

# BHP Billiton

## Mining in Africa: Opportunities and challenges

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July 2006



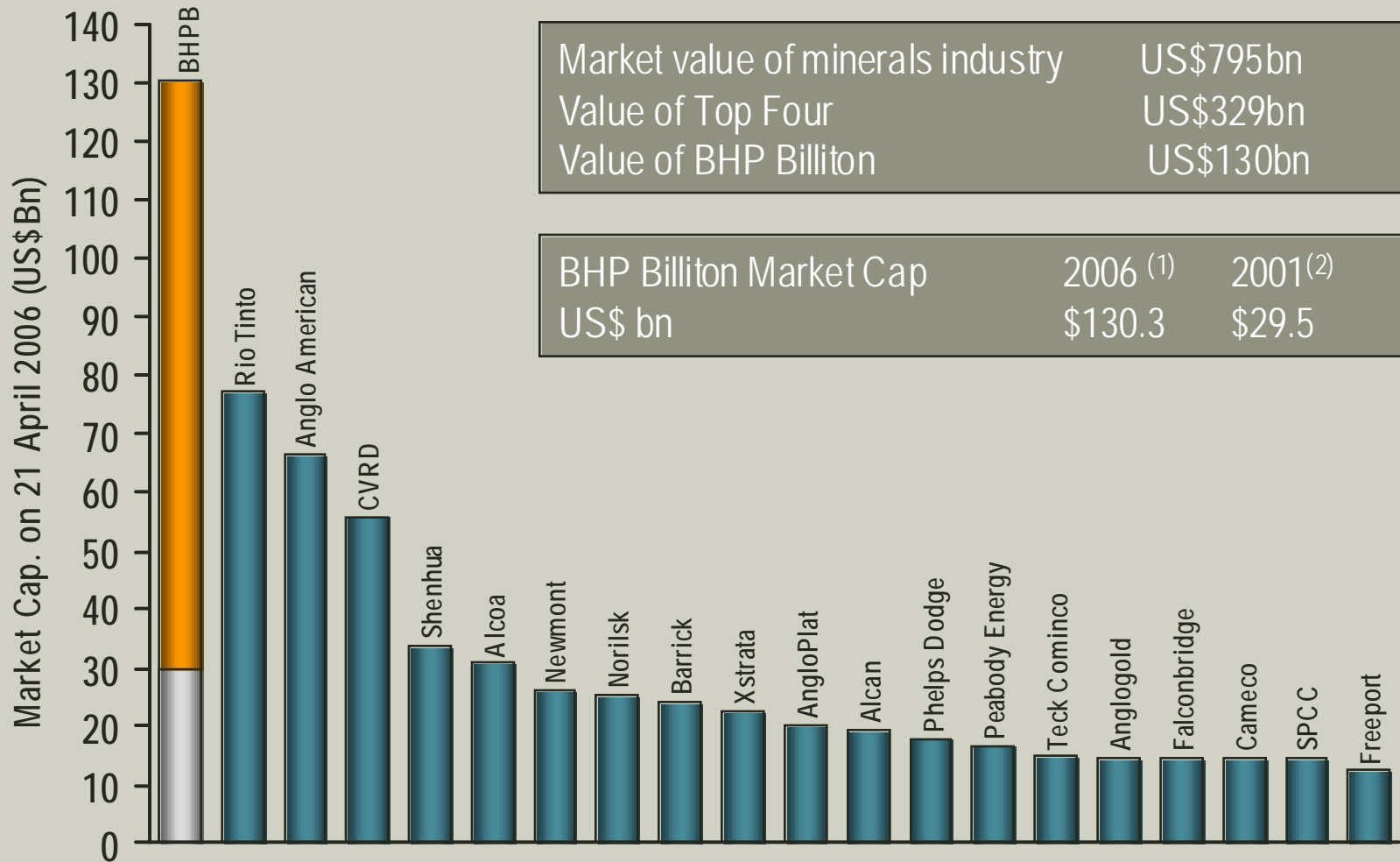
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# The largest company in the resources sector



Market value of minerals industry	US\$795bn
Value of Top Four	US\$329bn
Value of BHP Billiton	US\$130bn

BHP Billiton Market Cap	2006 <sup>(1)</sup>	2001 <sup>(2)</sup>
US\$ bn	\$130.3	\$29.5

Source: Datastream and Bloomberg (data as at 21 April 2006)

1. Market Capitalisation on 21 April 2006

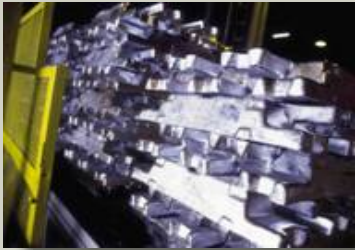
2. Market Capitalisation on 28 June 2001

# The world's largest diversified resources company

**Petroleum**



**Aluminium**



**Base Metals**



**Carbon Steel Materials**



**Diamonds & Spec Prod**



**Energy Coal**



**Stainless Steel Materials**



# The resources sector

- The global resources sector is changing:
  - Consolidation has changed the industry considerably over the past five years
  - The consolidation trend is likely to continue, and there is likely to be continued M&A activity at the small to medium end for some time
  - Increased demand has led to greater production and projects across the industry, which has meant higher returns
  - Emerging and urbanising markets of China and India playing a greater role – high demand for raw materials has led to higher commodity prices
- The outlook remains positive:
  - While there will be peaks and troughs, the outlook for the industry is one of continued strength

# Creating value at a local level – our communities

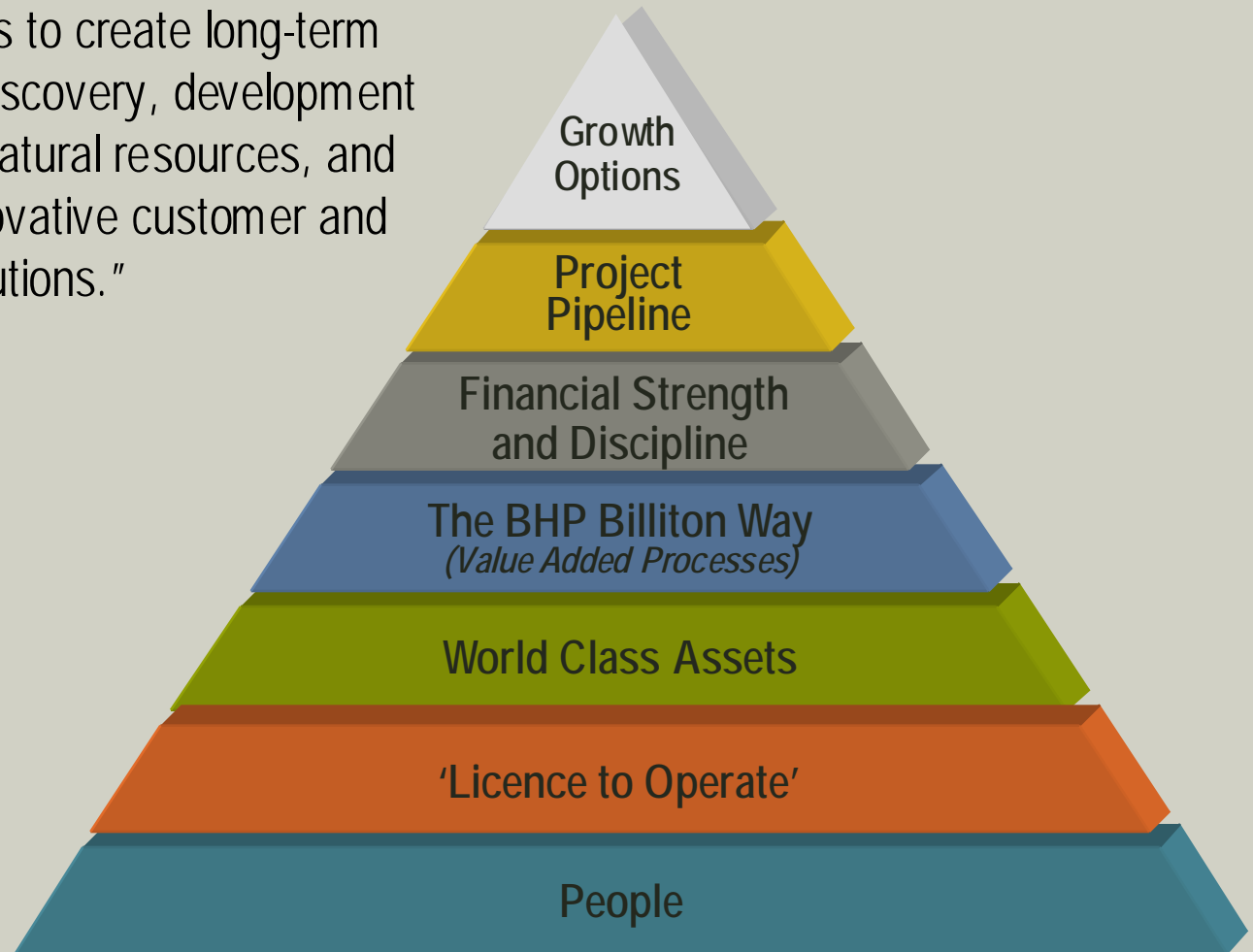
- Sustainable development at every level is fundamental to our success – our licence to operate depends on the responsible operation of all aspects of our business:
  - A strong track record of being valued by our communities will contribute to us being considered a 'company of choice' by governments, business partners and communities
  - We are in a better position to attract and retain a skilled and motivated workforce
  - Our reputation as an ethical, responsible business will assist in our ability to attract capital to continue to grow our business

**We aim to be a business that creates a positive legacy**



# Strategic drivers

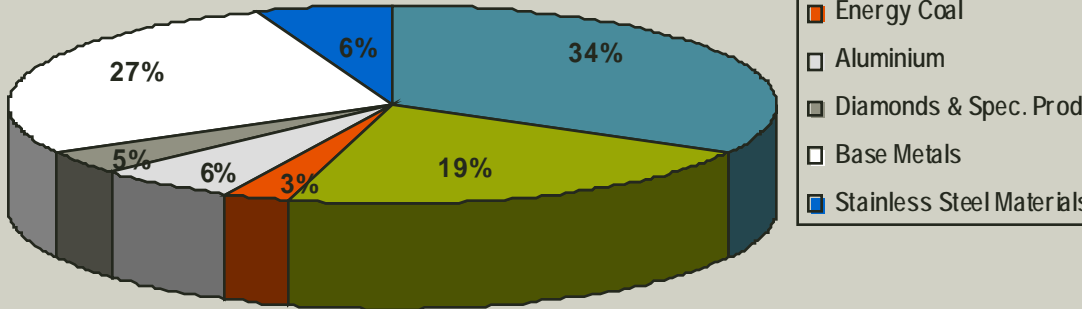
"Our core purpose is to create long-term value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions."



# The portfolio effect: diversification remains a key focus

## By Commodity

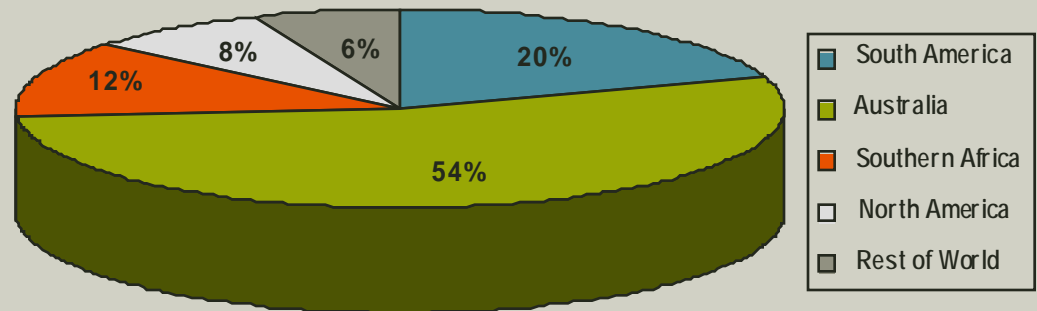
Customer Sector Group Underlying EBIT:



Data for the half year ended 31 December 2005

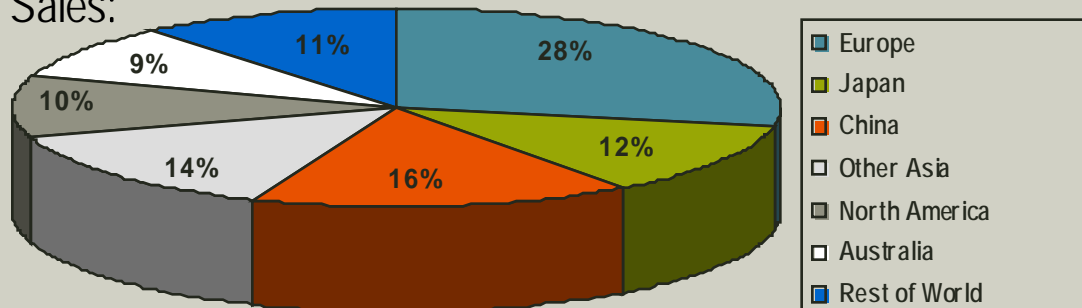
## By Geography

Net Operating Assets:



## By Market

Sales:

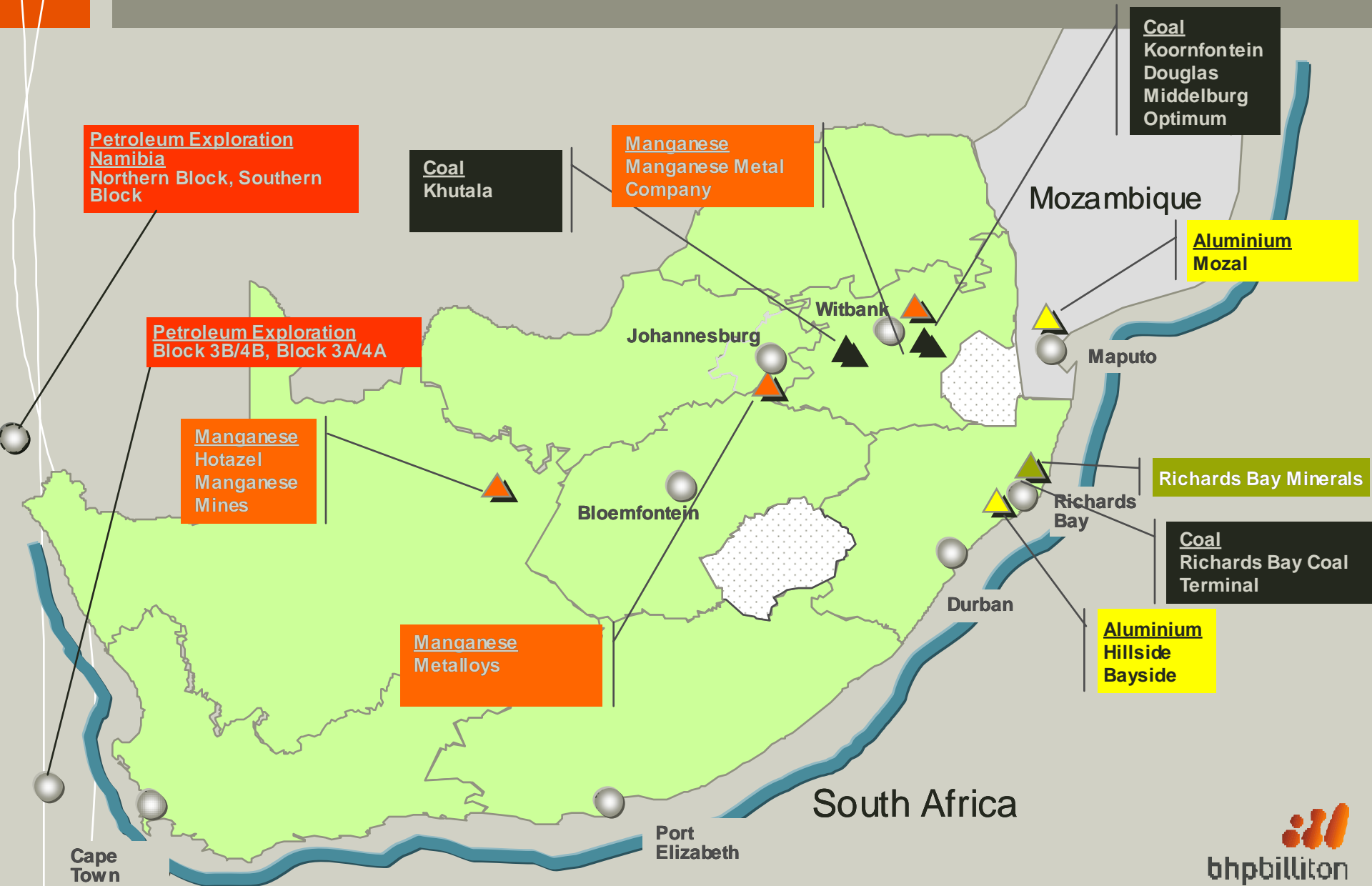




# BHP Billiton in summary

- World's largest diversified resources company
- Sustainable development is integral to our business
- Our people are our most significant asset and number one priority – Zero Harm drives all our operations
- Our large base of low-cost, high quality assets provides stable cash flow and visibility to new opportunities across the world
- Our size and diversity means we can generate benefits through Operational Excellence
- Our growth pipeline distinguishes us from our competitors – our current project pipeline includes 25 projects with expenditure of US\$14.4 billion

# Southern African Assets



# Activities

- Aluminium:  
Hillside, Bayside & Mozal (47%) smelters, total 1.3 Mtpa;  
axis contributes 7% of world aluminium.
- Energy Coal:  
SA's largest coal producer at 54 Mtpa;  
31.28Mt to Eskom power utility, remainder exported via RBCT
- Richards Bay Coal Terminal: (37% shareholding)
- Manganese: Samancor, 60/40 with Anglo American, operated by BHP Billiton. Ores and alloys
- Richards Bay Minerals: Titanium producer, 50/50 with Rio Tinto
- Exploration: Oil & Gas; Diamonds (Falcon); other.

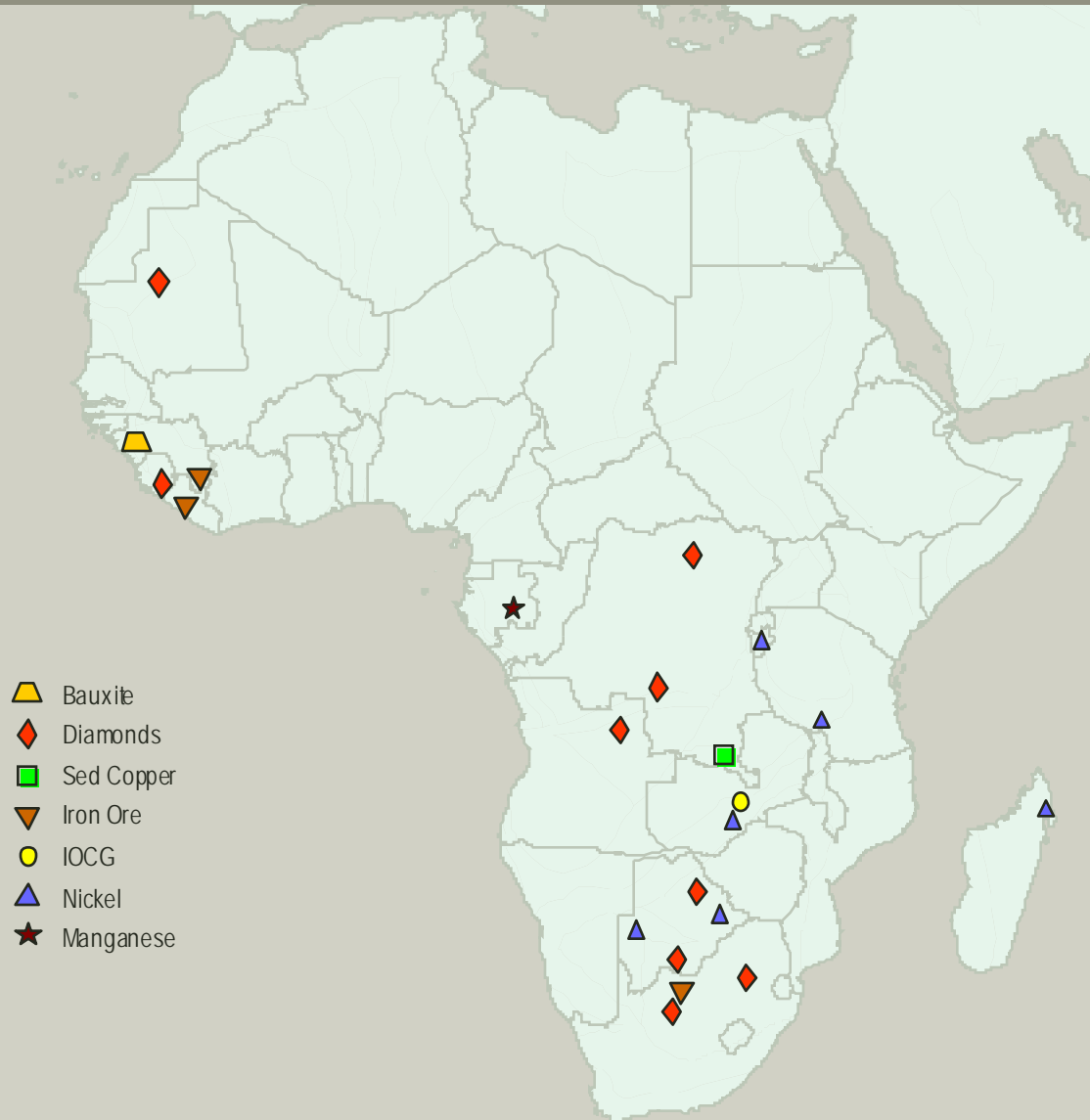
# BHP Billiton SA: Who are we?

- Robust pedigree.
- Listed on Johannesburg Stock Exchange.
- Corporate Centre in Johannesburg; Led by SA Chairman.
- About 17 000 employees.
- Empowerment Initiatives advanced;
  - Mineral and Petroleum Resources Development Act;
  - Employment Equity
  - Procurement
- HSEC;
  - Health (HIV/Aids)
  - Safety
  - BHP Billiton Development Trust

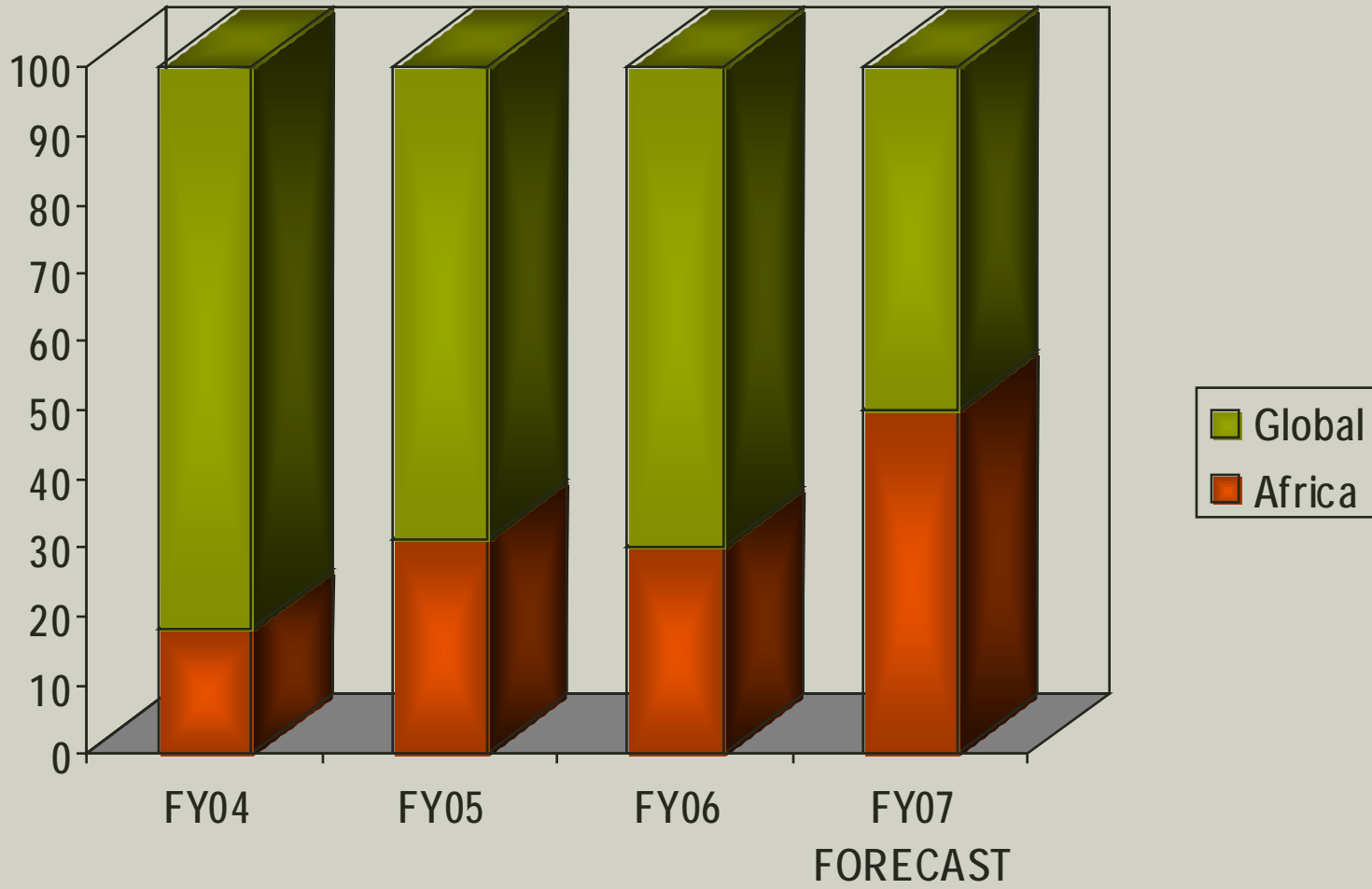
# Africa's rich mineral endowment

- Despite being under-explored Africa has approximately 30% of the planet's mineral resources. New mining opportunities are likely to come from the following countries:
  - **Iron Ore:** Guinea, Liberia, Mauritania, CAR
  - **Bauxite:** Guinea, Sierra Leone, Ghana
  - **Copper/Cobalt:** DRC, Zambia, Mauritania, Botswana, Tanzania
  - **Zinc-Lead-Silver:** South Africa, Zambia, Tunisia
  - **Nickel:** Tanzania, Angola, Madagascar, Ivory Coast
  - **Platinum:** South Africa, Zimbabwe
  - **Ferrochrome:** South Africa
  - **Manganese:** South Africa, Gabon, DRC
  - **Gold:** Ghana, Mali, Burkina Faso, DRC, Tanzania, Algeria, South Africa
  - **Diamonds:** Angola, DRC, Botswana, Zimbabwe, Namibia, Mauritania
  - **Mineral Sands:** Mozambique, Madagascar
  - **Agricultural Minerals:** Kenya, Republic of Congo, DRC
  - **Uranium:** Namibia, Malawi

# BHP Billiton Africa Minerals Exploration: main 2005-06 projects



# Geographic Exploration Spend as a % of annual total



## Major mining projects in Africa – opportunities and challenges

- Africa an important producer of commodities needed to fuel world growth
- Africa: strategic exporter of commodities for the foreseeable future
- Africa relatively under-exploited
- Challenges and blockages persist ... but the picture is improving



# The greatest challenges

- The greatest challenges:
  - Common ground to benefit all stakeholders
  - Sustainable development and
  - Harnessing Africa's huge hydropower potential
- The need to foster a stable economic and political environment in order to attract private investment
- Good Governance (transparent legislation and decision-making)
- The presence of a substantial and reputable investor

# Resources in Africa: Key success story - Mozal

- Mozambique emerged from the ravages of a bitter civil war in the 1990s
- Capital investment approx US\$ 2-billion
- Production more than 500,000 tpa primary aluminium
- Shareholding: BHP Billiton (operator) 47%; Mitsubishi 25%; IDC 24%; GoM 4%

# Mozal Benefits: Integrated Development



## QUALITY OF LIFE

- Mozal Community Development Trust: \$2.5million pa
- Over 200 projects: US\$10 million
- Health, small enterprise, education, sports, culture
- Partnering approach with NGOs



## JOB CREATION

- Permanent job creation on site: 1150
- Contractors: 1600
- Indirect job creation: approx 10,000



## ECONOMIC ENERGY

- Regional Economy: \$105 million pa
- Export Earnings: Doubled to US\$811 million pa
- Local infrastructure upgrade: US\$ 31 million

# DRC

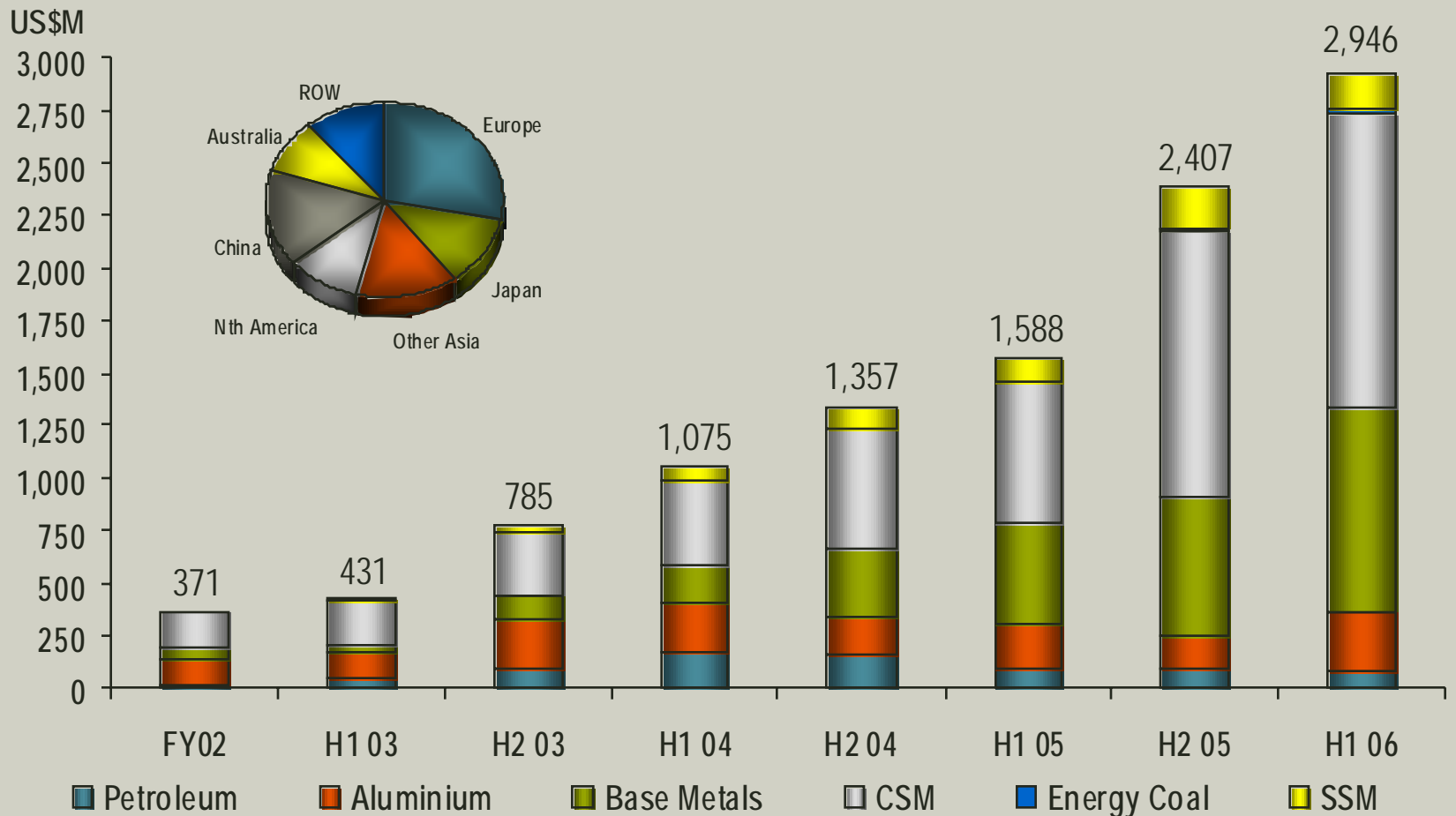
- Rich in minerals and emerging from decades of civil war.
- Has potential to become a leading African nation
- World Bank sponsored Mining Code promulgated by parliament in July 2002 has sparked unprecedented demand for exploration licences.
- BHP Billiton exploring for diamonds and copper.
- BHP Billiton establishing an office in Kinshasa.

## Africa will become increasingly important as a major producer of commodities needed to fuel world growth

- The emerging economies of China, Taiwan and Korea require huge imports of raw materials for urbanisation and associated infrastructure
- The growth of China has caused an upswing in demand for commodities
- Consumption of Alumina, Iron Ore, Copper and Nickel in China doubles each decade
- China's growth is not a short-term phenomenon
- Increasing world consumption + strong commodity prices will support the African mining industry

# China

- Sales into China increasing but diversification remains
- Currently 16.2% of total company revenues, up from 12.6% in FY05



# Major challenges to mining investment in Africa

- Challenges and blockages facing the mining industry will persist, but the situation is generally improving and some countries have made remarkable progress
- Challenges to mining investment:
  - Political and sovereign risk
  - Health and Safety
  - Environmental protection
  - Poor infrastructure
  - Corruption
  - War, civil unrest and personal security
  - Lack of skills
  - Non-transparent or unfavourable mining and investment codes
  - Inefficient and unjust judicial system
  - Uncompetitive base costs
  - Community involvement and poverty.

# Key Learnings

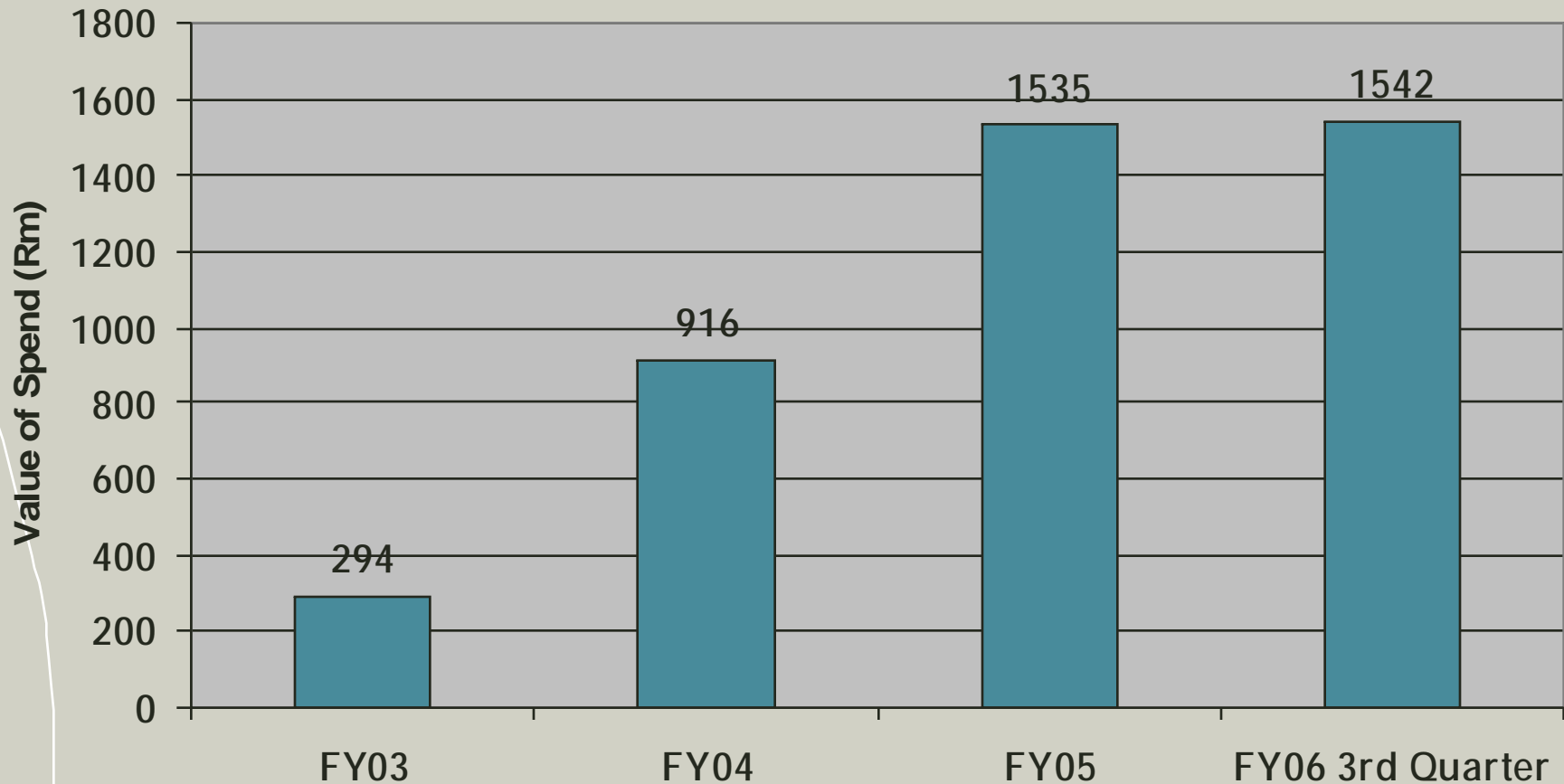
- The continent will continue to witness huge problems related to disease, war, civil unrest, corruption, poor infrastructure and political risks
- Marked pockets of improvement evident.
- Making wise investments in the mining business requires boldness on the part of the investor, and thorough understanding and management of the risks.
- Social investment an integral part of the growth plan



# Black Economic Empowerment (BEE)

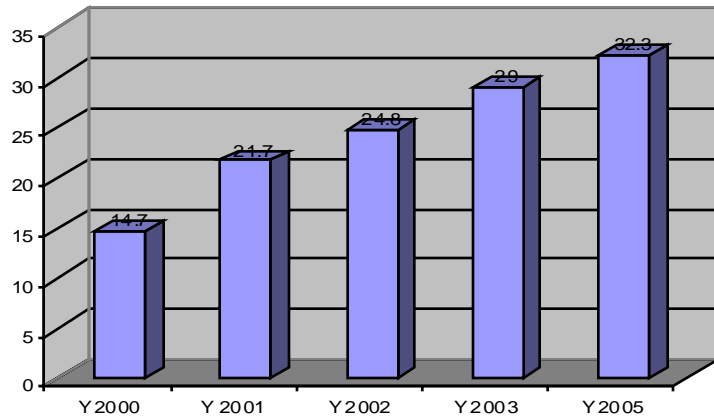
- The Act covers Ingwe, Samancor Cr and Mn and RBM, but not aluminium smelters at Richards Bay.
- 15% in 5 years and 26% in 10 years.
- The objective is to create Black mining house through skills development, Mentoring and sale/JV of business or assets.
- Transactions in Coal, RBM and Cr.
- Building on a positive relationship with Department of Minerals and Energy to ensure a smooth transition.
- We will be doing a number of transactions over a period of time.

# Group BEE Spend as @ FY06 3<sup>rd</sup> Quarter



# HDSA Representation in Management & Female Representation in Workforce

**HDSA Representation in Management**  
(Target 40% by 2006)



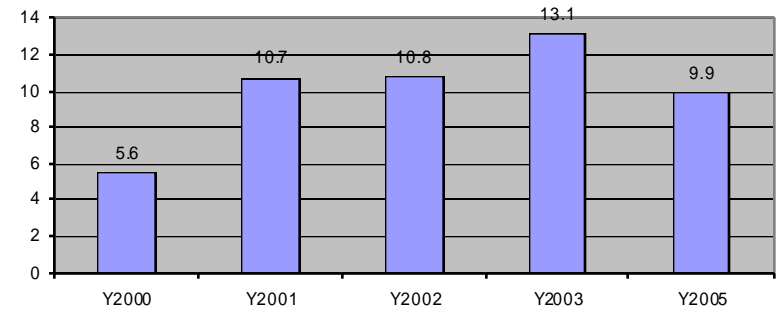
## MILESTONES

1. Formalised Transformation Charter
2. BHP Billiton Development Program
3. Retention Strategy Developed
4. Talent Management across commodities & functions

## CHALLENGES

1. Shortage of Skills in some functions i.e. engineering & technical
2. Ensure we attract and retain the best talent
3. Black professionals moving from formal sector to starting up own businesses
4. Focus on internal development

**Female Representation in Workforce**  
(Target: 10% by 2006)



# Social Responsibility

## Group practice: 1% of pre-tax profit over 3-year average

- Expenditure for year ended 30/06/05: R46m /US\$7.4m
  - ✓ R32.3m/US\$5.2m on 29 projects valued at R81.6m/US\$13.1m
  - ✓ R13.7m/US\$2.2m spent on donations
- The BHP Billiton Development Trust (BBDT):
  - ✓ Managing body representing all CSGs
  - ✓ COOs acting as trustees
- Funding Criteria:
  - ✓ Sustainability
  - ✓ Value-add



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