Iron Ore: Industry Outlook

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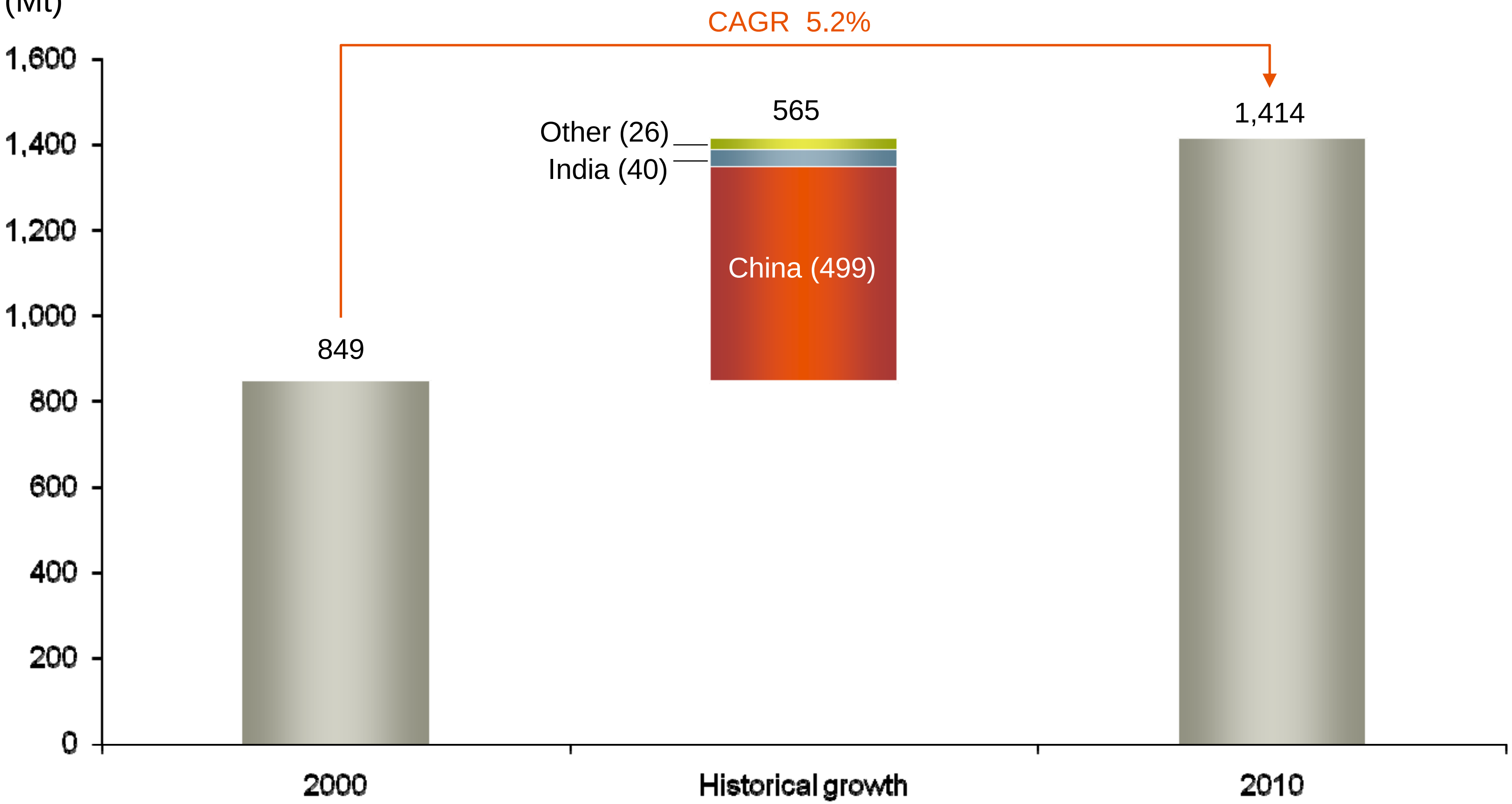
Outlook summary

- Growth in **China and India** to sustain **strong Iron Ore demand**
- A significant **ramp up of supply** is expected in next 5-10 years
- **Industry challenges** will put pressure on **supply delivery**
- **Delivered supply** will **restore market balance**
- Competition between producers will focus on **conventional factors** such as **product quality, reliability and cost position**

China accounted for 88% of growth in global steel production in the last decade

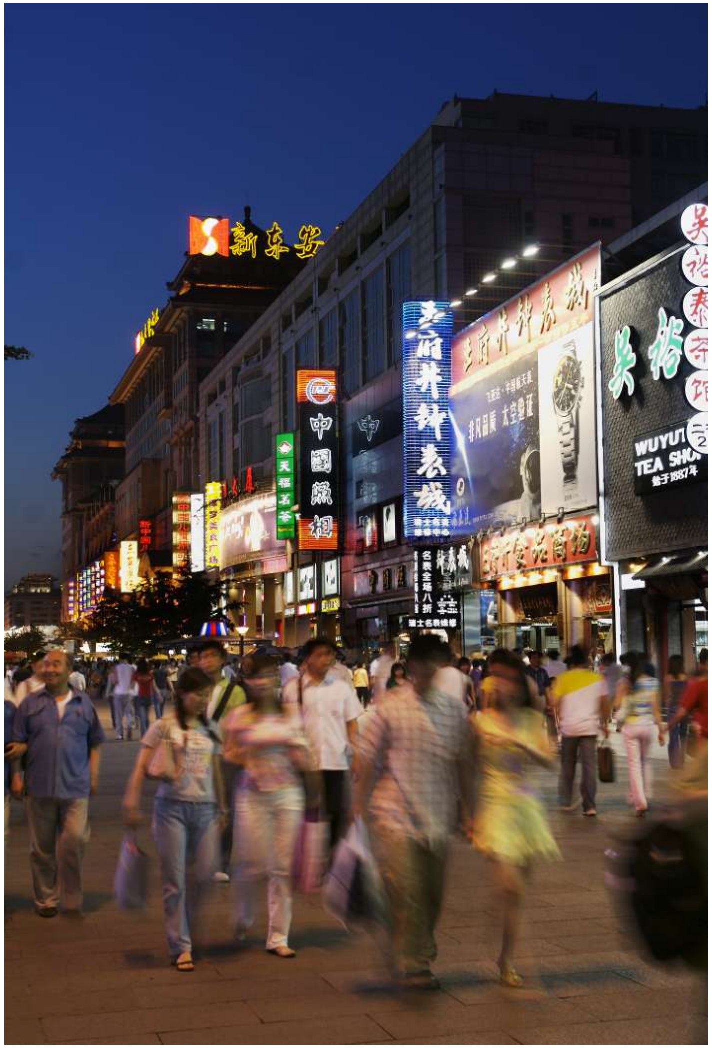
Historical global crude steel production

(Mt)



Source: BHP Billiton analysis.

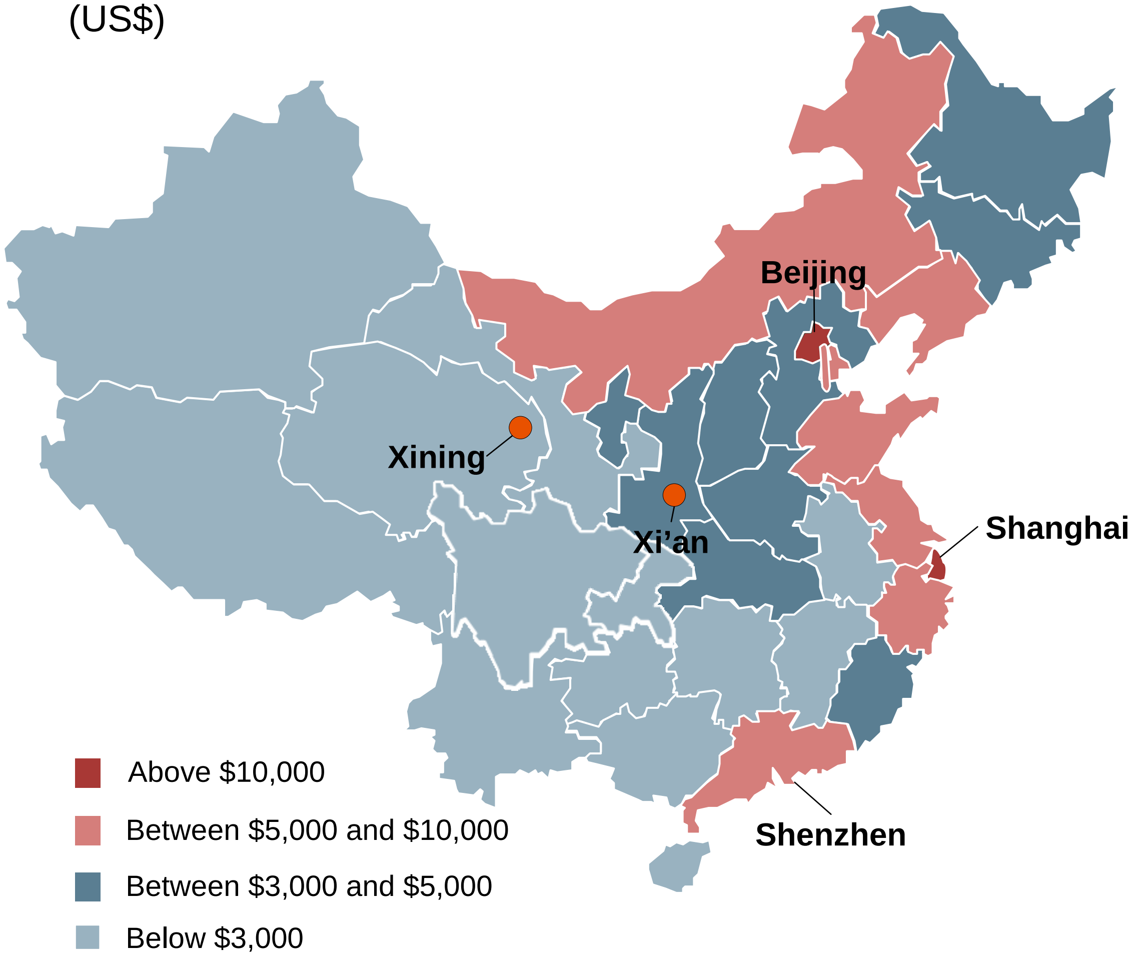
China's development underpinned by urbanisation and industrialisation



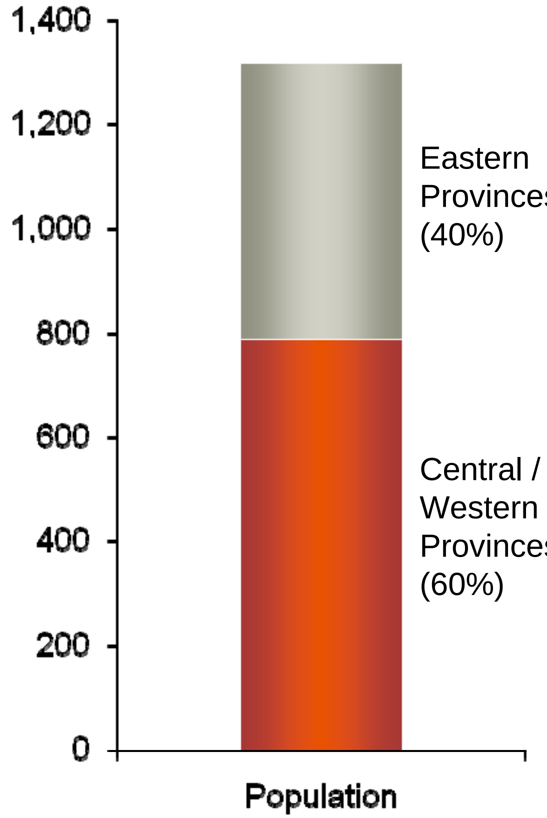
Photos Source: BHP Billiton.

Chinese Central and Western provinces are still in the early stage of development

China GDP per capita by province (2010 nominal)
(US$)



China population by region 2010
(Million)



Source: Global Insight, BHP Billiton analysis.

China's economic transformation and expanding urban footprint spreading West

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Xining in Qinghai Province

Xi'an in Shaanxi Province

Shanghai

Beijing

Avg. Central and Western Province GDP per capita ~US$3,000

Avg. Eastern Province GDP per capita ~US$6,500

Note: GDP per capita (US$ 2010 nominal) .
Source: Global Insight, BHP Billiton analysis. Photos Source: BHP Billiton.

China's urbanisation and industrialisation trend expected to continue in longer term

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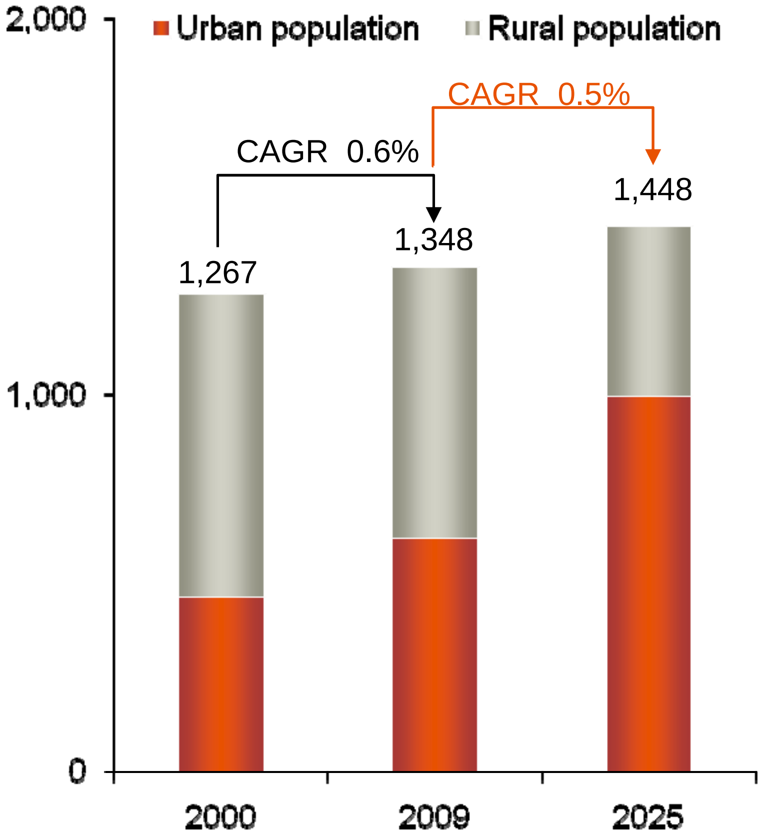
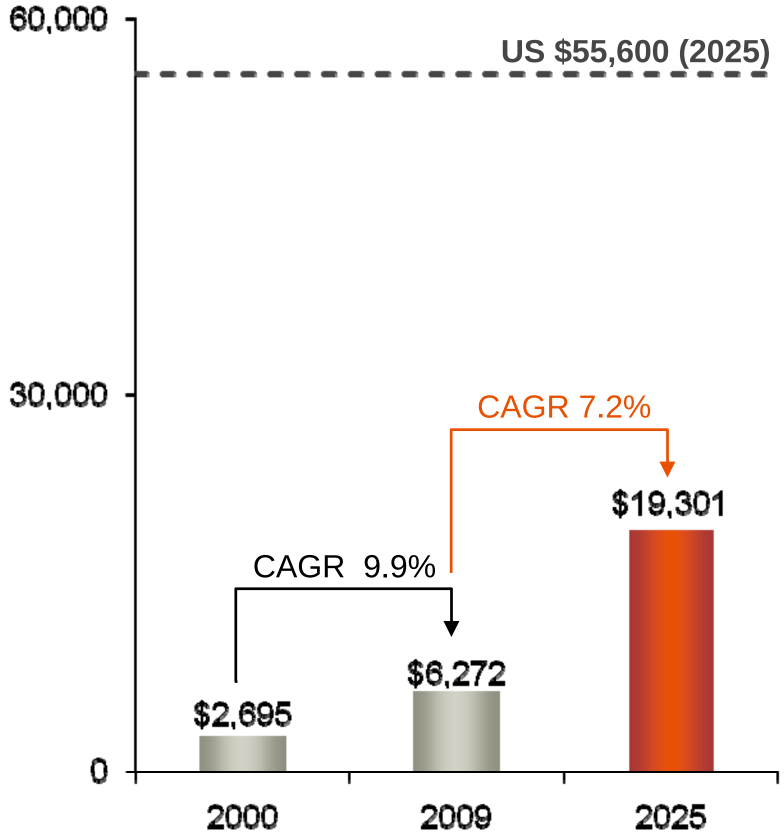
China population breakdown in 2000-25
(Million)



% Urbanised 36% 46% 64%

China's GDP per capita 2000-2025
(USD/ Capita, Real 2005 PPP)



Source: McKinsey 2011, Global Insight, BHP Billiton analysis.

Development of India will also drive steel demand growth

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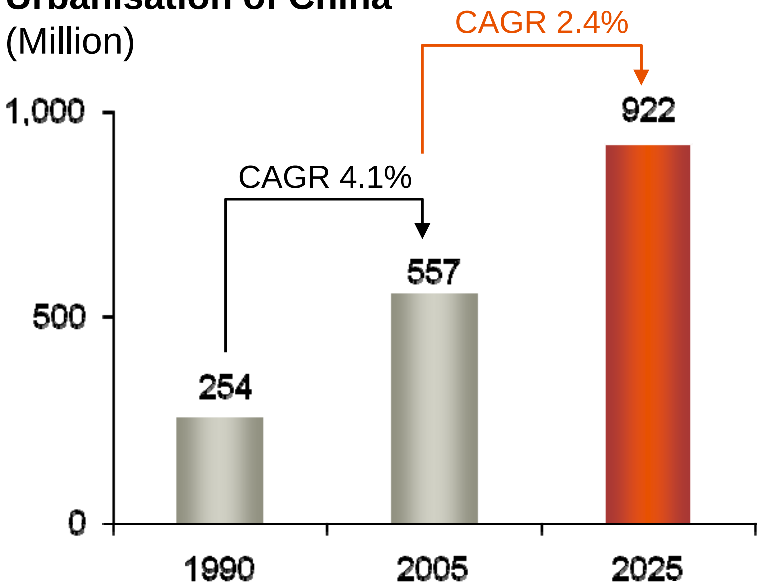
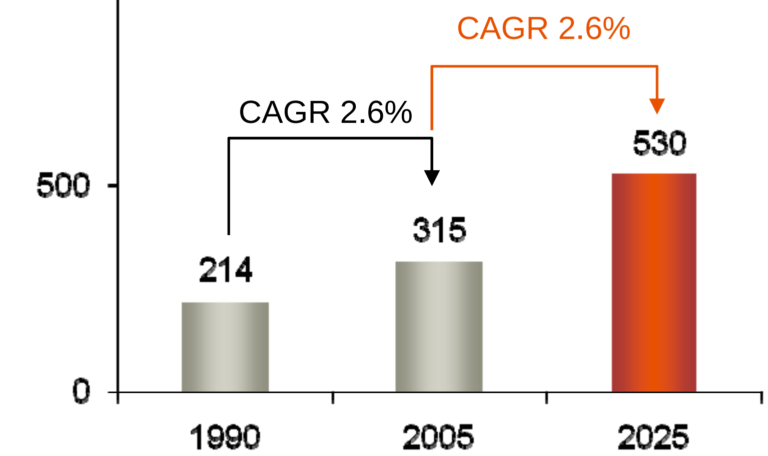
Urbanisation of China
(Million)



Urbanisation of India
(Million)



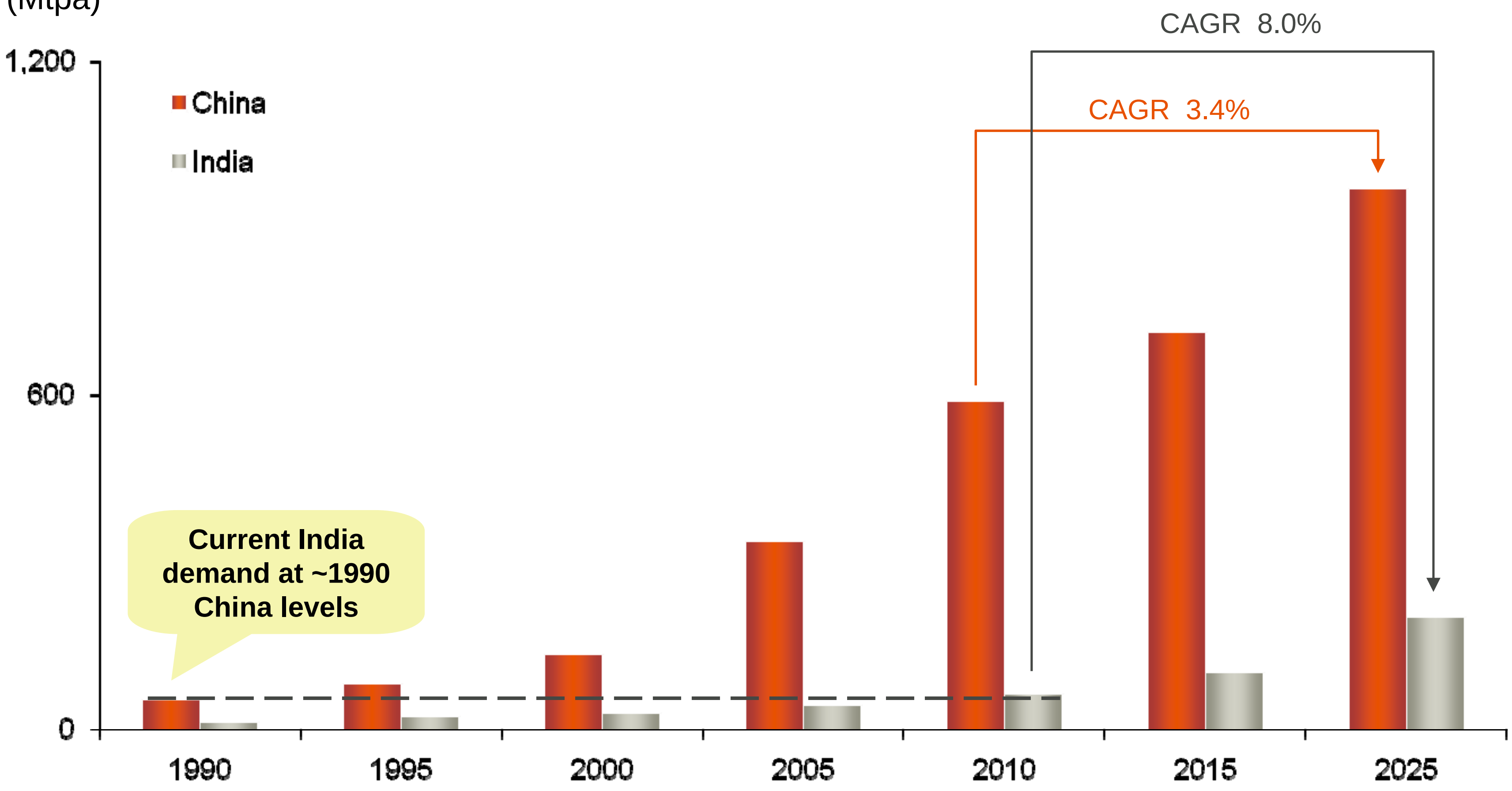
China	1990	2005	2025
Population (m)	1,142	1,307	1,448
% urbanised	22%	43%	64%

India	1990	2005	2025
Population (m)	839	1,106	1,401
% urbanised	25%	29%	38%

Source: McKinsey 2011. Photos Source: BHP Billiton.

India will grow at faster rates than China in the next 15 years, but from a lower base

Projected India and China finished steel demand growth
(Mtpa)



Source: BHP Billiton analysis.

Asia will continue to be a substantial driver of steel production growth to 2025

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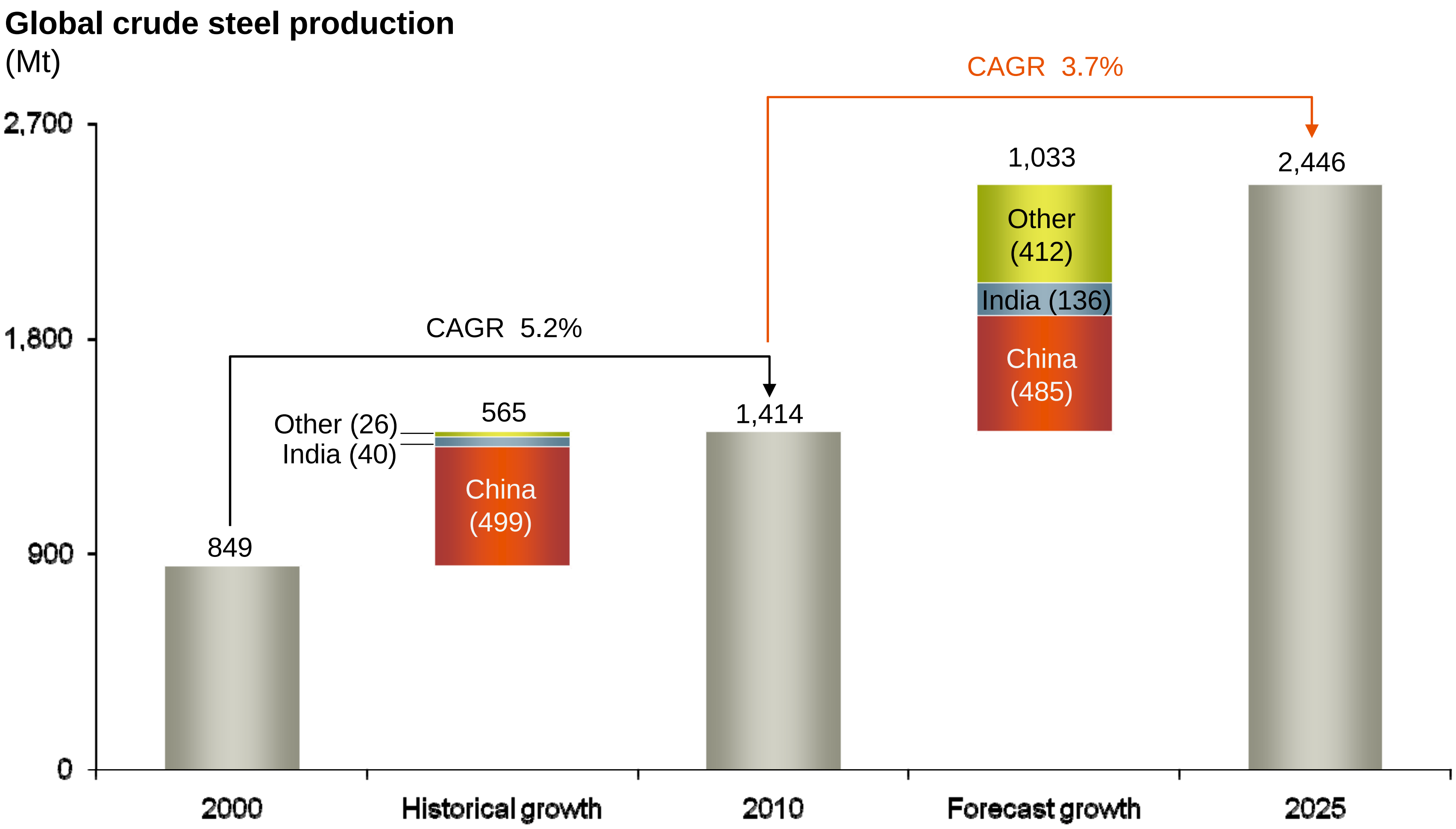
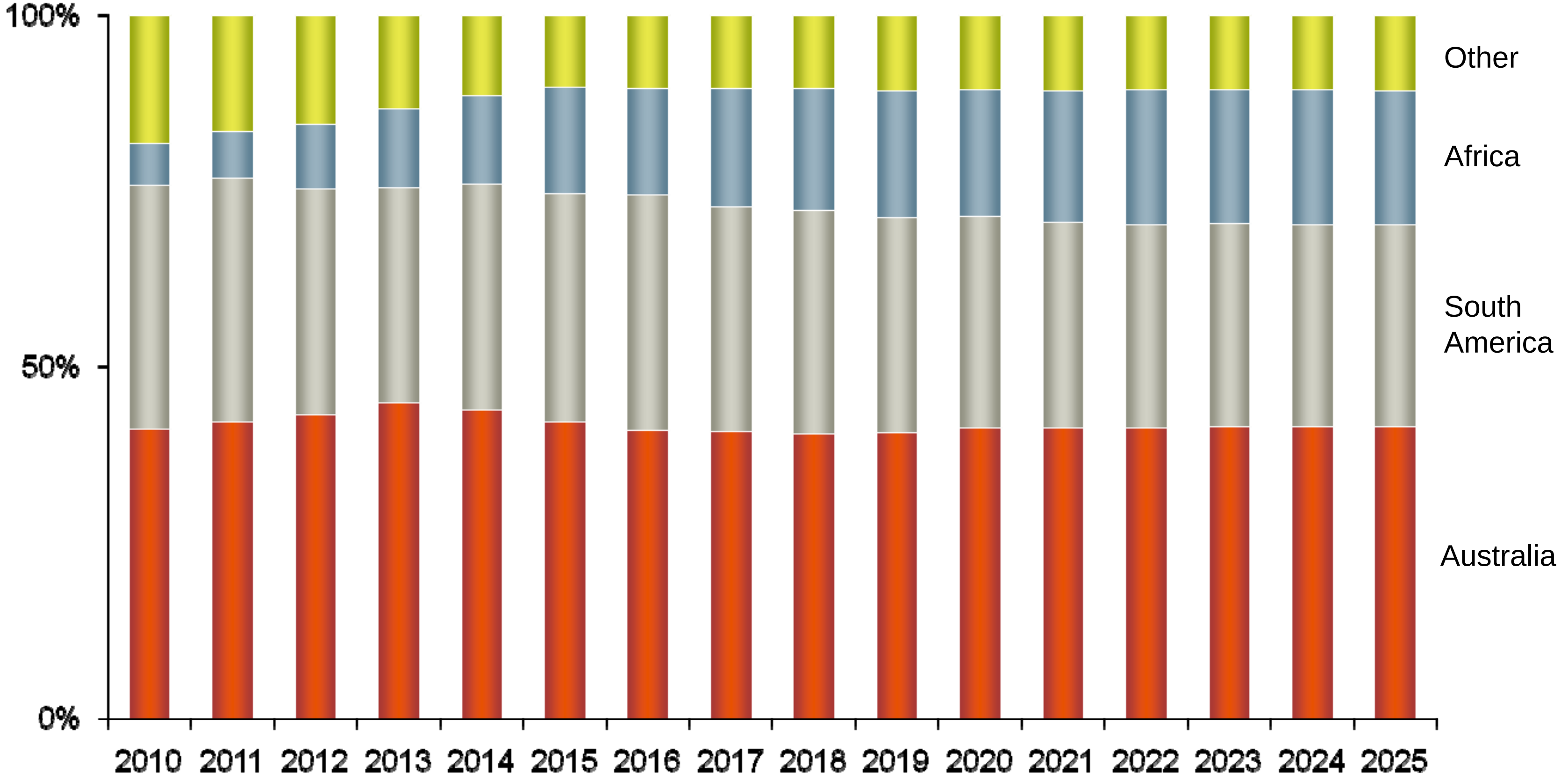


Source: BHP Billiton analysis.

New sources of supply expected to emerge

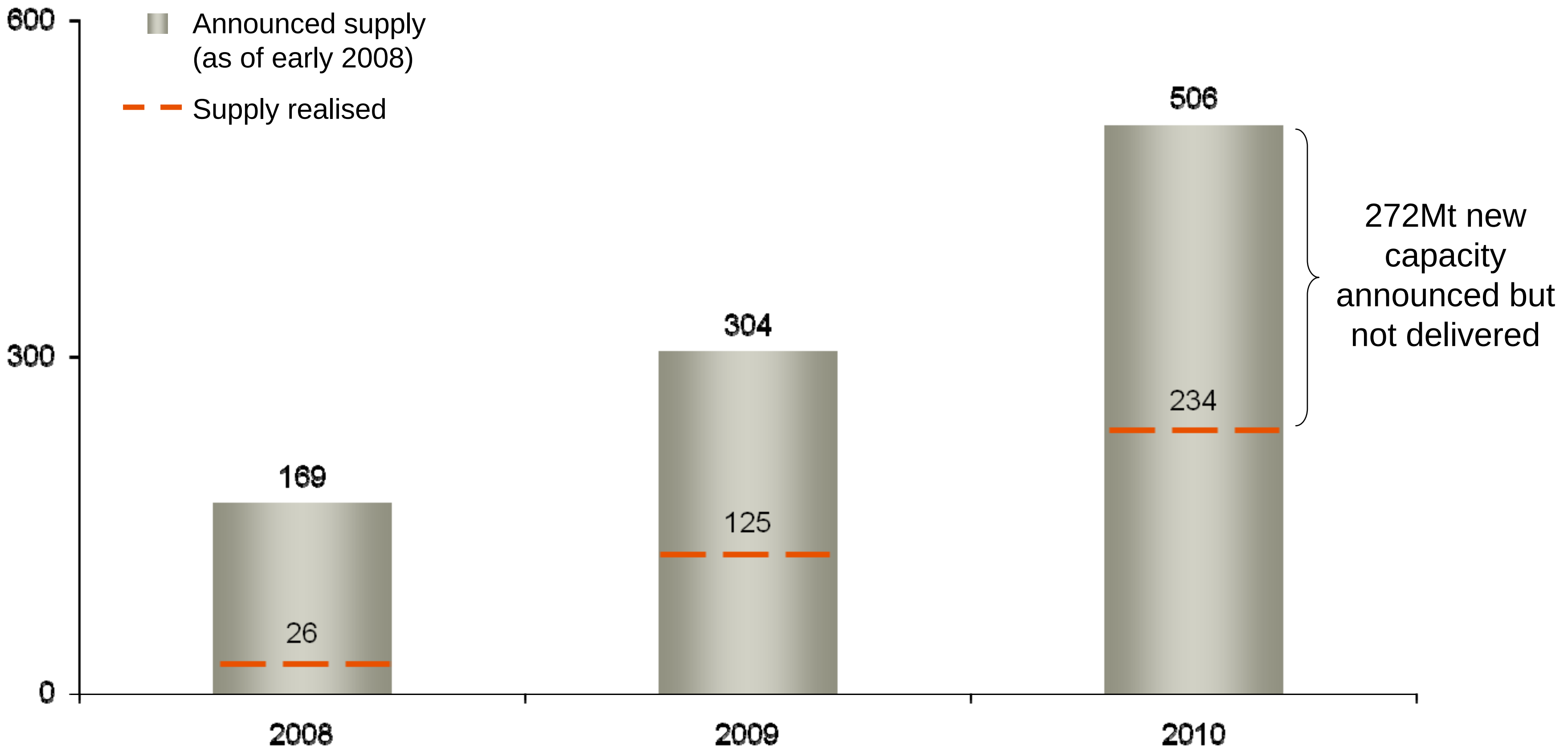
Total announced seaborne supply by region
(%)



Note: Others includes India, Middle East, CIS, Europe-Other, Asia and New Zealand.
Source: BHP Billiton analysis.

Historically delivered supply has not matched announcements

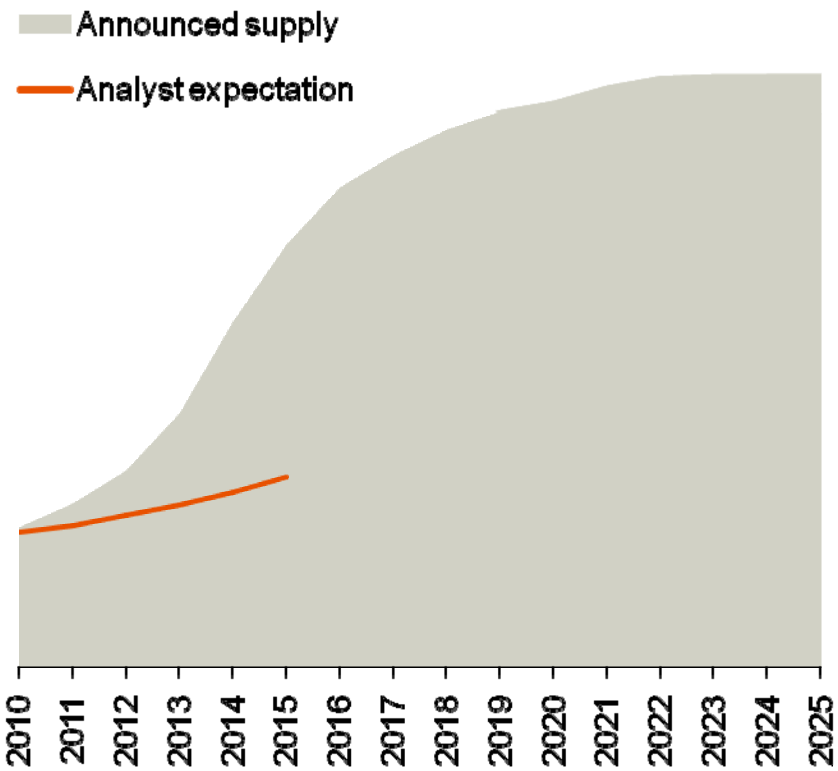
Total announced incremental seaborne supply in 2008 vs. actual incremental delivered (Mtpa)



Note: New Announced Supply based on BHP Billiton analysis as of early 2008.
Source: BHP Billiton analysis.

Looking forward, industry challenges will further impede delivery

Total announced seaborne supply
(Mtpa)



Industry challenges

- Rising capital and operational costs
- Skilled labour availability
- Operational complexity for multiple tie-ins
- Civil Infrastructure strain
- Country political risks

Note: Announced Supply based on BHP Billiton analysis of public announcements.
Analyst expectation based on Goldman Sachs, Macquarie Research , UBS and Barclays Capital and Citigroup Global Markets (January – March 2011).
Source: BHP Billiton analysis.

Conclusion

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