



THE MELBOURNE MINING CLUB LUNCHEON

5th June, 2008

Marius Kloppers - Chief Executive Officer BHP
Billiton

Topic: Industry Outlook & Growth



A record crowd of over 750 gathered in Melbourne's Town Hall to hear one of the world's leading miners. The guest speaker's focus towards the front of the room wasn't a coincidence; sitting at two of those tables were executives and others linked to BHP's merger target, Rio Tinto. Marius Kloppers had the chance to personally put his case to these key people that he wanted them 'onboard' and he took it. He noted the widely accepted phenomenon that the industrialisation and urbanisation of emerging countries – especially China - will maintain the high demand for mineral resources. The BHP-Rio Tinto merger would add great value, he said, and that "one plus one equals three, or, if you will, two plus one equals five" – a clear reference to the fact the BHP thinks it is worth a lot more than the bid terms would suggest. BHP's tier one resources - particularly its massive Olympic Dam uranium, copper and gold mine in South Australia - were generally superior to those held by Rio. "The advantage we have with Olympic Dam, as with most of our expansion portfolio, is that it isn't just a concept: it is an operating mine". "Brownfield expansions are cheaper, easier, faster and lower risk," he said.



With regards to problems faced by the mining sector, Kloppers said that the industry was tackling rising inflationary cost pressures and a labour shortage. Whilst admitting BHP Billiton faces these inflationary challenges like any other firm, he believes they've "got a better ability to actually ensure that we've got supply of these core components"

Marius Kloppers says the companies are not far apart in their philosophies and expected the bid to clear all regulatory approvals and go ahead as planned. A combined BHP-Rio Tinto entity would provide the best value for shareholders, although the miner was well positioned to make the most of the commodities either way. "If our takeover of Rio is successful -- and I believe it will be successful -- the combination should create even greater value for shareholders". "But with or without Rio Tinto, BHP Billiton will continue to deliver exceptional performance." According to Kloppers, for Australia to meet the burgeoning demand in commodities it needs to maximise investment in infrastructure. "Against a backdrop of high demand, Australia's challenge is to maximise investment in infrastructure that enables rapid and efficient expansion of capacity" he said.



Whilst the opportunity to present to Rio Tinto in Melbourne was a 'win' for Kloppers, the real action is in Rio Tinto's HQ in London where the Melbourne Mining Club will hold its 2nd London luncheon on June 23 – to be addressed again by Marius Kloppers. Once again the focus will be on the Rio Tinto executives in attendance.