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EMBARGOED UNTIL 2PM, 7 AUGUST 2013

**BHP Billiton CEO, Andrew Mackenzie
Speech to the Asia Society
7 August 2013**

I am delighted that so many of our shareholders and friends from business, government, the media and elsewhere have joined us today. Welcome to you all.

I would also like to mention two individuals in the audience. First, one of BHP Billiton's longest serving employees - Eric Gray. Eric is a maintenance supervisor at our Illawarra coal operations and is celebrating 45 years with the company. And second, Martin Ferguson, who needs no introduction. A special welcome to you both.

I am honoured to lead this tremendous, Australian company and pleased to be making my first Australian speech here in Melbourne; a city my wife, Liz, and I are delighted to now call home. We recently purchased a house in Richmond and I have adopted St Kilda as my AFL team. Richmond, anyway, has proved to be a terrific choice.

Melbourne is a city with a rich mining history, a history of which BHP Billiton is proud to be a part. Our global headquarters have been in Melbourne since 1885 and next month we will relocate to Collins Street, where our company first began.

Now speaking of our history, one of my fellow Scots, George McCulloch, was vital to BHP's formation in the late 19th century as manager of the Mt Gipps station in New South Wales. George organised a group of pioneers to sink the first shaft at Broken Hill, which led to the development of BHP's first and famous 'Big Mine'.

Since then, we have grown beyond imagination. From that first 48 tons of ore hauled from Broken Hill to today, where at Mount Whaleback in the Pilbara we can feed the same quantity of iron ore into a rail wagon in less time than it takes me to deliver this sentence.

Over its 150 year history, BHP Billiton has emerged as a truly global company with an operating presence in 26 countries from Chile and South Africa to North America and Trinidad & Tobago. We are one of the world's largest, publicly-listed companies and the world's largest diversified resources company. And we have a highly-skilled, innovative and talented workforce of more than 125,000 people who deliver important resources to customers in every corner of the globe.

But some things have not changed. BHP Billiton is still, and always has been, a company firmly rooted in Australia. In the 2012 financial year, we generated approximately 70 per cent of our profits in Australia. Annually we spend over US\$17 billion on day-to-day operations and support more than 9,000 local businesses. Close to half our workforce, which includes more than one thousand indigenous Australians, is here and we pay around US\$4 billion annually in Australian wages.

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We are Australia's largest taxpayer. In the 2012 financial year, our tax and royalty payments were over US\$9 billion – that's more than three-quarters of our global tax payments and a tax rate of 45 per cent¹. Over the last decade, we also contributed US\$1.5 billion globally to environmental and community initiatives, much of them here in Australia.

Australia is also home to our largest shareholder base, by both the number of shareholders and value. We estimate that 7.5 million Australian superannuation accounts are invested in about US\$20 billion dollars of BHP Billiton shares. So we are owned by millions of everyday Australians. These are people with long-term investment horizons. My management team and I never forget that their retirement incomes depend on how well we do our jobs.

The mining industry in Australia has been a great success story. According to the Reserve Bank of Australia, last year the resources economy accounted for 18 per cent of gross value add, or A\$250 billion of the nation's output - as well as 1.1 million jobs, or close to 10 per cent of total employment, in a diverse range of professions, from operators, to engineers, to environmental scientists. All of who enjoy leading-edge employment benefits and development opportunities in some of the world's unique and most dynamic locations.

Federal Government data show that over the past 10 years, average, weekly, household incomes climbed almost 40 per cent, and that this rise has been shared across the country.

This impact was explained by the Reserve Bank's Deputy Governor, Philip Lowe, who said: *'There is a chain that links the investment boom in the Pilbara, and in Queensland, to the increase in spending at cafes and restaurants in Melbourne and Sydney... this chain, can be hard to see, but it is real, and it is one of the factors that has a material impact on the Australian economy ...'*

I believe that this impact on the national income is now permanent. In our case, we have tripled the output of our iron ore business over the last decade by investing through the global financial crisis, and still investing, to create a massive and irreversible increase in Australia's export capability.

Australia now supplies the large amounts of raw materials that are essential for nations to grow and for communities to prosper.

When Deng Xiaoping launched market-based reforms in China he envisaged an industrialised and urbanised society. This caused investment-driven growth in demand for: iron ore and metallurgical coal required for steel to build factories, apartment blocks and infrastructure; coal and natural gas to generate electricity; and copper to transfer this electricity.

In the past 20 years this industrialisation and urbanisation has lifted more than 650 million people out of poverty in China alone. That is more than the population of Latin America. Globally this figure is almost a billion. This is extraordinary progress and progress in which BHP Billiton and Australia have played pivotal roles.

¹ The Australian tax rate of 45% for FY12 is calculated as Australian income tax plus federal and state production royalties paid during FY12 (as the numerator) divided by FY12 Australian sourced pre-tax profits plus state production royalties paid in FY12 (as the denominator).

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Today, Australia provides nearly 40 per cent of China's iron ore imports, 40 per cent of South Korea and India's coal and almost 20 per cent of Japan's LNG.

There are even greater opportunities ahead. Global demand for commodities is expected to grow by up to 75 per cent over the next 15 years as 250 million more people move from the Chinese countryside to cities and Asia's middle class approaches 3 billion. Now, while the percentage growth rate for some commodities may be slowing absolute demand levels are still rising off a larger base. For example, steel consumption is expected to increase by over 50 per cent in the next 10 years with more than half of this in Asia.

As China moves through the economic cycle, from the investment-led growth that I have just described to a consumption-driven economy, we expect even stronger growth in the demand for commodities used in energy, energy transfer and food production, such as natural gas, coal, copper and potash.

Only a handful of countries, of which Australia is one, can currently deliver the volume of resources required for Asia's continued economic growth. Australia's resources industry is worth backing. It is one of Australia's true competitive advantages and a unique enabler of the broader relationship with Asia.

But Australia must compete hard against both existing and emerging suppliers. China is now a low-cost producer of metallurgical coal and competes effectively with Queensland's Bowen Basin. The US is an increasingly competitive supplier of thermal coal that vies for market share with the Hunter Valley in New South Wales. And the US, Canada and Africa will compete hard with Australia to supply the next tranche of LNG into Asia. Finally, Olympic Dam, one of the world's best copper deposits, sits some 350 metres beneath the South Australian outback and must compete for funding against high-quality opportunities in Chile and Peru.

The Earth's crust holds an abundance of natural resources with hundreds of years of additional supply already identified. And while there may be technical, political or community challenges to access some of these, the resources are there and in many more countries than the handful I mentioned.

This abundance creates choice and geology is not the only factor. For a country to secure investment, it must create the conditions for the resources industry to prosper. The question is not if Asia's demand for commodities will be met but rather which countries will deliver the supply.

Australia is in pole position to do so, with decades of mining experience, a highly skilled workforce, a track record of innovation, proximity to Asia and great geology and infrastructure. But these will not be enough.

Industry and policy makers must now re-commit to Australia's future competitiveness to make sure Australia remains a supplier of choice and captures the substantial economic benefits available for current and future generations. So we must all get much sharper at productivity.

BHP Billiton, and the industry more broadly, acknowledge that the bulk of the productivity challenge sits at our feet. We are focused on working smarter to produce more from our ore bodies, plant and machinery and to create an environment where our hard-working, talented people excel and want to be more competitive.

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In February, we reported that we had reduced costs by 6.5 per cent. Improvements have occurred in many areas such as equipment utilisation, through-put and maintenance. We have seen examples where teams have more than halved the time it takes to service a truck, while improving safety and experiencing the fulfilment that comes from devising new ways to solve old problems.

Governments must also rise to the challenge. Their role is to provide: efficient regulatory systems; foreign, fiscal and trade policies that encourage stability and open markets; and a modern industrial relations framework that draws employees and employers onto the same page so that all sign up to a team that wants to win.

What could be better than watching your team win? At BHP Billiton, we would say being in a team that wins; where all enjoy the thrill of being on the field and of making a difference for ourselves, for our shareholders, for Australia and for Asia.

When I speak with the people who work for us, they get it. They want to be globally competitive. Policymakers also understand. They too speak of their desire to make Australia more competitive.

All of us must now move quickly from words to action so that all our nation's strengths are directed towards urgent and ground-breaking pro-productivity reforms. History shows: get this right and Australia and Asia benefit.

Customers and governments in Asia have made it clear to me that they are relying on BHP Billiton and Australia to continue to supply the resources needed to fuel their economic growth.

Australians understand what is at stake. According to a recent Lowy Institute poll, 76 per cent see China as the most important economy to us.

So in June when I had the opportunity to discuss these matters with Premier Li of China, I reassured him that China and other developing nations can count on BHP Billiton and Australia to work to deliver the sustainable, low-cost and secure supply of basic raw materials that Asia and the world need to grow.

Resources are fundamental to Australia's relationship with Asia; a relationship that secures economic prosperity for both and provides new opportunities from agriculture to education to tourism, while promoting stability in the Asia-Pacific.

I cannot think of a better opportunity right now than to run a resources company based in Australia; an Australia growing closer to Asia. We at BHP Billiton are proud of our Australian heritage and of being the world's largest diversified, global resources company; one with which both Australia and Asia are proud to be associated.

Or, as one commentator describes us: "The Global Australian".

ENDS.