

Lessons from the financial crisis

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May 26, 2009

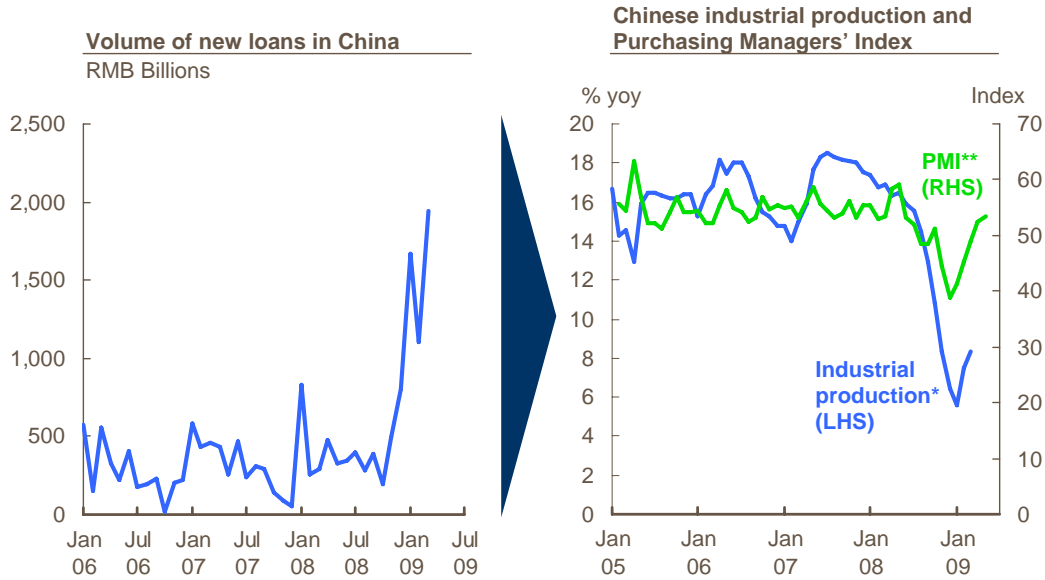


The customer is the key...

- The resources sector is renowned for its close and innovative relationships with customers
- These relationships are built through:
 - **Recognition:** deep consideration of current and future customers
 - **Responsiveness:** quickly reacting to changing customer needs
 - **Alignment:** working together for sensible long term outcomes

Aggressive monetary and fiscal stimulus gives hope for a “V shaped” recovery in China

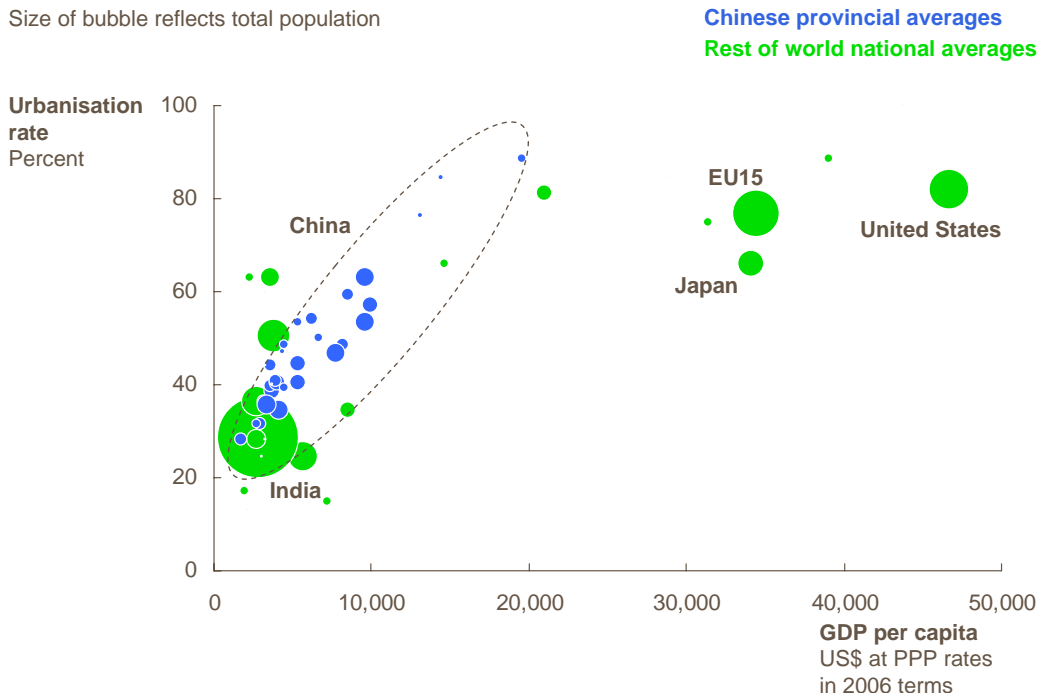
Recent trends in Chinese economic indicators



* 3 month moving average
 ** Forward 1 month; An index reading of over 50 indicates that manufacturing is expanding
 Source: JPMorgan Cazenove; Reuters Ecowin; China Federation of Logistics & Purchasing

Continued urbanisation means developing economies will be the key engines to world growth

Urbanisation rates across Asia, the United States and European Union



Source: Global Insight; CIA Factbook

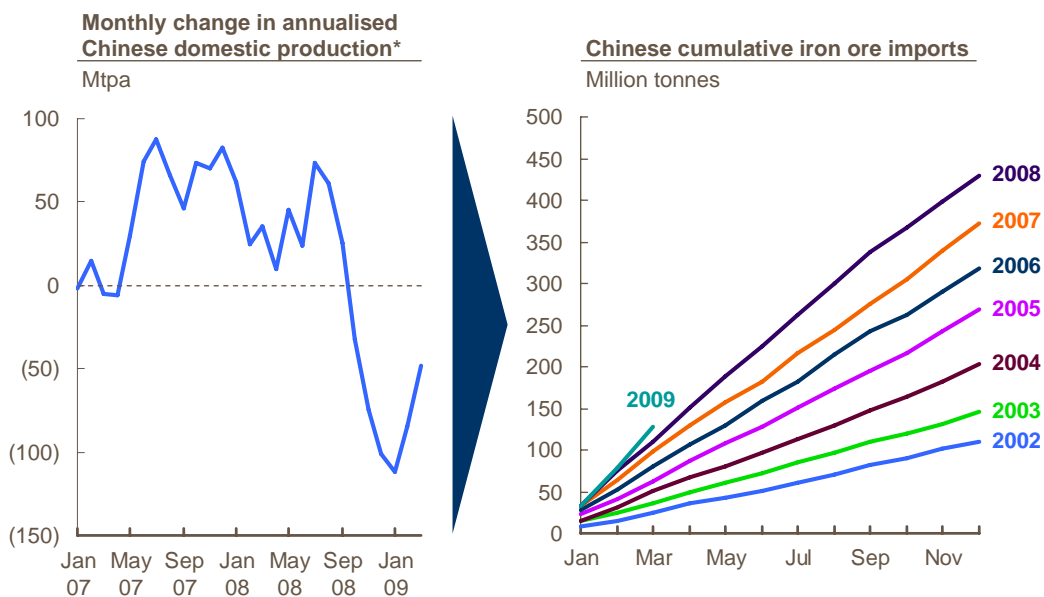
A decisive response

Actions taken by Rio Tinto Iron Ore

- Keep major growth projects ticking over so we can bring them back to full development when the recovery is sustained
- Shift production plans quickly to respond to immediate movements in customer demand
- Ensure that prices clear the market, and respond to shifting conditions

Through closure of Chinese mines, falling spot prices have caused record iron ore imports

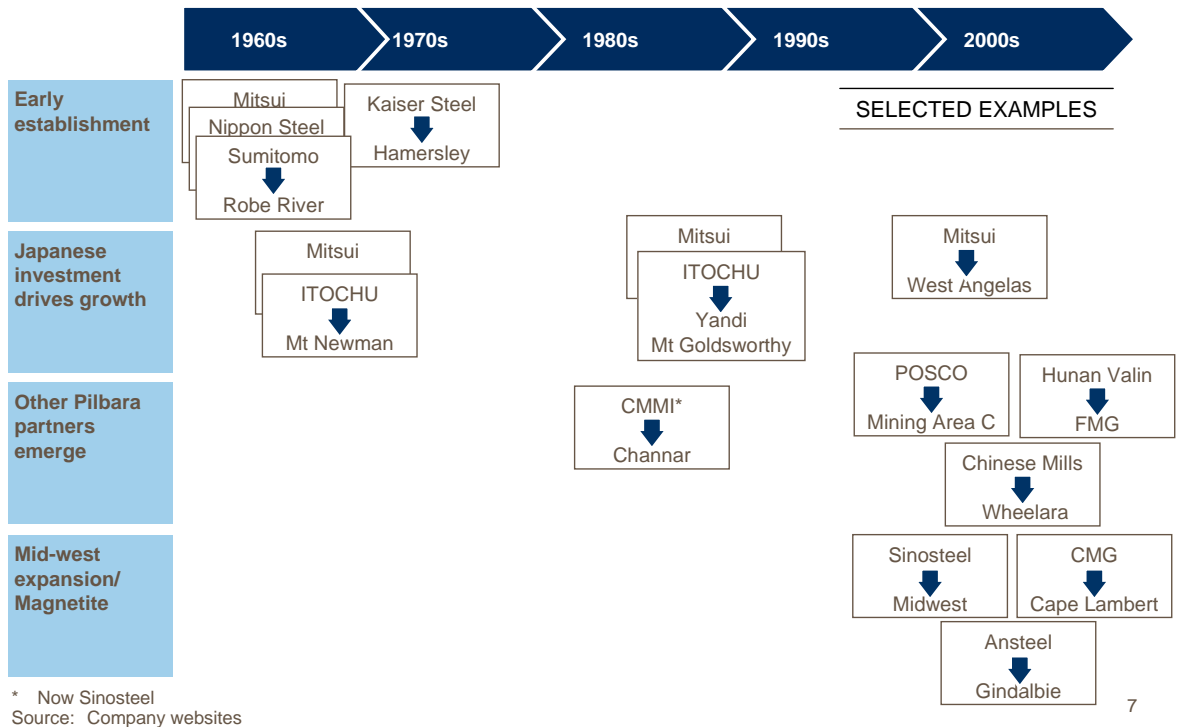
Chinese supply/demand dynamics



* Three month moving average of annualized monthly change relative to full year 2006 domestic Chinese production
 Source: Reuters; Bloomberg; JPMorgan Cazenove

Australia's iron ore industry has been built on customer relationships

History of customer relationships in the Pilbara



Customer relationships underpinned Escondida's development

Factors behind joint venture participation in Escondida

Chile in the 1980's

- Stagnant resources sector
- State-owned Codelco unable to fund copper developments
- Significant political and economic risks for foreign investors
- Conventional bank finance largely unavailable, including for Escondida

BHP's response at Escondida

- International Finance Corporation (World Bank) 2.5% equity stake guards against sovereign and regulatory risk
- Customers provide additional certainty
 - 10% equity stake by Japanese customers*
 - Government banks from customer nations provide loans linked to long term supply
 - interruptions to production "would have the Export-Import Bank of Japan banging on the door of the Chilean government"***

* Mitsubishi Corp (6%), Mitsubishi Materials Corp (2%), Nippon Mining & Metals Co (2%)

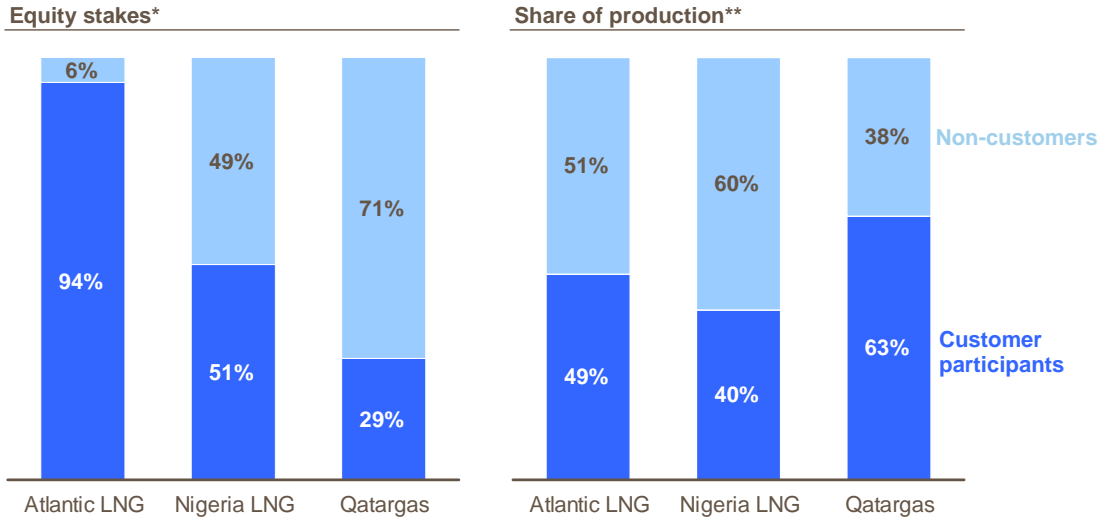
** Theodore Moran (1998)

Source: BHP Submission to the World Bank Extractive Industries Review, 2002; "Foreign direct investment and development: The new policy agenda for developing countries and economies in transition", Theodore Moran, Institute for International Economics (US), 1998; BHP 20-F Reports (various years)

The global LNG industry has grown on the back of deep customer relationships

Customer participation in major LNG projects

Percent



* Customers who own equity stakes: Atlantic LNG (Trinidad & Tobago) – BP, BG, Repsol & Suez; Nigeria LNG – Shell, Total, ENI; Qatargas – ExxonMobil, ConocoPhillips, Shell, Total; Non-customer equity holders: Atlantic LNG – NGC Trinidad & Tobago; Nigeria LNG – Nigerian National Petroleum Corporation; Qatargas – Qatar Petroleum, Mitsui, Marubeni
 ** Percentage of contracted capacity

Source: Bloomberg as at 18/5/09; Company websites

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