BHP Billiton Metallurgical Coal

Dave Murray President, Metallurgical Coal

Analysts and Investors Site Visit

Queensland

2 June 2005

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Agenda

Safety Induction	– *Ben Zietsman*
Carbon Steel Materials Structure	– *Dave Murray*
Coal Markets	– *Boyd Payne*
BMA Coal	– *John Smith*
BMA Operations	– *Mick Madden*
Morning Tea	
BMA Key Projects	– *Bryce Jones*
Illawarra	– *Colin Bloomfield*
Maruwai	– *Dave Murray*
Goonyella Mine	– *Ben Zietsman*
Hay Point Terminal	– *Sam Bonanno*
Wrap-up	– *Dave Murray*

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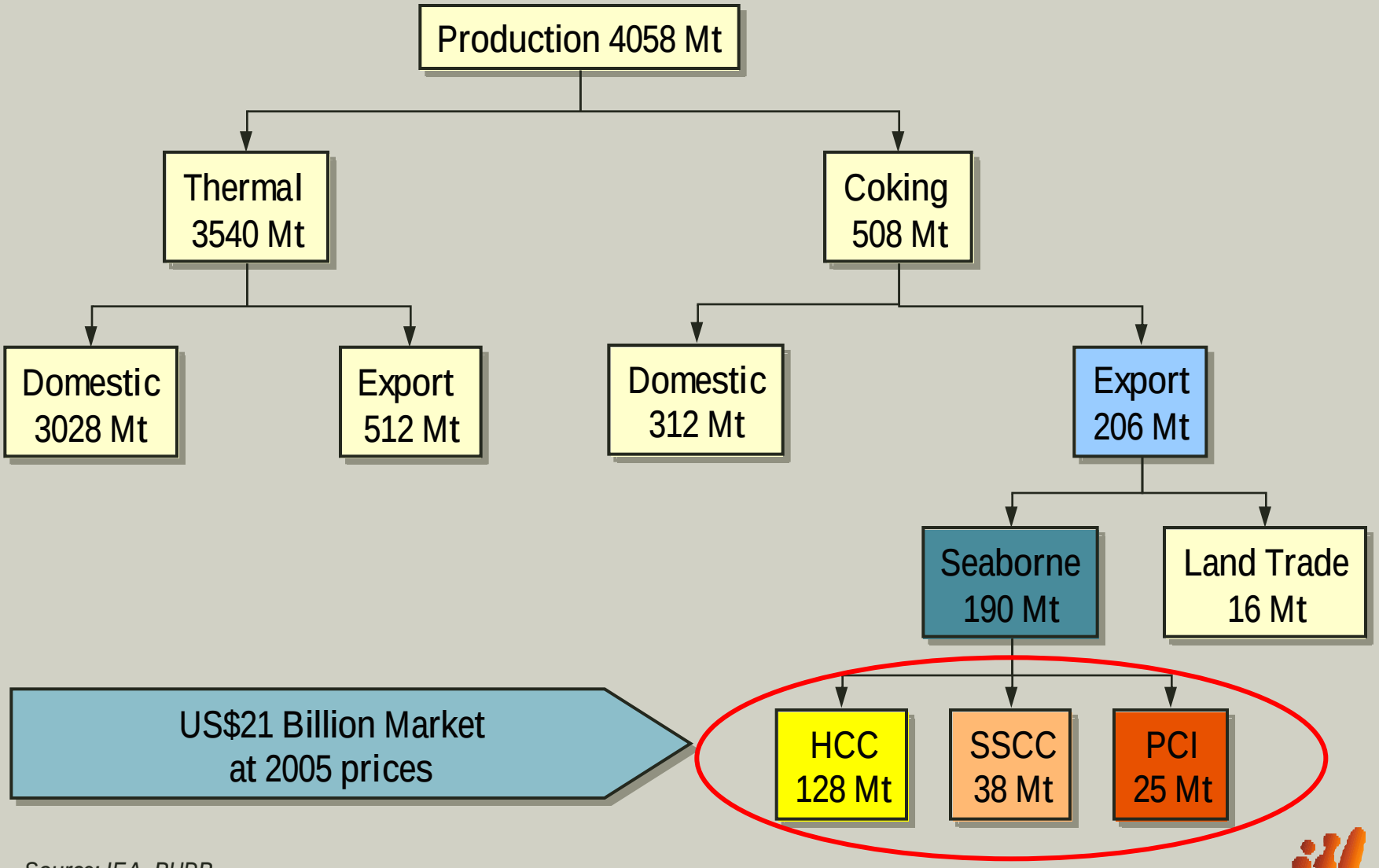
The Thermal and Metallurgical Coal Markets (2003 estimate)



Source: IEA, BHPB

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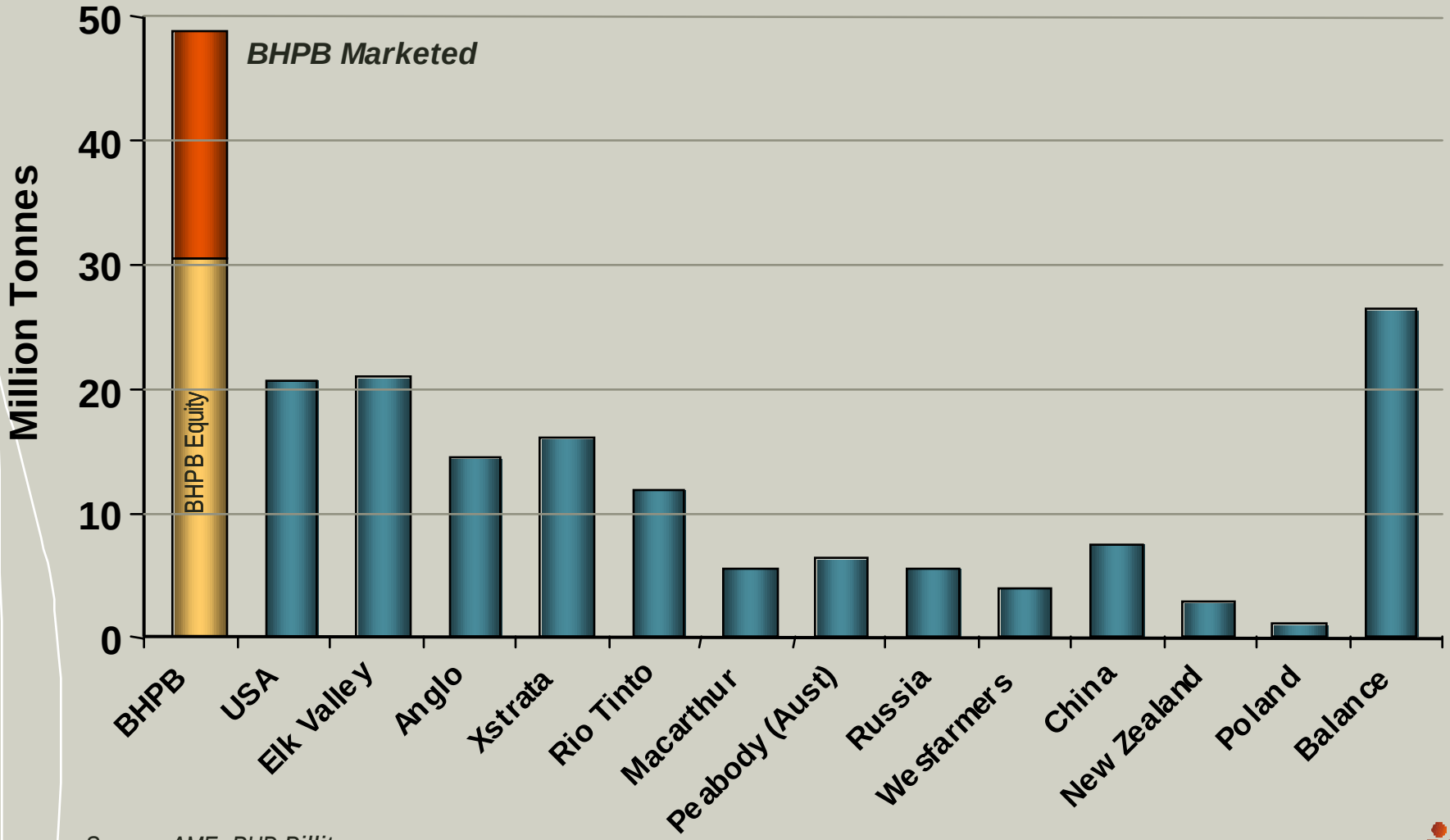
Major Suppliers in the Seaborne Met Coal Industry (2004 est)



Source: AME, BHP Billiton

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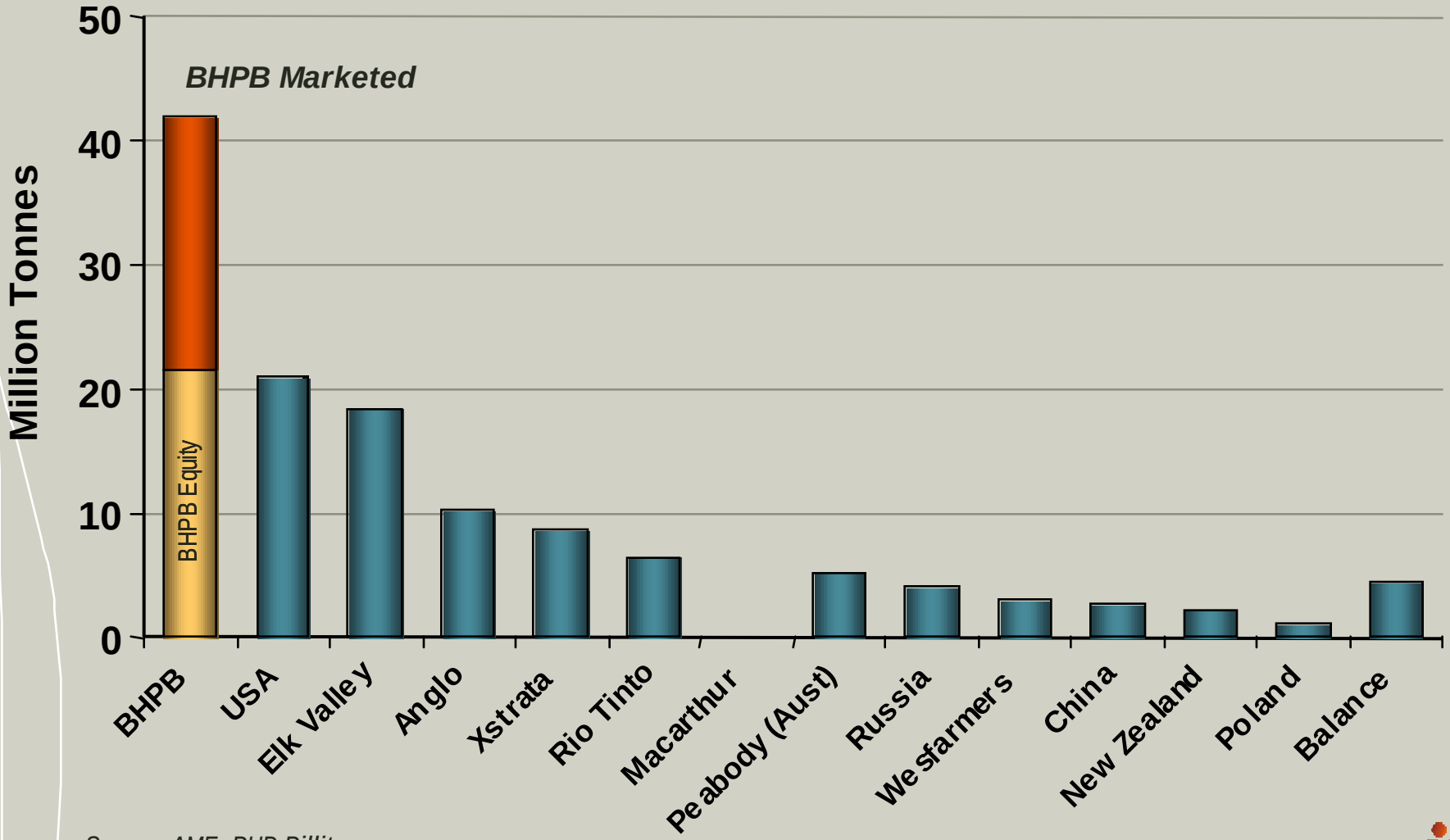
Major Suppliers in the Seaborne HCC Industry (2004 est)



Source: AME, BHP Billiton

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Strategic Advantages

- Resources in two basins (with a third to follow)
- Long life reserves (opportunity to grow)
- Cover quality range but mainly HCC
- Single marketing channel
- Production sourced from many operations
- Dependable, well established infrastructure
- BMA owns port and water infrastructure
- Relatively stable and experienced workforce

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Strategic Advantages – Mining Types

Mix of mining types but predominantly surface mining:

- Higher resource utilisation
- Ability to blend between seams
- More flexible production
- Safer operations
- Can use new technologies

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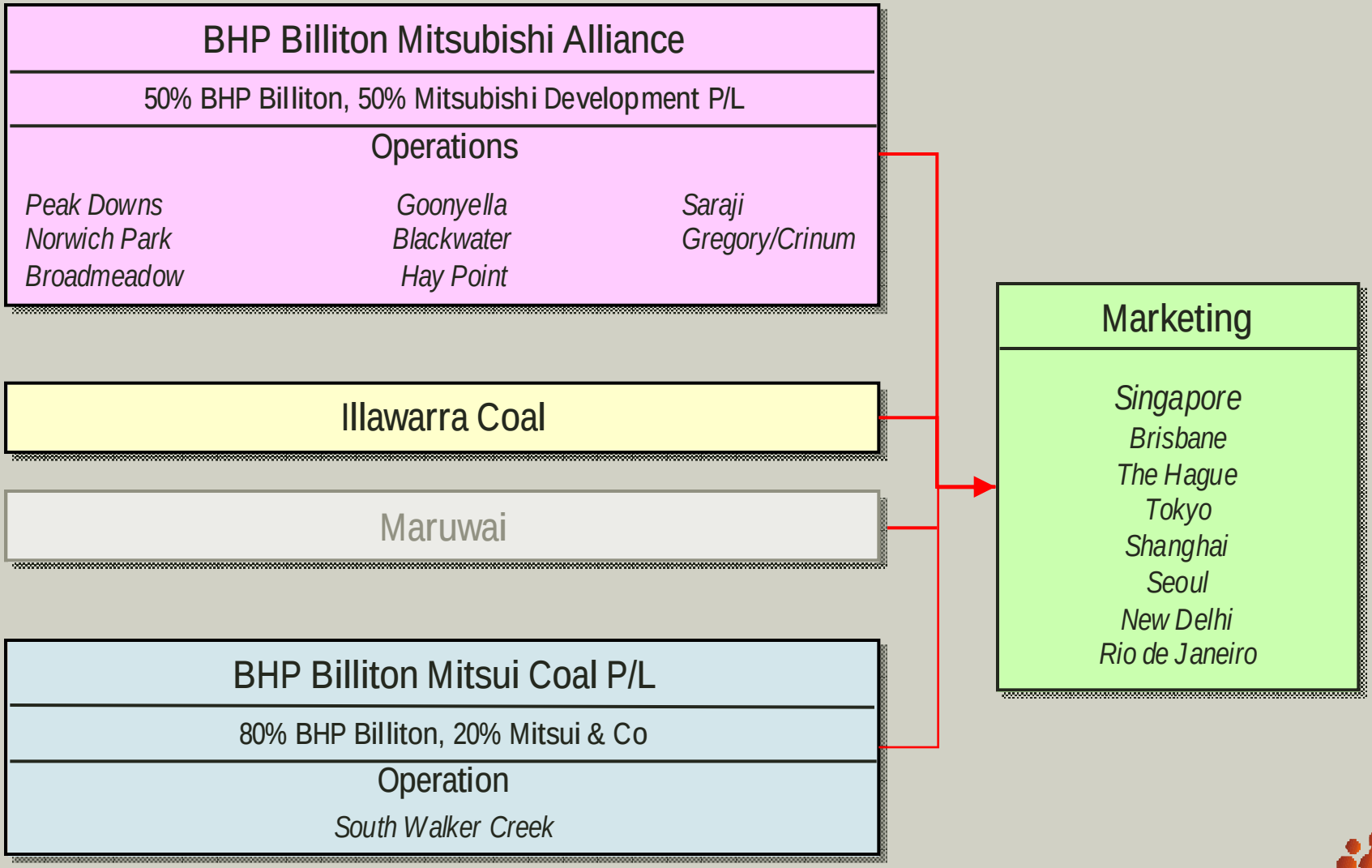
BHP Billiton Metallurgical Coal Business



Growth on Track

BMA Managed:

- Production increases at all mines on track
- Poitrel close to approval
- Hay Point – productivity improvements, expansion on track
- Additional port & rail capacity secured or in discussion
- Further production increases being investigated

Illawarra – projects on schedule

Maruwai – studies well underway

Generally:

- Expansion expenditures will help achieve cost containment in weaker market
- Cost savings projects in place – focus on overburden removal
- Many challenges

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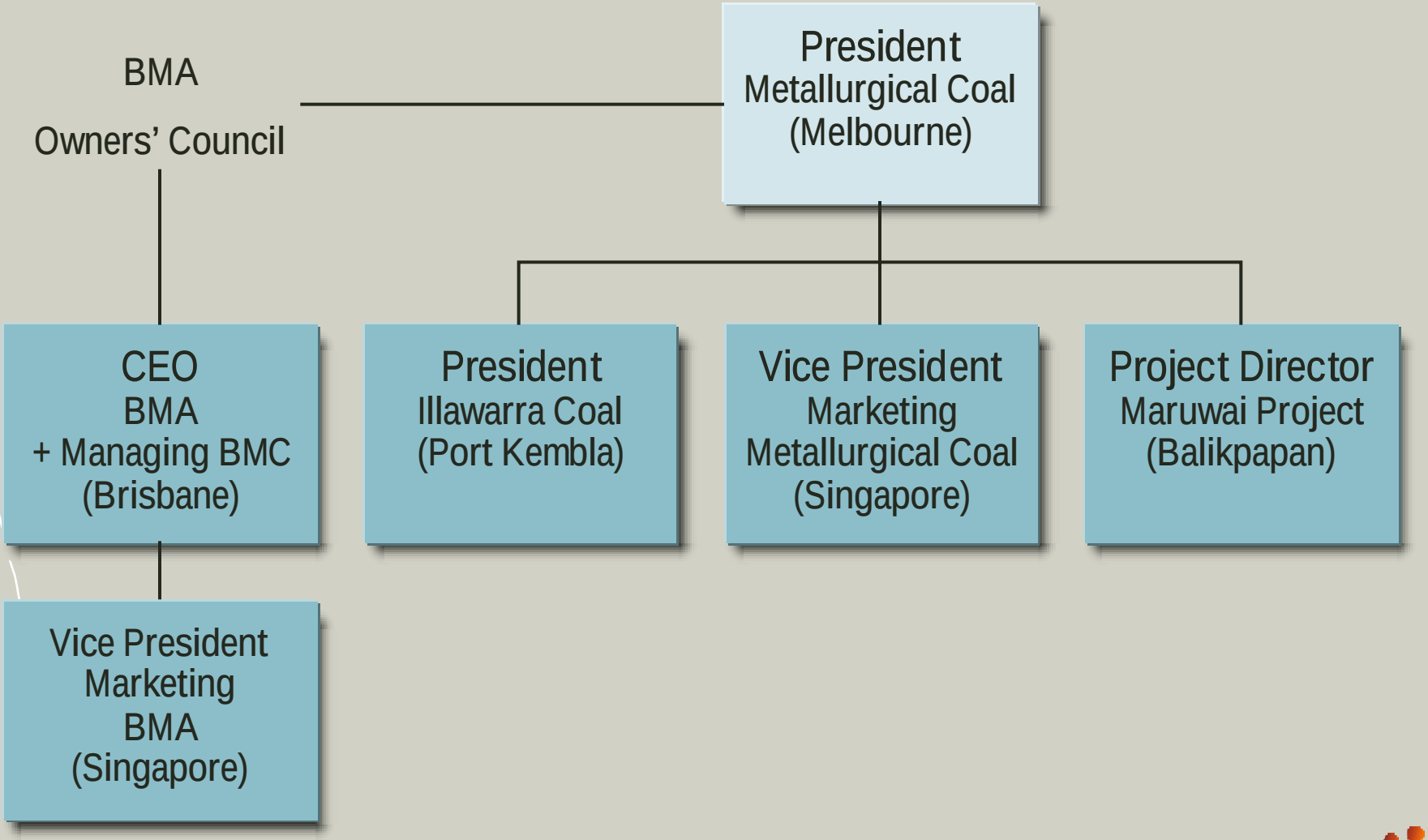
Carbon Steel Materials - Structure



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Benefits of BMA/BHP Billiton Hard Coking Coals to the Global Steel Industry

Boyd Payne Vice President Marketing



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The world has changed

Today we are in a very different environment than 2 years ago; the steel world has changed significantly

Higher global steel demand and hence crude steel and pig iron production; over 1 billion tonnes crude steel in 2004

+

Doubling of flat steel prices in 2004; long term higher base prices

+

Steel industry highly profitable; very significant turnaround, e.g. Corus EBITDA >US$1bn; top companies have ROCE's of 35-50%

+

Increasing likelihood that the BF/BOF steelmaking route will increase or at least maintain share of steel production; BRICs largely BF based

+

Steelmakers' investments in new capacity to meet growing local demand

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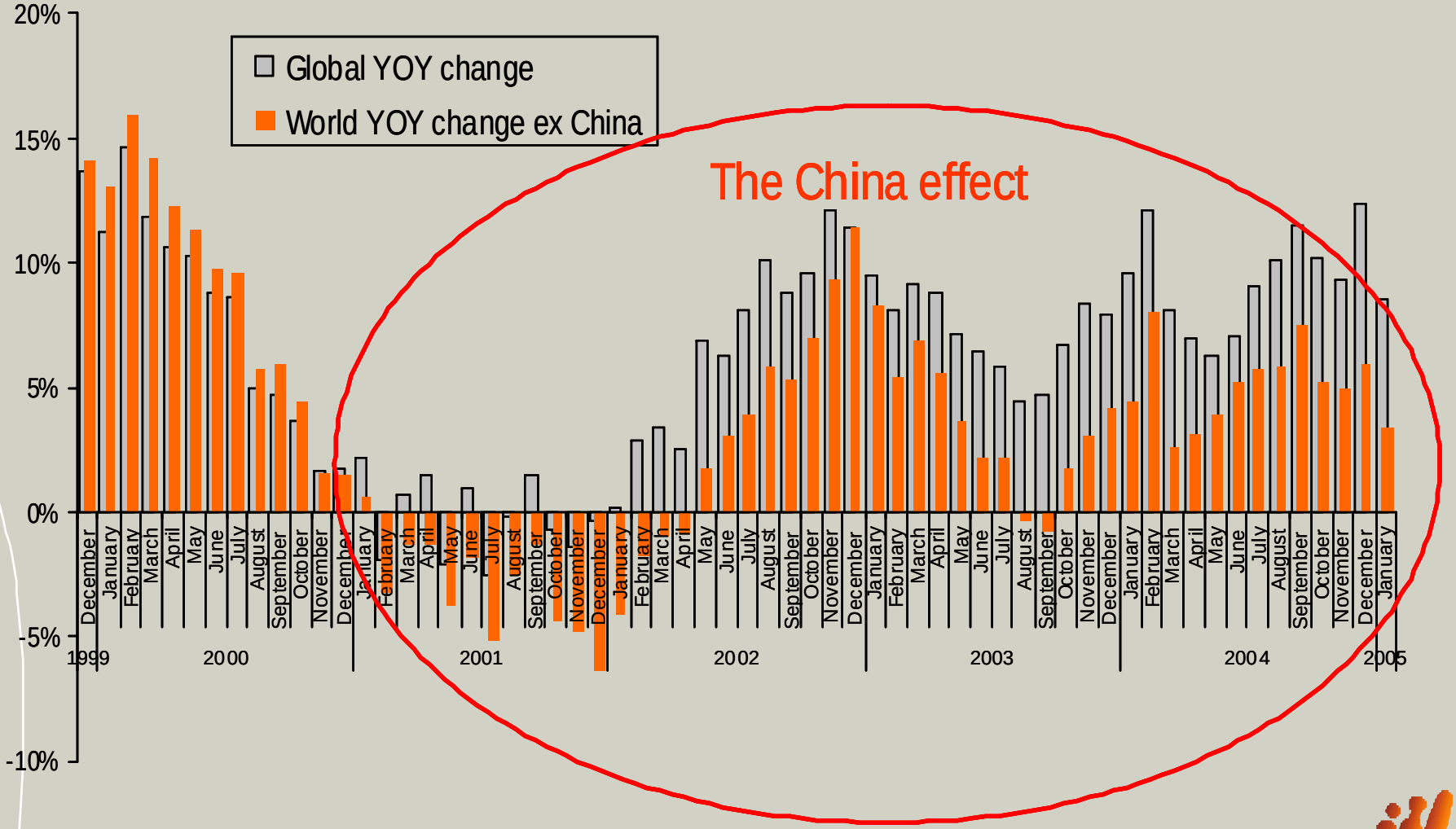
China's impact on global steel production

China's very strong demand growth since 2000 has been a major driver for higher steel production growth rates, with flow-on benefits to other producers



Source: IISI

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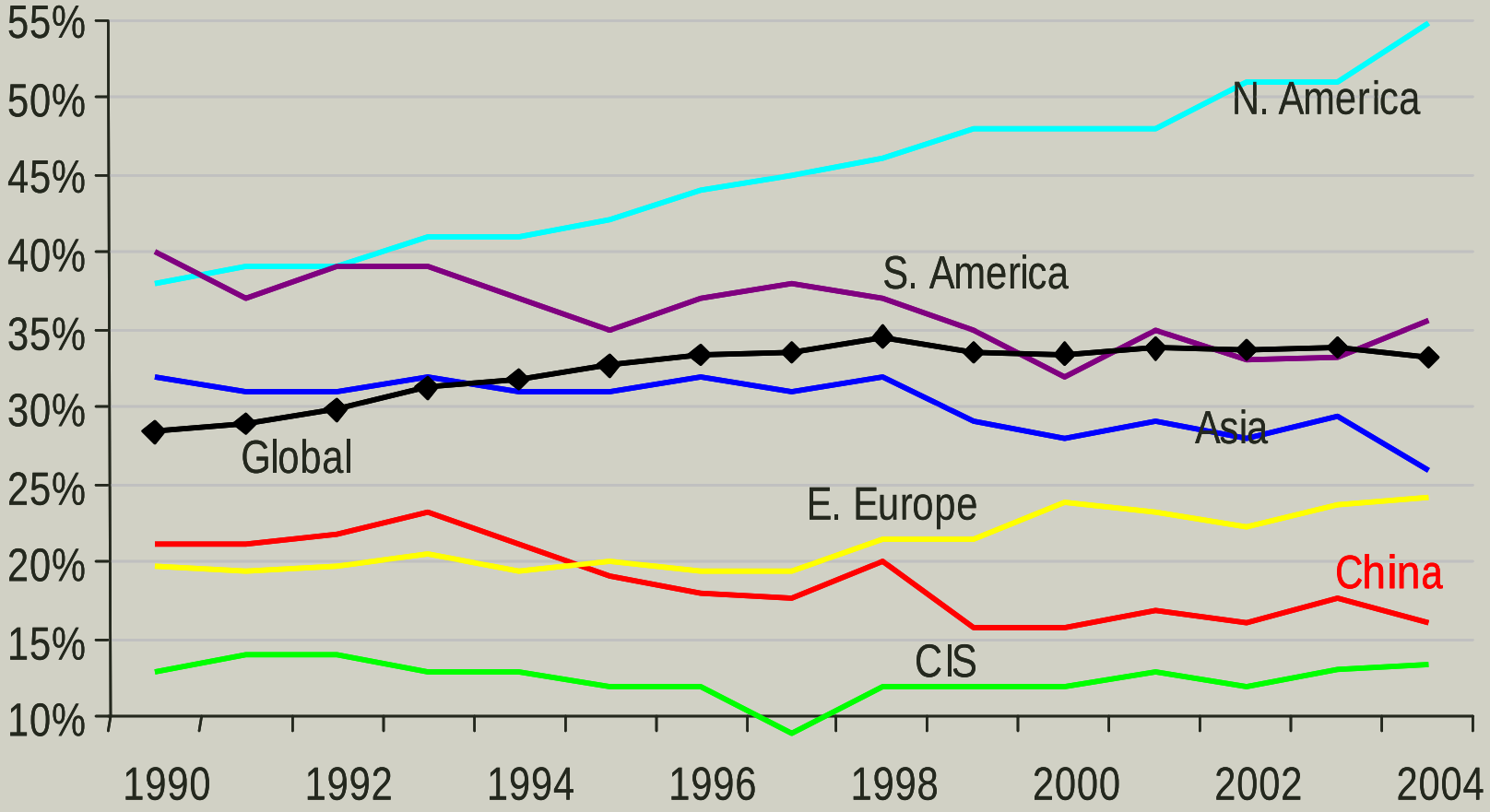
Regional trends by process – EAF production share

Lack of scrap and high steel demand is driving Asian steelmakers to rely more on the blast furnace/BOF route



Source: IISI

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Implications of changes on BF hot metal demand

- More efficient steel industry = reduced prompt scrap
- Low production over past 20 years = insufficient scrap pool
- Improved coating technology = longer steel recovery cycle and reduced scrap availability
- Increased “tramp” elements in scrap requiring “virgin” iron units
- Rise in EAF thin slab casting needing >25% “virgin” iron units
- Major growth in countries/regions of low scrap but sufficient raw materials

Overall impacts

Scrap shortage requiring higher levels of BF-based hot metal in steel production and more high quality coke

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Key aspects of coke for steel production

- The blast furnace is fully integrated into the plant energy balance; top gas is an important energy source
- Despite strong gains in alternate fuels (generally PCI), coke remains one of the critical raw materials
- High injection rates have raised the need for high strength, higher quality coke as coke rates have declined
- Major BF relines have seen furnace size increase which has resulted in the need for higher quality coke

High quality coke is vital for the future of the BF!

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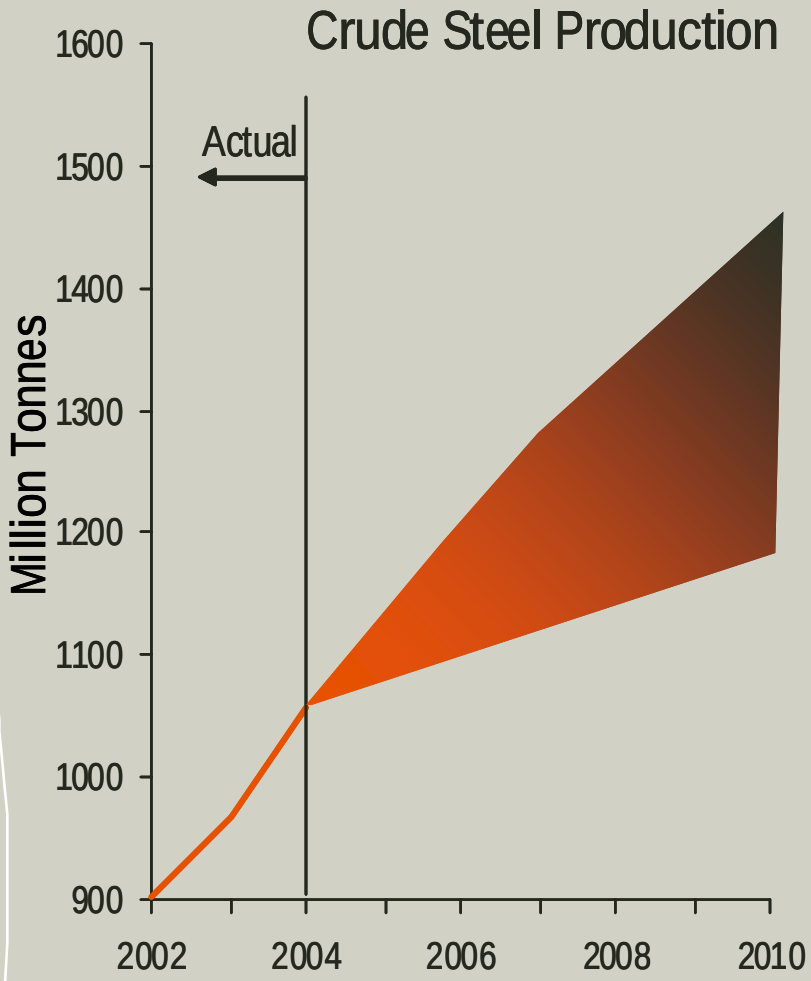
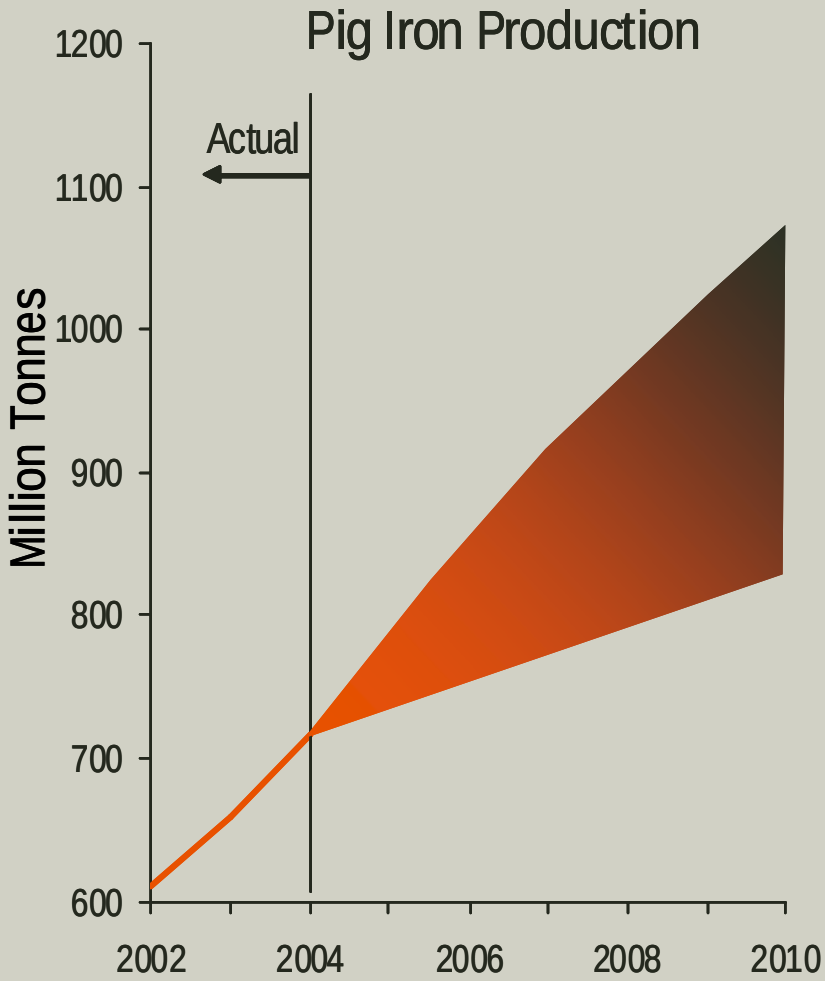
Global steel outlook, crude steel and pig iron





Source: IISI and BHP Billiton

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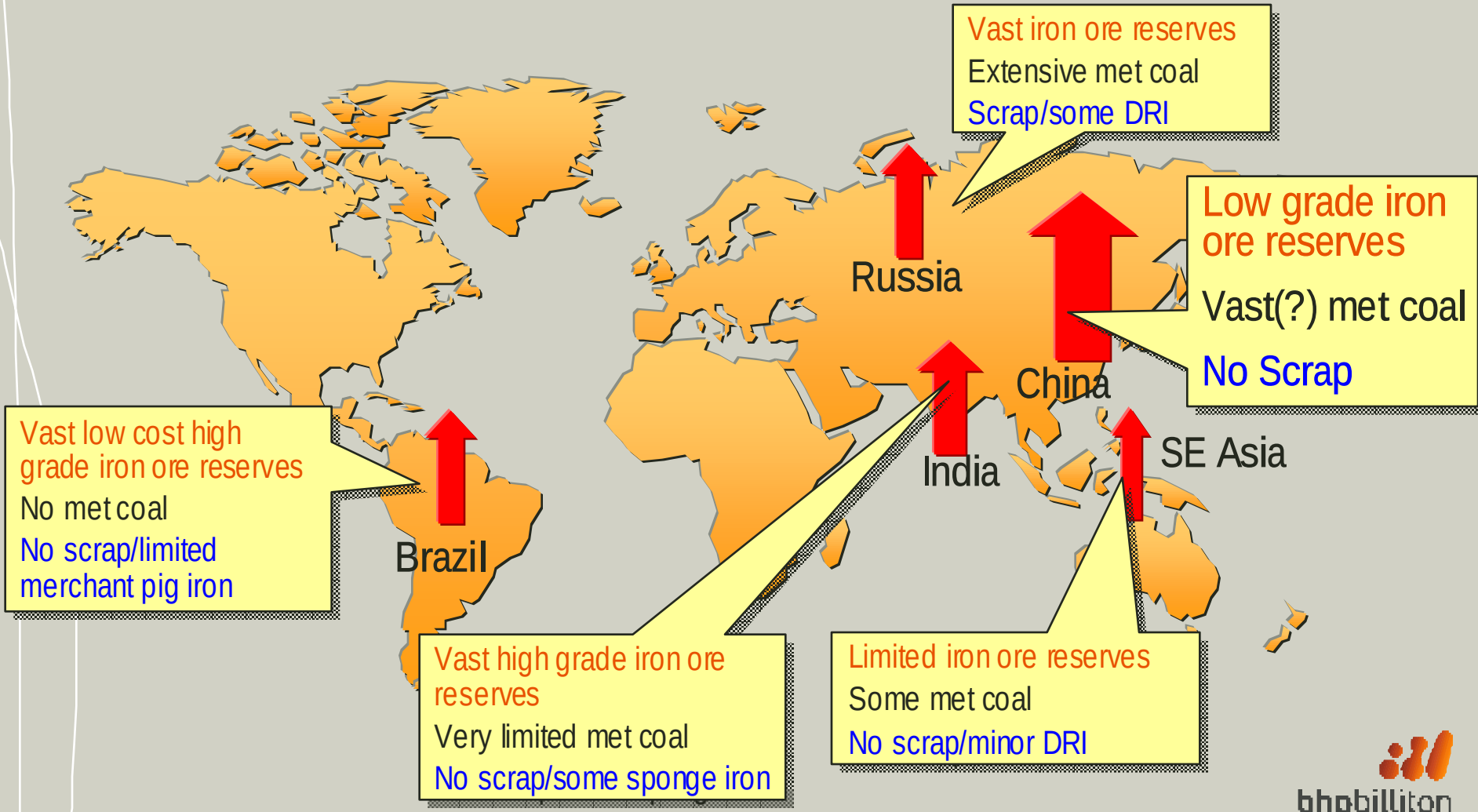
Future growth led by BRICS

The world is likely to see increased demand for BF-based ironmaking and hence coke in the short to medium term. China is a major factor in the strong demand growth for coke and hard coking coal.



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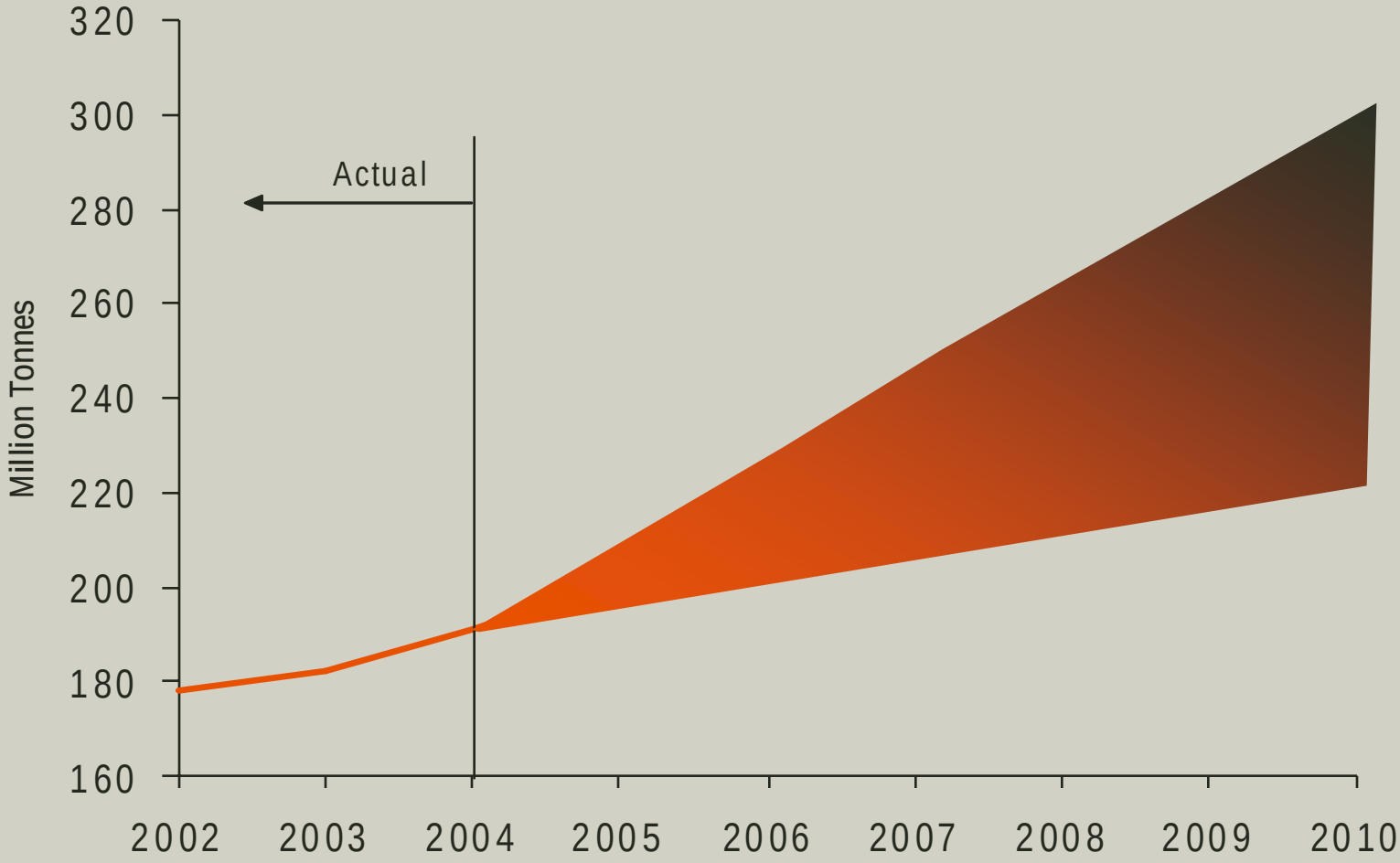
Seaborne metallurgical coal demand

Demand for metallurgical coal (hard coking coal in particular) will follow the pig iron trend, growing strongly in the medium term



Source: BHP Billiton

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World Metallurgical Coal Supply Sources

- Australia
  - Large reserves, simple geology, close to tidewater, high quality LV/MV
- Canada
  - Large reserves, complex geology, 1100 km from tidewater, narrow range
- United States
  - High cost production, reserve depletion issues, unique quality HV
- China
  - Large reserves, deep/gassy underground, safety issues, 800 km from tidewater
- Future Developments

Indonesia	– BHP Billiton Maruwai
Mozambique	– CVRD Moatize; largely thermal
Mongolia	– greenfield, 1800 km to tidewater
Russia	– greenfield, 2000+ km to tidewater

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Metallurgical Coal Market Segments

- High Quality Coking Coal
  - Core requirement for BF Coke
  - Limited geographic supply sources
  - High quality low OWP, LV coking coal supply limited
  - Global infrastructure “strained”
- Semi-Soft Coking Coal
  - Used as filler coal in coke blends
  - Predominantly used in Asian steel mills
  - Abundant supply
- Pulverised Coal Injection (PCI)
  - Abundant supply of low ash thermal coals used
  - Geographically diverse supply sources
  - Technical shift to LV/ULV PCI coals – limited availability

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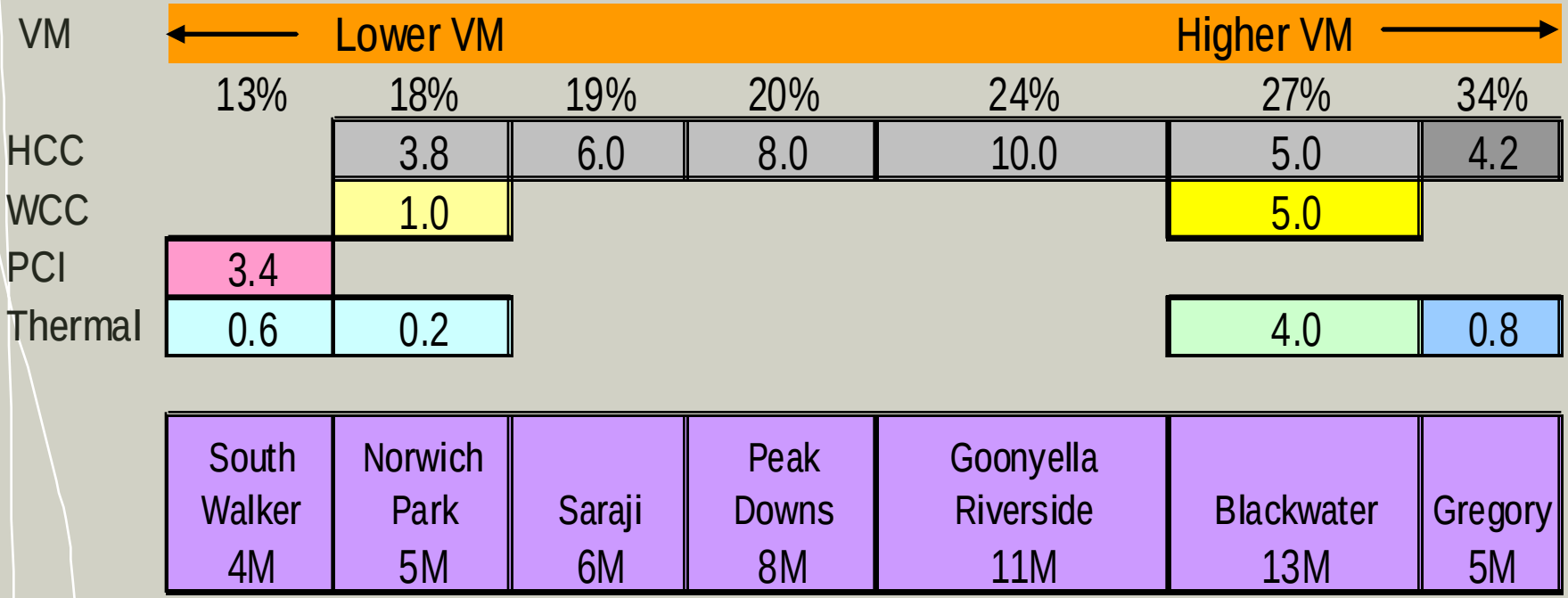
BMA Coal Quality

Full range of metallurgical coal products



2004 Figures Indicative Unit:Mt

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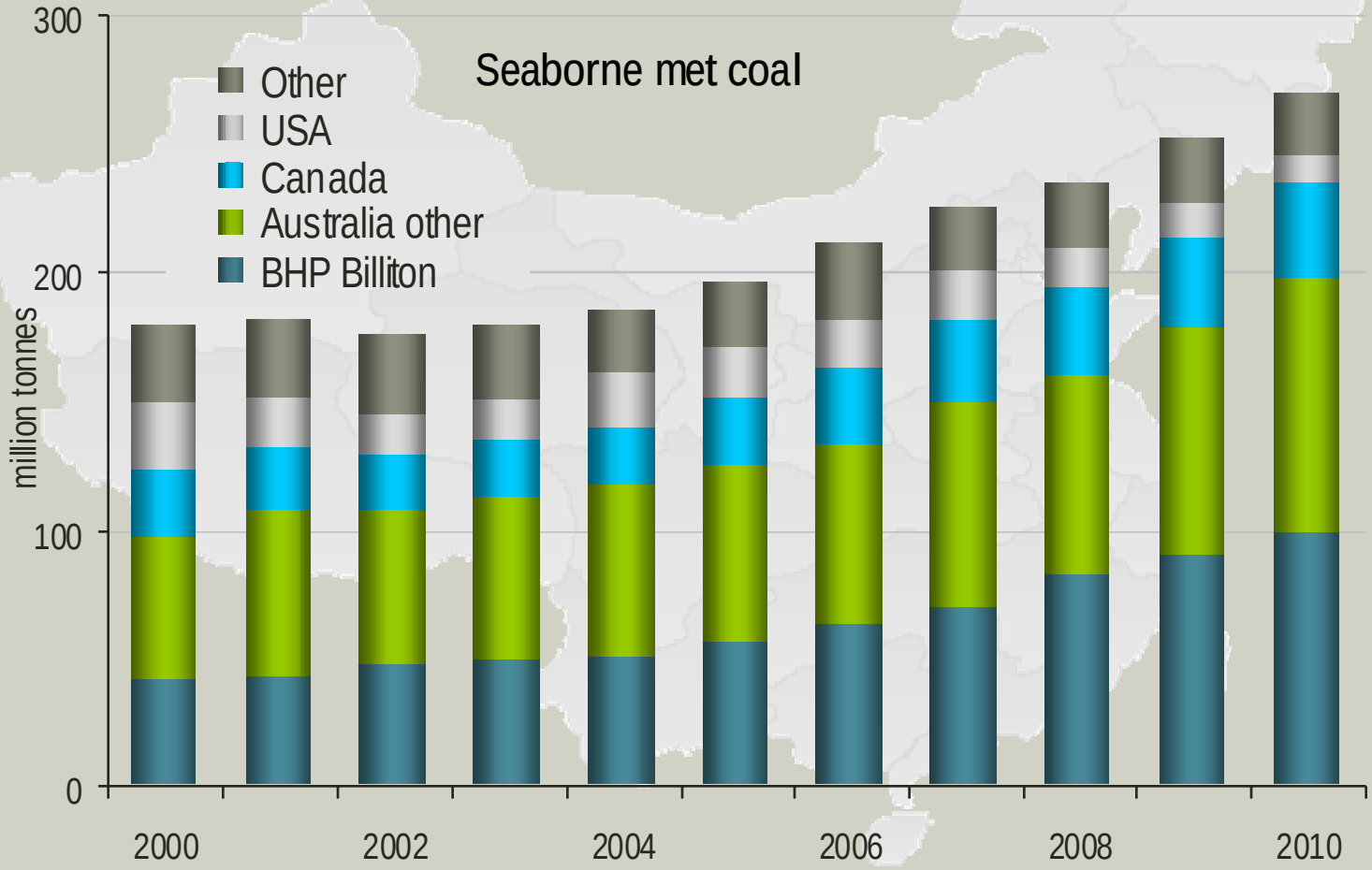
Estimated future supply increases

The medium to long term demand gap can be filled. Australia and BHP Billiton will be major contributors. In the short term, high priced coals from e.g. USA have been drawn back into the market.



Source: BHP Billiton, Public Announcements

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Summary

- The global met coal world has changed due to higher demand for BF based steel and hence metallurgical coke
- Increasing demand and challenges from the BF have raised the bar for coke quality, requiring increased levels of hard coking coal
- The current market tightness is anticipated to last for some time due to infrastructure constraints and difficulties in expanding rapidly
- The northern Bowen Basin BHP Billiton/BMA reserves represent the best global growth opportunity for high quality hard coking coal
- BHP Billiton is focused on the growing market for metallurgical coal, targeting 100 million tonnes by 2010 in response to the market

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John Smith

CEO

BMA – Key Facts

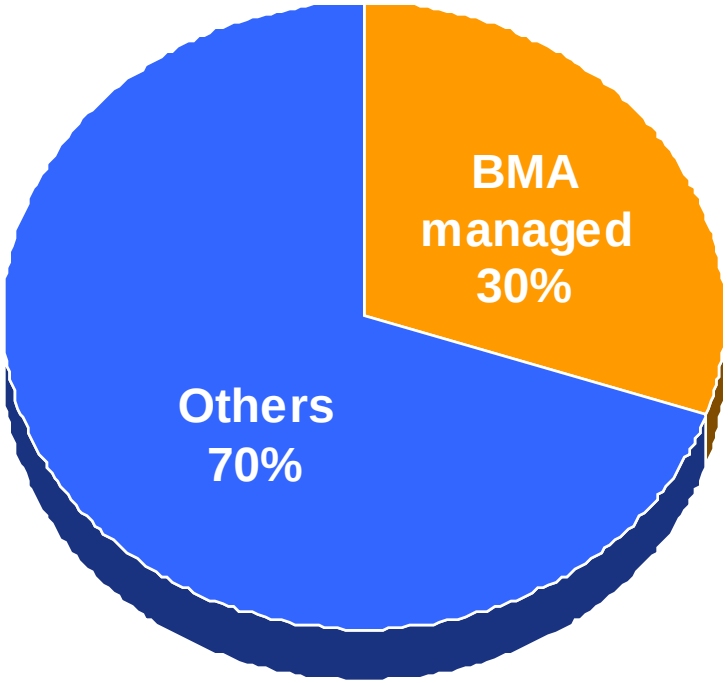
BHP Billiton Mitsubishi Alliance

- **The world's largest coking coal producer with over 55 Mtpa sales**
- **Australia's largest coal producer and exporter**
- **Central Queensland's largest private employer**
  - 7,500 people directly employed incl. contractors
  - Estimated 20,000 flow-on jobs
  - 210 apprenticeships/traineeships/graduates/scholarships
- **A major contributor to the Central Queensland economy**
  - $410 million annual wages bill
  - $700 million paid to 800 regional businesses for materials, goods and services
  - Largest single exporter of any product from Queensland

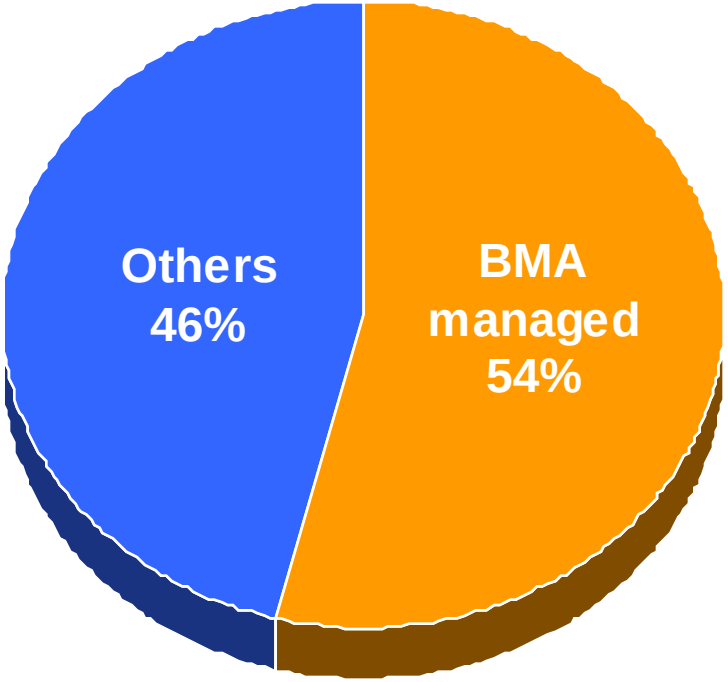
Hard Coking Coal Market (2004)

BHP Billiton Mitsubishi Alliance

World Seaborne HCC Market



Queensland HCC Exports



Source: BHP Billiton

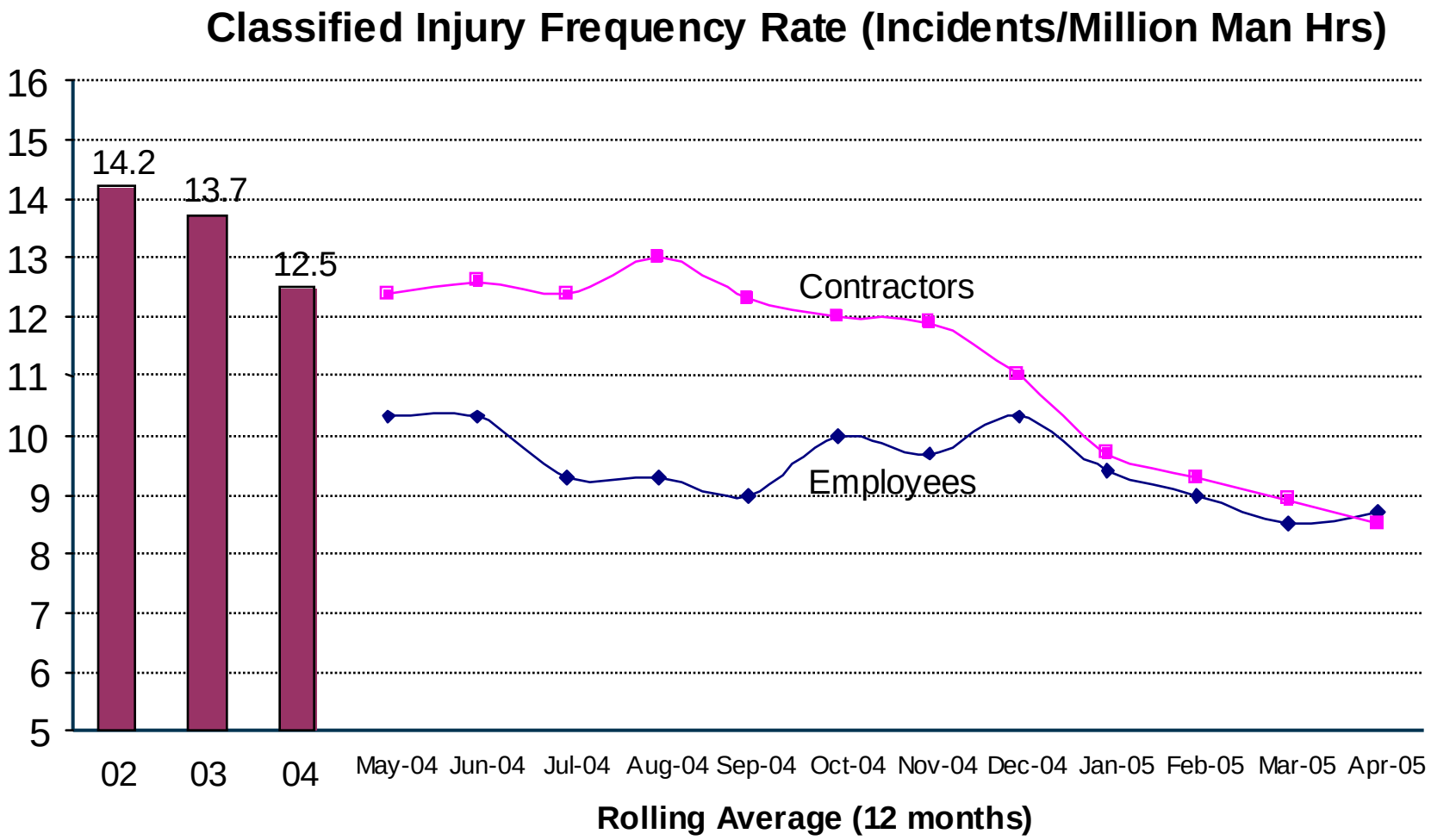
Marketable Reserves as at 30 June 2004

BHP Billiton Mitsubishi Alliance

Deposit	Coal Production Mtpa	Marketable Reserve (Mt)	Approx Mine Life (years)
Operating Mines			
Goonyella/Riverside	10.9	570	52
Peak Downs	8.2	555	68
Saraji	5.8	331	57
Norwich Park	4.7	71	15
Blackwater	13.1	342	26
Gregory / Crinum	5.7	55	10
South Walker Creek	3.7	92	25
Subtotal	52.1	2,016	
Undeveloped Deposits	Daunia	64	
	Poitrel/Winchester	62	
Total		2,142	

BMA Met Coal Export Growth

Zero Harm Injury Performance



Zero Harm Injury Performance

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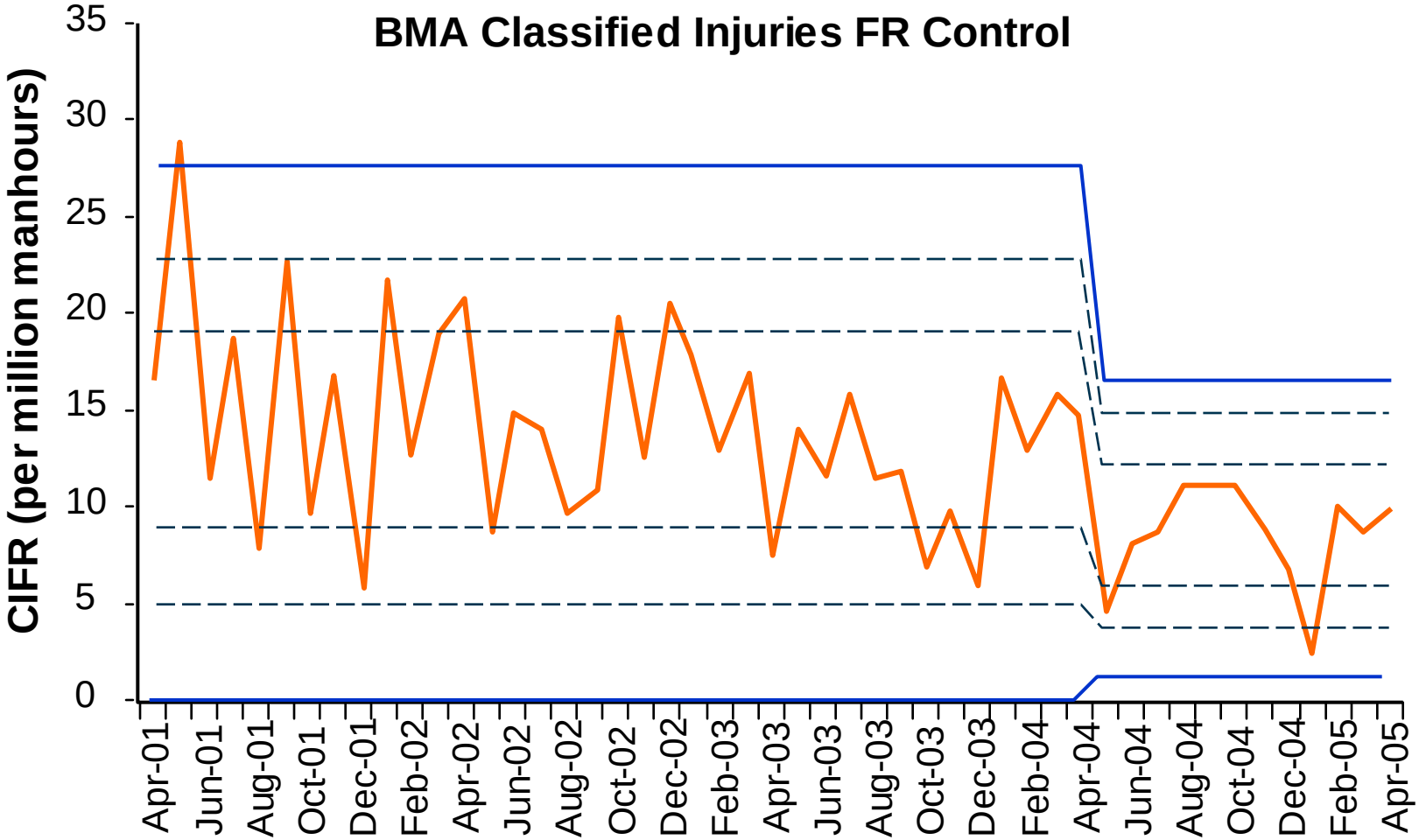
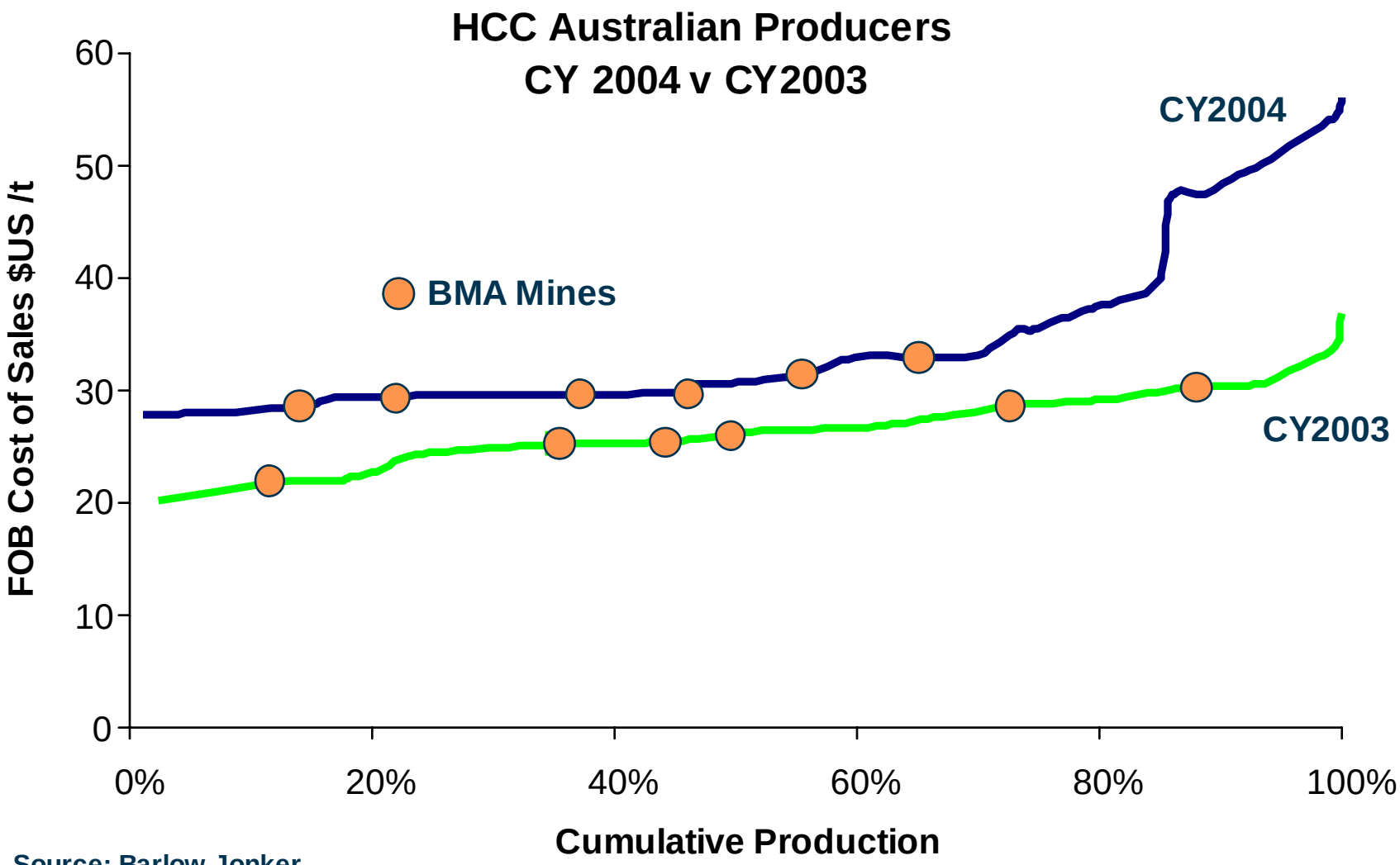
Less volatility



Cost Curve



Source: Barlow Jonker

Cost curves:
country, coal type and exchange rate

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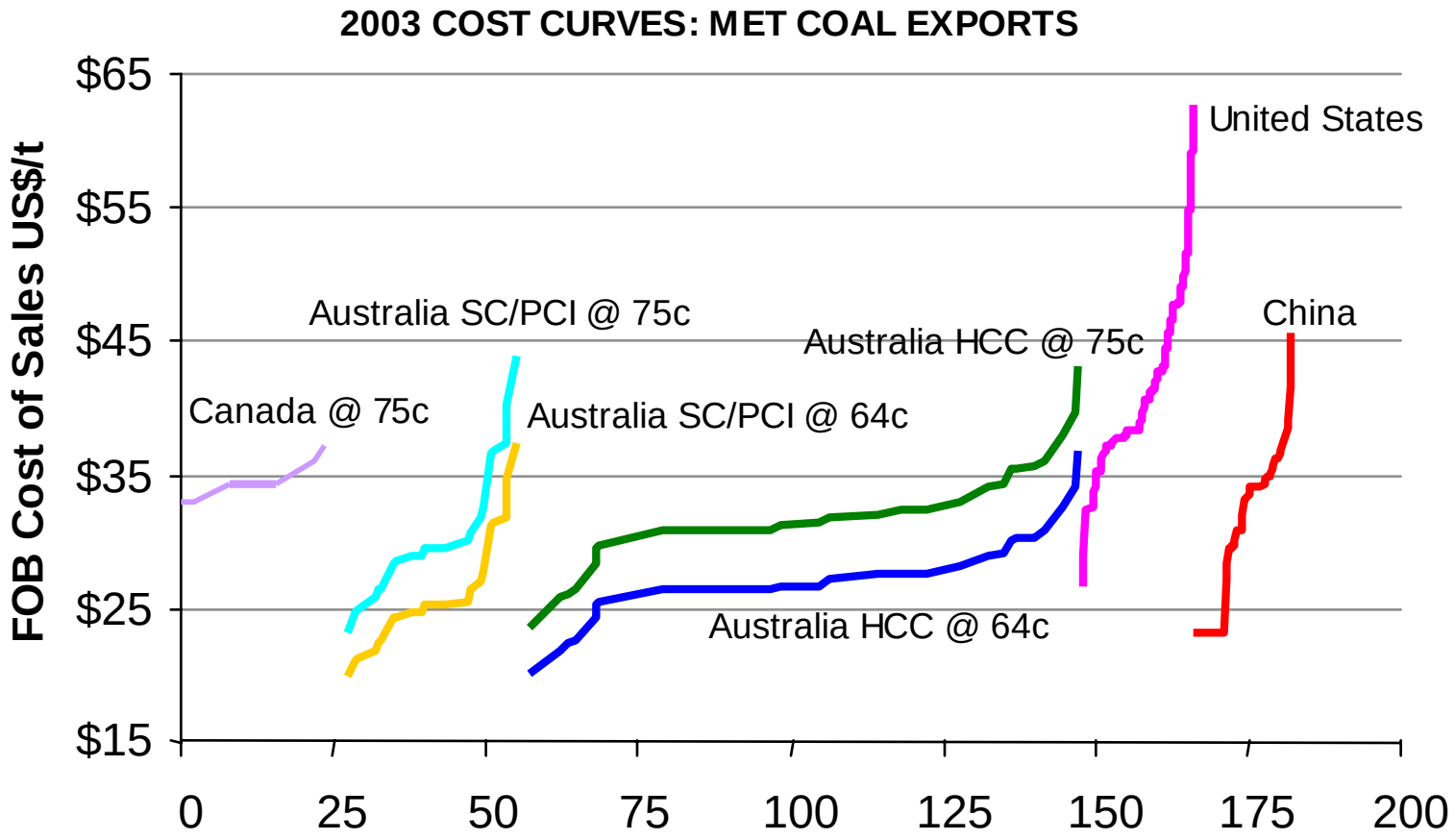

Source: Barlow Jonker

Price-induced export increases from the USA are not a long-term threat as they help to contain the current crisis but are not viable when prices return to long-term levels

Contracted Rail Capacity

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	2002	2003	2004	2005	2006	2007	2008
North	32.7	32.7	36.1	41.4	41.4	48.4	49.4
South	16.2	16.2	16.2	16.2	16.7	17.2	17.2
Total	48.9	48.9	52.3	57.6	58.1	65.6	66.6

Currently negotiating beyond FY07 to meet growth profile

Port Capacity

BHP Billiton Mitsubishi Alliance

Hay Point

- First phase expansion 40 Mt Q1 FY07
- Second phase expansion being assessed 44.5 Mt Q3 FY07 (includes 1 Mt departure path)
- Further expansion options being reviewed

2002	2003	2004	2005	2006	2007
33.0	33.0	34.0	35.0	35.0	40.0

DBCT

- Additional 3 Mt entitlement from Dec 03
- Assumes renewal 3.3 Mt from Dec 08 (includes recovery of 1.8 Mt sub-leased to Peabody to Dec 08)

2002	2003	2004	2005	2006	2007
1.5	1.5	3.3	4.5	4.65	4.65

Gladstone

- Extra 2 Mtpa capacity from Jan 06

2002	2003	2004	2005	2006	2007
15.0	16.2	16.2	16.2	17.2	18.2

Other Opportunities

- Commercial access to other port throughput
- Abbot Point Government Feasibility Study being completed. Possible future port expansion of 25+ Mtpa

Resources

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People

- Attract
- Retain
- Key Professionals/trades
- Location

- **Improving traineeship/ apprenticeship schemes**
- **Different accommodation/ travel options – not one size for all**
- **Strategic recruitment**

Housing

- Insufficient houses in Moranbah and Dysart

- **Building different house options – SPQs, 2 - 4 bedroom**
- **Supporting third party development**
- **Upgrading existing accommodation**

Water

- Shortage across Bowen Basin
- Acute Northern System Shortage

- **Support 21,000ML Burdekin Pipeline (A$200 million)**
- **Building water capture and retention at sites, eg. GYR**

Conclusions

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- Industry leader with premier position in high quality HCC
- Tier one mines with large reserves and resources, access/ownership of infrastructure
- Focused strategies and plans on critical areas for growth
- Organisation structured for tomorrow
- Programmes to attract and retain critical skills
- Staying flexible through scenario planning
- Cost control remains a key focus

Operations

Mick Madden
General Manager - Operations

Key Operating Statistics

BHP Billiton Mitsubishi Alliance

Annual Sales (Mt)	FY04	3 Qtrs FY05
• HCC	36.6	30.6
• WCC	9.6	7.4
• Thermal	6.1	3.7
• **Total**	**52.3**	**41.7**

Open Cut Operations

BMA
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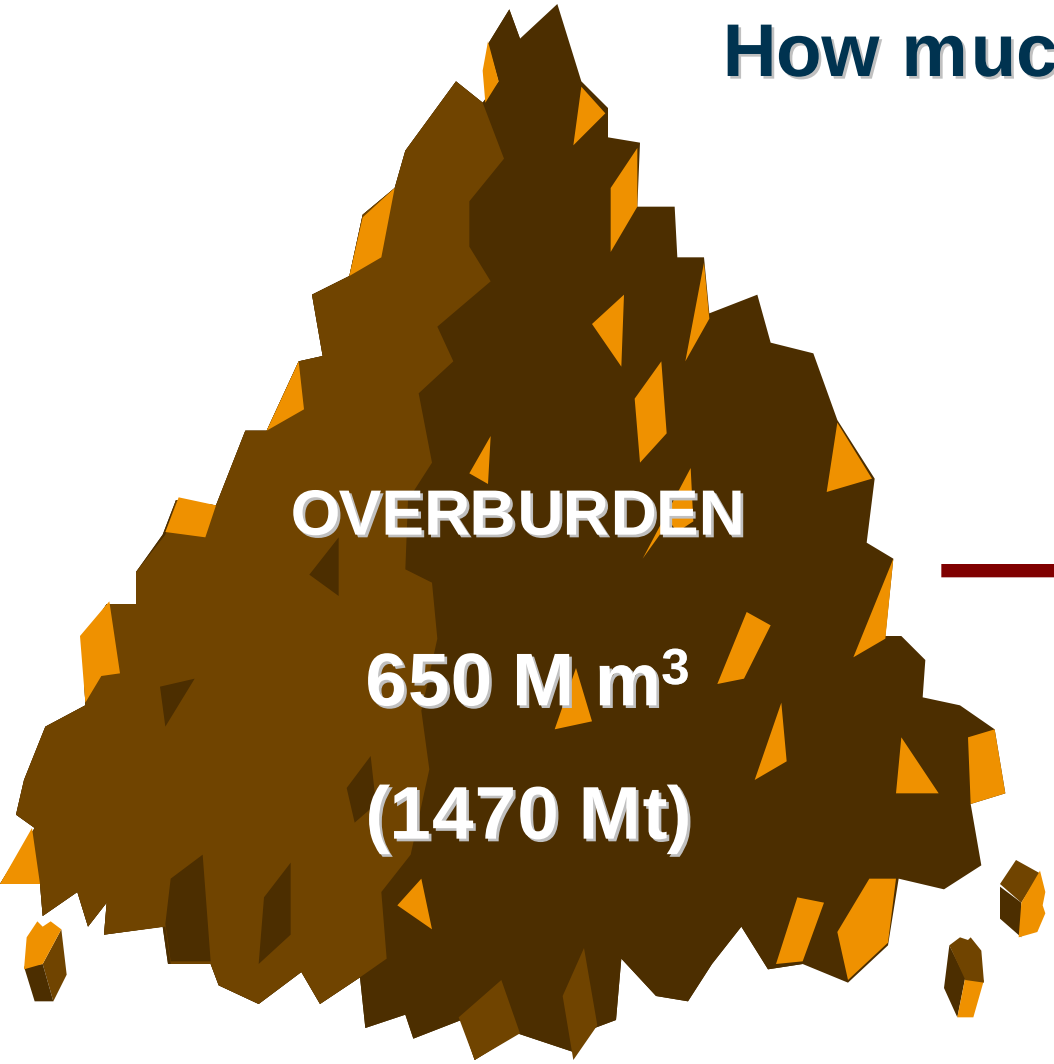
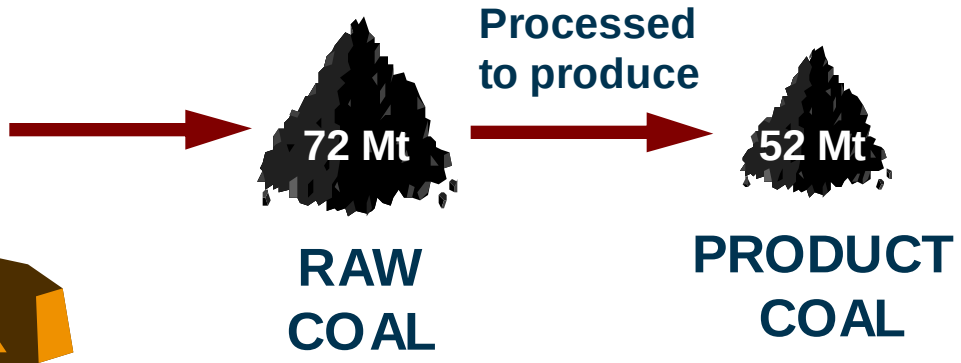
How much earth did we move?





BMA Earth Moving Equipment

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Draglines

33 + 1

Electric Shovels

9

Haul Trucks

94

Coal Haulers

51

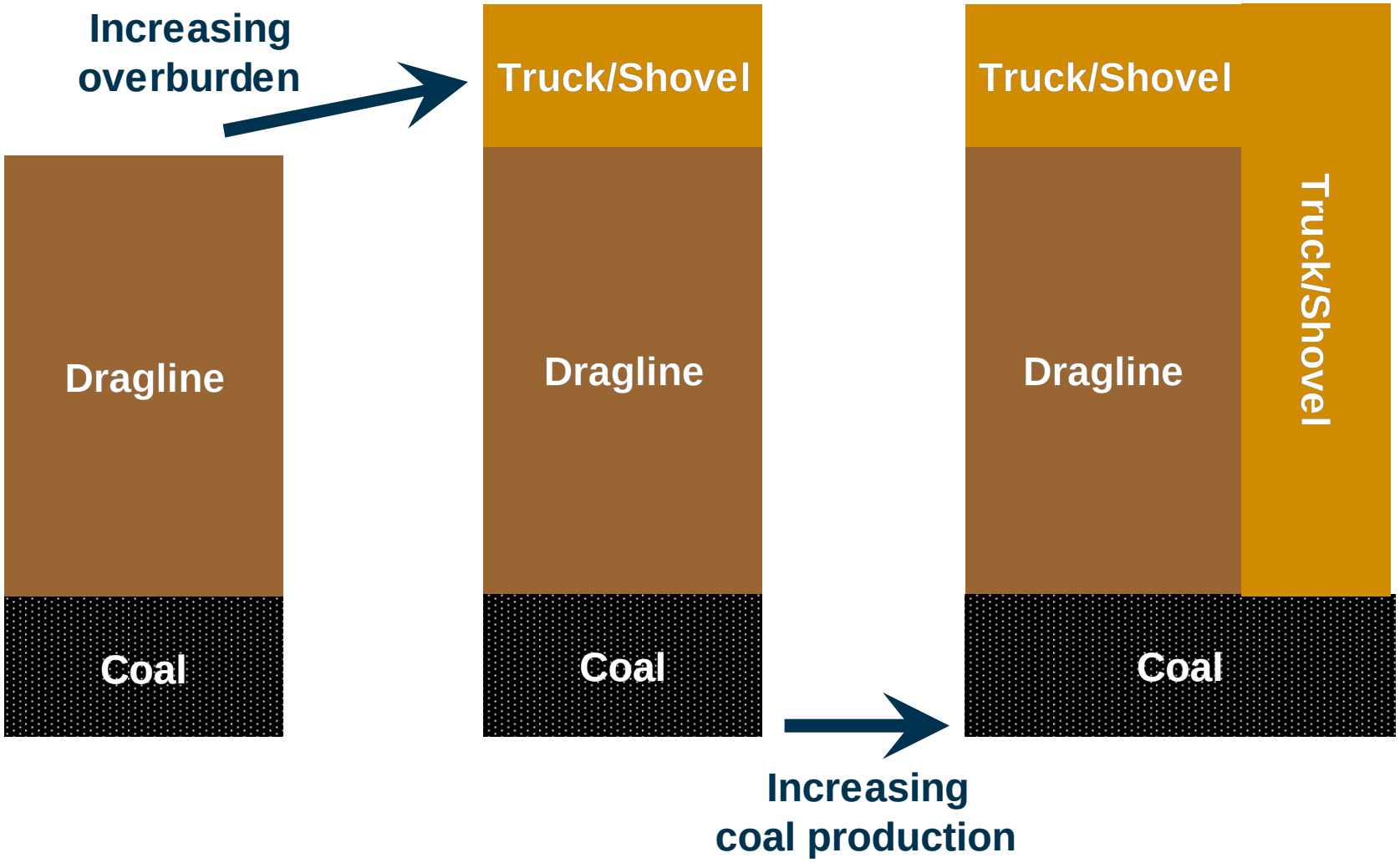
Dozers

108

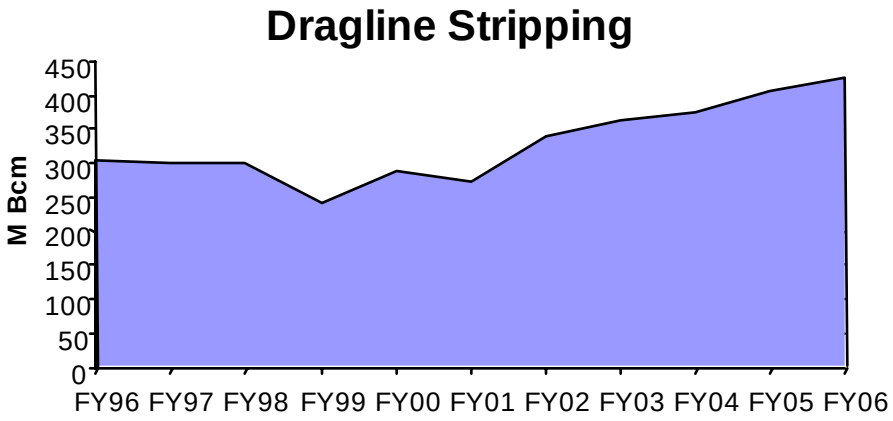
Other Mobile Equipment

78

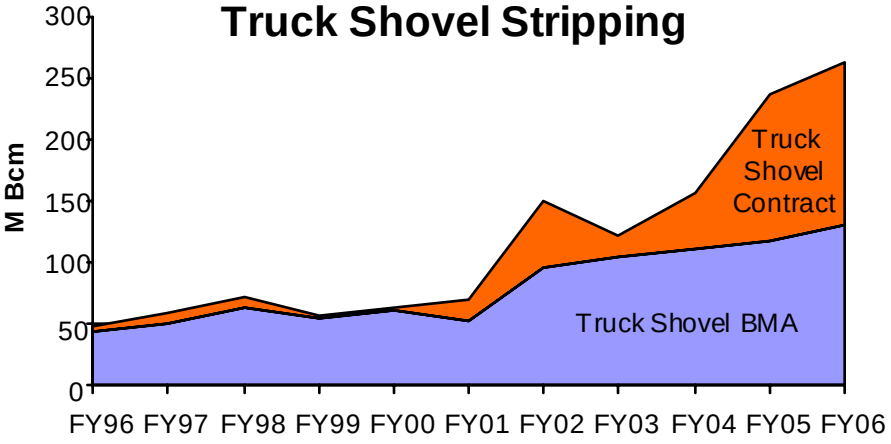
Added Stripping Costs More

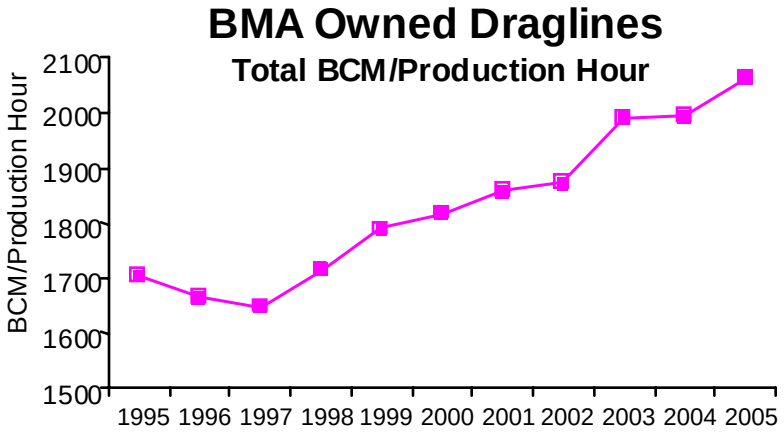


Mining Philosophy



Dragline business supplemented by Truck Shovel





Continuous Improvement

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Incremental + Step Change

- **Universal Dig and Dump (UDD)**
  4 completed, 1 underway; indicated 15% productivity improvement
- **Last Drop**
  Redesign coal uncovery process to reduce losses
- **125% Rated Suspended Load (RSL)**
  Upgrade dragline capacity from 115% to 125%; +40 Mbcm/yr for fleet
- **Processing Improvements**
  BW CHPP, debottlenecking, fines recovery, component upgrades
- **Additional Equipment**
  Larger trucks, Blackwater dragline
- **Underground Mining**
- **Leadership Training**
  700+ in foundation course, higher level courses
- **Commodities**
  Optimise use of tyres, fuel, explosives
- **Others**
  130+ projects

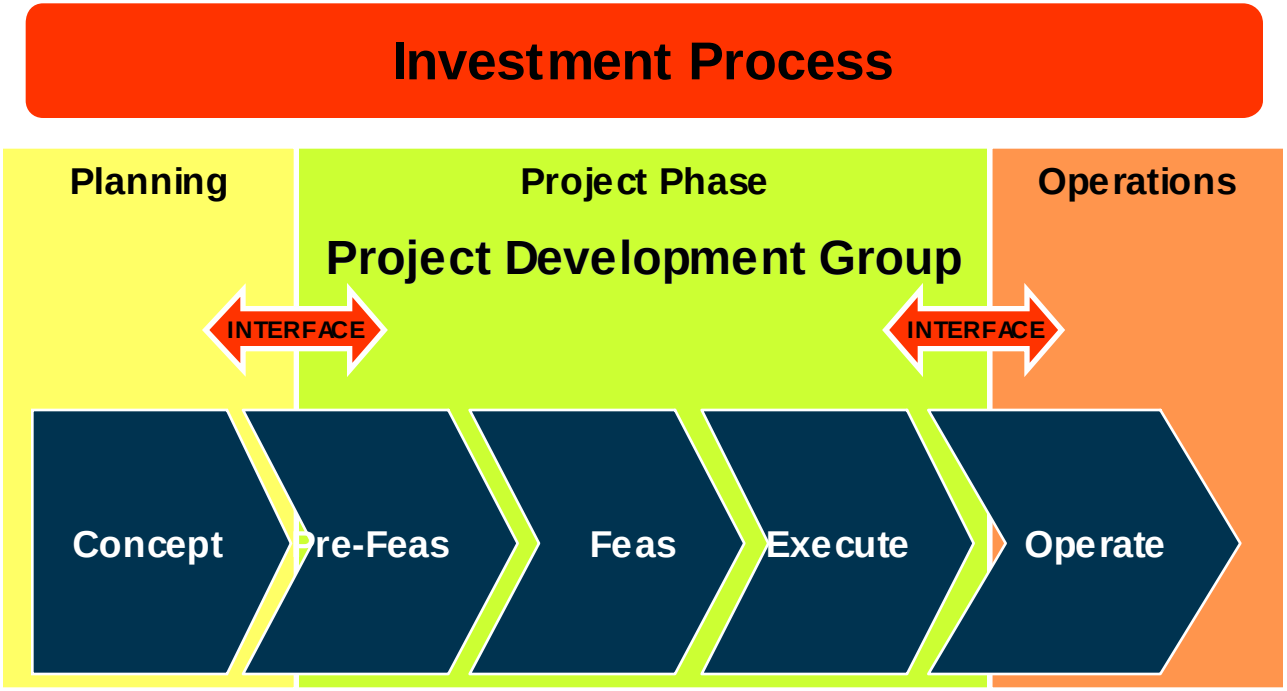
Project Development

Bryce Jones
Vice President Project Development

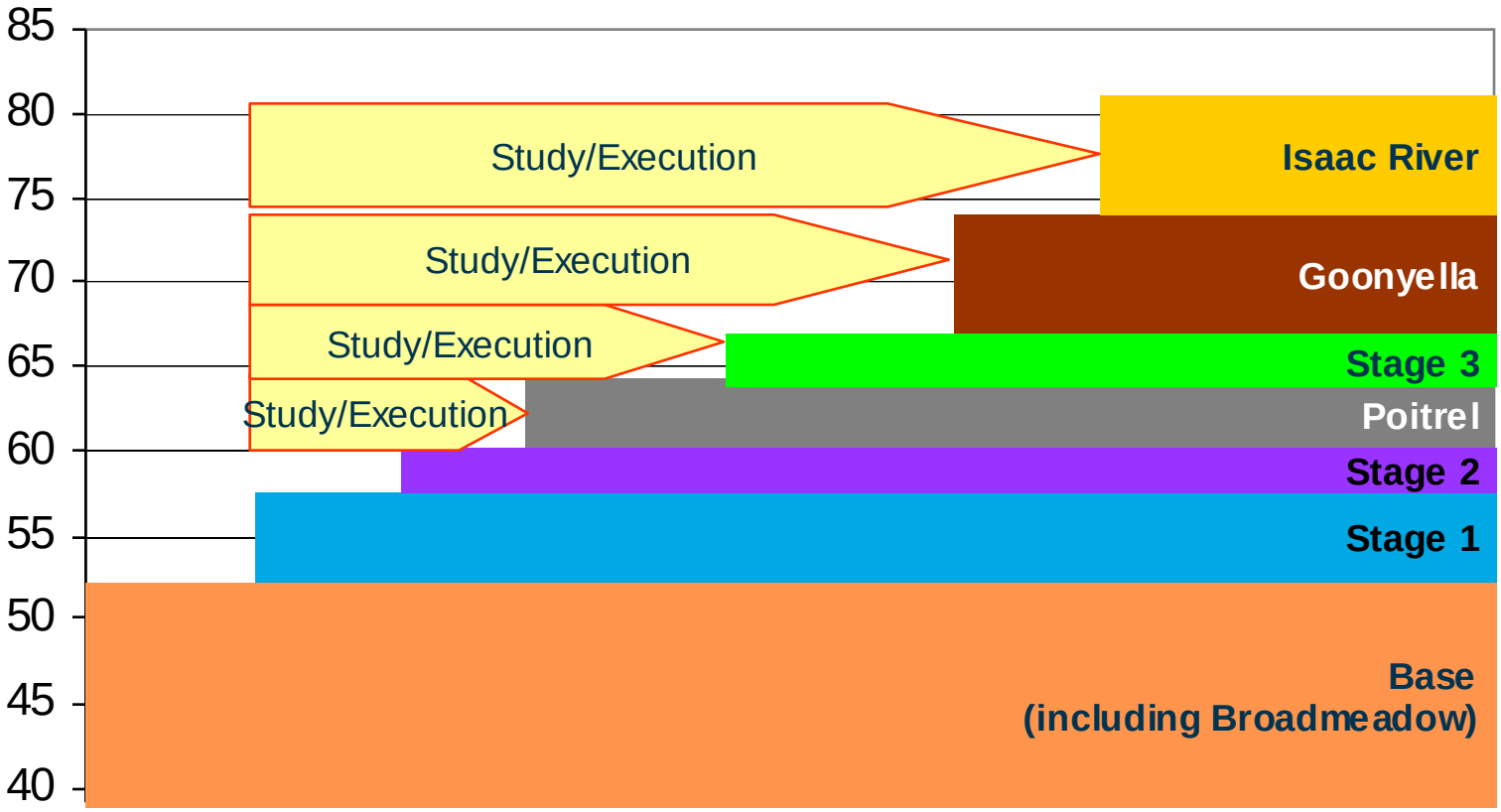
Project Development Capability

BHP Billiton Mitsubishi Alliance

BMA has established a Project Development Group to manage the major project portfolio from Prefeasibility to Project startup



BMA 80 Mtpa Growth Scenario



BMA is currently taking steps to secure/develop the required port and rail capacity needed to achieve potential sales growth

Broadmeadow Project

- Punch longwall underground mine
- 3.6 Mtpa production capacity
- Goonyella Middle Seam
- 200m longwall face
- New high capacity roof supports
- Infrastructure independent of Goonyella Mine
- Total Capital A$120 million (100%)
- Scheduled Completion Q1 FY06


Highwall Punch Entry


Ramp Conveyor

Stage 1 Growth Project

BHP Billiton Mitsubishi Alliance

- Increases annual production capacity from 52 Mtpa to 57 Mtpa.
- Achieved by de-bottlenecking mine production capacity through:
  - stripping contracts,
  - purchase of EME,
  - dragline upgrade,
  - Saraji CPP upgrade,
  - housing
- Total Capital: A$160 million (100%)
- Scheduled Completion: July 2006

Stage 2 Growth Project

- Increases annual production capacity from 57 to 59Mtpa
- Achieved by:
  - Expansion of onshore facilities at Hay Point,
  - Additional overburden stripping at Saraji
  - New EME at both Goonyella and Saraji Mines
- Total Capital: A$250 million (100%)
- Scheduled Completion: Q1FY07

Blackwater CHPP Project

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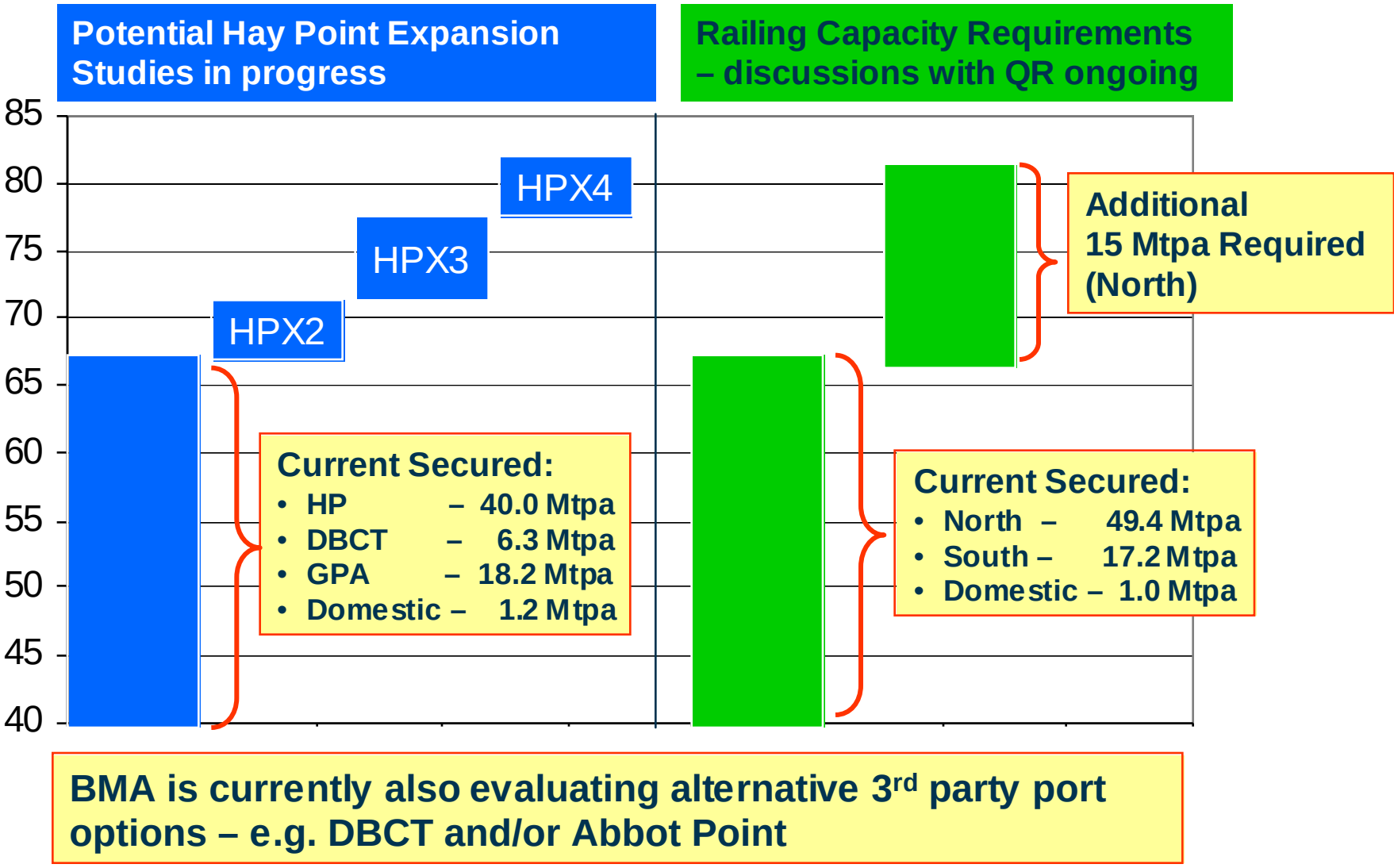
- Project represents a cost reduction initiative - no increase in mine capacity:
  - Construction of a new coal handling and preparation plant to replace three existing plants
  - 14 Mtpa capacity plant
- Budget and schedule currently under review

Conveyor Trestles

Dump Station Wall

Port & Rail Capacity Requirements



BMA is currently also evaluating alternative 3rd party port options – e.g. DBCT and/or Abbot Point

Key Challenges

Project delivery in the current market environment will be challenging:

- Contractors and suppliers are heavily committed
- Material costs and equipment delivery times have increased significantly
- Project managers and skilled labour are in short supply
- Commodities are in short supply, driving costs up

Illawarra Coal

Colin Bloomfield President, Illawarra Coal

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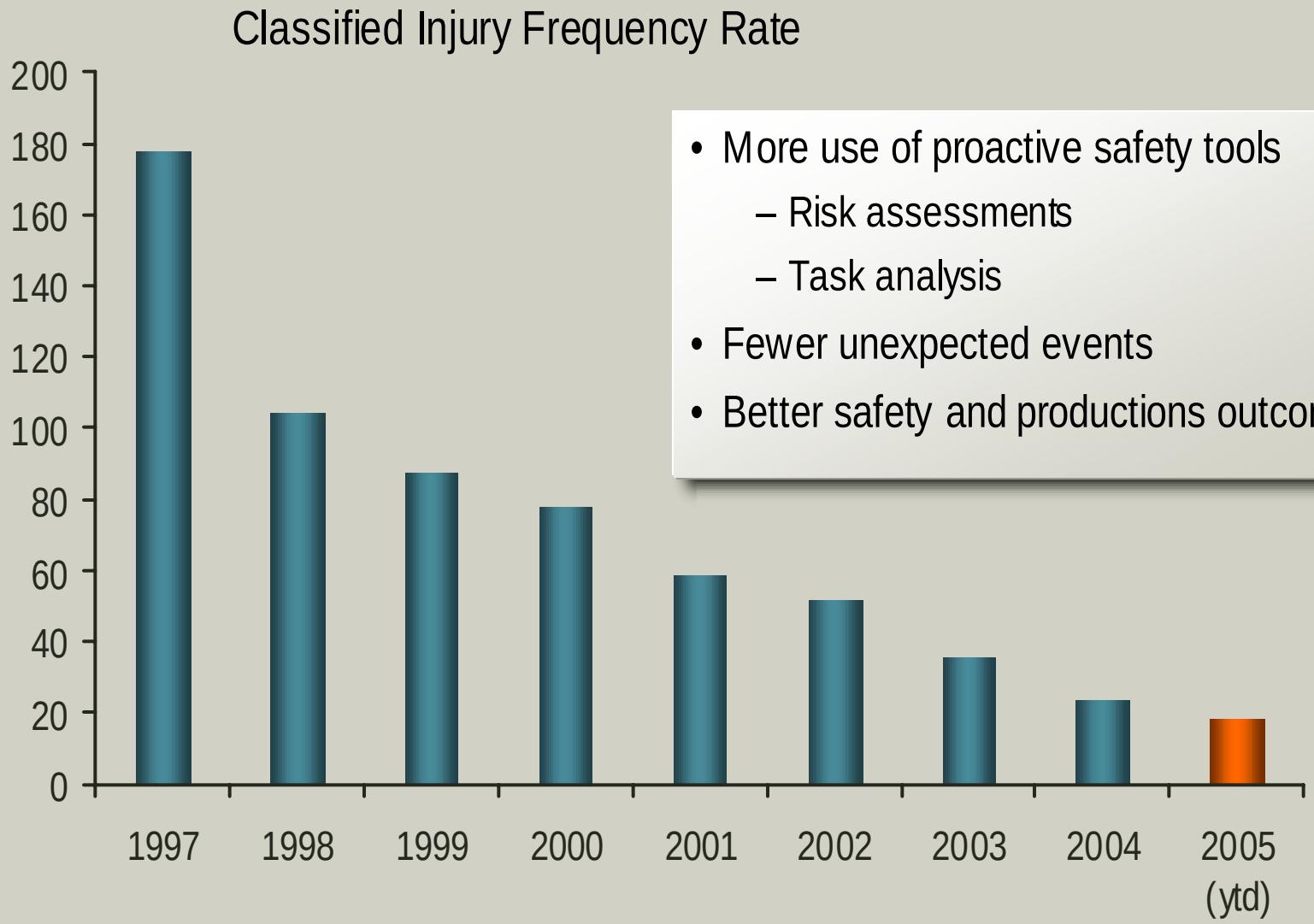
Safety continues long term improvement trend



- More use of proactive safety tools
  - Risk assessments
  - Task analysis
- Fewer unexpected events
- Better safety and productions outcomes

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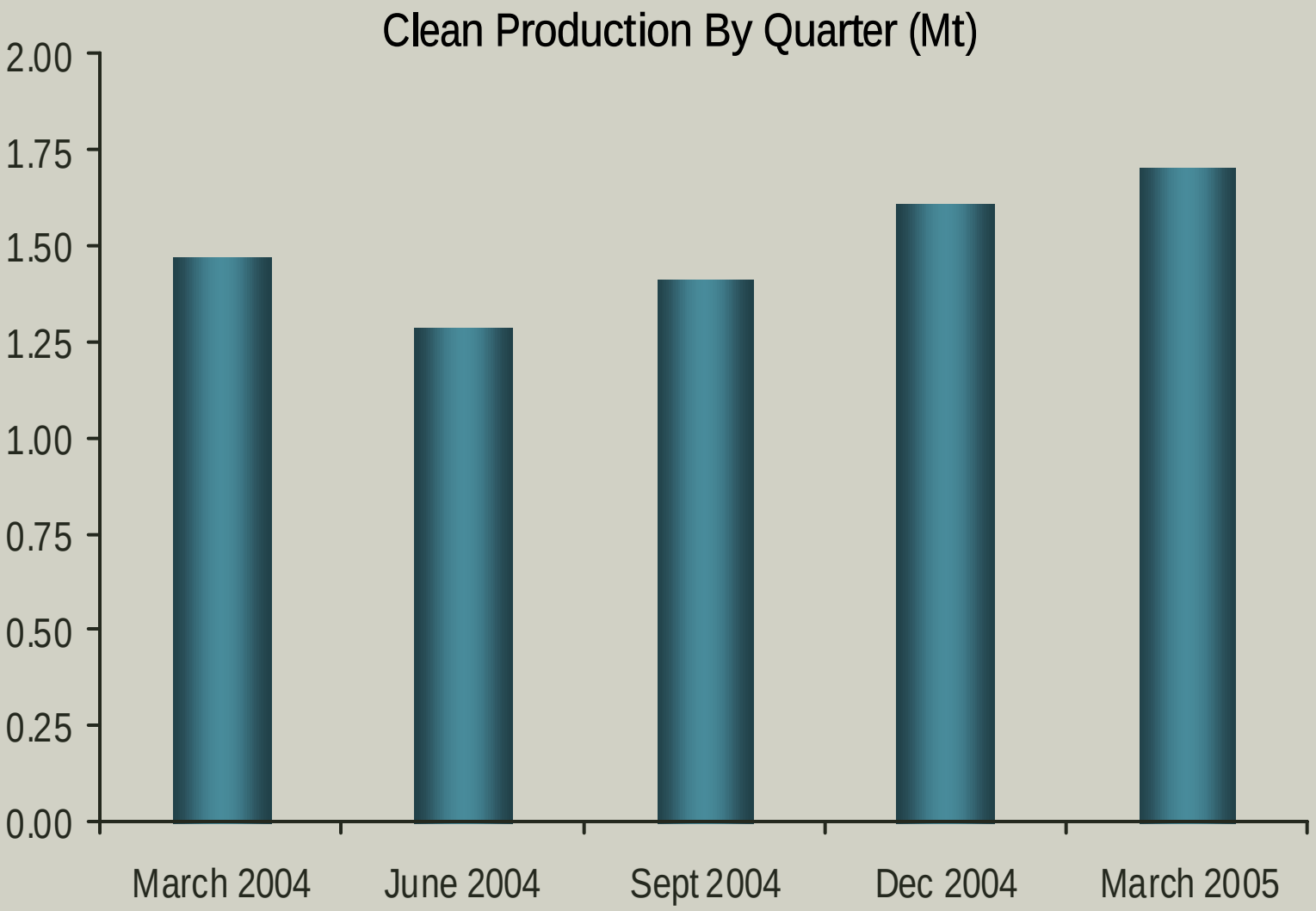
Production performance stabilised and improving



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Delivering reliability from business improvement plan

Investments in critical production infrastructure

- West Cliff Longwall
- Appin Main Slope Conveyor
- West Cliff Washery Raw Coal Handling System
- Dendrobium Washery upgrade
- Appin Longwall replacement

Improvement focus on critical production systems and processes

- Strata management
- Maintenance
- Data capture and analysis
- Production planning

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Dendrobium longwall commences ahead of schedule

- Longwall commenced April 3rd 2005, eight weeks early
- Production commissioning completed April 19th 2005
- Conservative ramp up forecast due to
  - Training for inexperienced crews
  - logistics constraints with Elouera still operating
- Expected raw coal production to year end ~ 400,000 tonnes

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Dendrobium mine production assumptions

- Full capacity of 5.2 Mtpa raw coal production
- Production will ramp up to this level over three years
- FY06 expect about 3.9 Mtpa raw coal production
- Coking coal yield: 40 - 45%
- Energy coal yield: 20 - 25%

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Potential for growth in output

- Vision is a small number of high production mines
- De-bottleneck Appin & West Cliff
  - Increase coal clearance capacity
  - Increase ventilation and methane drainage capacity
  - Add washery capacity
- De-bottlenecking projects in pre-feasibility
- Potential to add another longwall is under review
- Key issue is government approvals

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BHP Billiton Maruwai Coal Project




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BHP Billiton's Maruwai Coal Project

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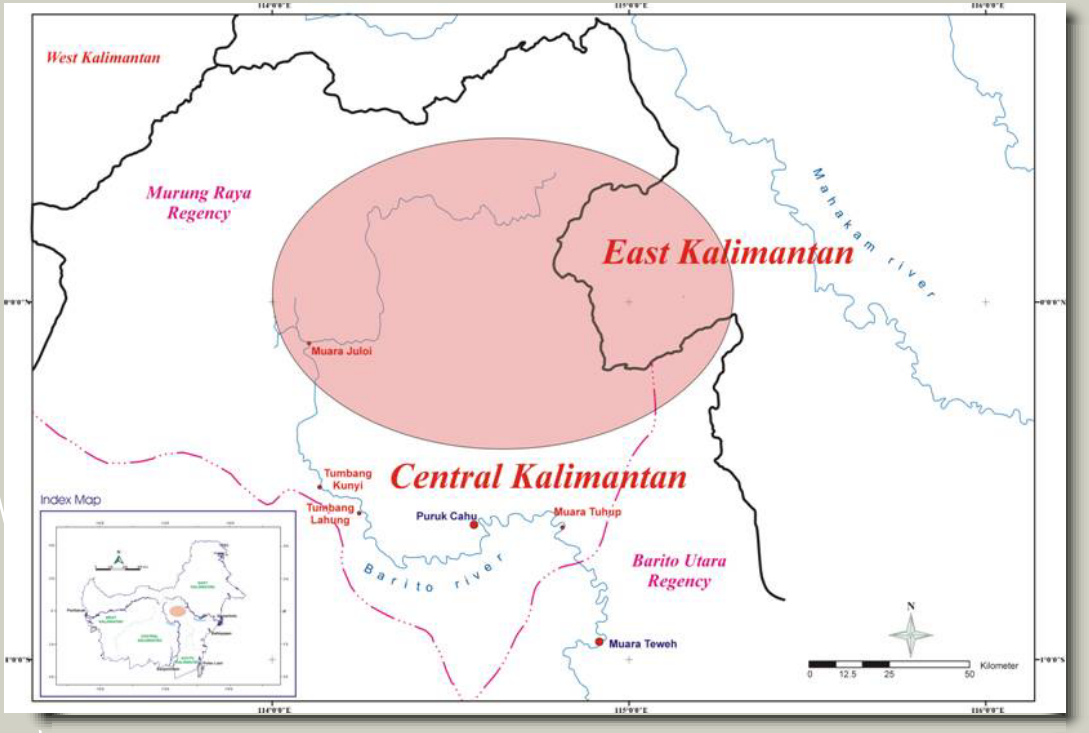
Maruwai Project
Comprised of 7 Coal Contracts of Works (CCoWs)



- All seven CCoWs are located in Central Kalimantan and East Kalimantan
- To date BHP Billiton has spent US$ 40 million in exploration in the Maruwai area
- The region is remote and infrastructure non existent

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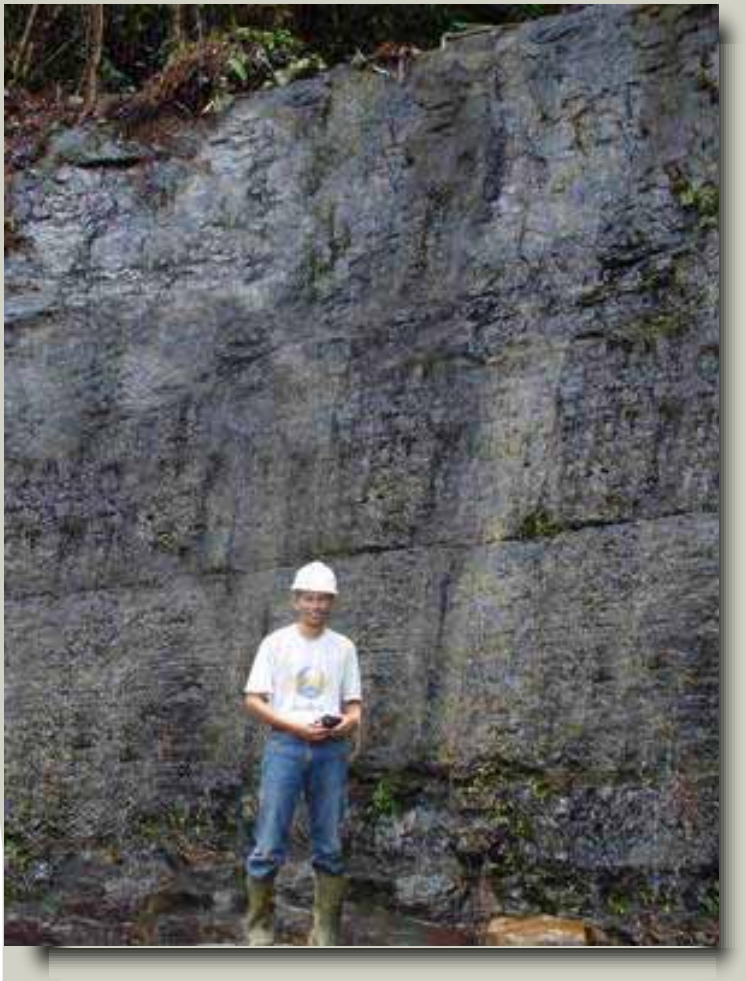
Maruwai Coal- An Integrated Development



- BHP Billiton has delineated a number of significant coking coal deposits in its CCoWs
- The overall strategy is to initially develop the Lampunut deposit and its associated Logistics Corridor
- Lampunut will form a hub, the coal from the other 6 CCoWs will be transported using the Lampunut Logistics Corridor.

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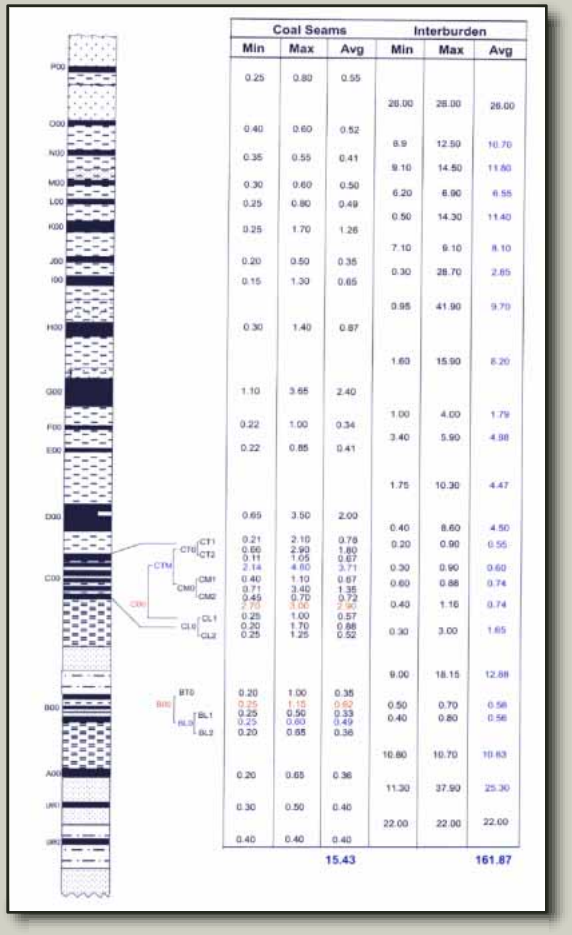
Lampunut Deposit- 5 mtpa Operation Commencing 2008



Lampunut coal

- The Lampunut deposit is located on the boundary of Central Kalimantan and East Kalimantan Province
- The coal is a low ash, mid volatile coking coal and will be mined using open pit methods
- The deposit is made up of a number of seams from 0.5 m to 2.5 m, with a life of mine strip ratio of 6:1
- To date 3 drilling programs and 2 bulk samples have been completed
- Currently an extensive drill and bulk sample program has commenced to convert the coal to reserve status.

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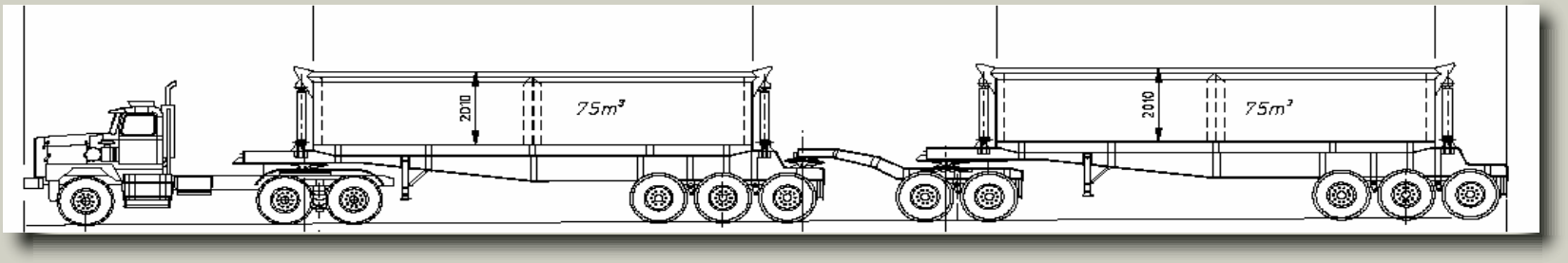
The Lampunut Logistic Corridor



- It is planned to develop 131 km transport corridor from Lampunut to the Mahakam River.
- A coal barge port will be built on the Mahakam and coal transported down river 430 km to the Samarinda Delta.
- An offshore storage vessel of 95,000 t capacity will unload coal from the barges and load the export ships.

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Maruwai Project- The Future

- Initially develop a number of Open Pit operations and connect into the Lampunut Logistics Corridor
- Commence small scale trial underground operations in the mid term
- The long term future is for large underground operations as open cut reserves are depleted

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