

Iron Ore, Newman, Australia



## Stability Throughout the Cycle

**Exane BNP Paribas – 11<sup>th</sup> European Seminar**

**Alberto Calderon, Chief Commercial Officer**

10 June 2009



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BHP Billiton results are reported under International Financial Reporting Standards (IFRS). References to Underlying EBIT and EBITDA exclude net finance costs and taxation for jointly controlled entities, and exceptional items. A reconciliation to statutory EBIT is contained within the profit announcement, available at our website [www.bhpbilliton.com](http://www.bhpbilliton.com).

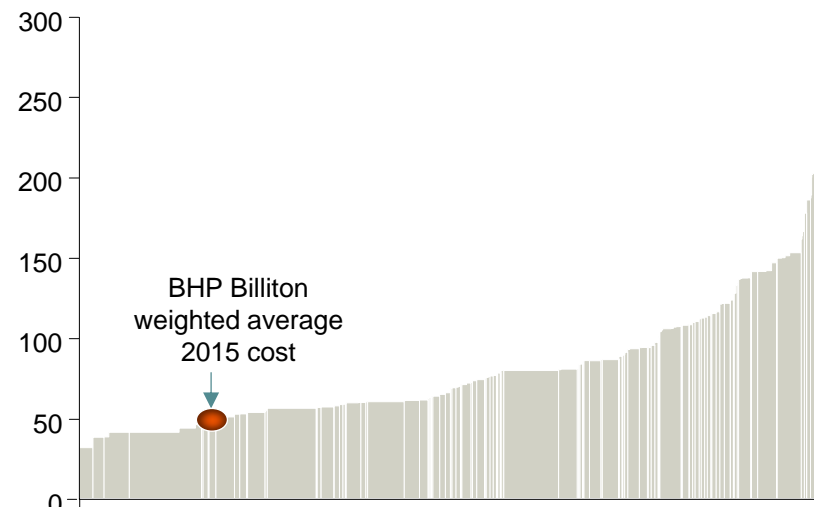
## **An Unchanged Strategy**

## Current Economic Conditions and Our Response

# An Unchanged Strategy

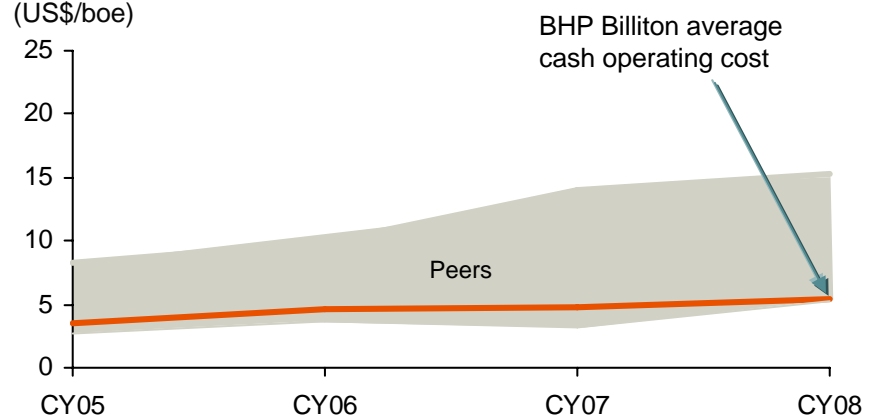
- Large, low-cost, long-life Tier 1 assets
- Export oriented
- Upstream focused
- Diversified by commodity, customer and geography
- Committed to a solid 'A' credit rating
- Deep inventory of growth options
- Ethics, safety, environmental practice and community engagement
- Employer of choice and a preferred partner

**Seaborne Iron Ore Cost Delivered to China – 2015**  
(US\$/dmtu, CFR)



Source: CRU, including BHP Billiton weighted average 2015 cost.

**Petroleum Cash Operating Costs**  
(US\$/boe)



Source: BHP Billiton estimates.

# A Balanced Portfolio

## Steelmaking Materials

- Iron Ore
- Metallurgical Coal
- Manganese

## Non-Ferrous Products

- Copper
- Aluminium
- Nickel
- Diamonds

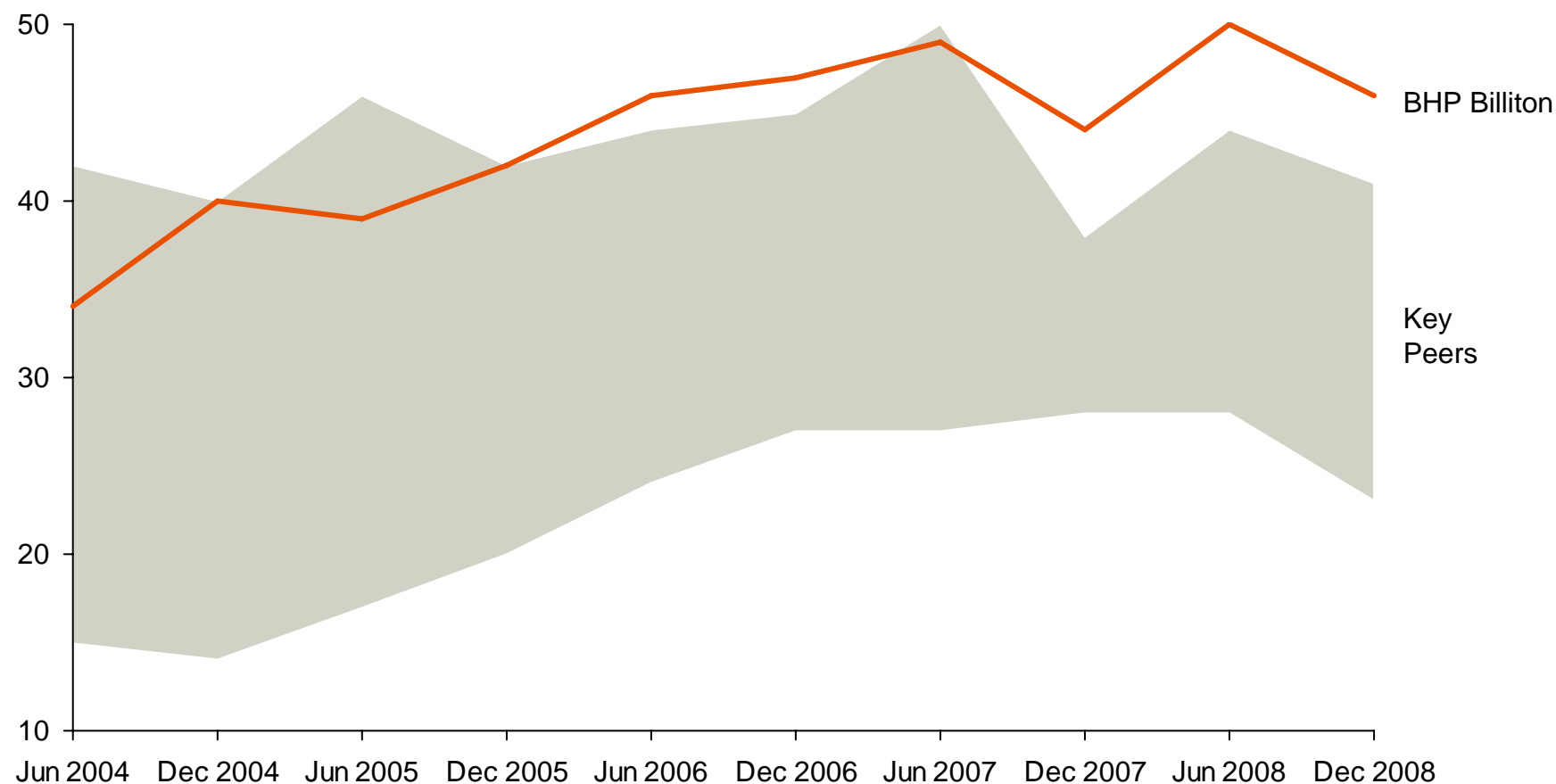
## Energy Products

- Petroleum
- LNG
- Energy Coal
- Uranium

# Low Operational Leverage from Low Cost Assets

## EBIT Margin

(%)



Source: Company interim and annual reports of BHP Billiton and its key peers. EBIT excludes exceptional items, third party trading and discontinued trading, as applicable.

# Tier 1 Assets: A Preference for Basin Plays

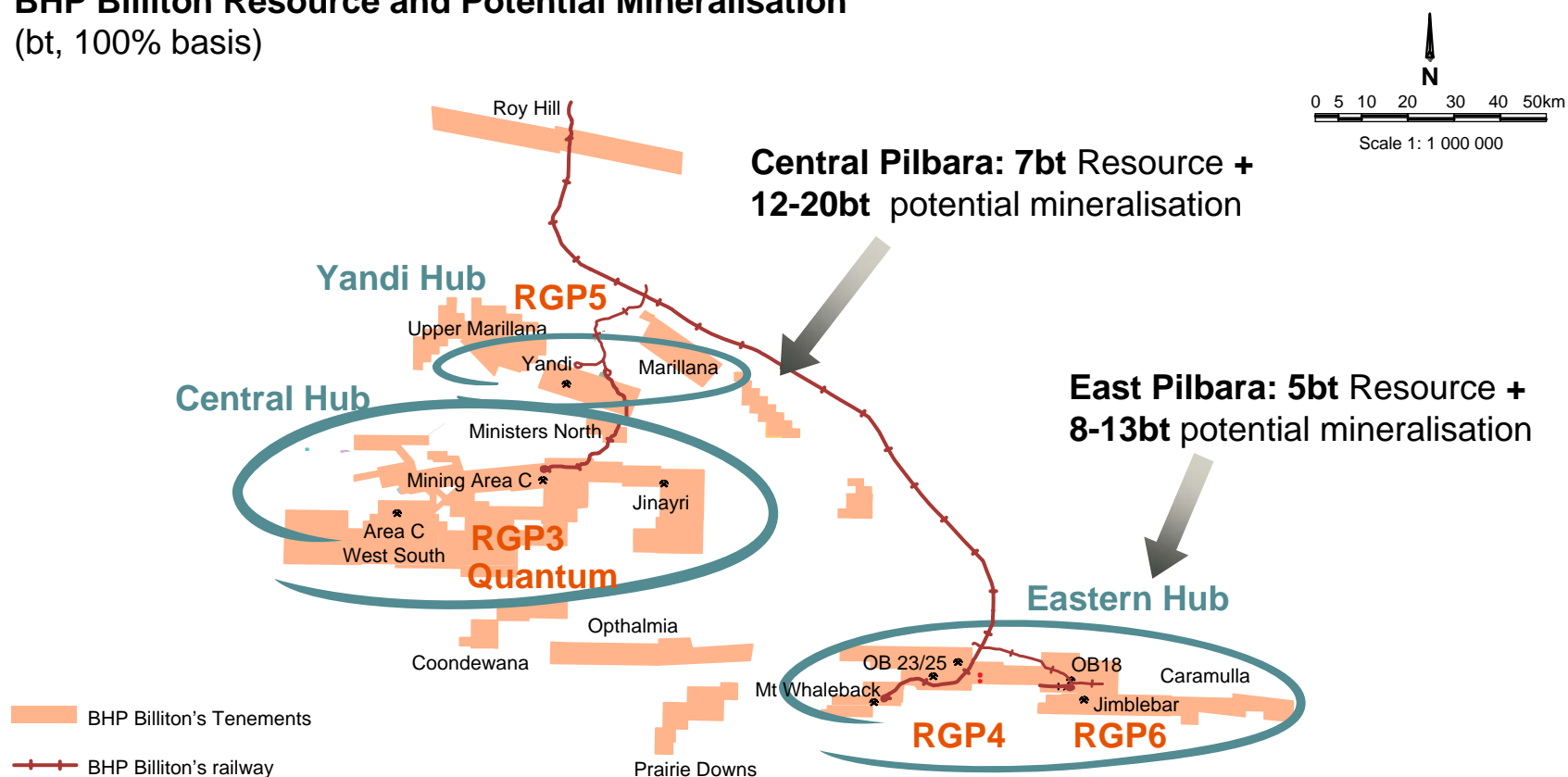
- Invest for the long term
- Ability to benefit from scale

## Two Examples

- Iron Ore: Pilbara, Western Australia
- Potash: Saskatchewan & Manitoba, Canada

# Iron Ore: A Significant Resource Position

## BHP Billiton Resource and Potential Mineralisation (bt, 100% basis)



Source: Resource base: BHP Billiton News Release and CSG Presentation June 2008;

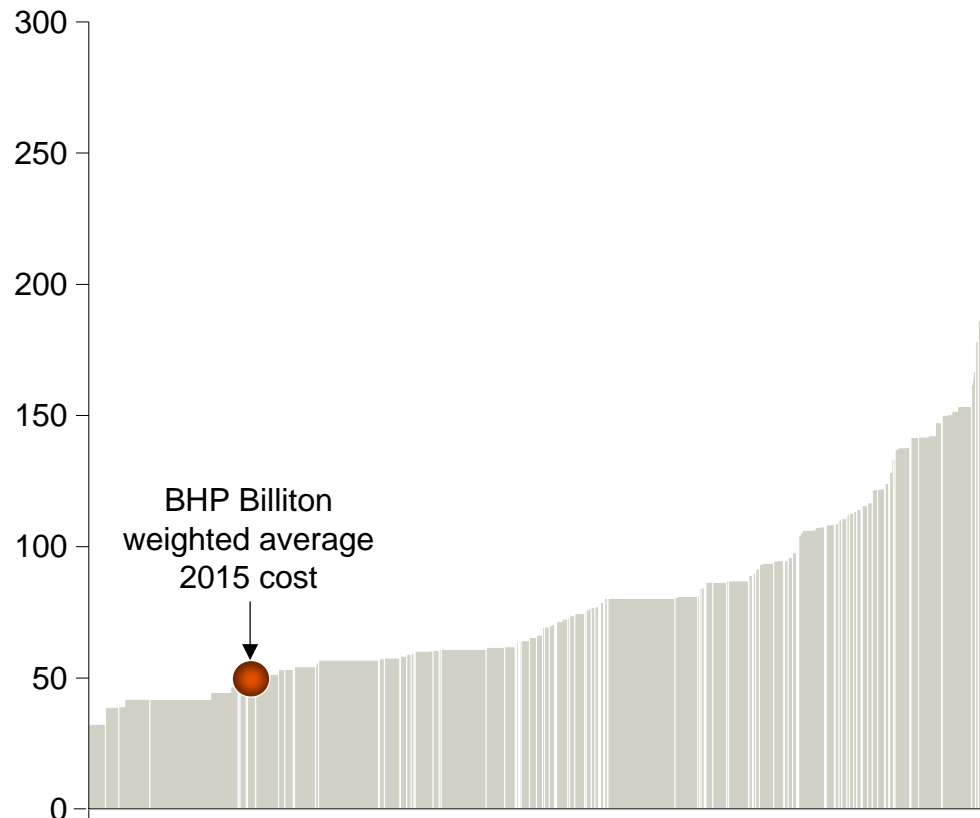
Equity terms: Central Pilbara: 6bt Resource + 11-18bt Potential Mineralisation; East Pilbara: 4bt Resource + 7-12bt Potential Mineralisation.

The Potential Mineralisation (Exploration Target) is based on probabilistic assessment of areas across the Pilbara using surface mapping, geophysics, known regional geology and some limited drill results acquired over the last 40 years of exploration. The target range is conceptual in nature, there has not been sufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.



# Industry Leading Cost Position

## Seaborne Iron Ore Cost Delivered to China – 2015 (US\$/dmtu, CFR)



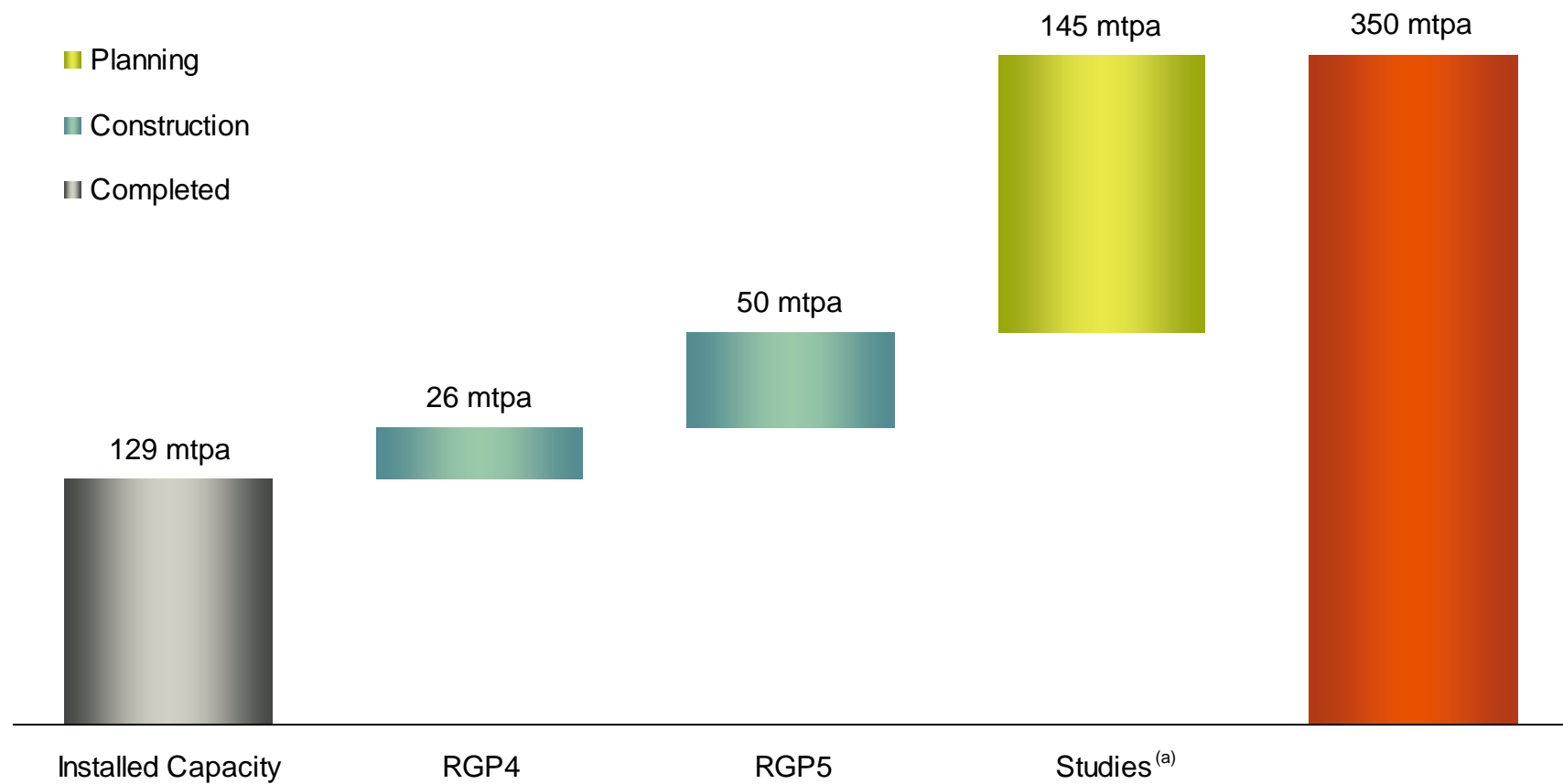
### Low operating costs driven by:

- Large, Tier 1 high grade ore bodies concentrated around key infrastructure and developed as integrated mining hubs
- First class infrastructure
- Close proximity to the Asian markets

Source: CRU, including BHP Billiton weighted average 2015 cost.

# Iron Ore: The Ability to Achieve Scale

## Western Australia Iron Ore Growth Path (100% basis)



(a) All studies and estimated capacity remain under review until they are approved for execution.

# Iron Ore: Unlocking Scale Benefits from a World Class Resource Basin

- Exciting new joint venture with Rio Tinto announced on 5 June
- In principle agreement to form 50:50 joint venture of Pilbara iron ore assets to leverage benefits of scale

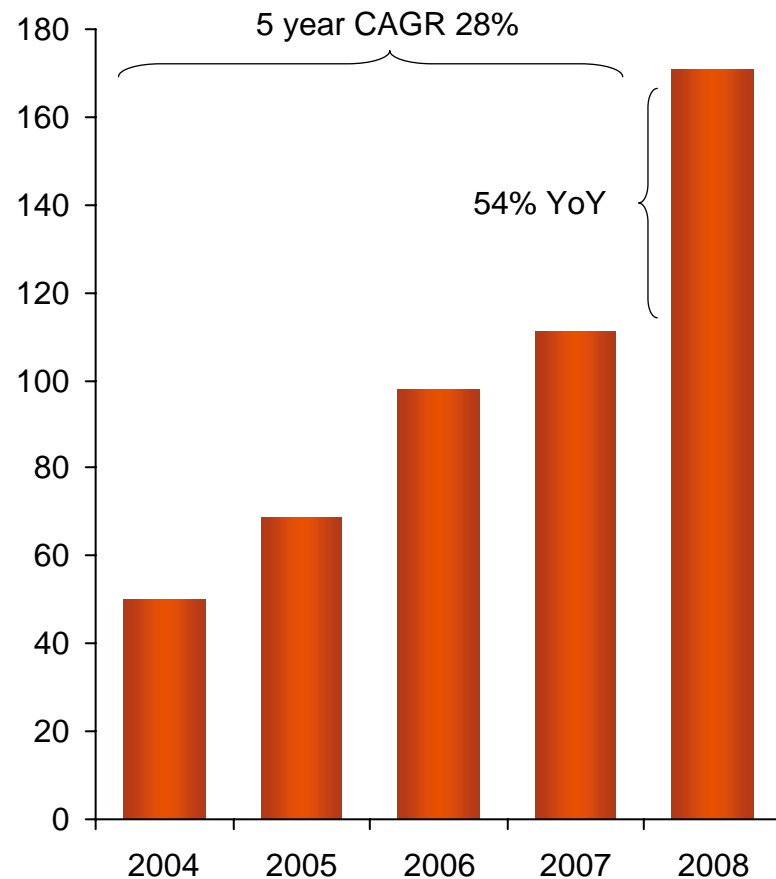
Expected benefits include:

- Substantial and unique production and development synergies of over \$10 billion NPV (100% basis)
  - Efficient use of infrastructure
  - Blending opportunities
  - Optimising future growth



# Rapid Evolution to Transparent Pricing

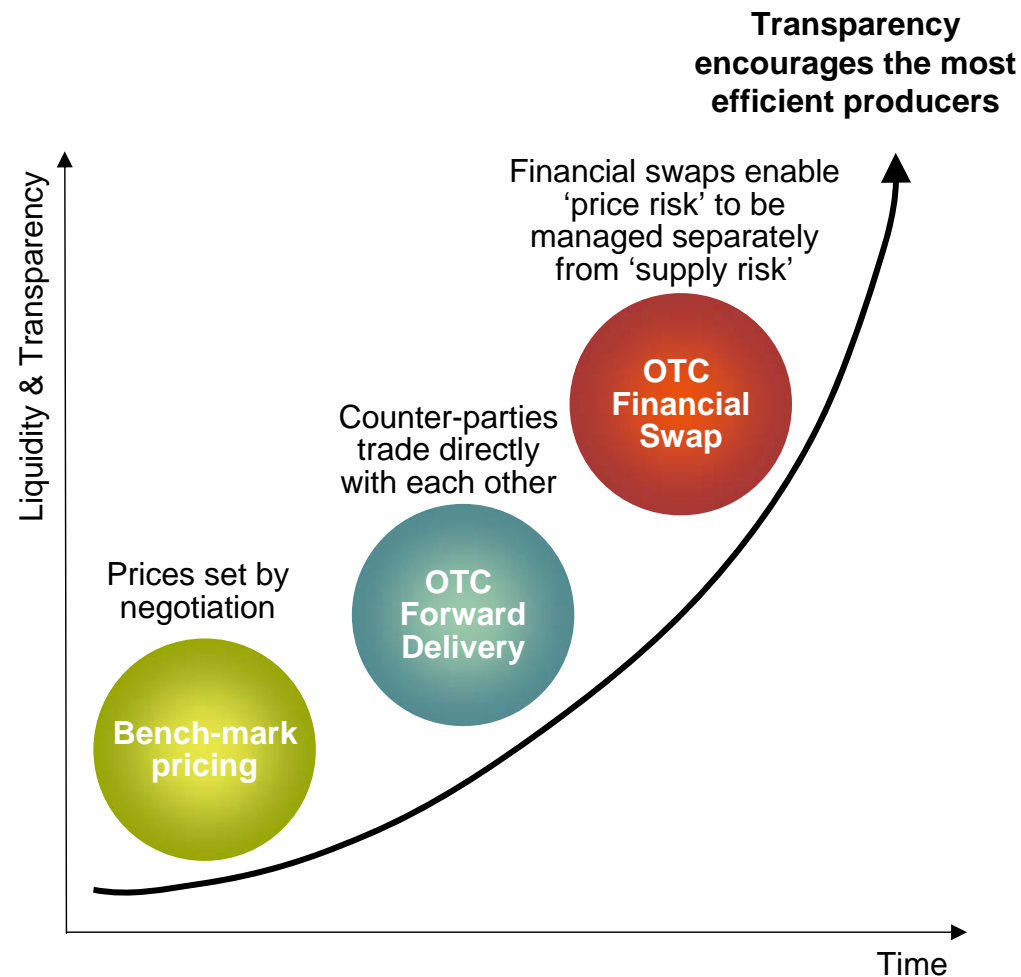
**Seaborne Iron Ore Spot Transacted  
(mt)**



Source: BHP Billiton estimates.

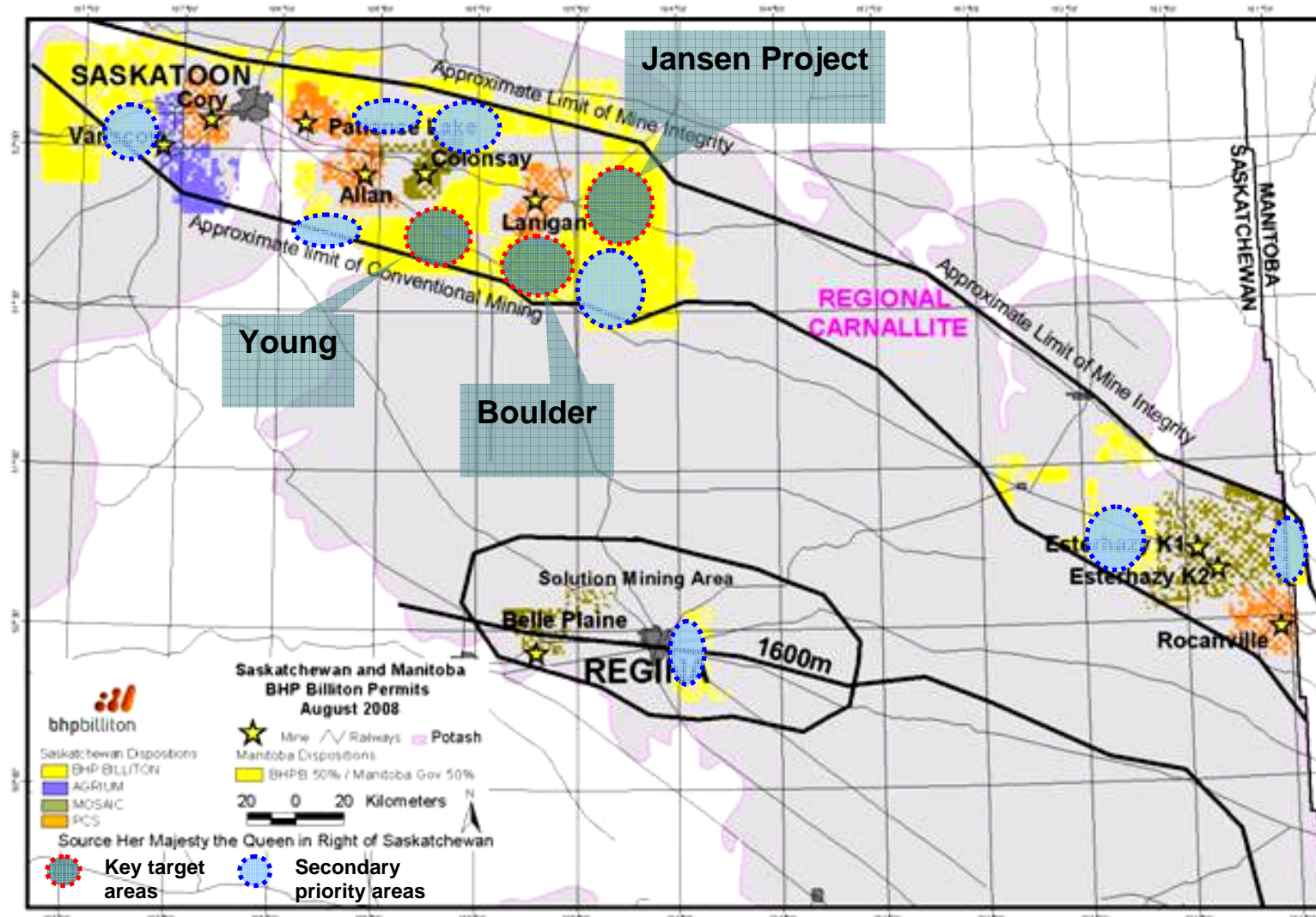
- Transparent and regular pricing allows customers to mitigate risks on short, medium and long term contracts
- Developments since the start of 2008:
  - Increased liquidity
  - Three internationally recognised independent reference price providers
  - Two 24 month quoted forward curves, providing industry risk mitigation tools
  - Development of SGX OTC clearing mechanism
  - Paper-based counter party trades

# BHP Billiton is an Active Market Participant



- Regular and transparent market pricing is consistent with BHP Billiton's strategy
- BHP Billiton's proactive approach to transparent market pricing enables:
  - Greater understanding of market conditions
  - Realisation of market prices
  - Reduced counter-party risk
  - Informed production decisions through the cycle
  - Maintenance of customer relationships through index based contracts

# Potash: Another Basin Play?





# Jansen Project: A Potential Mega Mine

- The most advanced of our project areas
- Exploration work comprising drilling and 3D seismic program has recently been completed
- Nearby operations in the mining corridor - favourable grades, ground conditions and infrastructure
- Pre Feasibility phase – project team moving to 55 plus > 200 contractors
- ~600 km<sup>2</sup> area of interest
- Potential 4 – 8 mtpa mine
- Execution decision anticipated in late 2011



Potash core from Jansen 01 drill hole

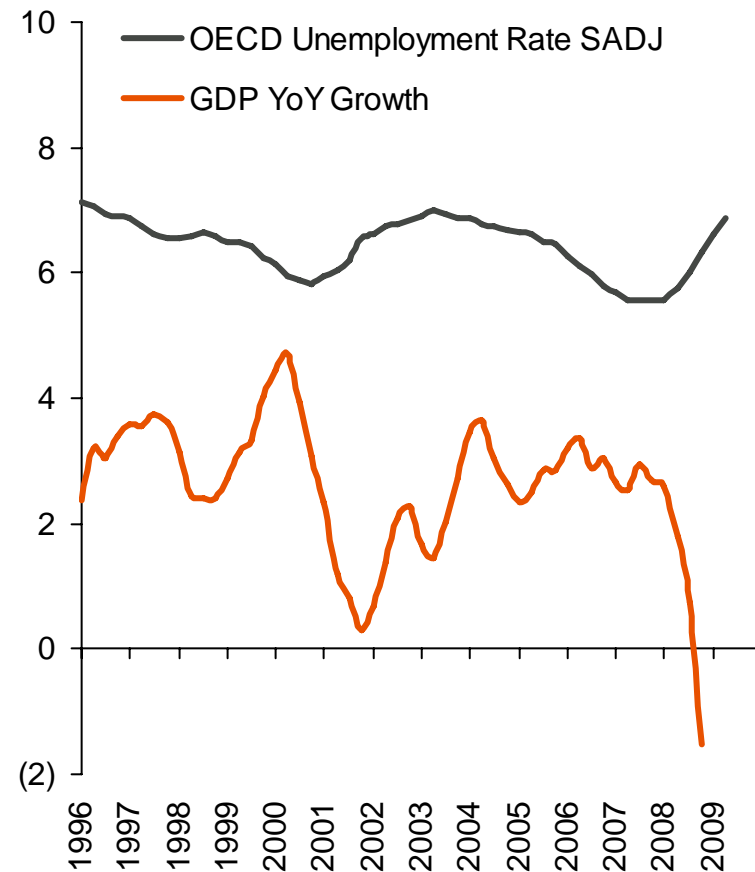
## An Unchanged Strategy

## Current Economic Conditions and Our Response

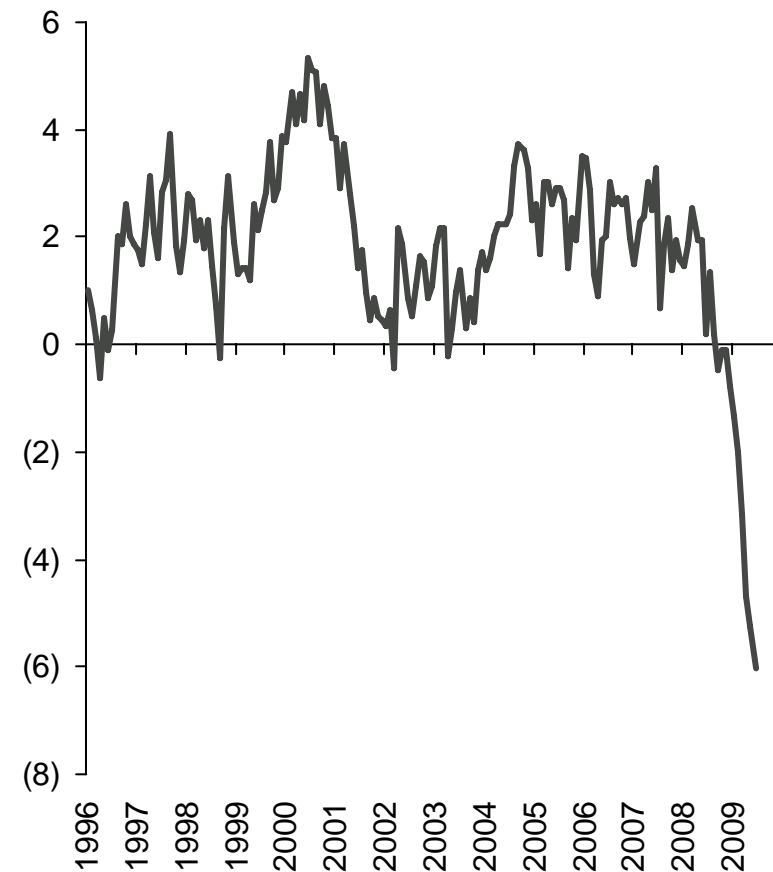


# What does the World Look Like?

**OECD Unemployment and GDP Growth**  
(%)



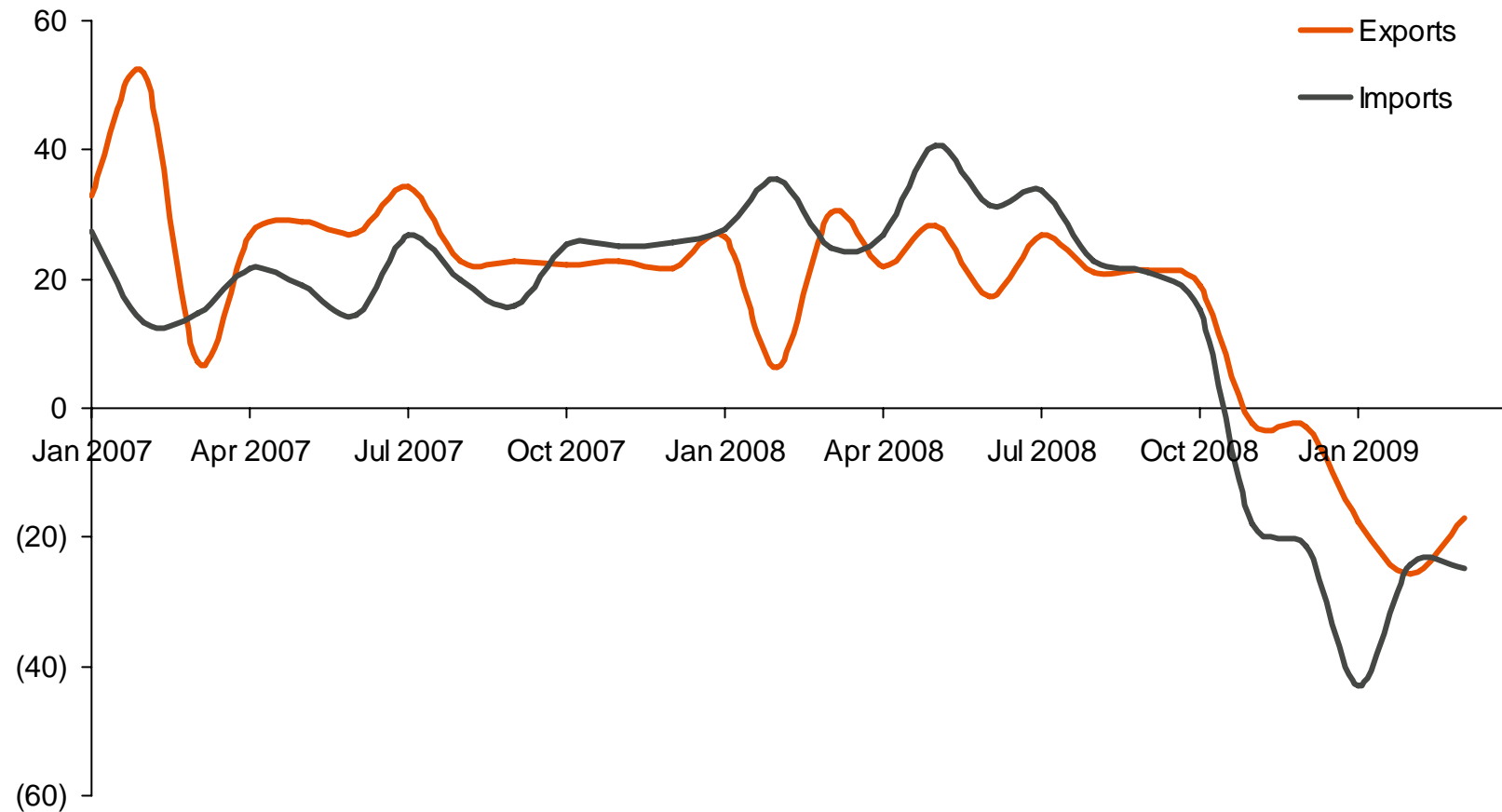
**OECD Retail Trade**  
(YoY % Change, Volumes)



Source: OECD.

# China Trade Performance Still Unclear

**Trade Performance in China**  
(% Change YoY)



Source: CEIC.

# Why We Remain Positive on the Resources Sector in the Long Term

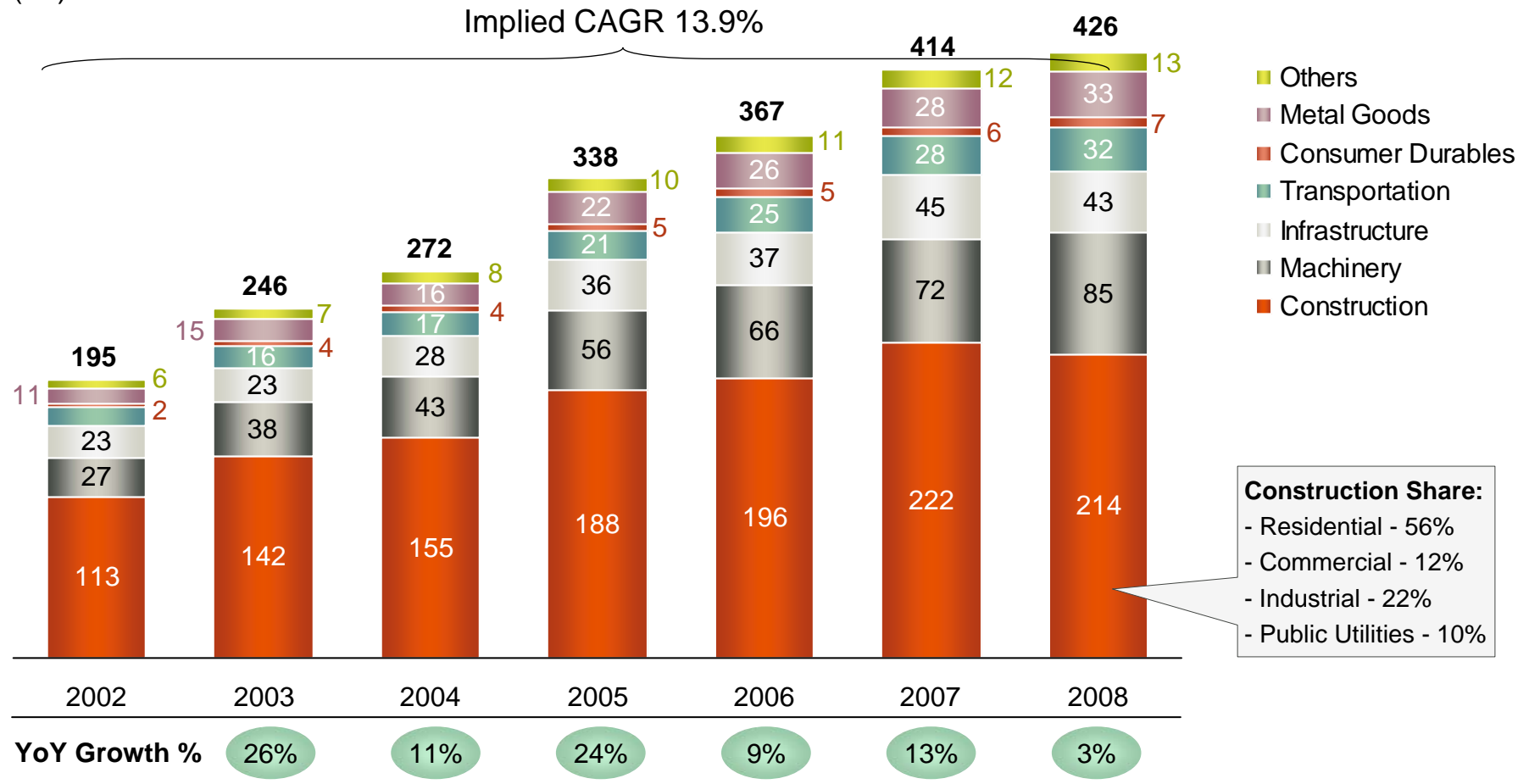
- Urbanisation trends to continue
- More sophisticated manufacturing
- Increasing middle class wealth
- More commercially built flats requiring steel



Chongqing, China

# China's Annual Steel Demand has Doubled from 195mt in 2002 to 426mt in 2008

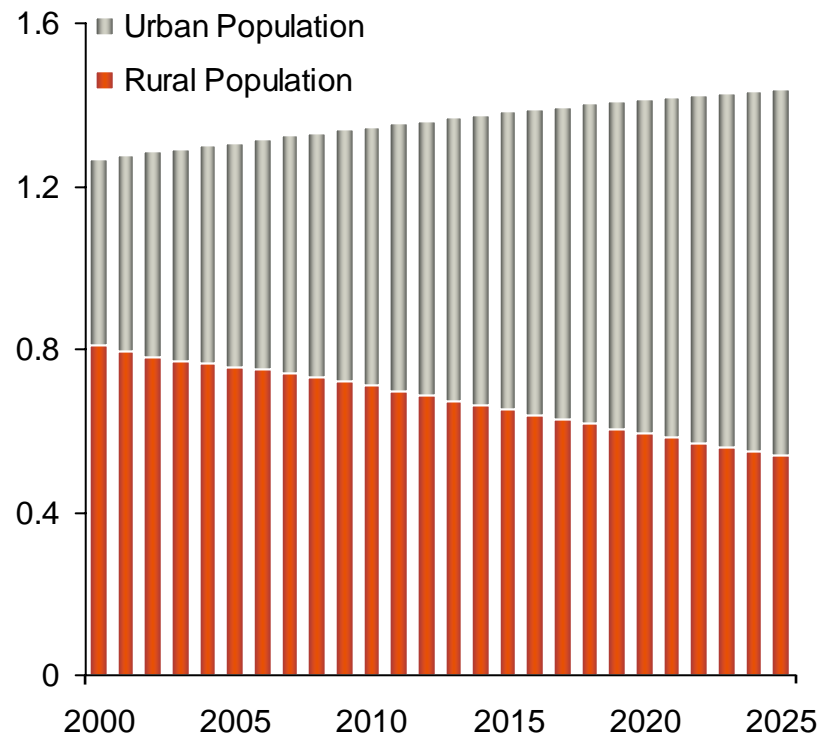
**China Finished Steel Demand by Sector 2003-08**  
(mt)



Source: CISA, McKinsey analysis.

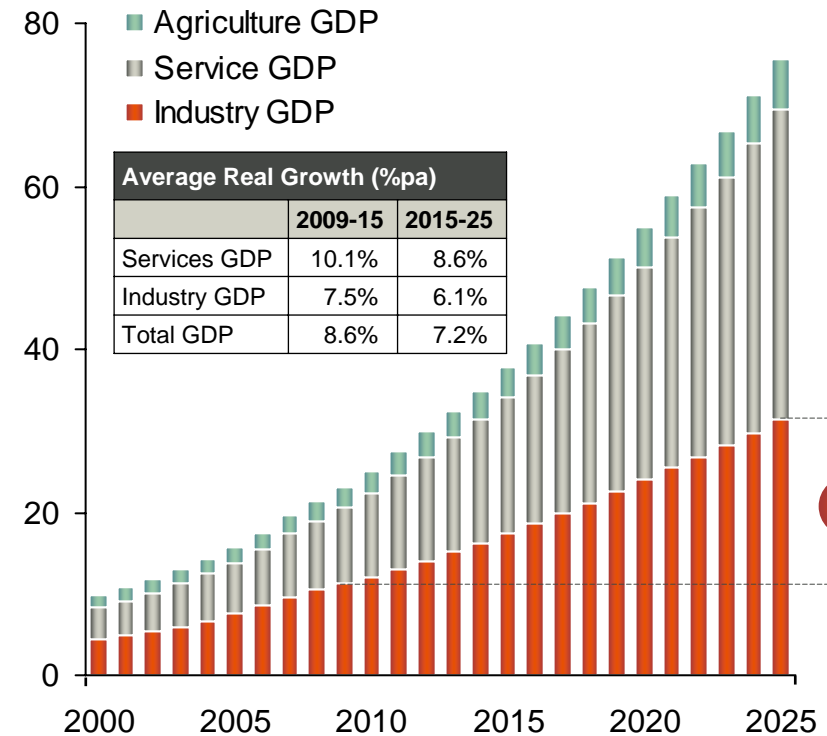
# Urbanisation and Industrialisation Are the Key Drivers of China's Growing Annual Steel Demand

**China Population Breakdown 2000-25**  
(billion)



An average of 17 million people added to China's urban population each year between 2000-25

**China GDP Breakdown 2000-25**  
(Real 2000 RMB trillion)



China's Industry GDP estimated to increase three-fold between 2008-25

Source: BHP Billiton estimates, McKinsey analysis.

# Buildings Likely to Get Higher

Random sampling of newly constructed buildings within Hongkou district in downtown Shanghai. All buildings sampled are ~30+ floors in height. 35+ floor buildings expected to increase.



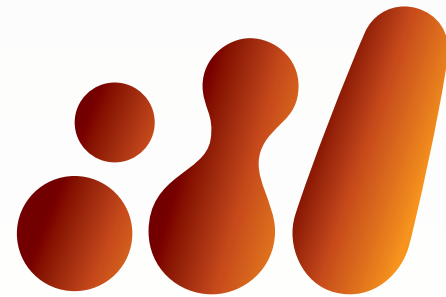
Hefei skyline and construction activity – government imposing minimum height requirements.

Source: BHP Billiton primary research.

# BHP Billiton: Stability Throughout the Cycle



- A clear strategy
- Tightening the organisation in uncertain times
- Commitment to simplicity, accountability and effectiveness
- Continue to invest in growth
- Opportunistic M&A
- We are well positioned to create value from long term demand growth and short term market volatility



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resourcing the future