Brazil

Analyst Visit
March, 2007
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BHP Billiton presence in Brazil

- Aluminium CSG – Aldo Albanese
- Iron Ore CSG – Sebastião Ribeiro
Country outlook - Eleazar de Carvalho

BHP Billiton presence in Brazil

- Aluminium CSG – Aldo Albanese
- Iron Ore CSG – Sebastião Ribeiro
• Federal Republic, 27 States
• 4 Year Presidential term
• Population: 188 million (5th largest)
• Urban population: 81%
• Capital: Brasilia
• Largest Cities:
  • São Paulo: 11 million
  • Rio de Janeiro: 6 million
• Currency: Brazilian Real (BRL)
• Language: Portuguese
• GDP (2005): $796 billion (10th largest)
Brazil recent history

Military Government

1964 1970

Military Coup


Redemocratization begins

New Constitution Approved

Collor Impeachment

FHC Elected

FHC Reelected

Lula Elected

Lula Reelected

Economic Miracle

• Growth (Avg 70-79 of 8.8%)

• State-driven

“Lost Decade”

• Recession

• Hyper Inflation

• Political transition

Stabilization

• Economic Reforms

• Privatization

• Fiscal Responsibility

External Debt Default

“Plano Real”
10th largest economy in the world

Largest in:
- Fresh-Water Reserves
- Dry Beans
- Green Coffee
- Oranges, Papayas
- Ethanol & Sugar Cane

Second Largest in:
- Beef
- Poultry
- Soybeans
- Tobacco Leaves
- Iron Ore

Strong in:
- Petroleum
- Aviation industry
- Steel production
- Textile industry
- Automobile production
- Construction & Engineering
- Hydroelectricity

And a land of natural resources (% of world):

<table>
<thead>
<tr>
<th>Mineral</th>
<th>Reserves</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Ore</td>
<td>22.5%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Bauxite</td>
<td>7.8%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Nickel</td>
<td>6.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Manganese</td>
<td>2.5%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>
Natural Resources in Trade Balance

Trade Balance Trend

Source: DNPM (Sumário Executivo 2005)
Good signs in terms of Economic situation: BRL remains strong when compared to recent past…

Source: Citigroup
… inflation targeting in a declining path…

Source: Banco Central do Brasil (IPCA)
… as well as Short Term Interest Rates…

Mar-07: Central Bank reduced Selic to 12.75%
… with a positive impact on the country risk

EMBI+ Brazil

Basis Points

Jan-03  Jul-03  Jan-04  Jul-04  Jan-05  Jul-05  Jan-06  Jul-06  Jan-07

Source: Citigroup (JP Morgan)
### Years of “Investment Grade” Achievement

<table>
<thead>
<tr>
<th>Economics Indicators</th>
<th>Mexico</th>
<th>South Korea</th>
<th>Russia</th>
<th>India</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date upgraded</td>
<td>Mar-00</td>
<td>2002</td>
<td>Oct-03</td>
<td>Jan-04</td>
<td>?</td>
</tr>
<tr>
<td>Year of data</td>
<td>1999</td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
<td>Dec 2006</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>3.9%</td>
<td>3.8%</td>
<td>4.7%</td>
<td>10.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>IPC</td>
<td>12.3%</td>
<td>4.1%</td>
<td>15.8%</td>
<td>3.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Trade Balance (US$ Bi)</td>
<td>-5.6</td>
<td>9.3</td>
<td>60.5</td>
<td>-13.9</td>
<td>46.1</td>
</tr>
<tr>
<td>Foreign Direct Invest. (US$ Bi)</td>
<td>13.2</td>
<td>3.5</td>
<td>3.4</td>
<td>4.2</td>
<td>16.0</td>
</tr>
<tr>
<td>Current Account (%GPD)</td>
<td>-2.9%</td>
<td>1.7%</td>
<td>8.6%</td>
<td>2.0%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Int’l Reserves (US$ Bi)</td>
<td>30.7</td>
<td>102.8</td>
<td>47.7</td>
<td>107.4</td>
<td>84.5</td>
</tr>
<tr>
<td>Nominal Fiscal Result (%GPD)</td>
<td>-1.1%</td>
<td>1.2%</td>
<td>1.8%</td>
<td>-4.8%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Total Public Debt (%GPD)</td>
<td>42.8%</td>
<td>18.2%</td>
<td>39.7%</td>
<td>63.3%</td>
<td>48.0%</td>
</tr>
<tr>
<td>External Debt (%GDP)</td>
<td>34.5%</td>
<td>27.0%</td>
<td>36.6%</td>
<td>23.5%</td>
<td>17.8%</td>
</tr>
<tr>
<td>External Debt/Exports</td>
<td>1.22</td>
<td>0.87</td>
<td>1.18</td>
<td>2.02</td>
<td>1.23</td>
</tr>
</tbody>
</table>

Source: UBS
The big issue is growth…

Average GDP Growth for Selected Emerging Countries (1980 – 2005)

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>9.4%</td>
</tr>
<tr>
<td>Singapore</td>
<td>6.6%</td>
</tr>
<tr>
<td>Korea</td>
<td>6.5%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6.3%</td>
</tr>
<tr>
<td>Thailand</td>
<td>5.9%</td>
</tr>
<tr>
<td>India</td>
<td>5.7%</td>
</tr>
<tr>
<td>Chile</td>
<td>4.9%</td>
</tr>
<tr>
<td>Turkey</td>
<td>4.2%</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.8%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Source: IMF/Citigroup
## Challenges for sustainable growth

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Main Cause</th>
<th>Environment</th>
<th>Current Mitigation Initiatives</th>
<th>Current Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Enough Investments</td>
<td>High Expenditures with Interest Payments and low Government Savings</td>
<td>Interest Rates decrease considered key-factor for Growth</td>
<td>Decreasing path of interest rates. Fiscal Targets to assure Government savings.</td>
<td>+</td>
</tr>
<tr>
<td>Net Public Debt</td>
<td>High Government Expenditures</td>
<td>No political consensus towards Privatization and Legal Central Bank Autonomy</td>
<td>Fiscal Adjustments Targets</td>
<td>-</td>
</tr>
<tr>
<td>Social Security Deficit</td>
<td>Higher Life Expectancy and High Benefits</td>
<td>No political consensus towards Social Security Reform</td>
<td>Reforms under discussion</td>
<td>-</td>
</tr>
<tr>
<td>High Real Interest Rates</td>
<td>High Government Indebtedness</td>
<td>Interest Rates decrease considered key-factor for Growth</td>
<td>Decreasing path of interest rates</td>
<td>++</td>
</tr>
<tr>
<td>Excessive Tax Burden</td>
<td>Complex Tax Environment with double taxation and high Tax evasion</td>
<td>No political consensus towards Tax reforms</td>
<td>Reforms under discussion</td>
<td>-</td>
</tr>
<tr>
<td>Quality of Education</td>
<td>Poverty and Lack of Investments</td>
<td>Considered as key-factor for growth</td>
<td>Social Programs providing benefits for families with childrens at school</td>
<td>+</td>
</tr>
<tr>
<td>Infra-Structure</td>
<td>Lack of Investments</td>
<td>Considered as key-factor for growth</td>
<td>PPP, Project Finance being implemented. Budgetary constraints. Energy can be an issue</td>
<td>+</td>
</tr>
</tbody>
</table>

### Evaluation

- **Sounds good**
- **Not good enough**
- **Lack of relevant actions**
PAC – “Growth Acceleration Program”

Goals:

- Accelerate Economic Growth, removing obstructions
- Stimulate private investment and increase public investment in infrastructure

Areas

- Investments in Infrastructure
- Stimulation to Credit and Financing
- Investments Environment Improvement
- Tax Environment relief and enhancement
- Long Term Fiscal Measures

2007 - 2010 Investments

<table>
<thead>
<tr>
<th>Area</th>
<th>R$ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td>58.3</td>
</tr>
<tr>
<td>Energy</td>
<td>274.8</td>
</tr>
<tr>
<td>Social Infrastructure</td>
<td>170.8</td>
</tr>
<tr>
<td>Total PAC</td>
<td>503.9</td>
</tr>
</tbody>
</table>
### Basic data and projections

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007 (*)</th>
<th>2008 (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>4.9%</td>
<td>2.3%</td>
<td>2.9%</td>
<td>3.4%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Investment (% of GDP)</td>
<td>19.6%</td>
<td>19.9%</td>
<td>20.7%</td>
<td>21.1%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>11.5%</td>
<td>9.8%</td>
<td>10.0%</td>
<td>9.9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Inflation IPCA (%)</td>
<td>7.6%</td>
<td>5.7%</td>
<td>3.1%</td>
<td>4.1%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Nominal interest (%)</td>
<td>17.8%</td>
<td>18.0%</td>
<td>13.3%</td>
<td>11.8%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Trade Balance ($ billion)</td>
<td>33.7</td>
<td>45.1</td>
<td>46.1</td>
<td>36.7</td>
<td>24.6</td>
</tr>
<tr>
<td>Int'l Reserves ($ billion)</td>
<td>52.9</td>
<td>53.8</td>
<td>84.5</td>
<td>106.7</td>
<td>114.7</td>
</tr>
<tr>
<td>Exchange rate (R$/US$)</td>
<td>2.65</td>
<td>2.34</td>
<td>2.15</td>
<td>2.13</td>
<td>2.14</td>
</tr>
</tbody>
</table>

(*) Market consensus forecast as per Central Bank’s Focus Report (March 5, 2007)
“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.”
1971: Billiton created in Brazil by Shell Brasil Ltda (100%)
1972: BHP Group started in Brazil through Marcona
1974: Samarco Project initiated (Marcona – 49%)
1974: MRN Agreement signed
1981: Alumar Consortium created
1994: Billiton Assets sold by Shell to Gencor
1997: “new” Billiton IPO in London
2001: Merger BHP Billiton
2006: Valesul Divestment
## History of Growth in Brazil

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>Start-up: 5 Mtpa</td>
</tr>
<tr>
<td>1997</td>
<td>2nd Plant: expansion to 12 Mtpa</td>
</tr>
<tr>
<td>1998</td>
<td>2006 – creep to 14 Mtpa</td>
</tr>
<tr>
<td>2008</td>
<td>3rd Plant: expansion to 21.6 Mtpa</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>Start-up: 3.3 Mtpa</td>
</tr>
<tr>
<td>1984</td>
<td>Several Debottlenecking to 11.0 Mtpa</td>
</tr>
<tr>
<td>2003</td>
<td>Expansion to 16.3 Mtpa</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>Start-up: Refinery 500 ktpa, Smelter 127 ktpa</td>
</tr>
<tr>
<td>1986</td>
<td>Smelter L.II: expansion to 283 ktpa (Alcoa)</td>
</tr>
<tr>
<td>1990</td>
<td>Smelter L.III: expansion to 380 ktpa (BHP Billiton)</td>
</tr>
<tr>
<td>2005</td>
<td>Refinery creep to 1,500 ktpa</td>
</tr>
<tr>
<td>2006</td>
<td>Smelter L.III expansion to 440 ktpa (Alcoa)</td>
</tr>
<tr>
<td>2009</td>
<td>Refinery expansion to 3,500 ktpa</td>
</tr>
</tbody>
</table>
Key messages

- Brazil is powerful in mineral resources (Bauxite and Iron ore);
- Brazil is moving toward Investment grade. Solid economic indicators;
- BHP Billiton is well positioned in Brazil with 30 years of presence and growth, and aligned with group strategic drivers;
- BHP Billiton interested in continued investment opportunities in Brazil
Country outlook - Eleazar de Carvalho

BHP Billiton presence in Brazil

- Aluminium CSG – Aldo Albanese
- Iron Ore CSG – Sebastião Ribeiro
Aluminium Strategic Imperatives – Forward View

- People
  - ‘Licence to Operate’
- World Class Assets
  - The BHP Billiton Way (Value-Added Processes)
- Financial Strength and Discipline
- Project Pipeline
- Growth Options

Growth Options

- BD initiatives (e.g., Guinea)
- Develop / acquire Tier 1 assets
- Alumar refinery
- Worsley & Bakhuis (Feasibility)

Financial Strength and Discipline

- Reduce operating costs and improve financial performance
- Add value to operations by leveraging best practice

World Class Assets

- Vacate non tier 1 assets and enhance retained assets
- Enhance stakeholder relations

‘Licence to Operate’

- Enhance stakeholder relations

People

- Build organisational capability & create productive workplace
Aluminium CSG – Asset locations & FY06 production

- Suriname: 921kt
- Alumar: 503kt
- Mozal: 262kt
- Hillside: 700kt
- Bayside: 179kt
- Alumar: 178kt
- Suriname: 2,163kt
- MRN: 2,565kt
- Worsley: 2,763kt
- Boddington: 10,589kt

Valesul 43kt

Now sold (effective July 2006)
Aluminium - BHP Billiton in Brazil
MRN – Bauxite Mine

- 82 MMt of reserves
- 597 MMt of resources (*)
- MRN looking for more deposits in the area

(*) Competent person: see appendix 1 information
Aluminium - BHP Billiton in Brazil
MRN – Bauxite Mine

Production Performance (100%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (kt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY02</td>
<td>10,328</td>
</tr>
<tr>
<td>FY03</td>
<td>10,978</td>
</tr>
<tr>
<td>FY04</td>
<td>16,372</td>
</tr>
<tr>
<td>FY05</td>
<td>17,161</td>
</tr>
<tr>
<td>FY06</td>
<td>17,331</td>
</tr>
</tbody>
</table>

Cost Breakdown – YTD 07

- Fuel - Oil: 15%
- Fuel - Diesel: 13%
- Fuel - Other: 2%
- Material: 18%
- Labor: 19%
- Services: 33%
Aluminium - BHP Billiton in Brazil
Alumar Refinery

- Actual Alumina capacity: 1.5 mtpa
- Alumina capacity after expansion: 3.5 mtpa
- Number of Employees: 532
- Number of Contractors: 363
- ISO 14000, OHSAS 18001, ISO 9001, SA 8000

Production Performance (BHP Billiton%)

<table>
<thead>
<tr>
<th></th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
</tr>
</thead>
<tbody>
<tr>
<td>kt</td>
<td>396</td>
<td>471</td>
<td>506</td>
<td>495</td>
<td>503</td>
</tr>
</tbody>
</table>

Alcan 10%
BHP Billiton 36%
Alcoa 54%
Aluminium - BHP Billiton in Brazil
Alumar Smelter

- Aluminium Capacity: 440 ktpy
- Number of Employees: 1174
- Number of Contractors: 776
- ISO 14000, OHSAS 18001, ISO 9001, SA 8000
- Long Term Energy Contract

Production Performance (BHP Billiton%)

<table>
<thead>
<tr>
<th>Year</th>
<th>kt</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY02</td>
<td>152</td>
</tr>
<tr>
<td>FY03</td>
<td>178</td>
</tr>
<tr>
<td>FY04</td>
<td>156</td>
</tr>
<tr>
<td>FY05</td>
<td>176</td>
</tr>
<tr>
<td>FY06</td>
<td>178</td>
</tr>
</tbody>
</table>
Cost Breakdown – YTD 2007

Alumar Refinery

- Bauxite: 35%
- Energy: 20%
- Soda: 11%
- Maintenance + Sust Capex: 9%
- Contracted Services: 4%
- Labor: 6%
- Other: 15%

Alumar Smelter

- Alumina: 32%
- Electricity: 35%
- Coke: 5%
- Pitch: 2%
- Alloys: 2%
- Contract Services: 11%
- Maintenance + Sust capex: 5%
- Labor: 6%
- Other: 11%
Alumar Refinery Expansion

- BHP Billiton share 36%
- Share of approved Capex US$ 725M
- Initial production date Q2 CY 2009
- Incremental production 100% basis - 2 mtpa

- Capex increase (40%) following BHP Billiton’s review of the estimate and inclusion of additional contingencies & forex impact.
Zero LTI accidents, Project TIFR 1.19
3.5 million man-hours worked to date
Overall progress 30% complete
Engineering 60% complete
Procurement 35% complete
Construction 10% complete

Integrated team operational under Alcoa Management with SNC-Lavalin Program Manager, Hatch Engineering and Camargo Correa Construction
Alliance contracts agreed with 3 major Brazilian contractors for Civil, Mechanical, and Electrical construction
Country outlook - Eleazar de Carvalho

BHP Billiton presence in Brazil

- Aluminium CSG – Aldo Albanese
- Iron Ore CSG – Sebastião Ribeiro
BHP Billiton Iron Ore - Strategic Framework

- Implement plans for further expansion beyond 152 Mtpa.
- Focus on global business development and exploration

- Deliver current expansions, e.g. RGP 3
- RGP4 feasibility study
- Samarco expansion

- Maintaining margins & managing costs through the cycle
- Deliver production capability

- Knowledge networks accelerating improvements

- Identify & expand our resource position: drilling programme
- Business improvement – delivering results
- Maintain integrity and reliability of our infrastructure

- Safety – Continued reduction in TRIFR toward Zero Harm

- Developing people to drive improvement and safety
BHP Billiton Iron Ore Overview

- Iron Ore became stand-alone CSG in November 2006
- Global Iron Ore headquarters in Perth, Western Australia
- Responsible for global iron ore development
- No change for customers - CSM marketing model remains (iron ore, metallurgical coal and manganese)
- Integrated mine, port and rail operations in the Pilbara “Western Australia”
- 50% share of Samarco in Brazil
- More than 7000 direct employees and contractors in WA
- 8.7% of WA employees Indigenous (Jan 07)
Brazil is one of the focus regions outside WA
# Iron Ore - BHP Billiton in Brazil

**Samarco Mineração S.A.**

## Mining, Beneficiation, Pipeline, Pelletizing, Port

<table>
<thead>
<tr>
<th>100% terms</th>
<th>Mining (*) (wmt)</th>
<th>Beneficiation (dmt)</th>
<th>Pipeline (dmt)</th>
<th>Pelletizing (dmt)</th>
<th>Sales (dmt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimized</td>
<td>20.9</td>
<td>16.5</td>
<td>16.5</td>
<td>14.0</td>
<td>15.9</td>
</tr>
<tr>
<td>Expansion Project</td>
<td>34.3</td>
<td>24.75</td>
<td>24.75</td>
<td>21.6</td>
<td>23.9</td>
</tr>
</tbody>
</table>

- **50/50 JV with CVRD**
- **Expansion Project Completion – H1 CY 2008**
- **Slurry Pipeline – Low Transportation Cost**
- **Leader in concentrating low grade iron ore itabirites in Brazil**
- **Sales – 100% Seaborne Market**
- **31% Own Generated Power Supply**

(*) Samarco own ore mining, excluding 3rd party purchase
Iron Ore - BHP Billiton in Brazil
Samarco Mineração S.A.

Production Performance (100%)

Cost Breakdown – YTD 07

Dividends (BHP Billiton %)
Samarco Expansion

**Project Objective**
- To increase production of pellets by 7.6mtpa to 21.6mtpa.

**Project deliverables**
- Increased mining fleet and equipment
- New Concentrator at Germano
- 400 km slurry pipeline between Germano and new Pellet Plant at Ponta Ubu
- New 7.6 mtpa Pellet Plant at Ponta Ubu
- Upgrade of stockyard and ship loading facilities at Ponta Ubu.
Project Status Summary

Safety: 9 million man hours expended with CIFR < 0.1 per million hours.

Progress
As at end January 2007 all major work fronts have commenced construction:

- Overall project progress – 55% complete
- Engineering – 95% complete
- Procurement – all major equipment ordered and in process of being delivered.
- Construction – 26% complete
- On schedule to commence production H1 CY 2008.

Cost
- Original budget of R$ 3.112M (nominal) – healthy status against budget.
- In BHP Billiton (50%) terms approved capital cost of US$ 590m (nom.)
Appendix 1 – MRN reserves and resources

The MRN ore reserves and resources are based on information compiled by J P C de Melo Franco, who is a member of the Australian Institute of Mining and Metallurgy. Mr Melo Franco is employed by Mineração Rio do Norte SA. He has sufficient experience with the estimation, assessment, evaluation and economic extraction of large scale copper mining operations and projects. This experience is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, and as such he qualifies as a Competent Person as defined in the 1999 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves