Challenge of BRICs

Mike Salamon
Executive Director
Group President Non-Ferrous Metals

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Introduction

- BRICs business models
  - A market or a source of supply?
- BHP Billiton and BRICs
  - Marketing activities
  - Production
  - Projects
  - Business development opportunities
  - Exploration
- BRICs business risks
  - Managing risk in new geographies
## BHP Billiton and BRICs

### Current position

<table>
<thead>
<tr>
<th></th>
<th>Marketing Activities</th>
<th>Production</th>
<th>Projects</th>
<th>Business Development</th>
<th>Exploration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Russia</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>India</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>China</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
A market or resource-rich?

Supply

Demand

- Australia
- Russia
- Brazil
- India
- US
- W. Europe
- China

Population 200 million

Matched Supply Demand
China – primarily a market...

- **FY02**: US$552m
- **FY03**: US$1,215m
- **FY04**: US$2,433m

Legend:
- Petroleum
- Aluminium
- Base metals
- Carbon Steel Materials
- Stainless Steel Materials
...v. Russia – potentially a supplier

Year ended 30 June 2004

US$295m

US$230m

US$20m

Brazil

India

Russia

Aluminium • Base metals • Carbon Steel Materials • Stainless Steel Materials
# BHP Billiton and BRICs

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<tbody>
<tr>
<td>Brazil</td>
<td>Aluminium Coking coal Manganese Chrome</td>
<td>Bauxite Alumina Aluminium Iron Ore</td>
<td>Expansions at Alumar and Samarco</td>
<td>Various</td>
<td>Bauxite Nickel</td>
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<tr>
<td>Russia</td>
<td>Limited: Bauxite Alumina</td>
<td>Potentially</td>
<td>Early stage</td>
<td>Various</td>
<td>Diamonds Nickel</td>
</tr>
<tr>
<td>India</td>
<td>Coking coal Copper Energy Coal Aluminium Manganese</td>
<td>Probably</td>
<td>Early stage/concept</td>
<td>Primarily: Alumina Iron ore</td>
<td>Diamonds Iron ore Nickel Base metals</td>
</tr>
<tr>
<td>China</td>
<td>Iron ore Copper Alumina Petroleum Manganese Nickel Aluminium Chrome</td>
<td>Possibly – Not a focus</td>
<td>Not a focus</td>
<td>Various</td>
<td>Various (but not high priority)</td>
</tr>
</tbody>
</table>
### Brazilian projects

<table>
<thead>
<tr>
<th>Feasibility Study Underway:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Expansion of alumina refinery to 3.3mtpa (from 1.3mtpa)</td>
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<tr>
<td>- Estimated capex of c. US$900m (100%)*</td>
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<tr>
<td>- Forecast initial production Mid CY07*</td>
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<tr>
<td>*Indicative only</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pre-feasibility Study Underway:</th>
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<tbody>
<tr>
<td>- Expansion of the pellet plant to 21mtpa (from 14mtpa)</td>
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</tbody>
</table>
India – potential business development opportunities

Carbon Steel Materials
- POSCO and BHP Billiton are proposing an integrated raw materials, infrastructure and steel plant project in Orissa with a 10Mtpa capacity
- Steel Authority of India (SAIL) and BHP Billiton have entered into an agreement that will potentially allow BHP Billiton to acquire equity in SAIL’s undeveloped iron ore resources in exchange for equity in a BHP Billiton undeveloped coking coal resource

Aluminium
- Entered into an agreement with a local company to potentially develop an alumina plant (1.5Mtpa capacity)

Petroleum
- With improved relationships between India and Pakistan, the Iran-Pakistan-India pipeline promoted by BHP Billiton is again under consideration
Prospective Terrains

- Diamonds
- Porphyry copper
- Sedimentary copper
- Nickel
- Iron ore
- Bauxite
BRICs - Risks

- Understanding the market
  - Political risk
  - Regulatory risk
- BHP Billiton has the ability to take on greater risk
  - > 80% of EBIT derived from assets in investment grade countries
- Ability to manage operations/projects in “risky countries”
  - Experience
  - HSEC/licence to operate
- Management of market risk
  - Marketing structure
Conclusion

- BRICs economies developing rapidly, but not all the same
- Market v. producer
- BHP Billiton is well placed in terms of existing operations and projects
- Prospective regions of the world may require a different skill base to those required from operating in OECD countries

BHP Billiton is well placed to service traditional markets whilst capturing value adding growth opportunities in the developing BRICs economies