

CHRIS POINTON: Good morning, everyone. Today we announced the approval for the development of the Ravensthorpe project. The project includes the development of a mine and a treatment plant near Ravensthorpe in Western Australia, and the expansion of the Yabulu Refinery in Townsville in Queensland. The capital costs for this combined project is expected to be \$US1.4 billion. I won't go through the announcement in detail because that's already been issued, but I would like to make some general points initially, and then I'm happy to take questions after that.

This project, to put it in its strategic context for us, represents another major step in the strategy to develop a leading nickel business for BHP Billiton. This began with the acquisition of Cerro Matoso in 1996. It was followed by the purchasing of QNI and then the upgrading and de-bottlenecking of the Yabulu Refinery and by the expansion of Cerro Matoso. Ravensthorpe will establish Yabulu as a true low-cost refinery and BHP Billiton as one of the top global nickel producers in terms of volume and, more importantly, cost.

In terms of our ability to deliver this major project I think we're particularly well-positioned here. Firstly, we really know a lot about the project itself, we've done an enormous amount of test work and engineering over a period of six years. We've spent \$US85 million and over 200,000

hours of engineering. Most importantly, in addition to the sort of test work done on previous laterite projects, we've done the equivalent of eight months of continuous pilot plant test work. So this is an integrated plant, going from ore, right through the product, with all the materials and complexities that you'd expect and find in a full-scale operation.

We've tested all the ore blends that we will encounter over 20 years of mine life. I don't believe there has ever before been a project of this size which has had a fraction of this front end loading. Front end loading is the key to successful project delivery.

Secondly, we've got a great team on the project, a very experienced team, but we haven't just relied on that. We've had over five independent reviews and the project has been independently classified as complying with best practice in terms of this key element of front end loading. In addition to that, of course, it's undergone our own rigorous internal processes.

Thirdly, we have actually got a very good track record in major project delivery; 15 projects since mid-2001, all either on time, on budget or better, and you really cannot say that about any other nickel producer, I believe.

Turning to the project itself, in our view it's got just about the best risk reward profile for a laterite project anywhere in the world. That's based on a number of key strengths; firstly, the low mining cost. This is very simple, shallow open pit mining. Secondly, the ability to upgrade the ore in a very simple physical process, to give a feed grade to the leach

plant, which is the chemical plant in Ravensthorpe, of about 1.8 to 1.9 per cent nickel. That's around 50 per cent higher than the leach feed grade of comparable projects. That's the real key to the success. It's actually a very generous ore body that we have Ravensthorpe.

Thirdly, Yabulu has been refining material and producing nickel products for 30 years. We've got an established workforce and very robust and well-proven technology, and the product it produces are our own branded products, they've got a strong reputation with our existing core customers, and so marketing and refining risk are minimised.

Lastly we're using atmospheric leach to significantly reduce cost and risk. I'd like to just say a couple of words about atmospheric leach because it's the only element in the Ravensthorpe flowsheet that isn't already performing at an industrial scale in the nickel industry, although atmospheric leach, exactly as we're using it, has been used for decades in the zinc industry. It's, in essence, a very simple process. It operates at normal atmospheric pressure and it enables us to do several things to reduce cost and risk.

First, and most important, we get an extra 15,000 tonnes of nickel every year which would otherwise be left in the ground. This is the so-called saprolite material which other pressure acid plants can't process. So we get more juice out of the same orange, if you like. It means that the pressure acid leach circuit, which is the technically more complicated part of the circuit, only receives that ore which is ideally suited to it. Its

operating capability is not stretched by putting in materials which are not ideally suited to how it works. So we get better efficiency throughput and up time. It also means our acid costs are lower, and acid cost is one of the major operating costs of this project, because the atmospheric leach uses waste acid from the pressure of each circuit. So if we reuse the acid, we get a double win out of that. But it also means we use less limestone for neutralisation because the saprolite acts to neutralise some of the acid, and again less cost and a smaller environmental footprint than the limestone quarries. So atmospheric leach is actually a pretty important contributor to the risk and reward profile of this project.

I'd also like to point out that the other part of the process, the pressure acid leach technology currently delivers close to 10 per cent of the world's primary nickel, so at Ravensthorpe we're talking about third generation technology. Pressure acid leach, as a technology, works; it's not the issue here. One mustn't get it confused with project failures such as lack of front end loading and inappropriate financing. We've also had the enormous advantage of being able to learn from the mistakes and the positive outcomes of second generation plants in Western Australia. They've been extremely helpful in pooling knowledge and I would like to thank them for the way that they have cooperated in allowing us to review their project construction and ramp up and their operating

procedures.

We combine that with a lot of operating depth in hydrometallurgy in BHP Billiton itself. We operate Worsley, an alumina refinery which is very similar in the way it works to the way Ravensthorpe works. We also operate Yabulu, which has a number of features which are also common to the flowsheet at Ravensthorpe.

Moving beyond the technical aspect, the project is obviously going to have enormous benefit for the local communities and economies for the Ravensthorpe Esperance area in Western Australia, and Townsville in Queensland. We've been working very closely with the two state governments and the Federal government to ensure that the economic spin-offs from these projects are captured by the region. We're seeking a partnership between the Western Australian and Federal government to assist with the development of regional infrastructure, and we understand that this is under active consideration by the Federal government.

So in summary we're very confident about the risk reward profile of this project. We have really done our homework here. We've conducted what is probably the most extensive feasibility study ever done on this sort of project. In terms of timing we see strong demand for nickel extending for some years and Ravensthorpe will put us in a good position to meet our customers' need for nickel in the future. This project

will reinforce our position as one of the leading and most profitable global suppliers of finished nickel products. We've been extremely successful with our expansion of Cerro Matoso; you'll recall three months ahead of schedule, US\$30 million under budget. This project, Ravensthorpe, will again demonstrate our ability to deliver for our shareholders an extremely competitive business in terms of both capital efficiency and low operating cost.

Now, that said, I'm very happy to take questions from anybody and to expand on any of those points as you may wish.

QUESTION: I was just wondering, I just missed the number that you said on capital invested to date; was it \$US85 million, and is that included in the US\$1.4 estimate for the full project? Secondly, you also mentioned, I think, during the September briefing that the range of long-term nickel prices used to assess this project was about US\$3/lb to US\$3.50/lb, has that range increased since that September briefing?

CHRIS POINTON: The capital, the amount that we've spent so far on engineering and feasibility studies, so technical work, is US\$85 million. In addition to that, there were some acquisition costs for land and for the original - you'll recall that the original project was owned by Comet Resources and that, effectively, we acquired the project from them. That amount is not included in the US\$1.4 billion, the US\$1.4 billion is from

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project implementation going forward.

Your other question was related to nickel prices. I mean, we don't discuss our nickel price protocols or our foreign exchange protocols. What I can say is that we have to take into account, when we look at these projects, that nickel is the most volatile of the LME metals, and the one thing that one can say about nickel prices going forward is that it will continue to be volatile.

The other thing is that we look at with great majority of our commodities, including nickel, we look at price protocols which give a declining price in real terms over time. In terms of the robustness of this project we've tested it against a very wide range of nickel prices from nickel prices that we've seen in the height of an oversupply situation in the 1990s. The only thing we haven't really tested it against is the nickel prices of today, which - because I think the way we approach these things is we try not to be influenced by temporary, elevated market conditions like we have at the moment.

QUESTION: At the September briefing you put up a chart that showed where BHP Billiton is on cost curves at the moment and showed where it will be once this project is implemented. At that time it came down from above US\$2.50 a pound, and is now down to about US\$2, 2.10 a pound. Is that still the case?

CHRIS POINTON: The cash cost of Yabulu is a little bit more complicated than

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that, in that you're aware that Yabulu buys its ore currently from New Caledonia, Indonesia and The Philippines. The price of that ore, obviously, is related to the contained nickel, so its contracts are related to a percentage of LME nickel prices. So you'll see that the operating cost of Yabulu can rise and fall with the nickel price. So they're no longer that the US\$2.50/lb level that we had then, but that actually means that we make more money, so it's quite good. What this will do, I think much more importantly, is that the incremental costs in terms of both C3 cost - and let me just, for those of you perhaps not familiar with it, let me explain that the industry talks in terms of two costs. The first cost is the full cost (C3), which includes capital charge, depreciation, amortisation, as well as the cash operating costs and royalties and any other charges that are there. So that's really the full cost of producing the metal.

The other cost is the cash operating cost, which is the C1, which is simply the cash cost involved in producing the metal, excluding royalties, excluding interest payments and depreciation. We've looked at Brook Hunt's curves for 2006, which seems to be the projection which would be most relevant for when the Ravensthorpe material is coming on stream. The incremental cost on a C3 basis, on a full cost basis, for Ravensthorpe, compared with Brook Hunt's industry curves for 2006 is right at the bottom of that curve. It's well in the lower tercile and comes out, in fact, slightly below Cerro Matoso curve. Cerro Matoso is one of the lowest



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cost pure nickel producers in the world today, if not the lowest cost.

So this incremental production is very low cost. What it does for Yabulu, on that basis, and we have to take an independent reference to be able to express it, it brings it well down into the second tercile, if you like, and it puts our overall production, if you include Cerro Matoso, the whole of Yabulu, Ravensthorpe and the existing Yabulu, it puts us well into the lowest tercile of operating costs of all nickel producers. So it's a very significant improvement in our margin position and relative to our competitors our margin position is already, I think, extremely attractive if you look at the comparisons.

QUESTION: Just on that; would you actually be able to put some numbers around it, or maybe percentage improvement in terms of where you expect it to go, particularly for our forecasting?

CHRIS POINTON: I'm very reluctant because it's very difficult to put specific numbers because we're talking about averages over time and we're talking about inflation and all the rest of it. So, I mean, what I think is much safer for me to do is to say there is an independent reference point for the year 2006 which is available to everybody, and our estimate there is that the YER, the incremental production from Ravensthorpe as finished material in the market, will have operating costs slightly below Cerro Matoso. Cerro Matoso's current cost is US\$1.20, US\$1.30 a pound, so that puts it really right at the bottom of the cost curve. Does

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that help? I mean, Yabulu's overall cost really depends what the nickel price is.

QUESTION: With regard to the maybe US\$85 million that you've spent, plus the additional acquisition costs, from the perspective of appreciation and amortisation, are they capitalised against the project or have they been written off?

CHRIS POINTON: The greater proportion of them have been capitalised.

QUESTION: The actual appreciable value of the asset will be about US\$1.5 to \$US1.6 billion?

CHRIS POINTON: US\$1.5 billion, I would say, would be around the figure.

QUESTION: Just in terms of lessons learnt when you did the pilot plant, you said you've done the most extensive pilot plant testing. Was there anything that you take away from that that the changes or shapes your confidence in the project?

CHRIS POINTON: Well, the main one, I think, is around the materials and the equipment that we use. The pressure - the problems that - let's say where we've encountered problems is in the design and construction of the pressure leach circuit. I'm getting a bit technical here so please forgive me. But it's actually they're around the heating system that heats the slurry and the ore is mixed with that and water. Before you put it into the autoclave you have to raise its pressure with pumping and you also have to raise the temperature with steam. There have been a lot of

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failures of equipment around that area, both of pumps and of heating systems. Now, what we were able to do was to test, for example, what are the materials in the pumps, what are the pump linings, that are going to give us significantly improved periods between maintenance shutdowns, so that our up time and our continuous operation is improved, and therefore our recoveries and our efficiencies are improved. We were able to test those, not just test them in pumping a mixture of rock and acid in a laboratory, but we were able to test them with real simulated operating conditions and with return streams, for example, some of these things - there are some streams of materials and fluids that come back into the beginning of the process and are recycled through the process. It enabled us to look and see what that did to the stability of the materials. I think it was one of the areas where we detected, from our discussions with other producers, that they had had major problems within predicting maintenance and frequency. This enables us to actually to test out vendors' material, so we don't have to believe what the vendor tells us, we can actually say, "That's fine, let's get that pump line and let's put it in the pump and let's run it for two weeks under real conditions."

The other thing that really you cannot do in the laboratory scale and in short runs is to test what we call upset conditions. In any plant like this there are going to be periods when the thing is either ramping up, ramping

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down, or it's operating for one reason for another outside the ideal band of operating conditions. What you can do with a plant which is fully integrated like this, which has the return stream, is to actually see what you need to build in in terms of, say, its immediate capacity, storage capacity, isolation capability, the ability to block off bits of it so you can fix it. What you need to do that, to do about that, and how you need to design that, because you - it's the only way in which you can simulate what happens when the plant goes wrong when it isn't operating ideally. If you can design your plant so you don't actually have to take it off-line and shut it down when these things happen, but you can bring in another circuit or you can bring in another few pipes or you can take the pressure down with a certain valve, it enables you to do that. So I think that's one of perhaps the two really key things. The third, if I had to pick three, is this business about testing all the different ore blends. If you just go to someone and you hire a pilot plant and you do a two-day run and then you go back and you do another one, you actually - what you have caused your engineers to do is to take a representative sample of the ore body. Now, there is no representative sample of the ore body except the ore body. What we've been able to do is to go right through our mining sequence to take large samples from the ore body, by drilling and by trial mining, and to make up packages of what exactly the ore will look like in year one and two and then year four and five, etcetera,

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and we've been able to test all of those under these pretty realistic operating conditions. That gives us a huge amount of confidence that, you know, the circuit isn't going to clog up or something unforeseen happens because of some chemical or mineralogical variation in the ore that we haven't spotted.

QUESTION: Just one more question; the transport of material from Esperance to Queensland, is there a dedicated vessel?

CHRIS POINTON: Yes.

QUESTION: Is it your own, or will you do a long-term charter?

CHRIS POINTON: No, it will be charter, and the most important thing is, this is a nickel-bearing intermediate, so we have to be - and it's quite valuable material, so it will also have especially designed containers that are designed to be filled at Ravensthorpe and unfilled or emptied at Yabulu, so that there will be no risk of material getting out of that sealed container between the two plants, if you see what I mean.

QUESTION: Just a couple of questions. Firstly, can you just confirm, you talked about Cerro Matoso having similar costs of US\$1.20/lb to US\$1.30/lb and you're basically saying that this project will be below that for the incremental tonnage, i.e. the 50,000 that comes out of the Yabulu is the incremental amount. Is that how I should read that?

CHRIS POINTON: Yes, I think that's it.

QUESTION: Secondly, you mentioned blending of ore types quite a number of

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times. Is there any issue with the different ores? Do you have to blend?

Do you have to stockpile the ores with the blend? Is there any issues there?

CHRIS POINTON: There is no issues. Part of the art of doing these things is to make sure that you optimise your NPV, if you like, by ensuring that your throughput in your plant is optimal throughout the life. Obviously one wants to, in the period when one is recovering capital in the beginning, one wants to make sure that one puts the best possible return and higher value material through. So there is some stockpiling and that is allowed for in our planning. But to minimise stockpiling, the idea also is to be as detailed as possible, I should say, and to think through and to strategically address the issue of mine planning, so that your mine planning delivers a predictable blend of material to the plant over time. In this sort of thing it's very important, not only to manage the nickel grade, but also to manage the grade of things which can induce more cost in the plant; so calcium, magnesium, iron, and also the mineralogy is quite important. One of the things that we have become very aware of in the course of these six years of intensive work that we've done, and a proportion of the US\$85 million has also gone on that, is that we don't just manage chemistry, we manage minerality as well, so we have a very, very detailed mine plan. I mean, I've never seen a project, which - or a mine - which actually plans its schedules and its operations

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bench-by-bench in quite such detail over a period of more than 20 years.

QUESTION: If you might find it out of whack, for whatever reason, how sensitive is the project? How much flexibility is there?

CHRIS POINTON: Well, there is quite a lot of flexibility. I mean, the first thing is that it won't go out of whack because that's why we've spent all this money doing it up-front.

QUESTION: But if it rained or if a wall fell over or something like that?

CHRIS POINTON: Well, it's a very shallow pit, so, you know - and you are actually mining three low hills. So the risk of it - I mean, if it's low hills, but I mean it won't flood seriously because it's not a deep pit, it will be essentially self-draining for the most part. The whole pit is only 60 metres deep. So it's a very shallow pit and that's why the mining has been so simple. So I'm pretty confident that the mine plan is absolutely deliverable.

But to answer your hypothetical question, the atmospheric leach circuit actually gives us a huge amount of flexibility here, because all the stuff that could cause us difficulty in the pressure leach circuit, where minerality and chemistry are more complex, that can be put in through the atmospheric leach circuit. That atmospheric pressure is just leached to the tanks. It's a very forgiving process, as we know. I mean, Billiton, prior to its merger, at one stage owned a zinc refinery in Holland. We have people in the project and advising the project who actually worked in that zinc

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refinery and they're well familiar with how this atmospheric leach process works in reality. So the atmospheric leach does provide us a lot of flexibility to correct the feed to the pressure atmospheric leach circuit, if the sort of things you suggested were to happen. But it's extremely unlikely that we would deviate from the mine plan.

QUESTION: Just one final question. This atmospheric leach you talk about seems to be a revolutionary step from what we've seen before.

Assuming that it works, does that open up a whole list of other ore bodies in WA or elsewhere that can be treated this way? Is that the next phase of nickel production, if you like?

CHRIS POINTON: Atmospheric leach has a much simpler capital layout, so it is actually cheaper to build. If you were to use atmospheric leach on its own, it actually absorbs quite a lot of acid. If you use it in combination with pressure acid leach, which actually doesn't utilise all the acid that you put in it, it makes the combination of the two very economically efficient. But I think we will see atmospheric leach in the fourth generation of projects of this sort. I think in some cases you will find ore bodies which are suited perhaps to being exploited by only atmospheric leach. But certainly for the sort of thing we're seeing in Western Australia, to mine the whole profile and to get, essentially, the stuff that you can't treat in a pressure leach circuit, to get that, it's actually a very, very low cost and to be able to process that alongside it and to have all



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the advantages of up time and maintainability that it gives, are, I think, very, very important. You know, the real advantage of it is that it's very simple to operate, but the spin-off is it optimises the use of your pressure leach circuit. It reduces the total amount of acid per pound of nickel you're producing, that's unique. It also - I mean, a significant cost in this thing is mining the limestone to neutralise the thing and to neutralise the nickel-bearing solutions, and obviously the less you have to do of that, the smaller the footprint of the whole operation and the lower the cost. So it brings those advantages when used in combination. I think there will be ore bodies, yes, where it can be used on its own and we're working on enhancement of it now. But they all need to be given years of testing and we have to make sure that they are not introducing any complications which are going to be more difficult to operate.

QUESTION: I was just wondering if you could split the CAPEX between Yabulu and Ravensthorpe and also what economic benefits there might be in Townsville, such as jobs, etcetera?

CHRIS POINTON: It's about 75 per cent in Western Australia, and 25 per cent in Townsville. So it's about \$US350 million in Townsville. In terms of jobs, we currently employ about 730 people as a full-time workforce at Yabulu. With the extended refinery that will probably add another 90 full-time employees. But as you're aware the more important number is probably the total of direct and indirects because of this contracting

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policy and the use of suppliers and stuff that we've developed in  
Townsville with the local corporations there. We estimate that there will  
be - it will raise the number of indirect and direct jobs by about three and  
a half thousand. That will be impacted by QNI's operations in  
Townsville. So it really will have a pretty big impact there.

But the other thing in Townsville is that the arrival of coal bed methane, which  
the Queensland government is facilitating and to which we'll be a major  
customer, will enable us to get a lot of efficiencies in the refinery. But I  
think it will also help a lot of other businesses in Townsville to have a  
low-cost energy source, or, in our case, something from which we can  
make our ammonia and other chemicals for the plant by a reduction of  
the gas.

QUESTION: I was just wondering does the decision to move on with  
Ravensthorpe, where does that leave the possibility of shutting the  
process plant in Yabulu entirely?

CHRIS POINTON: Well, almost by definition, you could never shut - you  
couldn't shut it entirely, we're going to expand it.

QUESTION: But, I mean the front end stuff?

CHRIS POINTON: I see, the front end?

QUESTION: Yes?

CHRIS POINTON: At the moment, We have no plans to cease ore  
importations, it's pretty profitable at the moment.

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QUESTION: Right.

CHRIS POINTON: It is vulnerable to chronically depressed nickel prices, so with nickel prices, you know, going down towards US\$2/lb, if that ever happens again, then obviously that would have to be looked at. But we've done a lot of work over the past couple of years, three years or four years at Yabulu. I think the refinery never produced more than 27,000 tonnes of finished product, historically. Our capacity now is rated at about - I think we said 31,200 or 31,500 tonnes as the capacity number. But at the moment the refinery is actually delivering above capacity, significantly above capacity. So it's actually going - the operation is going quite well. I can say that really at the moment, while it's profitable, we will keep that going.

QUESTION: At one stage there was a discussion of maybe looking to move that processing part of Yabulu offshore to a laterite deposit. Is that, then, not something that's been taken into consideration?

CHRIS POINTON: No, the strategy is actually the reverse.

QUESTION: Right.

CHRIS POINTON: The strategy is that we would maintain a centre of excellence in Townsville, because refining is actually quite high technical risk.

QUESTION: I'm not talking about the refining, I'm talking about processing, so the front end part of it.

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CHRIS POINTON: Okay. Let me briefly try and describe the strategy there.

They have the special refinery in Townsville, and to duplicate the Ravensthorpe front end, as we would call it, the Ravensthorpe processing plant, in other areas and they could be other ones in Western Australia there could be other ones in other parts of the world. If and when the next front end or the next Ravensthorpe arrives, then obviously we would once again have the decision do we expand Yabulu further or do we reduce or stop processing, or stop importing ore and use that capacity to put the new material through. But that's not a decision which we're likely to take for the next several years because we've - it's taken us six years to get to this stage and it will be a while before we do that. But, yes, it's an option in the future. So that I think, you know, the impact on Yabulu would be pretty limited. I don't see any threat there. In fact, what this project does, of course, in terms of Ravensthorpe, is it secures the future of Yabulu against some future downturn in nickel prices. So it's actually a pretty positive story from that point of view.

QUESTION: Just a quick couple of questions. You've spent a lot of time and money on sorting out your risk, could you just give us your view as to what your key risks now are in the project in terms of severity and probability?

CHRIS POINTON: Yes, the key risk is, in terms of total budget, is really currency. The strengthening of the \$A recently has raised our \$US

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budget significantly, and until our procurement of major items is done and completed, and obviously we're working, now that the flag is up, we are working extremely hard to get that done. We would be exposed, should there be a further fall in the US\$ dollar, in the \$US relative to the \$A, or further dramatic increase in the \$A, of course, so I think that's one.

The other one is actually ensuring that we can get vendor quality into the things that we - the major capital items. We're putting a lot of effort, together with our EPCM contractors, who I hope will be appointed in the next few days, we're putting a lot of effort into making sure we have quality assurance mobilised to wherever key items of equipment are being built, so that we can actually guarantee that and we're not dependent alone on the good word of vendors. So I think those are two immediate risks.

QUESTION: Just quickly to move on; long-term sustaining CAPEX for the whole nickel division, we've got about US\$40 million or US\$50 million at the moment, could you give us a suggestion on that?

CHRIS POINTON: For the whole nickel division?

QUESTION: Yes?

CHRIS POINTON: I think that's probably a little bit low. I mean, one tends to look at values for sustaining CAPEX for these sorts of operations which are in the order of - well, the industry guideline is between 2 and a half and 4 per cent of replacement value. I would be pretty unhappy if it were 4 per cent, but I mean this concerns us if it were less than 2 and a

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half, 3.

QUESTION: Okay, that's a good guide. Thirdly, just a quick comment on the market. Any pressure in terms of substitution, or complaints from customers with respect to the nickel price? You know, just how is that market faring at this stage given the elevated prices?

CHRIS POINTON: The thing that really worries our customers, and it's something that we can do absolutely nothing about, is volatility more than price. I think if they knew that the nickel price was US\$4/lb for the next 10 years, they'd be very happy, or even if it was US\$5/lb. What they don't want is for us, as a conversion business, to have to take the risk of highly volatile prices, given the proportion of nickel in stainless. Our view of the supply and demand going forward is similar to that of many analysts, to the extent that we see it as quite an interesting period when there will be a relative scarcity of new projects coming on stream and we will see continuing increasing demand, and we're already in a position where we have, you know, a shortage, if you like. I mean, supply always equals demand, but there is upward pressure. That's in contrast to what we saw in the 1990s.

We also have this thing of long lead times, that it takes, from expiration to production it tends to take about 10 years for a major nickel product, I'm talking of the 50,000 tonnes ones, to come on stream. So our view is that we will need substitution, if you like, because stainless steel will

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continue to grow and there will just not be the nickel around to provide for as much 300 series stainless, the nickel-bearing stainless, as there would be if price was not an issue in the demand of the 300 series level. So we actually need our customers to produce grades of stainless steel that are lower in nickel, where that is suitable. The risk that they run, I think, is that they may damage the image of stainless if inappropriate grades, or stainless is used inappropriately. That's the risk with the 200 series, which contains only 2 per cent to 3 per cent nickel and 10 per cent manganese; it does go rusty. It's very good in some applications, but, if you stick it in an external environment or in a marine environment or in a chemical plant, it will either look bad or it will become dangerous. So we have to have appropriate use and I know that the industry federation in stainless steel is working on that.

To answer your question; substitution there has to be, I think. But our estimate is that that substitution will not be to the extent that it will destroy nickel markets and we look forward to a period when nickel prices will be very volatile. They will certainly not maintain their current levels indefinitely. That's not what will happen and never happened in the past, and I'd be extremely surprised if it will happen again. But I don't think we're going to see a return to the 1990s where we have prolonged periods of very low prices of the order of US\$2/lb.

QUESTION: A couple of questions. Just with regard to the upgrade to the

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leach circuit, the 1.8 to the 1.9 per cent level, can you just run us through how that compares with the head grade and whether or not that upgrade is possible through the life of the project? Because I guess it's going to depend on what your grade of material being treated is like in the early years. So if you can just go through that a little bit? The second question, just with regard to the capital; while you're spending your US\$1.4 billion over the next three years or so, what does that US\$1.4 billion based on re the \$A exchange rate?

CHRIS POINTON: Okay. Let me take your first question first. The upgrade is based on, essentially, removing barren silica from the ore body. That's just a feature of the minerality of the ore body. The head grade in the first 10, 12 years or so is around 0.8, 0.9 per cent and you can, effectively, almost double the grade by this upgrading. Obviously, in the later years of the project, the - and I should say that the limonite section, the stuff that goes in the pressure leach section, is the stuff that upgrades by that factor. The saprolite, the stuff that goes to the atmospheric leach, also upgrades a bit, but it's not a factor of 2, it's more like a factor of 1.5, something of that sort. Now, the grade does decrease over time, but the upgrade factor is, or factors, are roughly similar, so they don't actually change too much. So you will see that towards the end of the project life the grade is going to drop to between 1 and 1.5 per cent. But it generally remains, for the entire project life, above the 1.3 per cent, which is the



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standard grade for the cream of the Western Australian laterites. I mean, they have reserves of about 0.8 to 1 per cent and they manage to extract 1.3 per cent over extended periods to their leach plant. So we maintain - so virtually for the entire life of the project we maintain ourselves significantly above that grade.

QUESTION: Chris, do we need to allow CAPEX and a phase 2 and in 10 or 12 years time to maintain production?

CHRIS POINTON: No. There are no plans to do that. We have some very small incremental potential projects and they would in fact act to - the maximum they would do would be to flatline the production of 50,000 tonnes.

QUESTION: With regard to the capital, what exchange rate have you used to get your US\$1.4 billion?

CHRIS POINTON: We've used - essentially we've used the forward curves. I mean, we use protocols for the short-term which are related to the forward curves and they're agreed throughout BHP Billiton.

QUESTION: I was wondering if you could quantify just by how much you see the global market, the nickel market, being undersupplied by 2007 when this project is due for completion?

CHRIS POINTON: Yes, I mean, it's really the answer I was giving before. The nickel market will, of course, always be in balance. The question is if customers could fulfil their desires and their customers could fulfil their

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desires, would they buy more nickel bearing stainless or would - or if more nickel were on the market would there be a market for it. Our view is that for a considerable period of time going forward that will, in general, be the case. Not every year, we will get volatility, we will get the irregular entry of projects. But what you are seeing is that there a number of projects - there were certainly a couple that were going to come in around 2007 and it rather looks as though some of those are now going to have a little bit longer time frame. I haven't seen the latest announcement, but there seems to be some indications of postponement. So there is a chance that we will see projects coming in, in a more even flow, that reasonable nickel prices. I think there will be strong demand for all the nickel that is likely to be produced by the industry going forward. But bear in mind we'll still get a very volatile picture and there will be periods when there will be oversupply.

QUESTION: Two questions here. The customers for this project, is it mainly a China story here?

CHRIS POINTON: It is to a degree, to a large degree a China story, but also other Asia. We've been expanding our sales to Asia for quite sometime now and virtually all the new production that we've brought on from Cerro Matoso Line 2 and from the expansion, the debottlenecking of Yabulu, to date has tended to go Asian markets. Our influence and our market share on some other markets we have deliberately reduced, in

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order to service customers in Asia. We have some pretty important relationships there, and, you know, part of our philosophy is, if you like, is to try and serve our core customers and a lot of those are short of nickel, so we do what we can to help.

QUESTION: If I can just follow up; the approval of Ravensthorpe, does that diminish the prospect of Gag Island being taken a look at?

CHRIS POINTON: Gag Island is something which we have no control over at all at the moment. There has been rumours that the Indonesian government might issue a degree which might enable us to think about what we might do on Gag. We have had nothing by way of any form of advice from anybody about the legal complications around Gag, let alone any of the other ones, of they would be resolved. We actually have no plans at all to do anything on Gag for the moment - we won't even think about it until the situation becomes clearer, if and when it does.

QUESTION: Chris, just on CAPEX again; you mentioned earlier the currency effect in terms of moving this project up to about US\$1.4 billion. What are the other project-related or project-design elements that cause this increase in CAPEX from earlier estimates that BHP Billiton have tabled?

CHRIS POINTON: Yes, we said an estimate of US\$1 to US\$1.1 billion, which was based on some numbers that we had the end of quarter 1, beginning of quarter 2 of last year, which were really the pre-feasibility start numbers. The Aussie dollar has done about \$US200 million damage to

that, so US\$200 million of the increases is from currency effects.

The other thing is that there is an enormous amount of construction going on in Australia at the moment. We now recognise that we will have to bring in skills from interstate and that construction rates and things have increased. That's probably about another US\$150 million. In terms of going for more robust construction materials and engineering design changes, that is actually very small. The only difference between the early stages of pre-feasibility and our current levels are about US\$50 million, and then there is a whole lot of other things in there as well. So, essentially, the materials of construction were pretty conservatively estimated at pre-feasibility and we haven't been less conservative now as a result of the feasibility.

QUESTION: Thank you.

CHRIS POINTON: I think that wraps it up. Thank you very much for your questions and I hope to be giving you some progress reports in due course.