



**BHP BILLITON**

**MEDIA BRIEFING**

**MINING AREA C AND PORT HEDLAND PORT AND CAPACITY EXPANSION**

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**3 April 2002**

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**MR HUNT:** Good morning everybody and welcome. My name is Graeme Hunt I am the president of BHP Billiton's iron ore operations. I would like to welcome you here this morning, I think that everyone has been issued with a press release. The purpose of this morning's media briefing really is to cover the announcement of Mining Area C development, as well as the announcement of the port and capacity expansion project, and the signing of the joint venture agreement between BHP Billiton and POSCO for the C deposit joint venture.

By way of introduction I would like to firstly introduce Brian Gilbertson, CEO elect of BHP Billiton, who will make a few comments, and I will invite the Premier Geoff Gallop to make some comments and then we will open the floor to any questions you may have. So perhaps Brian, I will ask you to say a few words.

**MR GILBERTSON:** Okay, well good morning everyone. I guess if you have the handout you are going to have pretty much all of the information, so perhaps I could just pull out one or two of the highlights. I tried to do that a little earlier when we had a formal signing ceremony here, and underlined that I thought there was three reasons why this was an important day for the parties who were signing the agreement.

The first is that it is an important milestone in what has been a long historical relationship between the government of Western Australia, the people of Western Australia, and BHP Billiton. That goes back more than 40 years now, back to 1957 when the Mt Whaleback resource was first discovered. And I think that discovery back then actually marked the emergence of Western Australia, of Australia itself as an iron ore exporter, and so was a very important component of the economic development of the state. Now, Mining Area C is another step in that development. It's a very large investment. It's the largest investment (in iron ore mining operations) that BHP Billiton has made in a decade. I don't think we are making a bigger (iron ore) investment anywhere in



any other state in any other country than is being made in this particular project.

I should make the point, it won't have escaped your notice that BHP Billiton's involvement in Western Australia is not restricted only to iron ore. We are involved in the expansion of the North West Shelf, the Griffin Venture and the Worsley alumina plant. So these have been good investments for us, and I think they have been mutually good for Western Australia. And I pay tribute in what I said earlier to the support we have had from the government of Western Australia over many years and in so many projects.

The second reason I mentioned earlier why this was such an important day is it marks the strengthening of our relationship with POSCO, which as you know is one of the world's major steel producers. It's a company that is held in awe throughout the steel world because they are so efficient in their operation and because they have expanded so successfully.

Even before this project POSCO was BHP Billiton's single largest customer, and in fact consumes more than a hundred million tonnes of our iron ore. That commercial relationship is being cemented and extended by Mining Area C. In fact it is their commitment to this (project) as a foundation customer which has made this investment possible, and their technical expertise, which is very substantial, will be hugely important in developing the Mining Area C to its full potential.

It is explained in the documentation, through the contract that we have just signed, POSCO will actually take a direct stake in the ore body itself. So not only are they now our valued long-term customer, but they have also become a partner with us in the operation.

Then the third point why this is an important day for us is that it's a very major step for BHP Billiton. It provides us with the potential to increase our ore production by up to 15 million tonnes per annum by 2011. The port expansion will increase our capacity from 67 million tonnes to 81 million tonnes by 2004, and indeed it will provide us with a foundation for further expansion to over 90 million tonnes per annum by 2011. That marks our determination to maintain our share of the global seaborne market for iron ore.

Related to that is it marks our entry into the emerging Marra Mamba market. It signals the start of a new generation of iron ore mining in the Pilbara, which will meet the growing requirements for lower cost ore to feed the blast furnaces



that make the steel in Asia, so again here we are positioning ourselves to compete vigorously from the future demands from that new market.

**MR GALLOP:** Thanks very much. I'm delighted to be here this morning representing the government and the people of Western Australia. What we see here today I think is a confirmation of Western Australia's leading role in the world iron ore market. Of course, as Brian said way back in the late 1950s there was a recognition that we could play that role, through the 1960s Western Australia was transformed as a state as a result of the new relationships that had been developed between WA and East Asia in terms of iron ore exports. We're now a leading player in the world market, and this billion dollar investment confirms Western Australia's position as a leading player.

We're only too pleased as a government to have been able to expeditiously and efficiently allow the approval process to be met. One of the great responsibilities as a government is to make sure that when people want to invest in the state, that the approvals processes are conducted expeditiously and efficiently. And we're very pleased that we've been able to do that and to help facilitate a very important investment for Western Australia.

We note of course that this will create 500 new jobs in the construction phase, and then 120 new permanent jobs in the Mining Area C development in the north of our state. So we're very pleased, it's a confirmation of our position as a leading player in the iron ore market. We'll see new jobs created for Western Australians, new and very good jobs based upon international competitiveness.

Can I also congratulate POSCO and Chairman Yoo, because they have made a direct investment in Western Australia, and I think the progressive future of our state will be based upon a partnership between investors like POSCO Iron Ore, and other companies such as BHP Billiton investing in our resources to create new jobs and opportunities. And I congratulate POSCO for being a direct investor in the future of our state. Their capital capacity is now being utilised to allow new jobs and opportunities to be created here in Western Australia, and that's the future we want to see for Western Australia as a leading player in the global economy, both in terms of servicing markets and attracting investment. So congratulations to all of those involved. This is very good news for Western Australia; new jobs, new opportunities.



Can I say this, in conclusion: I congratulate BHP Billiton on the relationship they have developed with the traditional owners of the land, they're respecting the traditional owners, they have consulted with them and negotiated with them in terms of this development, and now they're also being able to employ indigenous Western Australians, giving them new job opportunities in the development of this Mining Area C.

So congratulations to all concerned, and we're very privileged to have been able to expeditiously and efficiently conduct the approvals processes so that the development can go ahead.

**MR HUNT:** Thank you. I will open the floor now to questions.

**QUESTION:** Mr Gilbertson, does the agreement this morning carry secondary processing commitments?

**MR HUNT:** No, the agreement this morning is under a pre-existing state agreement. In that Goldsworthy state agreement there are no secondary processing obligations associated with that. BHP's requirements for secondary processing have been fulfilled.

**MR GALLOP:** Can I just say though on behalf of the government we are very pleased that BHP Billiton has signed up on the Australian participation scheme which is to encourage Australian industry to benefit from mining developments like this. That's a scheme as I believe Minister Brown has been working on in cooperation with the Commonwealth government, and BHP Billiton are signatories to that, which means there will be very important spin-offs for Australian and Western Australian industry.

**QUESTION:** Can you explain anything about royalties to the traditional owners?

**MR HUNT:** We negotiated native title agreements with each of the traditional land owners that cover the Mining Area C area and the corridor which would carry the rail link through to the Yandi project. The details of those are confidential between the parties, but they are significant, they will operate by way of payments into a trust which will benefit the traditional owners from the area.

**QUESTION:** What's POSCO's Capex input into the infrastructure?

**MR HUNT:** POSCO's involvement is by way of a sublease over the C Deposit. The infrastructure that's involved in development of the mine and the rail link and subsequent port expansions is a role that will be played by the existing joint venture



partners which is BHP Billiton, CI Minerals Australia and Mitsui Iron Ore.

**QUESTION:** When will you reach full production?

**MR HUNT:** Our target is to be in full production before the end of next calendar year. We're currently in the process of extracting bulk sample material for our customers which we will be shipping over coming months. That's a very large undertaking in itself. We will be shipping bulk samples to all the major steel producers, and POSCO will be the recipient of the first bulk sample shipment leaving in about another 6 to 8 weeks.

**QUESTION:** What is the lifespan of the project?

**MR HUNT:** The Mining Area C deposit which we are starting off is 200 million tonnes, but the Mining Area C area is a significant ore resource. There's technical information at the back of the press release which covers that, but we are talking about many decades of operation.

**QUESTION:** Any consideration being given to moving the Australian office of BHP Billiton to Perth?

**MR HUNT:** I think that's one that I shouldn't comment on.

**MR GILBERTSON:** It seems to me that the strategy one should have for a question like this is to move as far away from the centre of the table where the microphones are. The thought has been floated around, but no, Melbourne has been the traditional headquarters, and that's where we are based.

**QUESTION:** So you've made a decision to stay in Melbourne?

**MR GILBERTSON:** We did not make a decision to move.

**QUESTION:** With the strategic review coming out next week, what's going to be outcome for the HBI project?

**MR GILBERTSON:** I think the purpose of this meeting is really not to go into areas other than the Mining Area C that we're dealing with today. The set back that we've had is really most unfortunate, I think you know it's a failure of a pipe. We don't have all of the input that has to be gathered in order to come to a conclusion about it. We think it's simply a mechanical issue, not a process issue. But it's still to early to anticipate the feedback. Up until that point the plant had actually been operating within the parameters that the board had set. Unfortunately when this happened and we closed down the plant you drop out of the envelope.



But it is premature for me to offer a view on that. We clearly are trying to get our information as soon as we can. But I mean, let me repeat my opening comments that I would prefer we actually talk about Mining Area C rather than other areas. Otherwise I will have nothing to say on Monday.

**QUESTION:** You mentioned Native Title. Has the company any commitment to aboriginal workers, to train aboriginal workers and to employ them on the project? And if so, what?

**MR HUNT:** In the native title agreements per se, no, no direct obligations, but we have placed obligations on ourselves, if you like, by signing federal government contracts where we've set targets about increasing the levels of indigenous employment in our business to levels of about 12 percent over the next decade. That will involve both direct and indirect employment. We've got a multitude of strategies underway to increase the level of indigenous employment in our business from increasing the apprentice intake, to direct employment, to putting targets in all of our contracts with our contractors to make sure that they are also part of increasing the level of indigenous employment.

**QUESTION:** How are the iron ore negotiations progressing, what are the expectations there, price-wise?

**MR HUNT:** I think that probably falls into the category of questions that we're not - we can't answer at this point in time. I think the only thing we can say about price negotiations is that the price has not yet been settled.

**QUESTION:** (Inaudible question).

**MR HUNT:** The development of this project certainly improves our position, it adds another product to what is already a very broad product sweep of iron ores. We believe the Marra Mamba ore which comes out of Mining Area C will be well sought after by steel producers because of its high value in use, it's low in silica, and it provides some more flexibility for steel producers and it provides us with a greater product sweep. So I think it's a win/win all round.

**QUESTION:** How long will it take to reach full capacity?

**MR HUNT:** Our target is that we're building a mine which has got a 15 million tonne capacity. We expect to be able to ramp up to that within a decade. We hope that we can do it sooner. In fact our experience in the past with other new developments is that we've underestimated the demand and I hope that's the case in this case as well.



**QUESTION:** Do you expect all the new workers with the new jobs to be operating under a state industrial relations award or a federal reward?

**MR HUNT:** The process of actually moving towards operating the mine is more than 12 months away. I hope we'll be in production before the end of calendar 2003. The industrial arrangements associated with that will be a decision that's made some time between now and then.

**SPEAKER:** (Final comments inaudible.)

**MR HUNT:** Thank you, we have got a tight schedule this afternoon, so if we could wrap it up now.