MARKET AND PRODUCTION OUTLOOK
The Battle for Growth

UBS Conference June 2005

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Group President Carbon Steel Materials
Disclaimer

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The global steel industry has entered a major new growth phase.

Crude Steel Production 1920 to 2010

- **The golden age**
  - 1945 – 1973
  - 6.2%pa

- **The emerging age**
  - pre 1945
  - 2.8%pa

- **The efficiency age**
  - 1974 – 1995
  - 0.2%pa

- **Oil Shocks**
- **Fall of Berlin Wall**

- **The China age?**
  - 1996 +
  - >3.6%pa

- **Consolidation**
- **Privatisations**

Source: IISI, BHP Billiton and other industry sources

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China has been the main driver of this growth phase

First steel producer over 300 million tonnes per annum in 2005: ~triple production in USA

First and only steel producer over 200 million tonnes per annum in 2003: ~double production in Japan

The largest world steel producer since 1996

Source: CISA and other industry sources

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Leading to rapid growth in demand for seaborne raw materials especially iron ore and manganese ore volumes.

Source: Unctad and Tex Report

Source: IMnI, China customs
Steel outlook is for continued growth led by China

Global growth rate 5.1%
China growth rate 13.9%

Source: CRU, BHP Billiton, other industry sources
Blast furnace major source of steel production in growing producer countries BRICS
Blast furnace productivity has risen strongly to meet strong steel demand
Continued technological improvements to the BF has increased competitiveness
Scrap shortages, high prices impacting EAF production, favour BF/BOF route

Source: IISI, CRU, WSD
Leading to strong demand growth for met coal and iron ore

**Seaborne met coal**

Source: IISI, Tex and BHP Billiton

**Seaborne Iron Ore**

Source: IISI, Tex and BHP Billiton
BHP Billiton has already expanded significantly to meet the strong global demand for iron ore.
BHP Billiton has already expanded significantly to meet the strong global demand for met coal and manganese products.

### Metallurgical Coal

- NSW
- Qld

### Manganese ore and alloy

- ore
- alloy

Notes: NSW 1999 and 2000 FY not CY
Assumes 100% basis
Announced future capacity increases for HCC

Hard coking coal

Source: BHP Billiton, Public Announcements

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Global supply will not be sufficient to meet increased demand

**SEABORNE SUPPLY GROWTH**

- Queensland
- Canada
- New Zealand
- New South Wales
- Indonesia/Venezuela/Vietnam (weak coking coal and PCI)
- Potentially Russia, Mongolia, Mozambique

**China flat potential decline**

**USA declining**

**SEABORNE DEMAND GROWTH**

- Increasing coke production by traditional and new customers
  - Japan, Europe, India, Brazil, South Korea, SE Asia
- New growth opportunities
  - China, India, Brazil, Eastern Europe, Germany, USA, Africa

**BHP BILLITON WILL MEET THIS GAP**
Planned growth to ~100Mtpa capacity by 2010

*All production figures are quoted on a 100% equity basis

**Dendrobium commenced production April 2005

FY04

58 Mtpa*

Approved
~10 Mtpa

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

Pre Feas
~14 Mtpa

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

Concept
~18 Mtpa

Various Q Coal Projects (BMA & BMC)

~100 Mtpa

FY10

Other
Illawarra
Q Coal

*All production figures are quoted on a 100% equity basis
Progress on 100Mtpa by 2010 expansions- update****

• Poitrel
  – Signed agreement with Excel Coal for shared infrastructure
  – On target for first coal end 2006

• Maruwai
  – Pre feasibility completed, current under feasibility
  – Large sample testing and evaluation completed
  – Total exploration expenditure to date US$40M

• Illawarra
  – Appin new longwall ordered, start up target FY2006-7
  – De-bottlenecking West Cliff and Appin under study
  – 3rd Bulli seam longwall concept study complete

• Dendrobium - Commenced operations April 2005
  – Ahead of target, timing and production  400kt tonnage to year end.
  – FY06 expected 3.9 million tonnes raw coal
Announced future capacity increases for iron ore

Source: CRU, BHP Billiton, Public Announcements
Elements of iron ore expansions

Current and future growth – sum of parts
• RGP2 – approved Oct 04
• RGP3 – approvals late 05
• Further options under study

Tonnage Targets

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<thead>
<tr>
<th>Location</th>
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Port & Rail Developments
- Eastern Yard
  - 4 ports
  - Relocate C&S
  - Passing Sidings
  - Rail loops and bridges
  - Rolling stock

Mining Hubs
- Yandi
- Area C
- Newman

Goldsworthy
- Cattle Gorge
- Y4 Crustal
- FI BP closure

Orebody Development
- OB 18 continuation
- OB 25 BWT

Expansions
- Jimblebar

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Expansions
- Jimblebar
• Gemco expansions
  – Major capacity uplift to >5 million tonnes per annum under pre-feasibility
  – To include additional mining equipment, new haul road, expanded port and new stockpile, upgrade ship loading
  – Indicative investment cost <US$200M (100% terms)

• South African expansions - ore
  – Concept study underway to expand Hotazel mines
  – Logistics improvements under planning
The growth challenge – there are a lot of projects!!!

Advanced minerals and energy projects
April 2005

Source: ABARE
74 committed projects with total cost of A$22.6 billion

Number and estimated capital cost, by state

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<th>Energy projects</th>
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<th>Minerals processing</th>
<th>Total</th>
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Number of committed projects, by project type

Committed projects

74 total cost
A$22.6b

Plus

74 less advanced projects with total cost of A$83.8b

Source: ABARE
Costs are increasing as input costs rise and projects delayed

Selected examples of increases to capital cost

- New entrant Iron ore: US$1.85b to >US$2b
- Whyalla Iron ore: +US$75
- Curragh - Coking coal: capex +US$70M
- Hail Creek - Coking coal cost increases
- Various gold mines: cost over runs and delays
- Various gold and coal projects: cost overruns and delays
- Various gold projects: delayed

Source: ABARE, Press releases, public announcements
Demand response of vertically integrated infrastructure has been timely, effective and efficient

**Impact of Delay at DBCT**

- Demurrage 2005: A$550m
- Foregone sales (1 yr): A$1bn

*Source: Exports & Infrastructure Taskforce 2005, AFR April 2005*
Main challenges battling for growth

• Competition due to large number of projects
• Cost increases of components
  – Steel costs have risen over 100% due to higher global steel prices
  – Increased consumable costs, tyres, diesel, explosives
  – Capital items, locomotives, trucks, shovels cost more
  – Shortages of specialist steels e.g. hardened steel
• Shortages of skilled labour
  – For expansion projects (project managers, controllers, engineers etc)
  – Operations (engineers all types, geologists, supply specialists etc)
  – Higher wages to attract and retain skilled staff
  – Aging of key expertise throughout Australian mining industry
• Delivery delays
  – Longer lead and delivery times – push out projects
  – Shortages of items for building major items adding delays
Final Remarks

• The strong demand growth driven by China has the global raw materials industry in catch up mode

• Easy expansions have been completed, further capacity growth now requires significantly more investment and longer lead times

• Need ongoing certainty from State Governments’ on timely approval processes and regulatory frameworks

• Rising input costs and shortages have driven cost increases and growing lead times

• BHP Billiton expanded rapidly to capture early demand growth, and has in place plans for continued expansions to meet future market demand