Meeting the China Challenge

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President Carbon Steel Materials
BHP Billiton - The largest company in a consolidating sector

Market value of minerals industry: US$306 bn
Value of Top Five: US$141 bn
Value of BHP Billiton: US$42 bn

Source: Datstream
A global footprint
BHP Billiton Carbon Steel Materials
BHP Billiton Carbon Steel Materials

• The world’s largest supplier of steelmaking raw materials

• Impressive portfolio of long-life, high-quality and low-cost iron ore, metallurgical coal and manganese assets

• World class supporting infrastructure

• Ranked number one in the seaborne supply of metallurgical coal and manganese and number three in iron ore
Customer Sector Group EBIT:

- Petroleum: 31%
- Energy Coal: 5%
- Aluminium: 15%
- Diamonds & Spec. Prod.: 10%
- Base Metals: 8%
- Stainless Steel Materials: 4%
- Carbon Steel Materials: 27%

Data for year ended 30 June 2003
Carbon Steel Materials Assets

- **WA Iron Ore (85-100%)**
  - Prod: 77Mtpa
  - Years of Life: 35
  - No 3 Seaborne supplier

- **QLD Coal (50 – 80%)**
  - Prod: 52Mtpa
  - Years of Life: 50
  - No 1 Seaborne supplier

- **Boodarie Iron (100%)**
  - Prod: 1.7Mtpa

- **Samarco Iron Ore (50%)**
  - Prod: 15Mtpa
  - Years of Life: 40
  - Low cost pellet producer

- **Manganese (60%)**
  - Prod: Ore 4.1Mtpa
  - Alloy etc 0.7Mtpa
  - Years of Life:
    - Aust 25
    - SA 30
  - No 1 Supplier

- **Illawarra Coal (100%)**
  - Prod: 7Mtpa
  - Years of Life: 45
  - Niche supplier

100% nominal production capacity
China

A Key Opportunity For Carbon Steel Materials
China – A Key Opportunity For CSM

- Global steel production was >900Mt in 2002 – with China the driving force

- Over the past decade Chinese steel production has grown by 8.4% per annum – This rate has doubled since 2000

- China is now the world’s number one producer of steel with production expected to exceed 210Mt in 2003
Chinese Crude Steel Production

**Crude Steel Production CAGR**

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<th>CY82 - 92</th>
<th>CY92-02</th>
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<td>8.1%</td>
<td>8.4%</td>
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Chinese Crude Steel Production - % Change YOY

Average

YTD y-o-y change

% change yoy

Chinese Iron Ore Imports

- YTD (30 September 03)
Chinese Metallurgical Coal Imports

Mt


YTD (30 September 03)
Chinese Manganese Ore Imports

- CY1989
- CY1993
- CY1997
- CY2001
- CY2004
- CY2007

YTD (30 September 03)

Mt
China

Carbon Steel Materials
Ready to Meet the Challenge
BHP Billiton Exports to China – Iron Ore

Jan 03 – Sep 03
14.5 Mwmt
BHP Billiton Exports to China – Metallurgical Coal

Jan 03 – Sep 03
840 kt


0  100  200  300  400  500  600  700  800  900

'000wmt
BHP Billiton Exports to China – Manganese Ore

Jan 03 – Sep 03
650 kt
CSM – Meeting the China Challenge

- China Impact on CSM
- High Value, Low Cost Expansions
- Customer-Focussed Marketing
Queensland Coal Expanded Capacity

- **Dalrymple Bay Coal Terminal contract**
  - +3.0Mtpa additional capacity

- **Hay Point Coal Terminal**
  - low cost expansion options identified

- **Queensland Rail contract**
  - +2.0Mtpa additional capacity

- **Broadmeadow Underground**
  - 3.6Mtpa
  - US$67 million

- **Additional pre-stripping contracts**

- **BMA Mines**
  - further high value expansion options identified
Dendrobium – Accelerated Ramp-Up & Expanded Production

Targeting longwall start-up early CY2005 (3 mths ahead of schedule)
Expanded production + 1.0Mtpa average (ROM)

Illawarra Coal further high value expansion options identified

- Dendrobium
- West Cliff
- Appin
- Elouera
- Pt Kembla Coal Terminal
Western Australian Iron Ore System Capacity: Area C & PACE → 100Mt

**PACE**

Tertiary crushing, screening, stockpiling & shipping

- **Boodarie Iron**
- **Finucane Island**
- **Nelson Point**

**PORT HEDLAND**

**Hamersley Range**

- **NEWMAN**
- **Jimblebar**
- **Yarrie**
- **Nimingarra**

**Area C** 15Mt  US$213m

**Yandi Mine**

Conveyor + OHP (+3mt)  US$27m

2 Rakes  3 Sidings  Additional MAC ore processing  Mt Whaleback accel. pre strip  US$50m

**PACE**  95Mt export + 5Mt HBI  Tertiary crushing, screening, stockpiling & shipping  US$351m

WA Iron Ore  further high value expansion options identified
CSM – Meeting the China Challenge

- China Impact on CSM
- High Value, Low Cost Expansions
- Customer-Focussed Marketing
Customer Focussed Marketing – Response to China Opportunities

- Consolidating and building our capabilities in China:
  - Five offices to two
  - Employed specialists in various disciplines
  - Upgraded systems
  - Established “WOFE”
  - Leveraging our position
China - Challenges Remain

- Maintaining supply to traditional markets
- Preparing for the inevitable downturn
- Appreciating A$ and SA Rand impact on margins
Carbon Steel Materials is in a unique position to take advantage of meteoric Chinese growth:

- **Low cost, low risk expansion options**
- Flexible supply
- Diverse product range
- World class resource base
- Proximity to key markets
Carbon Steel Materials
The premier supplier of raw materials to the global steel making industry