Responding to unprecedented global demand

Graeme Hunt - President Iron Ore

AJM Global Iron Ore & Steel Forecast Conference

Thursday, 23 February 2006

bhpbilliton

Disclaimer

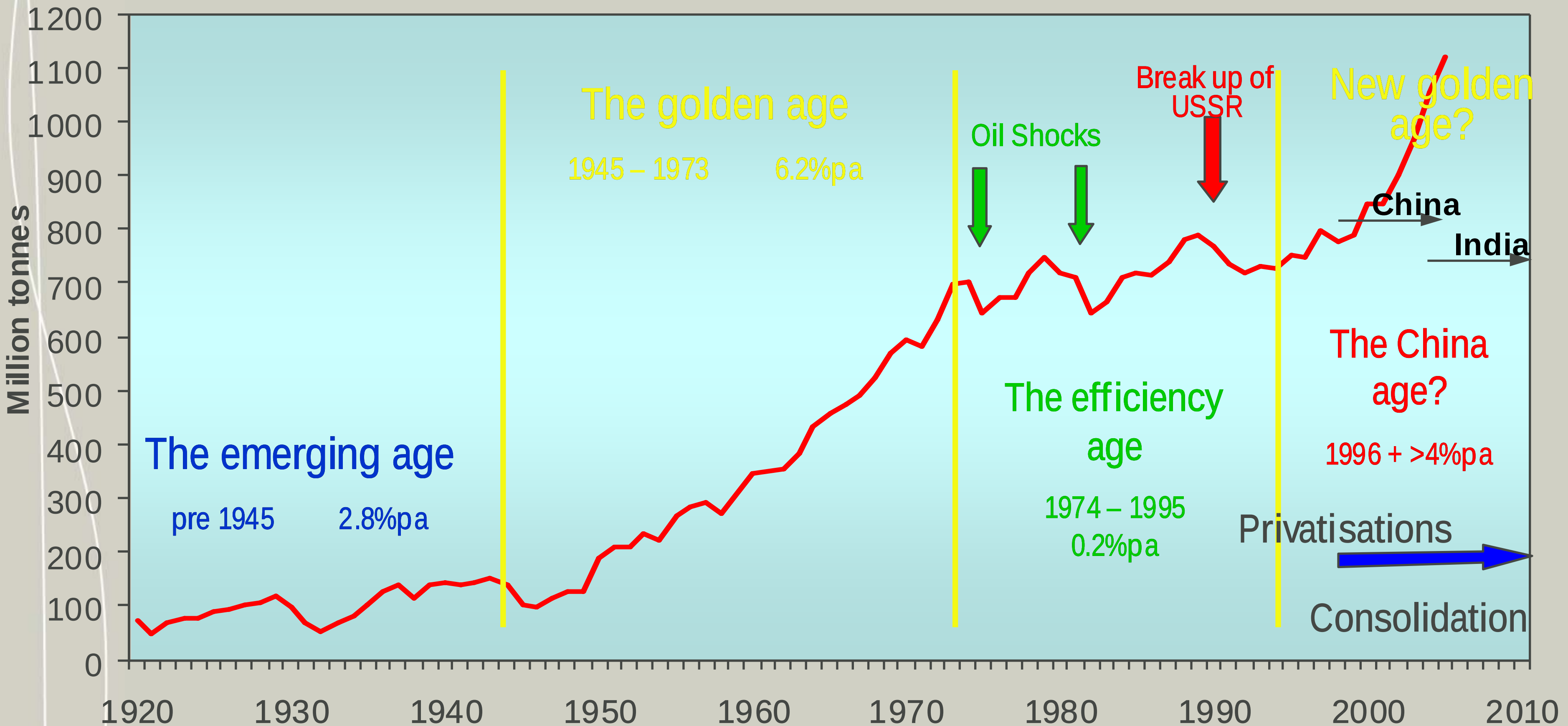
The views expressed here contain information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. Any forward looking information in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect. This presentation should not be relied upon as a recommendation or forecast by BHP Billiton.

Nothing in this release should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

bhpbilliton

Global Steel –the new golden age

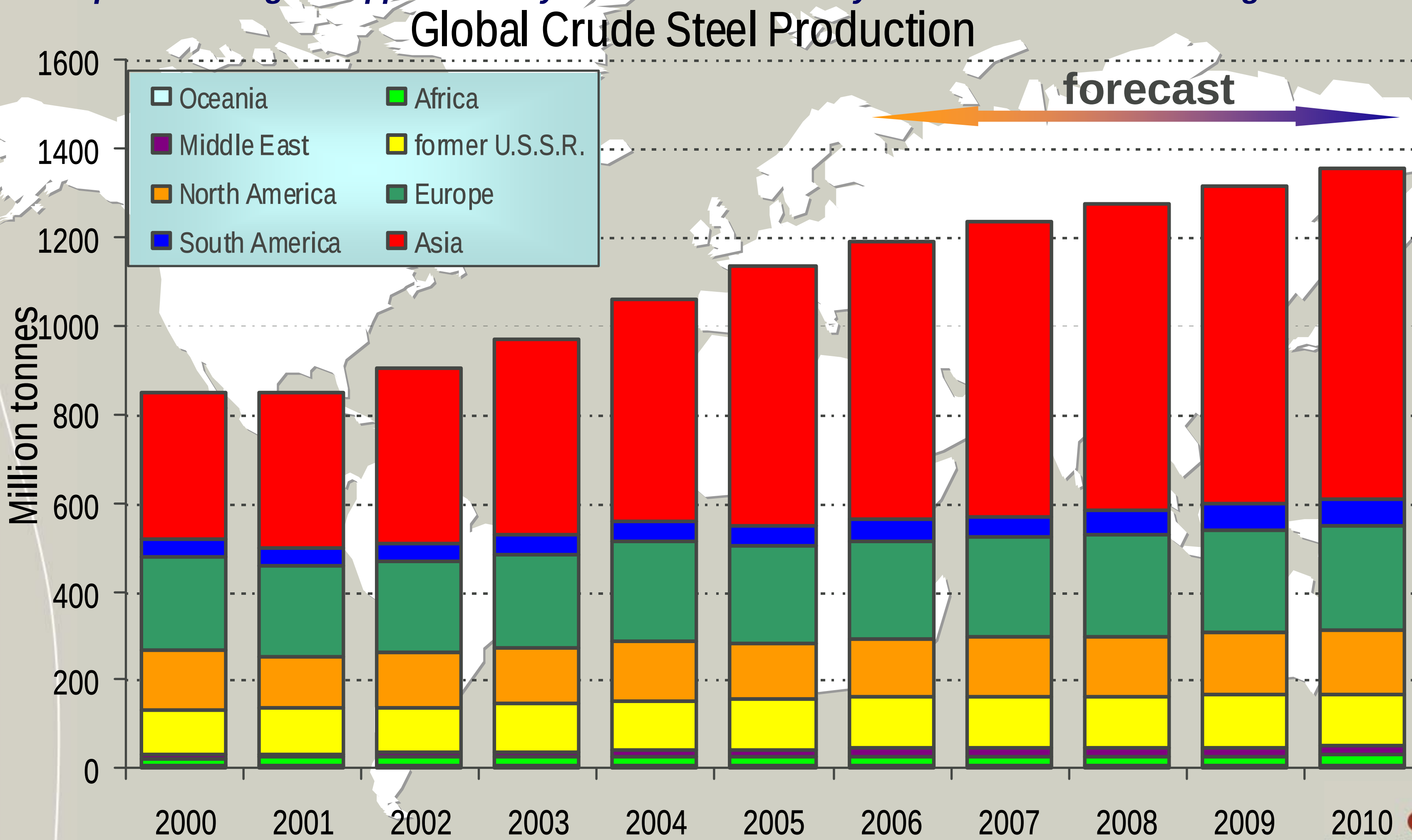
China continues to show strong growth giving more credence to the belief that we have entered a new, prosperous age for steel. Steel companies have recorded record profits and will remain extremely profitable even in light of increased raw material costs.



Data source: IISI

Global steel growth will continue to grow

Global crude steel production exceeded 1.1 Billion tonnes in 2005. The last five years have seen production grow approximately 33%. The next five years will still deliver 20% growth.

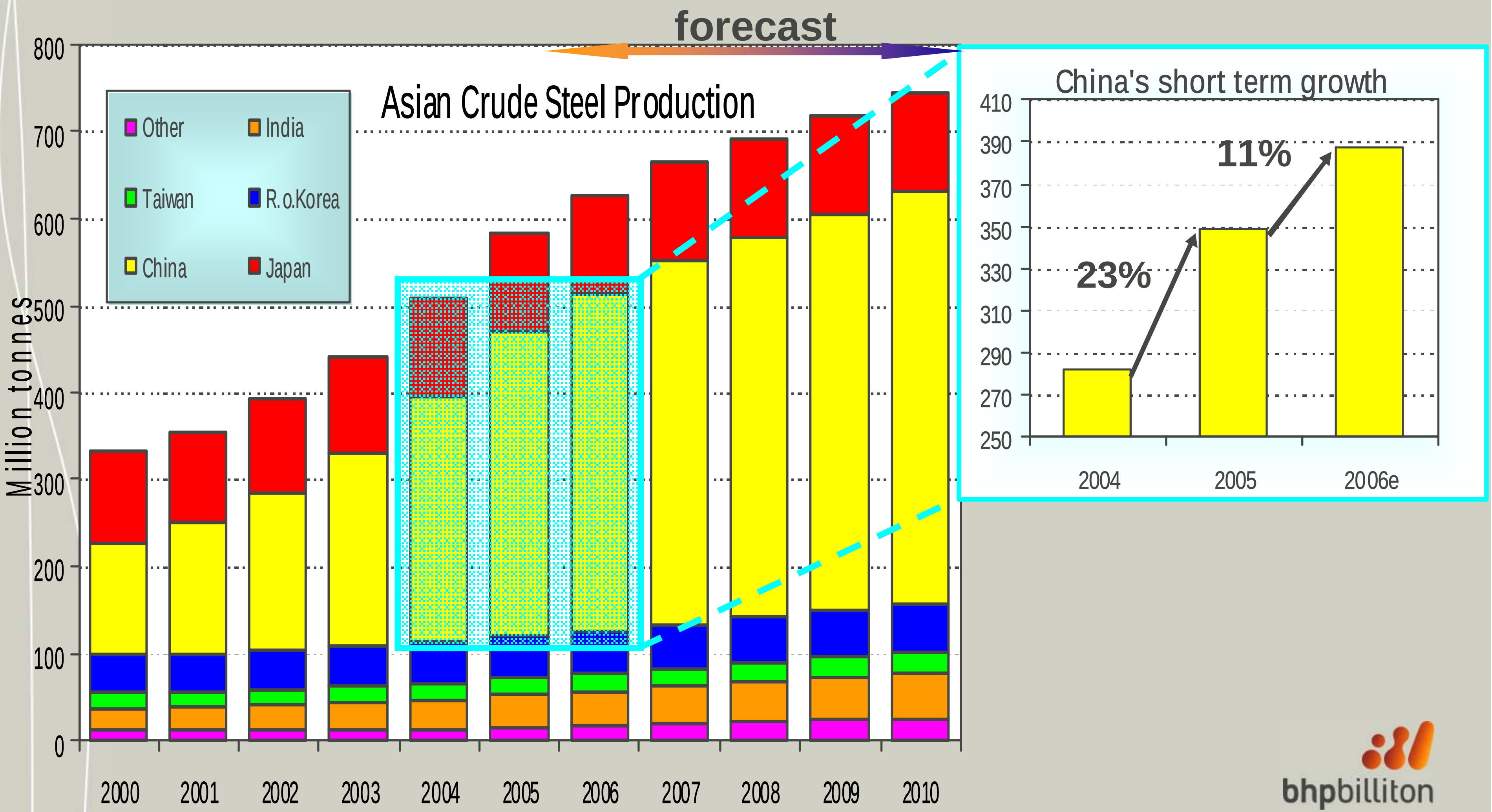


Data source: IISI, AME, CRU, Tex, BHP Billiton forecasts

bhpbilliton

Asian steel growth will be led by China

China will however continue to be the growth engine for steel in the region and, consequently, the world. India will be the other market that shows substantial percentage growth.

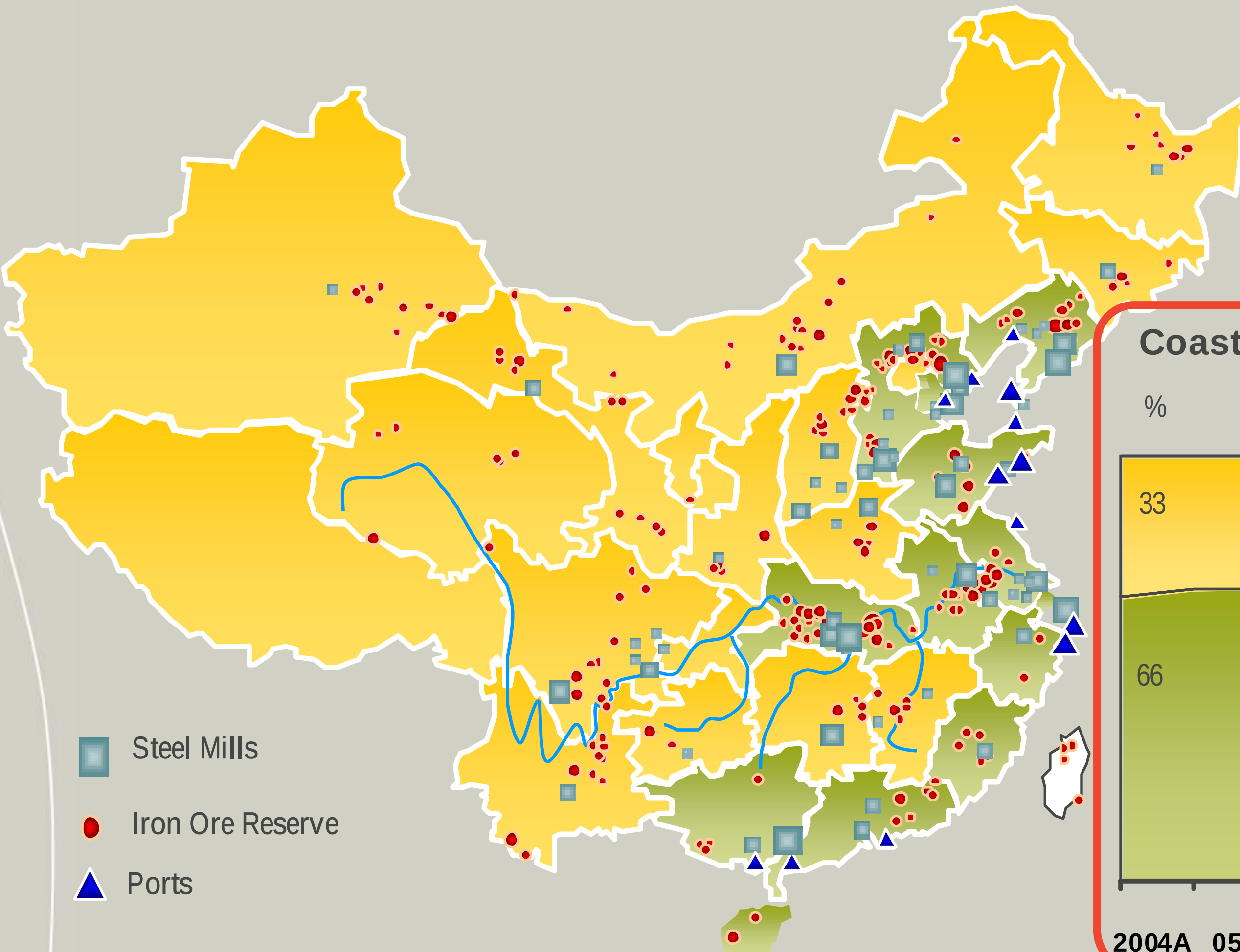


Data source: IISI, AME, Tex, CRU, BHP Billiton forecasts

bhpbilliton

Chinese steel industry evolution

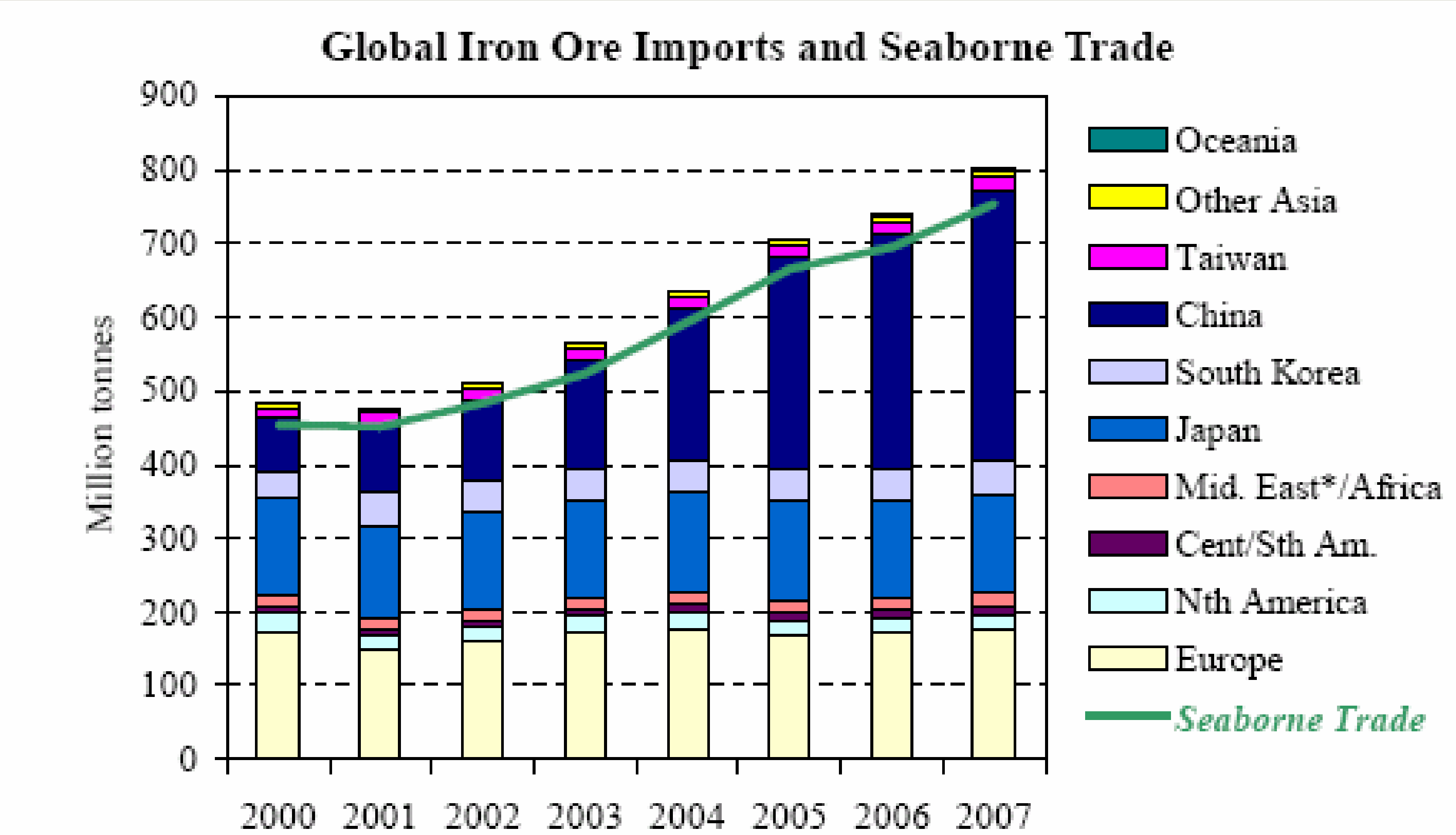
China's steel mills are shifting to coastal areas or along the Yangtze river. China's new 5 year steel policy will consolidate the industry and lead to higher usage of imported iron ores



Data source: BHP Billiton internal analysis

Global seaborne iron ore demand

Driven by increasing global crude steel capacity growth seaborne iron ore demand will continue to grow at a rapid rate. Demand is expected to reach around 800 million tonnes by 2007.



Data source: AME, Tex, Unctad

Demand from Chinese steel sector will lead the way

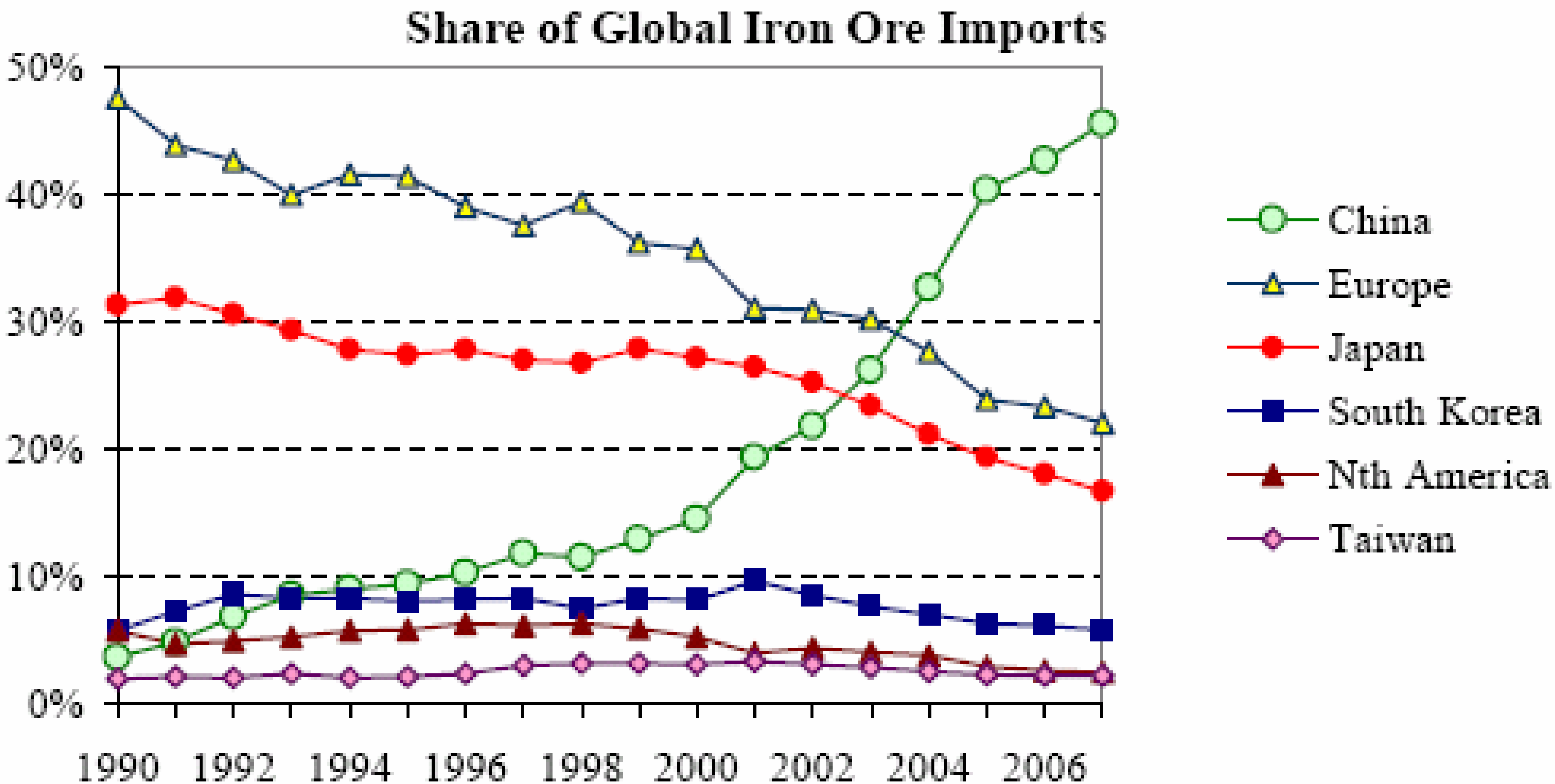
China will make up the bulk of the future growth in seaborne iron ore demand, consequently China's share of the seaborne iron ore market is also increasing, from 34% in 2004 to ~40% in 2005.

Data source: AME, China customs

bhpbilliton

China's share of seaborne iron ore demand is growing

China's share of the global seaborne market has grown strongly and will exceed 45% in 2007



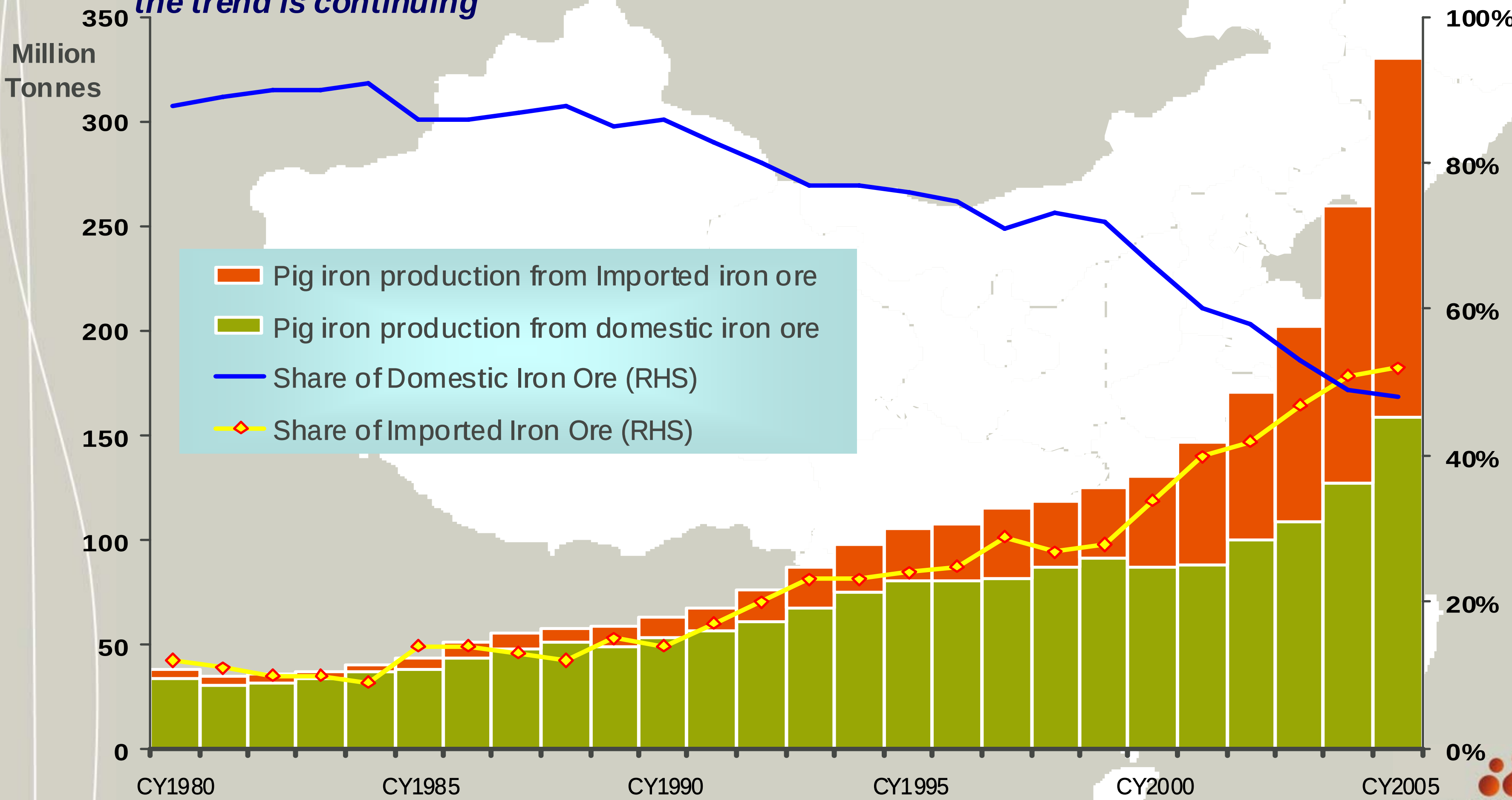
Data source: AME,

China's occupies a unique position in the global iron ore market

- Only country with its own significant iron ore resources that imports large volumes of iron ore
- Domestic ore mainly low grade (Fe), requiring significant beneficiation and are typically used as concentrates (for sintering) or pelletising
- Extensive beneficiation significantly increases costs; thereby making seaborne ores very attractive
- Australian and Brazilian seaborne ores also very complimentary to domestic ores and provide an advantage of other Asian 'total importing' countries:
- Fe – seaborne ores cost effective in increasing overall Fe
- Can use more relaxed chemical specifications of minor elements in seaborne ores than other Asian countries as domestic ores dilute impurities

Chinese domestic iron ore production

BHP Billiton's detailed study of the expansion potential of China's domestic iron ore mines indicates that they will not be able to meet the demand of China's steel industry. This has been proven by the results that more than 50% of the iron units consumed in 2004 were imported and the trend is continuing

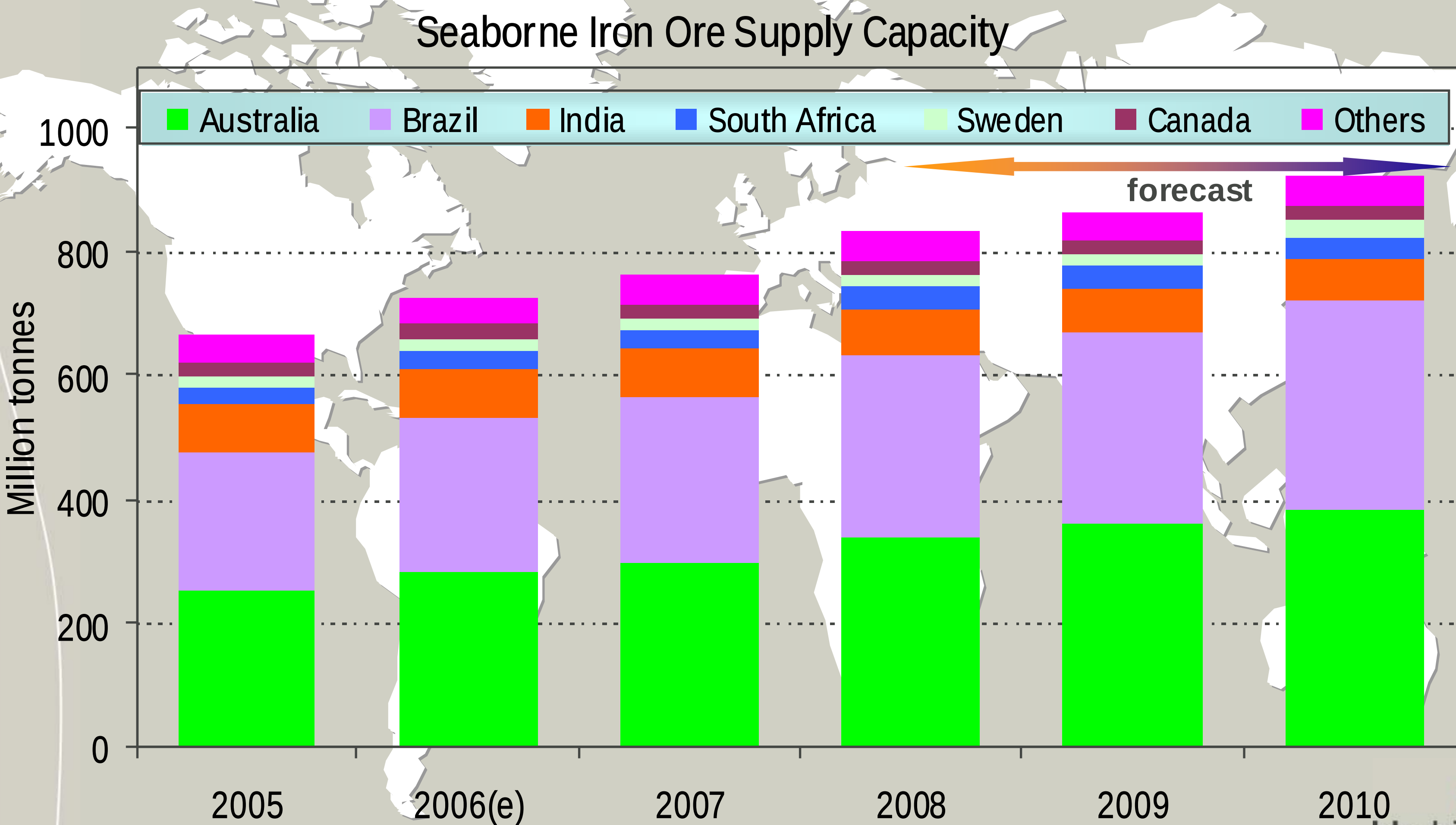


bhpbilliton

Data source: CMMA, NBS, BHP Billiton

Seaborne iron ore supply

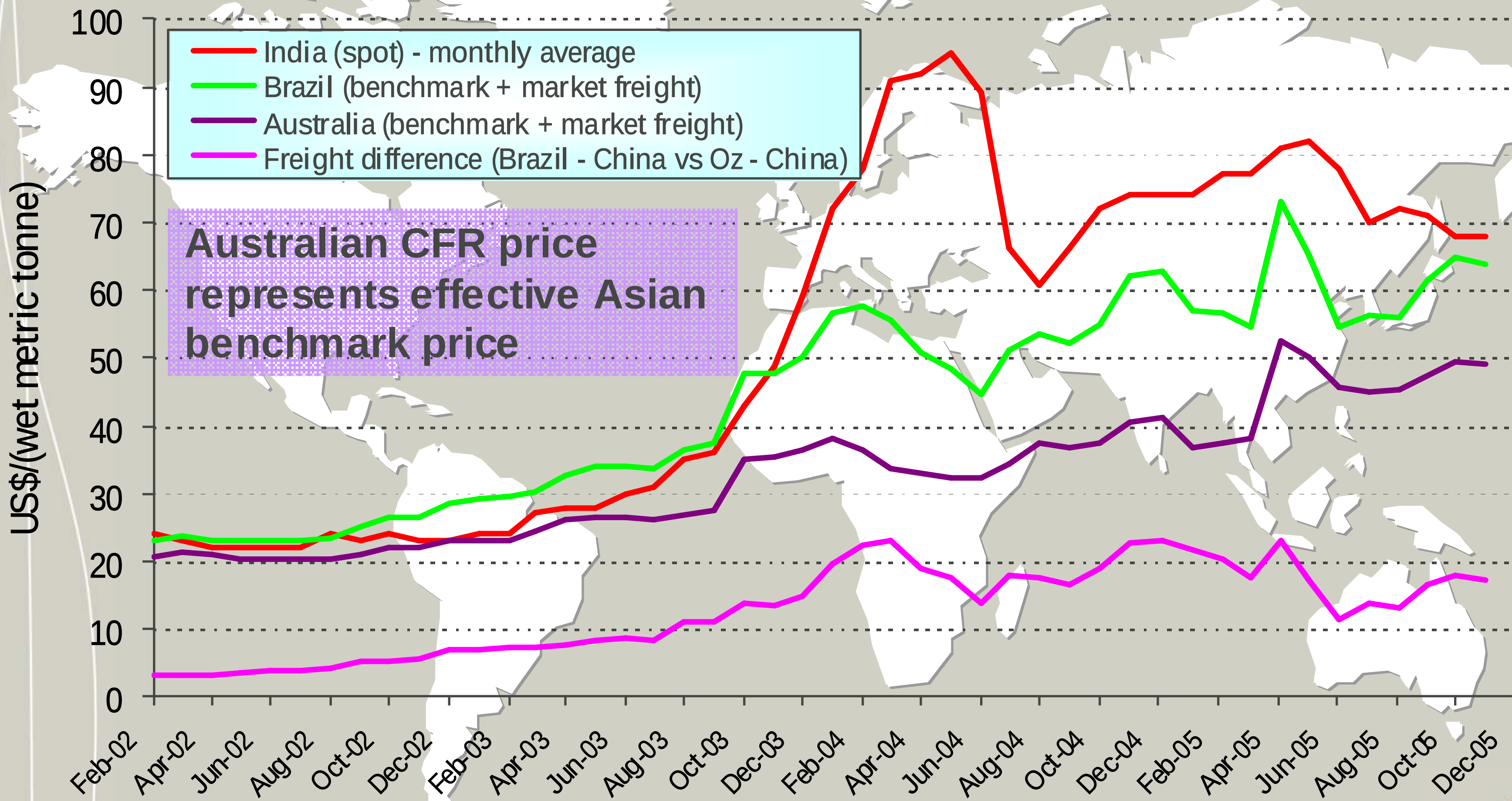
Supply growth to meet the demand of the expanding global steel industry will come from the traditional supply basins of Australia and Brazil (>90%). While India has met some of the shortfall its own future demand will mean that their exports will stablise or even begin to reduce.



Data source: AME, Tex, BHP Billiton forecasts

Indication of spot market prices in China (CFR)

Indian prices remain well above the landed cost of Australian iron ores. Chinese government measures during 2005 initially drove spot prices down but these have rebounded due to demand which is unable to be fulfilled by domestic iron ore producers.



Data source: China Customs, Baltic Indices, BHP Billiton

bhpbilliton

2005 seaborne iron ore summary, 2006 preview

2005 was a year in which the influence of China continued to exert significant influences over the seaborne iron ore market.

On the supply side:

- **Australia was able to regain its place as the largest iron ore exporter with China accounting for most of the growth in exports**
- **India increased its exports again to approximately 84Mt with 68Mt of this directed to China**

On the demand side:

- **China was the whole story**
- **There was a movement in tonnage by BHP Billiton from Japan to China however, Rio Tinto and CVRD filled this gap in Japan**

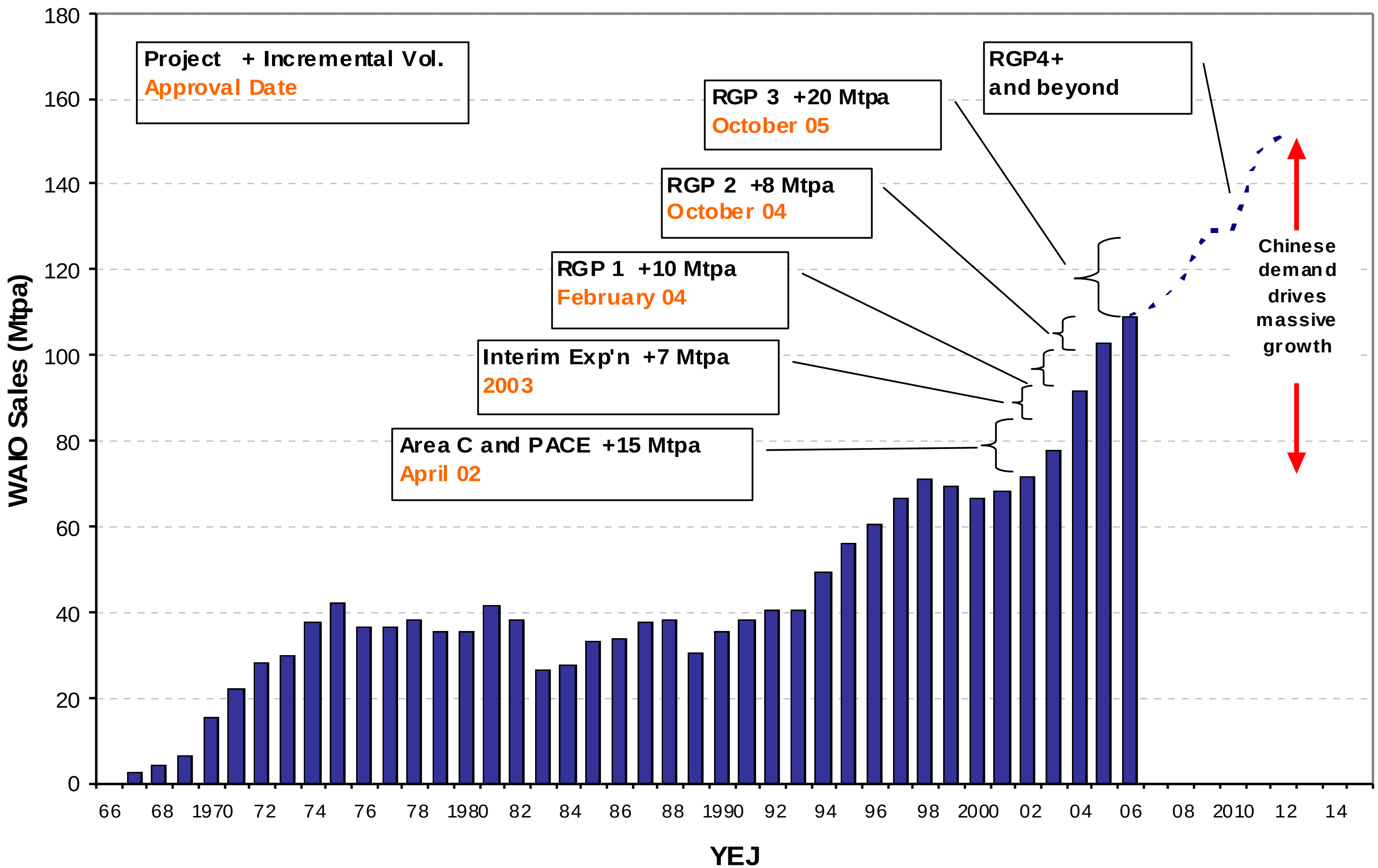
2006 should see a continuation of the trends with China providing most of the demand which will be filled by new Australian and Brazilian tonnes.

bhpbilliton

Data source: AME, Tex, BHP Billiton forecasts

BHP Billiton's production response to demand growth

BHP Billiton has progressively expanded production to meet market demand. Further expansions to over 152Mt are under study.



Note: All figures on 100% basis

Data source: BHP Billiton

bhpbilliton

Phased expansions to >152 million tonnes

Staged expansions RGP 3 and RGP4 will take capacity to >152Mtpa, further studies are underway to go beyond this should market demand warrant it

Project	**Target Completion Date** *(CY)*	**Capacity Increase Mtpa (wet)** *(100% basis)*	**Capital 85% Terms US$M**
MAC/PACE	Q3 2003/Q1 2004	13	437
Accelerated Expansion Project	Q2 2004	8	80
RGP1	Q4 2004	10	101
RGP2	H2 2006	8	489
RPG3	End 2007	20	1,300
*RGP4+ **	*H1 2010*	*~152 Mtpa system total*	*~1,400*
*Beyond 152 Mtpa***	*TBA*	*TBA*	*TBA*

**Currently under feasibility study*

*** Also under study*

- Disciplined approach to capital expenditure while increasing supply to customers
- RGP's - Series of phased, modular expansion steps
- Substantial capital commitments required

bhpbilliton

RGP 2 Port
Car Dumper 4 Construction

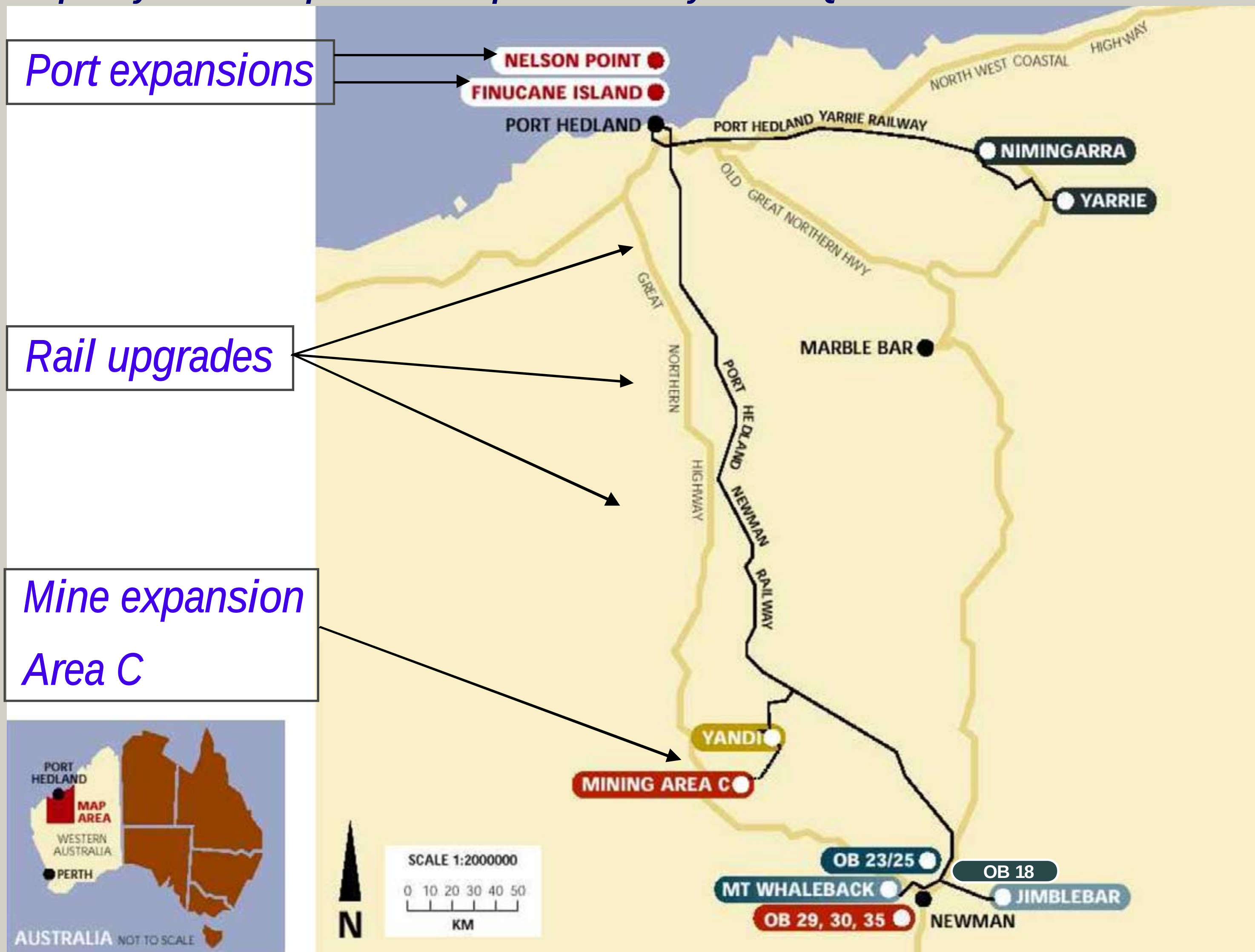
bhpbilliton

RGP 2
OB18

bhpbilliton

RGP 3 – boosting capacity by 20 Mtpa to 129Mt

RGP 3 will involve major expenditure on port, rail and mine expansions to Area C, boosting capacity to ~129Mtpa with first production by end of Q4 2007



Also expanding port capacity to meet demand

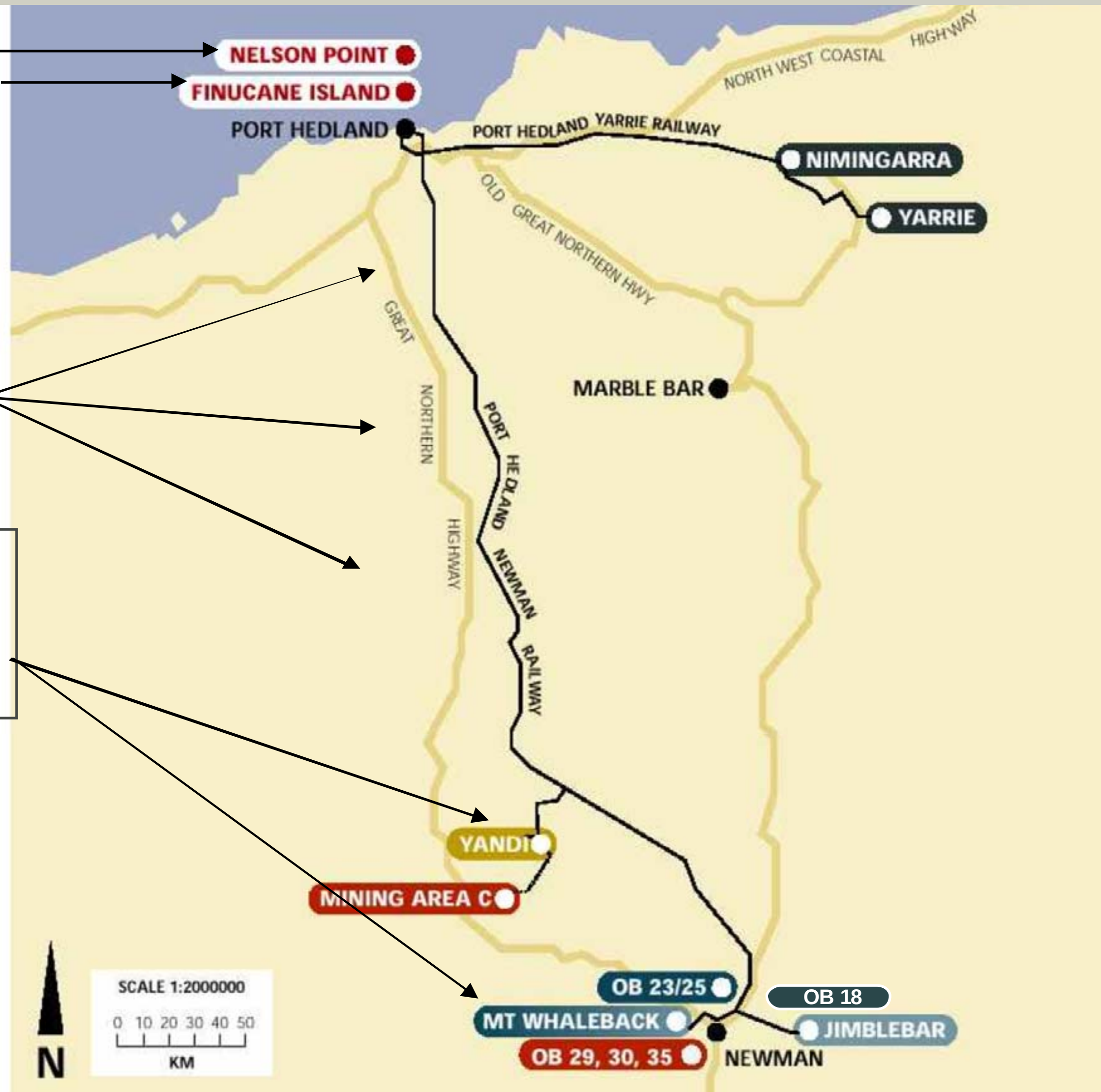
RGP4+ - Proposed Expansion to ~152 Mtpa

RGP 4 and other possible staged expansions are aimed to taking capacity to around 152Mtpa

Minor Port expansions

Further Rail upgrades

Newman Hub Incremental Yandi



bhpbilliton

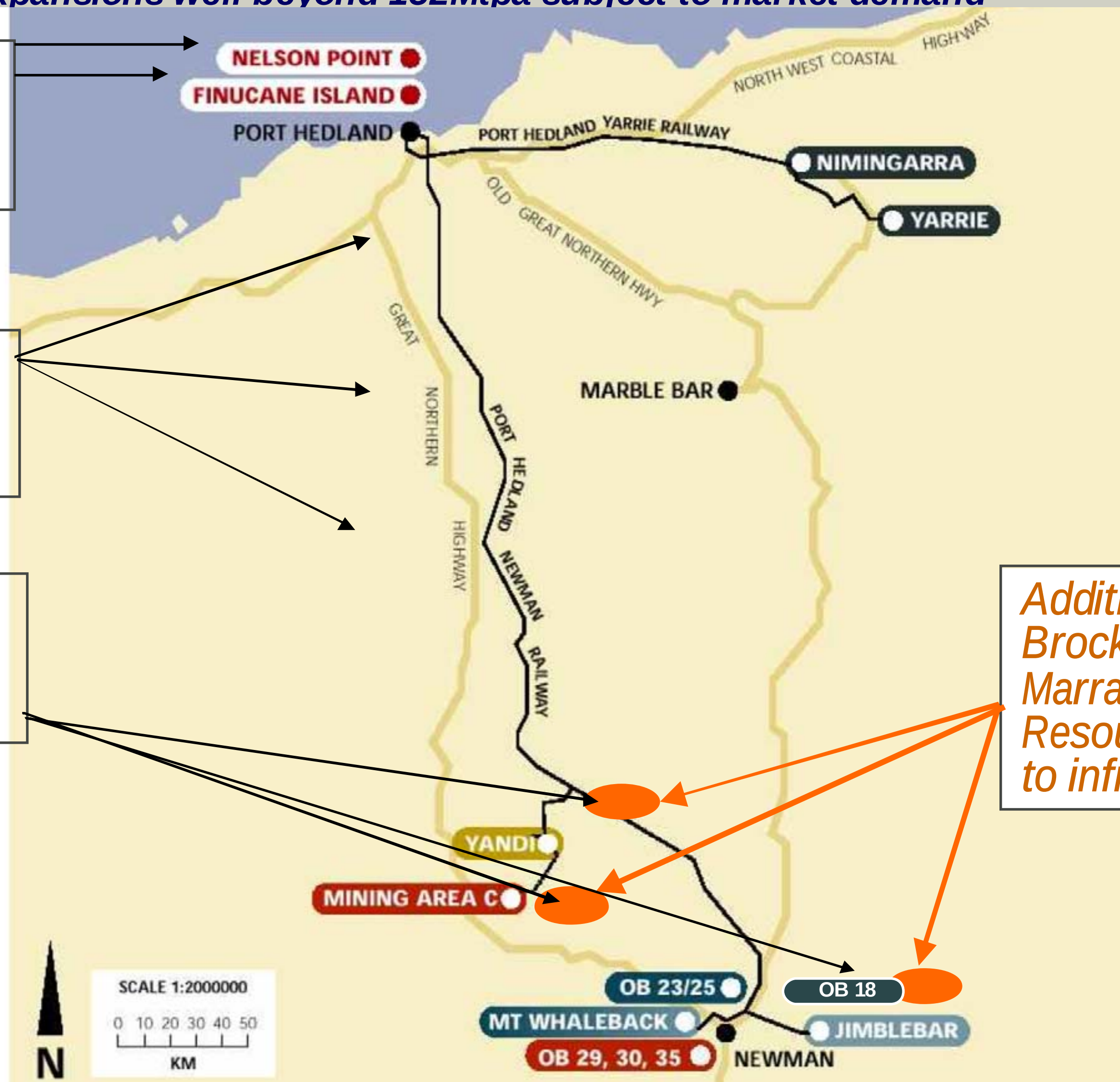
Beyond 152Mtpa, large resources to support further growth

BHP Billiton has vast further resources close to existing and expanding infrastructure that will enable further expansions well beyond 152Mtpa subject to market demand

Further Port expansions and new port

Further Rail upgrades and new rail system

Location of New Brockman Hub under study



Additional Brockman & Marra Mamba Resources close to infrastructure

bhpbilliton

Growth prospects outside Australia

BHP Billiton also has the ability to grow through further expansion at Samarco in Brazil should demand for pellet continue to remain strong

Samarco beneficiation plant at Germano

Samarco pellet plant at PontaUbu

Data source: www.samarco.com

Key issues to achieving continued growth – increasing construction costs (1)

Large increase in construction costs due to overheated Australian construction market

- Numerous projects competing for limited construction resources
- Numerous reports of project costs increasing/ going over budget
- Increasing lead times for vital equipment

Newly delivered locomotives

Construction costs have also increased in Brazil due to appreciation of the Real and increased activity

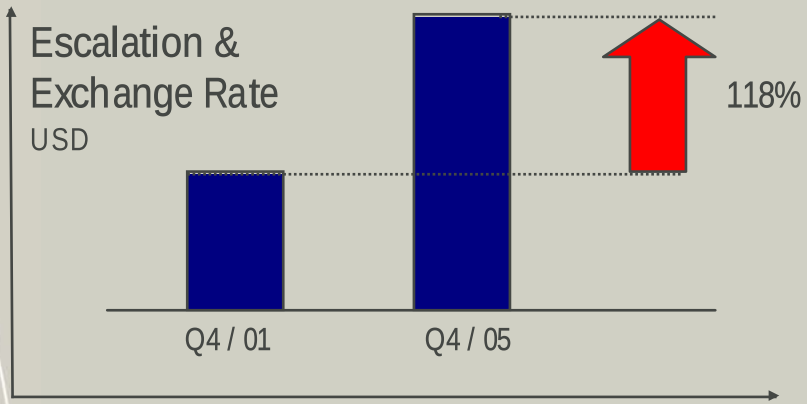
Car dumper 4 tunnel at Port Hedland

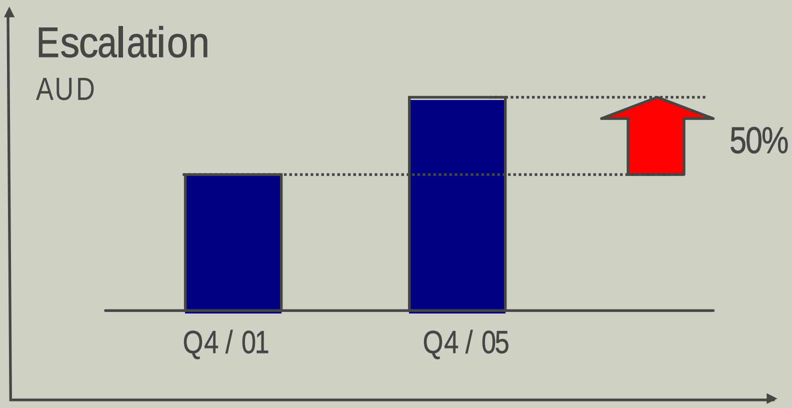
bhpbilliton

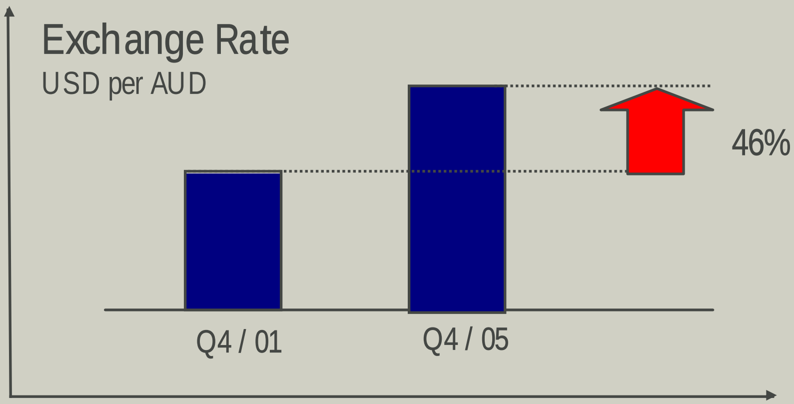
Key issues to achieving continued growth – increasing construction costs (2)

Construction Projects in Western Australia

Impact of Escalation and Exchange Rate Movement 2001 – 2005







bhpbilliton

Key issues to achieving continued growth – mandated open access to integrated infrastructure assets

- Part IIIA application causing uncertainty and delays:
  - Limited resources within BHPBIO - being applied to legal defence rather than expanding the business
  - Consideration may be given to different expansion paths
  - How third-party track access would work in practice is almost impossible to determine – with large potential range of outcomes on our business

- The problem of how access would work in practice for this application is caused in large part because track access under Part IIIA is inherently **inefficient**

bhpbilliton

Key issues to achieving continued growth – mandated open access to integrated infrastructure assets (cont.)

- Inefficient third party access will either result in:
  - Very high access charges – thereby precluding access
  - Or subsidies from BHPBIO – thereby distorting investment incentives
- More efficient solutions exist
  - State- based Rail Transport Agreement
  - Purchase of ore at tenement boundary
- Inefficient third party access is not in the interest of the State, and not in the interest of the access seeker if equitable access charges are applied

bhpbilliton

Summary

- Seaborne iron ore demand continues to show substantial growth
- Chinese domestic producers unable to meet Chinese demand meaning increased demand for seaborne iron ore
- Traditional producers Australia and Brazil will provide the majority of new supply but markets will remain tight in the near to medium term
- BHP Billiton has staged expansions RGP2, 3, 4 in the pipeline to raise capacity to 152Mtpa and beyond
- Already studying expansions well above 152Mtpa in WA and also potential to further increase Samarco
- Key issues with continued growth include spiralling construction costs and mandated open access to integrated infrastructure assets

bhpbilliton

Thank you for your attention