

## NEWS RELEASE

**Release Time** IMMEDIATE<sup>1</sup>  
**Date** 10 May 2016  
**Release Number** 13/16

### **BHP BILLITON OUTLINES STRATEGY TO GROW VALUE**

BHP Billiton Chief Executive Andrew Mackenzie today outlined a strategy focused on value creation and growing cash returns to shareholders.

Speaking at the Bank of America Merrill Lynch Conference, Mr Mackenzie said BHP Billiton can create value in all market conditions.

“Although we remain confident in the long term outlook for commodities, we are not waiting for prices to recover. We have everything we need in our portfolio right now to significantly increase the value of the Company,” he said.

Mr Mackenzie outlined five areas in which the Company plans to create value:

“We will continue to improve productivity, with a further US\$3.6 billion of gains expected by the end of the 2017 financial year. Unit costs in our major businesses are expected to fall to almost half the levels experienced five years ago. We are maintaining momentum with more to come.”

“We will also invest in projects to unlock the latent capacity of our assets. These could add over 1 million tonnes of copper equivalent capacity at a total capital cost of less than US\$1.5 billion. This is equivalent to more than 10 percent of BHP Billiton’s total current production. We will also maximise the value of our high quality shale assets in a disciplined manner as prices recover.”

“Our quality portfolio of tier 1 assets offers attractive medium-term growth options. We have identified and quantified quality growth projects in oil and copper, with investment decisions on the Mad Dog 2 and Spence projects expected within 18 months.”

“We are increasing our exploration activity to take advantage of falling costs as others pull back. We have embarked upon one of our most significant oil exploration programs, accelerating activity in our three priority basins. Following the positive exploration results at Shenzi North, we plan to drill a further exploration well (Caicos) in July 2016 on our nearby Green Canyon 564 lease

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<sup>1</sup> This release was made outside the hours of operation of the ASX market announcements office.

(BHP Billiton interest 100 percent). We will also increase the number of copper targets we test this year by 38 percent.”

“We have established a new global technology function to implement integrated programs to unlock resources and lower costs. We have opportunities identified at a number of our major assets that we expect to create significant value over time.”

Mr Mackenzie reiterated that BHP Billiton has the portfolio quality and financial capability to deliver on its growth strategy.

“We have the financial strength and the flexibility to pursue a diverse range of opportunities and grow value per share at all points in the cycle, and we have a clear and simple strategy in place to deliver that growth.”

Read the [speech](#).

Further information on BHP Billiton can be found at: **[bhpbilliton.com](http://bhpbilliton.com)**

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# Driving value and returns

## 10 May 2016

Andrew Mackenzie Chief Executive Officer



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# Right strategic settings for the new era

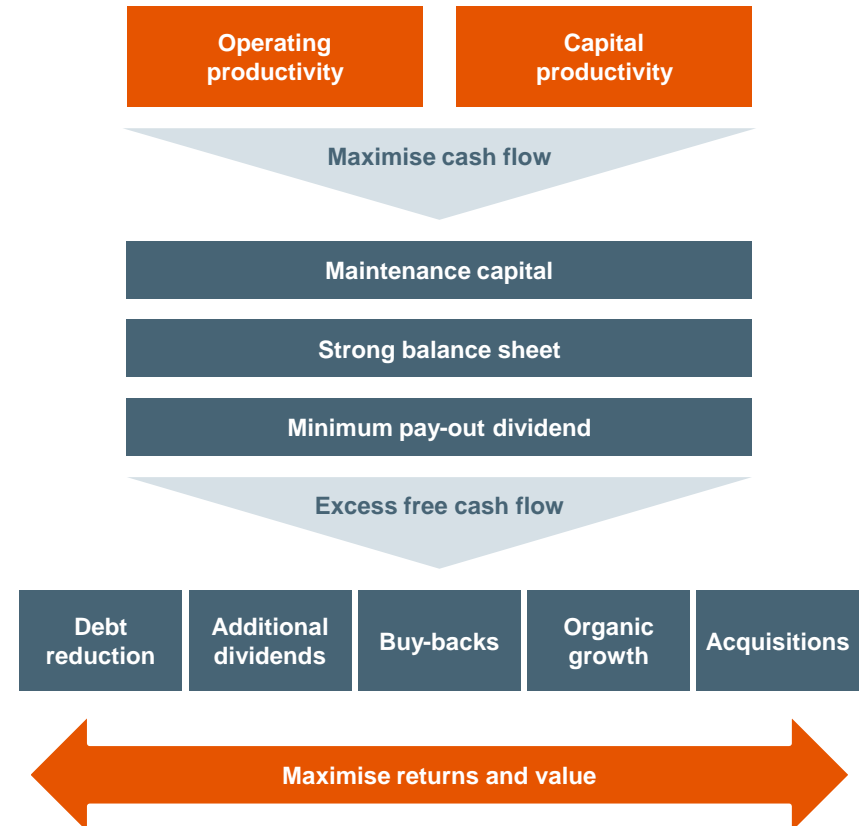
## With firm foundations in place...

- asset quality and balance sheet strength provide resilience
- new dividend provides flexibility
- rising free cash flow provides optionality
- capital allocation framework provides discipline

## ...we can focus on value creation and growing cash returns to shareholders

- existing opportunities offer potential to grow value by ~70% and significantly improve Return on Capital
- recovering commodity prices provide further upside

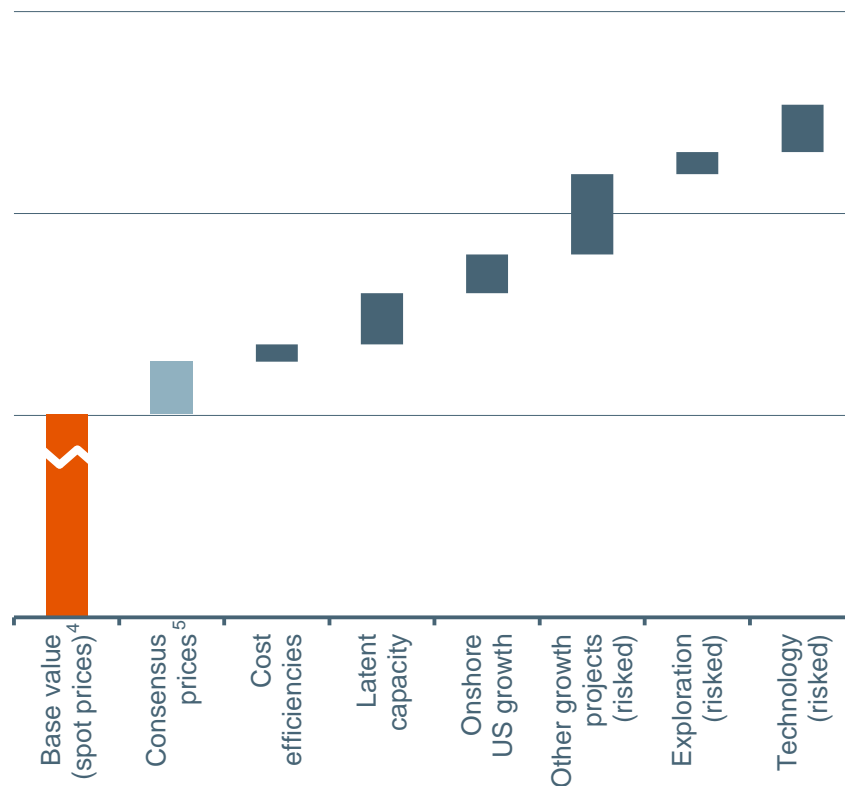
## Our enhanced capital allocation framework



# Driving value and returns

- Pursuing a broad suite of existing opportunities with the potential to grow the base value of our operations by ~70%
  - cost and volume productivity supports >15% value uplift
  - latent capacity options equate to >10% of current production<sup>1,2</sup>
  - continued reduction in Onshore US breakeven prices
  - ~US\$25 billion unrisks NPV in quality growth options
  - acceleration of Petroleum exploration program
  - technology to further lower cost base and unlock resource
- Recovery in commodity prices could provide added upside

## Broad suite of opportunities offers significant upside (value at spot and consensus prices<sup>3</sup>)



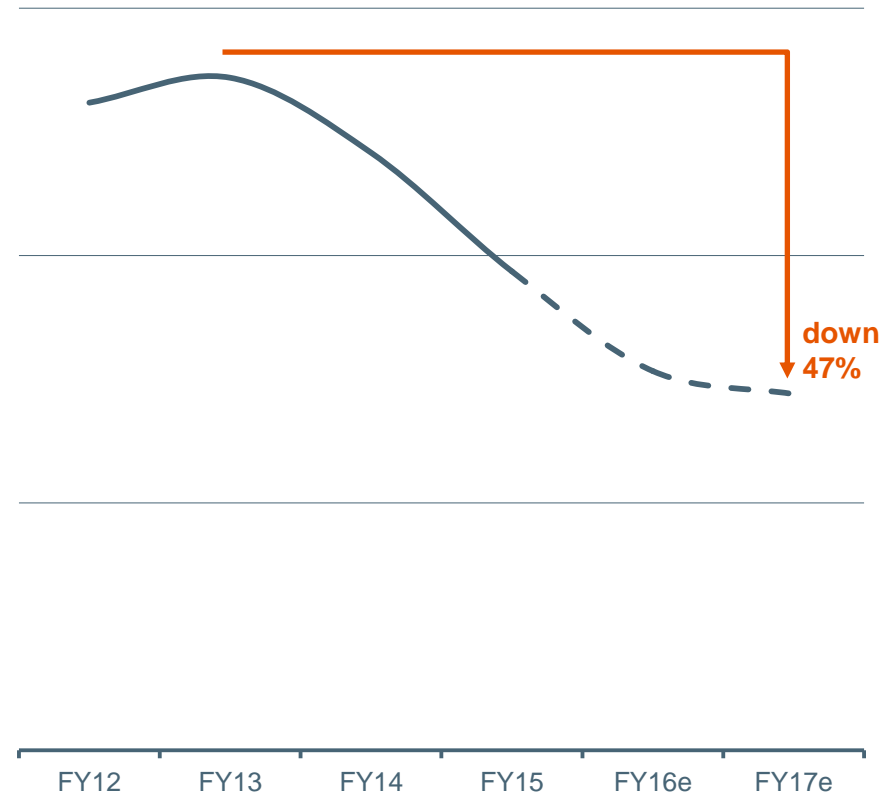
1. Copper equivalent production based on FY13 average realised prices; includes other growth and minor improvement projects.  
 2. Represents peak capacity delivered (irrespective of date achieved) relative to FY16 expected copper equivalent production.  
 3. Current value under 19 April 2016 spot prices; all other values under analyst consensus price forecasts; valuation date 1 July 2016.  
 4. Base value truncated for illustrative purposes.  
 5. Analyst consensus price forecasts.

# Relentless pursuit of sustainable productivity

- US\$10 billion productivity gains embedded from FY12 to FY15
  - additional underlying gains of ~US\$3.6 billion expected by end FY17<sup>1</sup> (or US\$2.2 billion including the Escondida grade impact)
- Group unit cash costs expected to further decline in FY17<sup>2</sup>
  - WAIO unit costs of ~US\$14 per tonne
  - Queensland Coal unit costs of ~US\$55 per tonne
  - Escondida unit costs of ~US\$1.00 per pound
  - Conventional unit costs of <US\$10 per barrel<sup>3</sup>
- Further productivity gains will be harder won
  - productivity to become a greater differentiator going forward
  - our scale, asset quality, portfolio simplicity and standardised systems (including 1SAP) position us well to take the next step

## Sustainably lower unit costs<sup>4</sup>

(US\$ per copper equivalent tonne)



1. Excludes Escondida grade impact of (US\$1.4 billion) in FY16.

2. Based on analyst consensus exchange rates of AUD/USD 0.71 and USD/CLP 698.

3. Barrel of oil equivalent.

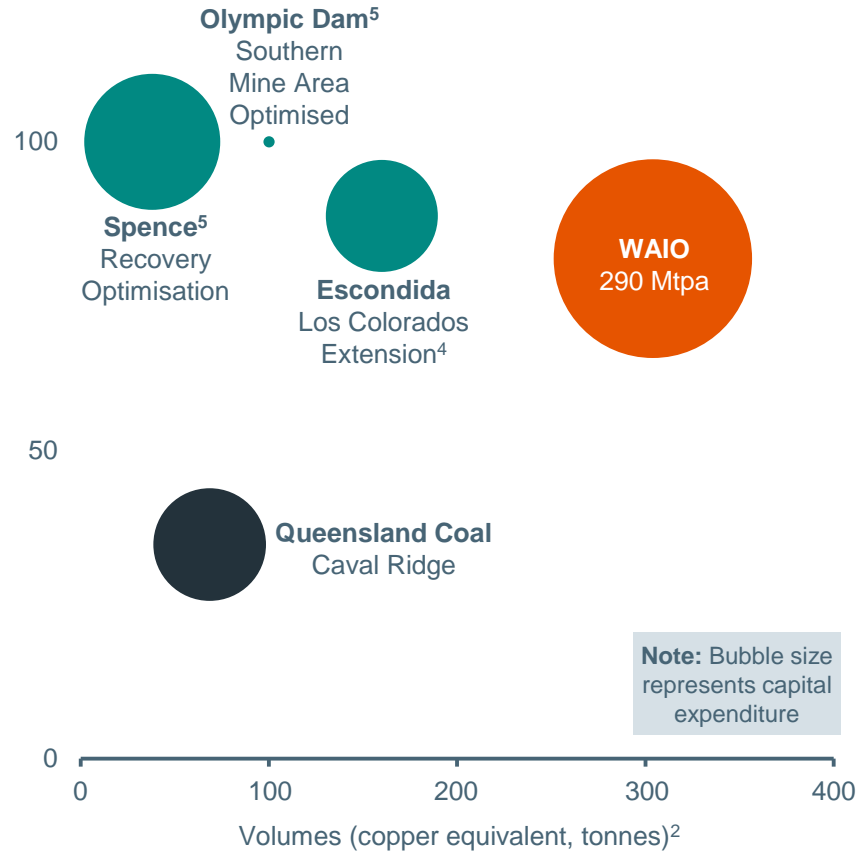
4. Presented on a total operations basis; unit costs are calculated using Group copper equivalent production; based on FY13 average realised prices; FY12 to FY15 excludes Third Party Product and statutory adjustments.



# Latent capacity offers value and returns

- Compelling latent capacity opportunities
  - 1 Mt of copper equivalent volumes for aggregate capital expenditure of ~US\$1.5 billion<sup>1</sup>
  - average returns ~60%<sup>2</sup>
  - equivalent to >10% of current production<sup>1,3</sup>
- Our options include
  - Escondida incremental capacity of ~150 ktpa over decade<sup>4</sup>
  - Olympic Dam to reach ~230 ktpa (Southern Mine Area Optimised) by FY21 and further potential upside to ~280 ktpa with capital efficient investment
  - Spence to reach ~200 ktpa capacity from FY17
  - WAIO to reach 290 Mtpa by FY19 with spend included within ~US\$4 per tonne average sustaining capital
  - Queensland Coal to reach 44 Mtpa in FY17 with increased wash-plant and equipment utilisation

## Highly capital efficient latent capacity options (returns<sup>2</sup>, %)



1. Copper equivalent production based on FY13 average realised prices.

2. Under analyst consensus price forecasts, ungeared, post-tax, nominal return.

3. Represents peak capacity delivered (irrespective of date achieved) relative to FY16 expected copper equivalent production.

4. Subject to Escondida Owners Council approval and long-term water availability.

5. Returns exceeds 100% but truncated for illustrative purposes.

# Onshore US well placed as prices recover

- Potential to access ~1,400 net liquids-rich wells at <US\$60/bbl<sup>1</sup>
  - remaining core acreage in Black Hawk
  - majority of Upper Wolfcamp in Permian
  - condensate-rich areas in Hawkville
- Our Permian position offers significant upside
  - >100 wells drilled currently producing ~30 kboe/d<sup>2</sup>
  - ~100 obligation wells left to retain acreage
  - additional ~460 net wells competitive at US\$60/bbl WTI<sup>1</sup>
- Potential to access ~700 net dry-gas wells at <US\$3.50/mcf<sup>1</sup>
  - core acreage in Haynesville
  - excludes Fayetteville Moorefield opportunity, recently tested by other operators with strong results
- Safe productivity will continue to unlock additional resources for development at lower prices

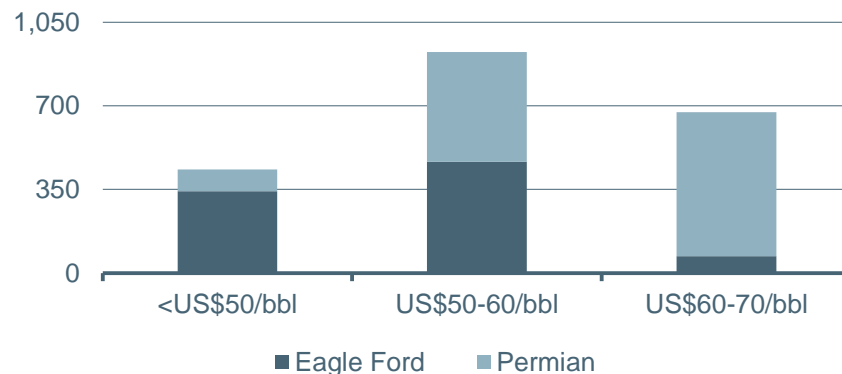
1. Average 15% rate of return under constant WTI oil and Henry Hub gas prices; liquids analysis assumes US\$2.50/mcf Henry Hub gas price and NGL prices as a percentage of WTI; includes US\$2/boe general and administrative costs.

2. Net revenue interest.

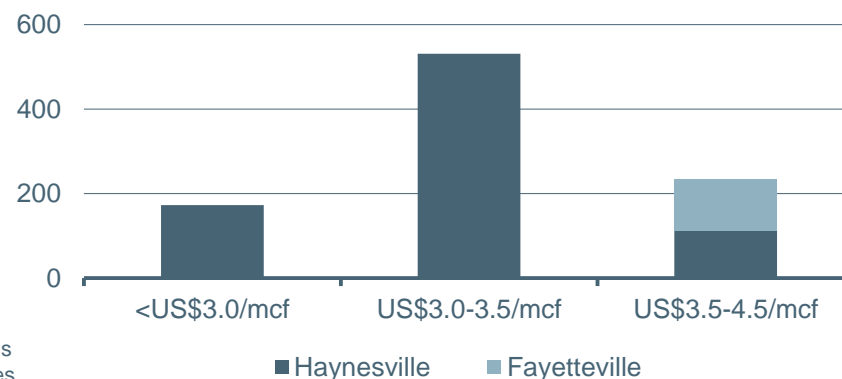
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## Onshore US liquids-rich portfolio (net working interest wells competitive for development<sup>1</sup>)



## Onshore US dry-gas portfolio (net working interest wells competitive for development<sup>1</sup>)



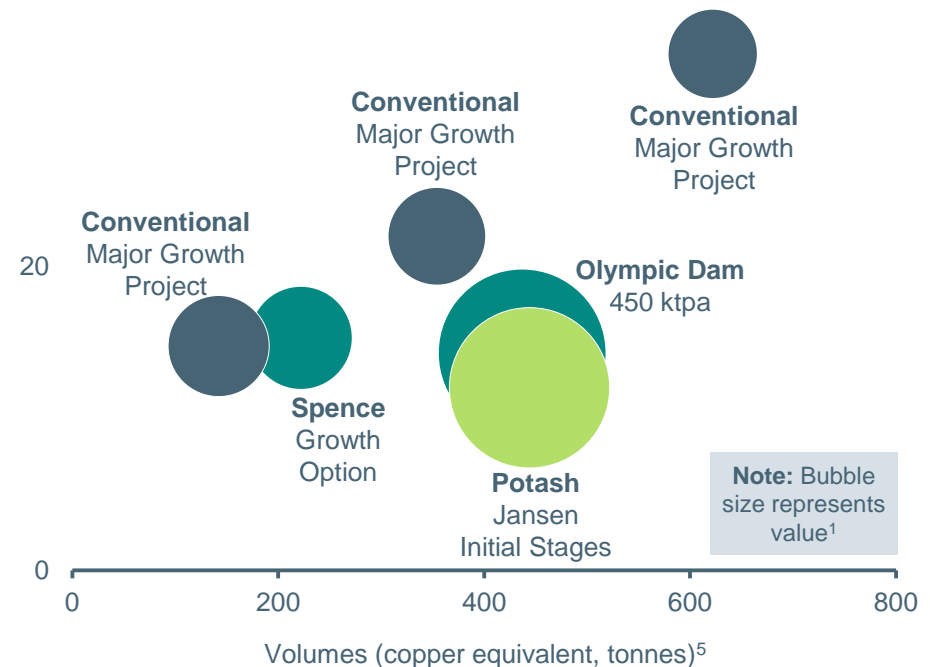
# Growth portfolio timed for value and returns

- Our growth projects will further support value creation
  - aggregate unrisks value of ~US\$25 billion<sup>1,2</sup>
  - average returns >15%<sup>2,3</sup>
  - security of tenure provides timing optionality
- Spence Growth Option final Board review expected in CY17
  - potential first production in FY20
  - capital cost estimate of <US\$2.2 billion
- Mad Dog 2 Investment Decision expected in next 12 months
  - potential first production in FY23
  - capital cost ~US\$2.5-3 billion (net)<sup>4</sup>

## Strong pipeline of growth options aligned with market windows

(returns<sup>3</sup>, %)

40



1. Under analyst consensus price forecasts; valuation date 1 July 2016; BHP Billiton share; value of projects in execution at date of sanction.
2. Excludes value of Onshore US growth.
3. Under analyst consensus price forecasts, ungeared, post-tax, nominal return; returns of projects in execution at date of sanction.
4. BHP Billiton share 23.9%.
5. Copper equivalent production based on FY13 average realised prices.

Andrew Mackenzie, Chief Executive Officer

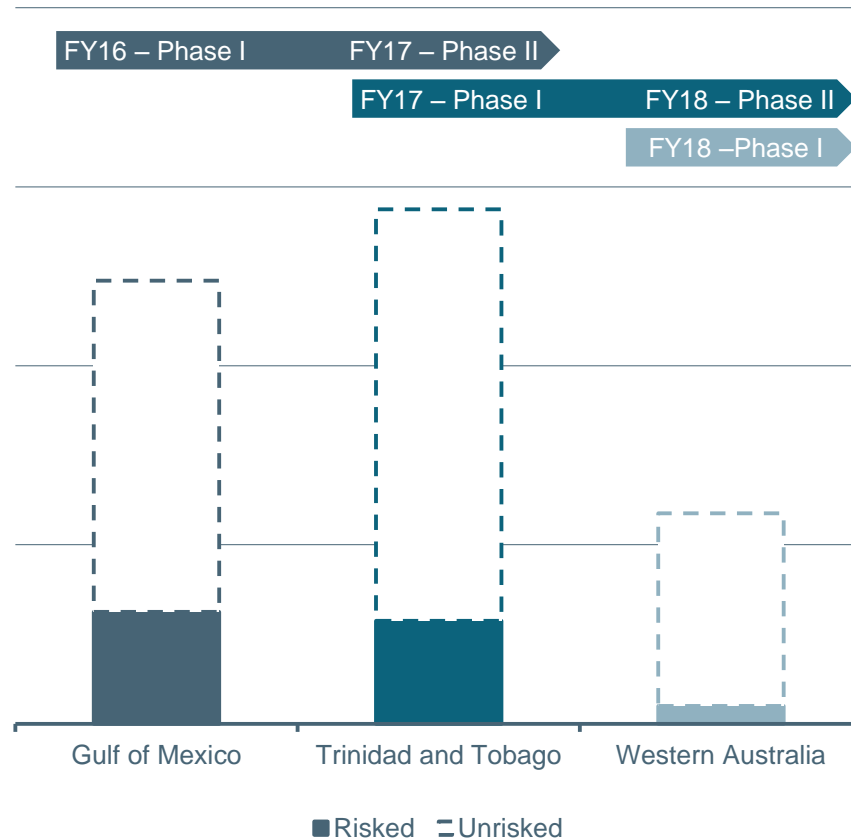
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# Most significant exploration program in years

- Counter-cyclically securing additional acreage and rigs
- US\$600-700 million annual Petroleum program from FY16 to FY18
  - liquids opportunities with high working interest and operatorship
  - testing six Tier 1 plays over the next three years
  - secured 87 blocks in the Gulf of Mexico in the past nine months
  - accelerating exploration near Shenzi North following discovery
- Copper program targets Tier 1 greenfield discoveries globally
  - 102,000 and 41,000 additional hectares acquired in Peru and South West United States in FY16, respectively
  - 38% increase in targets tested in FY16<sup>1</sup>

## Significant potential in oil exploration over the next three years

(value<sup>2</sup>, BHP Billiton share)



1. Relative to FY15.

2. Under our long-term price forecasts.

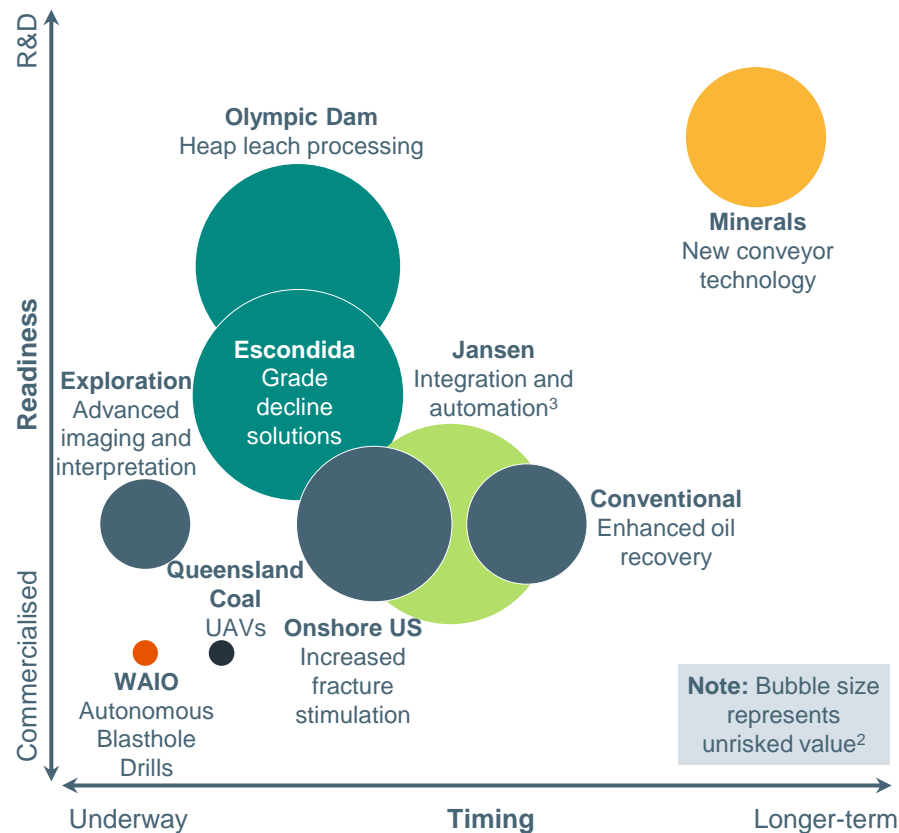
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# Harnessing the power of technology

- Technology investment to unlock resource and lower costs
- A broad range of opportunities across the portfolio
  - deploying >20 autonomous blasthole drills at WAIO
  - UAV deployed and IROC to be implemented by FY18 at Queensland Coal<sup>1</sup>
  - heap leach recoveries at Spence in FY17 and optimisation opportunities at Escondida
  - heap leach trials at Olympic Dam to be finalised in FY19
  - increasing fracture stimulation effectiveness at Onshore US
  - supply chain integration and automation at Jansen<sup>3</sup>
  - new conveyor technology applicable to all minerals operations

## Technology presents a significant opportunity to create further value



1. UAV refers to Unmanned Aerial Vehicles; IROC refers to Integrated Remote Operations Centre; IROC subject to approval.

2. Under our long-term price forecasts.

3. Primarily includes greenfield application of technologies tested in other mining operations.

# Right strategic settings for the new era

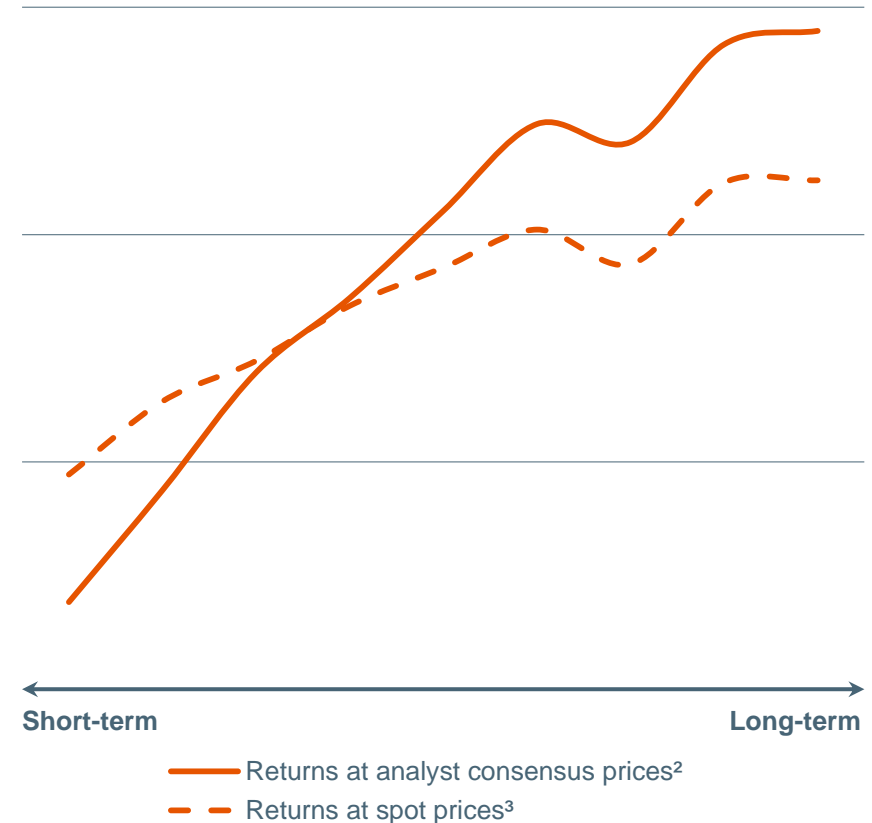
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## ...we can focus on value creation and growing cash returns to shareholders

- existing opportunities offer potential to grow value by ~70% and significantly improve Return on Capital
- recovering commodity prices provide further upside

## We have opportunities to significantly increase returns (Return on Capital Employed<sup>1</sup>, nominal)



1. Assumes all latent capacity and growth options (including Onshore US) proceed.

2. Under analyst consensus price forecasts.

3. Under 19 April 2016 spot prices.



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