BHP Billiton Base Metals
Customer Sector Group Briefing

13 October 2004

Opening Remarks

Mark Lidiard

Investor and Media Relations, BHP Billiton

I. Introduction

Hello everyone and welcome to today's Base Metals briefing. Good morning to those of you in London and Johannesburg and good afternoon to those of you in Sydney. I think the timing of today's presentation is particularly appropriate given the current strong demand for all of the Base Metals products and the fact that it's LME Week here in London. I understand it was a particularly good dinner last night, so very good that so many of you have managed to get out of bed this morning to turn up.

I'd now like to introduce our host today, Diego Hernandez, who's now been with BHP Billiton for six months in the role of the President of the Base Metals Customer Sector Group, and it will be good to catch up on his views of the business. So, on that note Diego, over to you.

Introduction and Strategy

Diego Hernandez

President, Base Metals Customer Sector Group, BHP Billiton

I. Introduction

Thanks, Mark. Welcome everybody. Welcome to our guests here in London and Sydney and Johannesburg, I would like to thank all of you for coming here today. Firstly, before we begin, I need to draw your attention to the standard disclaimer shown on the slide.

I would now like to introduce the Base Metals teams that are here today. John Crofts, Base Metals Marketing Director. He is here in London with me and will discuss the current base metal markets. In Sydney, Glenn Kellow, our CFO, will lead our discussion of our financial performance. Ian Ashby, our Chief Operating Officer, will cover our operating performance. Paul Benson, our VP of Strategy and Business Development, is hosting our Johannesburg presentation; and Ken Pickering, VP of Technology Products and Exploration, is also in our group here and will join us in the questions and answers session. And then Bert Nacken, our newly appointed President of Escondida, is also here with us in London. Finally, Mike Salamon, President of Non-Ferrous BHP Billiton is also with us today.

II. Purpose of Briefing

The purpose of today's briefing is:

- To provide an update on the CSG performance
- To discuss some of the key issues facing the CSG and the industry
- Demonstrate our continuous optimisation on the existing asset base
- Highlight what we believe are the best growth projects in the sector that will help us to meet increased global demand in our commodities.

I believe that this will clearly show that BHP Billiton Base Metals is the premier base metals company in the world today.

III. BHP Billiton Base Metals

The map shows where our key assets, projects and offices are located. After the merger of BHP and Billiton in 2001, Base Metals, which included the Southwest Copper and Rio Algom operations, located its head office in Houston. The initial period after the merger was focused on integration and portfolio rationalisation. During this period it made excellent sense to base the CSG head office in Houston to utilise the infrastructure of our major petroleum office in that city.

With the rationalisation of the CSG portfolio, successful integration of the CSG systems and the focus of new growth projects in Chile it was an appropriate time to relocate the head office to enable management to focus on the continued delivery of shareholder return. This relocation has largely taken place and has been a blend of transferring some existing staff and recruiting local talent. We are now close to our assets, which you can see are mainly Antamina copper and zinc mine in Peru, Tintaya copper mine in Peru, Cerro Colorado copper mine in Chile, Escondida copper mine in Chile, and Cannington silver, lead, zinc mine in Australia. And our projects: the Spence project in Chile and the two brownfield projects in Escondida, Escondida Norte and Sulphide Leaching.

IV. Strategic Focus

You will probably be aware of the Base Metals' mission statement, which we have presented before. It is the same. It is simple, but at the macro level, creating value in base metals, is fairly simple. You will also be familiar with the BHP Billiton strategic focus that Chip Goodyear has discussed on numerous occasions and is the basis of BHP Billiton's out-performance over recent years.

The base of the pyramid: low-cost, high-quality assets. We have our major labour agreements in place and by the end of fiscal year 2004, coinciding with an upswing in the price cycle, we have achieved record production across most of our assets. We have managed to continue making real cost savings across the CSG. We continue to develop our portfolio of growth projects, and we have reviewed numerous acquisition opportunities and continued with our portfolio management.

V. HSEC

As always, we start with HSEC. Across BHP Billiton we are committed to achieving Zero Harm. With respect to safety, the graph shows the excellent progress we have achieved in Base Metals with a reduction in classified injury frequency. We are particularly pleased with the success in bringing the safety performance of our contractors – it's the red line on the graph – to the same standards as our own direct employees. Along this journey to Zero Harm it is still disappointing that we had three fatalities with contractors working distant from our operating sites in fiscal year 2004. I can assure you that the Base Metals management team is committed to continuously improving our results in safety and the goal of Zero Harm.

We see our performance in the care of the environment and how local communities see our company as our licence to operate. We are proud of our record in all aspects of our business; from the way we deal with exploring for resources in new regions, to how we operate our assets, to how we undertake closure and rehabilitation of closed sites. During the year we have been recognised by a number of NGOs for our leadership in this area.

VI. Production

The following slides give a good indication of the growth and quality of the BHP Billiton Base Metals portfolio. While rationalising the portfolio we have continued to grow production in our key commodities. By 2004 we had lifted copper production 60% over 2002, with 6% more lead and 4% more silver.

BHP Billiton Base Metals is unique amongst the base metal producers of the world. As you can see, we are major producers of copper, lead and silver, and a top 10 producer of zinc. Also, copper is the major contributor to the CSG performance; the other metals are integral to our portfolio.

VII. Competitive Position

All the data shown in this slide is from the Brook Hunt database. Here we show the C1 cost curve using pro rata costing. As you are probably aware, this assigns cost to each project as opposed to crediting by-products against the cost of production of the main metal. Both representations have merit and can be used to highlight different things. Pro rata representation removes distortions associated with by- and co-products created and thus pushes Antamina higher up the curve. It is clear to see that the Base Metals CSG has a high quality portfolio. The Spence project, which we hope to approve this calendar year, will be lower on the cost curve than Escondida, thus further increasing the quality of the portfolio.

In summary, BHP Billiton Base Metals is unique in the industry and the pre-eminent base metals producer.

VIII. Key Issues

Moving to key issues, obviously in a period of either high or low prices market outlook tends to be an area of interest. John Crofts will go into more detail, but suffice it to say China is the key driver for demand. The key issue for supply is the speed at which shuttered capacity is restarted and new production comes on stream. Also, prices are strong; TC/RCs are rising quickly back to more sustainable levels, which has an obvious impact on margins.

Other issues: royalties in both Chile and Peru; under discussion in Chile and approved in Peru. Some problems with gas that reflect in power in Chile and Southwest Copper, but Glenn Kellow will refer later on.

I will now hand over to Glenn Kellow, who will review the financial performance of the CSG. Glenn, please.

Financial Overview

Glenn Kellow

Vice President and Chief Financial Officer, Base Metals Customer Sector Group, BHP Billiton

I. EBIT Variances FY03 to FY04

1. Summary by Asset

Thank you, Diego. With more than a 300% increase it its EBIT the Base Metals CSG experienced a remarkable improvement in the 2004 financial year. It is particularly pleasing to note that EBIT growth was experienced across all our assets. You will recall that in January 2002 sulphide production at Tintaya was suspended and production at Escondida was curtailed due to reduced demand for copper cathode. The improved copper market allowed Tintaya's sulphide operations to resume in August 2003 and Escondida, from December 2003, to ramp up towards full capacity.

Average realised copper prices of $1.14 per pound were 56% higher, for silver 31% higher, lead 75% higher, and zinc 23% higher. However, strong operational performances were also reported across all our assets with production records at Escondida and Cannington, and higher zinc production at Antamina. These improvements were partly offset by the strengthening Australian Dollar and Chilean Peso. Other cost pressures were experienced at Escondida and we had higher costs at Antamina, as access to the deposit was restricted to the flanks until removal of the lakebed sediments was completed in the final quarter.

On this slide our other business line includes CSG and marketing overheads, development expenditure and closed mine activities including Southwest Copper.

2. EBIT Variances

The next slide looks at EBIT variances from 2003 to 2004. When we see the breakdown we can see that the improvement has not just come in the form of price. We have increased volumes in a rising market. As you will see later in the presentation, we will continue to see volumes rise over the coming years as new projects are commissioned.

Whilst we saw the benefits of higher sales prices, our assets also experienced partially offsetting increases in commodity-related input costs, such as fuels, power, acids, reagents and grinding media. Despite the higher price environment our operational discipline remains and our assets are focused on what they can control. For example, two improvement initiatives of note assist us in combating these inflationary cost pressures: Six Sigma and the leveraging of regional supply.

a. Six Sigma

Six Sigma is a primary business improvement method for the CSG with the programme implemented across all of our assets at the start of 2003 in conjunction with support from our corporate teams. We are constantly looking at ways to squeeze costs and de-bottleneck operations to counter the impacts of inflation and declining grades. During the last 12 months we have begun to see the benefits of the programme take effect. The programme is structured with a rigorous process for data analysis, idea generation, project execution and benefits audit and verification. We have had to date over 500 Six Sigma projects in our pipeline. In 2004 the EBIT benefits attributable to these projects were in the order of $45 million. We envisage that this will continue to be an important programme going forward.

b. Regional supply

We have also implemented a regional supply structure in our South American operations during the year. Apart from the BHP Billiton corporate global contract initiatives, such as earthmoving equipment and tyres, we also undertook regional contracts in explosives, chemicals, grinding media, mill liners, shovel pipes, catering, fuel and lubricants, and now have approximately $160 million of our share in annual spend covered under these regional contracts.

II. EBIT Sensitivity FY05

This slide shows key sensitivities of the business. Obviously, copper price is the most significant due to its dominance in our portfolio. Each $0.01 per pound rise in copper price adds $22 million in EBIT.

Following on from the previous slide, we see the impact of the Chilean Peso. Each 10 Peso movement against the US Dollar has a negative $6 million impact. Due to its importance in the Chilean economy, this year copper is expected to represent about 45% of Chile's exports. The Chilean Peso shows a strong correlation to the copper price, thus some of the benefits of higher copper prices are offset by our increases in input costs.

As currently three-quarters of our copper production relates to concentrate sales we are also sensitive to movements in the smelting market for treatment and refining charges. John Crofts will elaborate on this further in his presentation.

III. EBIT Comparison

This page looks at the key financial data. We have already noted the increase in EBIT and the impact of price. It is worth noting though, that the 2002 and 2003 results were impacted by the self-imposed reduction in production to the historically low prices. If, or when prices soften, the financial results will benefit now from these higher volumes than in 2003 and 2004.

The graph on the top right shows the breakdown of revenue by commodity. As discussed earlier, although the other metals are still important to the business, copper dominates. The graph on the lower left shows total capital expenditure and free cash flow. Again, 2002 was an anomalous year. Whilst EBIT was reduced due to the production constraint mentioned earlier, we were investing in the Phase IV expansion at Escondida. The final graph shows the excellent results when measured on return on capital from the historical cost net capital base.

IV. Investing in Profitable Future Growth

We have focused on creating value in the business through growth. Diego is going to talk more about the specific major projects we have in the pipeline, but this chart represents the expected capital expenditure on these major projects over the next three years; and this chart only shows those projects currently advanced in feasibility or execution.

Escondida Norte was approved in June 2003 for a capital cost of $400 million, which includes the pre-strip of the Norte site. Sulphide Leach was approved in April 2004 for a capital cost of $870 million. At Escondida both of those numbers are at 100% terms.

The Spence project is expected to be brought to the Board this calendar year. We intend to fund Spence from internally available cash flows.

Despite this substantial growth expenditure during the period the CSG does envisage still being significantly cash positive.

V. Southwest Copper

Following a reassessment of closure plans at Southwest Copper we increased provisions by $425 million during 2004. This resulted from detailed engineering and environmental studies completed after the decision to permanently close the San Manuel smelter and mine sites. These costs include all capital and ongoing costs such as the long-term water treatment and site monitoring. It is important to note that while this is our best probability weighted estimate based on thorough analysis and engineering, numerous factors outside of our control, such as storm events or legislative changes, may require a change to the provision, up or down, at some time in the future. We are treating Southwest Copper the same way we treat any major project, with an experienced project manager and project team focused on achieving the planned outcomes for an optimal cost and schedule.

The photo shows progress at the San Manuel mine site, where head frames and ore bins have now been removed. The remaining infrastructure will be removed and site rehabilitated over the coming year. The major work on the smelter site has recently commenced. The overall programme of works will have a cash impact of $80-100 million per year in the next few years, but this will not impact the EBIT as it is part of the provision mentioned. Note, however, that due to accounting standards ongoing pension and medical liabilities cannot be included in the provision and a minor EBIT charge may result each year.

I will now hand over to John Crofts, our Marketing Director, in London.

Market Overview

John Crofts

Marketing Director, Base Metals Customer Sector Group, BHP Billiton

I. Introduction

Good morning ladies and gentlemen. Thank you, Glenn; thank you, Diego. A $3,200 cash copper LME dinner, an 8.30 briefing. I think that’s about as rigorous a test of the corporate drug and alcohol policy that you could construct, but nonetheless bear with me as I endeavour to shed some light on the markets in which we operate and our principal activities.

In conjunction with that I won’t dwell on the marketing structure. I think Marius has taken analysts through that in his presentations in the past and I touched on it at our briefing here two years ago. So, I will focus principally on our copper business, which Glenn has outlined is clearly the key part of the Base Metals portfolio.

II. Regional Production and Sales

1. Worldwide Copper Market

Here we have the structure, as shown in the top left graph, of the worldwide copper market, approximately 16 million tonnes this year, and the various routes to market that the copper takes. You can see that approximately two-thirds comes from concentrate that is smelted and refined either by integrated smelters or by custom smelters, and in terms of our business we do not play in the integrated part of the chain. Our business is selling to that custom smelter sector principally.

Of course, we also do have an important cathode component from our SXEW production in South America at Tintaya and Escondida and Cerro Colorado, and you can see that that component of the market accounts for approximately 17% of supply of metal to the market. It's important in our business because it's the growing portion of our business with the Escondida Sulphide Leach project and the Spence project in the pipeline, and we will get larger in that sector of the market over time.

2. Regional Sales

The graphs on the right hand side depict the regional breakout of our sales for our copper concentrate business and below that for our cathode business. On the face of it the European portion of the concentrate business appears to perhaps be disproportionately high. That, in fact, is a reflection of the sales agency role that we perform for the Antamina copper concentrates that are sold into Europe. So, in fact, it's not a reflection of our overall book structure. What is also important in the copper concentrate market, of course, is the significant growth that is taking place in the China and India markets. We are going to see expansions of 500,000 tonnes of metal contained in those markets in the course of 2005 and it is envisaged that over time our book structure will change to reflect the growth in those markets.

The cathode book structure is more of a year by year proposition depending on premium structures and also freight rates, so that is as it was constructed for 2004 that you see on the graph, but that changes from year to year. A significant talking point in London, of course, this week following the Codelco premia announcement of last week.

III. Intensity of Use

This is an interesting slide and the key message here is that copper is and remains a modern, relevant growth metal. Demand increases as the wealth of the country rises, albeit with some shocks and peaks and troughs along the way, as you can see depicted on the graph.

As per capita GDP rises people spend more money on products that contain copper; air conditioners, electrical appliances are good examples. Further increases in living standards see luxury products replace standard products and these often require more copper. I think a very good example of that is the auto industry and luxury cars, and we are now seeing in that sector the advent of hybrid cars which use more copper again. So, this is a very important aspect in terms of how we see the future for this metal: very, very relevant, very modern.

IV. China Growth

And this also is a key part of the China growth story, which has been the preoccupation, I think, of the market and analysts for much of the last year or two, and I'll discuss this in more detail as I go through the presentation. What we are seeing, though, is that the low cost of Chinese production is opening new markets for copper. Once again, air conditioners are a great example. The Chinese can produce air conditioners at a unit cost that is significantly lower than when air conditioners were previously fabricated in other countries. And this, in fact, makes the affordability of air conditioners throughout Asia's warm climates much higher than in the past and has the effect of actually stimulating incremental demand for copper in that part of the world. So, in some sense you can describe them as having gone from being a luxury good to being an everyday item and this is very, very positive for copper. And of course, the flow-on effect from that and from any other electrical appliances moves through to the electrical energy sector and the need to generate the electricity to run all those appliances. And that as well is a key use of copper and we are seeing that in China at the moment as China endeavours to build out its generating capability to match the demand there of industry.

V. Copper Consumption

Looking at the demand growth, on a global scale and we can see just how important a component of global demand China has become. Although the analysis of what's happening in China has been focused on the last couple of years, the China story in fact is not new and we've seen significant growth in Chinese copper consumption since the early 1990s. In some sense, perhaps, it was masked at that time by a decline in the Russian CIS demand, which acted as an offsetting factor, but clearly China has now become the largest market for refined copper in the world, surpassing the United States, has grown to over three million tonnes this year, and we are projecting further increases in demand going forward. And not just China but Asia overall now accounts for over 50% of global copper demand.

India is another interesting and emerging story. Although we don't see India replicating the Chinese story we certainly see continuing very healthy growth rates in demand for copper in India.

The other interesting aspect of this graph to note is that after quite a sharp fall that you can see there during the 2000-2001 recession we are now seeing demand growth rates in copper get back to the sorts of levels that we saw in the mid-1990s, and this has important implications of supply-demand balance going forward and, of course, price.

VI. Stock Withdrawal

1. Exchange Stocks

This is a graph that I'm sure many people in this room, if not everybody, are familiar with. It sets out the exchange stocks against price over the relatively recent history. The key message here is that after the 2001-2002 recession copper demand has picked up strongly. This is against a supply picture that has been constrained by voluntary cuts initially, including our own, of course, and later by some unplanned production problems. I think the slide at Grasberg that was the talk of LME Week last year is a case in point.

The resultant fall in exchange stocks has been dramatic, down 650,000 tonnes so far this year to the end of September, and down 1.35 million tonnes since April 2002. Interestingly, exchange stocks have fallen every month so far this year even through the traditional Northern Hemisphere, seasonal slowdown period of July and August. And notwithstanding the delivery to market of the 200,000 tonne Codelco stockpile, and also notwithstanding delivery to market periodically of SRB material, Strategic Reserve Board in China.

2. Decline

Persistent backwardation on the LME and Shanghai markets probably indicates that there are not further stocks of copper to be delivered to those exchanges. Our assumption would be that if those stocks had existed those steep backwardations by now would have drawn those stocks onto the exchanges. Obviously, the rate of decline of these stocks cannot continue, given where we're at, but what is important and critical, I think, in terms of the market outlook here is actually where we are at on the stocks to consumption ratio. That's not shown on the slide, but I'm sure many of you are familiar with the plots that are produced graphing that relationship, and it's true to say that we are at or near historic lows in terms of stock to consumption ratios and the price reaction in this year and more recently in the last month or two is indicative of that.

Certainly some of the apparent consumption that has occurred over the past year or two has had a restocking component to it. Our analysis of the market, though, would suggest that there's no evidence to say that this has been excessive.

VII. Demand Intensity Paths

This slide is a further angle on copper demand intensity of GDP and the role of China. Much of the analysis in terms of China's raw material demand across various commodities has been related to this sort of analysis or permutations of it as people in various industries try to understand exactly what is happening in China and what the outlook is.

Once again, the key point here is that the intensity of use of copper increases as the wealth of a society does, and there's two key issues that become apparent when you analyse this in respect of China. Firstly, China's ravenous hunger for minerals is not due to a high intensity of use at the current time. It's due to the size of its population. We can see that if, as predicted, it continues to grow its per capita GDP its mineral demand will continue to grow. What is already the largest consuming country of copper will clearly consume more. The second point on the slide is that the path of China in terms of the two examples shown is not yet clear and we will have to see which direction it follows. However, at this stage it is fair to say that in our analysis we're not really sure that it matters. A path similar to Korea and Taiwan will see cannibalisation of manufacturing capacity in other countries and see that relocate to China. It's not unreasonable to assume that China's trajectory will probably lie somewhere between the two lines. Time will tell what happens, but the real issue is China's move across the axis of the GDP per capita.

VIII. Analyst Forecasts

Lots of talk here this week in London in terms of the outlook for copper, and what we have set out here are the forecasts of a number of the major analysts for this year and next. No surprise that in October of 2004 there's a fairly clear consensus in terms of the extent of the deficit that we are seeing this year, and as you can see it's considerable. The blue bars shown for prior years is our assessment of the deficits and surpluses on a yearly basis for copper according to our models.

What becomes important in analysing 2005 is not so much whether it is going to be a significant deficit or a balanced market, but the very limited possibility that there would be a significant surplus for the 2005 year. And this seems to be, as you can see from the bars on the graph, a consensus view; it is certainly consistent with our view. And going back to the earlier slide in terms of stock levels on the exchanges, this depicts a very healthy outlook for copper price for 2005. Our assessment of the market is that we may well see that copper will move into surplus in the second half of 2005, but we see an overall deficit for the year. A very important point here is the role of the custom concentrate market, and the current smelter bottleneck could well impact this picture by constraining the flow of refined metal to the, of copper metal to the refined market, and that could provide, in effect, further tightness in the supply-demand balance for 2005.

The other aspect, of course, is what is the role of the funds who have been very active in these markets in recent times. An interesting question to pose is whether the funds have any better bets than the commodity markets in the near term. That will probably as much as anything decide what we see in terms of price outlook going into the second half of 2005.

IX. Treatment and Refining Charges

Lastly, I just want to come back to our key market, which is the custom concentrate market and the market for TC/RCs. As you can see by the graph, this is a very volatile market and we've certainly seen some volatility for TC/RCs in recent times with a very steep rise associated with the smelter bottleneck that I made reference to. Although this has an impact on our margins, the structure, the contractual structure of the industry with brick pricing structures typical in contracts means that the flow through effect of this onto our cost structure will not occur immediately.

We actually see the rise in TC/RCs as a positive outcome for the industry. They were at, for the past three or four years, unsustainably low levels. Custom smelters could not cover their costs of operations, certainly not their sustainable capital, and that was not a long-term viable, or viable, long-term structure for the industry. So, the fact that the bottleneck has emerged and TC/RCs are rising is a healthy sign that the industry is well on its way to moving back to a sustainable long-term structure. The TC/RC increases will see custom smelting capacity added and that will be necessary to meet the flow of additionally produced material that the higher copper price is inducing.

All of this has manifested itself in many smiles here this week in London, particularly amongst our smelter customers, and we view that as positive. It's perhaps just the fabricators that have long faces, given the premia announcements and metal supply outlook.

So, that concludes my presentation and, Diego, I'll hand back to you.

Operations

Diego Hernandez

President, Base Metals Customer Sector Group, BHP Billiton

Ian Ashby

Vice President and Chief Operating Officer, Base Metals Customer Sector Group, BHP Billiton

Diego Hernandez

I. Escondida

1. Introduction

Thank you, John. Next I will cover Escondida's operations and Ian Ashby in Sydney will cover the other assets.

Escondida was discovered in 1981 and started producing in 1991 and since then they have been in continuous expansion, seven different expansion projects. We had some difficulties ramping up Phase IV, the last expansion where we built the new Laguna Seca concentrator, and those difficulties were mainly due to water recovery from tailings. When you start a new tailings dam, as we did on this project, we faced problems with the operations and with water, but all of that is behind us and we are now at nominal capacity.

2. Growth

The bottom graph shows how Escondida grew compared with other mines that have been developed in similar periods, and as you can see, the growth of production at Escondida is really outstanding and we can say that it's not only the biggest but the greatest copper mine in the world today.

3. Achieving Its Full Potential

This graph shows the BHP Billiton share of copper production. Obviously, in 2002 and 2003 we are impacted by the reduction in production due to historical low prices. The other graph shows our share of EBIT, and as you can see, of course, volume combined with price has produced an exceptional result in fiscal year 2004.

The next two graphs – it's not data that we usually show, but it's just to show to you how we have improved. Both graphs show seven days average and the way we have increased the tonnes mined per day. We were at around 800,000 tonnes per day until September 2003 and now we are between 1.1-1.2 million tonnes per day consistently. The same for the concentrators. In September 2002 we had the Los Colorados concentrator treating 100,000 tonnes of ore per day, and with Phase IV we commissioned the new Laguna Seca concentrator and today we are in excess of 200-220,000 tonnes of ore per day treated consistently.

This demonstrates that Escondida is producing on track and delivering according to our production programmes. I will now hand over to Ian Ashby in Sydney to talk about the other assets.

Ian Ashby

II. Cannington

1. Introduction

Thanks, Diego. Yes, I'll cover the other four operating assets of Base Metals. Diego has just covered one world-class copper asset, now let me continue with a world-class polymetallic mine.

2. Achievements

Cannington's had another outstanding year with record silver production and record profit. Our project to de-bottleneck the plant has been successful and they are now achieving a 2.7 million tonnes per annum throughput rate. The other key project has been the underground development of the North Block, which has allowed new stoping areas to be developed. Going forward, our business improvement Six Sigma projects are focused in the potential to further increase throughput rates on a sustainable basis to help offset the natural decline in grades.

From a management perspective we are focused on the fact that Cannington is now a mature operation. Underground stress is increasingly becoming of interest to us and these have the potential to impact stope productivity. So, to mitigate against these risks, we've accelerated our development to build some emergency stopes as contingency.

III. Antamina

I'll turn now to Antamina. Antamina is another good news story. The team there have completed the mining at the lake sediments, which has had a beneficial impact on flexibility and productivity. The concentrator is also performing exceptionally and well above design capacity. Due to changes in grade and throughput we will see a significant increase in copper production and a decrease in zinc production in fiscal 2005 compared to fiscal 2004. This year we are currently on track to produce in excess of 120,000 tonnes of copper BHP Billiton share. And we continue to drill the resource to better understand stand variability and improve predictability and to understand any expansion potential.

IV. Tintaya

Tintaya, 2004 was an important year for Tintaya. We successfully restarted the sulphide operations after they'd been on care and maintenance for almost two years due to low prices. The mine restarted with a couple of new shovels and a fleet of 240-tonne trucks from the closed Robinson mine in Nevada and that's seen an improvement in productivity and mining costs. You'll see that the site is returning to profitability despite the sulphide operations being at full capacity for only seven months.

The site has maintained its excellent safety record, which is clearly the best in the Base Metals CSG. As Diego mentioned in the introduction, we see our performance in the areas of community and environment as impacting our licence to operate. We've been recognised by NGOs for our proactive management of our relationships with surrounding communities in and around Tintaya.

Now, we have, however, highlighted that copper production from the concentrator will be slightly lower than some nominal Tintaya capacity this year. This is the result of some lower grades in the mine which although not predicted is not uncommon in the complex skarn ore bodies which tend to be a lot more complex than porphyrys, and we are also planning some mill maintenance.

We are also evaluating Antapaccay and Coroccohuayco resources, which were reviewed in the late-1990s. You should note that this is not due to a different view of price that we might have. Rather, it's driven by new insights into the skarns going from the main Tintaya pit. The concept study will be completed in the first half of calendar 2005.

V. Cerro Colorado

Turning lastly to Cerro Colorado. Cerro Colorado is a mature mine, it's been a very good performer over many years. This year we expect a drop in production due to areas of high clay in the pit, which will impact the leaching operations. We see this as mostly a timing issue and rescheduling should improve productivity going forward.

Cerro Colorado does, however, face an ongoing grade decline and based on our current understanding of the resource we do not see the ability to offset this with another expansion. In the longer term there is a large lower grade hypogene sulphide below the existing pit. Although not a high priority we are completing test work to see if it can be economically recovered.

VI. Summary

In summary, within all of our operations we are focused on safely optimising all of our assets. We are continuously looking for better and safer ways of doing things that will create value for all stakeholders.

I will now hand back to Diego who will review our growth pipeline.

Growth and Project Pipeline

Diego Hernandez

President, Base Metals Customer Sector Group, BHP Billiton

I. Introduction

Thank you, Ian. Now I will talk about growth, our project pipeline, what we are doing on that.

II. Escondida Ore Delivery Systems

First, the Escondida ore delivery system, which is two projects. First the Escondida Norte project and then to move and put new conveyors on the Escondida main pit. The Escondida Norte project requires opening a new ore body and putting in place a crusher and conveying system to feed from the pit to the two concentrators. To open the new pit we have to do pre-stripping.

The project will allow us to mine higher-grade material compared to the main pit. It also allows us to have two different pits, which is better because we will be working with the same amount of equipment but in two different places, which gives us much more flexibility and will allows us to keep the present level of production for a longer period, and also increase the reserves.

The project is going well, it's going on time and budget, and we should be feeding the first ore from Escondida Norte in the second quarter of 2005. That project is very important to Escondida and it will recover the flexibility that we had in the past.

III. Escondida Sulphide Leach

The other brown field project is Escondida Sulphide Leach. It's at a much earlier stage of development. This project allows us to treat what before was marginal sulphide ore, leach that run of mine ore and produce 180,000 tonnes of copper per year, copper cathodes in a new tankhouse, and also will allow us to run the oxide plant at full capacity for a longer period.

This project, is at early stage, as I said, but it is going well and we expect to have the first cathode in the second quarter of 2006.

IV. Spence

We believe that Spence is the most robust green field project in copper in the world today and we are looking for the BHP Billiton Board approval in this calendar year. Our current thinking is that the first cathode will be produced in the fourth quarter 2006 and in 2007 we will really start to ramp up cathode production there. Nominal cathode production is 200,000 tonnes per year, but during some years we should go above that level. Capex is now estimated just above $1 billion. This is higher than mentioned at earlier briefings and that's mainly due to an increase in commodity prices which makes steel and other materials more expensive. We have just reviewed the capex and we are completing our financial evaluations, but we have also included leaching some run of mine material and that has made a higher net present value than what we had before. Spence is a very solid project.

V. Delivering Value Adding Growth

Well, what does all this mean? Since the merger we have continued to optimise our assets and portfolio and deliver projects on time and budget. We currently expect fiscal year 2005 production to be slightly higher than fiscal year 2004 production, probably just over one million tonnes of copper. Based on our currently approved – or in the case of Spence, soon to be approved – projects we currently envision our production to rise by almost 50% to around 1.4 million tonnes by 2008. I need to emphasise the note in the box. This is based on our current plans and schedules and market demand. It could change for a variety of reasons. BHP Billiton is firmly committed to delivering value to our shareholders.

VI. Additional Growth Options

1. Coarse Particle Recovery

Let us talk about other additional growth options. The Coarse Particle Recovery project in Escondida consists of re-treating the tailings that we are producing now and enabling size separation, that is taking the coarse material and flowing that coarse material and with that we should have the potential to recover an additional 80,000 tonnes of copper per year from that coarse material.

We are starting the feasibility study and if constructed it could in theory be used later in the mine life to re-treat high-grade tailings placed in the initial stage of Escondida operation not too far from the Los Colorados plant. And we expect to review feasibility results next year and eventually take an investment decision.

2. Alliance Copper (ACL)

The second project is the Alliance joint venture in which we are partners 50/50 with Codelco. That's bio-leaching. We currently have a demonstration plant in operation on the Chuquicamata site. Although not directly competitive with smelting it has the potential to allow complex concentrates that cannot be economically smelted to be processed. Similarly, a decision to move to a commercial plant will be considered next calendar year.

3. Technology

Base Metals continues to invest in focused technology development that has the potential to add significant value to our portfolio. Probably the area with the greatest potential, centres on work aimed at improving leach recovery of primary copper sulphides, mainly chalcopyrite. Even incremental improvements in recovery have the potential to have a significant impact on the financial results of a project like Escondida Sulphide Leach.

4. Exploration

As mentioned, we continue with brown field exploration at all our sites. Either directly or through joint ventures we are also involved with green field exploration in the order of $20 million per year. These are managed and funded by BHP Billiton Exploration. As mentioned earlier in the presentation, we are also 45% partners in the Resolution project in Arizona. This is a joint venture where Rio Tinto is managing a pre-feasibility on the potential of mining this high-grade deep resource.

VII. Location of Main Projects

I will not go into great detail about the BHP Billiton Base Metal's exploration, but rather give an indication of where we are spending our exploration Dollars. Initially we see a world map with the main porphyry regions ranked in terms of prospectivity; the red being the most prospective.

We overlay where we are either directly or through joint ventures actively exploring for copper. We have also added where we are looking for other styles of base metals mineralisations. Finally, the pie graph shows an approximate breakdown of how the exploration is split across areas. Of course, we are exploring where we already have copper and also in well-known regions and we are working in many of those areas, as you can see.

VIII. Conclusion

So, I would like to finish where I started. I hope you have found today's presentation interesting and informative. Additionally, I hope that our update on our asset performance, our project pipeline and our exposure to options for potential future value creating growth will lead you to conclude that BHP Billiton Base Metals is the best base metals company in the industry.

I thank you for your attendance and we can now move to a question and answer session. We will start here in London with three questions, then go to Johannesburg and then to Sydney and eventually have a second round of questions.

Questions and Answers

Question:

Perhaps a question for John, Diego, about the copper market. Did I understand in listening that the view is within BHP at the minute that part of the increase in TC/RCs we've seen is because today we have a smelter blockage, essentially, a shortage of smelting capacity, which you expect to be relieved into the second half 2005, and I think the number was 500,000 tonnes of new smelting capacity? Is that, is that a correct understanding?

John Crofts

Thanks. Our assessment of the outlook for the concentrate market is that it's been in surplus this year, in 2004, and will continue in surplus for the first half of 2005. By the end of 2005 it will be back in deficit but there will still be a carry over of surplus concentrate built up during the preceding period of surplus market. So, in terms of TC/RCs, we would then see that more impacting on into 2006 in terms of a market turnaround.

Question:

So, it sounds like we should expect to see TC/RCs, contract TC/RCs, continuing to push up over the course of the next 12-18 months, and what would be the level that you are looking for, for say, 2005 or thereabouts compared with what we've seen in previous years, to give us a sense of cost pressures within the business?

John Crofts

Well, as you're probably aware, TC/RCs are a negotiated outcome. So, it's not really so much the level that we would like to see or believe is appropriate, it is really the level at which it's established by true negotiations by the major players. Certainly we've seen the spot market in recent months move to over $100.10. Some analysts would regard that as being indicative of a significant surplus for concentrates. We will have to have a look when we get to the end of the year as to how that plays out in terms of the annual negotiations.

Diego Hernandez

And as you know, negotiations are starting now and I think it's not appropriate to give any number. We don't negotiate through you, we negotiate direct with... Okay.

Question:

Just a couple of follow-up questions. The first, just on that TC/RCs, how exposed are you to the spot rates for 2005 as it currently stands and in terms of your book? Then just a question on Chilean royalties. What assumption have you made for Chilean royalties in terms of Spence development go ahead, and have you got a view in terms of what do you think about the Chilean royalties going forward?

John Crofts

Take the concentrate book aspect of that question. I think previously at some of the briefing sessions we've had in Chile we have explained about the carry over of concentrate associated with the Apollo programme, particularly as it relates to the Escondida book. So, we are still at this stage working to catch up on that backlog of concentrate that was not delivered or was delayed, had its delivery delayed during the period of the Apollo programme. So, as a consequence, our exposure to the spot market in 2005 is minimal.

Diego Hernandez

On the royalties question, well, you know that the Chilean royalties bill was presented this year to congress by the government and didn't pass. At this time we anticipate that the royalties discussion will continue in Chile. The President announced that probably in Chile we have municipal elections now, by the end of October, then probably after the elections they will re-raise that issue and probably they will still continue to discuss it. But BHP Billiton is on solid legal ground with regard to the DL 600, the foreign investor agreements that give us fiscal stability and prohibits discriminatory taxes.

In respect to Spence, Spence also has a DL 600 signed and in our evaluations we have included some sensitivity to the royalties using as the worst case what the government presented this year for approval and that wasn't approved by the congress.

Other question?

Question:

Just give us a feel for the cost pressures you're facing at the moment. I mean clearly with the industry going through growing personnel costs and steel, etc, they are all having impacts to most regions. What are you seeing particularly in South America?

Diego Hernandez

Well, they are obvious, as Glenn Kellow mentioned, Chile's main export products are copper and with this present price there is good trade balance and as a result of that the Peso is stronger. It went to around 600 Pesos per Dollar compared to the 630 that we had not too long ago. Oil price has increased as well as diesel price, but we manage that and we expect some operating cost increases but they are really marginal compared to our margins now with the high copper price. But I would say mainly oil and exchange rates are the biggest impact.

Question:

And could you also just follow on with the power situation in Chile? What's actually happening, are there new plants being built, where's the gas coming from, etc?

Diego Hernandez

Well, in regard to the gas situation with Argentina, Argentina is delivering less gas than contracted. In the north of Chile there is a separate power system which we are linked to. Escondida and Cerro Colorado are on that system. That system has an excess power capacity and it runs with coal and with gas. We have different contracts with different prices that were negotiated at different periods and we are paying according to those contracts. In Northern Chile there is currently around double the installed capacity required by demand and everybody is complying with their agreements. So we don't expect any problem with power in the short term.

Okay, we will move to Johannesburg for the questions.

Question:

A question, I think, again for John. Can you just discuss, John, in terms of the expansions that we've seen either announced, well, announced over the last 12 months from your competitors in the industry, have they come through as expected with respect to volume and quality? And then the second question, I see that Northern China is one of your top priority areas in terms of exploration. Have you flown FALCON technology in China?

John Crofts

Well, in terms of the supply side in the industry, clearly the most significant impacts have been the reactivation of Grasberg following the slide and I understand that they are now back at or near their full capacity. And then we've seen a series of reactivations of closed mines in Chile, some in Canada, some in North America and they are at various states of progress. Specifically, as these impacts reflect or affect the concentrate market, I think the concentrate market has more severely been impacted by difficulties in smelter project expansions in India and also the slower ramp up than expected of the Thai copper project in Thailand. And it is the combined effect of those that has produced in the short term the surplus of concentrate that I referred to.

Diego Hernandez

Ken, do you want to comment on the exploration?

Ken Pickering, VP of Technology Products and Exploration, Base Metals CSG

Thank you. In response to the question have we used FALCON in Northern China – no. We are exploring there, it is not one of our major programmes, it's early days and I think getting permission to fly the FALCON in that country would be a little bit delicate, so we'll see how it passes out in future years.

Question:

What I want to ask is that last year when you were talking about the Escondida projects, the expansion, well, actually the replacement projects, it was based obviously on production levels that we're seeing, we saw at the time. You've obviously pushed your production levels very impressively up by almost 20%. Will the projects that you've got coming on stream also have a production levels plus 20% more than was planned a year ago?

Diego Hernandez

The projects that are being implemented now were announced and approved a year ago and we are implementing those projects now. For Escondida there is nothing different compared to a year ago in terms of production expectations. What is new is the Spence project, which we are seeking to approve this year and that will add another 200,000 tonnes of copper per year to our portfolio.

Question:

I'd like to follow up on the closure of Southwest Copper. I'm assuming that mine had a rehabilitation fund, so my first question is how much money was in the fund when you took the decision to close the mine? My second question is where did it fall short, you know, where did you underestimate the liabilities of closure? And my third question is what are the implications of this for your other mines? Are you going to have to allocate greater amounts annually to cover expected rehabilitation and closure costs?

Diego Hernandez

Paul, can you answer that, please?

Paul Benson

Diego, thanks for that. I'm glad I got one question just to prove, Diego, that I did come to Johannesburg. I will also ask Glenn Kellow, the CFO in Sydney, to speak specifically to the previous Dollar amount. But what has happened at Southwest Copper you need to understand that there are a number of sites there, it's not just one site. You have the San Manuel mine, the San Manuel smelter, Pinto Valley, Miami Unit, etc. What, the decisions were made at different times. The San Manuel mine, a decision was made a couple of years ago to close that. The decision to close the smelter was last year, and so what we've done over the intervening period is go back and do the major evaluation and the major engineering and to really understand what was needed to close those operations. So, that, following those studies, that's why the provision has been increased.

In terms of implications for elsewhere, I think the issue is that Magma is a very old historic mining area with, which has been in operation for a hundred years, it's had a smelter there, etc. We don't see that in any of our, you know, other operations, etc.

So, Glenn, could you just talk to the, what the existing provision was before we increased it?

Glenn Kellow

Yes. I'm not sure whether the question related to funding or provision, but in the US there was very little in the form of funding requirements; there was just a small letter of credit associated with one of our mines. If the question related to provision amounts, we had approximately $300 million provided at the end of 2003 and so at 2004 we'll have about $700-odd million provided now, $730 million.

Diego Hernandez

Thank you, Glenn. We move to the questions in Sydney, please?

Question:

My question, like everyone else's, is twofold. The first one you talked about Spence and I think I gathered early on in your presentation that you mentioned Spence would have lower cash costs than Escondida. Could you please give us a little bit more about the hurdle rates, the price scenarios you used there, including the Chilean Peso price scenarios offsetting against the US Dollar copper price?

My second question is it was interesting to me that you see a surplus in the market probably from second half of next year and at that time you have very little of Norte, none of Leach and none of Spence on the market. Will you again help the market as you did in 2001 by cutting back production if you see the market is going into surplus, and at what rough copper price would trigger those cutbacks?

Diego Hernandez

Thank you. Well, Spence has a lower cash cost because it's a leaching operation, and we have good grades, Spence has better grades than Cerro Colorado and that equates to a lower cash cost, as you have seen in the presentation. And I think that this is one of the strengths of Spence that it keeps that level of cash cost for almost all of the project's life.

We use copper price and exchange rates for our evaluations and we can't comment on that, but it's not too different to what everybody uses. And in Chile, because copper is so important to the trade balance you have a kind of insurance because when copper price is low usually the Peso is weak; when copper price is high then the Peso is strong. Then that allows you to be sure that on the low price you will have that cushion.

I don't want to comment on when we would look to cut production. I think that it's not what people are looking for now. I think that demand is quite firm and there are not too many projects like we saw in the 1990s on the portfolio to be developed. Then I think a cut in production is far away and we are not worried about that today.

Question:

At a presentation like this last year we heard some previews of a strategy, a marketing strategy aimed at getting closer to the customers, perhaps through tolling through smelters, probably not through getting into the smelting business directly. Is that still the strategy or does the change of management mean a change of strategy?

John Crofts

There's two aspects in terms of getting closer to the metal customers. One is the natural growth that will occur in our portfolio over time with the increased cathode production from the SXEW projects that have been explained here this morning. The other aspect, which I think I've talked to previously, was putting in place some physical tolling deals with custom smelters in order to take metal back, particularly in locations, regional locations of strategic interest to us. And on that front we have in fact concluded a number of deals with smelters in Asian regions to do just that. It's fair to say that that aspect of our strategy is somewhat exploratory in nature. Backwardations need to be managed in this process and that can make it difficult. Also, those spot metal premiums, the likes of which we've seen in the course of the past 12 months, can make it quite attractive. So, that continues to be an area of interest for us to pursue in our marketing programme.

Question:

I just wanted to sort of just delve a little bit more into the cost side, if we could. Firstly, if you could just run through maybe like how much of your costs are perhaps price linked, because I think that's obviously quite a key issue? Secondly, you talked about the power in Chile and obviously supply is not an issue, but obviously changing source from gas to oil or diesel or whatever, because you can't get it from Argentina, does that pass through straight away to you in terms of the cost and do you wear that as well? And then I was just wondering if you could maybe give some sort of indication of what you're seeing in terms of cost pressure? If you took your average costs across your Base Metals division what sort of percentage price rise, I mean are we looking at a 10% increase in costs year on year, 20%? I mean I know you are still going to get margin expansion because of the price, but I think it's quite important that I sort of understand how much cost pressure you're actually facing.

And then secondly, just if we could talk maybe just the premiums and it was mentioned what was talked about last week. I was just wondering if BHP is seeing the same sorts of premiums today, or does it get those premiums in its business as well? Thanks.

Diego Hernandez

The premium, that's on cathodes. John, can you take that question?

John Crofts

Yes, let me just start with the premium aspect of that, and it's interesting because there's actually linkage there in terms of one of the cost pressures on the business and that's ocean freight. But we have seen the, with the announcement last week by Codelco of their producer premium for this year a significant increase from last year, $115 here in Europe versus $60 at the same time last year. That increase would more than offset the incremental freight costs associated with the cathode side of the business and clearly reflects the underlying tightness in the market for cathode. So, that perhaps addresses that component of the question.

There was one further aspect to it: have we done any business yet? I happened to put through the phone call to the guys this morning. It's all playing out here in London as we speak. But we, as of yesterday, had concluded one piece of European business and we're also in discussions with North American fabricators and, as is typical with the cathode marketing campaign, the focus then turns to Asia through later October and into November.

Diego Hernandez

Okay, on the cost pressure, the new power plants in Northern Chile, Escondida was the first big project in the 1990s in Northern Chile and previous to that each company had its own power plant, and there were not too many. Then the power grid was developed and a lot of new coal-fired power plants were built. After that, two gas pipelines were built in Northern Chile between Argentina and Chile and new power gas-fired plants were built there. And as I said, installed capacity is almost twice the size of demand. Then all the mining companies, with Escondida being the first one, negotiated contracts in different periods being long-term contracts, say, for 10 or 12 years. Some of those contracts are coal fire-related and some are gas-related. Then we are paying a mix of those prices today and we don't expect to have increases because of the gas problems. I am referring to Escondida and Cerro Colorado operations. We are paying what we have in the contracts and those contracts still have some years to go.

On costs, it depends on the operations. Some operations have different cost breakdowns but I will say that we don't expect cost increases to be bigger than 10% due to cost components that we don't control. At the same time, as Glenn Kellow showed, we have made savings in our operating costs that have been partly offset by these cost increases mainly due to oil and exchange rate. I think that costs are under control and we have flexibility there.

In our business you should look at yearly production, not quarterly production because, depending on the mining plan, we have some months with lower grades, some months with higher grades, and then we have some quarters with lower production compared to the previous ones. What we should look at is the yearly production, then in some quarters costs could go up and then down, but we are on quite solid ground in both operating costs and production for this fiscal year and for the coming years.

I want to go now to some questions by telephone.

Question:

Hi, good morning. Most of my queries have been answered already, but I just wanted to get a general question. What are your production targets for 2005 and at least over the next three years, and what's your capital spending programme within those years as well?

Diego Hernandez

In terms of production targets, we said our target for 2008, was around 1.4 million tonnes if we go ahead with the projects that we have shown. And we said that our production this fiscal year should be around one million tonnes, a little less than a million tonnes, and the years in between it's a figure in between.

Then, the Escondida Norte project is $400 million and that will be spent in fiscal years 2004 and 2005 mainly. Sulphide Leaching is $870 million and that should be spent in fiscal years mainly 2005 and 2006. Spence project is a little less than $1 billion and, if approved, we should spend that money in fiscal years 2005, 2006 and 2007. These are our main capital expenditures. Remember that in Escondida we own 57.5% and Spence is 100%.

Okay, other question?

Question:

Yes, just on the same theme regarding costs and capex, I noticed looking back at past presentations the capex for Spence early this year was noted at about $840 million and it's now close to $1 billion, and I'm just wondering what cost elements have pushed that up? That's a substantial increase. Is it things like steel and fabrication costs, or wages for your contractors? Just wondering if you could expand on a couple of those items for us, please?

Diego Hernandez

Okay. Spence: we have reviewed the project, we have included some items that before were not included. One example is the power line. We expected on the previous figures that the power line should be built by a power company. Because of the gas issue and all those problems in Northern Chile and to not delay the project we decided to build the power line ourselves. That means that we are increasing the capex and we are decreasing the operating costs, the power cost.

We also increased some additional facilities to increase production. As I said, we are now leaching some run of mine material that was not considered previously, and that results in higher production than previously. And also we had some cost increases due to steel cost and associated materials price increases. But in terms of net present value and in terms of return, because we have increased production, we have increased capex, it balances and the project is as strong as it was before.

Question:

Yes, good morning. Just looking at the current copper market, you know, copper prices, around $1.40, $1.50. Do you question whether you could redevelop your Southwest Copper assets again, or are they completely off the agenda? And just secondly, looking more at the market, what's your anecdotal evidence at the moment in the Chinese market? Is it, you are remaining very strong, we are starting to see some soft numbers just recently from the International Copper Study numbers and I was just wondering how you guys were seeing the Chinese market right at the minute?

Diego Hernandez

Well, for Southwest Copper, we don't intend to reopen Southwest Copper. We are in the process of demolishing and shutting that down. And on the Chinese market, John?

John Crofts

Yes, just in terms of our assessment of China, we remain very positive in terms of the market outlook there, the demand aspect. Interestingly, a significant component of China's copper demand is associated with the build out of the power infrastructure that I made reference to and I think that is not something that China has a great deal of choice regarding. They are compelled to do that to fuel their further economic growth. So, we would be positive and probably would see growth year to date 2004 in that market as being in excess of 10% year on year.

Diego Hernandez

Okay, thank you, John.

We don't have anymore questions on the phone. Here in London do you have more questions?

Question:

Thanks for a great presentation, and one of the themes in the oil industry at the moment is that if China continues at its current consumption rate that we experienced in the last 12 months that

OPEC would need to double their production capacity in the next 10 years. Have you, the chart that you displayed on the data, consumption per capita chart, have you done a similar number as to how much copper will need to be expounded in both mine and smelter and is the market not adding enough capacity, do you think?

John Crofts

I'll take that one. Keep in mind here that what we're interested in is the global copper market, because to some extent, and we work hard to understand this, some of the China apparent consumption is in fact cannibalisation of consumption that previously occurred in other countries. So, to look at China's consumption in isolation is not really what we're about. We're trying to understand global supply-demand balance.

What is interesting, though, is that as China has become a much more significant component of the overall global demand for copper, it's now in excess of three million tonnes in a market of 16 million tonnes, the growth rates that are taking place, that we've seen take place now consistently right through the 1990s and into this decade start to compound fairly dramatically, and that brings you back to understanding well, how much of that is consumed in China and how much of it is exported elsewhere. We would be of the view, and you saw the graph that we put up, that the near-term outlook is that 3.5% growth in copper demand per annum is realistic. If you factor that into a 16 million tonnes market, you can do the sums in terms of the new copper requirement each year. If you overlay grade decline at existing operations, we believe it makes for a pretty interesting scenario and certainly exciting in terms of the prospects for our new projects.

Question:

Maybe just one follow-up. What is your view in terms of the impact of Chinese consortiums buying up assets? I met with Norddeutsche Affinerie and they talked openly about buying more and more copper smelters, and you saw that obviously with the Noranda announcement. What are you seeing at the moment with that?

John Crofts

I, you know, so far there's been no purchase, of course, so we have to wait and see if a transaction is actually concluded. I think one take away of the Minmetals-Noranda transaction that's currently being discussed is it's instructive in terms of what presumably is a Minmetals perspective on ongoing shortness of equity copper ownership or production going forward such that they would contemplate a transaction like this.

Diego Hernandez

Then, of course, they are looking more at a source of copper than really a source of smelting and refining, I imagine.

Question:

Just following on from that then, have you changed your view of your long-term copper price assumptions or commodity assumptions in general in BHP Billiton going forward? Or if you haven't changed it yet is it under review?

John Crofts

Inside BHP Billiton we have price protocols in place for all of the commodities in which we deal and a large number of the costs to which we are exposed, and there is an annual review process of those protocols. And in fact, that's a process that is underway currently, so there's no change to, changed status in terms of the copper price protocol at this point.

Question:

I have a question about technical risks, particularly with the new projects, the Sulphide Leach project at Escondida, the Alliance Leach with Codelco joint venture, and also just the Coarse Particle Recovery project. I'm just wondering if you can talk about technical risk, and in terms of timing, cost and the ultimate capacity that may be derived from such projects, please?

Diego Hernandez

Okay. On the Sulphide Leach project, we evaluated that project with quite a conservative recovery rate and we hope that we will have a better one. We leach a pilot run of mine ore of 300,000 tonnes of rock, more than 300,000 tonnes, then we will get solid data on that, and use it to mitigate the risk.

Alliance copper, we have a demonstration plant to prove up the process. Before going to an industrial plant and a big investment to use that technology, we are going to the demonstration plant. There is no risk there.

And finally, the Coarse Particle Recovery. It's conventional technology and it has been fully tested for many years at the site. It's also something that doesn't represent any technological risk.

Question:

This question is following on from your China discussion about India. You alluded to India and there could be demand increasing in the future. When do you see that could kick in and do you also see a substantial amount of cannibalisation potentially occurring in India as well as happening in China?

John Crofts

Just in terms of the demand side for India, there's really two aspects of that for our business. I'll just start with the concentrate aspect in terms of the custom smelting capacity growth that has occurred in India. Two major players there, Birla and Sterlite, and we have seen expanded sales to both of those as they have built out their capacity. They have now built out their smelting capacity well beyond the domestic refined demand of the Indian market at current levels. That number is around 350-400,000 tonnes. It has been growing at 6-7% per annum consistently now since about the mid-1990s. So, you know, it's not a three million tonnes China market, but similarly, if you go back and track the history of where China came from in the late-1980s, early-1990s, you don't have to go too many years at those sorts of compound growth rates before you get a pretty interesting market. So, that would be our assessment on India.

Diego Hernandez

Okay. Well, thank you very much for your attendance. Thank you Sydney and Johannesburg and here in London.