

MARKET AND PRODUCTION OUTLOOK

The Battle for Growth

UBS Conference June 2005

Bob Kirkby

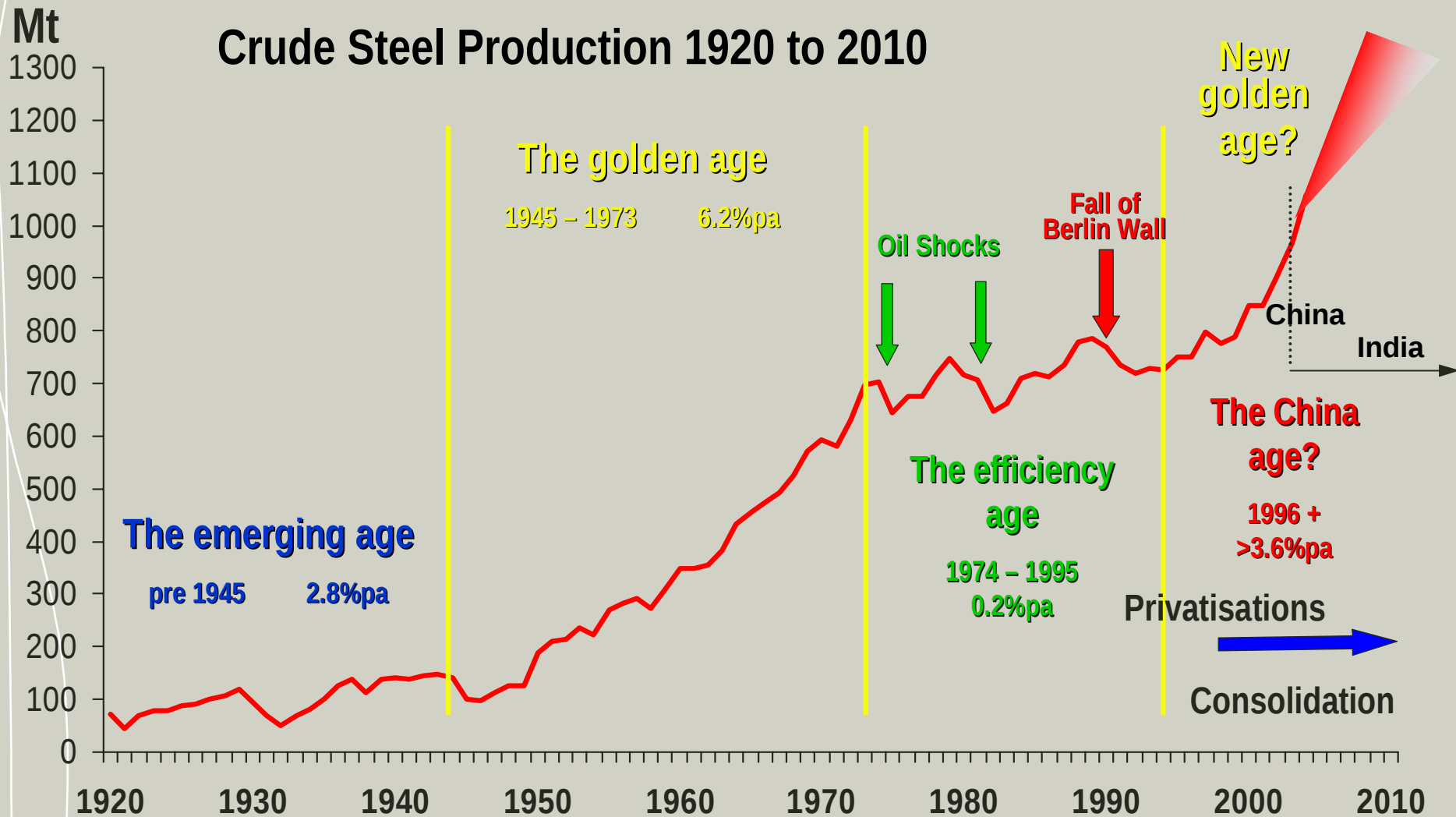
Group President Carbon Steel Materials



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The global steel industry has entered a major new growth phase

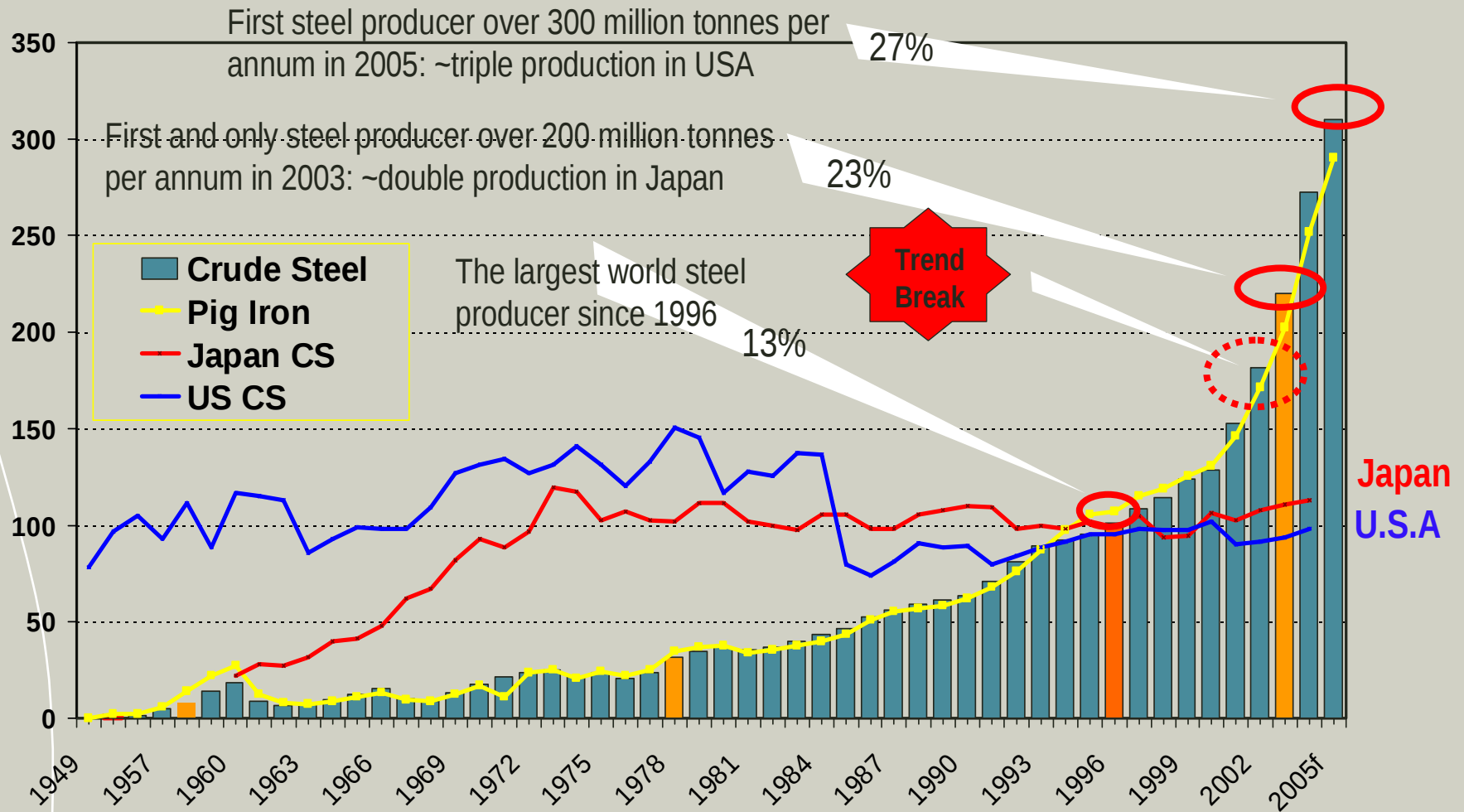


Source: IISI, BHP Billiton and other industry sources

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China has been the main driver of this growth phase



Source: CISA and other industry sources

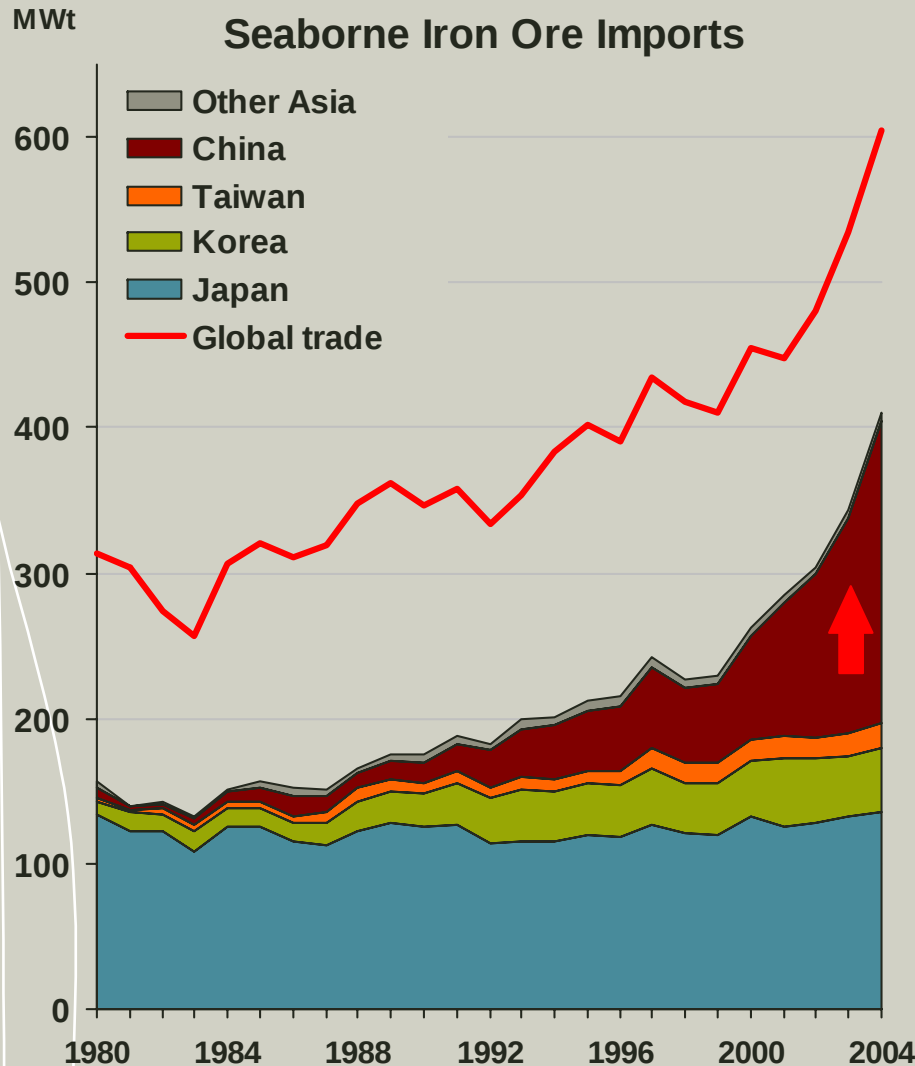
1985~2000, CAGR: 7%

2000~2004, CAGR: 23%

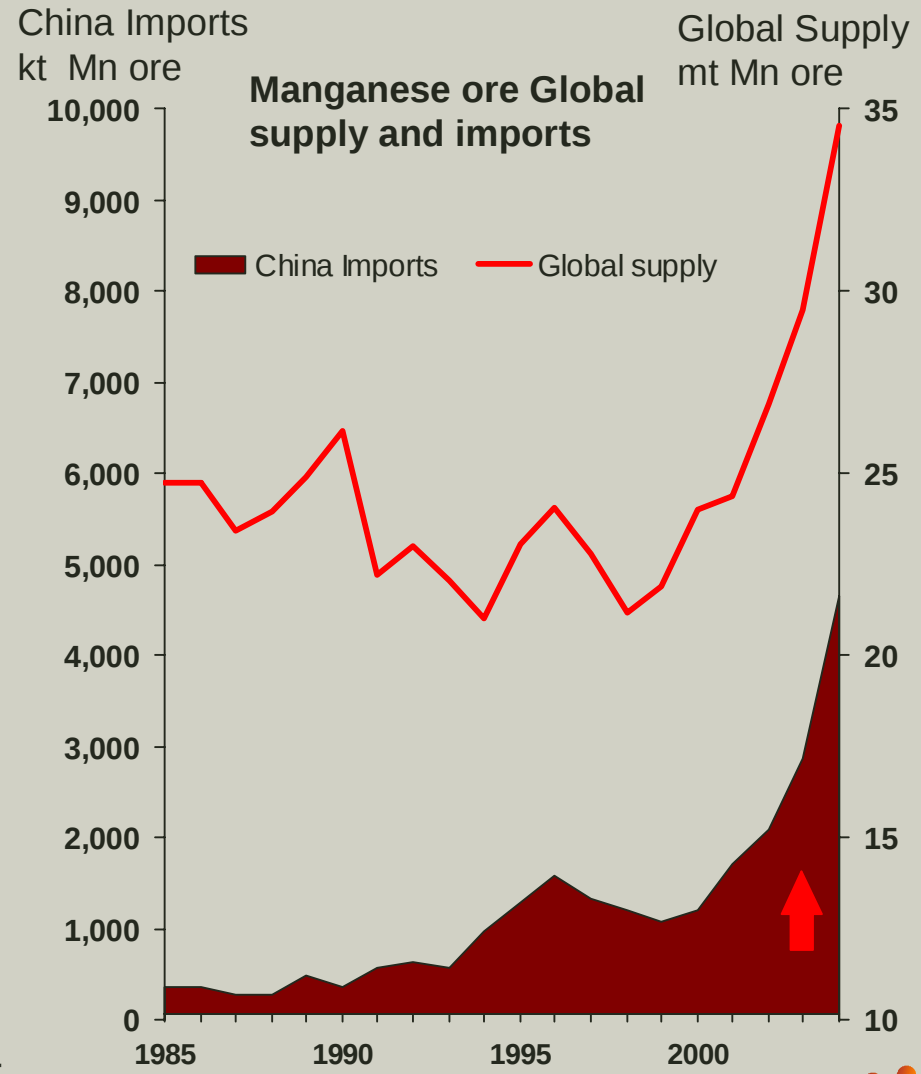
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Leading to rapid growth in demand for seaborne raw materials especially iron ore and manganese ore volumes



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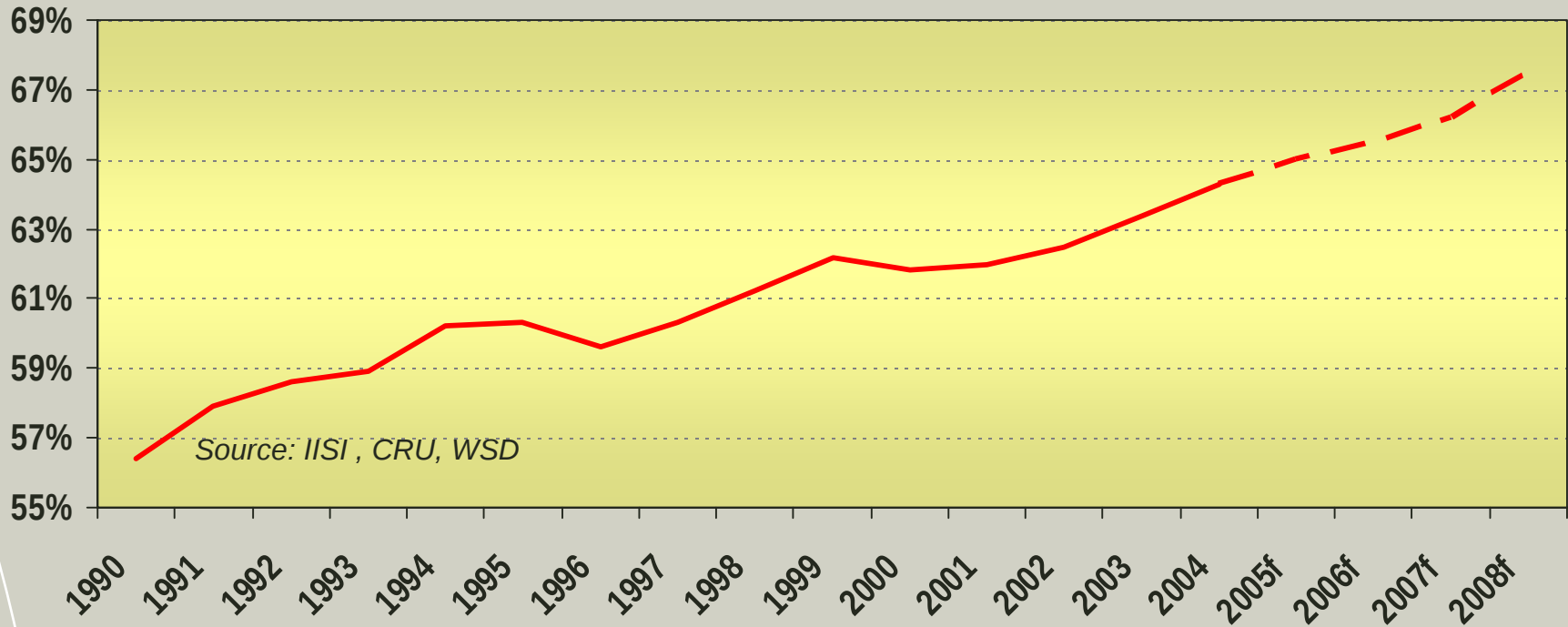


Source: IMnI, China customs

Steel outlook is for continued growth led by China

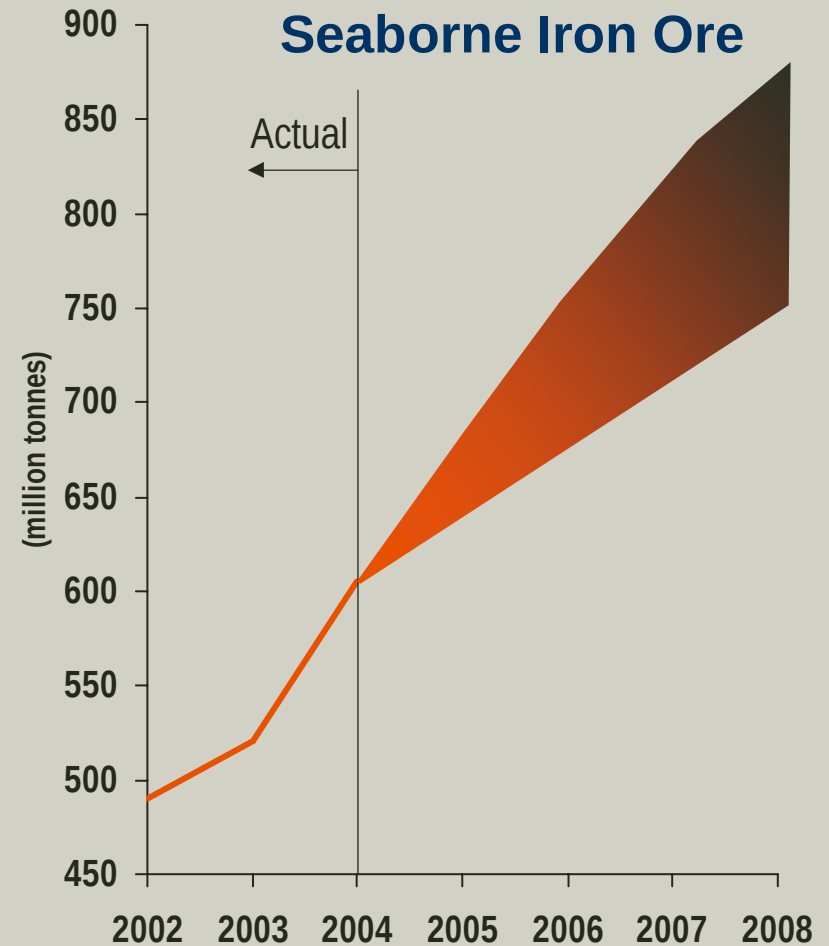
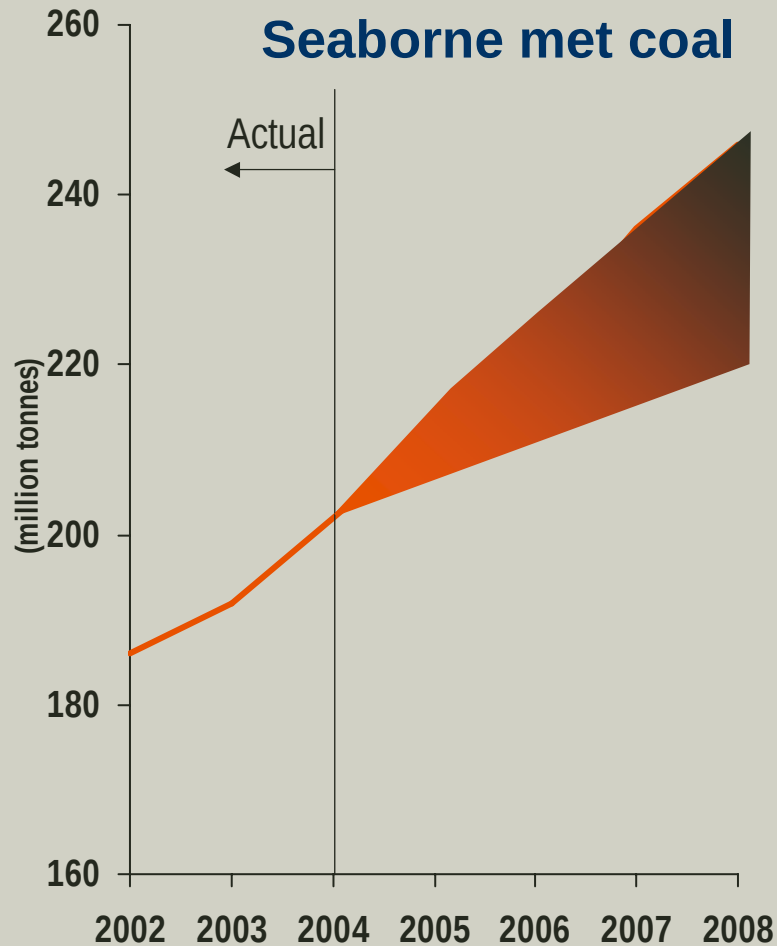


With growing share of BF/BOF steelmaking



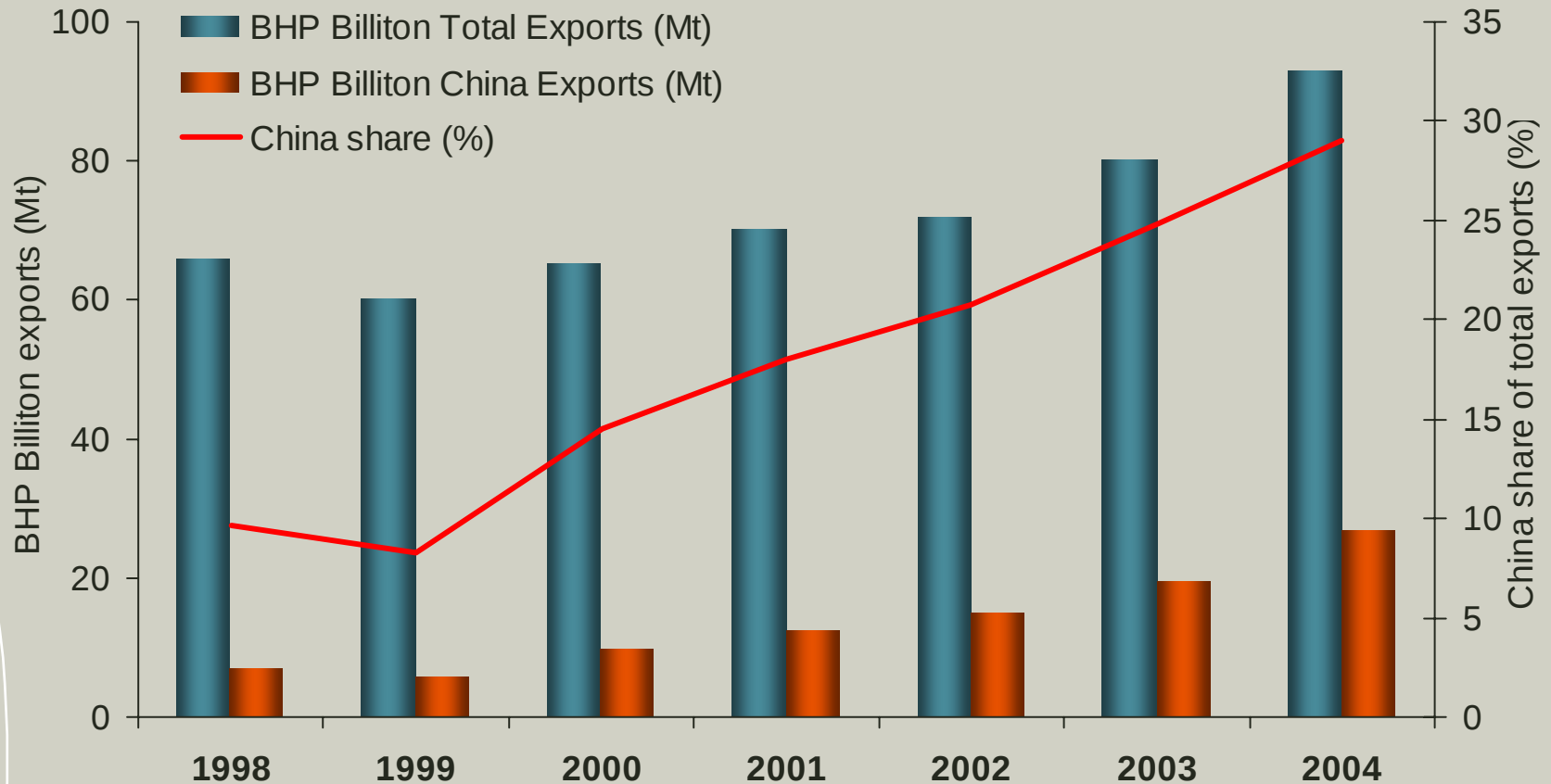
- Blast furnace major source of steel production in growing producer countries BRICS
- Blast furnace productivity has risen strongly to meet strong steel demand
- Continued technological improvements to the BF has increased competitiveness
- Scrap shortages, high prices impacting EAF production, favour BF/BOF route

Leading to strong demand growth for met coal and iron ore



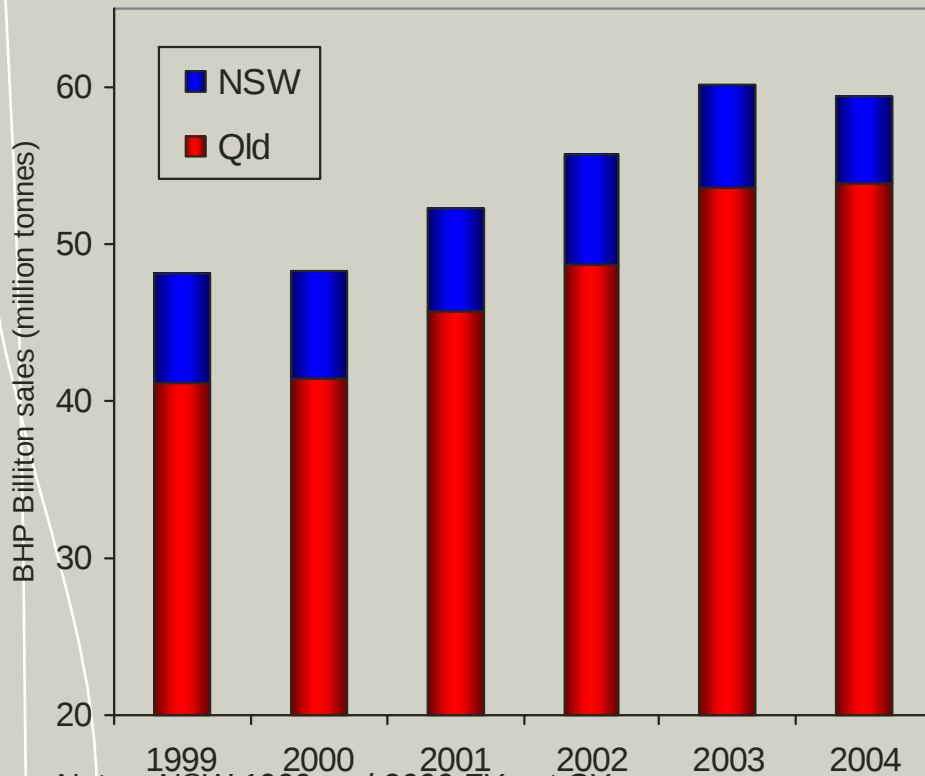
Source: IISI, Tex and BHP Billiton

BHP Billiton has already expanded significantly to meet the strong global demand for iron ore



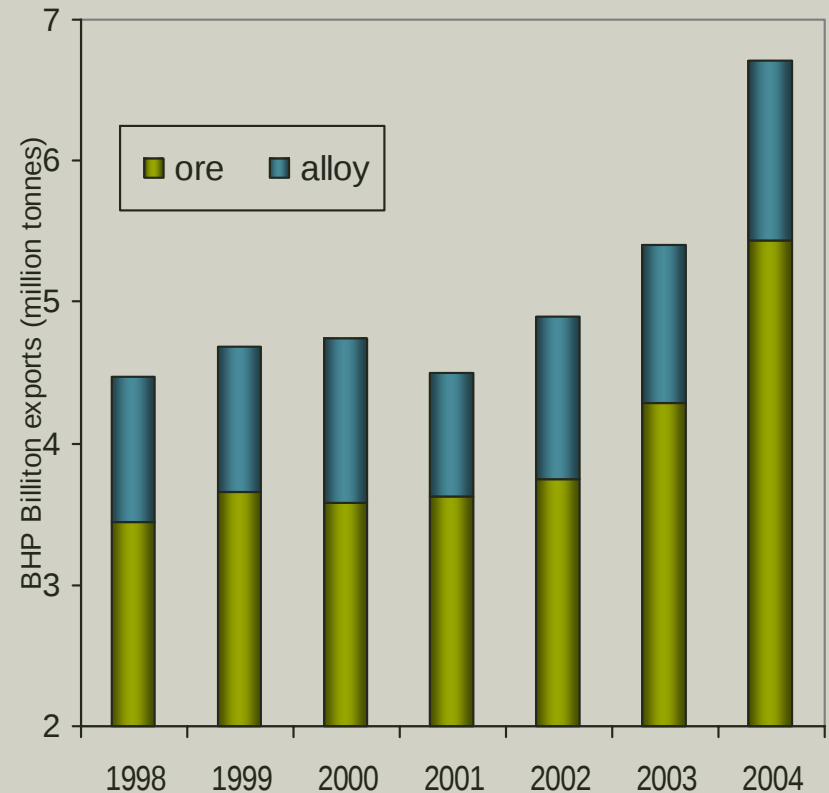
BHP Billiton has already expanded significantly to meet the strong global demand for met coal and manganese products

Metallurgical Coal



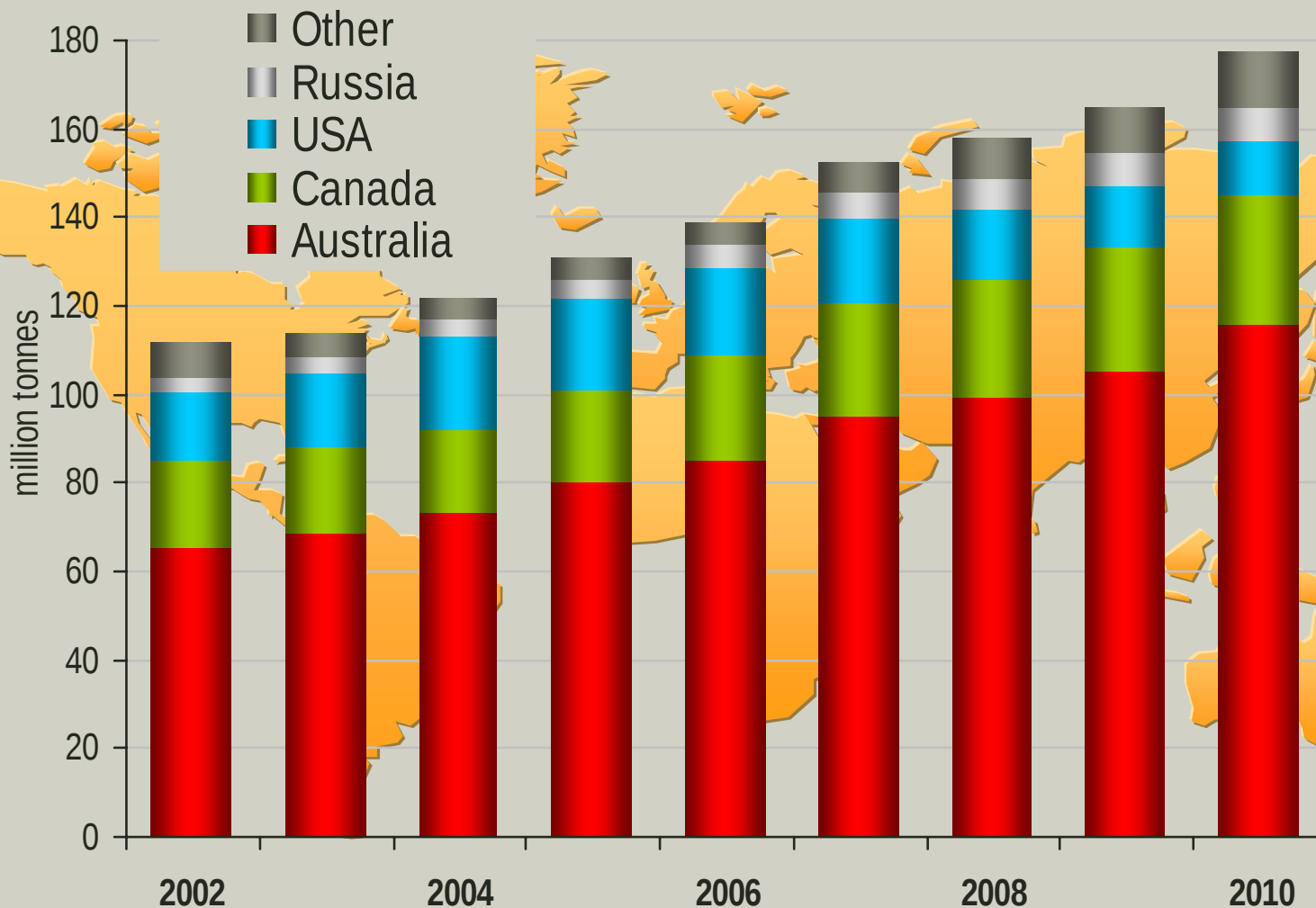
Notes: NSW 1999 and 2000 FY not CY
Assumes 100% basis

Manganese ore and alloy



Announced future capacity increases for HCC

Hard coking coal



Source: BHP Billiton, Public Announcements

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Global supply will not be sufficient to meet increased demand

SEABORNE SUPPLY GROWTH

- Queensland
- Canada
- New Zealand
- New South Wales
- Indonesia/Venezuela/Vietnam (weak coking coal and PCI)
- Potentially Russia, Mongolia, Mozambique
- *China flat potential decline*
- *USA declining*

Less
than

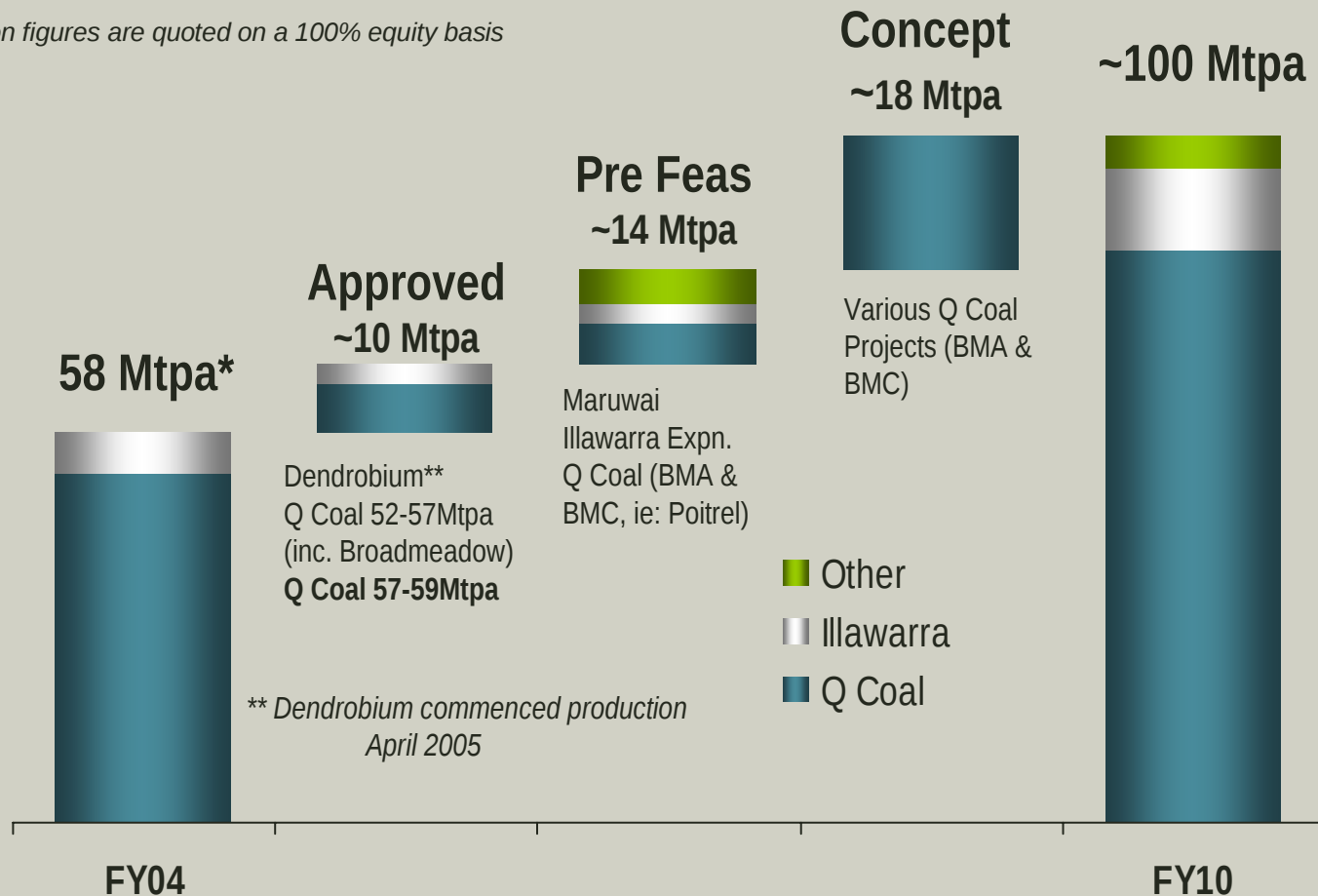
SEABORNE DEMAND GROWTH

- Increasing coke production by traditional and new customers
 - Japan, Europe, India, Brazil, South Korea, SE Asia
- New growth opportunities
 - China, India, Brazil, Eastern Europe, Germany, USA, Africa

BHP BILLITON WILL MEET THIS GAP

Planned growth to ~100Mtpa capacity by 2010

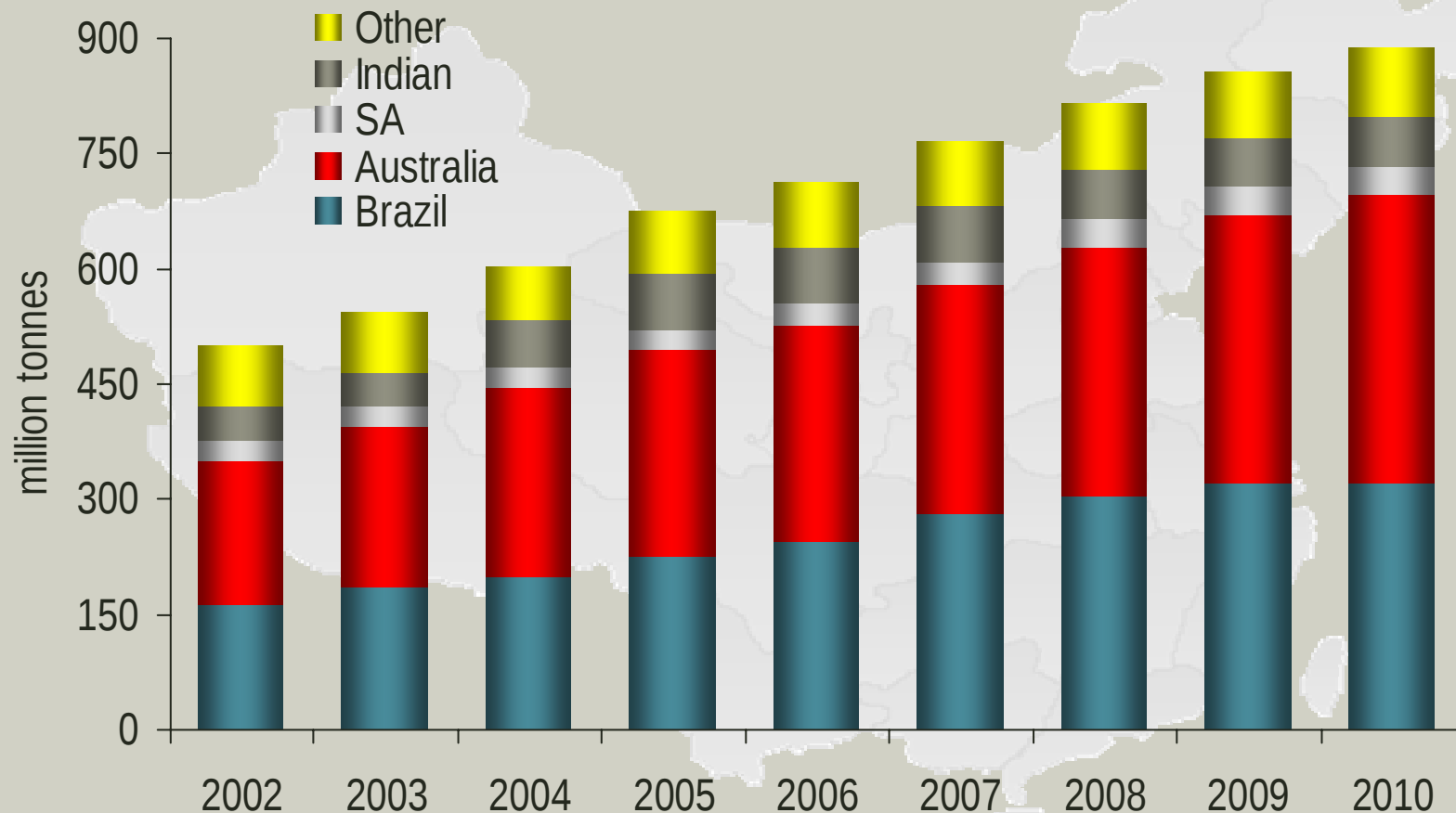
**All production figures are quoted on a 100% equity basis*



Progress on 100Mtpa by 2010 expansions- update****

- Poitrel
 - Signed agreement with Excel Coal for shared infrastructure
 - On target for first coal end 2006
- Maruwai
 - Pre feasibility completed, current under feasibility
 - Large sample testing and evaluation completed
 - Total exploration expenditure to date US\$40M
- Illawarra
 - Appin new longwall ordered, start up target FY2006-7
 - De-bottlenecking West Cliff and Appin under study
 - 3rd Bulli seam longwall concept study complete
- Dendrobium - Commenced operations April 2005
 - Ahead of target, timing and production 400kt tonnage to year end.
 - FY06 expected 3.9 million tonnes raw coal

Announced future capacity increases for iron ore



Source: CRU, BHP Billiton, Public Announcements

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Elements of iron ore expansions

Current and future growth – sum of parts

- RGP2 – approved Oct 04
- RGP3 – approvals late 05
- Further options under study

Tonnage Targets

Yandi 47Mtpa

Area C 42Mtpa

Newman 58Mtpa

OB 25 5Mtpa

Port & Rail Developments

- Eastern Yard
- 4 ports
- Relocate C&S
- Passing Sidings
- Rail loops and bridges
- Rolling stock

Area C Expansion

- E deposit
- A west
- F deposit
- D deposit

Mining Hubs

- Yandi
- Area C
- Newman

Orebody Development

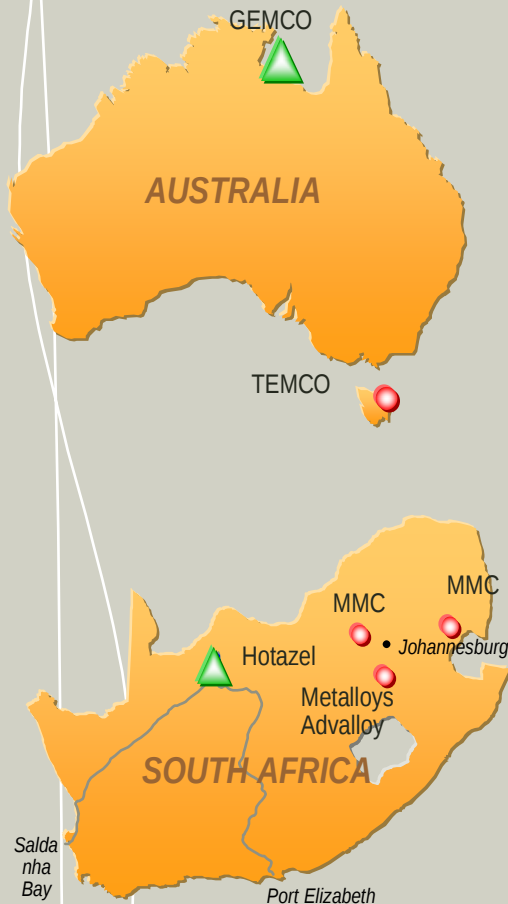
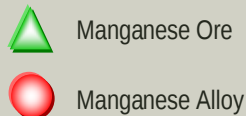
- OB 18 continuation
- OB 25 BWT

Expansions

- Jimblebar



BHP Billiton Manganese – Expansion plans



- Gemco expansions

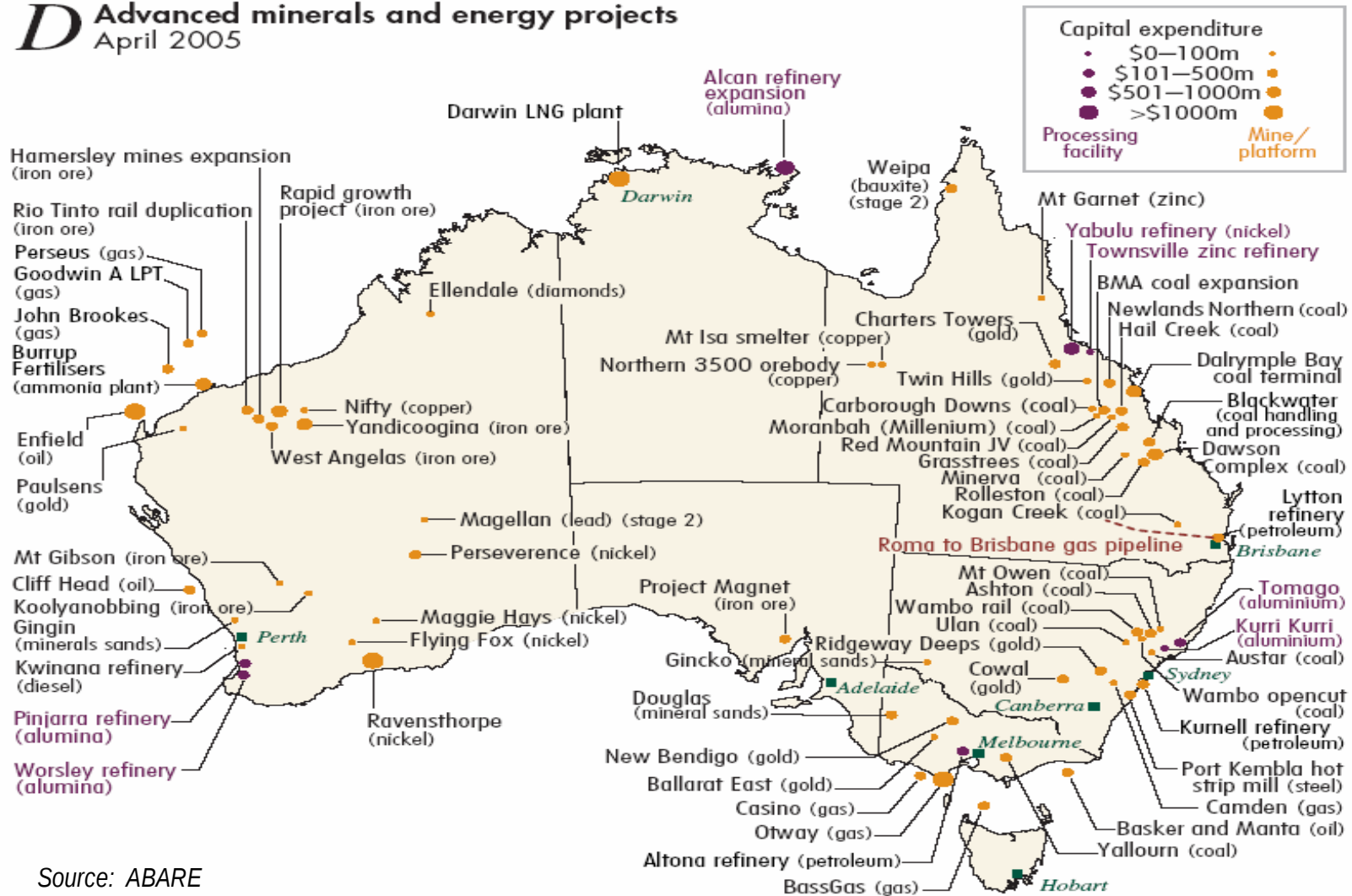
- Major capacity uplift to >5million tonnes per annum under pre-feasibility
- To include additional mining equipment, new haul road, expanded port and new stockpile, upgrade ship loading
- Indicative investment cost <US\$200M (100% terms)

- South African expansions - ore

- Concept study underway to expand Hotazel mines
- Logistics improvements under planning

The growth challenge – there are a lot of projects!!!

D Advanced minerals and energy projects April 2005



Source: ABARE

74 committed projects with total cost of A\$22.6 billion

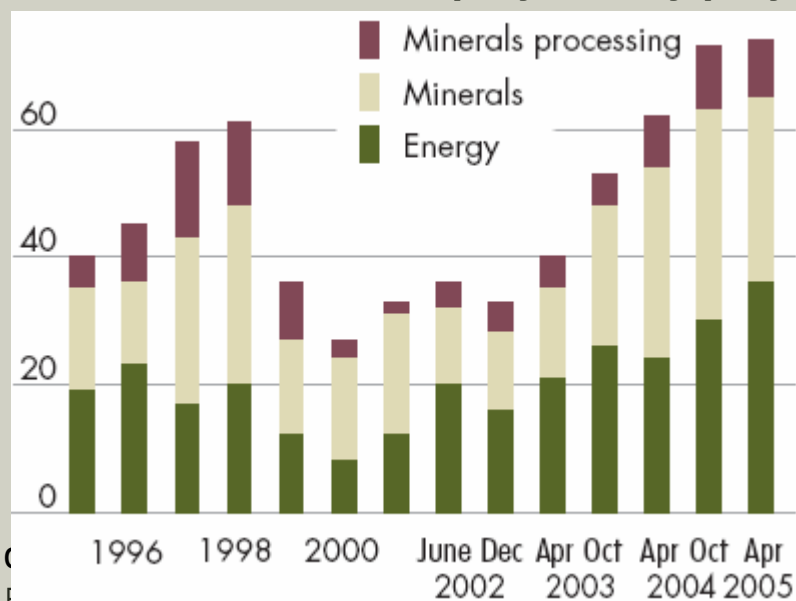
Number and estimated capital cost, by state

	Energy projects		Mining projects		Minerals processing		Total	
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
	no.	\$m	no.	\$m	no.	\$m	no.	\$m
New South Wales	8	1 030	3	548	3	348	14	1 926
Victoria	5	1 887	3	680	0	0	8	2 567
Queensland	15	3 417	5	390	3	548	23	4 355
Western Australia	6	1 987	17	5 527	2	696	25	8 210
South Australia	0	0	1	250	0	0	1	250
Tasmania	1	450	0	0	0	0	1	450
Northern Territory	1	3 000	0	0	1	1 860	2	4 860
Australia	36	11 771	29	7 395	9	3 452	74	22 618

Committed projects

74 total cost A\$22.6b

Number of committed projects, by project type

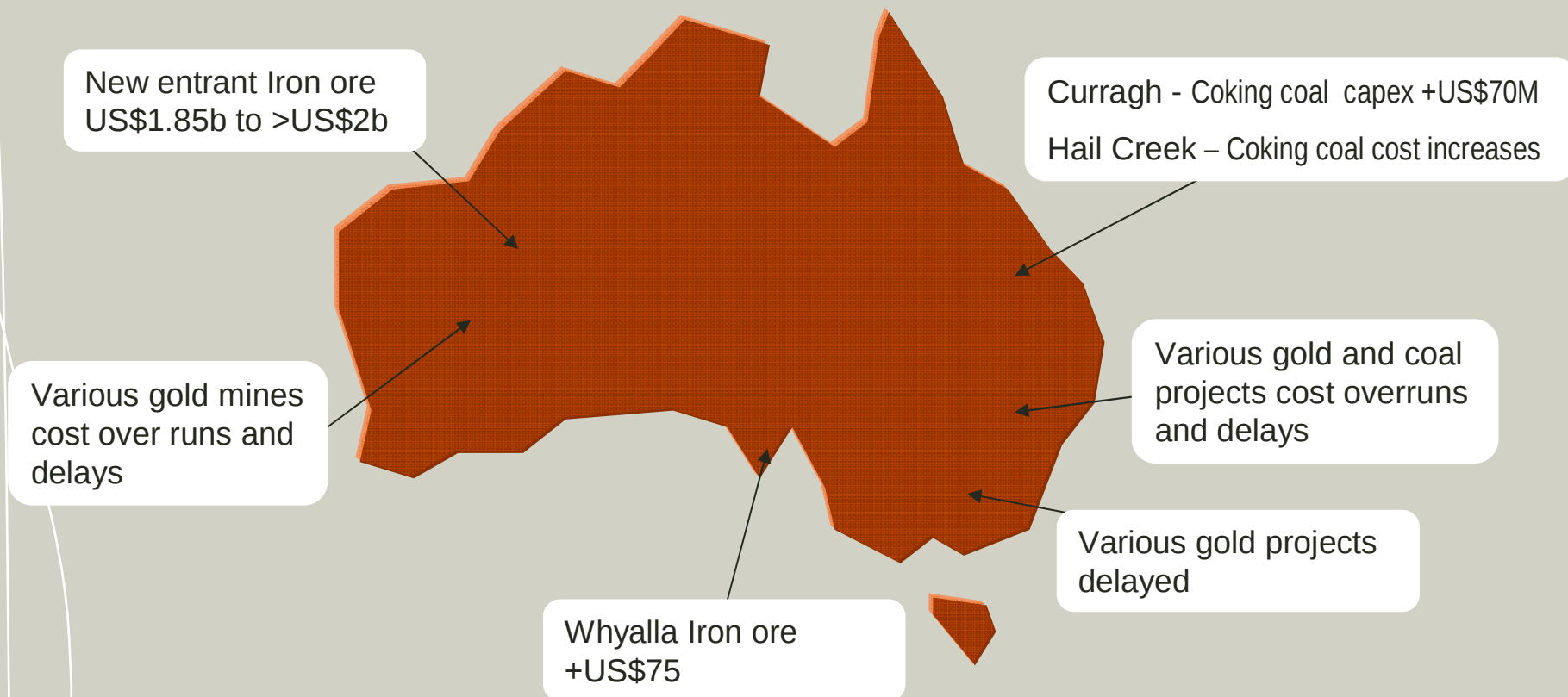


Plus
74 less advanced projects with total cost of A\$83.8b

Source: ABARE

Costs are increasing as input costs rise and projects delayed

Selected examples of increases to capital cost

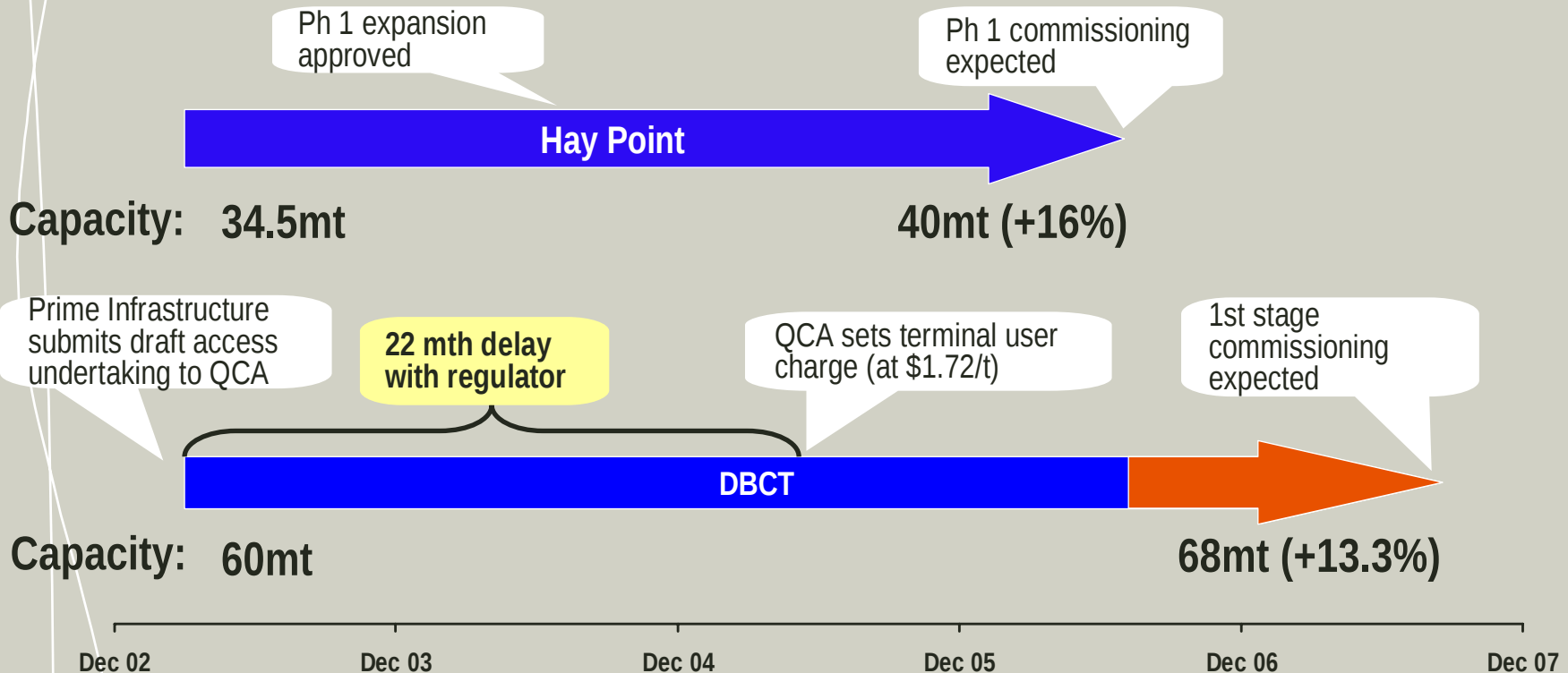


Source: ABARE , Press releases, public announcements

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Demand response of vertically integrated infrastructure has been timely, effective and efficient



Impact of Delay at DBCT

- Demurrage 2005: A\$550m
- Foregone sales (1 yr): A\$1bn

Main challenges battling for growth

- Competition due to large number of projects
- Cost increases of components
 - Steel costs have risen over 100% due to higher global steel prices
 - Increased consumable costs, tyres, diesel, explosives
 - Capital items, locomotives, trucks, shovels cost more
 - Shortages of specialist steels e.g. hardened steel
- Shortages of skilled labour
 - For expansion projects (project managers, controllers, engineers etc)
 - Operations (engineers all types, geologists, supply specialists etc)
 - Higher wages to attract and retain skilled staff
 - Aging of key expertise throughout Australian mining industry
- Delivery delays
 - Longer lead and delivery times – push out projects
 - Shortages of items for building major items adding delays

Final Remarks

- The strong demand growth driven by China has the global raw materials industry in catch up mode
- Easy expansions have been completed, further capacity growth now requires significantly more investment and longer lead times
- Need ongoing certainty from State Governments' on timely approval processes and regulatory frameworks
- Rising input costs and shortages have driven cost increases and growing lead times
- BHP Billiton expanded rapidly to capture early demand growth, and has in place plans for continued expansions to meet future market demand