately a 25 year period.

QUESTION: My question relates to the market generally, and while I recognise that you are unable to speak on behalf of your competitors, if I could just ask you as to where you head as industry practitioners, and to the extent that it's influenced this investment. I observe, I don't know, anything between 50 to 70 million tonnes new iron ore capacity to could make its debut appearance on the market over the next 2 to 4 years against the back drop of a market which is notionally some 450 million tonnes in size, and that crudely puts me at a compound annual growth rate at around about 5 percent a year for the foreseeable future.

While I'm sure that's not a new precedent in terms of supply/growth, it does strike to me as being slightly at odds with what's happening in the steel industry and apparent demand from the steel industry. Could you just comment on my concerns about the fact that while the world, while it may not be awash with iron ore in three years time, that the supply/demand balance isn't going to be unhelpfully dislocated by this swathe of new investments?

MR KIRKBY: I can't really speak for others, but we see continuing growth in the seaborne trade for iron ore. We've experienced it again this year, more than most producers would have thought, given the circumstances in a lot of the developed world, which has been overshadowed by the growth in China. And we see that continuing and we see China continuing to go through a phase of strong infrastructure development and therefore growing in steel intensity use.

Our particular proposal allows us to stage the development and bring our products on to the market as it's required. We are fortunate in that respect in fact that this Mining Area C development is only 38 kilometres from the Yandi mine, and it requires some extension of the railway line and some infrastructure at the mine itself, but it's close to existing infrastructure and we're able to build off that.

And at the port, core expansions are lumpy. We've filled out our current port facilities with a number of small expansion recently. This is a more major expansion. We've decided to develop a new area with the eye to further developments as time goes by, because we can see continuing growth and the need for our products.

So, I hope that answers your question, it's a bit of a roundabout way, but I think from our point of view the risk mitigation aspect of our development is that we can stage it and time the introduction to suit the market.

MR GIORGINI: As a follow up comment to what Bob said, if you look at calendar year 2001, the global seaborne trade only fell back 4 to 5 million tonnes from the 2000 level in a year which the global environment, macro environment was turning down. So, we feel that there's plenty of capacity to absorb the sort of incremental tonnage that we're proposing to put on the market here due to the growth in seaborne trade, which is generally running at a faster rate than overall steel making demand increases with the replacement of domestic iron ore producers.

QUESTION: Just a question regarding your comment on value in use. Can you just give me your thoughts of what is the value in use of Marra Mamba ore?

MR KIRKBY: Well it's lower in gangue material than our other products; down on silica and down on alumina. The calcine Fe of the Marra Mamba ore is above the raw state of our hematite ores. And of course, the price is lower than the hematite ores traditionally, that price is still to be set, but there is some precedence in the market, so the customers get - the people that are able to use this ore, and not everybody can, but the higher tech steel makers can, they buy cheaper, they can use it with some benefits to them internally. So I guess that's what I mean by value in use.

QUESTION: Where does it fall? Does it fall between Yandi and Brockman, or how close to Yandi?

MR KIRKBY: Yes, it's between Yandi and Brockman. It has lower LOI inherent moisture than Yandi. In terms of grade it's higher, it's basically about a 62% to 63% Fe grade, which is close to the Brockman grades on the fines, although lower than the lump. It's certainly higher than the Yandi grades. You'll have lower silica than the Yandi products. And similar alumina to the Yandi products. So, it's a mixture there. In terms of pricing outcomes it will probably be pitched somewhere between the Yandi and Brockman price levels.

QUESTION: Just one follow up. With regard to your infrastructure, what stage are you at with discussions with third parties about access to your infrastructure re rail and port?

MR HUNT: As you know we had some discussions with Hope Downs last year. Those discussions came to nothing. We were exploring whether there was a win/win situation available. We were unable to reach agreement. Hope Downs are pursuing their options through the courts at the moment to see what kind of outcomes they can get through that process, and expect that that will happen over the next two, three, four, five months or so.

QUESTION: Good afternoon gentlemen. My question is you made the comment Bob on protecting your market share of iron ore. What is the range for market share given the other two major players, CVRD and Rio, do have a significant percent more than you? And is it your plan to look for value add acquisitions to actually take iron ore up to where you have equivalent market share versus the other two players?

MR KIRKBY: Currently we're the third largest supplier and current market share, global market share is in the order of 16 to 17 percent. In the growing world usage of seaborne iron ore trade, what I'm saying is that we're positioning ourselves to remain in those sort of levels. If opportunities arrive to increase it we will. I'm not making any comment about acquisition type step jumps. I'm just talking from our existing businesses, both in Western Australia and in Brazil. That's the sort of market share we hold, and these investments will allow us to continue to do that.

QUESTION: I've just got a question, I suppose for Bob, just with regard to POSCO's involvement. You mentioned, someone mentioned - maybe it was Graeme - about POSCO are really involved in lease, about letting the lease. If we have a look at the mine capital expenditure of US$213 million, or by BHP's share is US$181 million, so that's the 85 percent share. Does POSCO need to put in any cash for its share of the capital development cost of the mine? That's the first part of the question. The second part of the question, do they indeed have a 20 percent ownership of the incremental development, and hence a 20 percent share of the profits? Was it really only a 20 percent production share?

MR KIRKBY: I'll get Stefano to answer that.

MR GIORGINI: In relation to your first part of the question, basically the structure is that the main processing plant at the mine and the rail and port infrastructure will be developed and owned by the existing Goldsworthy joint venturers. The POSMAC joint venture is effectively a mine production joint venture in which POSCO participate in that and have acquired an interest in the resource. And they will participate in the mining of that resource. But the processing facilities at the mine and also rail and port will be owned through the Goldsworthy joint venture.

The participation of POSCO in terms of their share, they'll participate in the share of the profits of the POSMAC joint venture, and in fact that joint venture effectively sells the ore free on rail to the Mt Goldsworthy joint venture at the mine. So POSCO don't take per se their share of products to the market place, but rather sell it back to the Goldsworthy joint venture who then sells it to the market place as per normal. They participate in a joint venture profit share that they earned at the mine face.

QUESTION: I have a question for you just in relation to your iron ore aspirations. Have you been doing any exploration work in South Africa, and in particular perhaps with Kumba?

MR GIORGINI: There has been one small programme jointly with Kumba where we did a test flight of our Falcon™ technology over one of their resource areas, that was just a test programme to effectively test the efficacy of the technology, which the results were very positive in terms of identifying resource areas. But there's no - at this stage no further progress on that exploration work.

QUESTION: Bob, to add to the current Goldsworthy contracts when and as they expire, how much rollover is there from those contracts into MAC?

MR KIRKBY: I will get Graeme to answer that.

MR HUNT: While this Marra Mamba - well the MAC product will be a Goldsworthy venture product, there isn't an automatic rollover process. So the current mining area, the current Goldsworthy contracts will run through until the - until that resource runs out in the middle of 2005. By which stage we should have been well and truly on the ramp up with Mining Area C. So it's not a direct baton change process.