

# Growing for a Sustainable Future

Global Iron Ore & Steel Forecast Conference 2007



Ian Ashby

President BHP Billiton Iron Ore



**bhpbilliton**

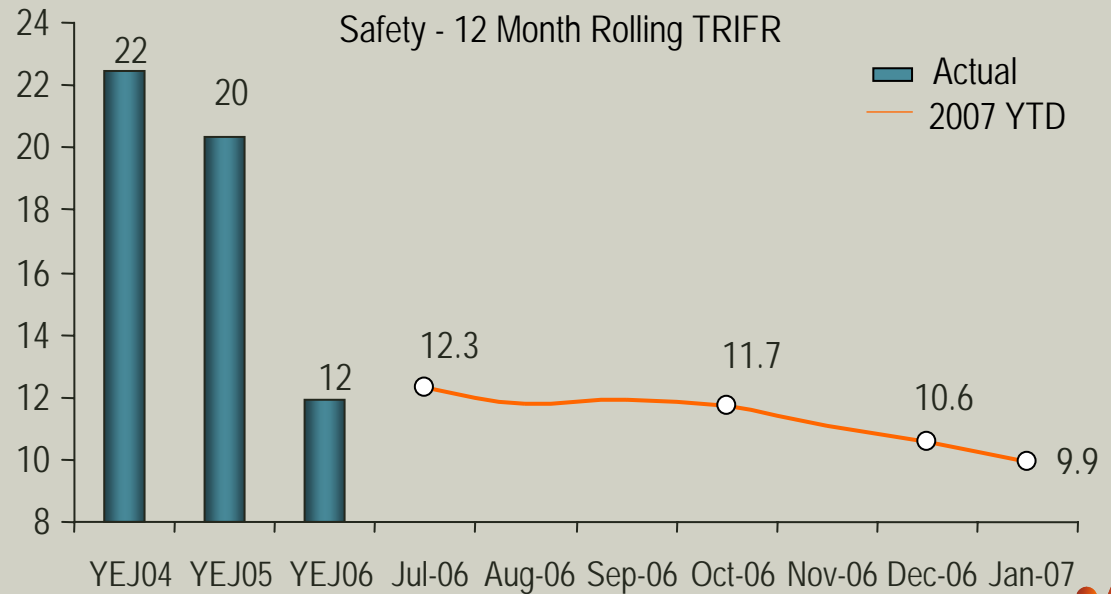
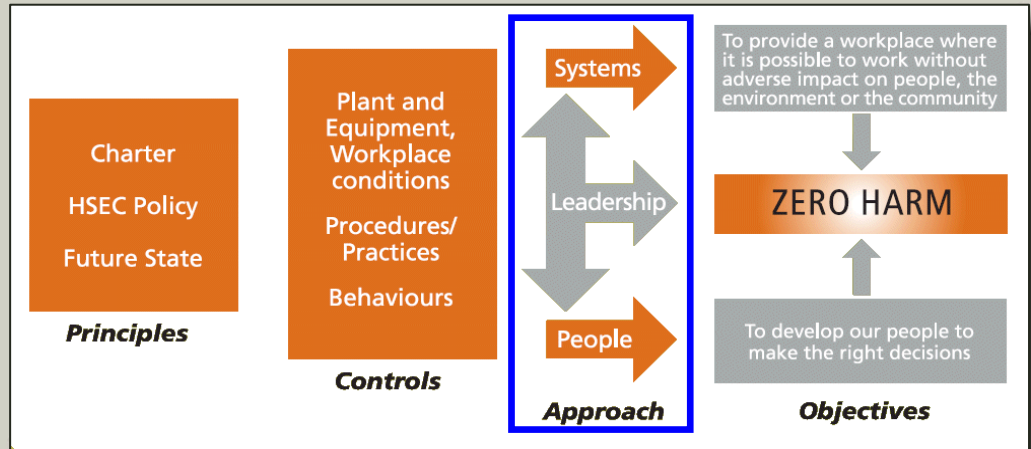
# Disclaimer

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.

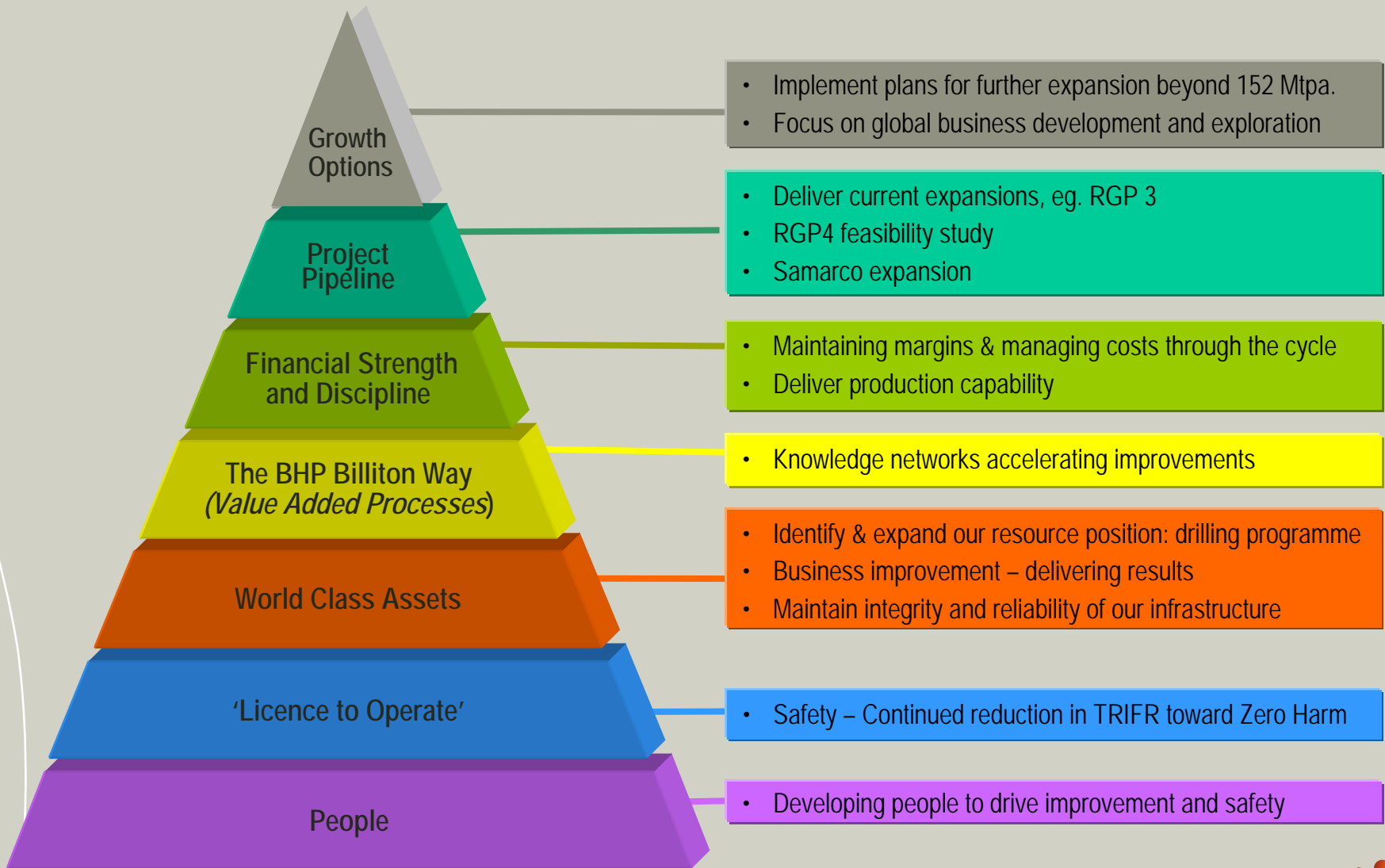
Nothing in this release should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

# Continuous Improvement in Safety Performance - WAIO

- One Business approach to HSEC systems and processes
- Focus areas:
  - Leadership
  - Behavioural systems
  - Tolerance
- Programs & actions:
  - Stop for safety
  - FRCPs
  - Risk assessments
  - Fit for work/life (fatigue management)
  - 15 HSEC Standards
- Jan 07 performance 55% improvement on YEJ04 and 17.5% improvement on YEJ06



# BHP Billiton Iron Ore - Strategic Framework



# BHP Billiton Iron Ore Overview

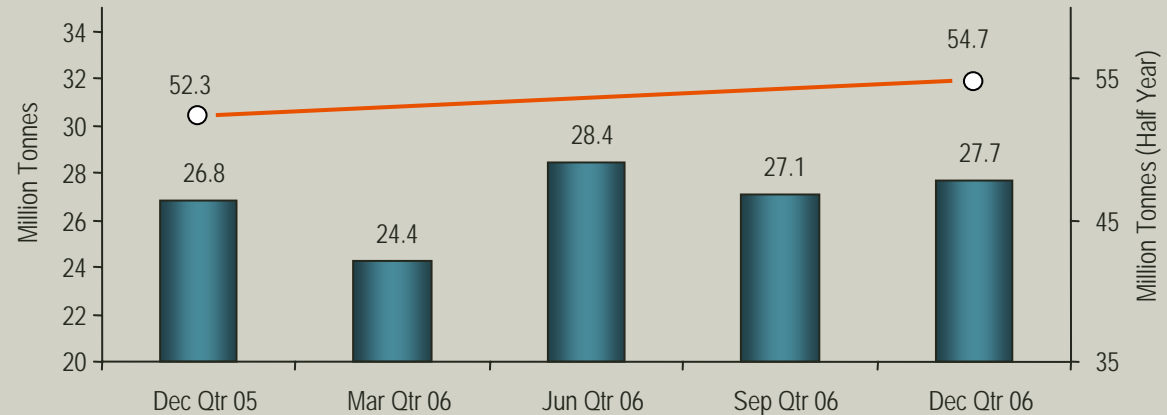
- Iron Ore became stand-alone CSG in November 2006
- Global Iron Ore headquarters in Perth, Western Australia
- Responsible for global iron ore development
- No change for customers - CSM marketing model remains (iron ore, metallurgical coal and manganese)
- Integrated mine, port and rail operations in the Pilbara
- 50% share of Samarco in Brazil
- More than 7000 direct employees and contractors in WA
- 8.7% of WA employees Indigenous (Jan 07)



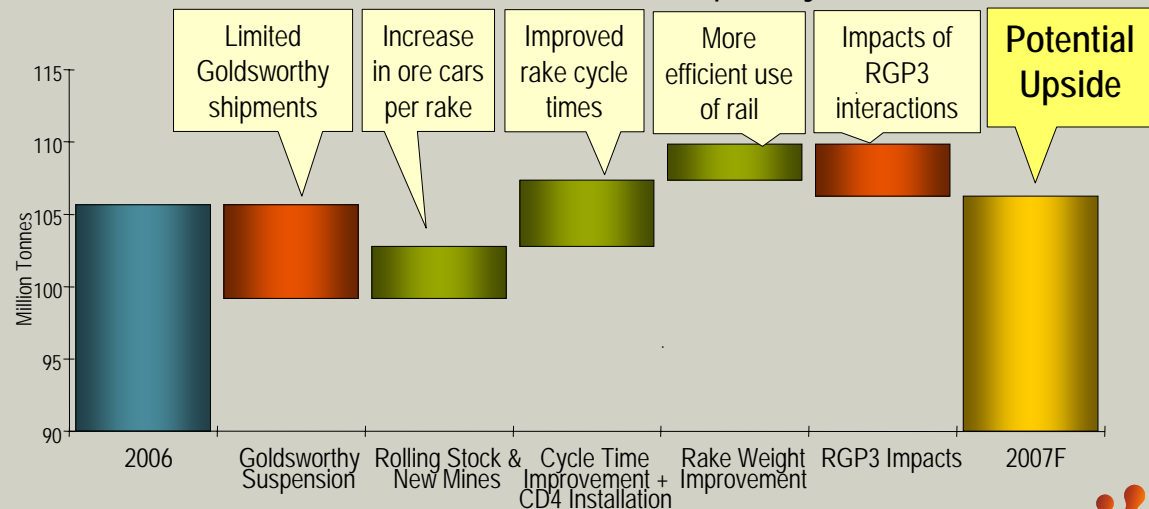
# Continued Strong Production Growth in WA

- Capital investments are delivering ongoing strong production performance.
- Impacts, including Goldsworthy suspension and RGP3 tie-ins, are expected to continue in FY07 offset by business improvements and RGP2 capacity.
- Without the impact of tie-ins, production capability is aligned to RGP2 capacity.
- Goldsworthy remains an important part of future expansion plans.

## WAIO 2006 Production Performance

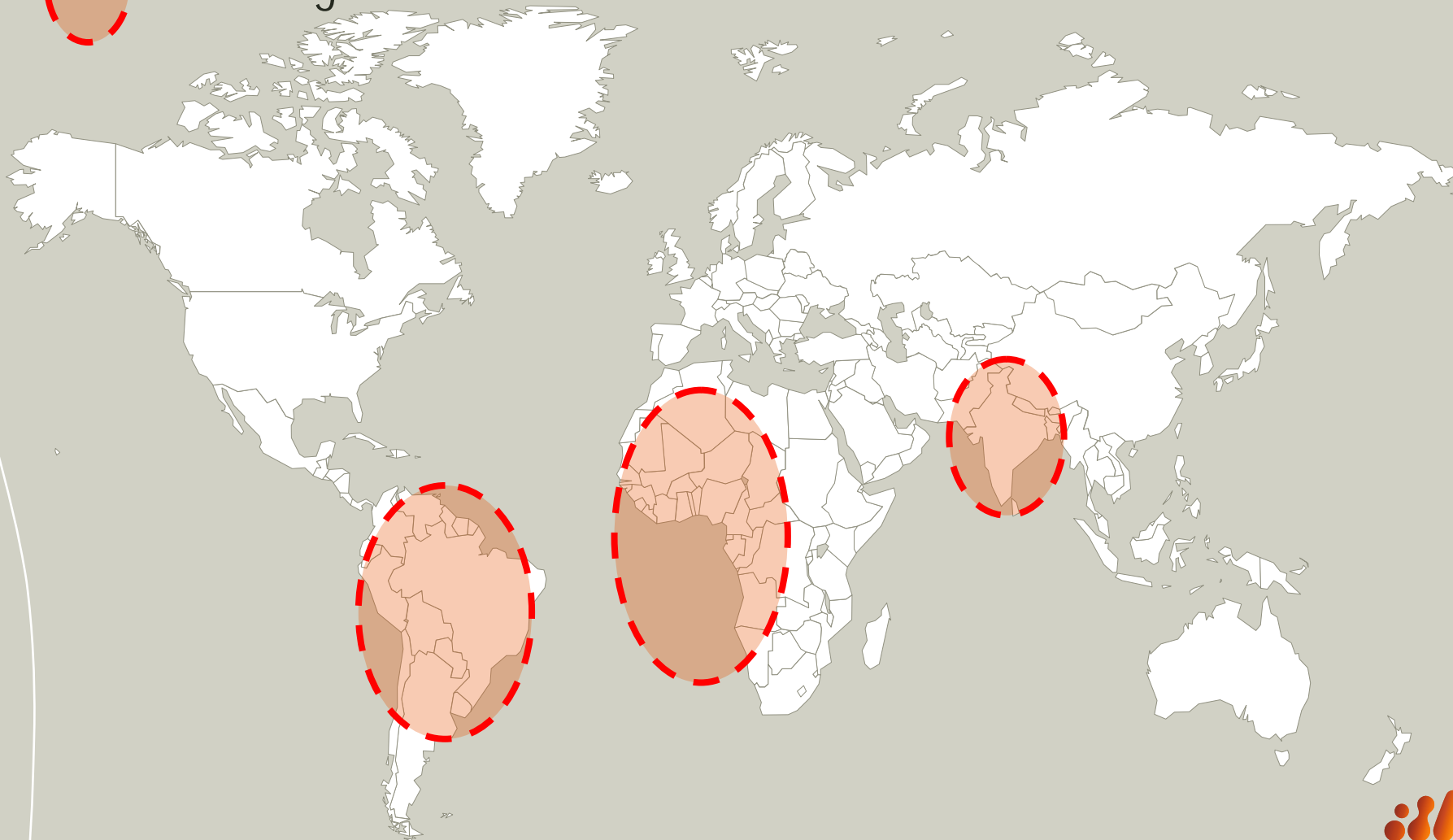


## WAIO 2007 Production Capability



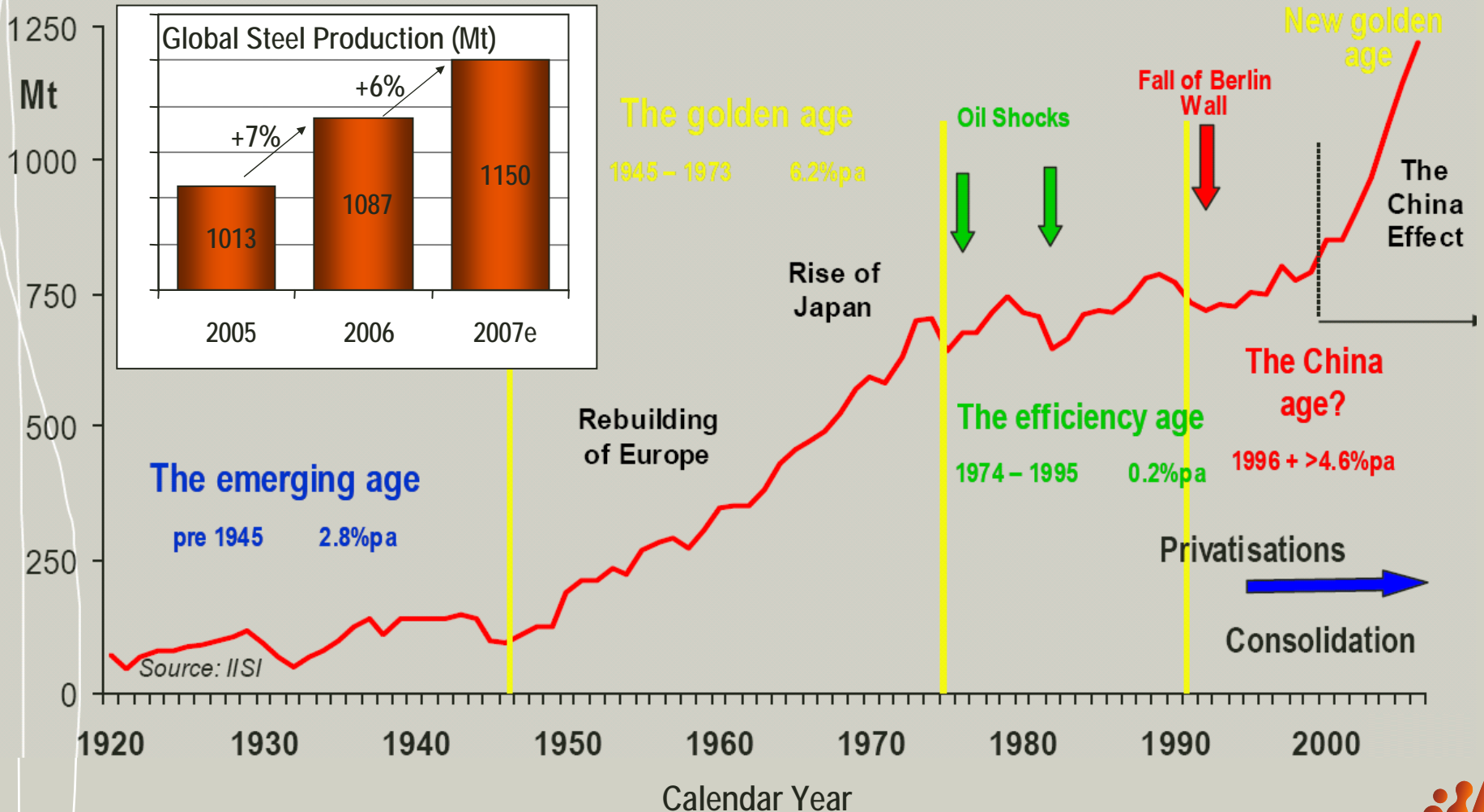
# Focus on Global Business Development and Exploration

 Focus regions outside WA



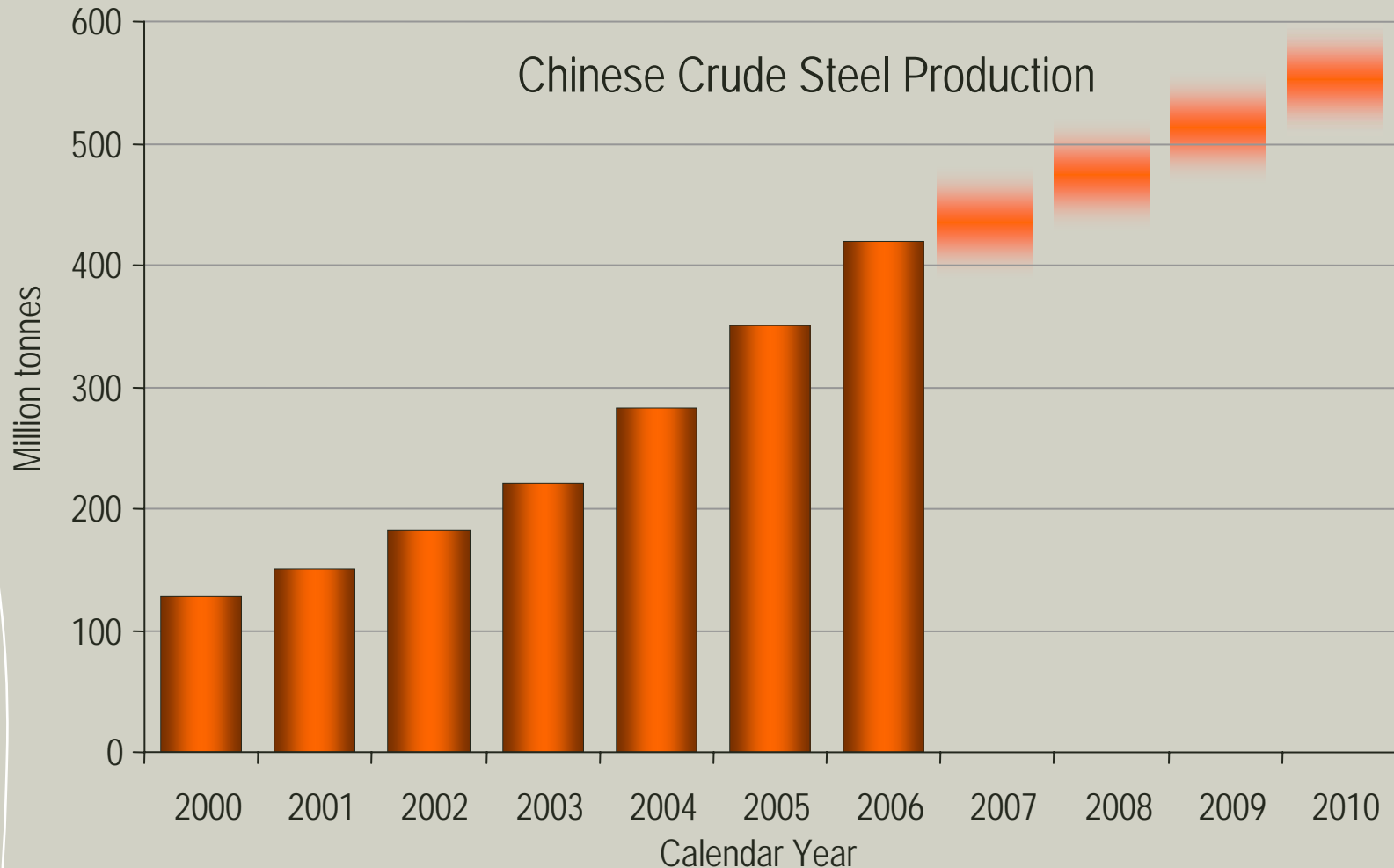
# The Global Steel Industry Continues to Power On

**Global steel production has maintained strong growth since the “pick up” ~2000, with growth rates of 5%pa from 1996 and 7.6%pa from 2001**



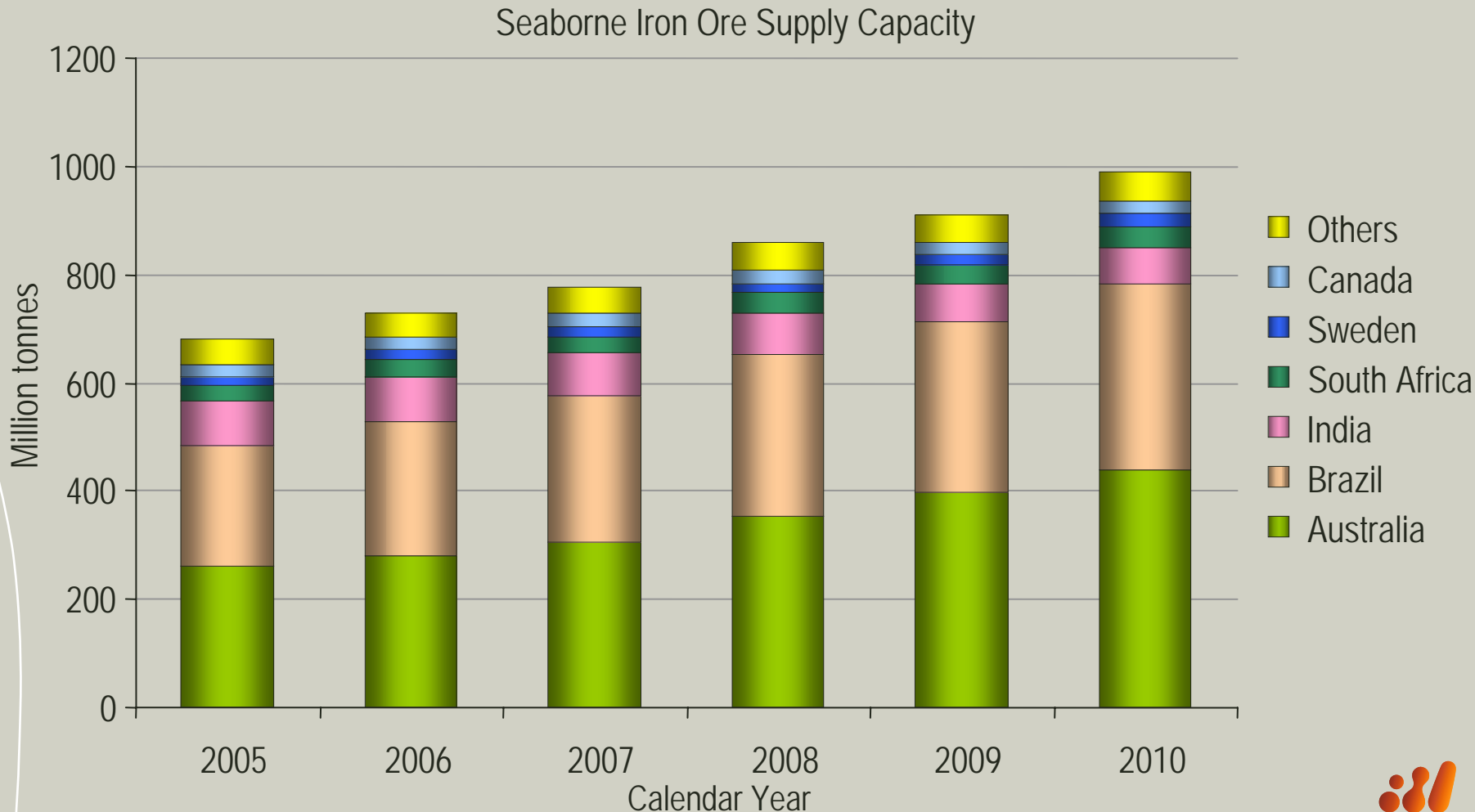
# China's Influence is Growing

China will continue to be the growth engine of the global steel industry in the short to medium term. India has the potential to provide further medium to long term growth.



# Australia and Brazil will Remain Key Seaborne Suppliers

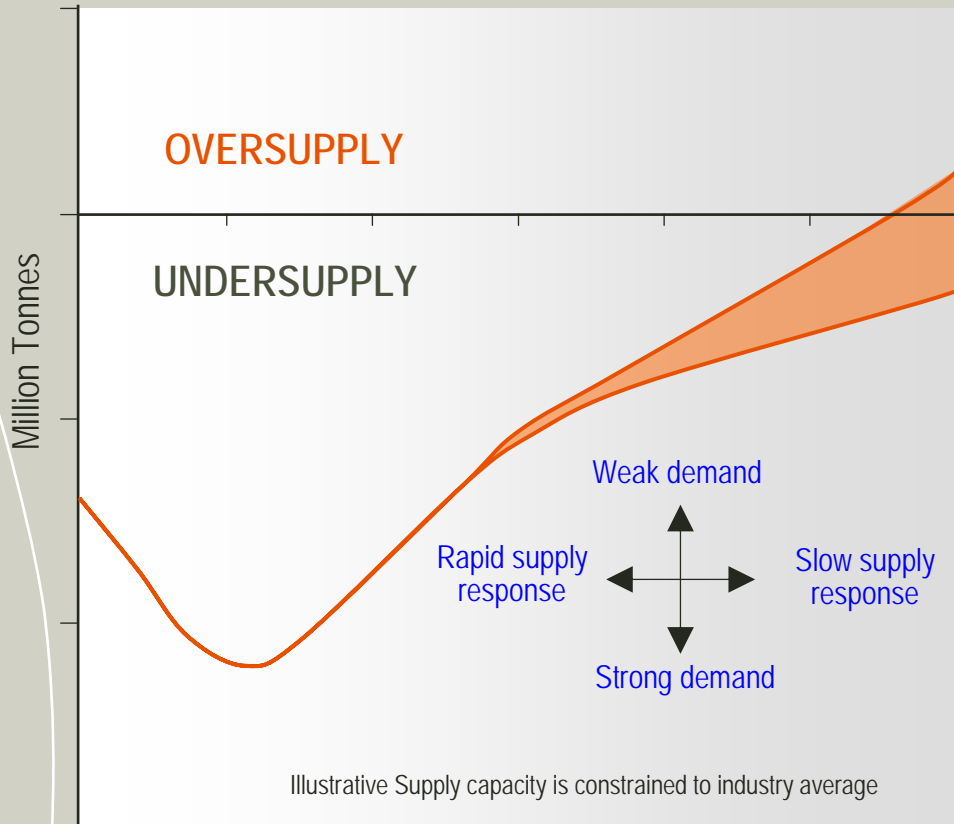
India's role remains uncertain due to its own potential growth needs



# Strong Market Demand Expected to Continue

Balancing supply and demand is likely to take longer than first thought, due to delays in additional supply and more robust demand

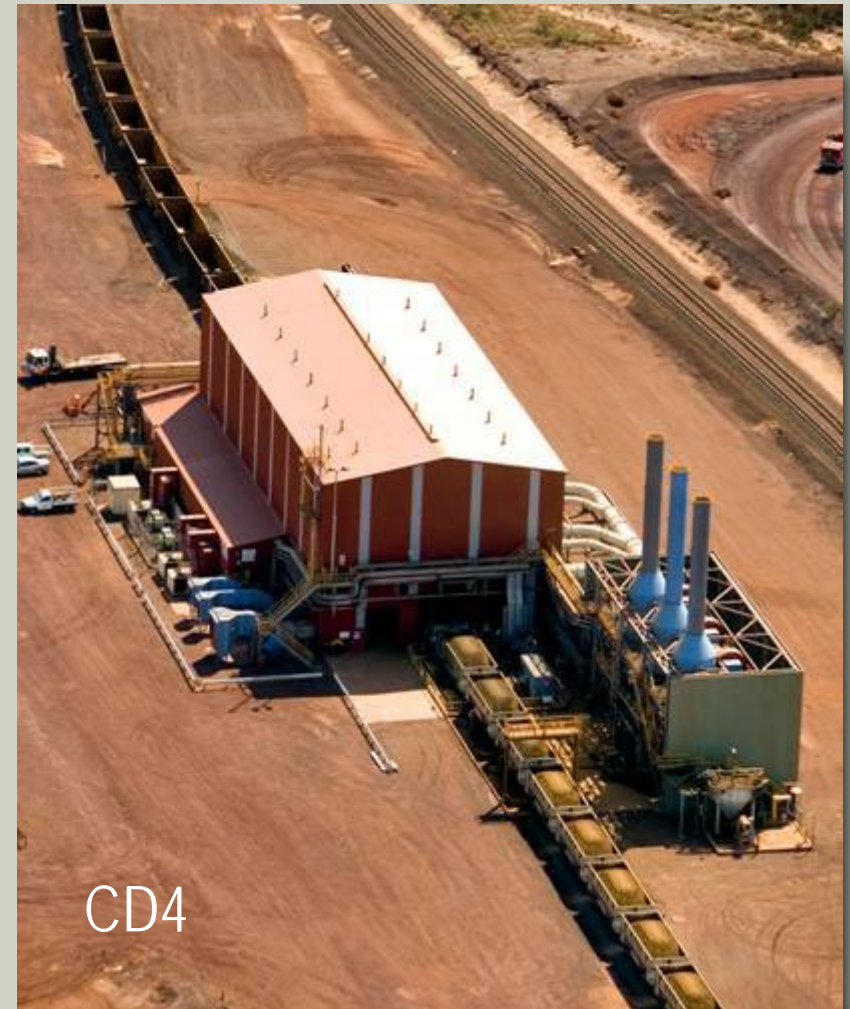
Seaborne Iron Ore Market Balance



- Challenges, ie: rising costs, are impacting and delaying the delivery of new capacity from traditional low cost producers
- Supply gap has been met by high cost producers – India, domestic China, others
- Rising Indian domestic demand is seeing local shortages and pressure to reduce exports
- China's domestic growth, while spectacular, is not without its issues
- Smaller producers lack volumes to significantly impact the overall supply/demand balance

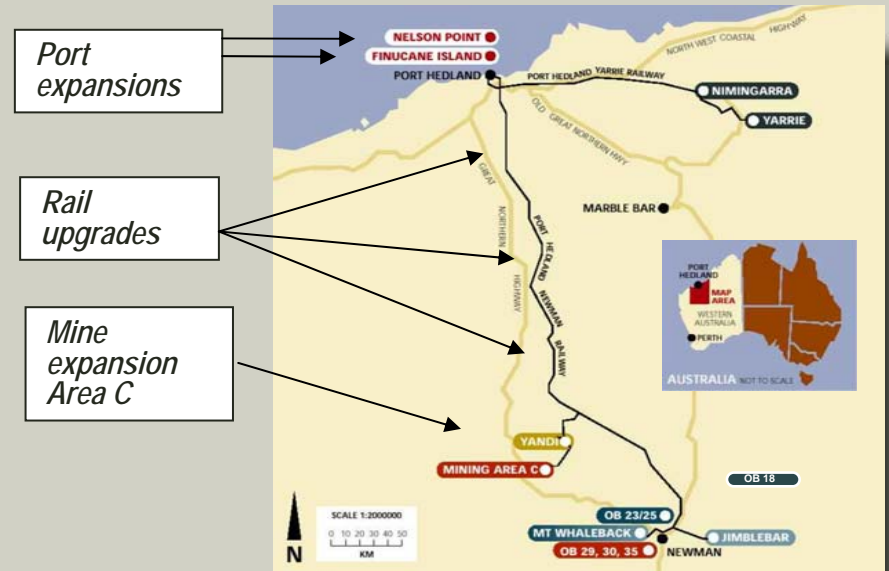
# RGP 2 – Ramp Up Complete

- OB18 & 25 – Commissioned & producing.
- Construction at Port complete:
  - CD4: >20Mt throughput since June 06
  - CD1 & CD3 direct dump to berths A & B
  - Upgraded OHP#2 conveyors
- Producing at design capacity.



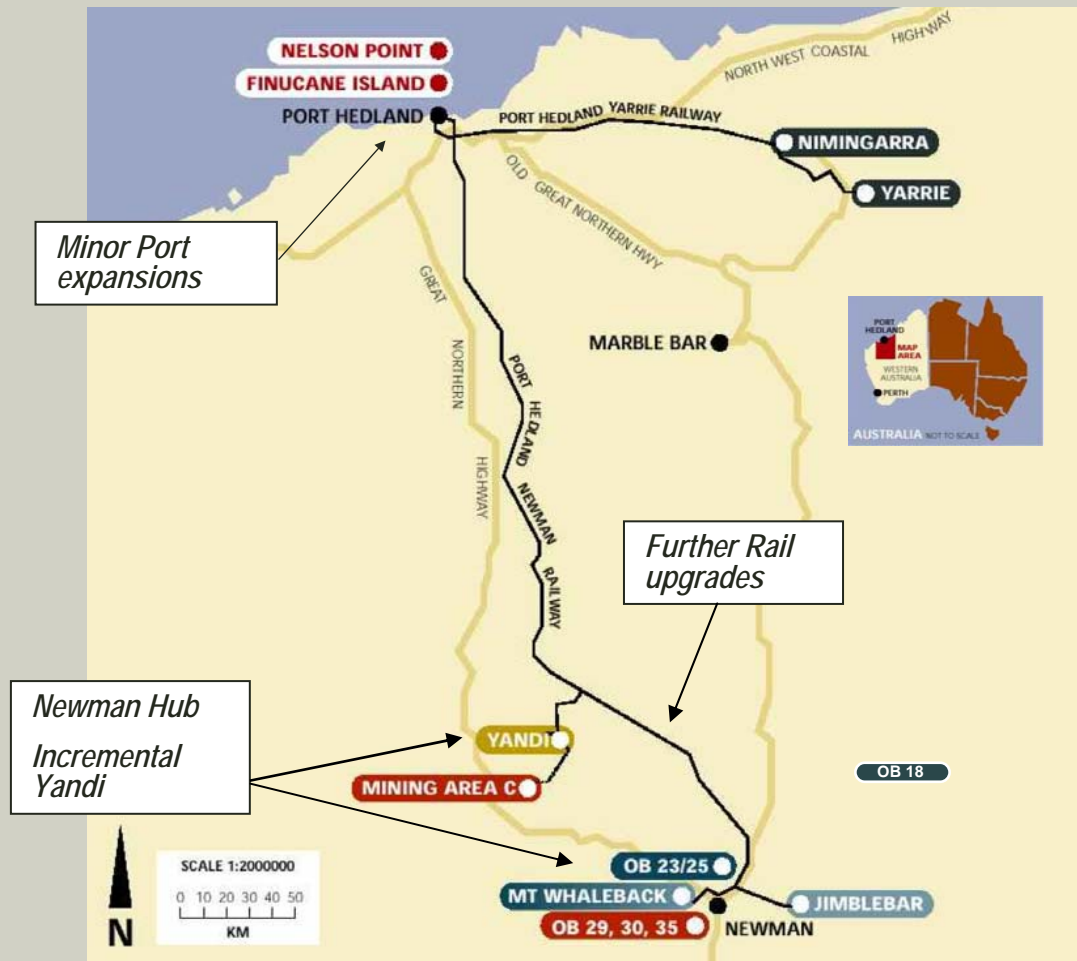
# RGP 3 – Capacity Increased to 129Mtpa

- Expansion of port and rail infrastructure along with Area C capacity
- Expansion at Port includes:
  - Car dumper & conveyor upgrades
  - Single row East Yard
  - Upgrades to C Berth & increased C & D berth flexibility
- All major contracts and component packages awarded
- 35% of construction complete at December 2006
- On schedule, on budget
- First production by end of Q4 CY07

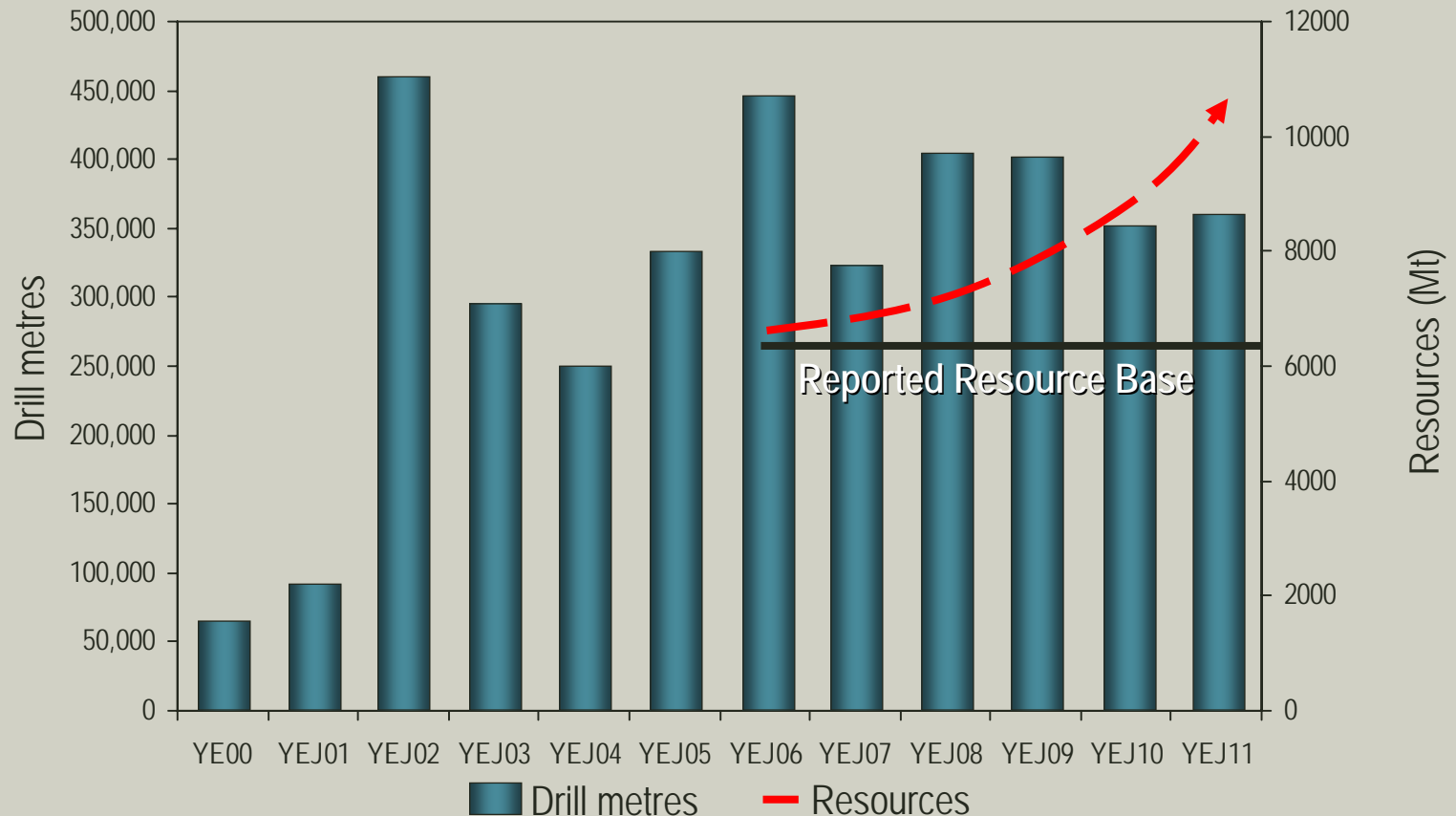


# RGP4 and Further Expansion

- RGP4 feasibility study to deliver capacity of approx 152Mtpa
- Board decision expected in 1H CY2007
- Centred on Newman with infrastructure upgrades and expansions at satellite orebodies + port and rail operations
- Evaluating a range of further options to expand beyond 152Mtpa subject to market demand



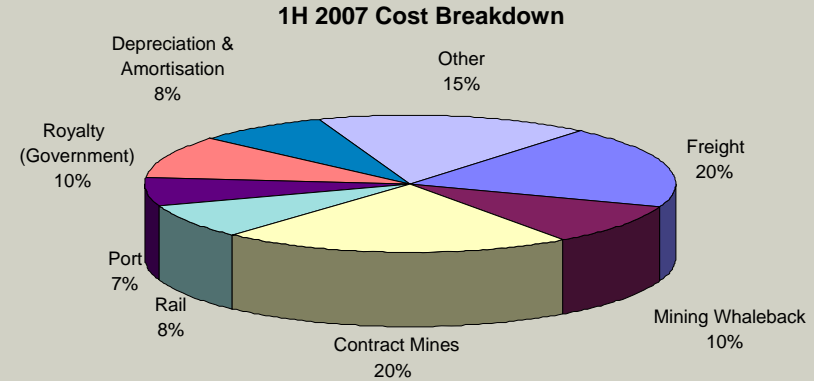
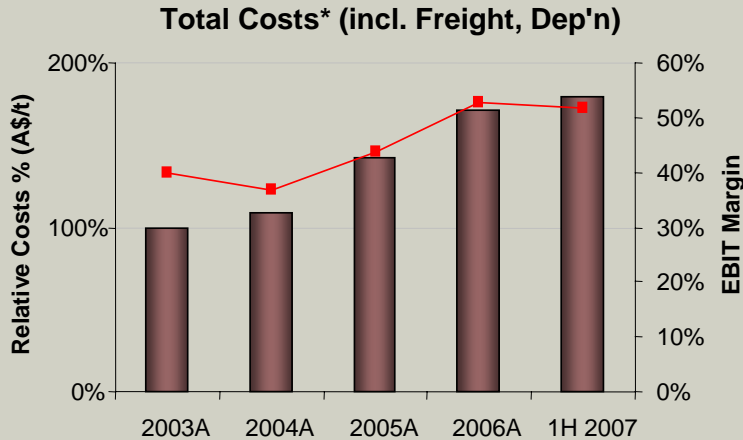
# Aggressive 5 -Year Program to Further Grow Resource Base



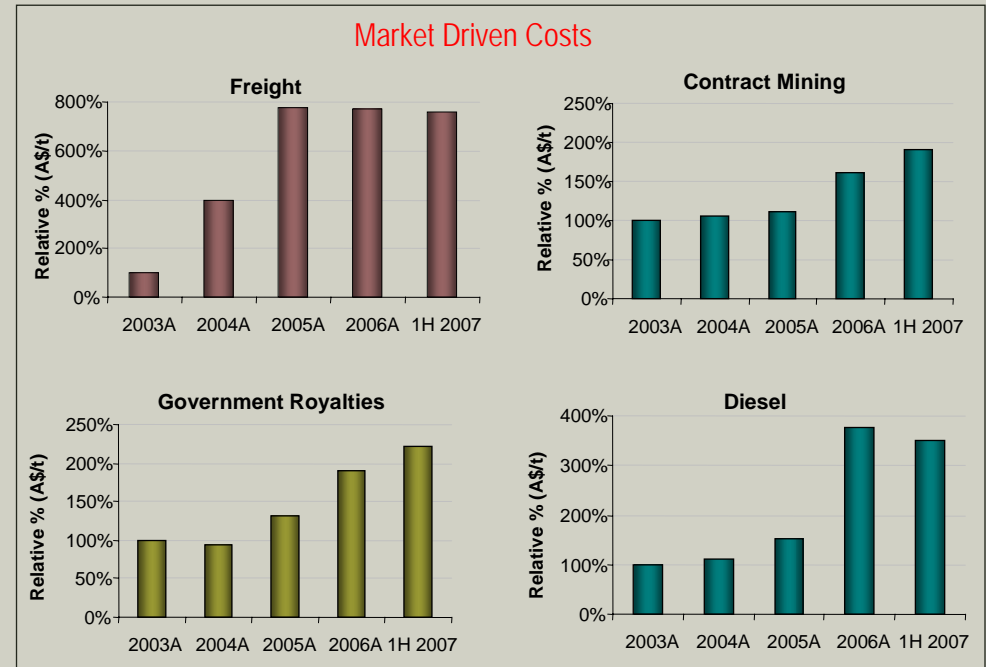
- Catch up phase completed
- Five-year program underway to significantly grow the resource base

\*Note: This mineral resource information should be read together with and subject to the notes set out on pages 60-61 of the BHP Billiton Group Annual Report 2006. This document can be viewed at: [www.bhpbilliton.com](http://www.bhpbilliton.com)

# Costs Still Challenging but Increases Slowing



- Costs remain challenging, however the rate of increase has slowed.
- Pressures remain in areas such as contractor costs, services and commodity priced consumables



\*Cost base 2003

# Taking Action to Address Skills Shortage

- Availability of skilled personnel, and potential impact on labour productivity, is a major challenge for BHP Billiton and Western Australia
- Largest shortages in trades & semi-skilled personnel
- Preference is to recruit locally
- Taking action in both Operations and Expansion areas:
  - Expansion: various initiatives ie: Indigenous training, plus discussing options with State & Federal Governments to supplement shortfalls in local labour supply
  - Operations: implemented major culture change program
- Objective is to become the mining industry's employer of choice



# Major Investments in Housing & Accommodation

- A\$150 million housing program announced in October 2006
- Two-year program includes:
  - 106 new houses
  - 112 refurbishments
  - 100 'Eco Units'
- Largest single private or public investment in Pilbara housing for more than 20 years
- Significant contracts awarded to local builders
- Complements major construction in Hedland and Newman over the past two years
- First phase of five-year program
- All stakeholders must focus on what is sustainable over the long term



# Infrastructure Access – Key Issue for Continued Growth

- Continued prosperity and growth of the WA iron ore industry is under threat
- Declaration will have a massive negative impact on productivity, efficiency and future investment
- Costs far outweigh benefits - A\$20 billion vs. A\$100 million\*
- There are better ways, ie: mine gate sales and haulage agreements
- Working with the WA Government to modernise existing haulage agreements
- Also speaking with prospective miners about possible transport arrangements
- We strongly believe in our position and will continue to defend it



\*Source: Centre for International Economics 2006

# Conclusion

- Market outlook positive
- Production capability in the short term will be impacted by construction tie-ins
- Improvement initiatives delivering results
- Growth projects continue to be delivered on time and budget
- Costs still challenging but increases slowing
- Significant drilling to underpin growth
- Addressing challenges such as housing and skills shortages
- Infrastructure access is a major issue facing the industry
- FY07 focus – managing growth and delivering consistent, predictable and sustainable operating performance





bhpbilliton