BHP BILLITON
METALLURGICAL COAL BRIEFING
1 SEPTEMBER 2004

BOB KIRKBY: Welcome, everyone, to this briefing session where we are going to give a bit more detail and answer some questions about the announcements today in our metallurgical coal business. There are two press releases. Just in case you have not got them one from BHP Billiton and then one from BMA; specifically about Queensland. In addition there is a handout which you should have and we will go through that, and then we will have some questions and answers. With me today is Andrew Offen. Andrew is the marketing director for all of the carbon steel materials group. Boyd Payne specifically looks after metallurgical coal but Andrew is going to talk about the market aspects of this presentation. We have Dave Murray. Dave is the CEO of BMA, runs all the Queensland coal operations. And Colin Bloomfield, Colin is the president of our Illawarra coal business. I will just summarise the key points of what we are talking about today, we are announcing our intention to expand to one hundred million tonnes of coal up from last year's 58 million tonnes; I am talking in 100 percent terms here. We will talk a bit more in terms of BHP Billiton's equity share of this as we get into it.

It is a very significant expansion as you can see. The metallurgical coal business has not seen anything like this for a considerable period of time and we will outline why we are doing this and how we are going to do it as we go through the presentation. The majority of it will be brownfields expansion, in Queensland at BMA and BMC and Illawarra in New South Wales, but we do envisage bringing on our Maruwai coal prospect which is a greenfield's development in Kalimantan. The majority of this coal we are targeting is hard coking coal, but mother nature also provides us with some other products, so there will be some semi-soft coking coal and some bi-product thermal coal mixed up in these numbers and I will outline those a little later on. The majority of it is brownfield expansion and we expect it all to be high margin tonnes. The idea is incremental expansions to meet the market. At the moment there is a gap so we will be working hard at the initial stage of this to ramp up, but gradually ramping up after that as the market demands it. We will talk about market demand predictions going forward.

If I just recap, and we will go through this in some detail, but Broadmeadow is our underground mine in Queensland originally bought on as a cost reduction activity, but now we envisage that to contribute to the expansion. That will be in production mid-2005; that is the beginning of the longwall and it will ramp up during the rest of 2005 to 3.6 million tonnes capacity. We have also, as you know, underway in the Illawarra another underground development, in Dendrobium. Colin will talk about this but similarly in mid-2005 that will be in production and will be eventually at 3.6 million tonnes per annum.

In Queensland we alluded to, and probably weren't as clear as we could have been previously, a 52 to 57 million tonne capacity expansion. Dave will outline the details of that, but significantly I think in this is a very large quantity of prestrip material, 132 million bank cubic metres which we have contracted to accelerate the removal of overburden. We expect to achieve that 57 million tonne capacity by mid calendar 2005. Today, we made a new announcement about an additional 2 million tonnes of capacity which we expect to have on by calendar 2006 for a capital cost of $175 million all up. We will go through in some detail to explain this - what the capital and operating cost numbers are and details of these expansions. Some of you will see that the 5 million tonne expansion is for a lot less capital intensity then this next stage, but this is only an increment and balancing mine, and in this case, port they are not always in sync, but Dave will explain that. Significantly, the second stage does involve expansion at Hay Point from 34 to 40 million tonnes per annum.

I am sure most of you do not need any of this reminder, but we are the worlds largest seaborne player with a market share of 30 percent. We do have a very extensive customer base around the world and last year was a record year in Queensland. We will be seeking of course, to have record output for the next number of years as we ramp up to this new number. We see strong demand in the market and Andrew will talk about this, so that we are in such a position now to announce expansion and get underway with these activities in Australia, Indonesia and of course, we are looking at other global opportunities as they arrive but nothing firm there at this point in time. Just an advertisement, I am sure you all know about Queensland and Illawarra, Maruwai is a deposit in central Kalimantan up the river basin, which I will talk about as we go forward. So, first of all I would like to call on Andrew to come and talk about the market situation and the demand that we see for seaborne metallurgical coal.

ANDREW OFFEN: Thank you, Bob, and good morning everybody. I would like to firstly just look at what really has changed over the last 12 to 18 months in the hard coking coal market, the steel environment and in the global external environment generally that have lead to us to the decision we have made and announced here today. There is really four key areas and I will focus on each of these in turn in a little bit more detail as we go through the presentation. The first really is a somewhat changed view of the global steel industry. Over the last 12 to 18 months I think our confidence in the future of steel production growth and the growth of steel demand have really strengthened and we are seeing a future now somewhat more rosey than perhaps we would have imagined 18 months ago.

The second thing is the issue of the blast furnace's share of that steel production. Again, probably a little bit earlier than 18 months ago there was considerable concern growing over the blast furnaces ability to maintain its existing, its then 60-odd percent share of global steel production and we are still seeing continual threats to that dominance if you like, more recently with things like Finex, which I will talk about. Again, we are now becoming increasingly confident that globally the blast furnace route is here with to us stay for a long time. In fact, we expect it to at least maintain if not grow its production share even further.

The third thing, which is actually closely related do the fourth, is really the shock that we saw in the first half of this calendar year around coke. Coke availability in the merchant market, the seaborne market, is primarily sourced from China and during the first half of this calendar year we saw a significant shock to supply, a very significant run up in price and an increasing concern amongst our customer base that their ability to secure coke to balance their carbon requirements was going to be in jeopardy and that has led the steel industry to make a number of quite significant decisions over recent times and there have been a rash of announcements around new coke capacity being built and now existing coke ovens being refurbished which have lead to a quite notable increase in the demand profile for coking coal going forward. Again, I will cover that in a little bit more detail.

Firstly, just to look at the global steel outlook. Really, I do not think this is a surprise to anybody but we have seen continued very strong growth on the demand side driven by strong economic growth out of China and despite the hiccup that we saw in the first half of this year in April and May things have really started to pick up again and we have not seen any significant dip or any dip, I should say, in the demand for raw materials across the steel making raw material sweep; iron ore, coking coal or manganese. Importantly, we are announcing increasing signs of that growth starting to spread, it is not now just a China driven phenomena, we have seen significant pick up in growth in the US this year and we are also starting to see signs of longer term significant growth out of both Brazil and India. So our outlook for the steel market going forward is really quite optimistic. In China we are still seeing the steel making capacity required to meet that demand being built, last year, steel production in China was in the order of 220 million tonnes. We are on track this year for something in the range of 260 to 270 million tonnes. That is pushing a 50 million tonne increase which is in excess of 20 percent; so quite a remarkable series of numbers. And again, no sign of any letup in the short to medium term.

Chinese import demand is continuing to sustain very high operating rates amongst some of our other customers. Japan and Korea are both operating at full capacity and in some cases absolute record rates. We are also seeing benefits in Taiwan, and interestingly in the ex USSR, the CIS countries. There has been significant pull through of particularly lower quality steels from that area. The result of that has been a very significant run up in steel prices other the course of this year and we are seeing our customers in really the best financial shape they have been in for a long time. Steel company profits are high and this current year are looking to even improve on that that already very robust sort of economics. For the first time I think we are going to see this year a global crude steel make in excess of a billion tonnes. Six months ago we were not as confident in that as we are now, but increasingly that is looking like a certainty.

So I guess in summary the steel demand picture is very robust and probably more robust than we could have imagined 12 months ago. If we just look at what that means in terms of production numbers; in 2002 global steel production was in the order of 850 million tonnes, we have seen that move up steadily to this year as we have seen in excess of a billion tonnes and the outlook going forward is for a further 200 million tonnes growth over that period on top of that to take us up to the order of 1.2 billion tonnes. These are very significant absolute volumes and will be a major factor in the drive for all of the steel making raw materials over the next five years.

Just looking at the issue of the blast furnace's share of that steel market. Five to eight years ago there was a very strong body of opinion, particularly driven out of the US, that the electric arc furnace was really going to eat the lunch of the blast furnace route of steel production. What we have seen over the latter half of the nineties and into the first part of this decade is in fact the opposite. The blast furnace has more than held its own, in fact, it has increased its market share from 60 percent to 62 percent over that period. And the new capacity that is being built around the world at the moment is heavily concentrated around the blast furnace. Most of the growth markets; China, India and Brazil all favour the blast furnaces as their favourite route of production so we do not see any real threat to that continued good performance of the furnace going forward. Recently, POSCO have announced that they are going to commercialise their first Finex plant. We are going to keep a very close eye on the development of that technology. As things stand here today I think there is still a way to go before the technology is proven to be a commercial success, but our feeling is at the moment it is more likely to be a supplement to the blast furnace rather than a replacement of it. That is actually evidenced by the fact that POSCO have also announced the construction of a new coke oven in Pohang, effectively right next to their Finex plant. The coke from that coke oven will be going into feeding their existing blast furnace operations and they have plans in place to reline all of their existing furnaces. So even POSCO, who are pioneering this technology, or pushing this technology are not looking at it to significantly replace existing blast furnace capacity. Our confidence around the future of the blast furnace is strong.

The coke shock that we saw in the first half of this year and the continuing strong demand in production for steel have lead to a rash of announcements over the first half of this year around new coke ovens. I will not go through all of these in detail but you can see there is really a global phenomenon developing here. We have seen announcements in the majority of our existing customer base to either construct new ovens in places like Japan that were probably a year or two years ago unimaginable. We are seeing ovens refurbished in places where concerns had existed that ovens would be run down and perhaps those steel companies would rely more on seaborne coke. They have made the decision now to commit the capital, invest the money and to refurbish those ovens. What that means is a very significant impact on the demand for coking coal. It is really a good news story for coking coal, and not so good news story for seaborne coke, which for us obviously is favourable. If you translate that series of announcement to coal demand; in 2003 - these are calendar years - we were just over 180 million tonnes of global metallurgical seaborne coal demand, we do a range of scenarios going forward, looking at the most optimistic case, a base case and then the what if pessimistic case. The range of outcomes that those models produce at the moment looks forward to 2010, even the worse case an increase of up to about 235 million tonnes and in the most optimistic case in excess of 270 million tonnes. So that is an increase from where we were last year of at least 50 million tonnes up to as high as 90 million tonnes. So we are now seeing very real demand volume increases as a result of those various developments and that phenomenon.

Of course, demand is only half of the picture. We have also done a lot of work over the past 12 months looking at the supply side and we need to really carefully consider what the potential response of the coal industry is to this demand stimulus that we are seeing. We have done a very rigorous analysis of potential products in Australia, focused primarily on Queensland, but also down in New South Wales. We have looked at the potential in Canada. We are in the process still of a very thorough review of the Chinese metallurgical coal industry and trying to get a much better handle on the potential for that industry to meet their domestic requirements. We are also looking at the US, New Zealand and some of the greenfield's developments that are potentially out there in Russia, Mongolia and Mozambique. The answer we come up to is that with the demand we are seeing out of our traditional customer base, with our increasing plans for coke production and the new growth opportunities we are seeing in countries like China, India, Brazil, Germany there is a very significant gap. The potential supply capability is significantly less than the demand growth that we are seeing and the decision we are making really here is about meeting that gap. BHP Billiton is ideally suited with its quality portfolio of coals to take advantage of this opportunity and we are going to move rapidly to make sure that we capture our share and if possible more than our fair share of that market demand. With that I will hand back over to Bob to talk a little bit about what we are going to do.

BOB KIRKBY: Thank you, Andrew. I will just give you a broad overview of the response we have in mind. Some of these are in pre-feasibility, some are in concept, some of them may fall at the post but this is the portfolio of things we are looking at to increase our capacity. Currently we have 58 million tonnes, 52 out of Queensland in our joint ventures and 6 million tonnes out of the Illawarra last year. We have already approved the Dendrobium mine, as you know, and Queensland going from 52 to 58 million tonnes - that includes Broadmeadow, and it also includes the closure of Riverside, so when you think about on a cost per tonne basis there is some replacement there. Queensland Coal is now going up to 59 million tonnes with the additional expansion we announced today. In pre-feasibility study there is an additional 14 million tonnes of potential capacity in Maruwai - I will talk a bit about that later, Illawarra, Colin Bloomfield can talk about that and at Queensland Coal in BMA and BMC where we are specifically targeting the Poitrel mine, which Dave can talk about. In addition to that we have in concept various other products in various stages of definition for an additional 18 million tonnes of capacity, which we believe can take us comfortably up to 100 million tonnes of capacity by FY10 to meet the market demand.

As I said we are targeting hard coking coal. The majority of the 42 million tonnes expansion will be hard coking coal, approximately 70 percent of it and then the remaining 30 percent 50/50 between semi-soft coking coal and thermal coal. I will now ask that both Dave Murray initially and then Colin Bloomfield talk specifically about their area.

DAVE MURRAY: Thank you very much, good morning ladies and gentlemen, as Bob suggested I am going to review progress that we have made to date in terms of the actions and activities happening in Queensland Coal and then have a look at some of the opportunities. It is interesting times indeed but we have been anticipating these interesting times for a while which I think is borne out by the fact that last BHP Billiton financial year the Queensland Coal assets produced 52 million tonnes which is about 2 million tonnes up from the previous year. So we have done a lot of work in expanding the operations already. Further to that, we have again been anticipating interesting times and we have been in negotiations with Queensland Rail for a long period of time and over the last 12 months we have managed to secure an additional 8 million tonnes of rail capacity with Queensland Rail. We have had further negotiations with them and we have actually put on order, if you like, a request for an additional 8 million tonnes that will come on stream over the next two or so years. So really, we have covered off on a big chunk of the initial rail requirement that we need.

In terms of Dalrymple Bay there was some excess capacity there just after their expansions and we managed to secure 3 million tonnes from DBCT. That has an additional advantage because we now, if you like, put in some more eggs into another basket which gives us more flexibility between the two ports. Broadmeadows is on schedule, we hope to start the longwall up by June of next year. As Bob suggested it was initially seen and contemplated as a replacement tonnage that is now being converted into additional tonnage which has implications for the operating costs so we now intend to keep the operating costs going instead of cutting it back to make way for the Broadmeadows tonnage. So that is a fortuitous decision and a planned decision that we made a while back. Then, of course, we have the Blackwater prep-plant, a new preparation plant. That is not really an expansion, it is largely a cost reduction exercise and efficiency exercise. There is some spare capacity in Blackwater that we can use if necessary but that is also on schedule for start up late next calendar year.

In terms of the 52 to 57 million tonnes which at the 57 million tonnes then takes us to the limit of our port capacity, there is a number of activities that we are undertaking. There are two critical areas in being able to increase capacity out of Queensland coal and that is really in coal exposure and in plant preparation capacity. If you want to mine more coal you need to expose more coal and that requires stripping capacity. Clearly, the best way to do that is using draglines, all 33 of our draglines are currently fully employed but having said that we, with the UDD project and increase suspended load projects, we are trying to improve on efficiencies of those drag lines so I think we will get that drag line fleet to do more. That in itself is not enough, we have also got new technologies in terms of blasting and using bulldozers and so on to assist draglines. That again is very significant in terms of reducing costs, but again that is not enough, so we need to complement that with additional stripping capacity.

In the 52 to 57 million tonnes scenario we have actually included 132 million BCM's, bank cubic metres of contract stripping and that will happen over the next two or so years. It has to be contract stripping for a number of reasons because primarily to get it started quickly, the turnaround time in getting contractors on site is much quicker than us purchasing equipment so that helps us to get started, and the 132 million cubic metres also helps us set-up the operations for continuous higher level of output. There is additional mobile equipment which is being purchased. Largely small amounts of equipment at the various operations to assist with that higher production. The two major plant upgrades, are largely debottlenecking exercises where we add in to an extent some new technology to assist with the higher output of those operations. So the capital cost of just under $100 million is spread around and I hasten to add that that $94 million does not include the cost of Broadmeadow, that is a separate issue. The cost is really spread around all the operations in terms of the plant upgrades and some additional equipment that we are purchasing. That is all scheduled for completion for 2005, towards the end of 2005. In terms of going beyond 57 up to 59 million tonnes and indeed beyond we then really need to look at the port capacity. We have covered the rail but you need to expand the port capacity. One of the major competitive advantages that BMA does have over its competitors in Queensland is the fact that we own Hay Point and it is a wonderful facility, it was well capitalised and it has been well maintained. We can decide on the rating, we can decide on the blending and we can decide on the loading rate so that is a huge advantage we have, but more importantly we do not have to rely on industry consensus to expand it. We can make that decision entirely on our own and indeed that decision has been made to really go ahead with the first of a potential series of expansions that we can bring about at Hay Point. That first expansion really takes it from its current level of 34 million tonnes up to about 40 million tonnes. That is the first of a number. It is not a terribly complex expansion, it is on the same footprint as the current operation so we do not anticipate too many environmental issues, and it is really just a claim over the old conveyor and an addition to the dump station so it is a very doable expansion in the time frame that we have allowed.

There is additional mobile equipment that we need to purchase in terms of expanding even further. The biggest part of that capital expansion is in fact another prestrip operation for Goonyella. That prestrip operation does two things it (a) makes additional stripping more sustainable but probably more importantly it replaces some of the contract stripping which we have introduced up front to get it started. This prestrip actually replaces some of that and is clearly on an operating cost level cheaper. In keeping with the exposure of more coal we need to expose more coal at Saraji as well and we anticipate approximately 32 million cubic metres required at Saraji spread again over the next three years. And all of this should be completed by the second half of 2006.

Capital expenditure required there on a 100 percent US dollar basis is $175 million. The lions share of that is really contained in two areas; the port at $100 million or thereabouts and then the prestrip additional fleet at Goonyella which is another big chunk of that. The $100 million for the port in fact buys us more capacity than the 59 million tonnes which we are not saying we will fill it, but clearly we have plans afoot in further expansions at the operations and further debottlenecking, so we will very quickly be able to use up that additional spare capacity or additional capacity created through this investment.

COLIN BLOOMFIELD: Thank you, Dave and good morning ladies and gentlemen. In Illawarra we are really midway through a period of significant investment aimed at modernising our production infrastructure. I guess the key components of that investment is really the Dendrobium mine which as Bob said is on track for a mid-2005 start. Also, the new West Cliff longwall is a key component and it commenced production in late July and it has really progressed steadily since then. We have also got plans to replace Appin's longwall in FY06 and we have been doing a range of smaller projects aimed at improving mine site infrastructure and our washing and logistics stream. What these projects leave us with is a much more modern production infrastructure and a great platform off which to grow that business. So the first stage of potential growth in Illawarra would focus on expanding Appin and West Cliff mines. It requires investment in coal clearance infrastructure, washing capacity and gas drainage and ventilation infrastructure. Really this stage of growth would be low risk and definitely high value given it is off the brownfield infrastructure we have in place.

The second stage under consideration is an additional longwall. The advantages we have here really are a very high quality resource and the proximity of our production infrastructure to that source. So you can see, with regards to those potential growth opportunities, the Illawarra Coal group is very well placed to capitalise on the investments over the next couple of years. Over to you Bob.

BOB KIRKBY: Colin did not specifically say it but at the top of the slide we are aiming there to go from 7 to 14 million tonnes per annum over this period. Last, but not least is our new discovery in Kalimantan where we have coal contracts at work and under those coal contracts at work we must bring this project on stream and it is our intention to do so. We have a number of seams and a number of pods or deposits there and we have been working on a plan to develop those in an integrated way. So that work is underway, of course, as part of pre-feasibility study. We expect to start with a 5 million tonne per annum high quality hard coking coal operation. The transport logistics from this deposit, it is inland, it is unlike many of the other in Kalimantan and the previous ones we had there. It is going to require barging which is not uncommon in Kalimantan, we also envisage a contract operation there similar to what we had just before we exited the Arutmin operations. We have a team engaged in pre-feasibility study, it is nearing completion, it should be done by the end of this year, we will then go into an extensive pre-feasibility study which we think would take us a year. Then providing that is approved there will be a couple of years of construction activity. So we are well under way and we are increasing our resources and spending on that project. Just to conclude before we start questions, we have been through and confirmed that, both in our existing customer base and within new markets, the steel demand outlook is strong. The hard coking coal seaborne trade has changed. The scene there has changed and improved as Andrew outlined and we are very confident that the demand is there for these products. We and our partners are very well placed to meet this demand. We are in a very good situation, (a) with our knowledge of the industry, (b) with our current existing operations, we can incrementally expand off them, very similar to what we are doing in Western Australia, to meet the market demand as it comes on. The first stage of that is underway, we have the foot right to the floorboards at the moment and the demand is there and we are running as fast as we can. We expect these expansions all to be very strongly NPV positive for the company and for that reason we are looking forward to reporting the results in the coming years as they come on. Right, that is the end of our formal presentation, we will now answer questions.

Q. I have got a multitude of questions, but just a really simple one to start. The current prices for premium grade hard coking coal would suggest that there could perhaps be leakage of new production from a variety of sources around the world. I am just wondering insofar as your studies go, have you seen some leakage? We are seeing something out of Canada already and I know it is low quality coal. Are you seeing in your studies anything out of Poland, Russia and some of these other, what we might describe as more exotic locations for coking coal supply?

BOB KIRKBY: We are looking very closely at the potential, particularly for Russia to meet some of the future demand that we are seeing. It is going to be an interesting balance between the demand within those countries which is also growing strongly and the production in those countries and the ability of the coal industry within the former USSR countries to meet their own domestic demand and their ability to export. The most obvious greenfield's project is the Elgar project in Russia. It is a massive deposit but it is also in excess of 2000 kilometres from the coast, requires something like $2 billion worth of infrastructure investment to get the transport arrangements in place and is two-thirds thermal coal, one-third hard coking coal. So, there is a threat, there is a possibility of volume coming out of those countries but I think on the basis of what we are looking at the moment, we will risk those for the probability and the likelihood of them actually coming into production. We are still very confident that we have got the gap there that will allow us to do what we are planning to do.

Q. Firstly with what you have got in iron ore, you have announced several contracts along the way tying in customers to your expanded capacity, should we expect this in met coal or are you flying blind and just hoping for something? Secondly, the slide I think it was Andrew put up about the production growth on a 180 million tonne base up to I think midpoint was about 250 tonnes; between a 235-270 million tonne range for coking coal demand. Using your 30 percent market share as a guide you would be way in excess of that by 2010, you would be up around 40-45 percent market share. Do I take it that there is going to be (a) over supply or (b) you will actually win market share?

BOB KIRKBY: Maybe I can answer the question about contracts and flying blind. We are not flying blind. We have a very good customer base, we have very good relationships, very solid customers, we support them technically, our coals are of high quality, we have in place a series of long term contracts which Andrew knows better than I do. We do not envisage at this point in time the requirement to change that particularly. Whether in time we do something with people, that will depend on the situation then. Right at the moment we are very happy with the relationships and the contracts we have got to be able to support this. Our market share numbers well, you are pretty quick on understanding that we intend to grow our market share. We are the market leader in this area. We have looked at the potential of other suppliers. We believe that if we are fast off the mark in a rising market we can get to that market share and that's our intention. For the actual numbers and the percentage, time will tell.

Q. My question is regarding Illawarra. It is good to see some details on what is happening in Queensland Coal, but Illawarra has been quite disappointing from a production point of view, certainly over the last few years and from what I understand, they have underperformed BHP Billiton's own production projections. How robust do you think the 7 million tonnes to 14 million tonnes will be and what do you think the big risk is associated with why you may underperform that.

COLIN BLOOMFIELD: It is true that Illawarra has had some difficult performance over the last 12 months or so and that has largely been driven by, I guess, the timing of our reinvestment in that business and we have suffered through having some very old infrastructure including the West Cliff longwall which is a major component of that. We will have within two years three new longwalls in place. We have upgraded coal clearance capacity of most mines and that will provide a very strong base from which we can grow that business so we remain confident that the production risks are manageable. I think that probably the greatest risk we have in New South Wales is the approval regimes that we face with the New South Wales government.

BOB KIRKBY: I will just add to that. If you look at the history of the Illawarra collieries it was managed by the steelworks group in the old BHP. It came into the BHP minerals group. There has been a long hard road of rationalisation; we are closing down Tower mine, we are closing down Elouera mine. We have renegotiated the labour contracts and during that period purchased no new equipment, we bought some second-hand equipment, so as Colin said it is old and tired and we are now in a phase of reinvesting in that place so it will be a different set of operations to what we have had over the last ten years.

Q. Just two questions, firstly on the steel market and your projections about going out to 2010 heading to 1.2 billion tonnes of steel. Can you talk a little bit about the risks of that and for instance where the big production increases are coming from, presumably China but what is your expectation for China by 2010. The second question is with regard to Kalimantan, you have been there before, you have exited. Clearly this is a very good quality project if you are going back in. Can you talk a little bit about the project risk and the amount of capital that may be at risk there to get your 5 million tonnes per annum and whether Mitsubishi is there with your partnership under the BMA worldwide alliance.

ANDREW OFFEN: I might just address the first question. The steel numbers that we put up there are actually a combination of ASI numbers combined with some figures out of CAU. It is driven as you say to a large extent by China which we are seeing by that period up around the 400 million tonne mark, but there is a not insignificant contribution from India and from Brazil over that period as well. The Indians are putting in place plans now that will take their production from currently in the mid 30's; 35-36 million tonnes and doubling it by about 2012, so there is a portion of that factored into this timeframe and we are also seeing figures in Brazil which will take their production from going around the mid 30's; 35-36 million tonnes up in the order of 50 million tonnes. A significant proportion of which is already under construction and already growing, so the three primary growth markets we see are No. 1 China and then India and Brazil making significant contributions after that.

BOB KIRKBY: On Kalimantan yes, we did exit the thermal coal business there but we have in place and we have retained a core of people who have been involved in that and I personally was involved in Kalimantan for a number of years. This is so a somewhat different situation (a) it is coking coal, it is not thermal coal. Thermal coal is obviously easier to sell. With coking coal a lot more technical support is required and secondly, it is inland. It will be the most inland deposit and so the logistics chain and managing that and investing in that differentiates it from the other deposits there. We believe we are capable of doing that. The capital, it is to early too talk about those numbers, we will be attempting to minimise our capital exposure there with the use of contractors and building the project up incrementally. We were quite successful of that during the Arutmin days and we have a number of people still on the books who know how that was done. Then your last question about Mitsubishi, no this is a BHP Billiton 100 percent owned prospect. We have had it for, I am not sure, but nearly ten years I guess and it is not part of the alliance. It has never been part of the alliance.

Q More on Illawarra Coal, first of all, can you give us an idea about where you are looking at putting the potential new longwall in and secondly, you mentioned steady progress at West Cliff since the new long wall was installed, can you expand on that a little, and also, you mentioned three long walls, does that include a new longwall for Appin?

COLIN BLOOMFIELD: In terms of areas, we have at least three main areas under study that are adjacent to West Cliff and Appin mines, so we really have a choice of areas and we will look at the one that has the best return for the lower risk of course. That is work that will progress over the next 12 months or so. In terms of West Cliff's production, we have only started that longwall in late July so it is still very early days but we have already exceeded production from the old longwall which would not be too surprising I think for most people and while it is early days our operators are getting used to the equipment and there is always one or two niggly commissioning issues but we are very, I guess, encouraged by where that is going and I expect that you will see the output from West Cliff certainly exceed last year's output. The third question was - when I talk about three, potentially three longwalls in the seam the Appin longwall currently is old and needs to be replaced and we will be aiming to do that in FY06, a third longwall would be another longwall unit.

Q Do you think you could just talk a bit firstly, if I do the rough numbers, it is about $50 US a tonne to expand BMA and that gives you the 52 to 59 million tonnes per annum. Is that what we should think about as being what you could do for the next sort of 15 to 20 which is what you are talking about taking BMA to, I am just wondering if that is a good sort of rule of thumb, it seems to be roughly what you are spending to expand your iron ore business as well. Secondly, you mentioned Finex which is the POSCO process, you have also got highsmelt coming in from Rio, all of which will use lower quality coals, et cetera. I wonder could you just talk about that more broadly, not just Finex but all the other processes that are coming through.

DAVE MURRAY: It is difficult to answer because it really does range, some of the projects that you are looking at are at the pre-feasibility stages. Queensland's Poitrel would be probably more of a contract nature so there would be less of a capital intensity required there. Some of the other expansion is again squeezing of the lemon with further enhancements at Goonyella and Peak Downs, those are pretty capital efficient projects. You start looking at the conceptual stage, again we have a range of options out there, we have more underground expansion that tends to be a little bit less capital efficient and possibly another wash plant in the northern part of Peak Downs which will then coincide with some expansion in the northern reserves that would be less capital efficient so I guess the earlier projects are probably as capital efficient as what we are talking about and the latter ones would be less of a brownfield and more of a greenfield and therefore less capital efficient.

BOB KIRKBY: The Finex question. Finex, highsmelt, with all these projects we tried to show that this is something that has been overhanging us for a long period of time and despite all the predictions the blast furnace really is the favourite route and we are definitely seeing that in China, you know, there may be one Finex plant built, there is one highsmelt plant and there may be others. The total impact on our business is not material in the coming years and even if you take a broader look at the way the dispersion of the new technologies in any of these industries it takes a long time. I am hopeful that our projects will all have paid back handsomely by then.

Q Good morning, a quick question I am just curious about the timing of this announcement given that it is reasonably close to upcoming contract negotiations, I wonder if you could talk a little bit about the strategy of that. Are you looking to potentially get some longer term contracts with some of your longer term clients or potentially look at keeping high quality coking coal outlook up in order to keep out some of these other technologies that you are talking about?

BOB KIRKBY: There is no magic to when this announcement was made. We finished the work that we needed to do. That's it. There is a lot of work gone into making these decisions and both us and our partners have been considering this, I was in Japan late last week and we all agreed that this should go ahead, so basically it was about getting the work done, nothing more exotic than that.

Q Do you think it will benefit your upcoming negotiations?

BOB KIRKBY: Time will tell. Next question.

Q Just in terms of the outlook that you have now presented, I think it was almost a bit less than 12 months ago when we had the last update and since then have you made quite a significant change to the outlook, I think the average growth rate is almost doubled, when we compare it to what have you done in iron ore the outlook there has been probably a bit ahead of where coking coal has been at. Have you now caught up to where your expectations are with iron ore in the coking coal business? Secondly, with the Indonesian mine development, within your contract of work there is there any provision that have you to sell down equity at any point to local interest or is there any plan to include local interest in that development?

BOB KIRKBY: I will answer the last one first. These are third generation coal contracts at work and they do not require us to sell down to locals. Whether we decide to sell down, whether we decide to have joint venture partners will all be part of the process as we go through the studies in the coming year. Iron ore versus coking coal, there is a lag, I think what we are flagging, there has been a lag, it is very obvious to us because of the Chinese steel industry and the lack of high quality iron ore in China that the opportunity presented itself first. We went through a period, where the whole industry and maybe we were talked into it by some of our customers, I am not sure whether they believe that, but it certainly influenced our price outcomes a couple of years ago where it was considered there was a likelihood of significant exports of coking coal to supplement what were in those days significant exports of coke out of China. Our view is, and this is not only our view now, but everyone's view is that that is very unlikely, and that's what has changed and that's what you have seen a number as Andrew has shown on one of those slides, a number of announcements either confirmed or under serious study for additional coke ovens and that has not happened since, well in the post-war period, you could count on the number of hands the new coke ovens have been built but certainly a very significant number have been announced in the last six months or so. That is what has changed our view.

Q In terms of the increase in production do have you any mines that will be coming up for closure between now and 2010 or will all mines keep operating at full capacity?

BOB KIRKBY: We had two mines that are closing; one is Riverside, and two is Elouera. Some others may change their names, but they will be the same, they will be the same mines.

Q Just a question either for Bob or for Dave, does this have any impact on the longevity on the mine assets by ramping up production or are there so much in reserves there that it is not going to have an impact on the life of those mines.

DAVE MURRAY: The lions share of that expansion is Goonyella, Peak Downs and Saraji and those mines have very extensive reserves so really it is not going do make any difference to them at all.

Q Is there any greenhouse impacts given greenhouse gas debates going on around the world – is this going to cause any problems for you for going forth?

DAVE MURRAY: I don't believe it does. Certainly, notwithstanding the expansion we still have set internal greenhouse targets that we want to meet just as operations but I don't think greenhouse debate impacts on this at all.

Q Will there be any impact up here in Queensland on the work force, are you looking at an expansion in employment across the operations up here to accommodate the expansion?

DAVE MURRAY: I think if you went up to Queensland now you would see a hive of activity, there is an enormous amount of activity, both with contractors and additional employees. Probably one of the biggest issues facing us is the skill shortage; finding the people that can actually do the design and the construction and then ultimately the operation so, I think skill shortage is a critical area that we have do focus on in all of this.

Q Do have you any idea on the number of additional people you would be seeking as a consequence of this?

DAVE MURRAY: I don't think the dust is entirely settled. You see, we have in order of about 3000 contractors in some form over there at the moment either with prestripping or with construction but it is a significant number I would be surprised if that number would be less than 500 permanent positions. Of course it has an impact on other parts of infrastructure; housing is also very critical. Housing all these people and remember it is housing not only for permanent employees but all the construction people and so on so housing is another significant issue.

Q Just two quick questions, one was just on the Kalimantan development, what are some of the challenges there of putting the development in there inland. I am just thinking about the environmental hurdles such as tailings disposal, et cetera and the other question was can you give me a breakdown of where the extra 42 million tonnes is going to be coming from the different operations.

BOB KIRKBY: The 42 million tonnes, I am not sure whether have you got our slides, but if you have, it details where the 42 million tonnes is coming as best we can at this point in time. That is on the internet so you can find that I am sure. In terms of Kalimantan, this is why we are doing our feasibility and our pre-feasibility work. We do the full range of activities from market through all the production issues, environmental health, safety, community issues and there is the full range of them in Kalimantan. It is a greenfield project, it is quite remote, so we expect there to be many challenges - but they will be tackled by a team. As you know BHP Billiton has bought on a number of projects in the last couple of years, we have a good system for getting through this work, evaluating it, toll-gating it, have it reviewed, we have very high standards which we will meet in the environmental area and the community areas and that is what is going to take us all 2005 to complete. That is about the best answer I can give you at this point in time.

Q Just on the tailings what would be the initial plan of where to put them. Presumably you are not going do put them into the river or anything like that I guess?

BOB KIRKBY: You can take that for granted for sure, there will be no river disposal. We will have an emplacement like we do in our other coalmines here in Australia, I don't expect it to be any different.

Q If I could just get one quick question in about bringing in joint venture partners in any of these expansions from China specifically, you have already got the Japanese as partners, have you any plans to bring the Chinese in as partners.

BOB KIRKBY: In Queensland we have our partners. In Illawarra we don't have any partners, we supply the steel works there. It is not envisaged that we will bring any partners into the New South Wales developments. That is all for next years study.

Q I have a question for Dave, I just want to look at more of the backing expansion plans towards 100 million tonnes, you mentioned that costs would probably be high more on the brownfield side of things, can you give us a bit more detail on the infrastructure costs to get to 100 million tonne probably the concept stage there. The current rail facilities, would they be able to cope with 100 million tonne per annum and what would be required also at the port.

BOB KIRKBY: Just on the rail, first we have I guess, three alternatives. I guess we can take it south to Gladstone we can take it to DBCT/Hay Point and then of course there is the option of bridging the gap between the current rail and the rail that links to Abbot Point and all of those can potentially be in the mix. We believe that the capacity of Queensland rail down in the Goonyella corridor down to Hay Point / DBCT's in excess of 130 million tonnes. So there is a while before you start running into an issue there. And that is a question of looking at tonnage with Queensland Rail and then they can establish that capacity for you. I don't anticipate a major problem with rail capacity. Port capacity, there is a number of further expansions we can do at Hay Point and some of them are incremental which are pretty well capital efficient on the same footprint. Then there is the major expansion which we can do which is offshore which is another ship loader and a few variations on that. I really think we could probably grow Hay Point to in the 60-odd million tonnes in that sort of order. DBCT is also talking about some expansions and so is Gladstone. Gladstone has just recently announced an expansion. We hope to secure some of that and we are talking about a further expansion so the ideas are out there about port expansion that could cope with this sort of tonnage quite easily.

Q Just take a step back, with the election pending in a month's time I know it is not directly related, but is there any potential impact from the change government on your businesses?

BOB KIRKBY: I guess there is potential. I mean specifically what it is likely to be we will see as these policies are announced over the coming weeks. I am sure there will be many of them that will keep many of our people interested in analysis but, you know, if there is a change in government then obviously there is going to be some changes in policy. If there is no change in government maybe it is more of the same and they will change things. I do not want to buy into the election campaign, we have got enough problems.

Q A couple of questions with regard to Queensland. The Daunia development that you mentioned can I assume that that will be in association with port rail and can you give me some indication of rough timing on that? The second question is at one stage you were looking quite strongly at a number of mines in Queensland, Saraji for example that seems to have gone a little bit into the background but is that included are there more punch long walls than your 100 million tonnes?

DAVE MURRAY: The intention - because of the close proximity between Daunia and Poitrel clearly it is logic to link the two together so that would be the intention is one to feed off the infrastructure and the other share the infrastructure if you like. Whether it goes to sharing contractors and the like

I am not too sure, but yes, to get the capital efficiency between the two operations. We do not anticipate the two to be that far apart. I mean they can follow quite closely on one another once we decide to go. In terms of the underground mines are those options are still out there, very much so. I guess a lot depends on the punch longwall at Goonyella, is that is a success and have I got a warm feeling about that one, I think it will be, then clearly it opens up options, but the improved efficiency of drag lines, the better utilisation of exposing bull dozers has enabled us to push out that envelope where drag lines are effective so it has not gone away it is probably just further down than we originally anticipated. The reserves are still there.

BOB KIRKBY: Thank you very much, everyone for coming, we do have some lunch out here for those that are here and thank you for those that have joined us on the phone. Thank you for coming.