

Onshore US



# Primed to deliver significant growth in free cash flow

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BHP Billiton results are reported under International Financial Reporting Standards (IFRS) including Underlying EBIT and Underlying EBITDA which are used to measure segment performance. This release may also include certain non-IFRS measures including Underlying attributable profit, Underlying basic earnings per share, Underlying EBITDA interest coverage, Adjusted effective tax rate, Underlying EBIT margin, Underlying EBITDA margin, Underlying return on capital, Free cash flow, Net debt and Net operating assets. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

## Basis of preparation

Financial information for FY13 onwards has been included on the basis of IFRS 10, IFRS 11 and IFRIC 20.

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## Petroleum resources

The estimates of petroleum reserves and contingent resources contained in this presentation are based on, and fairly represent, information and supporting documentation prepared under the supervision of Mr. A. G. Gadgil, who is employed by BHP Billiton. Mr. Gadgil is a member of the Society of Petroleum Engineers and has the required qualifications and experience to act as a qualified petroleum reserves and resources evaluator under the ASX Listing Rules. This presentation is issued with the prior written consent of Mr. Gadgil who agrees with the form and context in which the petroleum reserves and contingent resources are presented. Aggregates of reserves and contingent resources estimates contained in this presentation have been calculated by arithmetic summation of field/project estimates by category. Reserves and contingent resources estimates contained in this presentation have been estimated using deterministic methodology. The reserves and contingent resources contained in this presentation are inclusive of fuel required for operations. The respective amounts of fuel for each category are: 2P reserves 110 MMboe, 2C contingent resources 160 MMboe. The custody transfer point(s)/point(s) of sale applicable for each field or project are the reference point for reserves and contingent resources. The barrel of oil equivalent conversion is based on 6000 scf of natural gas equals 1 boe. Reserves and contingent resources estimates contained in this presentation have not been adjusted for risk. Unless noted otherwise, reserves and contingent resources are as at 30 June 2013. Where used in this presentation, the term resources represents the sum of 2P reserves and 2C contingent resources.

BHP Billiton estimates proved reserve volumes according to SEC disclosure regulations and files these in our annual 20F report with the SEC. All unproved volumes are estimated using SPE-PRMS guidelines which allow escalations to prices and costs, and as such, would be on a different basis than that prescribed by the SEC, and are therefore excluded from our SEC filings. We have provided a list of resource terms along with their definitions in this presentation. Non-proved estimates are inherently more uncertain than proved.

# Key themes

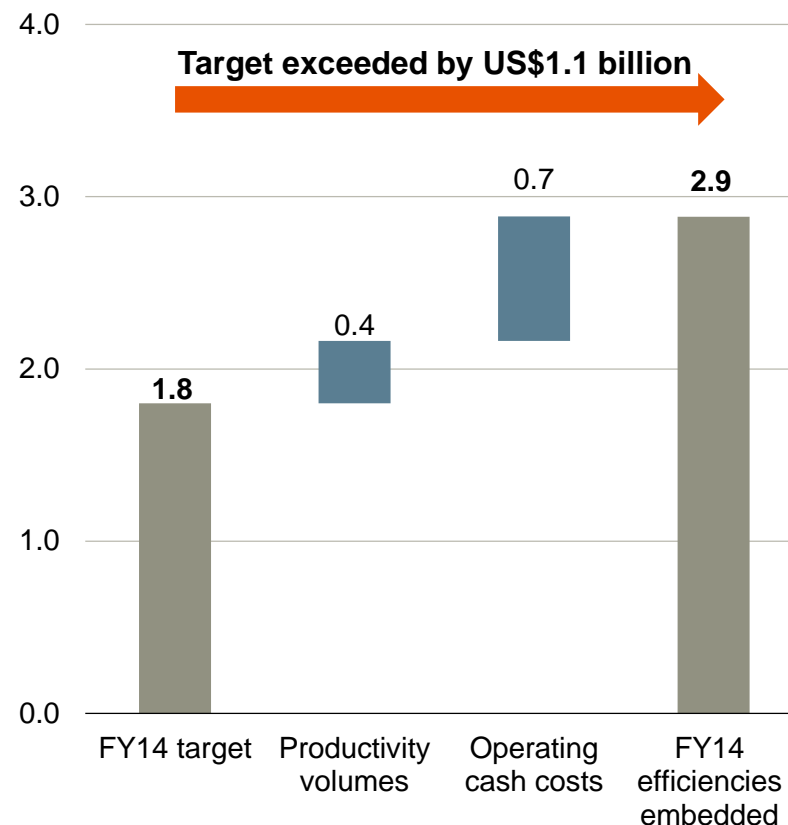
- Our Petroleum portfolio is underpinned by large, high-quality, upstream assets
- We have a clear strategy focused on value over volume
- Our high-return brownfield investments will maintain stable Conventional volumes
- Liquids opportunities with Tier-1 potential are the focus of our exploration program
- Our Shale business is primed to generate strong growth in free cash flow
- Application of technology will ensure we achieve the best recoveries while being cost competitive
- Near-term growth will be driven by a substantial increase in high-margin liquids production

# Delivering on our commitments

- BHP Billiton delivered strong operating and financial performance in FY14
- No fatalities and a record low TRIF<sup>1</sup> of 4.2 per million hours worked
- Over US\$6.6 billion of productivity-led gains now embedded since FY12<sup>2</sup>
- Strong financial results with a 7% increase in Underlying EBITDA to US\$32.4 billion
- Capital and exploration expenditure declined by 32% to US\$15.2 billion<sup>3</sup>
- Continued financial discipline delivered an US\$8.1 billion increase in free cash flow<sup>4</sup>
- Full-year progressive base dividend increased by 4% to 121 US cents per share for an Underlying payout ratio of 48%

## Productivity-led volume and cost efficiencies

(US\$ billion)



1. Total Recordable Injury Frequency.

2. US\$2.9 billion of productivity gains in the 2014 financial year and US\$3.7 billion of productivity gains in the 2013 financial year (subsequently restated to US\$4.3 billion due to an increase of US\$0.8 billion on adoption of IFRS 10 and IFRS 11, and a decrease of US\$0.2 billion due to the inclusion of previously classified one-off items).

3. BHP Billiton share; excludes capitalised deferred stripping and non-controlling interests; includes BHP Billiton proportionate share of equity accounted investments.

4. Net operating cash flows less net investing cash flows.

# A simpler and more productive organisation

## BHP Billiton core portfolio<sup>1</sup>

Minerals

### Operated



Western Australia Iron Ore



Olympic Dam



Escondida



Pampa Norte

### Non-operated



Samarco



Antamina



Queensland Coal<sup>2</sup>



NSW Energy Coal



Jansen project



Cerrejón

## Under review



Nickel West



New Mexico Coal



Smaller petroleum assets

Petroleum



Onshore US



Shenzi



Angostura



Atlantis



Mad Dog



Pyrenees



Macedon



Bass Strait



North West Shelf

1. Excludes exploration, appraisal and early stage development assets.

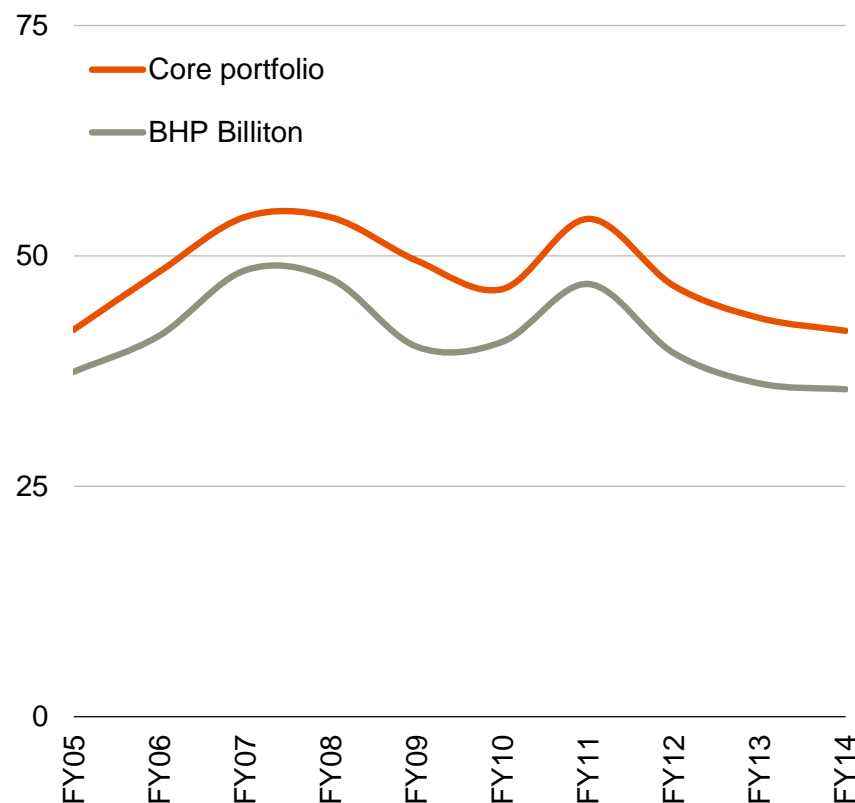
2. Queensland Coal comprises the BHP Billiton Mitsubishi Alliance (BMA) asset, jointly operated with Mitsubishi, and the BHP Billiton Mitsui Coal (BMC) asset operated by BHP Billiton.

# Delivering stronger growth and margins

- The core portfolio generated stronger performance compared with the broader portfolio over the last 10 years
  - production CAGR<sup>1</sup> of 7% (versus 4%)
  - Underlying EBIT CAGR<sup>1</sup> of 21% (versus 15%)
  - an average Underlying EBIT margin<sup>2</sup> of 48% (versus 41%) with no increase in volatility
- As we concentrate our effort on 12 operated assets and seven joint ventures in our core portfolio we will be able to improve productivity more quickly
  - within our core portfolio alone we are targeting sustainable, productivity-led gains of at least US\$3.5 billion<sup>3</sup> by the end of FY17

## A higher margin business

(Underlying EBIT margin, %)



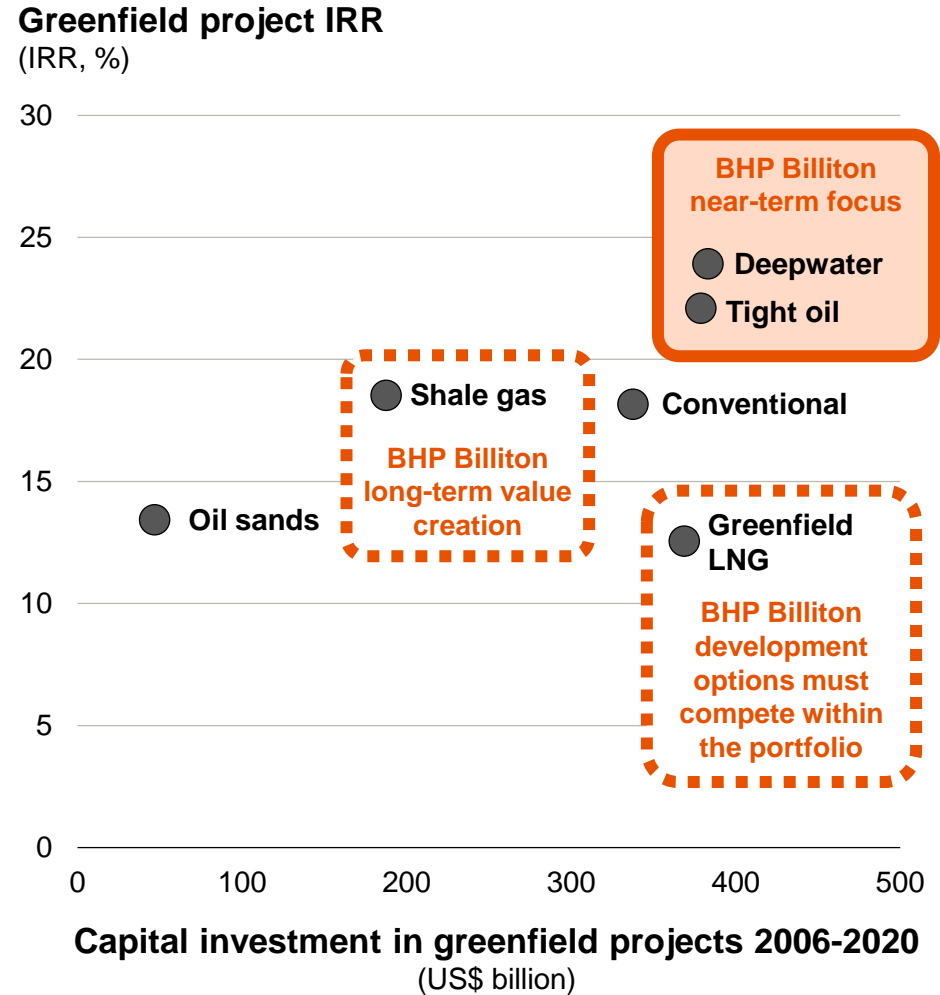
1. Compound annual growth rate (CAGR) from FY04 to FY14. Production CAGR is calculated on a copper equivalent basis.

2. Excludes third party trading activities.

3. Represents planned annualised volume and cash cost productivity gains to be delivered from our core assets only, relative to our FY14 baseline.

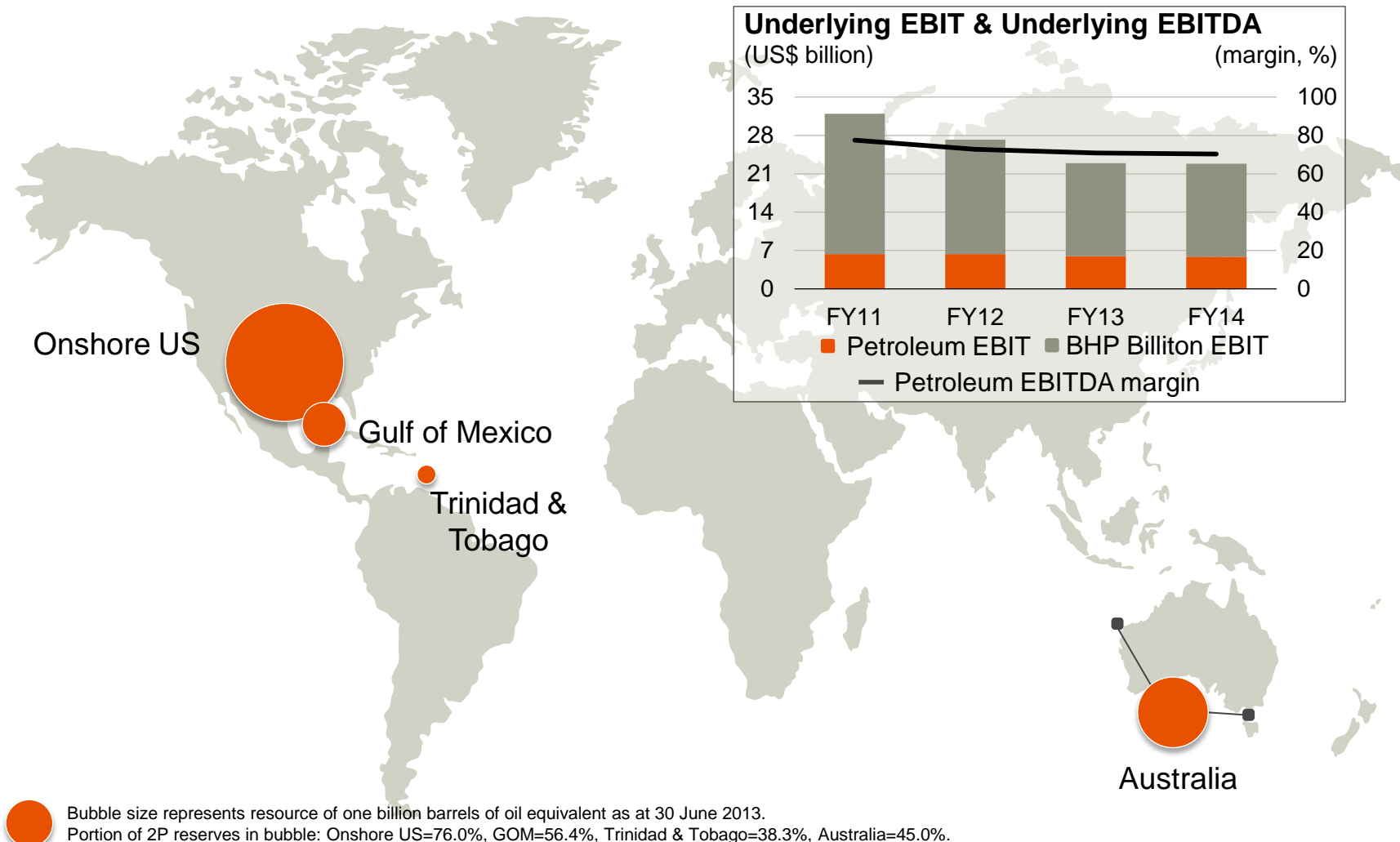
# Focusing on value over volume in our Petroleum business

- Prioritising the highest return investment opportunities in our Petroleum business
  - investment in our shale liquids acreage (tight oil) generates strong returns
  - we are preserving the value of our dry gas shale acreage
  - deepwater infill drilling and brownfield expansions will maximise the value of our Conventional business
- We will continue to simplify the portfolio for value
  - divested our interests in Liverpool Bay and South Midland acreage in the Permian in FY14
  - we are actively marketing our Pakistan gas operation and will continue to review other smaller petroleum assets



Source: Wood Mackenzie.

# A large, high-quality, upstream petroleum portfolio

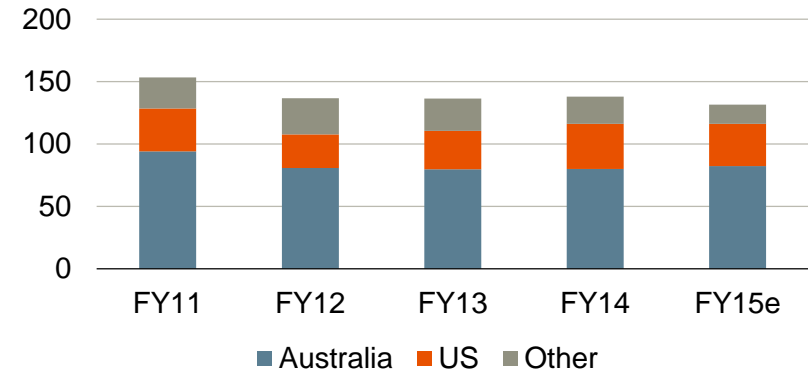


# High-return brownfield investments will maintain stable Conventional volumes

- Australia and the Gulf of Mexico are our core producing regions with valuable infrastructure in place
- Capital expenditure of ~US\$1.5 billion per annum is expected to maintain stable Conventional volumes for three to five years
  - high-return infill drilling projects will offset natural field decline
- Longer term, we have high-quality major development options that will be forced to compete for capital
  - Mad Dog II in the Gulf of Mexico
  - Scarborough gas resource, offshore Western Australia

## Stable Conventional volumes

(MMboe)



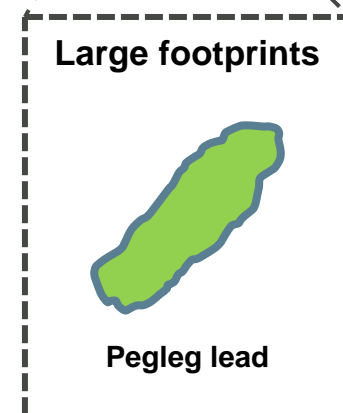
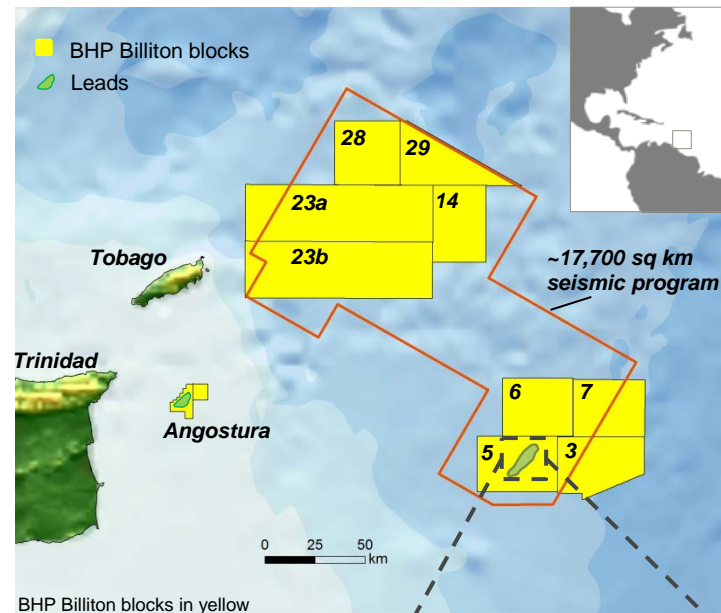
## FY15 Conventional infill drilling returns

Project	Capex (BHP Billiton share)	IRR <sup>1</sup>
Shenzi infill well	US\$98 million	>70%
Atlantis infill wells <sup>2</sup>	US\$592 million	50% to 100%
North West Shelf <sup>3</sup>	US\$187 million	>50%

1. After tax, based on June 2014 futures prices.  
 2. Comprised of four infill wells and two workovers.  
 3. Persephone two well development.

# Tier-1 oil potential in Trinidad and Tobago

- We have an established operational presence in Trinidad and Tobago with our shallow water Angostura asset
- The deepwater is largely untested and has Tier-1 oil potential
  - world-class source rock
  - giant Orinoco River system
  - large traps
  - acceptable fiscal terms
- We have a material ‘early-mover’ deepwater position with an average working interest of greater than 70%
- We accessed four additional exploration blocks in CY14<sup>1</sup>
  - 17,700 square kilometre seismic acquisition program<sup>2</sup> is progressing on schedule

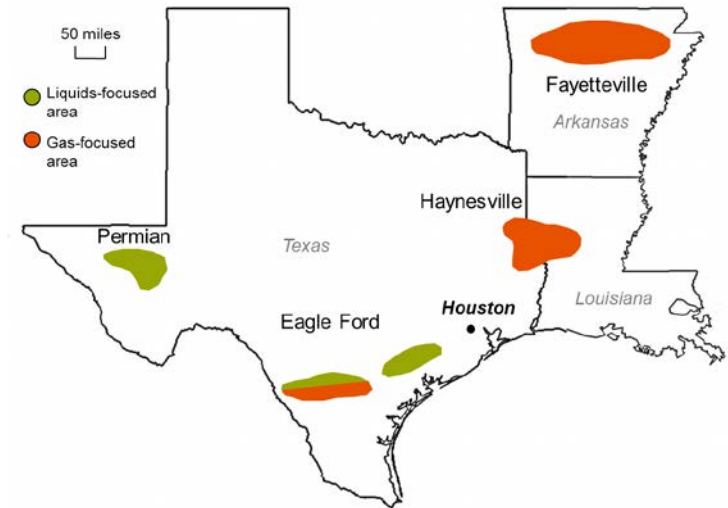


1. Blocks 3 and 7 awarded to BHP Billiton in July 2014 with Production Sharing Contracts currently being finalised. Blocks 14 and 23a accessed in February 2014 via a farm-in agreement with BP.

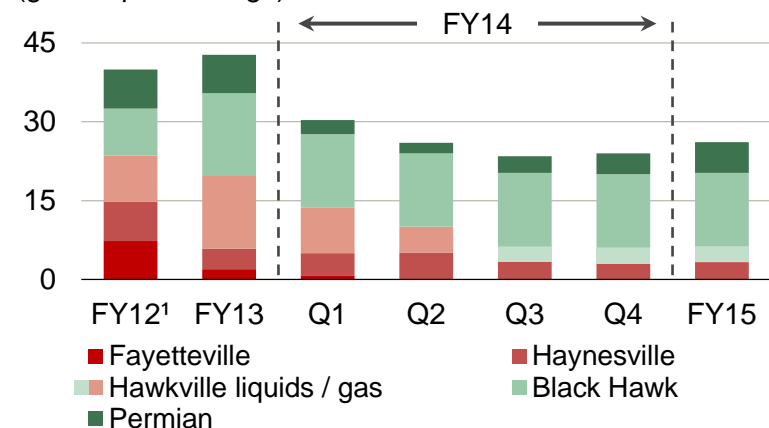
2. Seismic 3D acquisition conducted over Trinidad and Tobago Blocks 5, 6, 14, 23a, 23b, 28 and 29.

# Onshore US is primed to generate strong growth in free cash flow

- We have a premier acreage position over multiple shale plays
- A capital expenditure program of approximately US\$4 billion per annum will support strong growth in liquids production
  - expected to be strongly EBIT positive in FY15
  - expected to be free cash flow positive by FY16 and approach US\$3 billion per annum by the end of the decade
  - forecast ~200 kboe/d of liquids production from the Eagle Ford and Permian by FY17



**Focused on developing our liquids-rich areas**  
(gross operated rigs)



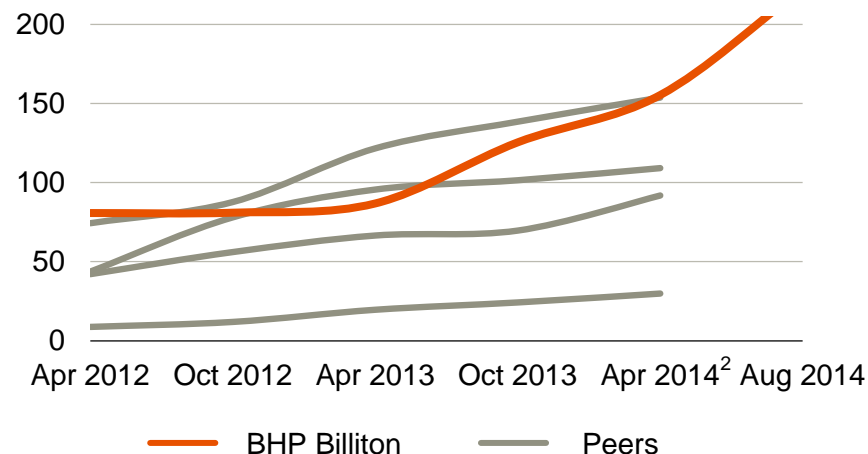
1. FY12 represents partial year of drilling (Q3 and Q4 only).

# Building momentum in the Black Hawk

- We are a top producer in the Eagle Ford with investment prioritised on liquids-rich acreage
  - ~75% of our Onshore US drilling and development expenditure in FY14 was focused on the Eagle Ford
- Our Black Hawk acreage is in the heart of the condensate window
  - generating EBITDA margins of over 75% at current prices
- The Black Hawk is expected to be the single largest producer in our Petroleum portfolio in FY15
  - 138 net wells put online in FY14
  - 284 net producing wells at the end of FY14 with an average net production of 82.4 kboe/d in the June 2014 quarter

## Black Hawk production rates<sup>1</sup>

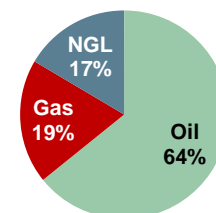
(gross, kboe/d)



## Our Black Hawk position

Net acreage	~57,000 acres
FY14 initial 30-day average production rate <sup>3</sup>	1,140 boe/d
Additional gross wells expected <sup>4</sup>	~840

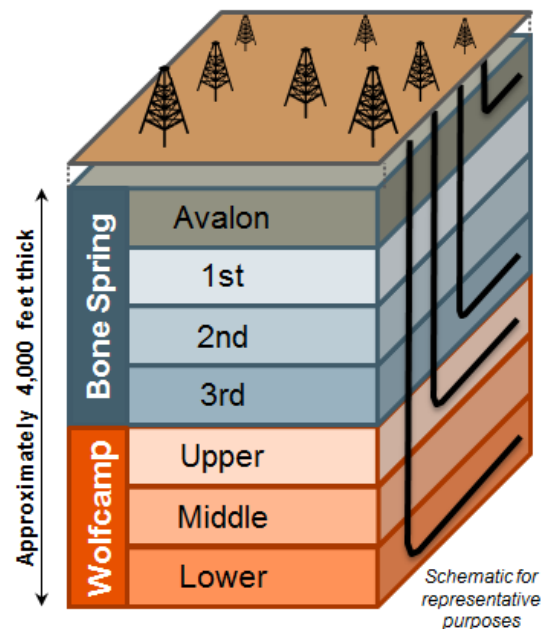
## Expected FY15 product mix



1. Source: IHS. Based on monthly average for the months shown.  
 2. Peer data not available beyond April 2014.  
 3. Based on a 30-day average of all BHP Billiton wells.  
 4. Operated wells to be added from FY15 onwards under current development plan.

# Extending our liquids runway in the Permian

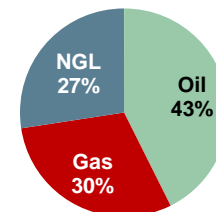
- We are leading the appraisal of the Wolfcamp with more than 70 wells drilled to date
  - extensive vertical and lateral appraisal of the resource
- We increased our acreage position within our core focus area by 25% to ~74,000 acres
- On track to build a 100 kboe/d business by the end of FY18
  - we are delivering excellent, repeatable well results
- Our Permian development plan has upside potential given multiple prospective horizons



## Our Permian position

Total net acreage	~240,000 acres
Net acreage in core area	~74,000 acres
FY14 initial 30-day average production rate <sup>1</sup>	1,400 boe/d
Additional gross wells expected <sup>2</sup>	~650

## Expected FY15 product mix



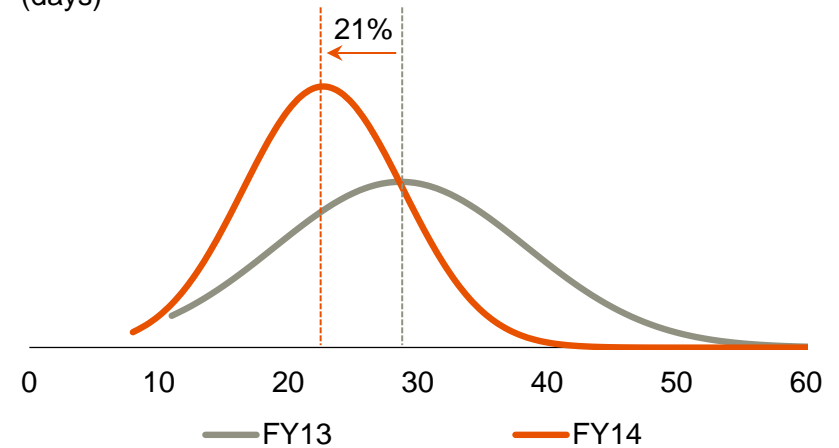
1. Based on early performance of Upper Wolfcamp wells excluding downtime and ramp-up.

2. Operated wells to be added from FY15 onwards under current development plan.

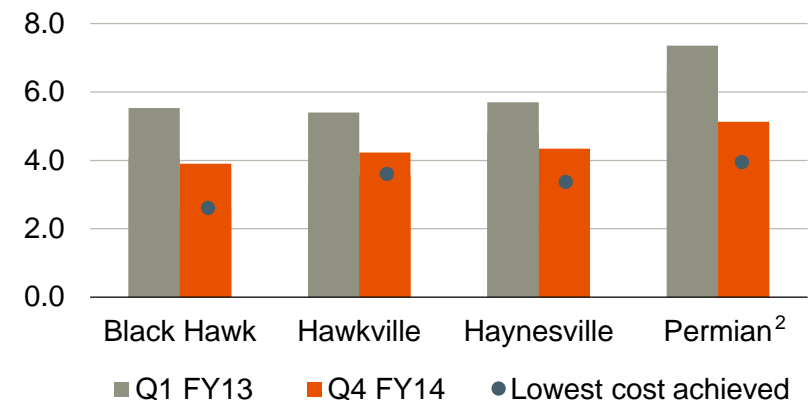
# Driving improved performance through productivity

- Repetitive, manufacturing nature of shale is ideally suited to our productivity agenda
- Application of technology will ensure we achieve the best recoveries while being cost competitive
- We use internal and external benchmarking to drive best in class performance
- Reduced drilling time and cost per well
  - 21% drilling time improvement in the Black Hawk in FY14
  - reduced variability in drilling performance
  - 29% decline in drilling costs in the Black Hawk from Q1 FY13 to Q4 FY14

**Black Hawk drilling time per well<sup>1</sup>**  
(days)



**Shale drilling cost performance**  
(US\$ million)



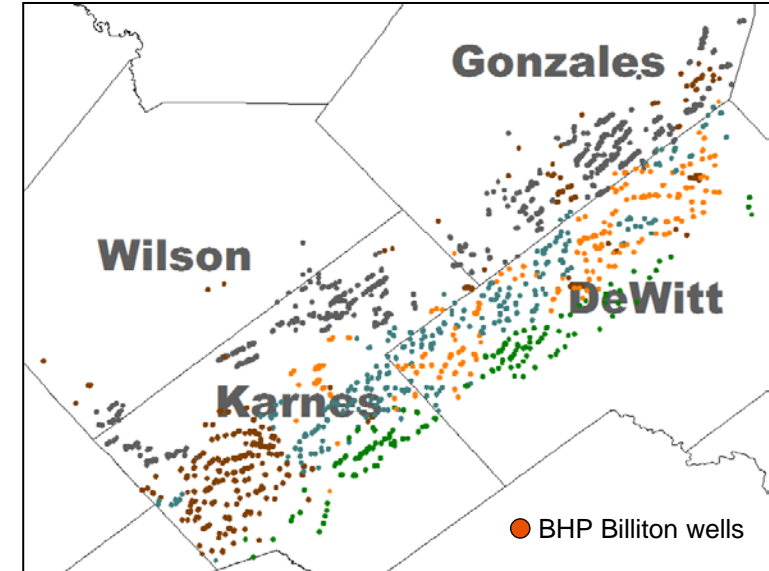
1. Drilling time from spud to rig release.

2. Based on Q2 FY13 instead of Q1 FY13 due to sample size.

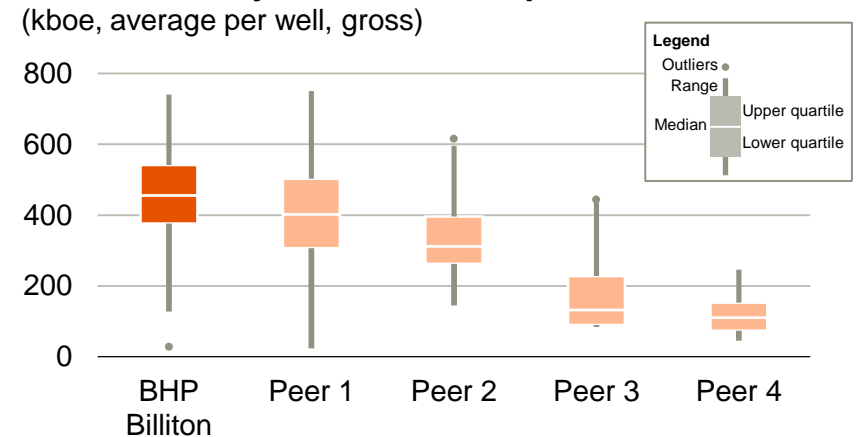
# We are the top performer in Black Hawk recovered reserves

- Using low-cost initiatives to maximise recoveries and unlock substantial value
  - restricted flows
  - optimal stage spacing
  - efficient proppant placement
- We are best among peers in recovered reserves
  - initial production rates are competitive across the peer group
  - ~250 kboe ahead of peers on average three year cumulative production in the Black Hawk
- Significant opportunity to replicate this success across our Onshore US business

Black Hawk benchmarking data<sup>1</sup>



Black Hawk 3 year cumulative production<sup>2</sup>



Source: IHS.

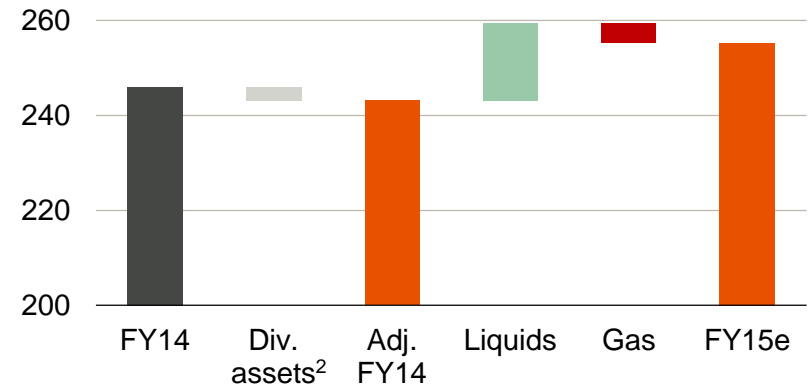
1. Based on production data from April 2009 to April 2014 (wells POL before May 2012).

2. Represents wells with at least 3 years of production.

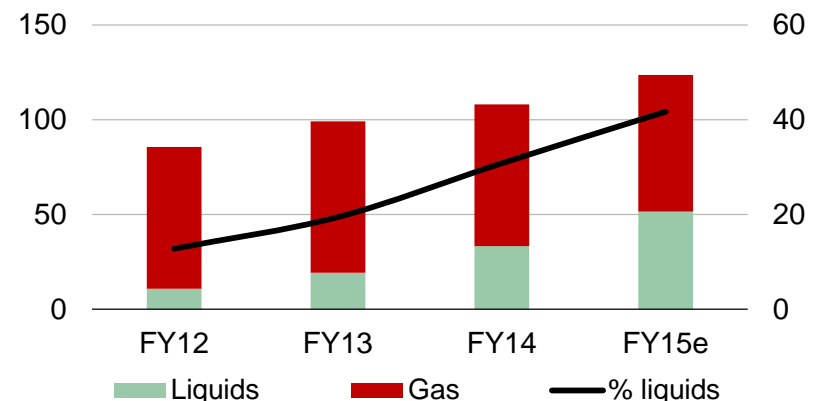
# Strong growth in high-margin liquids production

- Total petroleum production increased by 4% in FY14 to 246 MMboe
  - strong performance from Onshore US with 73% increase in liquids volumes
  - near doubling of production at Atlantis to a rate of over 46 kboe/d net to BHP Billiton
- Production is forecast to increase by 5%<sup>1</sup> in FY15 to 255 MMboe
  - underpinned by a further 50% or 17 MMboe increase in Onshore US liquids production
  - higher margin liquids are expected to account for ~40% of Onshore US production and ~65% of revenue in FY15

## FY15 production outlook (MMboe)



## Significant growth in Onshore liquids production (MMboe) (%)



1. Excludes Liverpool Bay which was sold during the year.

2. Assets divested in FY14 include Liverpool Bay in the UK and South Midland acreage in the Permian.

# Key themes

- Our Petroleum portfolio is underpinned by large, high-quality, upstream assets
- We have a clear strategy focused on value over volume
- Our high-return brownfield investments will maintain stable Conventional volumes
- Liquids opportunities with Tier-1 potential are the focus of our exploration program
- Our Shale business is primed to generate strong growth in free cash flow
- Application of technology will ensure we achieve the best recoveries while being cost competitive
- Near-term growth will be driven by a substantial increase in high-margin liquids production



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# Appendix



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# Glossary of selected terms

## Reserves

Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied.

**1P** 1P is equivalent to proved reserves and is also commonly called P1. It denotes a low estimate scenario of petroleum reserves.

**2P** 2P is equivalent to the sum of proved reserves plus probable reserves. It denotes the best estimate scenario of petroleum reserves.

**P2** P2 is equivalent to probable reserves.

## Contingent Resources

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.

**1C** Denotes the low estimate scenario of contingent resources.

**2C** Denotes the best estimate scenario of contingent resources.

## Deterministic Methodology

A discrete value or array of values for each parameter is selected based on the estimator's choice of the values that are most appropriate for the corresponding resource category. A single outcome of recoverable quantities is derived for each deterministic increment or scenario.

## Probabilistic Methodology

A distribution representing the full range of possible values for each input parameter is developed and a range of outcomes are statistically derived for each scenario.



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