

# Energy Coal Business Briefing

March 2005



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# Agenda

- Energy Coal CSG overview Mahomed Seedat
- HSEC Mahomed Seedat
- Markets Mike Henry
- Financials Clayton Whipp
- Operation capturing market growth Mahomed Seedat/ Darryl Cuzzubbo/ Stephen David
- Wrap up Mahomed Seedat
- Questions All

## Themes

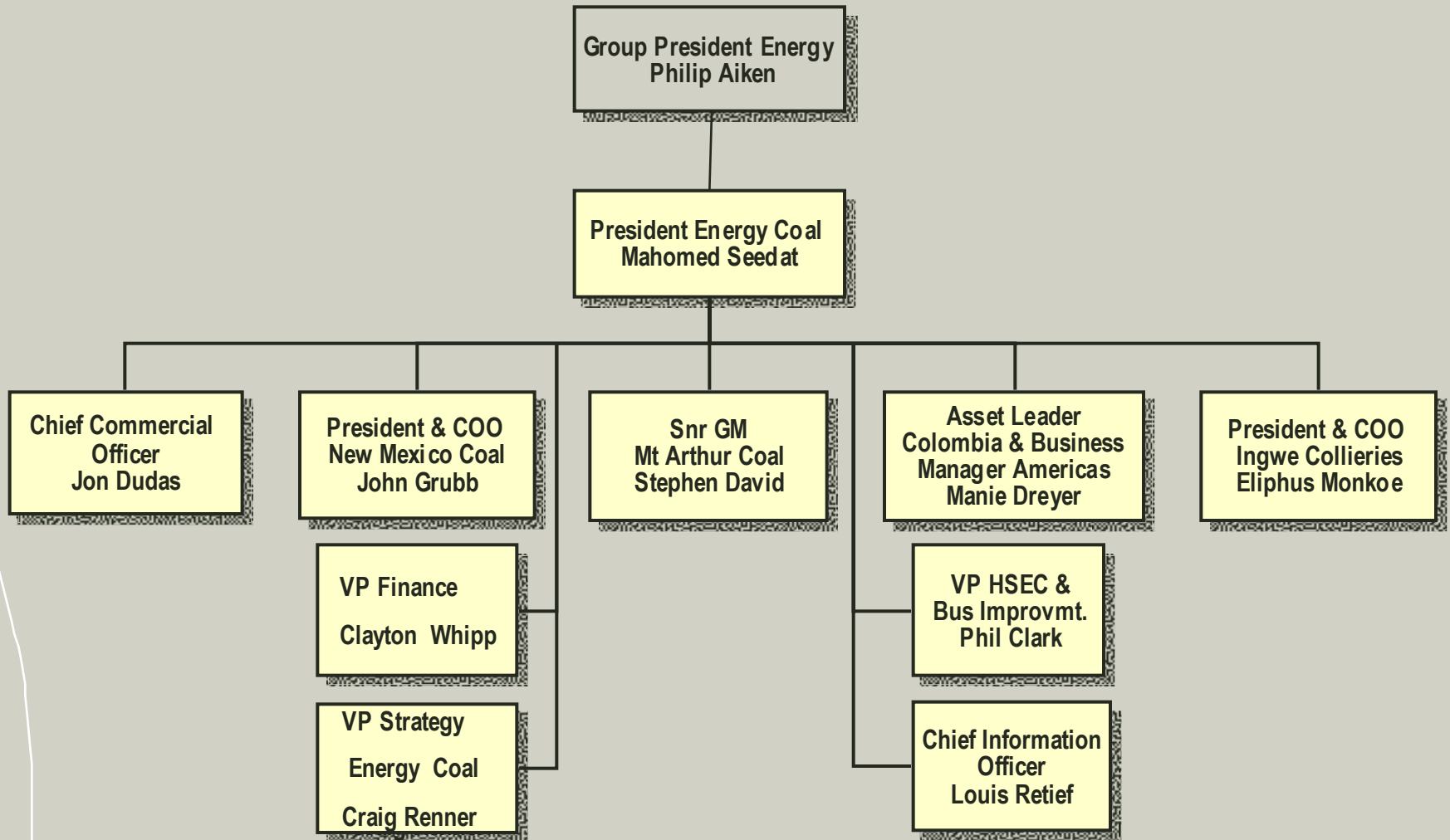
- Significant global business
- Well defined strategy
- Focus upon HSEC and continuous improvement
- Market positioning
- Portfolio management
- Strong assets and growth options

# Energy Coal CSG overview



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# Energy Coal organisation



## Our Energy Coal business

14,000 +

People

10

Operating assets

4

Continents

84,000,000 tonnes

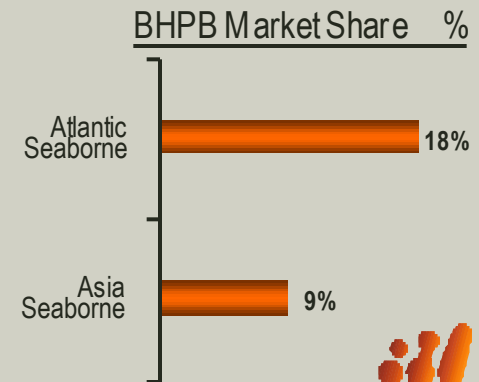
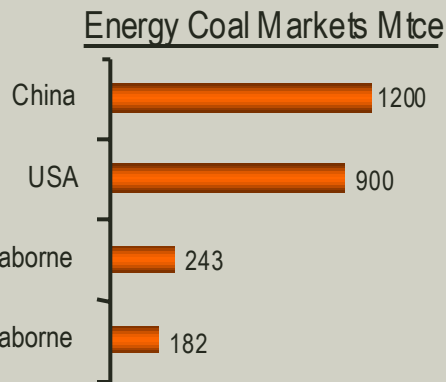
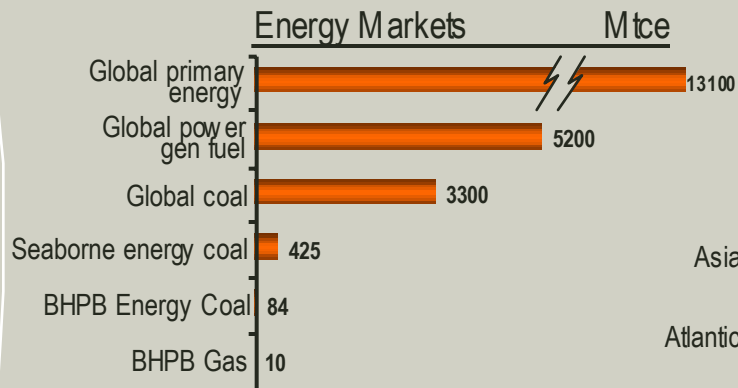
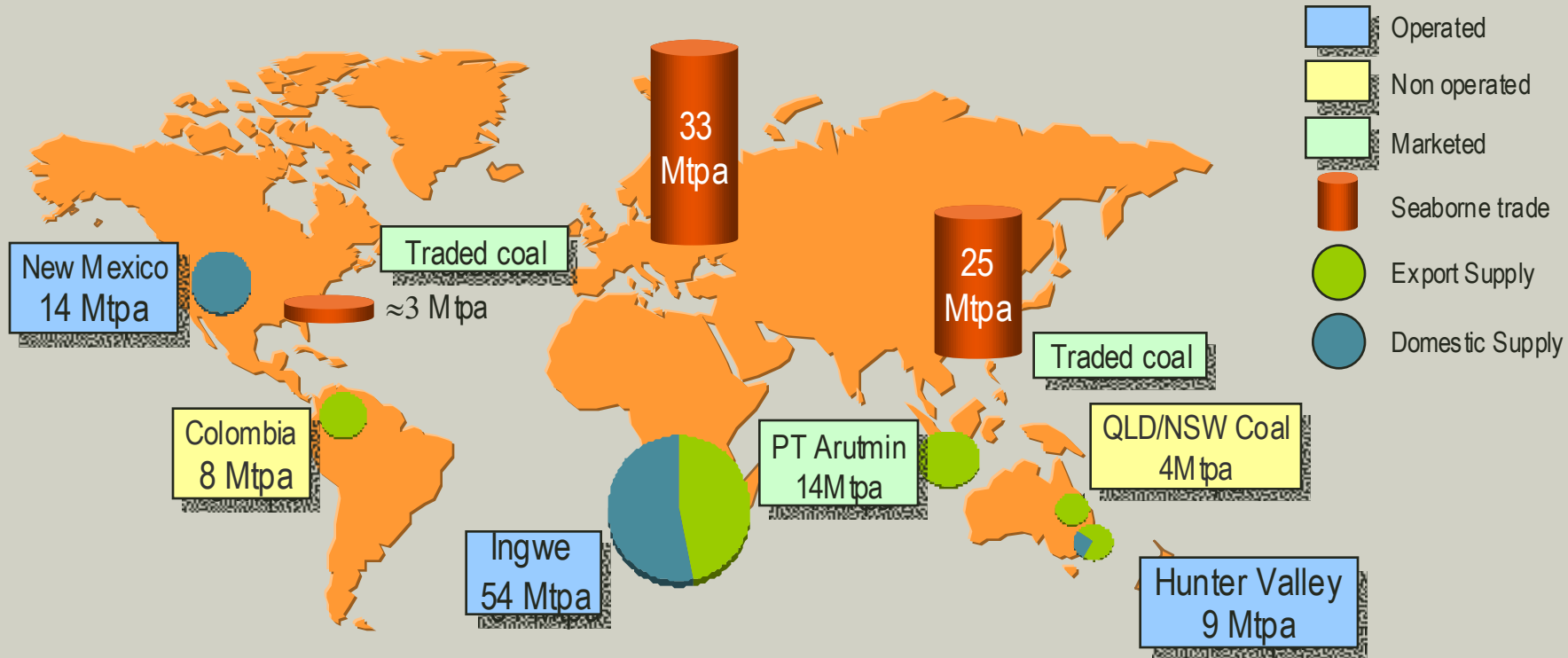
Coal produced, more than 2,000PJ

850,000,000 tonnes

Dirt moved

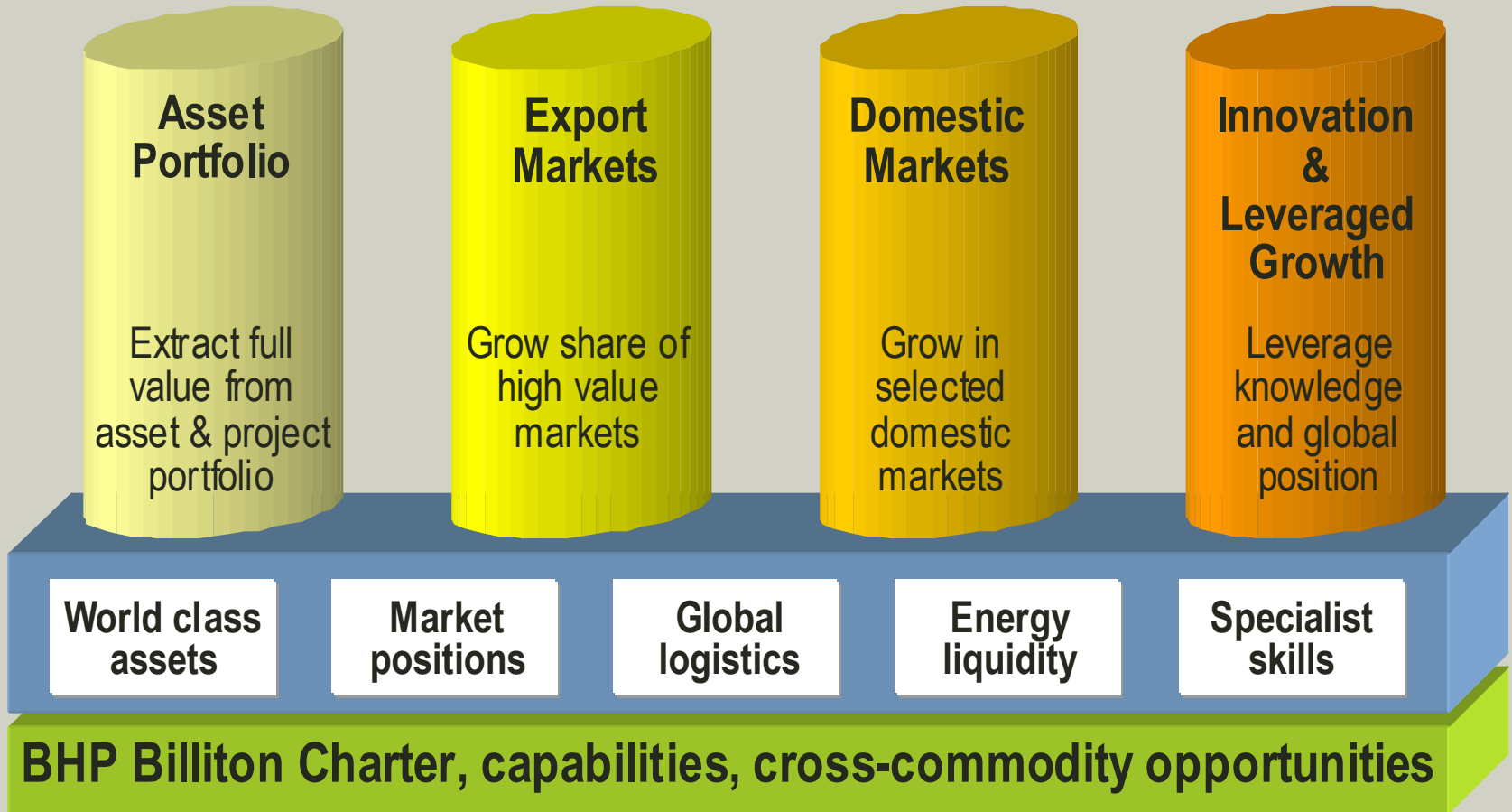
30 products to 100<sup>+</sup> customers via 300<sup>+</sup> marketing contracts

# Energy Coal business overview

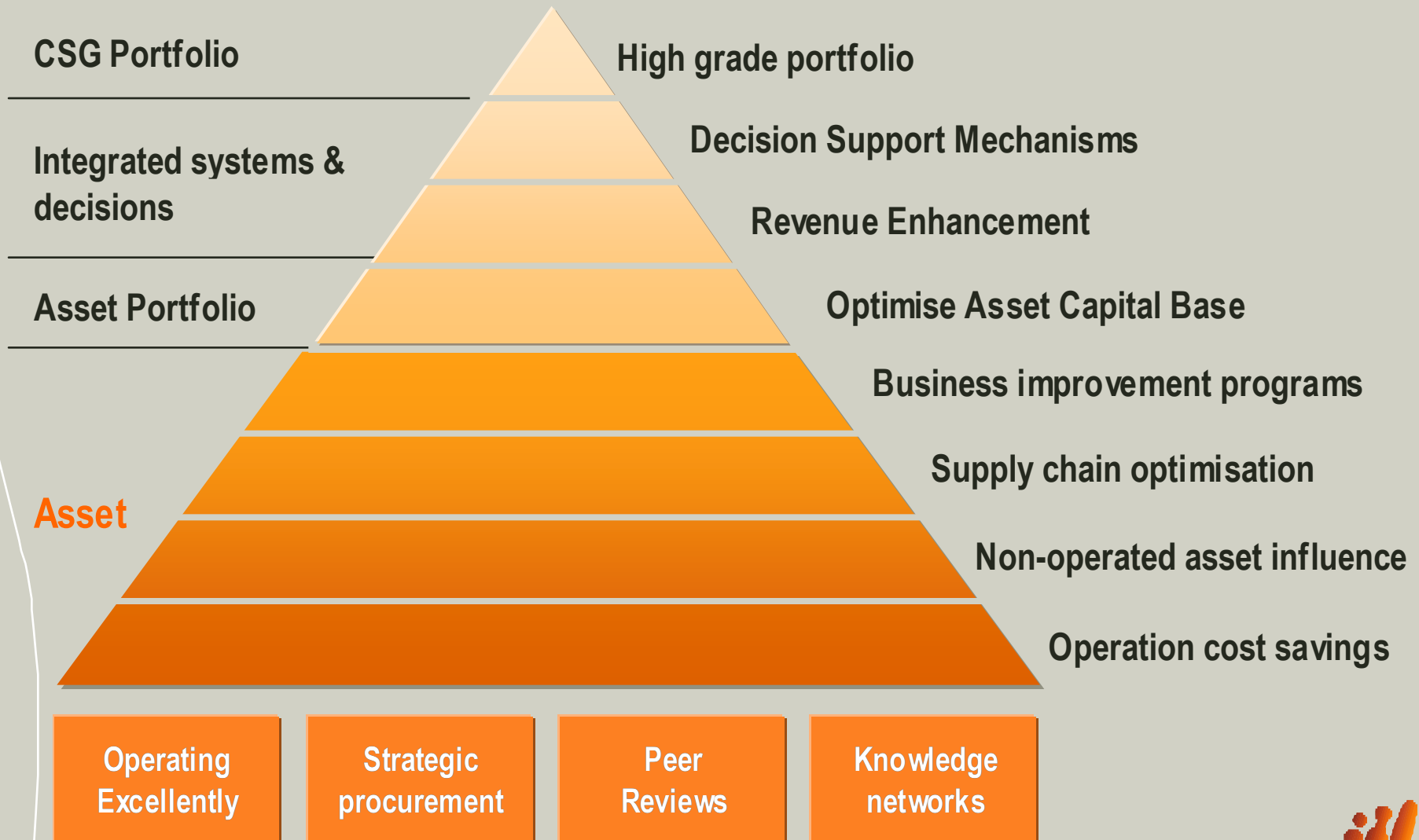


Source EIA: International Energy Outlook 2004

# Energy coal strategy



# Integrated process to drive value



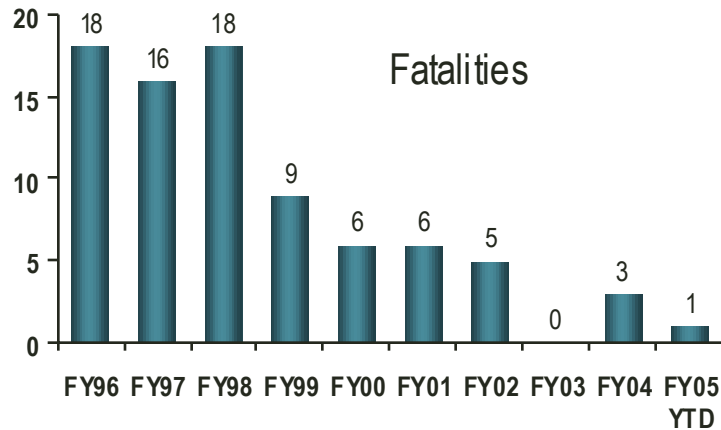
HSEC



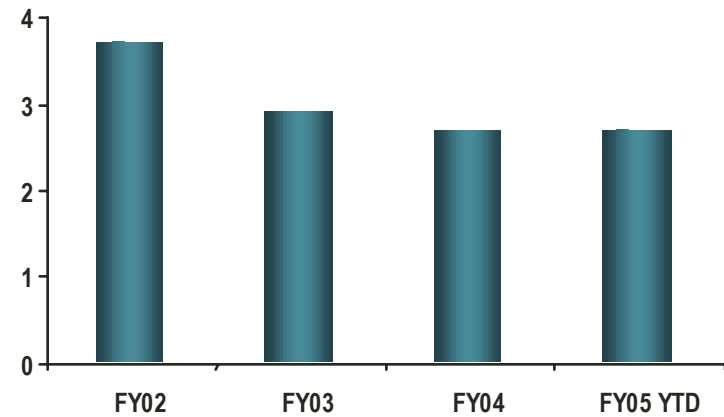
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# The HSEC journey

Energy Coal – where we have come from



Classified Injury Frequency Rate



Energy Coal HSEC Scorecard - FY05 2<sup>nd</sup> Quarter result

KPI	Ingwe	MAC	NMC	EC Overall
CIFR Reduction	✘	✘	✓	✘
Workplace Safety Observations	✓	➔	➔	✓
PL4 Near Miss reporting	✓	-	✓	✓
Fatal Risk Peer Review – Action Plan Implementation	-	-	-	-
Health Targets and Plan	➔	-	➔	➔
Environment Targets and Plan	➔	➔	➔	➔
Community Targets and Plan	➔	➔	➔	➔
Corporate HSEC Audits and PIP Implementation	-	-	-	-

✓ Target exceeded or ahead of schedule  
 ➔ Target achieved (≥95%) or on track  
 ✘ Target behind schedule  
 - Target not achieved (<95%)



# Energy Coal Marketing



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# Presentation to investors

- EC Marketing Objectives
- Strategic Context
- EC Marketing Initiatives and Outcomes

## EC Marketing Objectives

The objectives of the EC marketing group are to:

- Sell our equity product;
- De-risk pricing on sales of equity product;
- Achieve optimal incremental margins over market at lowest cost;
- Support the organisation's strategic foresight and optionality.

We achieve this via:

- Provision of an integrated offering of products and services that meet customers' needs – equity coal, third party coal, emissions credits, logistics, risk management
- Use of the paper markets to unwind fixed price sales
- Active optimisation of the supply chain

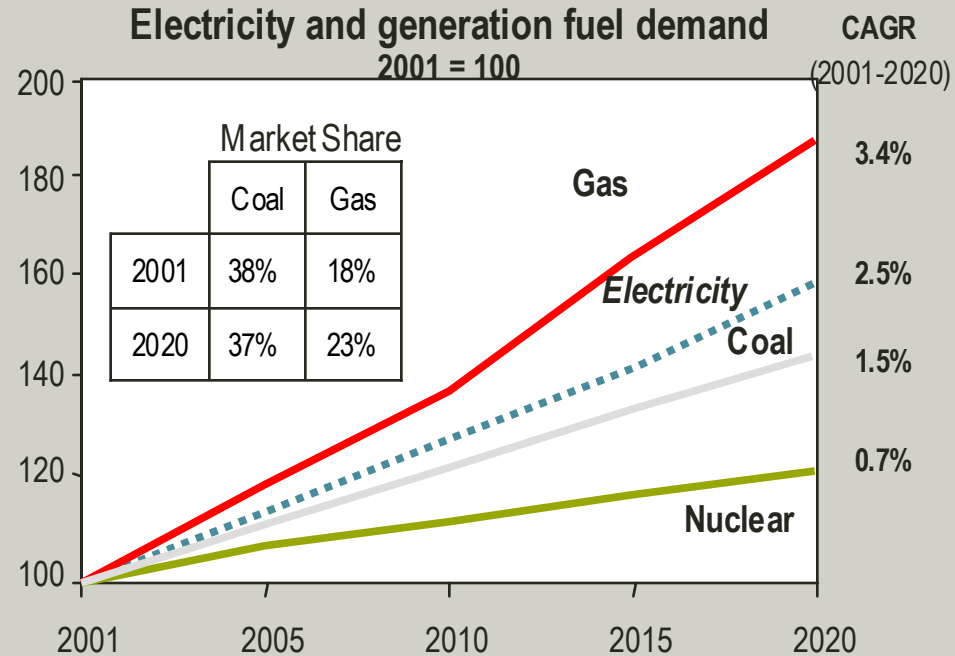
# Coal has a future

## Cons

- Climate change issues
- Gas perceived as being a 'clean' fuel

## Pros

- Competitive
- Abundant
- Relatively low price volatility
- Easy to store and transport
- Largest share of global generation



Source: EIA – International Energy Outlook 2004

## Conclusion

- Coal is relevant
- Substitution is not the answer
- Clean coal solutions being developed

# Coal Macro-environment

## Demand

Variability in growth by region

Threat of substitution from gas

China, India, US demand

Impact of environmental policies

## Supply/competitiveness

Price volatility

Infrastructure constraints

Sub bituminous growth

High global freight

## Behavioural issues

Spark spread buying

Customer trading

Japan power market deregulation

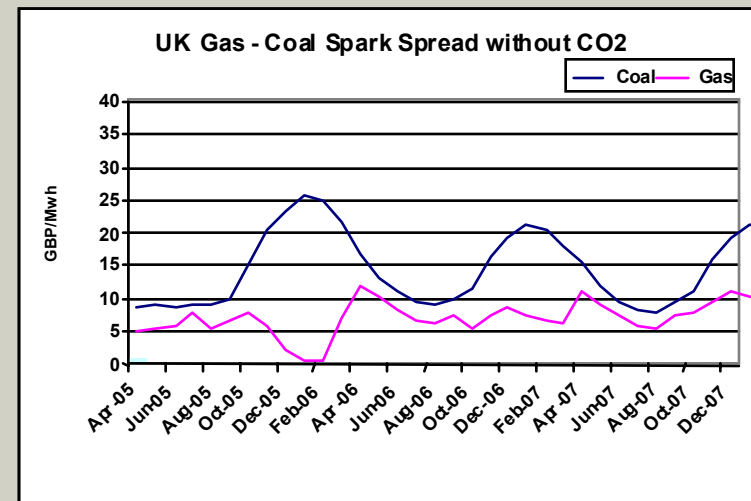
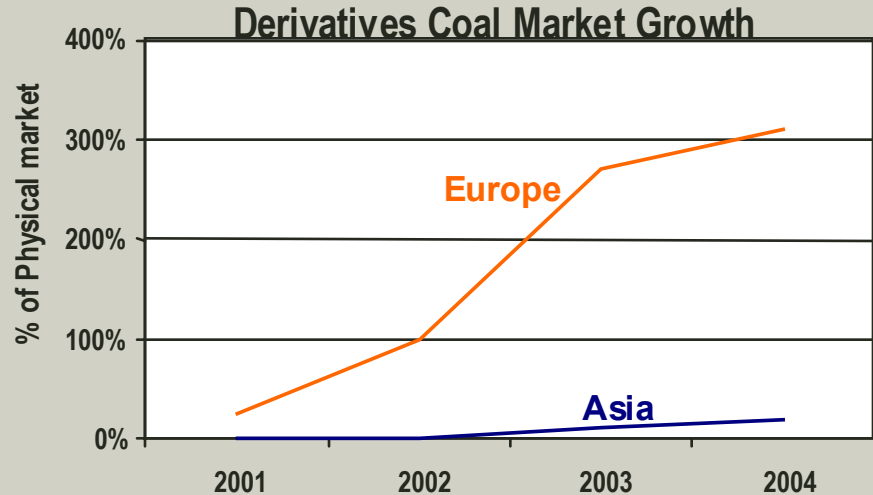
Green power incentives



# The “new” coal environment has rapidly evolved

- Coal now a traded (physical & derivative) market
  - Suppliers
  - Traders
  - Gencos
- Convergence between coal, gas, power, emissions, bio-mass
- Greater complexity in customer needs and behavior

***Coal increasingly directly impacted by all of the above...***



## Recent Developments in EC Marketing

- Move to floating model and 'One Book'
- New products
  - Coal agency
  - Multi source supply contracts
  - Delivery to plant contracts
  - Coal tolling contracts
  - Stapled credit contracts
- Improved logistics capability
- Enhanced systems
- Stronger global analytical capability
- Emissions credits management capability

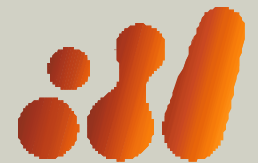


## EC Marketing's Competitive Advantage

- People and capabilities – beyond traditional 'sales'
- Global position – equity and agency
- Understanding of customer drivers – participation in emissions, power, gas
- Ability to structure broader offering – meets customer needs while providing opportunity for value creation
- Systems – best in class
- Governance

***Achieving above market returns throughout the cycle,  
providing better strategic foresight and enhanced optionality***

# Financial and production performance



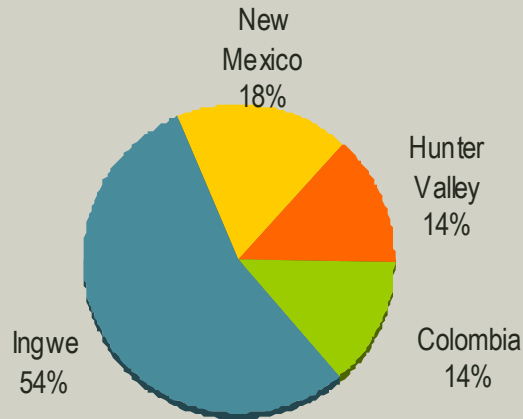
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## Energy Coal EBIT by Business Unit Six Months ended 31 December

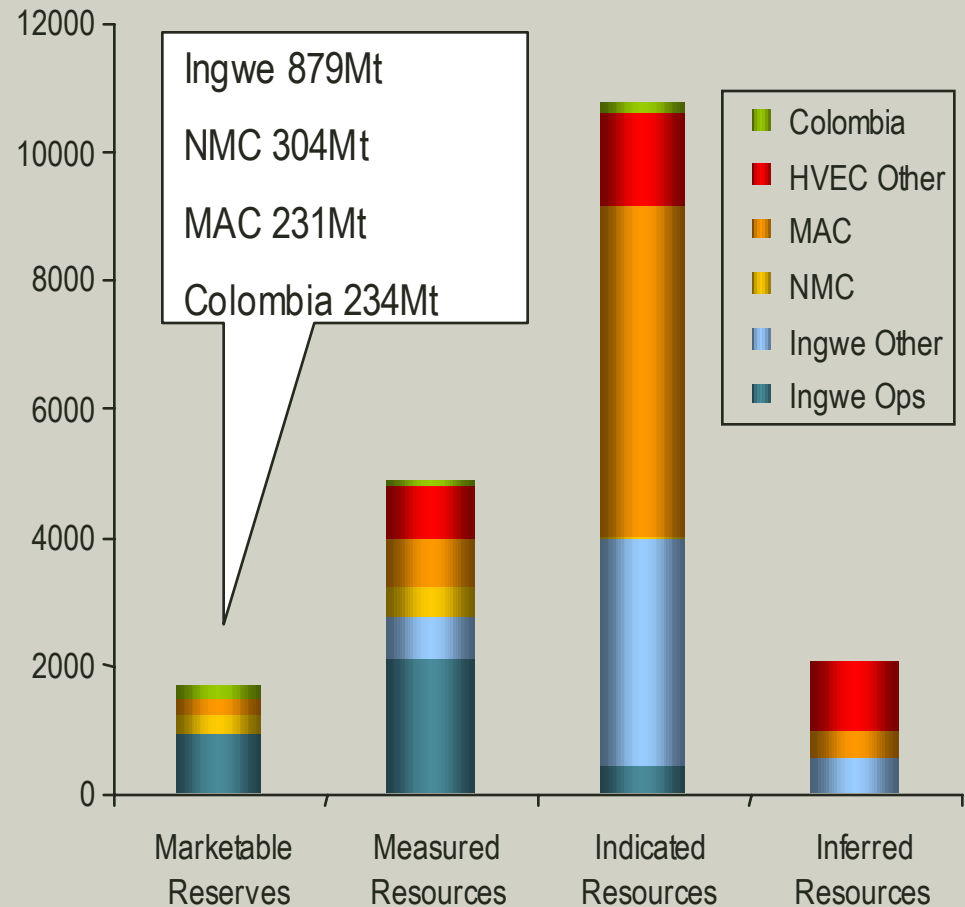
(US\$M)	Dec 2004	Dec 2003	% Change
Ingwe	133	15	+787
New Mexico	45	50	-10
Hunter Valley	37	(5)	+840
Colombia	97	35	+177
Divisional Activities	(6)	(10)	+40
Total from Operations	<u>306</u>	<u>85</u>	<u>+260</u>
Third party products	<u>2</u>	<u>-</u>	
<b>Energy Coal (total)</b>	<b><u>308</u></b>	<b><u>85</u></b>	<b><u>+262</u></b>

# Energy Coal Reserves

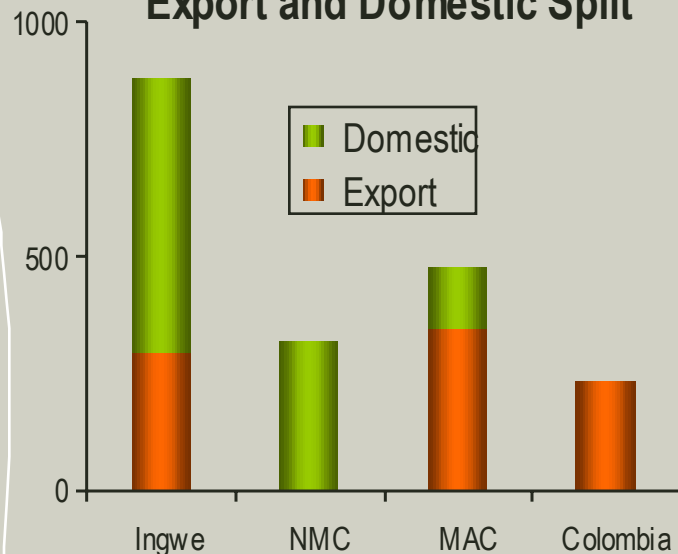
## Distribution of Marketable Reserves by Asset



## Total Reserves Mt

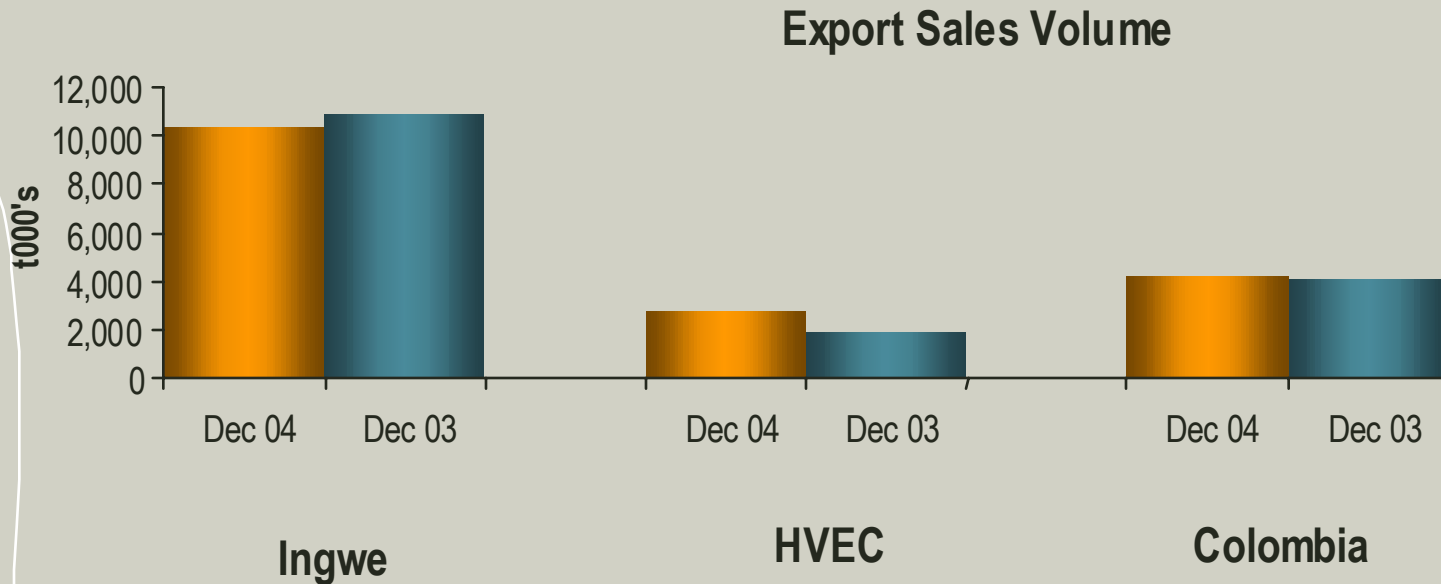
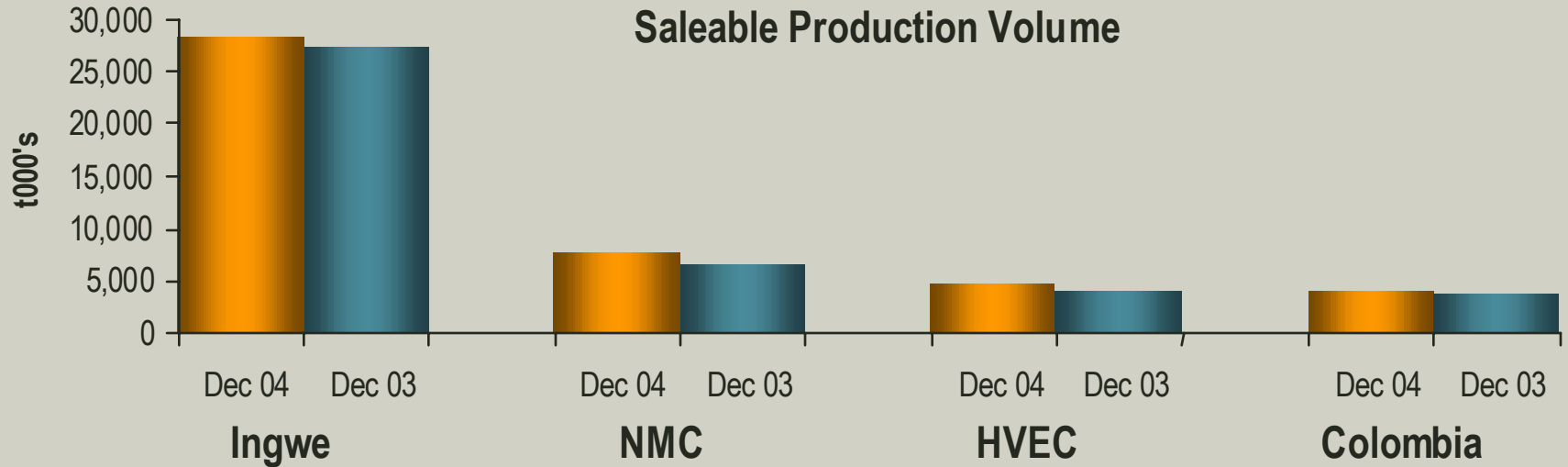


## Export and Domestic Split

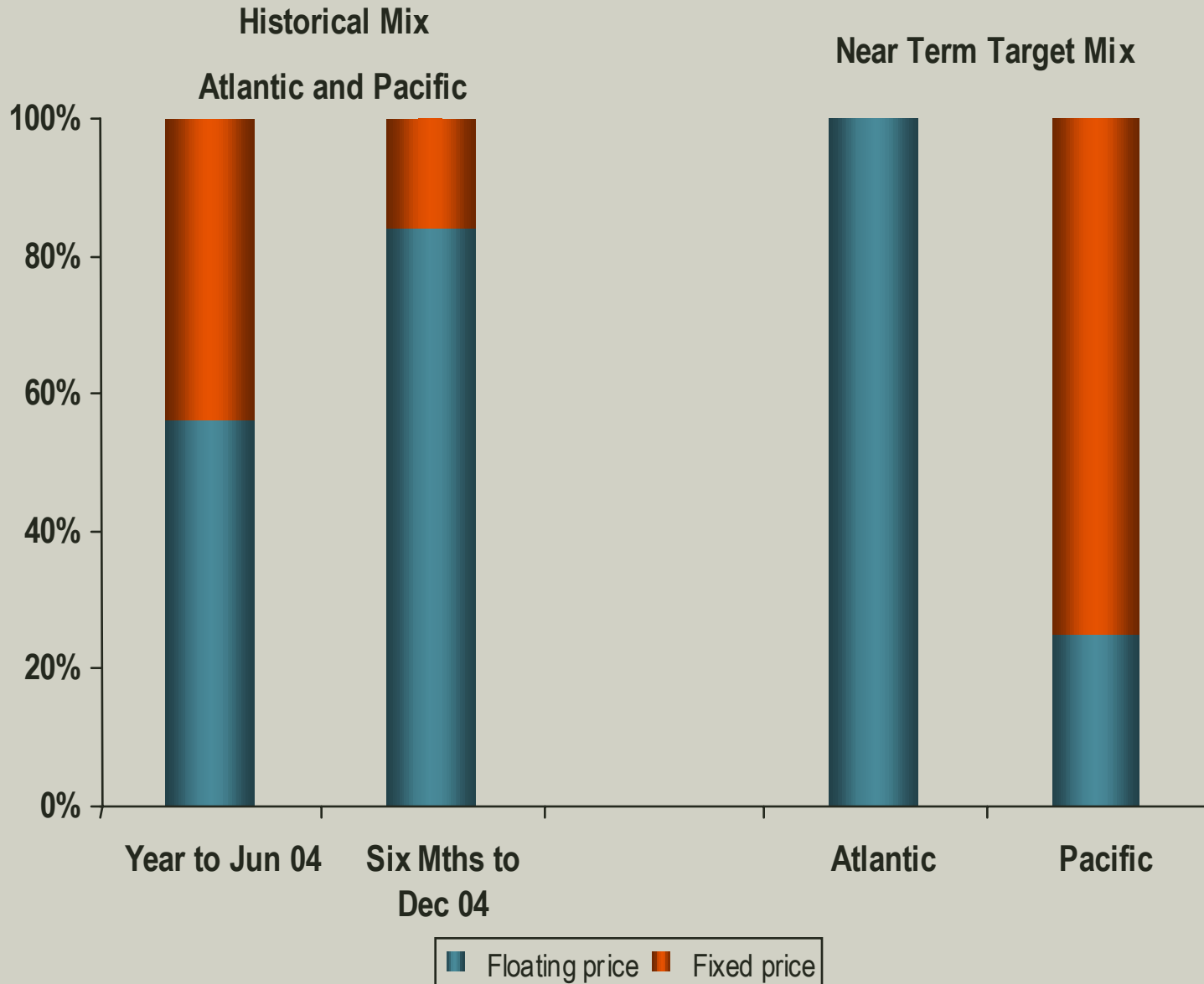


Note: Colombia data shown as BHPB share (33.3%)

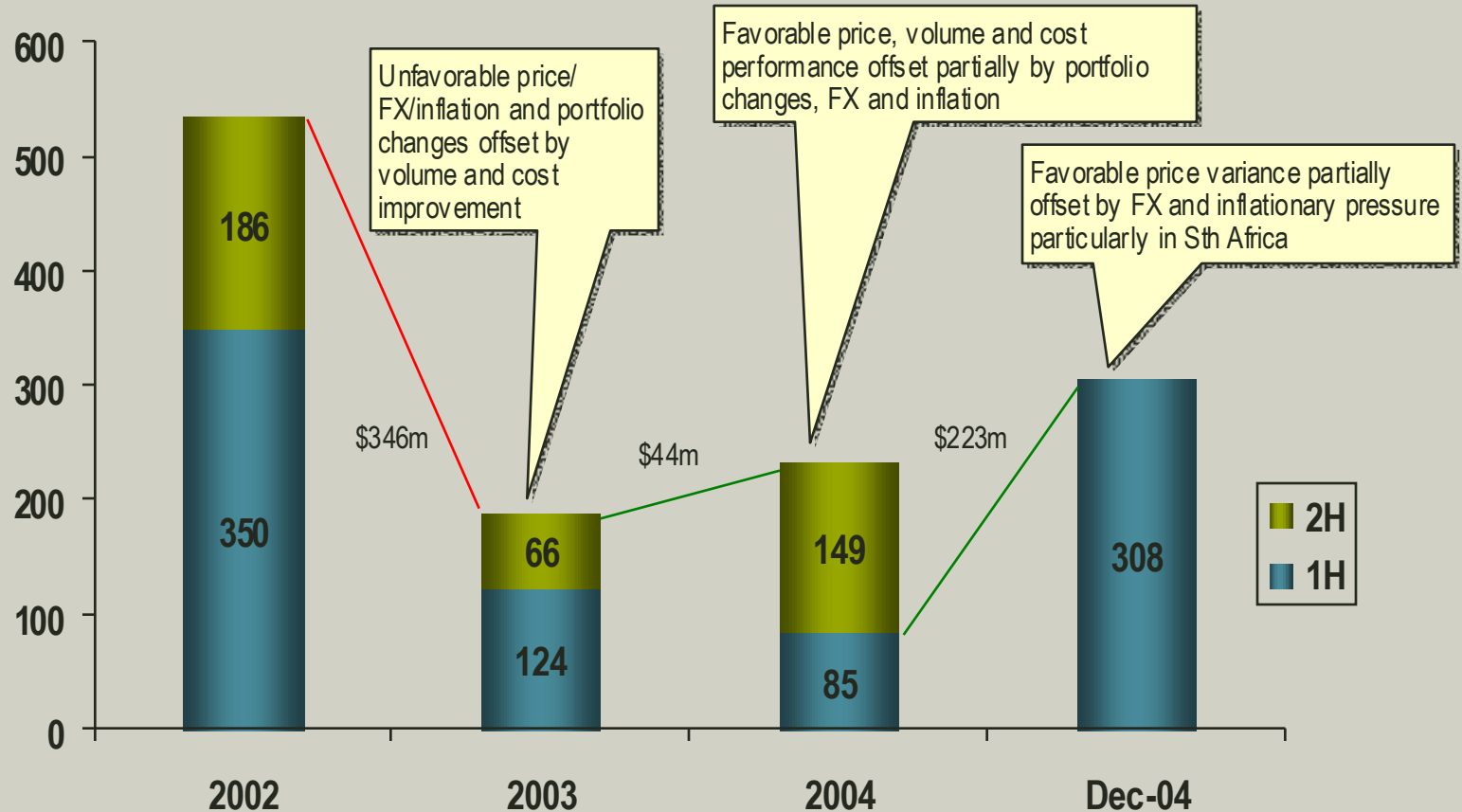
# Volumes by Business Unit



# Fixed and Floating Prices (Excluding Colombia)



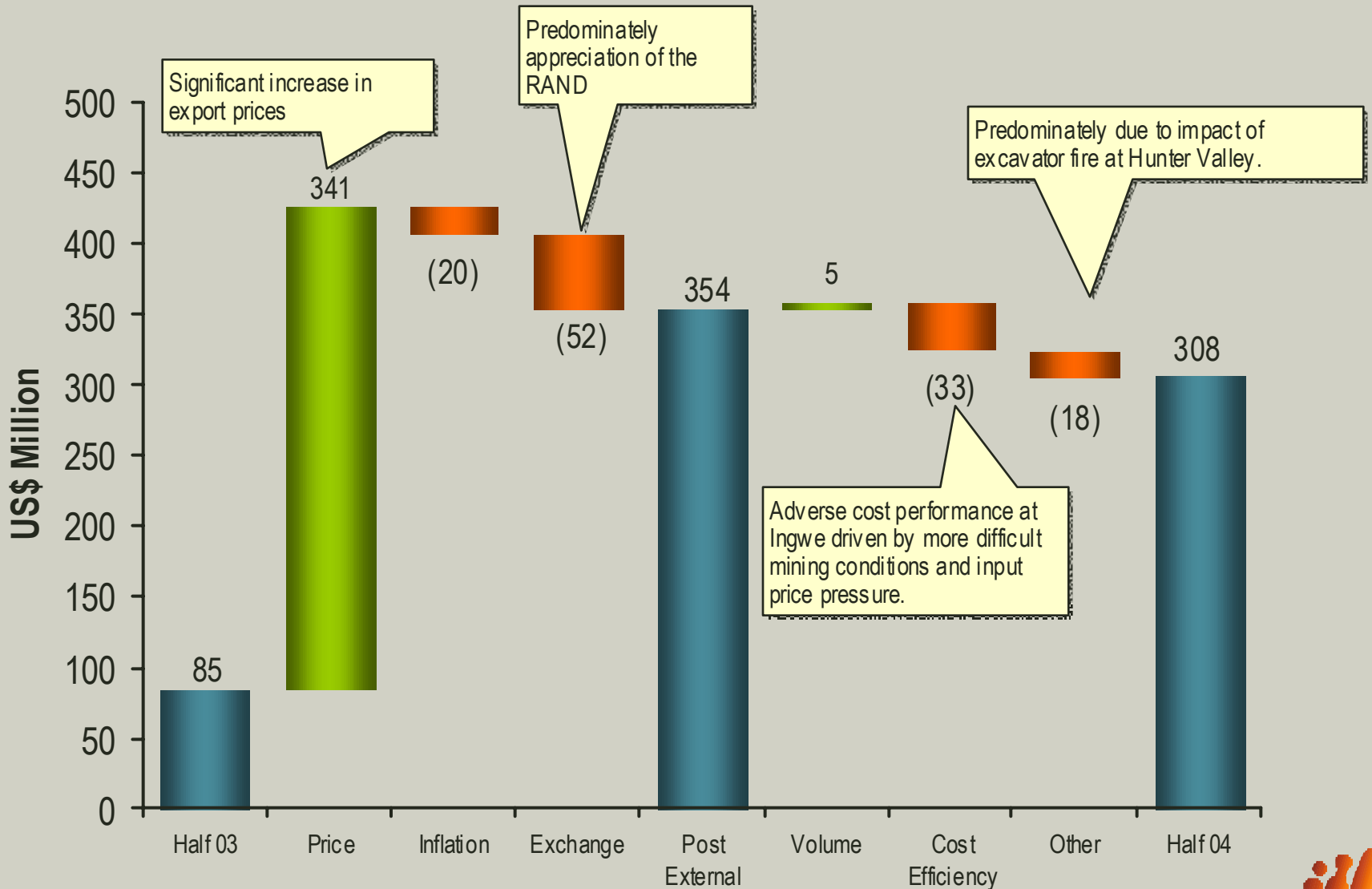
# EBIT Trends



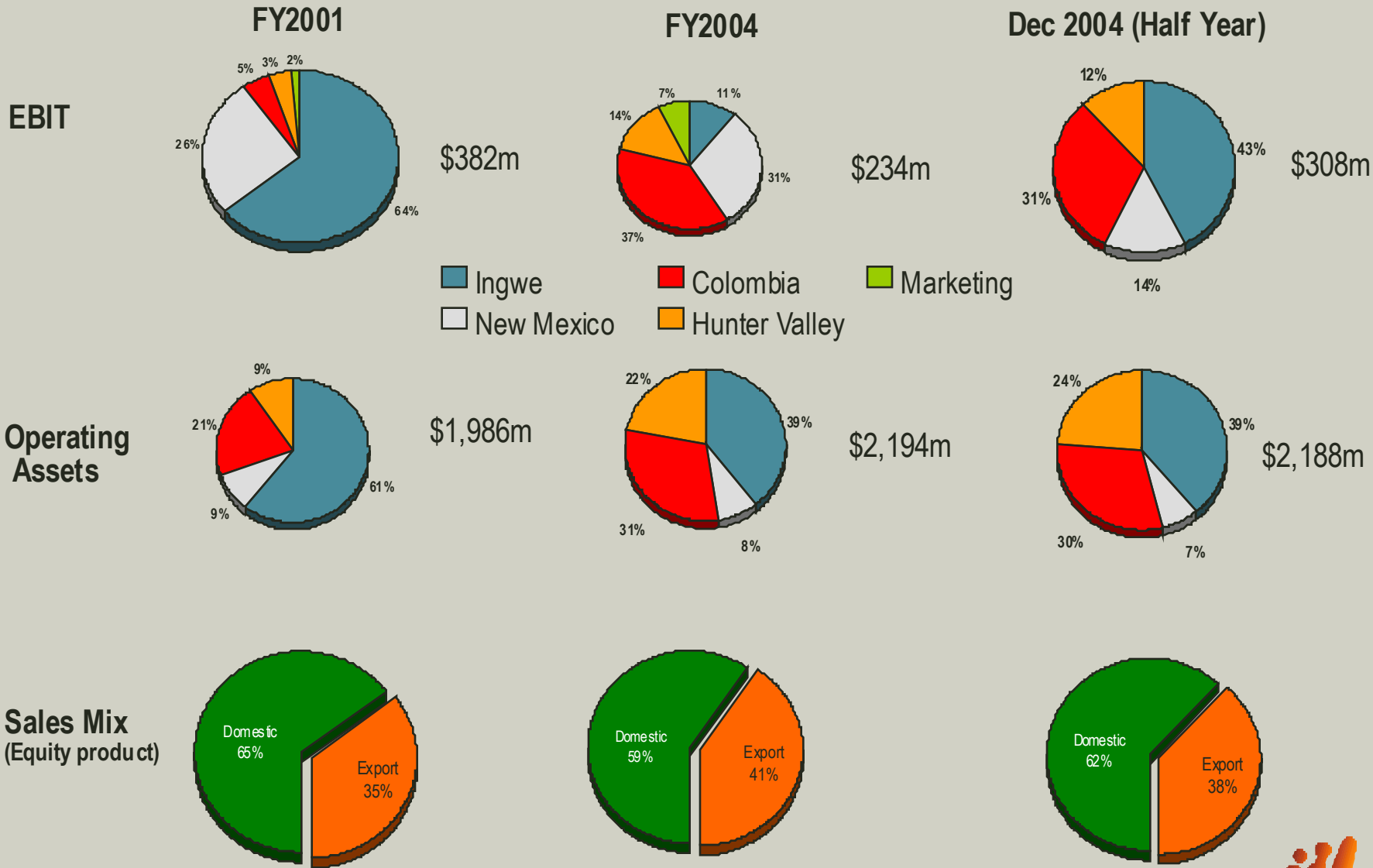
Realised export price (RBCT FOB)	\$30.51	\$25.14	\$31.96	>\$45.00
Rand	10.03	9.03	6.89	6.21
A\$	0.52	0.58	0.71	0.73



# EBIT Analysis - Six months Dec 04 vs Dec 03



# Continued portfolio balancing



# Annual EBIT Sensitivities

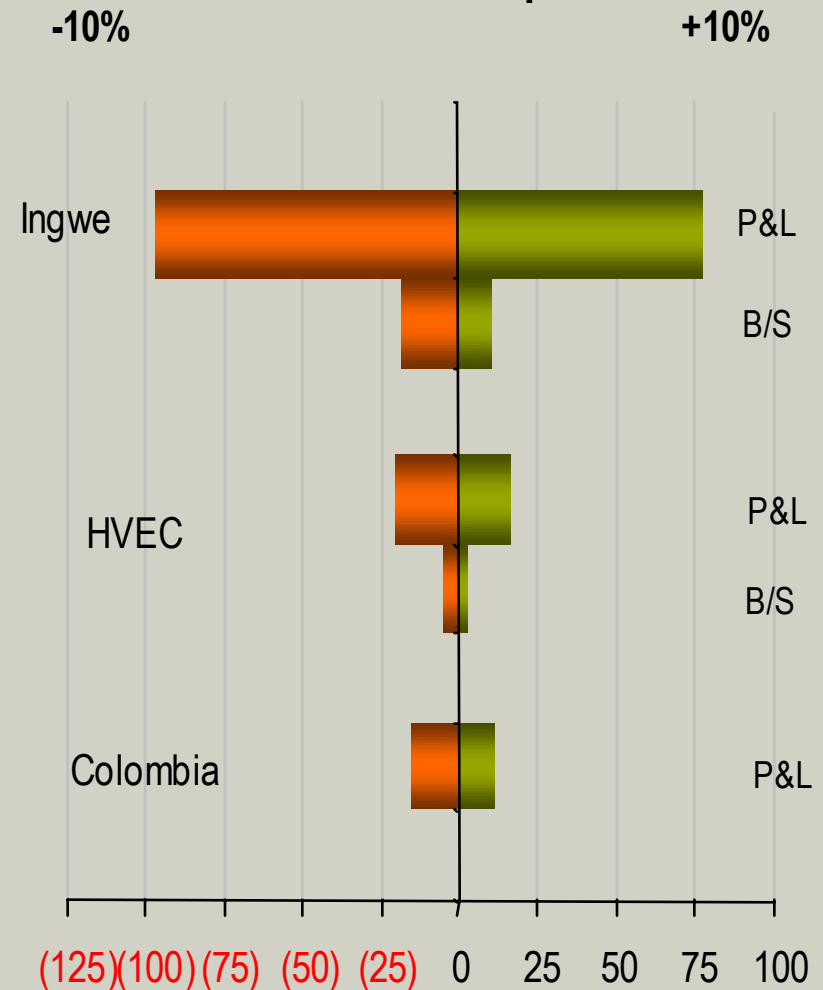
## Price

- Floating price model
- Export Price Sensitivity - \$30m every \$1/t

## Foreign Exchange

- Exposure to:
  - Rand
  - A\$
  - Colombian Peso
- Exposure on:
  - Net Local currency cost
  - Net local currency monetary assets and liabilities

## Annual FX Impact



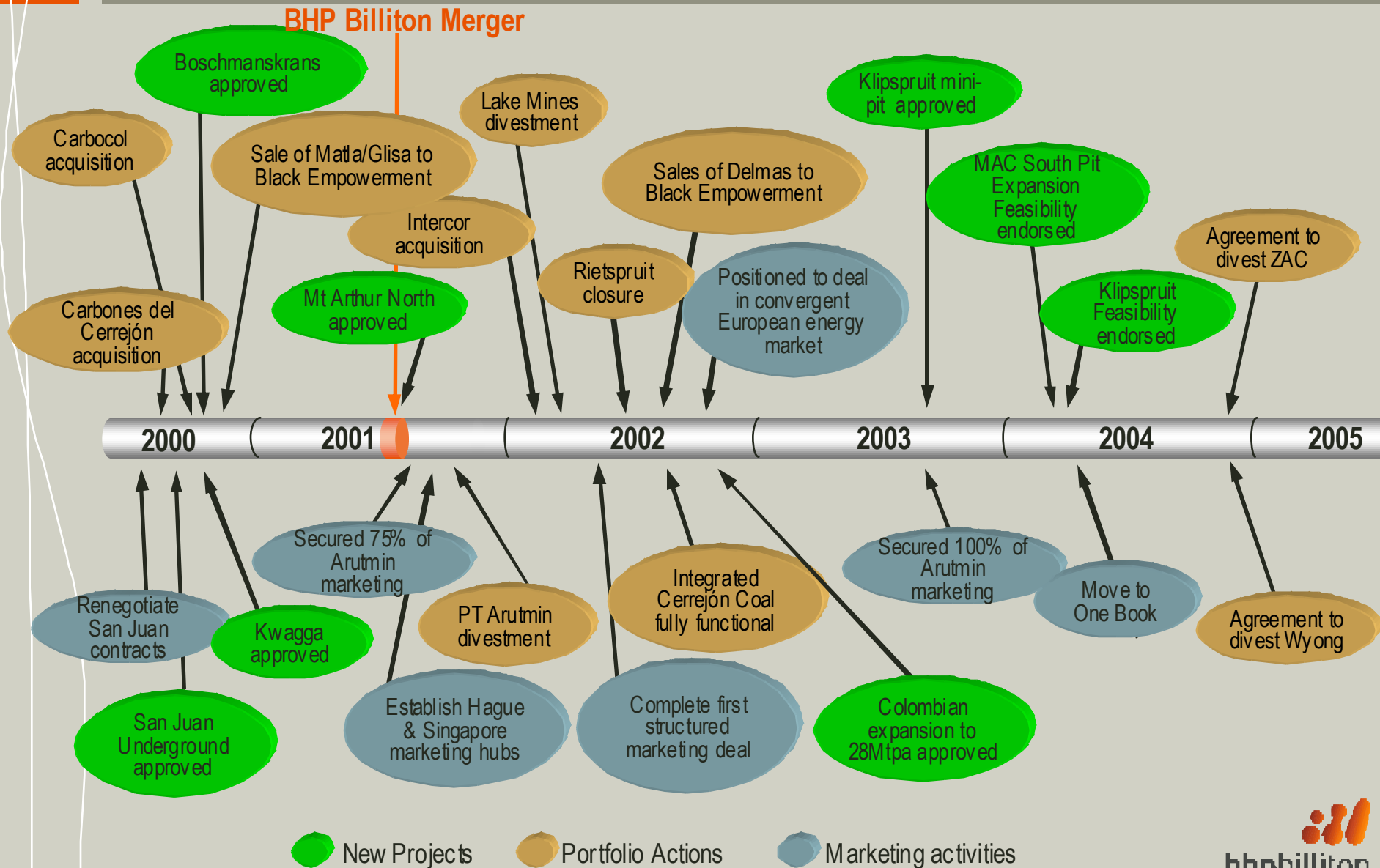
- Export volumes anticipated to be higher than the first half
- Domestic volumes anticipated to be lower based upon customer demand
- Further pressure from exchange rates after first half averaged R6.21 and A\$0.73
- Decline in export prices indices over the first half

# Operations and Growth

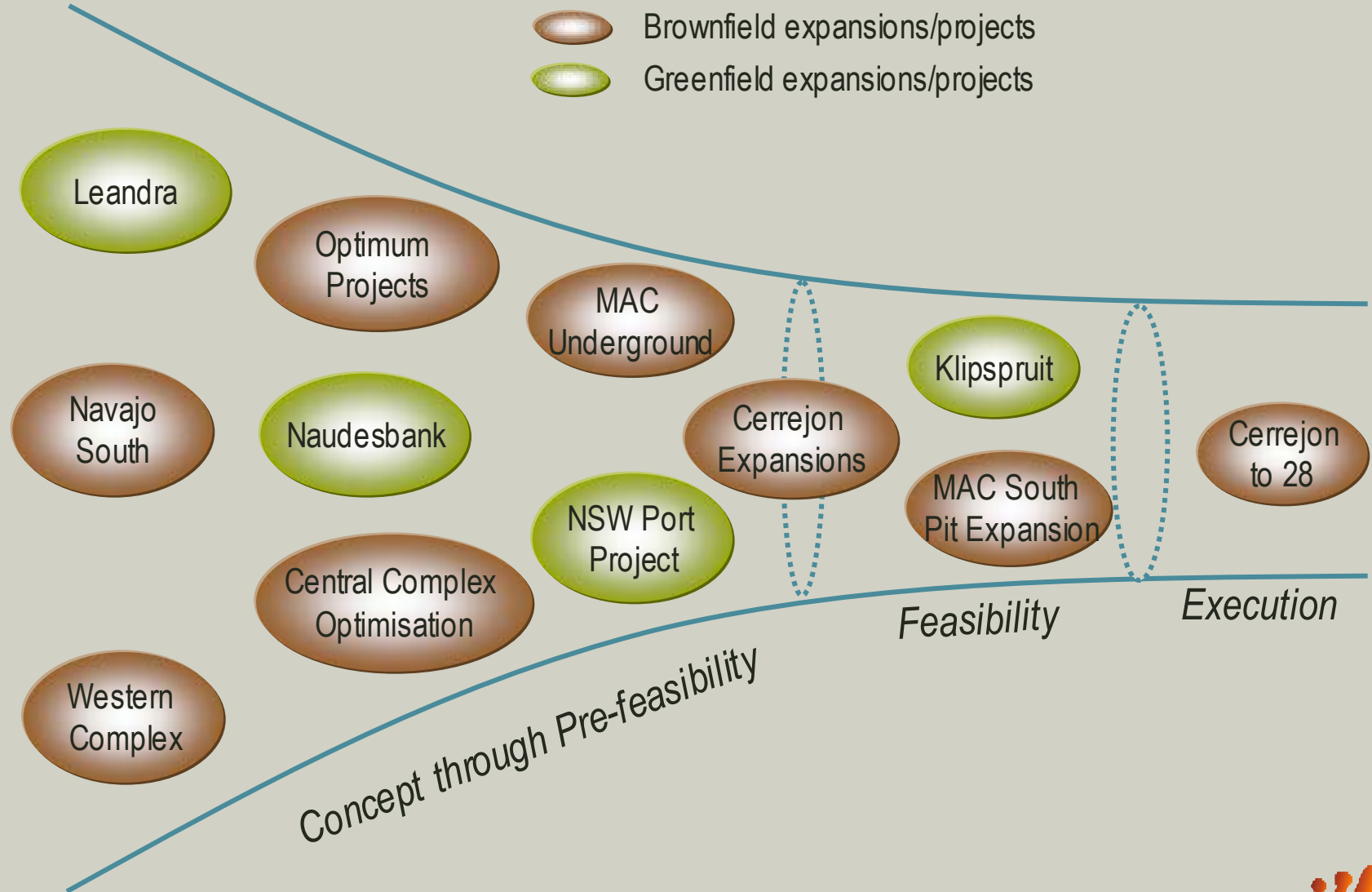


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# Portfolio actions to build long term performance



# Energy Coal project pipeline



# Ingwe - Location



## Ingwe Operations

Klipspruit	
Type	O/C mine
Capacity	1.5 Mtpa
Life	Refer project

Khutala	
Type	U/G mine
Capacity	14.2 Mtpa
Life	29 yrs

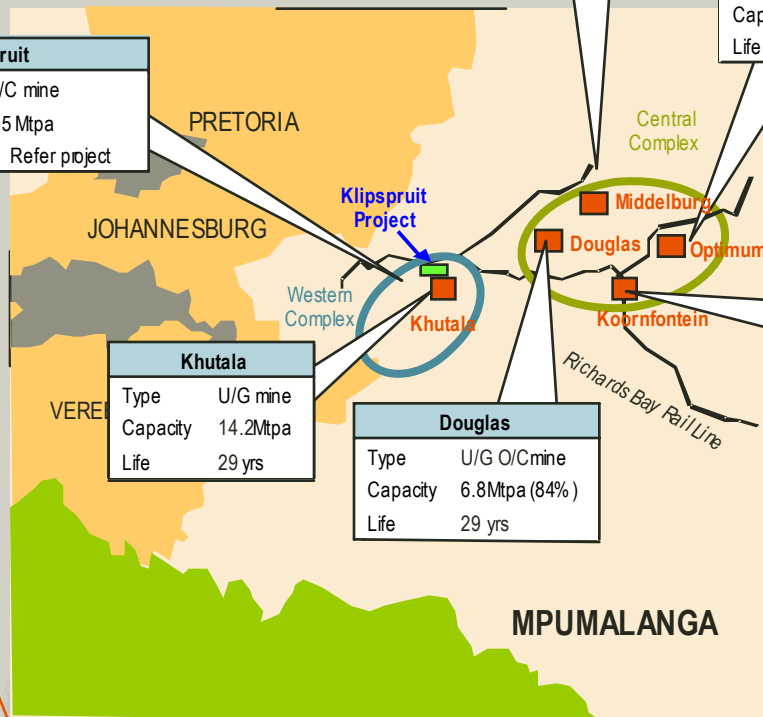
Douglas	
Type	U/G O/C mine
Capacity	6.8 Mtpa (84%)
Life	29 yrs

Middelburg	
Type	O/C mine
Capacity	15 Mtpa (84%)
Life	29 yrs

Optimum	
Type	O/C mine
Capacity	14.9 Mtpa
Life	10 yrs

Koornfontein	
Type	U/G mine
Capacity	5.6 Mtpa
Life	3 yrs

RBCT	
Type	Export port
Capacity	26.2 Mtpa



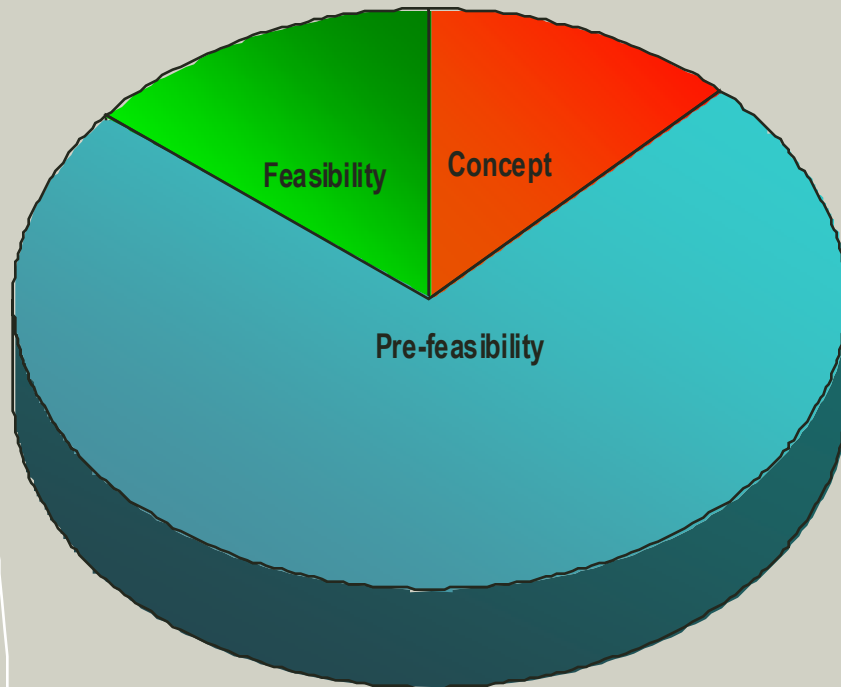
\*multi-product

# Operational Performance

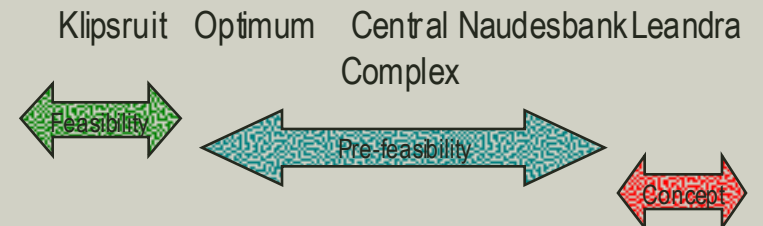
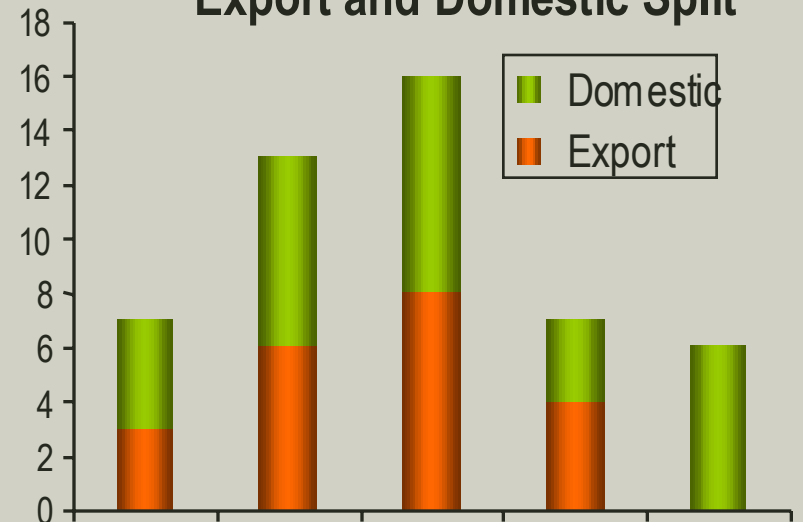
- H1 Production Performance
  - Strong and consistent performance from Khutala
  - Optimum's performance increasingly affected by increasing strip ratios
  - Geology affecting underground production at Douglas/Koornfontein
  - Middelburg has experienced short term operational problems
- Capturing “What is Possible” Operationally
  - Benchmarking key performance drivers against the World's best
  - Holistic approach being pursued to seize opportunity in timely and sustainable fashion
- Domestic Market Growth
- Export Sales Growth constrained by Rail Infrastructure

# Ingwe Growth Projects

**Ingwe Project Status**  
Total volume 49mtpa



**Export and Domestic Split**



# Klipspruit



- Opencast operations
- Multi-product: 3Mtpa exports/2.5Mtpa Eskom
- Potential empowerment options
- Possible synergies with Anglo

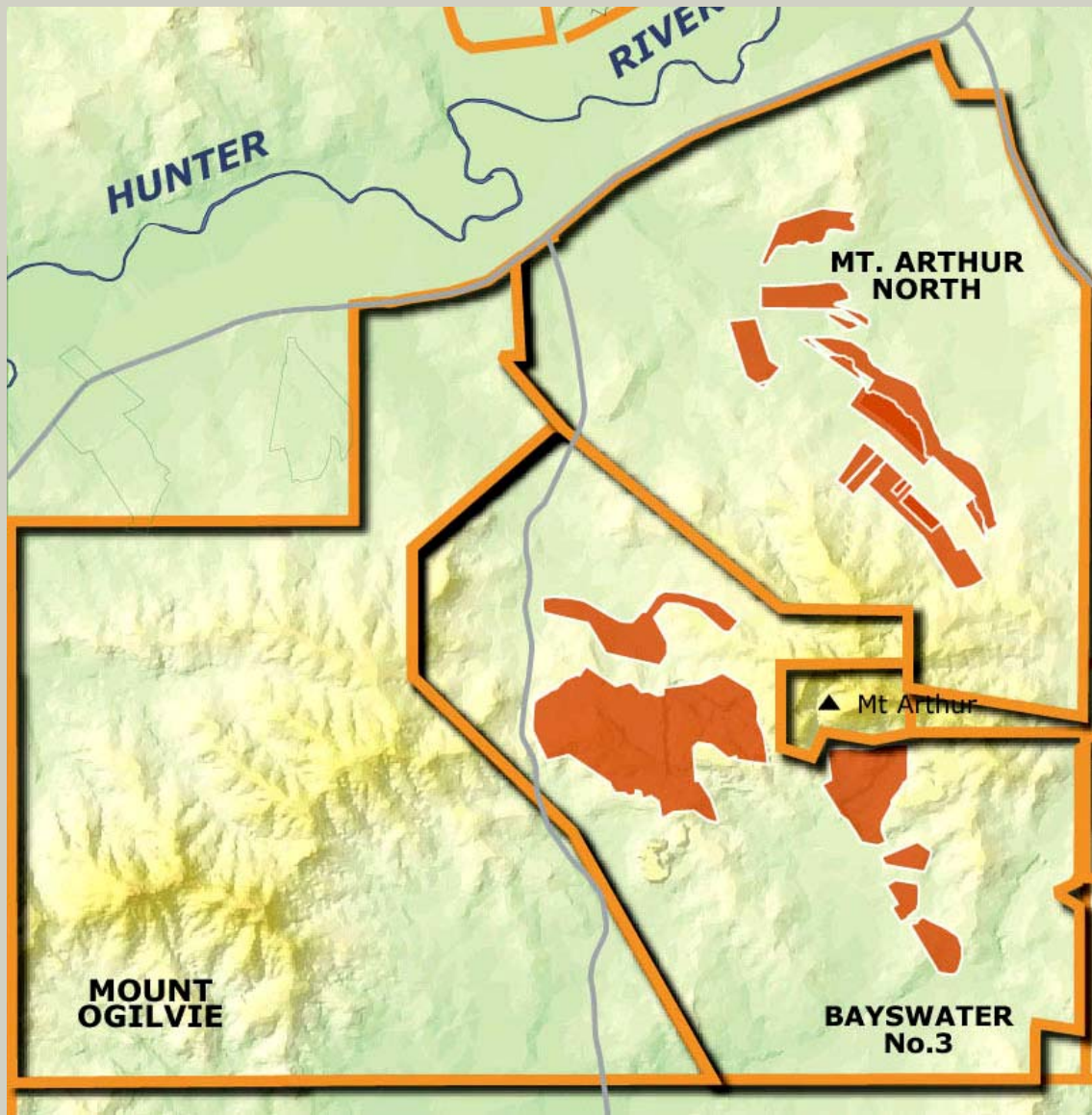
# Hunter Valley Energy Coal



# Operational Performance

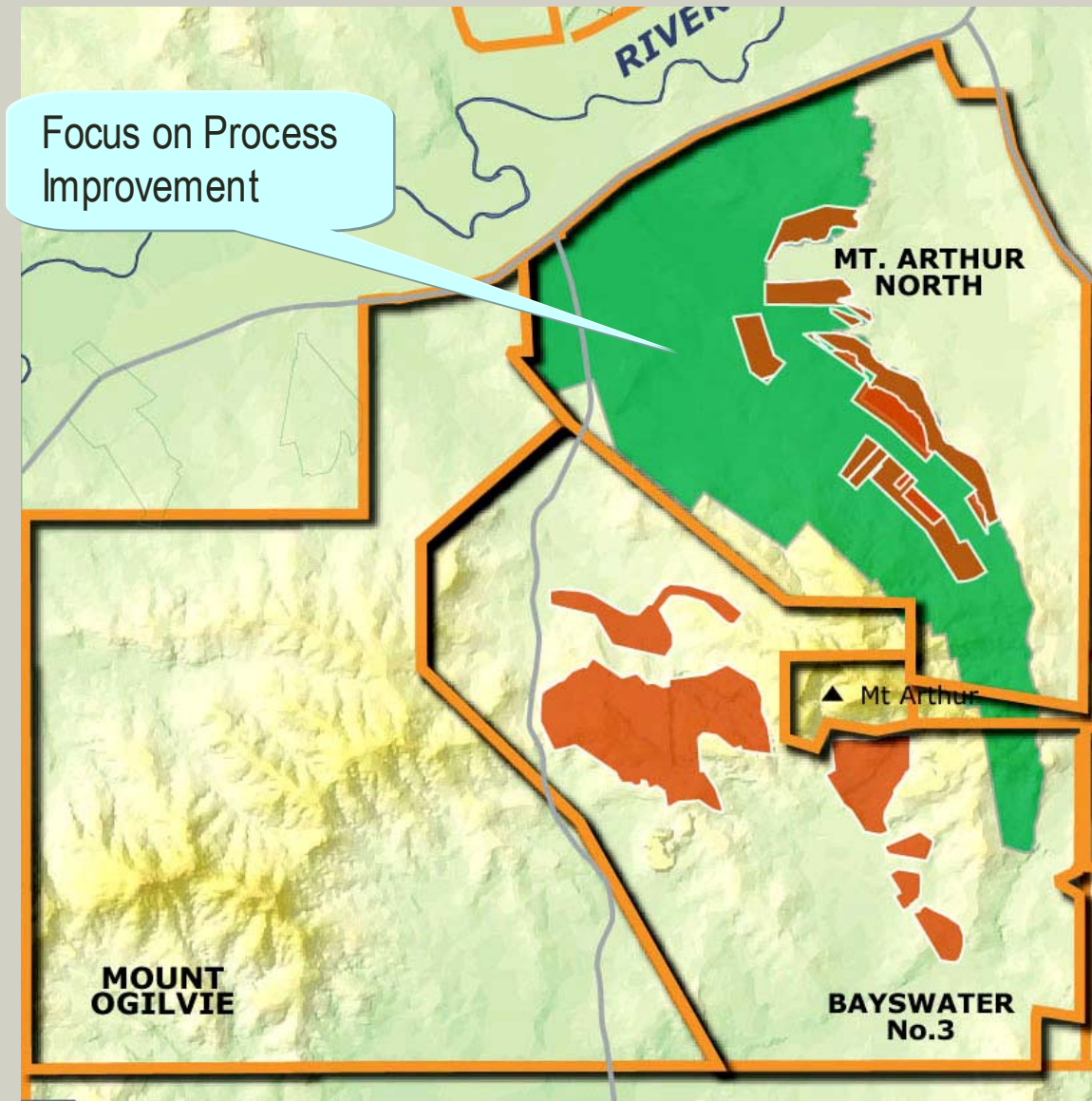
- H1 Production impacted by July Excavator fire
  - Excavator was rebuilt in 5 months which was 3 months ahead of initial schedule
  - Airfreighted 67 tonnes of equipment from France
  - The mine also reinstated an old electric shovel to assist with the production short fall
- Newcastle Port constraint
  - Need for increased capacity
- Mt Arthur is looking at options to expand production



# Mt Arthur Coal Growth Opportunities



 Mined Out Open Cut Areas

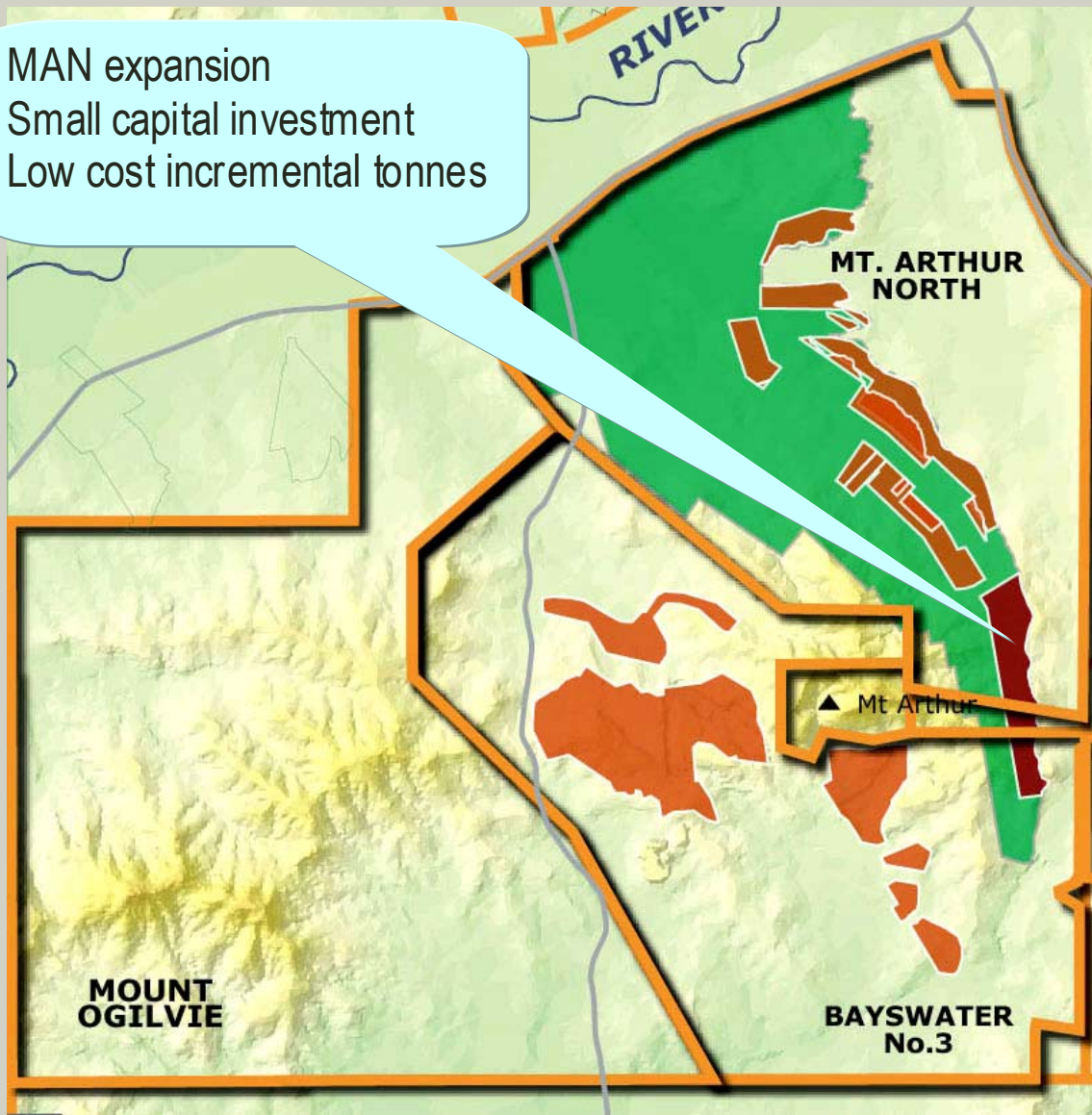
# Mt Arthur Coal Growth Opportunities



-  Mined Out Open Cut Areas
-  Open Cut Reserve Area  
- 33 Yr

# Mt Arthur Coal Growth Opportunities

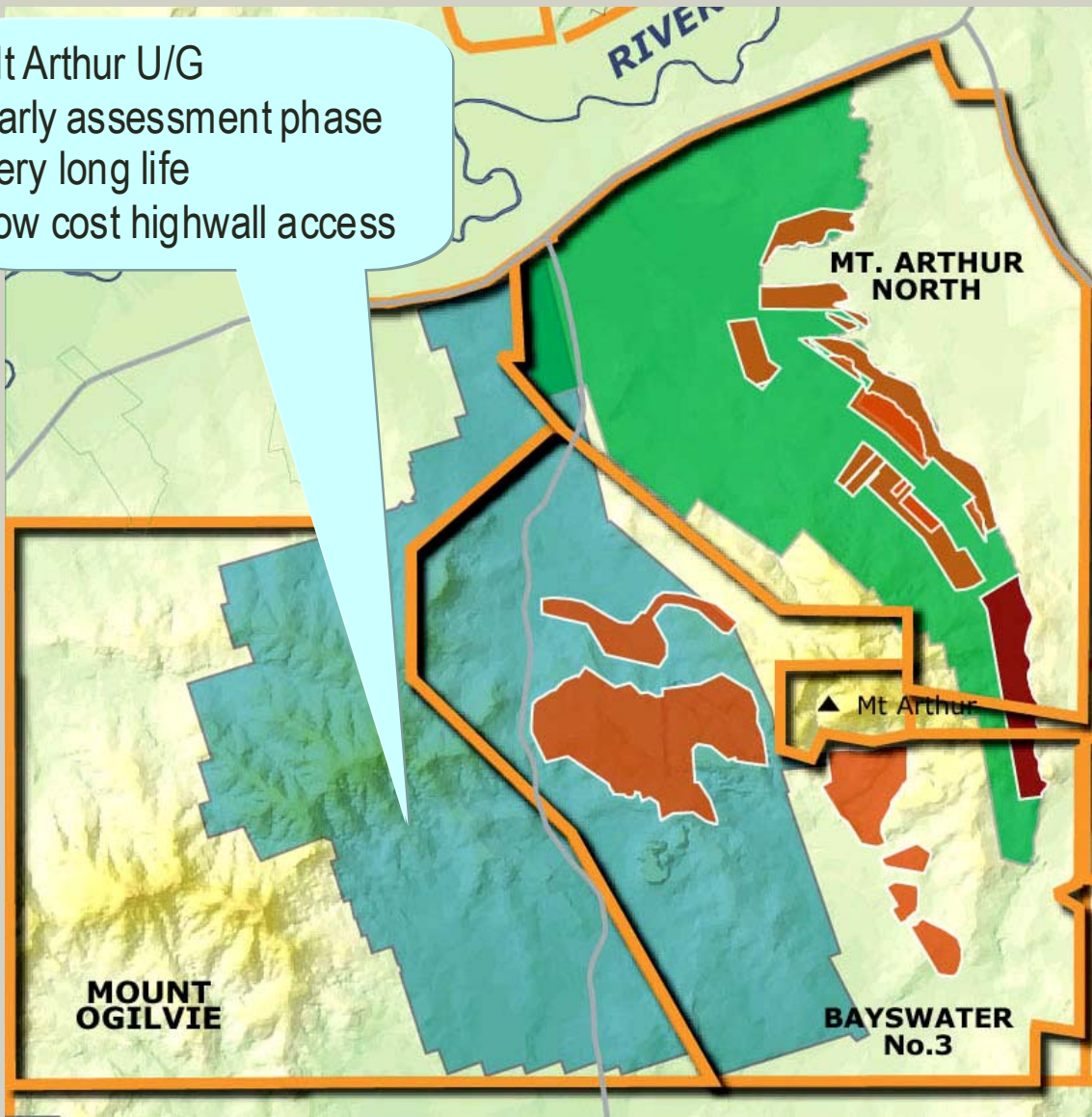
MAN expansion  
Small capital investment  
Low cost incremental tonnes



-  Mined Out Open Cut Areas
-  Open Cut Reserve Area  
- 33 Yr
-  Incremental Growth  
- Open Cut Area

# Mt Arthur Coal Growth Opportunities

Mt Arthur U/G  
Early assessment phase  
Very long life  
Low cost highwall access



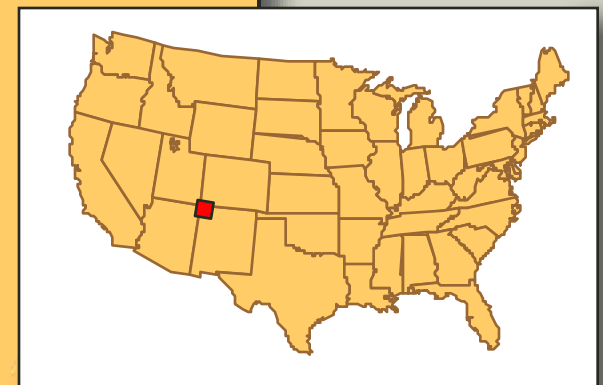
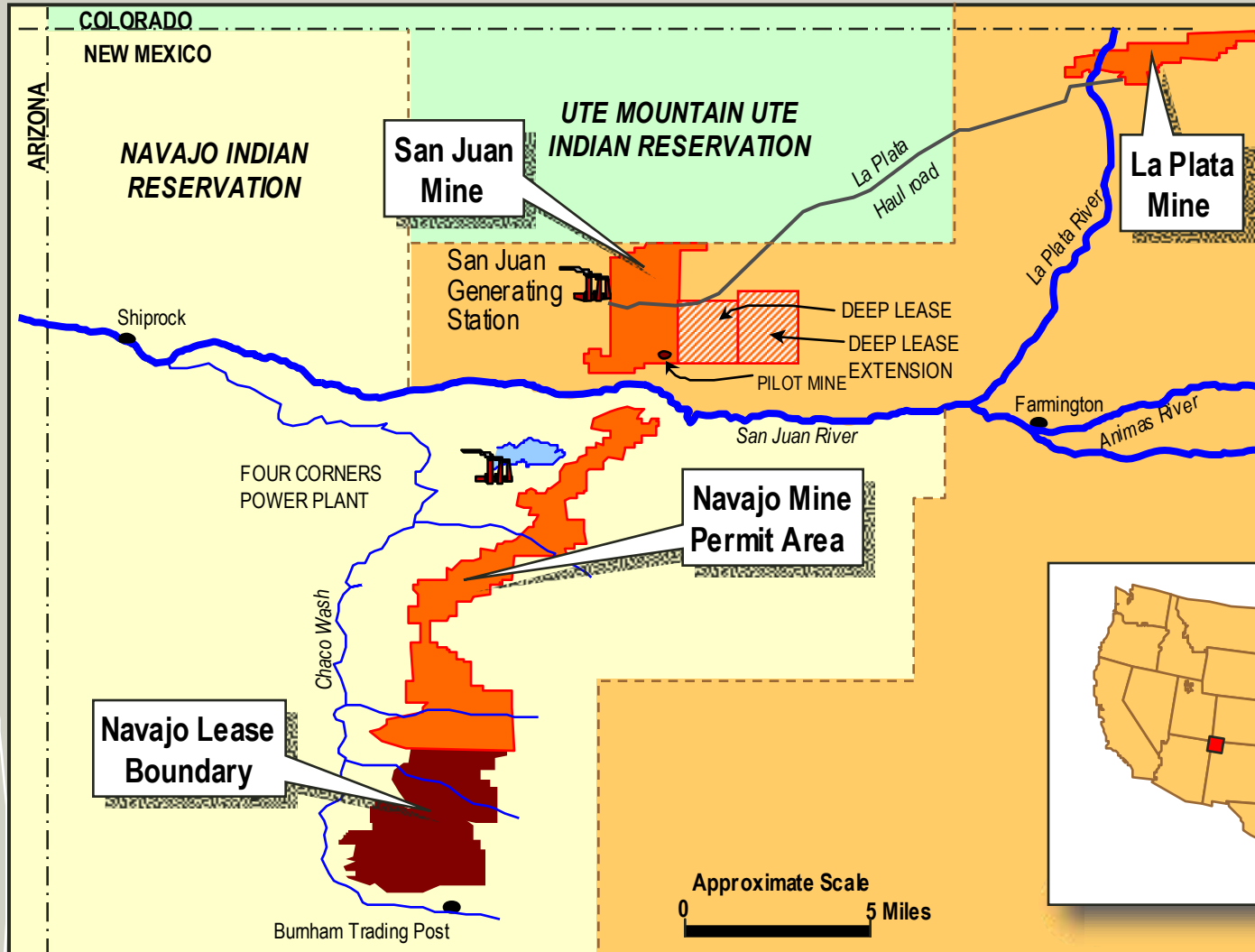
-  Mined Out Open Cut Areas
-  Open Cut Reserve Area  
- 33 Yr
-  Incremental Growth  
- Open Cut Area
-  Major Growth - Mt Arthur  
Underground Reserve Area

# NSW Infrastructure

- Infrastructure constraints in both the rail network and in coal loading capacity at the port
- In CY 2004, a quota system was introduced by the existing coal loading company, Port Waratah Coal Services (“PWCS”). This scheme has been extended into CY 2005
- Establishment of the Newcastle Coal Infrastructure Group (“NCIG”)
- NCIG proposal to lift coal loading capacity short listed
- Rail constraints are being addressed by the Australian Rail Track Corporation (ARTC)



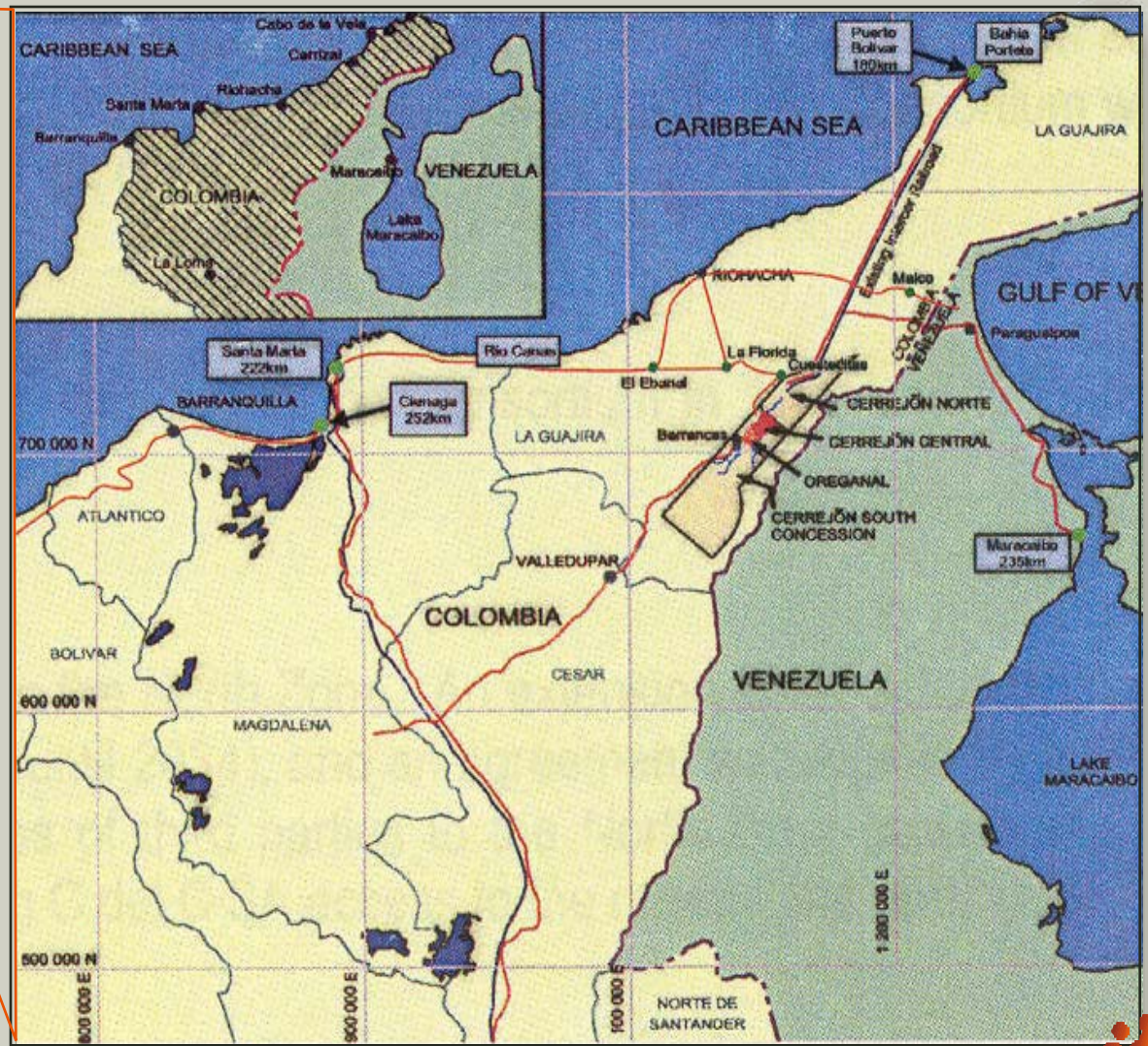
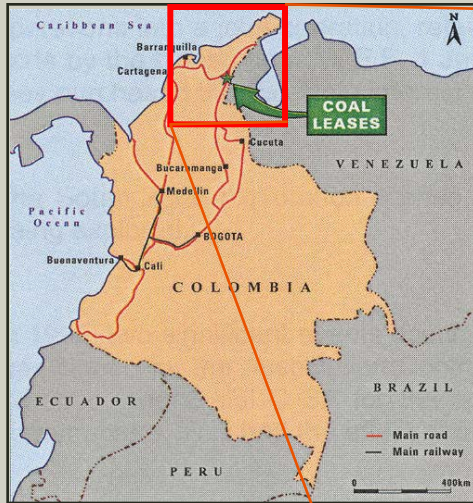
# New Mexico Coal



## Operational Performance

- Mines are producing coal at record levels in their 43-year history.
- Equipment re-commissioning to meet demand.
- San Juan Coal Company's longwall operation productivity is one of the highest in the U.S. for a longwall mine.
- Potential for growth linked to need for third power plant
- Long term contracts securing a steady source of EBIT, cash flow and high returns.

# Cerrejón - Location



# Operational Performance

## Inclement weather impacted production from November through January

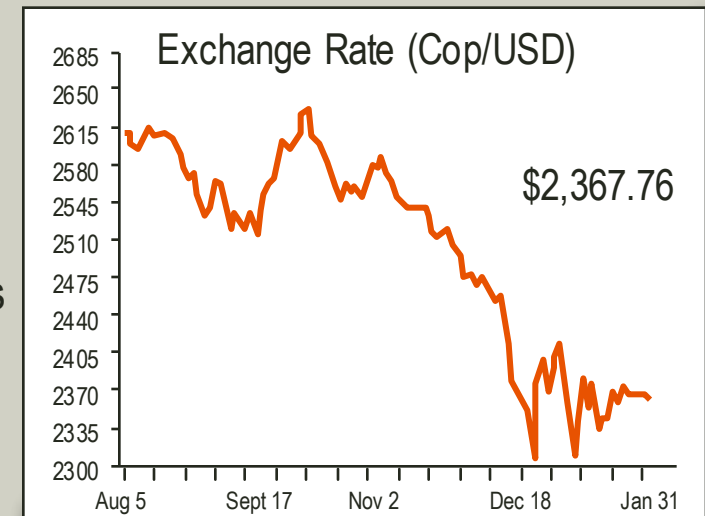
largely recovered through:

- Efficiencies generated through continuous improvement program
- Improved start-up after rain events
- Slight decrease in stockpile levels
- Improved operating availabilities through improved maintenance practices
- Finalisation of labour agreement

## Operating Costs

Adversely affected by:

- Increased royalties due to higher realized prices
- Appreciation of the Colombian Peso versus the U.S. Dollar
- Higher diesel fuel prices



# Cerrejón Expansion to 28 Mtpa (current expansion)

- Expansion Schedule
  - Project is one full year ahead of schedule
  - 29 Mtpa achievable by 2006
- Forecast Final Cost \$33m (approved \$50m)
  - Forecast to be significantly below budget
    - Project Crecer
    - Improved performance parameters
- Project Overview
  - Major Mining Equipment
    - 2 Komatsu PC8000 Hydraulic Excavators
    - 10 Euclid-Hitachi EH5000 Haul Trucks
    - 2 Caterpillar 793C Haul Trucks
  - Locomotive & Railcars
    - GE Locomotive to be delivered in December 2004
    - 40 Railcars to be delivered in December 2004
    - 40 Railcars to be delivered in January 2005
  - Coal Crusher Upgrade
    - Installation of new secondary crusher for Plant No. 2



## Cerrejón future growth options

- Interim Expansion
  - 32 Mtpa by CY 2008
  - Low capital incremental expansion requiring:
    - Additional waste removal capacity
    - Locomotives and rolling stock
    - Upgrade port handling facilities
  - Joint Venture approval anticipated Q3 CY 2005
- Optimal Expansion
  - Volume to be determined
  - Pre-feasibility study progressing

## Briefing Conclusion

- Significant global business operating in a competitive environment
- Well defined and internally communicated strategy with stability of key pillars
- Focus upon HSEC and continuous improvement
- Understanding of markets; Positioning to take advantage; Sustainable future in coal
- Portfolio rebuild completed, reinvestment to maintain and grow
- Strong operating assets and project pipeline to deliver growth

# Energy Coal Business Briefing

## QUESTIONS

March 2005



# BHP Billiton

The world's largest diversified resources company

**Petroleum**



**Aluminium**



**Base Metals**



**Carbon Steel Materials**



**Diamonds & Spec Prod**



**Energy Coal**



**Stainless Steel Materials**

