

## Latest News Updates

### Western Australia Iron Ore Dual Harbour Strategy

August 24, 2012

As foreshadowed in BHP Billiton's profit announcement on 22 August, the Company has been evaluating the most efficient means of expanding production from Western Australia Iron Ore (WAIO) beyond its current 240 million tonnes per annum (mtpa) Inner Harbour throughput allocation in Port Hedland.

Preliminary studies have shown the potential for WAIO to ship substantially more than 240 mtpa from the Inner Harbour. As a result, work on the Outer Harbour has been slowed while WAIO's focus has shifted to maximising its potential capacity from the Inner Harbour.

Today the Western Australia Minister for Transport and Port Hedland Port Authority announced that WAIO has been granted the right, subject to the State approvals processes, to develop two additional berths in the Inner Harbour. These berths do not come with guaranteed shipping capacity beyond BHP Billiton's current 240 mtpa throughput allocation. WAIO believes there is substantially more opportunity to optimise its Inner Harbour throughput, given there is significant underutilised Inner Harbour port capacity. Port users may ship beyond their shipping allocation if unused capacity is available.

BHP Billiton President Iron Ore, Jimmy Wilson, said:

"Over the past 10 years, BHP Billiton has invested approximately US\$19 billion in growing its WAIO business. What has become apparent through this process is that a number of the existing facilities have, or with minor modifications will have, the potential to deliver substantially more capacity than was assumed originally.

Development of the Outer Harbour remains attractive. Its initial development would require dredging a shipping channel and turning basin, as well as constructing a four kilometre jetty with associated stockyards and car dumpers at Boodarie. Additional expansion in the Inner Harbour would delay the requirement for many of these investments.

The right to develop these berths and prudent debottlenecking in the Inner Harbour provide for a lower cost port capacity to match easily accessible growth options in our mines and rail. The Outer Harbour continues to be an important part of our long-term strategy. Despite the substantial establishment costs associated with this greenfield facility, our analysis concluded that development of the first 50 mtpa phase of the Outer Harbour Project would deliver a value-adding investment return as a standalone project. The Outer Harbour therefore remains a critical part of our future growth plans, but is not our best option right now".

#### Background notes:

BHP Billiton owns 85 per cent of WAIO and is the operator. In the 2012 financial year, WAIO produced 174 mt of iron ore (100 per cent basis). Production is forecast to increase by approximately five per cent in the 2013 financial year. Commissioning of the WAIO Port Hedland Inner Harbour Expansion project remains on schedule for the second half of the 2012 calendar year and is expected to increase our Inner Harbour capacity to 220 mtpa (100 per cent basis).