

**Global Maintenance USG – Conference Presentation
Isaac Hinton, Manager Supply, Olympic Dam
23 August 2017**

EMBARGOED until delivery (1:30pm ACST, 23 August 2017)

Good afternoon everyone and thanks for the opportunity to join you here in Whyalla today. Before I begin, I'd like to acknowledge the Barngarla Peoples as the recognised traditional owners of the local region.

Well for those who might not be aware, I'm quite a recent 'blow-in' to the Olympic Dam Squad, having returned earlier this year from BHP's Marketing function in Singapore. Anyone familiar with Commodity Trading might not be entirely surprised to hear this means I've come from somewhere where there was a lot of perceived fame working with the commodity with the highest price and production. Over the years, this has seen some strong competition between our coal and iron ore cousins on the east and west coasts, so you might be a little curious as to how and why I came to end up at OD.

Well for me, nothing is more exciting than future opportunities. That – along with the fact I'm a proud South Aussie (and diehard Crows fan!) returning home – is what's brought me back. You see it's my view and that of the Olympic Dam Leadership team that Olympic Dam is the number one growth opportunity across BHP's extensive portfolio – and having now had the chance to work with and see the incredible people and talent we have to support this amazing resource, I am really excited about what we can achieve in the future.

Of course this will only be possible if we do more to partner with people outside our business – right across South Australia but particularly in the Upper Spencer Gulf region. And as Olympic Dam's Supply Manager, this is my real passion, daily focus and what I'm really excited to have the opportunity to share more with you on today.

Over the years, we've heard feedback and it's clear there's been a perception that BHP can be a difficult business to work with, and that at times we can even be a little elusive. Well, we want to change that perception, because frankly we're worried that we might be missing out on some fantastic opportunities, particularly in regional South Australia.

And that's why I am pleased to announce today that Olympic Dam will soon roll-out BHP's Local Buying Program to the Upper Spencer Gulf and Far North. So I'm talking to family businesses, Mums and Dads who work from home and businesses who have a long proud history in the Upper Spencer Gulf and South Australia – we want to work with you.

BHP's Local Buying Program supports local communities by helping small businesses to easily engage with BHP because we recognise that it's a tough environment for many local businesses. We want the whole community, not just the big companies to share in our growth story. We hope, and genuinely believe, that the Local Buying Program can and will make a difference in regional South Australia and create a legacy of sustainable economic streams that everyone can share in. We want businesses in the Upper Spencer Gulf region to know that BHP is serious about building capability and capacity in our host regions, because we're here to stay.

And the best part is we know that BHP's Local Buying Program makes a difference. We've already seen the evidence of this in Queensland and New South Wales where the program has been delivered over the past five years. Currently, there are more than 850 suppliers registered in the east

coast program, which has provided work opportunities of over AU\$140 million to small local businesses since its staged rollout, as seen on the slide, across our coal assets.

We've already seen plumbers and butchers in Moranbah; a coach hire business in Emerald; carpet cleaners and a pizza shop in Dysart – all of these businesses have supplied goods to our BMA coal operation and we couldn't have done it without them. They are integral to our business.

Registration for BHP's Local Buying Program is free and each year on the east coast the program provides close to 5000 work opportunities. 85% of these are successfully awarded to local businesses.

So we want to replicate this here in the Upper Spencer Gulf and Far North, to ensure that everyone can share in Olympic Dam's future growth plans.

BHP's Local Buying Program is delivered by a cost neutral organisation called C-Res, who will also be expanding to implement the program here in this region.

Now we anticipated that many of you will have questions regarding the program, outside of what I can cover in my short presentation, so we are fortunate to have Tracey Cuttriss-Smith and Debbie Porter here from C-Res to answer those questions. Tracey and Debbie will be on the BHP booth out in the foyer and I encourage you to have a chat to them this afternoon or tomorrow.

So how will the program work in this part of the world? Well basically we will be providing opportunities for businesses with less than 20 Full Time Employees to supply goods and services into Olympic Dam via an online platform – so essentially we're making the process more transparent, more accessible with shorter payment terms, because we understand the importance of cash-flow to small businesses. Businesses will need to be based in one of the Upper Spencer Gulf cities, as defined by their Local Government areas, or basically in the corridor between the Upper Spencer Gulf and Roxby Downs as you can see on the slide now.

In terms of what we expect to be purchasing – in short, the options are endless! Any of the categories listed on the slide including maintenance services, earthmoving and consulting services name just a few, the scope is really quite broad, with an upper limit for work packages of \$2M. Based on our FY17 spend at Olympic Dam, this translates into around \$100M of opportunities. The size of the prize for this region I hope is quite significant.

From a roll-out perspective, you can see some of the key dates over the coming months where we will be holding supplier information and registration sessions through September and October. The first work packages will be online from 30 October.

If you're a business out there and you meet the required criteria, you can register online via the address shown on the screen. These details will also be available from our booth in the foyer. Come and say hello, we're pretty friendly and we're genuinely interested in finding out how we can partner together in the future.

Outside of the Local Buying Program, we're working hard to boost our engagement with suppliers in a couple of other ways. BHP's new regional model means our Minerals Australia Supply team – of which Olympic Dam is a key part - is really able to draw on an incredible range of expertise. In simple terms, the BHP Supply function is now set up in a way that provides a single window into our business for all relationships and commercial activities. This is across Category Management, purchasing, inventory and warehousing. By controlling the supply chain from end to end, including warehousing and

distribution across all of BHP's Australian assets, we expect to make it easier for everyone. And it also improves the ability for our suppliers to connect directly with the right people within BHP, rather than continually seeking to understand who is running a project or a certain part of the plant.

This is particularly important when you consider our spend across BHP Minerals Australia operations. 97% of our spend is in common areas and only 14% of this is with the same vendors.

Fundamentally, this regional model puts us in a unique place to identify and replicate best practice productivity with our suppliers in all facets of the supply chain.

We're also making it easier for suppliers to deal with us on construction work. I'm pleased to share with you today that we're moving to a format similar to the maintenance and engineering panels already in place at OD. This will enable our site teams to more easily tender construction work directly with Construction panel members.

To get this process underway and establish the capability across SA, we recently sought expressions of interest through the Industry Capability Network. And what an incredible response! In just two short weeks, we received a total of 226 submissions, with a huge 70 per cent of registrations new to OD and more than 31 per cent proudly from South Australia – a great result and safe to say it's helped us start to understand the huge local capability in this space that we can tap into for future work. I'd just like to extend our thanks to the ICN for their great support throughout this process.

So what might this future work look like for these panel members?

Well it could be everything from general construction services for bulk earthworks, concrete and civils work; right through to structural steel works, electrical, instrumentation and controls, to name just a few. With a great deal of capability in these areas already in the Upper Spencer Gulf region, I would fully expect this to translate into some great opportunities for people here today.

Given OD's at times tumultuous past, you might be keen to better understand exactly how much work we have coming up that could require support from our supply and contracting partners.

Well in short, it's a lot! As you can see, in FY18, Olympic Dam has 49 major projects to deliver as part of a \$600M capital spend program. Now while this might not sound like much if you say it quickly, quite incredibly for our size, this means OD will be delivering the most projects of any BHP Australian operation this financial year.

This work will be across three key areas:

Firstly, Developing our Southern Mine Area – this represents 70% of the ore body that is untouched and will help us increase OD's overall copper grade;

Secondly, Support systems to safely increase our underground operations - including trucks, telecommunications, raise bores, exhaust and ventilation; and

Thirdly, Asset investment – including water pipeline and storage infrastructure; our mill and shaft rehabilitations as well as most importantly, our smelter campaign which kicked off this week. At its peak, this will see around 1,300 contractors on site for over 100 days and while it will have an impact on FY18 production, the Smelter Campaign Maintenance Project sets OD up for sustainable growth in coming years.

Overall, these 49 projects are the biggest investment ever made at OD. However, this does not include the other 200 smaller projects, each less than \$2M* – let's just say some of the projects are massive, while others are small by BHP standards – in any case there is going to be plenty of opportunity for businesses of all sizes to engage with Olympic Dam as we prepare the operation for sustainable future growth.

I think it's also important to acknowledge that this increased engagement with local suppliers will come on top of – rather than instead of – BHP's already significant contribution to South Australia. You might be interested to learn that this isn't small – in fact in just the last financial year, we spent almost \$360m across more than 210 South Australian businesses. This represents almost 38% of OD's total spend for the year, while excluding payments such as taxes and royalties.

As part of Minerals Australia, Olympic Dam and all BHP Australian assets have set targets to increase local spend year on year. By local, I'm talking about Roxby Downs but also the Upper Spencer Gulf.

The 'go live' date of 30 October for BHP's Local Buying Program means kick off isn't far away, and that's exciting. The BHP's Local Buying Program, along with the establishment of the Construction Services Panel, means that there's never before been more opportunity for businesses in this region to participate in our operations. Our success is so closely linked with the success of South Australia – so make no mistake we need you to star in our growth story!

And while we are very focused on delivering all of this work, I want to finish today with a couple of reasons I'm personally proud to be part of the Olympic Dam Squad.

As a father and a member of Olympic Dam's Inclusion and Diversity Council, I'm really excited about the opportunities our partnership with the Crows Women's AFL team will provide. Yes, I'm unashamedly a die-hard Crows fan at heart, but this is about much more than that and demonstrating to all young people – right across South Australia – that they can do whatever they want.

My mother was from a traditional Polish family, born in Germany during World War 2. Growing up, I was always surprised to hear my Grandfather always talked about how smart and intelligent she is, yet my mother was not given the opportunity to go to university, that was given to my Uncle.

My mother was expected to stay at home and marry – for her going to university just wasn't the done thing in those days. I've always wondered what the world has potentially missed out on as a result - of not just her but other women or people from other backgrounds... perhaps the next great oil or copper deposit!

So partnerships like ours with the Crows Women's team means that hopefully my daughter will have a very different experience growing up – and that she never knows any different than to have full confidence in pursuing her passion, whether it be football or mining or something completely different!

We want to continue doing everything we can to break down barriers and ensure the Olympic Dam's workforce represents the communities we all live in. That's why we're also proud to be partnering with the Art Gallery of South Australia, to deliver the Tarnandi Aboriginal Arts Festival in October. This will help us bring Indigenous and Torres Strait Islander Art to the regions, including the Upper Spencer Gulf. I'd encourage you to look out for local opportunities to get involved with both of these partnerships and help us share this great work.

Our success is tied to yours. For Olympic Dam to truly realise the potential of our world class ore body, we need to work closely with all stakeholders – but particularly our contracting and supply partners – to demonstrate that South Australia is well and truly open for business.

I, for one, am a proud South Australian who's glad to be back. I look forward to working with you.

Thank you.