Australia’s Bowen Basin –
the future for Metallurgical Coal Supply

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Metallurgical coal based steel production has entered a new growth phase.

Source: IISI, CRU, BHP Billiton
Significant new BF production under development/planned

The next 5 years will see major BF developments in many countries underpinning the increase in BF/BOF share of global steelmaking.

Source: Public announcements
Met coal demand outlook for strong growth

- New BF capacity and associated coke capacity planned
  - Led by China, India, Brazil
  - Significant relined and enlarged BF capacity planned

- Changes to seaborne balance due to declines in domestic production
  - Europe, Germany
  - USA, esp. low volatile HCC

- Rise of China as an important met coal importer
  - New coastal capacity favouring seaborne imports

- Move away from SSCC to HCC
  - High BF productivity requiring increased levels of high quality HCC
  - Kyoto supporting moves to lower fuel rates = move away from SSCC to HCC
Major high quality global met coal producing regions

**However, there are significant challenges in meeting this projected market demand.**

**USA - Appalachia**
LV, M V, HV producer ~300km to coast
Reserve depletion, rising costs and logistics challenges

**Canada - Elk Valley**
LV, M V producer, 1200km to coast
Logistics complex and partially constrained, rising costs

**Russia - Kuzbass**
LV, M V, HV producer ~4000km to coast
Limitations on infrastructure, dependent on subsidised rail transportation
Strong domestic demand

**China – Shanxi Province**
LV, M V, HV producer, 800km to coast
Strong domestic demand, resource depletion, environmental, safety issues, skilled labour shortages, rising costs

**Australia – Bowen Basin**
LV, M V, HV producer ~300km to coast
Shortages of skilled labour, input costs rising, commissioning delays, port capacity

- Predominantly export
- Predominantly domestic
Queensland’s Bowen Basin export coal industry today – a large integrated network.

- 30+ mining operations
- Four heavy haul railways
- Five ship loading terminals
- Towns/service centres
Queensland coal exports are expected to increase at higher than their rate of growth over the last 20 years.

Source: # Qld Resources Council member survey
Port capacity is the key

- Gladstone + 27
- DBCT + 25 (over subscribed)
- HPCT + 21-23
- Abbot Point (Phase I) + 5 –10

Southern Bowen Basin + 30
Northern Bowen Basin + 50

Source: # Qld Resources Council

All figure in million tonnes
BHP Billiton growth plan to ~100 Mtpa by 2010

**BHP Billiton Bowen Basin expansions contribute the majority of the growth, predominantly high quality hard coking coal announced Q3 2004**

- 75% hard coking coal
- 12% semi soft coking coal
- 13% thermal coal

- Majority brownfields

**58 Mtpa***

- Dendrobium Q Coal 52-57 Mtpa (inc. Broadmeadow)
- Q Coal 57-59 Mtpa

**Approved ~10 Mtpa**

- Maruawai
- Illawarra Expn.
- Q Coal (BMA & BMC, ie: Poitrel)

**Pre Feas ~14 Mtpa**

Various Q Coal Projects (BMA & BMC)

**Concept ~18 Mtpa**

- Indonesia
- Illawarra
- Queensland

**~100 Mtpa**

**FY04**

**FY10**

*All production figures are quoted on a 100% equity basis*
BHP Billiton’s progress to 100 million tonnes

- Queensland Stage 1 expansion from 52 to 57 MTPA completed
- Queensland Stage 2 (to 59 MTPA) underway & due by 2nd half 2006
- Broadmeadow long wall commenced production August 2005
- Poitrel open cut approved
- Expansion of capacity at Hay Point Coal Terminal on track:
  - Phase 1 to 40 MTPA (+6) by 2nd half 2006 – underway
  - Phase 2 to 44 MTPA by 1st qtr 2007 – announced
  - Phases 3&4 to 55-57 MTPA – being assessed & environ approvals sought.
- Currently evaluating further options for expansion to beyond 80 MTPA capacity by 2010
BHP Billiton’s progress to 100 million tonnes

- Dendrobrium UG mine commenced production April 2005
- Further expansion options at Illawarra under feasibility study
- Ongoing development of Maruwai basin.
Concluding Remarks

• The outlook for met coal and especially hard coking coal is strong

• Challenges to meet this market demand are faced by all major producing regions

• Australia’s Bowen Basin is best placed to meet this market demand

• BHP Billiton have in place expansions and have been very actively delivering on the road to 100 million tonnes plan

• BHP Billion are fully committed to meeting the future market growth for coking coal, delivering the industry the confidence and assurance for their future growth
Thank You