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HD **There's plenty to play with in mixed bag of hand-me-downs**

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It is difficult to escape the conclusion that the new chief executive of mini-BHP Billiton is going to have a lot more fun wheeling and dealing his way around a ragbag collection of metals and coal holes than the man left behind to run the world's biggest miner.

BHP Billiton has confirmed that it is to demerge a set of businesses that it believes are not large enough, or have enough reserves in the ground, to warrant it continuing to invest in them, a clearout that sees it all but exit South Africa.

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These unwanted assets range from the manganese, aluminium and coal plays of South Africa to the giant but in-decline Cannington silver mine in Queensland, as well as manganese and aluminium assets elsewhere in Australia, the Illawarra coalmines of New South Wales, the Cerro Matoso nickel mine in Colombia and the Alumar aluminium complex Joint venture with Alcoa and Rio Tinto Alcan in Brazil.

Graham Kerr, the Australian finance director of BHP Billiton, has been handed the post of chief executive of the new $14 billion company. When asked whether the "newco" was not merely a giant mergers and acquisition vehicle, he stayed on message. "There are common threads running," he said. "These are all high-quality assets. They are located in similar geographies. They have inherited some culture [of being in the same company.]" But he was forced to concede: "Yes, it will be a diversified natural resources player."

In reality, the BHP Billiton spin-out has been created because Mr Kerr's present boss, Andrew Mackenzie, BHP Billiton's chief executive, cannot be fagged to spend months, maybe years, spending millions, maybe tens of millions, of dollars on M&A advisers' fees selling off 19 separate businesses, many of them held in Joint ventures.

There are businesses in the newco that perhaps are better run as a package — and perhaps would be attractive to the private equitybacked investors stalking the sector. There are others that might have a more natural home in another miner's portfolio.

"These assets have been getting investment, but have not been getting growth capital," Mr Kerr said. "These are smaller assets, they have a shorter lifespan and so we will need to change the way we run them. We will have to be more entrepreneurial, maybe look at things that BHP Billiton would not look at."

Mr Mackenzie even confessed that the new business would be a dealdoer's playhouse. "It will be more dynamic in trading assets. I worry that I might lose too many of our good people to it."

He will be left, meanwhile, to work out how to continue to feed the insatiable Chinese dragon ever more profitably. It is no coincidence that the businesses left in the main BHP Billiton portfolio are in commodities that make up a fifth of China's annual $2 trillion imports: petroleum (and gas), iron ore, copper and coal.

Mr Mackenzie's take on **China** is that future consumption will be based more around **energy** than steelmaking. BHP Billiton has the bases covered: if its economy remains based on fossil fuels, BHP Billiton has the **coal** in Queensland and in North and South America; if demand continues to rise for on **oil** and gas, it is a substantial player; if **Chinese** growth is in renewables, it has the **copper** to connect **wind** farms and the like.

Eclipsed by the demerger, BHP Billiton reported an 11 per cent increase in operating profits to $23 **billion** for the year to June 30, with the dividend up 4 per cent at $1.21.

Of the demerger, and its effect on the group's future financials, Mr Mackenzie said: "We wanted to simplify the **company**. It will enable us to achieve rapid gains in productivity."

CO bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

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