



# Iron Ore Update

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# Today's Discussion

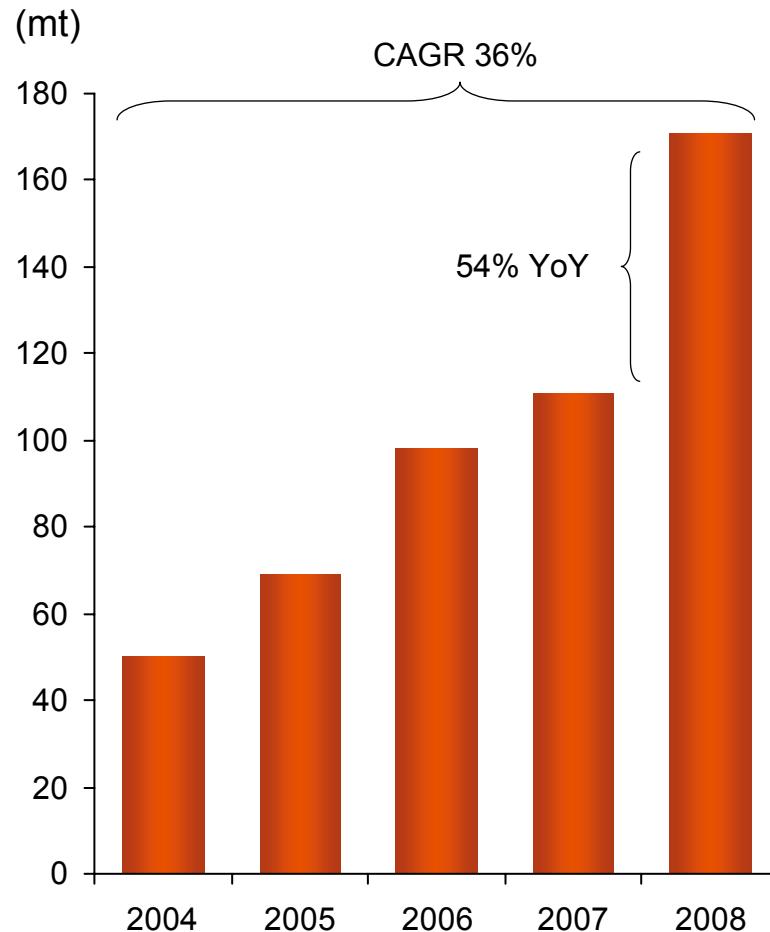
- Safety
- Market
- Performance
- Growth

# Iron Ore is Committed to Improving Safety

- Our safety performance in the Pilbara has been unacceptable to the company
- A very challenging time for the business and our people given five fatal accidents since July 2008
- An extensive, independent expert review of all WA Iron Ore operations has been conducted under s45 of the Mines Safety and Inspection Act and the full Report was presented to the State Mining Engineer on 30 April
- Iron Ore is committed to improving its safety performance and will continue to work closely with the West Australian State Government on the outcomes of the Report
- Reviews of the operations continue and a range of actions has been implemented, including suspension of all non-essential work outside daylight hours, improving contractor management and reduced site access

# Rapid Evolution to Transparent Pricing

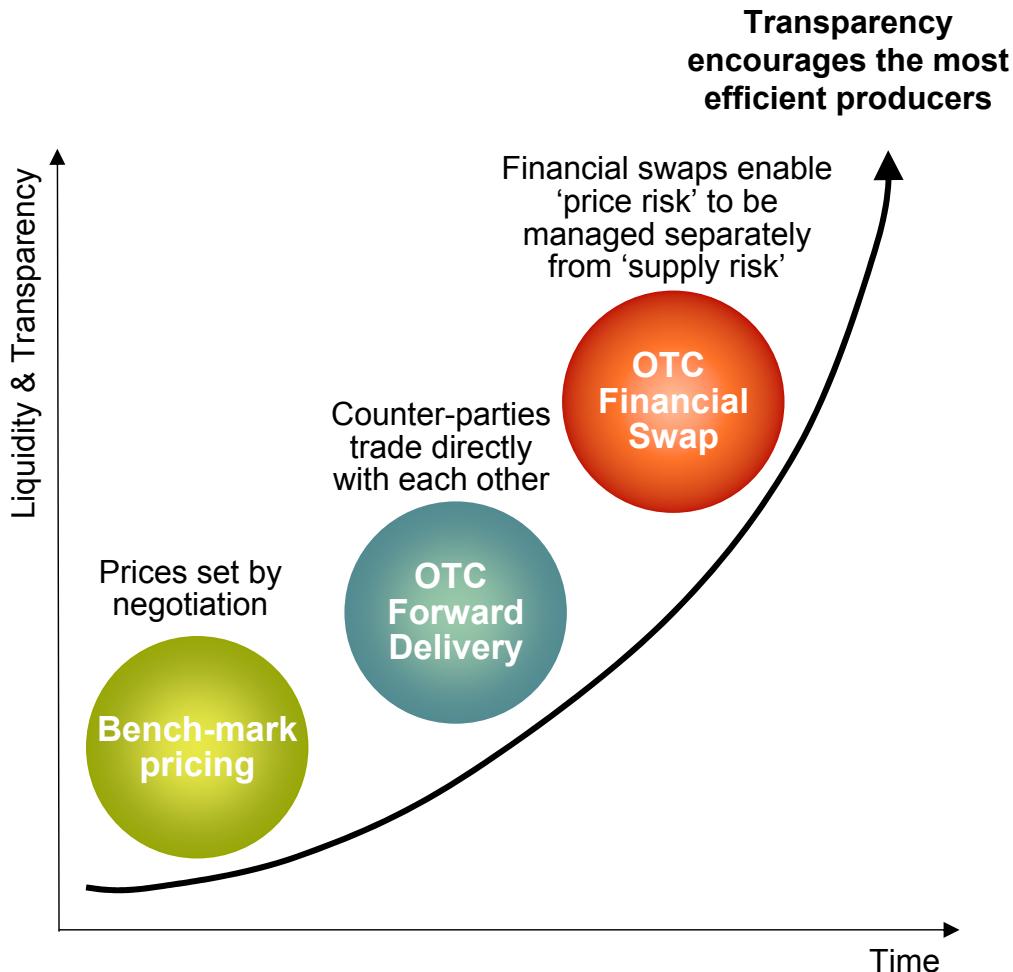
**Seaborne Iron Ore Spot Transacted**



Source: BHP Billiton estimates.

- Transparent and regular pricing allows customers to mitigate risks on short, medium and long term contracts.
- Developments since the start of 2008:
  - Increased liquidity
  - Three internationally recognised independent reference price providers
  - Two 24 month quoted forward curves, providing industry risk mitigation tools
  - Development of SGX OTC clearing mechanism
  - Paper-based counter party trades

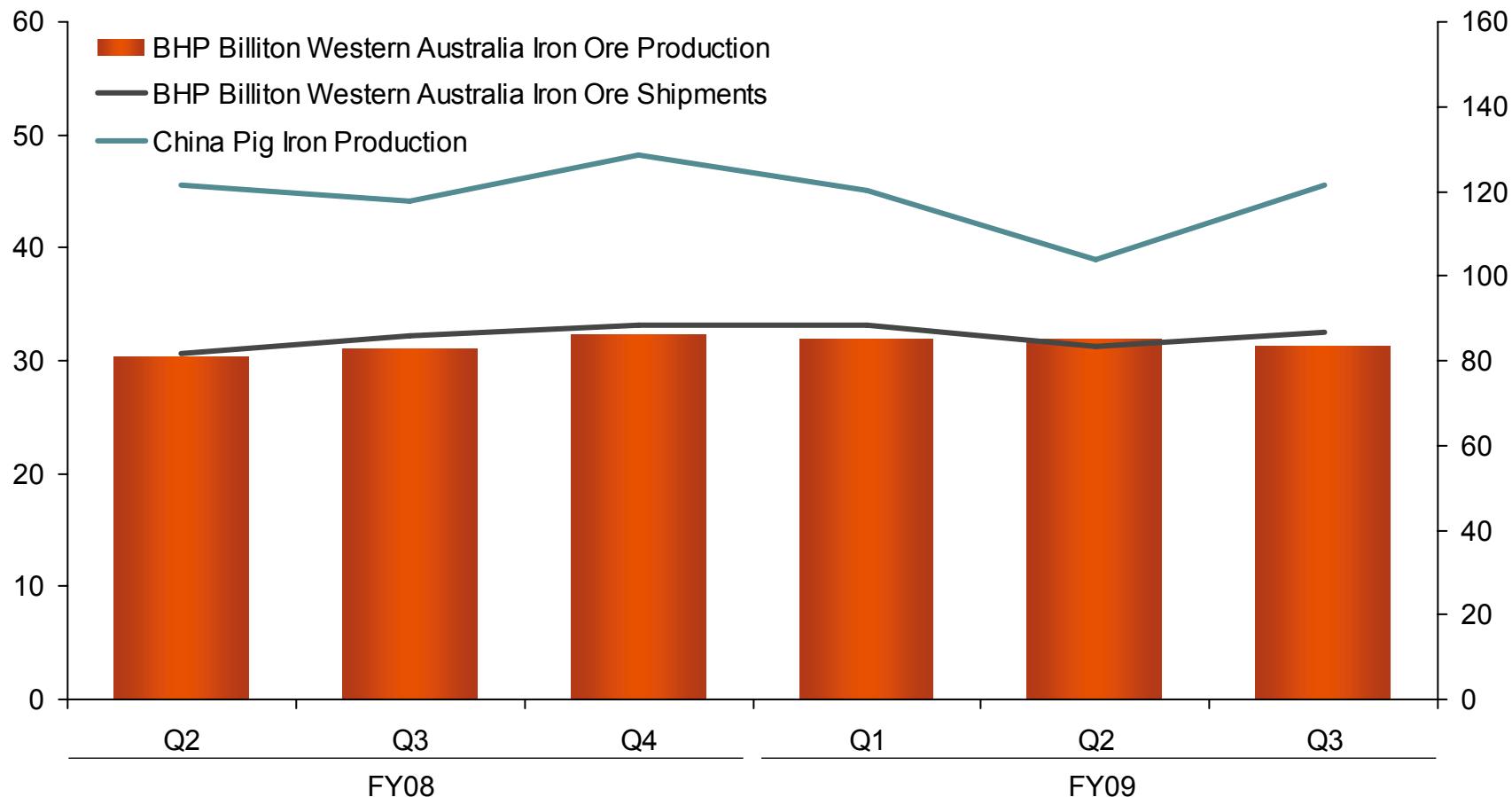
# BHP Billiton is an Active Market Participant



- Regular and transparent market pricing is consistent with BHP Billiton's strategy.
- BHP Billiton's proactive approach to transparent market pricing enables:
  - Greater understanding of market conditions
  - Realisation of market prices
  - Reduced counter-party risk
  - Informed production decisions through the cycle
  - Maintenance of customer relationships through index based contracts

# Stable Sales Despite Market Conditions

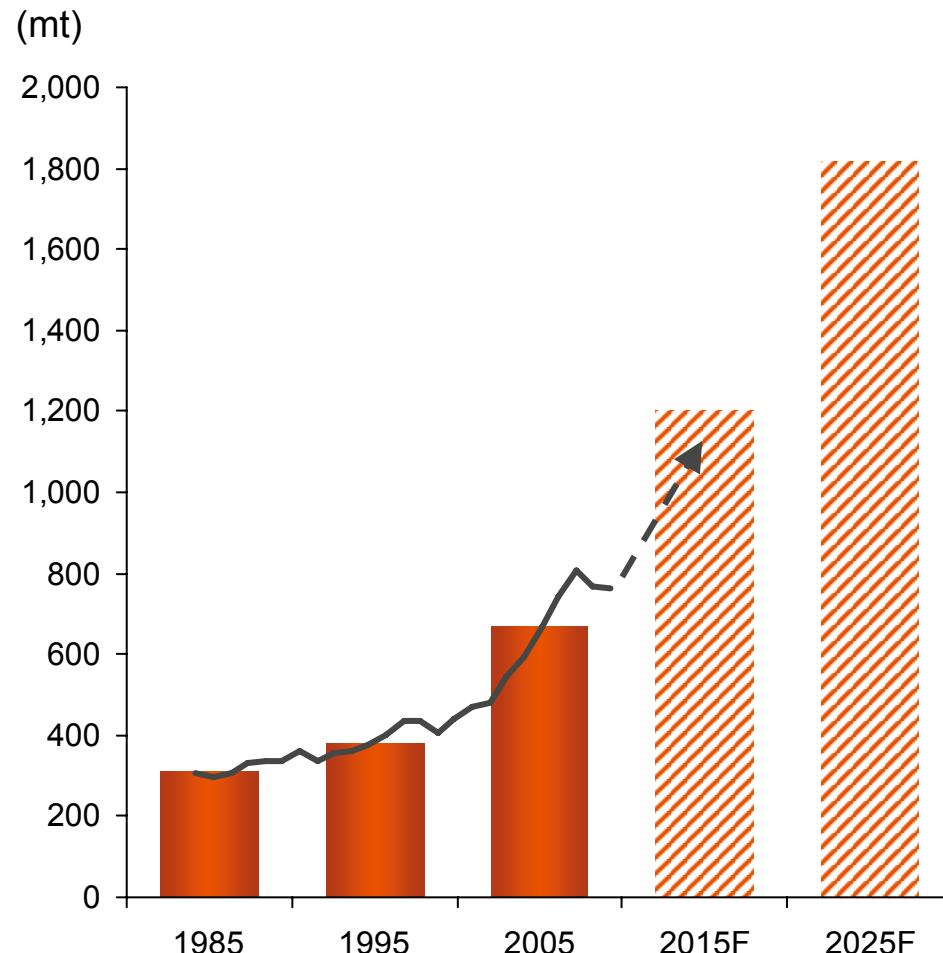
**Iron Ore Production & Shipments**  
(mt, Western Australia Iron Ore 100%)



Source: BHP Billiton; China NBS.

# Long Term Fundamentals are Solid

## Seaborne Iron Ore Demand



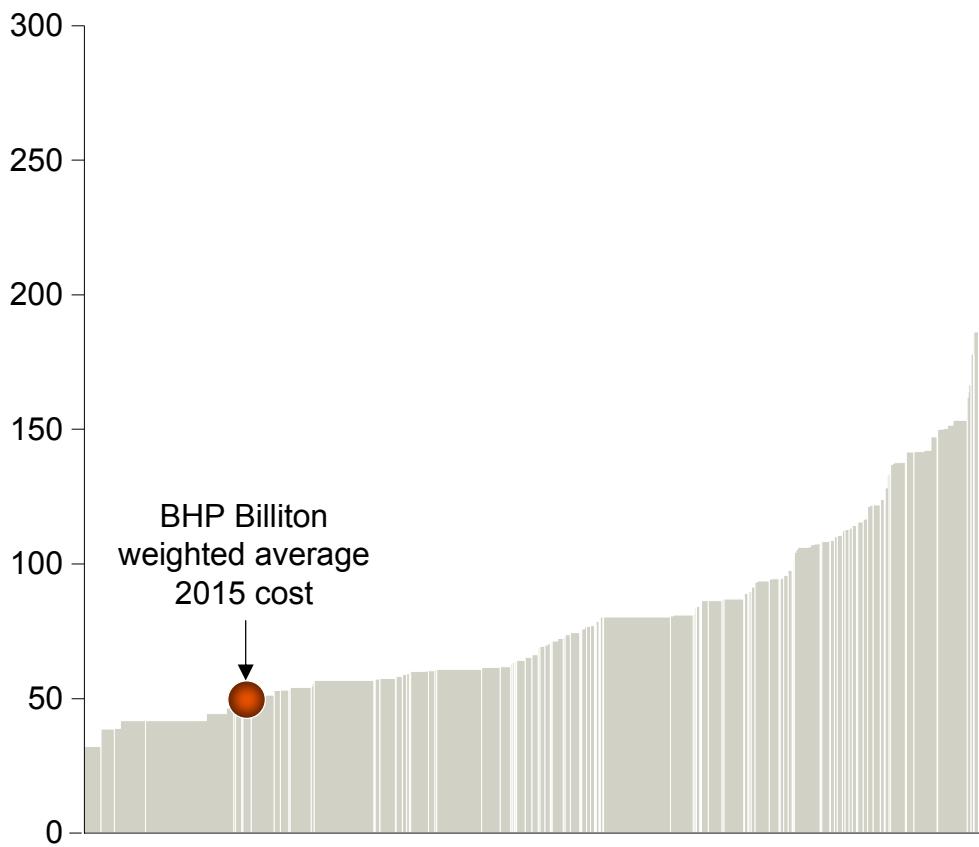
Source: BHP Billiton estimates.

- Short to medium term uncertainty will always exist
- Steel is a critical input as nations industrialise and urbanise
- China and other emerging economies are expected to continue to drive long term demand growth

# Industry Leading Cost Position

## Seaborne Iron Ore Cost Delivered to China – 2015

(US cents/dmtu, CFR)



### Low operating costs driven by:

- Large, Tier 1 high grade ore bodies concentrated around key infrastructure and developed as integrated mining hubs
- First class infrastructure
- Close proximity to the Asian markets

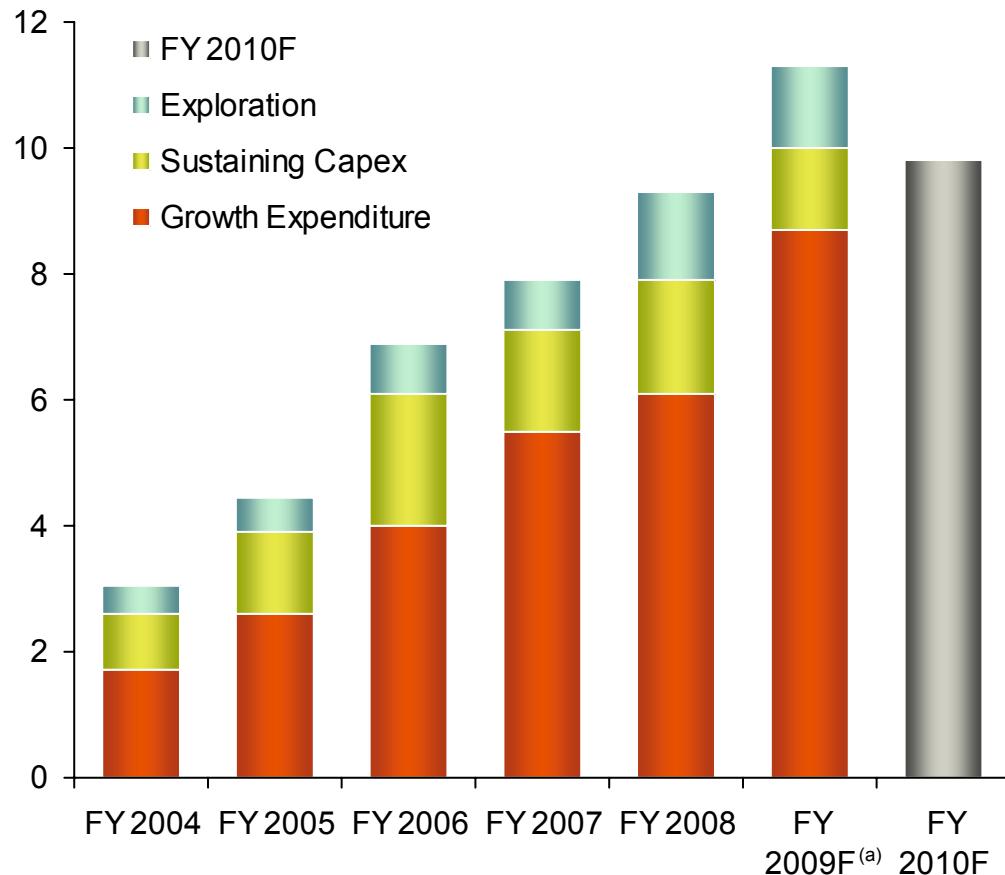
Source: CRU, including BHP Billiton weighted average 2015 cost.

# Able to Invest for Tomorrow

## BHP Billiton's Capital & Exploration Expenditure

(US\$bn)

- FY 2010F
- Exploration
- Sustaining Capex
- Growth Expenditure



(a) FY2009F includes US\$700m for Petroleum.

FY 2005 to FY 2008 have been calculated on the basis of IFRS. Prior periods have been calculated on the basis of UKGAAP.

## Strong balance sheet

- Current gearing ratio of 9.5%
- EBITDA/Interest cover of 87 times

## Strong credit rating

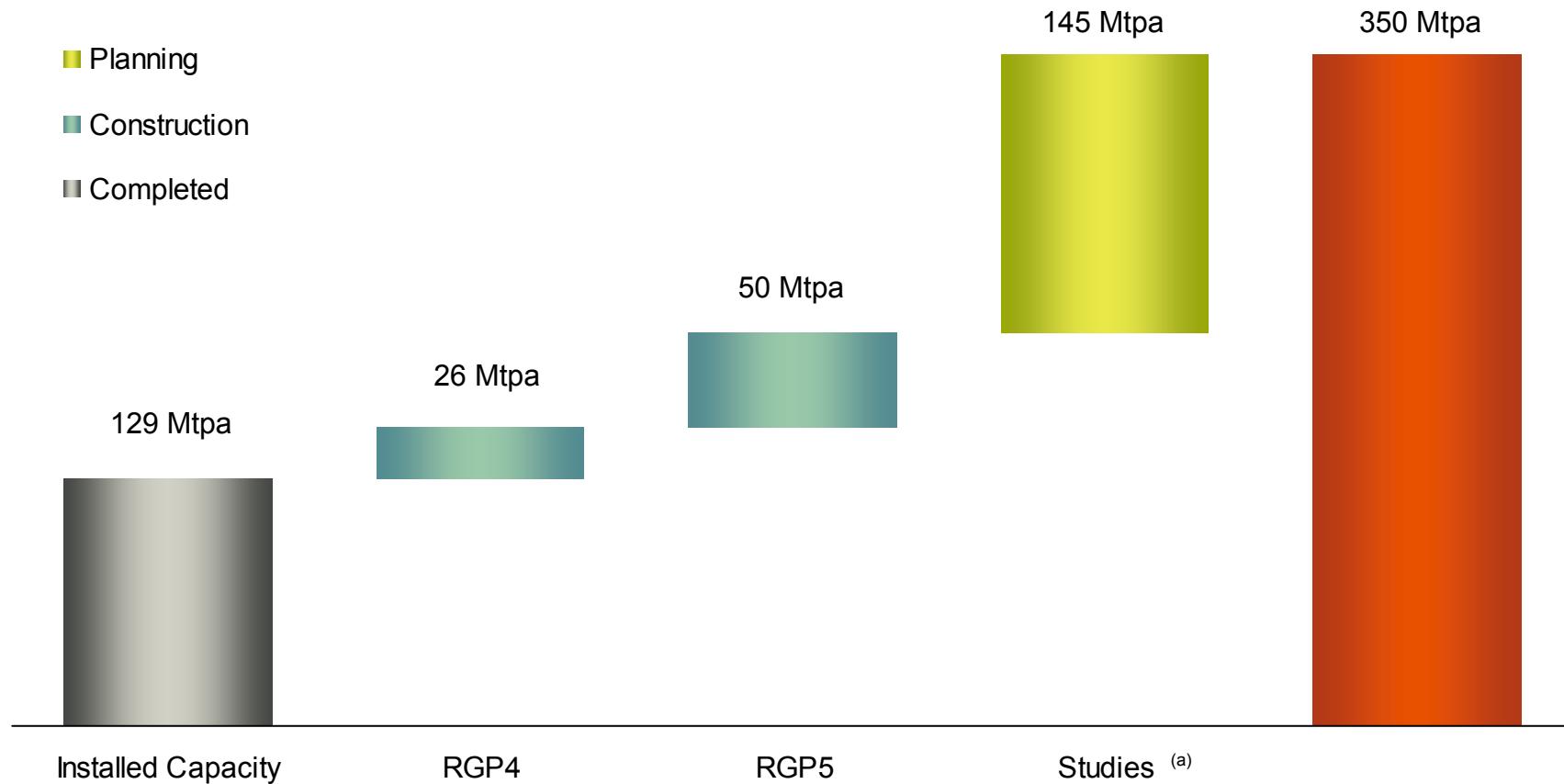
- Target a solid “A” credit rating
- S&P A+
- Moody’s A1

## Strong cash position

- \$13.1 billion net cash flows in 1H FY2009
- \$10 to \$15 billion untapped capacity, including cash, bond issues and revolver facility

# Iron Ore Growth Projects Well Underway

## Western Australia Iron Ore Growth Path (mtpa, 100% basis)



(a) All studies and estimated capacity remain under review until they are approved for execution.

# RGP4 Construction Update

## RGP 4: 155mtpa by 2010

Jimblebar crushing plant & train load out commissioned



New rail between the Newman Hub & Jimblebar



Newman Hub car dumper close to completion



New stockyard facilities at the Newman Hub



# Newman Hub Construction, Late April 2009



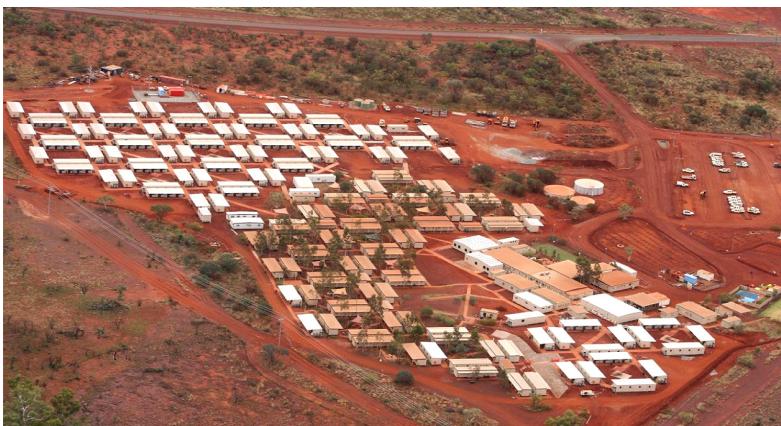
# RGP5 Construction Update

## RGP5: 205mtpa by 2011

Earthworks to support Yandi expansion underway



Marillana construction camp



Work on the new seawall at Port Hedland



Construction of the seawall is progressing



# In Conclusion

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## Safety

- Iron Ore is committed to improving its safety performance

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## Market

- Proactive participation in industry evolution towards a transparent and regular market clearing price is a strategic advantage
- Evolution towards a liquid index-based market enables customers and producers to mitigate risk

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## Performance

- BHP Billiton's strategy has been proven by maintaining sales despite market conditions

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## Growth

- While medium term uncertainty exists, long term fundamentals are solid
- An advantaged cost position, strong balance sheet and low financial leverage places BHP Billiton in a unique position to continue to invest in growth and deliver long term shareholder value
- Iron Ore growth projects are well underway



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