BHP BILLITON INTERIM RESULTS
BRIEFING
THURSDAY, 19 FEBRUARY 2004

CHIP GOODYEAR:

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Ladies and gentlemen, welcome to the interim results of the fiscal year 2004. I am coming to you from London today. Joining me is Chris Lynch. Chris is our Chief Financial Officer. Following the presentation today he will talk about our financial results. With Chris is Marius Kloppers. Marius is our Chief Commercial Officer. He will join Chris and I in our discussion around your questions and answers.

Before I jump into the highlights I just wanted to make a general comment. When you take a look at our results they are certainly very pleasing for the first half of the year. But I also say that although price is certainly an important driver, it's by no means the only thing that was good for our results in the past year. In fact it's the execution of our strategy, and the consistent execution of that strategy, that has made an important impact on the BHP Billiton results.

As we have said to you in the past, good things happen to companies that prepare for those good things to come. In our strategy we talk about building on a platform of low cost, high quality reserves and making those assets work well. The second level of our strategy is around operating excellence, finding ways to share knowledge across the organisation and build our economies of scale.

The third area of the strategy is our growth pipeline and executing that pipeline on time and on budget. When you take a look at the results, price is there, but good operations, cost savings and executing our projects are important drivers to the overall performance of BHP Billiton in the last half year, and will be in the periods ahead.

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Moving now to the highlights. Every major mineral business saw an increase in production year over year. We had record production, record half year production in four businesses: The aluminium business, the iron ore business, the nickel business and the diamond business. From a financial point of view EBITDA was $3.1 billion for the half year and EBIT was $2.2 billion, up 32 per cent. Both of those are before exceptional items.

Attributable profit was up 30 per cent to $1.2 billion and earnings per share were 19.5 cents. Those items were after the impact of currencies, which Chris will talk to you a little bit about. But those currencies had an impact on our production cost as well as the way we account for our functional currency adjustment.

If you consider our results after exceptional items, profit was $1.34 billion, up about 47 per cent from the prior period. Available cashflow also increased to $1.7 billion, up 43 per cent. We had capital expenditures of about $1.4 billion for the half year. We continue to look for a full year capital expenditure number of about $3.4 billion.

We also benefited from cost savings and merger benefits, there was an incremental $60 million in the last half year. That brought our total since the merger to US$655 million, well on our way to the $770 million target for June 2005. That's a tough target but one we fully expect to meet.

Then with regard to projects, we bought on five new projects in the last half year: Hillside 3, the Port expansion in the Pilbara, mining Area C in the Pilbara, Mt Arthur North in the energy coal business and Ohanet in the petroleum business. I will talk a little more about where we go from here but again those projects, on time and on budget or better.

What I would like to do now is turn the presentation over to Chris. Chris will run over the financial results and then I will come back and make a comment in several areas. Chris, over to you.

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CHRIS LYNCH:

Thanks Chip, and good morning everybody. As Chip has already mentioned this has been a very strong operational and financial half for BHP Billiton. As well as setting record production levels in several of our operations, available cashflow, earnings per share, attributable profit and EBIT all increased by over 30 per cent compared with the same period last year.

A couple of reminders. Today all the dollars referred to in the presentation will be US dollars and any comparisons made to the prior period are against the six months ended 31 December 2002, and all references to any headline numbers will exclude the two exceptional items, both of which are positive, but the headline numbers will exclude those.

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Looking first at the financial highlights. Turnover increased by 36 per cent to just under US$11 billion, mainly due to higher prices for commodities which added US$1 billion and increased third party sales which added US$1.5 billion. Volumes grew in copper, metallurgical coal, diamonds, iron ore and aluminium but were down in titanium feed stock products due to weaker market conditions, and in petroleum products because of expected natural field decline.

Record EBITDA of US$3.1 billion and EBIT of US$2.2 billion are up 23 and 32 per cent respectively compared with last year. Attributable profit of US$1.2 billion for the half is 30 per cent higher than last year.

There are two exceptional items, both of which are positive, totalling US$126 million. The first is a US$48 million after tax benefit pertaining to the settlement of a longstanding claim regarding the failure in an underwater pipeline in Liverpool Bay, and the second is a benefit of US$78 million based on our entry into the Australian tax consolidation regime, both of which have been treated as exceptional.

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Before I look at EBIT by CSG I would just like to highlight the strength of EBITDA generation since the merger on this next slide. It shows EBITDA for each of the ten quarters since the merger. Despite a number of significant external events and generally tough economic conditions in the 2002/2003 fiscal years, not only did our assets continue to generate strong cashflows, but as you can see the shape on the line of best fit through this graph is starting now to tend upwards quite strongly.

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On the next slide it shows an analysis of EBIT by customer sector groups. It shows that EBIT for the group increased by 32 per cent to US$2.2 billion.

In the petroleum CSG prices were up for both oil, 8 per cent, and natural gas 20 per cent, but volumes of liquids were down due to expected field decline and prices and royalty costs were higher. Costs were also adversely affected by the Australian dollar which reduced EBIT by approximately US$45 million.

Natural gas production increased by 15 per cent, mainly due to the successful commissioning of the Zamzama project in Pakistan and increased production from Liverpool Bay. Total petroleum products production was 62.4 million barrels of oil equivalent, which is 1 per cent below last year but well within our guidance, and we expect a full year of somewhere between 120 and 125 million barrels equivalent.

Exploration expense was deliberately increased following success in the Gulf of Mexico and Trinidad and Tobago. As a result of this success we expect that gross exploration spending for the year ended 30 June 2004 will be approximately US$350 million, an increase of about US$100 million on previous guidance. Most of this additional expenditure will be incurred on appraisal activities.

Exploration charged to profit of US$77 million for the half was US$27 million higher than last year. In total, EBIT for petroleum decreased by 9 per cent to US$602 million.

The aluminium CSG achieved a 15 per cent increase in EBIT to US$307 million with higher volumes and prices driving the result. Sales volumes were higher reflecting the earlier full commissioning of Hillside 3 in December of 2003 and Mozal, the expansion in August of 2003 and the average price for aluminium metal increased by 11 per cent compared with last year.

These increases in EBIT were partly offset by the impact of the strengthening in the South African rand and Australian dollar on operating costs, higher price link costs and increased transportation costs.

Base metals EBIT at US$333 million was more than four times last year's figure.

Average realised copper prices were 96 US cents a pound, 96 US cents a pound compared with 68 cents per pound in the previous year, 41 per cent higher than the same period last year. This combined with higher prices for silver, lead and zinc increased EBIT by approximately US$300 million. The current half year also benefited from higher copper production at Escondida.

These improvements were partly offset by higher production costs at Antamina, depreciation charges at Escondida increased as a result of the phase 4 expansion, and also the strengthening Australian dollar on the Cannington results, and the Chilean Paso strength. These had an unfavourable impact on EBIT. The corresponding period also benefited by US$19 million contribution from the Alumbrera property which was sold in April of 2003.

In Carbon Steel Materials we achieved record half yearly iron ore production and shipments from Western Australian operations driven by a strong demand from all Asian markets but especially China. Prices were higher for iron ore, hot briquetted iron and manganese alloys. Increased metallurgical coal volumes also had a favourable impact on EBIT as did continuing improvements in the operating performances at Boodarie Iron. The Australian dollar and South African rand cost structures were more expensive when expressed in US dollars, adversely affecting EBIT by US$250 million.

Future periods will benefit from the 18.6 per cent increase in iron ore price and the 28 per cent increase in metallurgical coal price which were announced recently. These increases will take effect from 1 April 2004. So no impact on these results but a good sign for future periods.

In Diamonds and Specialty Products, earnings were in line with the same period last year. Processing efficiencies and higher ore grades at Ekati contributed to an EBIT result double that of last year. We completed processing of a pocket of particularly high grade ore from the Koala pit in December of 2003. We will now move into a lower carat, lower quality production phase but the second half will continue to benefit from already mined inventories.

Offsetting this diamonds performance was lower sales volume from Richards Bay Minerals which reflected weaker market conditions for titanium feedstocks, and also higher costs due to the strengthening South African rand.

Energy coal was a mixed result. Ingwe was challenged by the strong rand and lower volumes available for export.

In Columbia, Cerrejon Coal is ahead of expectations on both tonnage and costs and New Mexico had bedded down the San Juan underground project and is performing well. The Mt Arthur North expansion in Australia is running well but costs have been adversely impacted by the strong Australian dollar.

Stainless Steel Materials EBIT is three times last year's figure. Prices for both nickel and ferrochrome were up just under 50 per cent. But importantly, nickel production was also up by 5 per cent, a record half year, to take advantage of these higher prices in the market.

Exploration and Technology shows a positive contribution for the current half year. This reflects profits on the sale of non-core assets, in this case US$37 million contribution from the sale of the Turquoise Hill royalty interest.

Excluding gains and losses from legacy currency hedging activities, Group and Unallocated items were US$67 million compared with US$96 million in the prior period. Underlying overheads were actually US$102 million, offset by one off gains of US$35 million. This compares with last years figure of about US$111 million.

Profits from legacy currency hedging activities were US$30 million in the current period compared with losses of US$95 million in the corresponding period. These legacy positions will fully expire in the second half of this year.

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Moving on to the price impacts on the next slide. This slide shows a breakdown of the US$1 billion price variance for the group. As you can see, all commodities are up. By far the biggest single impact was the US$250 million impact arising from higher copper prices. However, the benefit arising from these higher commodity prices was partially offset by higher price linked costs of US$85 million, mainly due to higher nickel ore, supply costs, higher royalties and taxes for petroleum products and higher power and alumina costs linked to LME prices. The net EBIT benefit for commodity prices was US$920 million compared to last year.

If exchange rate impacts on cost are seen as just another price, then exchange impacts raised US dollar costs by some US$455 million net of legacy hedging gains. So the overall residual benefit this half from market price and market price related issues, is US$465 million at the EBIT line.

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Moving on to the non-EBIT items on this slide, net interest expense of US$211 million is US$11 million up on last year. Costs associated with restructuring the group's debt were partially offset by lower average debt levels. The exchange loss on net debt was US$89 million in the current half compared with a loss of US$58 million last year. This US$31 million variance is mainly due to gains included in the corresponding period associated with the repayment of debt prior to the demerger of BHP Steel.

The tax charge for the half year excluding exchange impacts was US$517 million. This represents an underlying effective tax rate of 27.3 per cent, or 34.8 per cent after exchange related restatements. We have continued to recognise the benefit of US tax losses with a total of US$50 million being recognised in the current half for this source. And in addition, investment incentives and development entitlements have been recognised within a number of entities, reducing our effective tax rate by a further 3 percentage points. For the full year we expect an underlying effective tax rate around 28 to 29 per cent before any foreign exchange restatement effects are taken into account.

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I have mentioned the exchange rate several times in this presentation. I talked earlier about exchange impacts at the EBIT line of US$455 million. US$375 million of this comes from translating our Australian dollar, South African rand, Chilean Peso, Canadian dollar and Pounds sterling costs into US dollars net of legacy hedging gains.

The remaining US$80 million movement comes from revaluing monetary liabilities held in domestic currencies in the businesses. These are liabilities like employee related provisions in most businesses, and in the case of petroleum, Resource Rent Tax. This slide only focuses on the restatement effects of the monetary liabilities on the balance sheet, which are essentially non-cash items.

As you are aware, we operate under a US dollar functional currency, based on the fact that the vast majority of our revenue streams are in US dollars. The major profit impact of operating as a US dollar functional currency company, is the restatement of monetary assets and liabilities that are in currencies other than US dollar. In our case it is mainly Australian dollars and South African rand.

We know that attributable profit has increased by an impressive 30 per cent compared with last year. This is after the unfavourable non-cash exchange impacts of restatements.

Attributable profit for the half year ended 31 December 2002 was US$931 million after an unfavourable restatement for currency movements in that period of US$68 million. If this were added back it would result in an underlying number of almost exactly US$1 billion.

This half's attributable profit of US$1.2 billion is after an adverse restatement of US$299 million which, if added back, means the underlying result will be just over US$1.5 billion, an increase of around 50 per cent on the same period last year.

As you can see, the group is presenting today the strongest set of financial results since the merger at the attributable profit line, and even stronger if you go to the underlying performance.

Slide 11

Moving to cashflow on the next slide. Operating cashflow before interest and tax is almost US$2.4 billion for the half, 25 per cent higher than last year. After the payment of interest and tax, both of which were in line with last year, available cashflow increased by 41 per cent to US$1.7 billion. Capital expenditure of US$1.2 billion includes US$836 million of growth projects and US$400 million of sustaining capital.

Exploration expenditure has increased by US$63 million, mainly in the Petroleum customer sector group based on success there. Total proceeds from sale of assets, investments and subsidiaries was significantly higher in the prior period when proceeds from the demerger of BHP Steel were received. The increase in dividends paid reflects increases in both the final dividend for last financial year and the interim dividend for the 2004 financial year.

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The final thing I would like to touch on is the group's progress towards our target of US$770 million of cost savings and other merger benefits to be achieved by June of 2005. Good progress has been made in the first half of this financial year with an additional US$60 million being achieved. On a cumulative basis this brings our total progress towards the target to US$655 million, remembering that the target is US$70 million by the end of 2005.

We continue to derive these savings from our operating excellence program, from our strategic sourcing initiatives and from our marketing initiatives. Once again we have in each of the venues examples of some of the projects that have resulted in permanent reductions in operating costs during the period. I would invite you to review these before you leave today.

As you will see, these projects range in size, but the combined benefit from each of the hundreds of projects currently underway and the many more that are planned for future periods, will see us continue our progress, moving confidently toward our target. With that I will hand you back to Chip.

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CHIP GOODYEAR:

Thanks Chris. I know we want to get to questions but there are a couple of issues that I would like to spend a few minutes on.

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The first one is the consistent execution of our business strategy. Over the last couple of years I have described our business strategy in terms of a pyramid. At the base of that pyramid is operating our high quality assets well. Our assets that are low cost, large and with long lives.

We put several metrics around that in previous communications. The first one is safety. We have a goal of zero harm. I realise safety may not be the first issue on the mind of the financial individuals at this presentation, but it is important to us in our workforce. And when there is an alignment between senior management and the workforce around having a safe work environment, it has a major impact on their willingness to do the kind of things that lead to a high quality asset base, and high quality activity in terms of performance.

We have had good progress there, we are continuing to see our classified injury frequency rate fall, but we are never finished with that job, and it continues to be an important focus for the entire organisation.

The next area is EBIT margin. The EBIT margin excluding our trading activities came in at 27 per cent for the half year. That's up more than two points from where it was a year ago. When we take a look at our annualised return on capital for the six months, that would be 15.4 per cent. If we excluded the capital that was employed in assets that had not yet begun production, that return on capital would have looked like a 17 per cent number.

Chris talked about the cost savings, the next level of our pyramid and the efficiency that comes with that. I am not going to spend much time there, I just want to confirm that we feel comfortable moving to the US$770 million target by the end of fiscal 2005. It is a challenging target, particularly in a time when we are running flat out to meet customer demand, but at the same time we have made good progress to date and we expect to make the US$770 million.

The third level of that pyramid is reinvestment and growth projects. In the last two and a half years we brought 15 new projects into production. At that time we have gone through an economic climate that was certainly quite challenging. Chris in his EBITDA slide presented some of the challenges that we had faced.

Over that time it has been the stable cashflow that rests in the BHP Billiton family, that has allowed us to do that. There were certainly comments from time to time that said why are we building these projects at a time of tough commodity prices? Two that come to mind are Hillside and Mozal. At that time aluminium price was low, and were comments about why would we be spending the money in those environments.

There were three reasons for that. One, they were the most efficient expansion projects in the aluminium smelter business in the western world. Second, our team had a track record of on time, on schedule performance, and third, things change all the time and here we are two years later. They have come in under budget and ahead of schedule in a much different aluminium marketplace. I think you will find as we move forward into an exciting price environment, having spent the money on those 15 projects in the tough times will certainly pay dividends as we move forward.

Where we stand today, we have nine major projects underway that have been approved. We have eight in feasibility and they are working their way toward Board approval. In addition we have a number of smaller scale projects. We have seen tremendous demand in the marketplace and our assets have responded very positively. There are six projects that are under US$100 million that we brought forward, and I will talk about those a little bit later.

These things do allow us to meet that accelerated demand from China, and the recovery in the global marketplace. I haven't talked about transactions on the slide, but I would say that since the merger we have done divestitures and we have done acquisitions. In the last half year we moved through four different divestitures: Highland Valley, Robinson, the Mongolian copper royalty that we had, and then we just recently closed the sale of our Bolivian petroleum business.

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Under the next slide I simply review the development project we have commissioned since June of last year. There are five projects there. Two of the projects, mining Area C and Hillside came in under budget and three of the projects, the Port expansion, mining Area C and Hillside came in ahead of schedule. Since the merger we spent US$3.8 billion on growth projects, the five you see here represent US$1.89 billion of that.

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Moving to the next slide, this is the project pipeline you are quite familiar with. This pipeline presents the projects that we have remaining. We have taken off all the 15 we have already completed, and again we have projects here that are currently underway and those we know in feasibility. But in the last six months we have added eight more projects to this list, and they are coming up in front of you now.

Let me just spend a few minutes on a couple of those. The purple represents our Carbon Steel Material business. In this case I will talk about iron ore. We completed mining Area C and the Port expansion just recently, and they are not on the slide, but having done that allows us to move to our accelerated expansion product and to the rapid growth project. The accelerated expansion project will bring us from 80 to 100 million tones, and the rapid growth which we just announced two or three weeks ago, brings us from 100 to 110 million tonnes.

To think a year ago we were producing about 70 million tonnes in this business, and by the end of this year we can be producing up to 110 million tones. This indicates how our assets and our CSGs have responded to this very positive pricing environment. That then allows us to consider the long term expansion of the iron ore business and that's the large bubble on the far right-hand side. That has just entered feasibility.

Over the next year we will go that through that feasibility. We are targeting in excess of 35 million tonnes and the feasibility study will address the specific steps for that, and obviously the capital cost to that and timing.

The next area I would like to talk about is copper. We approved the Escondida Norte project which you certainly have been aware of. The Escondida sulphide project has completed its feasibility work and is currently under internal review. You may note that we have doubled the size of the expansion there. It is now at 180 million metric tonnes, previously reported 90,000 metric tonnes. We move that material anyway and it certainly is a very economic way to continue to maximise the value of Escondida.

The Escondida CPR or coarse particle recovery project, again we move that product already, and right now we exclude it from the processing line but we can do something about that. That project would bring 54,000 metric tonnes of copper. That project will be moving through its feasibility. Then the Spence project on the bottom of the slide, that project is nearing the end of its feasibility work, it's one with the others that we will address with the Board in the next several months.

The other area to talk about is the aluminium business. There you see two items. Paranam which has been approved as an expansion in the alumina business, and today, we are commenting on a feasibility study for the Worsley expansion. That would move us to about three and a half million tonnes.

The combination of those would increase alumina production for BHP Billiton by about 9 per cent, and that's in excess of the capacity creep that we normally experience in this business. Yabulu Ravensthorpe, the large green bubble on the right-hand side, that has been on our chart for the last two years. That project is obviously a greenfield nickel mine in Western Australia feeding into the QNI refinery in Queensland. That bubble is now at a level of about US$1.4 billion. That's up from US$1.1 billion previously. That's a function of the strong Australian dollar, it's also a function of the tight labour markets in Western Australia.

I would I also say we moved that bubble slightly, but the reason for that is that we are showing first metal production; in the past we showed the initial mine production from Western Australia. That will precede this by three or four months.

What you have seen here is not only a series of projects which we can bring forward, but also our assets responding to a very positive market in which we can bring these to the marketplace and meet customer demand. The total capital cost for all the projects you see is about US$8.1 billion.

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Changing gears a little bit I want to talk about Petroleum. You see a slide coming up in front of you, that can be considered a little annoying with a lot of information on it, and you are not expected to read all that. But I just want to highlight what we have talked about in Petroleum over the last two years. We have made many announcements, we have seen a great deal of success.

In petroleum we have seen very good activity with regard to discovery. We have seen discoveries in Australia, Trinidad, the Gulf of Mexico. We have seen development activities in Pakistan, Algeria and the Gulf of Mexico. We have a business that is a top performer from a financial and operating point of view and obviously doing very well from a discovery and development point of view.

One thing that has become obvious not only to us but to you, is that the Gulf of Mexico is emerging as a very attractive opportunity for us. It's one that, in our view, has the potential of looking like a core business, not just from a Petroleum point of view but from a BHP Billiton point of view, and has the potential to look something like a Bass Strait or a Northwest Shelf in the years ahead.

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I wanted to spend a minute on the Gulf of Mexico, again to try to put into perspective of what we talk about in that business. We don't often do that and we just simply comment on each discovery at one time.

The map in front of you is our Gulf of Mexico position. You see on there the yellow boxes are our lease positions in the Gulf of Mexico. We have 405 leases in that area. We are the seventh largest leaseholder in the Gulf of Mexico overall, that is of 300 leaseholders, and our concentrated position gives us a very strong position in the deep water gulf.

The red projects are projects currently in production, that is 28,000 barrels of oil per day. The green represents our projects under development, that's Atlantis and Mad Dog. Mad Dog you should expect to see in production at the end of this year and Atlantis at the end of 2006.

The blue triangles are our discoveries in the Gulf of Mexico. There are six discoveries there and things that need additional appraisal as we move forward. Our view of this area as a potential emerging core area for BHP Billiton has led us to this decision to increase our exploration dollars by about US$100 million for the year 2004.

Our goals there are to explore and appraise the opportunities we have in the Gulf of Mexico and, as appropriate, move into the feasibility and ultimate sanction of projects that area. Over the next 12 months to 18 months you should look for at least six additional exploration wells and at least five appraisal wells. That will cover the prospects of the Neptune, Shenzi, Puma and our other recent discoveries in that area.

But I do want to caution, the timing of the spending will not necessarily coincide with the adding of reserves. We have quite a conservative reserve addition policy. We have to be virtually certain that these things will be developed in order for us to book those reserves. But again, we see this is quite a prospective area as a core area, not just for Petroleum, but for the company, and being able to accelerate the development of that is quite important to BHP Billiton and to our shareholders.

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Moving on to outlook. If I stood up in front of you last year and said we would be standing here and talking about $1.20 copper, $7 nickel, a 28 per cent increase in coking coal, you probably would have thought you had gone to an Alice In Wonderland cinema presentation. But here we are today and it has been quite an incredible 2003.

We couldn't possibly talk about our business without talking about China. China has been an important driver to this company as it has been to the resource industry in general. Our sales in the first half of this year were US$1.1 billion. As you may recall, last year in total was US$1.2 billion. We have almost sold as much product in six months as we did in all of last year. That, is our sales are up 175 per cent from the prior year. About 10 per cent of our total sales are now going to China. A year ago that was about five per cent.

Our view on China: we continue to find more demand and supply in that marketplace, that's across the range of products we sell there. From time to time China will have its ups and downs. It will not be a straight line of growth up to the right.

The way I think you need to think about China is looking at it in five, ten, and 20 year timeframes. China is going to be a place where we can't afford not to be in terms of delivering products. That's what we do in China. 1.3 billion people who see this century as their century, who are kicking it off with the Olympics, with the Shanghai World Expo, they are consuming a huge amount of resource and a company like ours simply has to be there. We do that with large, low cost reserves and what we are doing obviously is developing product external to

China and moving it in. But in any case we will talk about that in your questions.

Japan to us looks as strong as it has looked in 15 years. It has obviously been a challenging 15 years from Japan but they are benefiting from what is happening in China, as is most of East Asia. The contagion is indeed having an impact not only in China but around the region.

In North America six months ago we were wondering whether indeed the US was coming out of its recession. The answer is clearly it has come out of that recession and continues to make progress in that area. I would just caution that about 75 per cent of that economy is a service economy, it's not a manufacturing economy. So you don't see as much direct metal input or raw material input into that marketplace but there is indirect consumption that takes place there.

But we are seeing a significant pick up in demand. I occasionally talk about our Integris business in North America. Metals distribution there. We have seen lead times in that business, certainly in the last couple of months, move from four weeks to ten weeks, to even 15 weeks and certain products are on allocation in that market. So we had been fairly slow to see a recovery in North America in terms of metal consumption, that has picked up with quite an exuberant level recently.

Europe is the one area that falls a little bit behind the other two. We are seeing positive things in Europe but I certainly have to say that with the Euro at 1.27, 1.28, it's tough to tell exactly where that is going to turn out but we are seeing improvement in Europe overall. Although we say that there are certainly risks in all these scenarios, a synchronised recovery is certainly a possibility and we are seeing evidence of that at the moment.

But I do want to talk about product availability. Raw material stocks are in significant decline. Copper stocks are falling at about 1 per cent a day. Nickel is at significant low levels, really at crisis kind of levels and that shows up in price. Obviously alumina, iron ore and coking coal also fall into that category where demand is significantly exceeding supply. That does have an impact on our customers. They see positive margin in their opportunities and as a result are looking for that raw material in quite unprecedented ways.

Shipping availability is very tough. I think most of you have read about that. Not only is it a question of availability, it obviously is flowing over into cost. We are seeing as a result of the strong demand, not only is there significant demand for shipping but demurrage is increasing across the industry and ships laying essentially at anchor and not moving is also impacting the ability to move product around.

As I mentioned earlier lead times and physical product delivery is also increasing, having an impact on economic activity and economic activity of our customers. But you are seeing a lot of people talk about new projects. I think we are very prudent in what we are looking at.

I think they are very efficient in terms of capital, I think many others are doing similar things but there are a great number of projects out there that are being talked about that simply will not be economically positive through a business cycle. As I have said in the past, beware. These cycles don't last forever and it's important that we think about life cycle economics, not just the economics for 2004.

Slide 20

The last slide is summary, pretty brief. The consistent execution of our business strategy has put us in place to benefit from what we are seeing in the external market. We have continued to optimise our business, develop and make sure that our low cost, high quality asset base performs at a premium level. The volumes you have seen for every mineral volume is up from last year in records amounts in certain businesses, and the margins that you are seeing in our business indicates our success in doing that.

Savings is an important part of that element and executing those projects, as we talked about, is critical. I do have to say I think you are going to appreciate the fact that through the tough times we put money into 15 projects that are now at the level of production, and we have nine more that are soon on their way, and obviously a string of others that are in feasibility and moving forward.

We have demonstrated flexibility to meet customer demand. We are right in front of our customers every day trying to do what we can to deliver their product that they need to do their business. I think if you look at BHP Billiton now and consider what is happening in the years ahead, we are certainly in a position to meet strong demand, we can meet that in China, we can meet it in global recovering economies, but we will continue to do so in an economically prudent and efficient way.

For question time, what I would like for you to do is send your questions to me, and then I will farm them out to Chris and Marius as appropriate. I will start in Melbourne, take a few questions there and then move to Sydney then go to the telephones and rotate around at least for the next half an hour or so and see how that works. First question from Melbourne.

QUESTION: Just two questions. Could you give us an update on the Phase 4 ramp up, what is going on with the water recovery rates, and when you will be looking to reach full production there. The second question for Chris. Just with the restating of the tax cost base in Australia, what are the likely ongoing benefits in terms of lower tax likely to come through there.

CHIP GOODYEAR: Let me take Escondida. As we announced Escondida is a result of issues around water recovery from the new tailings dam. It is expected to have production that is probably five to ten per cent below its nameplate capacity. As a result we would not see exactly the level of production we would hope to in the near term, but I can assure you the team is working hard on that. I can't give you a time when that would be back but obviously they are working very hard to get to that level. Chris, I will turn the question on the Australian tax position to you.

CHRIS LYNCH: Two issues, one was you saw the exceptional item for the restating of the base. That will allow us a higher depreciation in future periods. The second aspect also is the carrying value in the event of any disposal will be higher for capital gains base. That is the two areas where the benefits will be. We can get back to you with precise numbers about that later. Those are the two directional shifts.

QUESTION: Just a couple of questions. Firstly a macro question with respect to long term demand that we see from China. I guess the question is basically what will it take before you start moving up your long term assumptions of copper prices and metal prices and bring in what would currently be considered to be marginally economic projects? And micro question two, just on the monetary liabilities that you record every half, the numbers still seem to be coming in lower than guidance. Is there any reason for that or do you think this guidance is about right going forward?

CHIP GOODYEAR: First, I believe your first question was when will we start moving up our price forecast to reflect what perhaps is happening in China. We assess those on an annual basis and what we do, as you know, is we take the forward curve for most products for the next 12 to 18 months, go to the long term average and generally decline that. We assess that from time to time. I can't tell you what it's going to take to change that dramatically. Long term history will tell us the real price has declined. But as we said in the past, that doesn't mean they decline every year or every decade.

For us the real question is does China represent the next multi decade increase in real prices in our industry. It's too early to answer that. We watch it very closely and for us, we try to position ourselves with the options to take advantage of that if it occurs, and that's why having the assets we have and the ability to expand Escondida, the ability to do things in the Pilbara and Queensland coal, the aluminium business and so on we see as critical. We are never going to have the answer: Is China going to last for 10 years or 20 years or 30 years. But we need to position ourselves with those options. We look at least at three or four price scenarios for everything we look at and that does capture a high base and low base scenario. So we do capture it in the envelope price that we already do look at. With that Chris, I will turn it to you on the monetary item.

CHRIS LYNCH: When we tested the guidance this time with regard to the sensitivities, we were pretty close and I think the guidance going forward, I would stay with it. It is obviously a difficult area but it's one that we think the guidance is still appropriate.

QUESTION: I just wonder if you can talk a bit about the premiums for the price. Obviously we are seeing some great prices now that you called it an Alice In Wonderland type scenario. I am just wondering if we can talk about premiums, whether you think some of these really high prices like copper, nickel, is it being driven by traders to some extent or is it purely just physical demand? And I guess following on from that question, does that then change your view to some extent perhaps on hedging as well?

CHIP GOODYEAR: Why don't I turn the question about physical demand or trading activity to Marius and then I will probably take the hedging part of it.

MARIUS KLOPPERS: I think the major factor moving up physical premium are really connected to the fact that freight rates have gone up. The producing countries for a lot of these materials tend to be in the Southern Hemisphere, fairly long voyages on bulk carriers and so on, so that the moment that freight rates go up physical premiums tend to move in tandem and there is quite a high degree of correlation between those two events. I would say that physical premium more correlated to logistical events, and underlying prices more to supply and demand events.

With respect to the influence of traders, perhaps two comments. We saw one event in aluminium that has been widely speculated on as to what the causes of that has been. Clearly we don't understand exactly what drove that but it seemed at the time that it was not entirely connected with physical demand. Then obviously the second item to note is that hedge funds play a very important role in most of our traded markets and in the very short term, price movements only aren't always perfectly correlated with what we see in the underlying supply/demand picture. Chip, back to you.

CHIP GOODYEAR: We don't have any intention of changing our no hedge policy. I think the illustration Chris showed on the EBITDA slide showed that natural hedges go a long way to managing the cash position in the company. What I would say is we do have, as you may recall from our previous presentations going back a couple of years, we do have the opportunity to do risk hedging in which we would say in a particular time, prices are ridiculously high or low and could take a position, but we have not done that, we haven't done in the last several years.

I have to say we are talking about now a US$55 or US$60 billion market capitalisation. Hedging a year or two in one commodity may look okay to you but it doesn't change the long term value of the company and as a result we don't see huge value in doing that and I don't expect that would change. I will take one more question from Melbourne, then we will go to Sydney and give them a chance.

QUESTION: The coking coal market is clearly looking stronger in the last couple of months and then into 2004. Do you guys have the ability to increase production fairly quickly here and if so, what sort of expansion in the way port and mine capacities are acquired?

CHIP GOODYEAR: The coking coal question, I think the question was do we have the ability to expand that and what is the capital requirement?

QUESTION: That's correct.

CHIP GOODYEAR: Certainly the coking coal market is looking very strong. I have to give credit to the Carbon Steel people and Marius and his team who have done a heck of a job over the last 18 months opening that market. It was an area where people said you would never be able to sell coal into China and they have done a great job with that, and we certainly expect to benefit from that now and in the future. Do we have the ability to expand our business there? Yes is the answer to that. The capital cost I think you will find is relatively modest.

If you look at that product pipeline chart you see Dendrobium which is underway, you see Broadmeadow coal, that is a 3.6 million tonne expansion for a very modest amount of money and there are other things that we are looking at. I think you will find our ability to expand is there but it can come at relatively reasonable capital cost. We have on our chart what those items are. There are other things that we are looking at, but it's a little premature to talk about that now.

We will go to Sydney and see if there are questions there.

QUESTION: Two questions regarding iron ore. With respect to China, Chinese commentators were talking about steel production of the order of 300 million tonnes, possibly in 05 or 06. At the time of our visit to the Pilbara operations three quarters of the way through last year, the iron ore guys were thinking more like 300 million tonnes by 07, 08, certainly by 010. I was wondering in view of what is happening in China and the acceleration in recent times have you changed your views on how quickly that steel market is going to grow? That's the first question. The second question along the same lines is what sort of options do you have in Samarco in Brazil with respect to expanding that operation to capitalise on the market.

CHIP GOODYEAR: Marius, would you feel comfortable handling the iron ore question in China than I'll make a comment on Samarco.

MARIUS KLOPPERS: I think what you have seen in the expansion of our Western Australian operations is that we have got a modular approach. Even if you look at the big bubble that now appears on that chart, what it really is, is there is a series of sub projects within that, all of which are individually triggerable and which individually contribute to the output.

I think the way that we look at the iron ore business is clearly we have had strong signals from the market on demand and really it ties in to what Chip has said earlier, that we try and create a set of options that allow us to trigger these options as the market demands. As the supply picture sort of unfolds, I think what would you expect us to do or to see from us is that we will really trigger and stage these options as is required by the market and not to carry too much over capacity over the market at any moment in time.

CHIP GOODYEAR: I think that's exactly the way to look at it, is that we certainly want to make sure we are market driven, we want to make sure we are serving our customer and do it in an incremental way. In regard to Samarco, Samarco is challenged to some extent by the resource that it has available to it but we certainly look at ways to expand that on a regular basis and increase the reserve life and increase the production. But that continues to be a bit more of a challenge than it does in Western Australia because of the access to where we can find the iron ore for that business. Next question Sydney.

QUESTION: Great result, great cashflow, really good pipeline of growth projects, but in the past you have always said that a combination of cashflow will be spent on your balance sheet which is in good shape, projects and dividends. Your pay out ratio is still half of some of your major competitors and with the Alice in Wonderland price scenario that could be around for a while, your cashflow will be very strong. Can you give us some idea at what rate we could expect dividends to be increased in your progressive dividend policy.

CHIP GOODYEAR: I can't answer that question, that's a question for the Board. But I think it's important to put it into context. As we have said in the past, that project pipeline in general has returned - and I am going to say our price scenario long term one and a half to two per cent decline - that had returns of 15 to 25 per cent. Obviously the prices are better. The returns we would expect to be better obviously. We don't ask you every day whether you think that's a good idea, we just assume you would like to get that return on your money and that's not a bad way to put it.

I guess what we always say is want to invest in the business, I agree with you that our capital structure is fine, that's not an issue but it is something we have to keep in mind, and then give the money back. I think we have been consistently increasing the dividend, we have bought shares back, I love thinking about the fact that nine months ago we bought back shares in London at 2 pounds 99. We can take responsibility when the rest of the world decides they can go from euphoria to depression.

I can't give you vision on the dividend but I can say progression is important. As we bring these projects on line we see income and cashflow rise. We have got a lot of projects on line and that's going to drive the bottom line. Again, it's a Board issue but I have to say that I think we have been consistent in driving value, both in dividend and obviously in stock price; it comes two ways. Next question in Sydney.

QUESTION: Two questions. One is just, from the customer's point of view, saying about the high metal prices and freight costs and what sort of feedback we are getting back from them in terms of that. The second question is around your warning about the investment market and whether we could see a flood of undisciplined capital coming into the resource sector and when, if at all, you think that would impact the resource market given the long lead time to bring in on new projects.

CHIP GOODYEAR: Let me answer a little bit on the first one and I will make sure Marius handles the rest of that and then your second question about other project development. I think if you look at the customers that we serve, we have got steel mills in Japan and we have got steel mills in China, you will find they are making very substantial profits and so what they are saying is we can sell the steel, we can still the aluminium at a good price and therefore we want raw materials.

So does it impact their costs? Yes. Are they still able to be profitable? Yes. Are they more profitable than they were a few years ago? Yes, they are. It does have an impact but they still are able to be profitable. No doubt they are trying to work it down but my view would be that they are able to pass those cost increases along.

It's important to note that they are buying in US dollars and their currencies have appreciated against that dollar. So they are not seeing the same kind of increase in their local currency that we see when we look at the US.

Let me go to the last part and I will let Marius fill in the middle part. New projects coming on line, are we going to see more. Listen, I have to say are there lots proposed? Yes. What are they going to require? They are going to require financing and they are going to require people to buy into the fact that these prices are going to continue for a long time. As I said, many projects are not going to survive economically through a business cycle. So a lot of it is up to you guys. You tell me, are you willing to finance these guys on the basis of $1.20 copper and five and ten year time periods for that? That's where it's going to come from.

I use a story around here that says what I call due charms axiom and that is if you look at any problem close enough, you realise you are part of the problem. If you guys look at these projects and you say you think they ought to come on stream, it's going to have an impact on our business in the next five, ten, 20 years. I almost asked you that question. Let me go back to Marius to see if he has anything to add on how customers are reacting to the increase in freight rates and commodity prices.

MARIUS KLOPPERS: Thank you Chip. I think the broadness of our portfolio, the fact that we have got several supply options in most of our products actually put us in a very good position during times like this. During times like this, Chip has commented that a lot of the price increases are being passed through. So the biggest fear of customers is really that they will be left without product.

If I take, for example, our coking coal business just by way of illustration, we have got several mines. We know that underground mining conditions in Queensland is not equally conducive to getting the product out. The fact is that we can position ourselves, because we have got a spread of operations as the reliable supplier in the market. That's exactly what we are doing during a time like this. So I think the paradox a little bit is if you are large in a market like this, you actually have got the opportunity to differentiate yourself in the eyes of the customer. Obviously we value those long term relationships and we give preference in making sure that those people are supplied.

With respect to freight costs, I think the way to think about freight in our business is that it has got two effects. On the input side, which chiefly comprise our alumina carrying costs from Western Australia to Southern Africa and of nickel ores from various supply points in the Pacific basin to Queensland, those are input costs for us. Obviously freight rates go up, input costs go up. That's the first point to make.

The second point is that on the majority of where we purchase freight is on when we supply delivered product to our customer. Our policy is to not cut through the market but follow the freight market. What that means is that if we sell a product on a CIF basis, our policy is to cover that freight exposure on a back to back basis or as close to a back to back basis in the market as possible, so we have got certainty around the FOB return, what the margin is on that sale.

The third point to think about is that higher freight costs on balance are two things, one which we essentially pass through to the customer, the other one where we have got some impact on our input cost. Higher freight costs are not necessarily bad for this business. It does tend to separate bases of supply and it does tend to alter the competitive position of the various parties supplying the market. Then lastly we have got to remember that we have got a very large supply base in Australia which is close to the major growth market. So on balance our supply position over time during a high freight market is probably improved rather than diminished. Those couple of comments, Chip.

QUESTION: Just a brief question for you. The move to half yearly earnings reports and the effect on dividends, could you clarify the communication and payment cycle going forward.

CHIP GOODYEAR: The next dividend declaration is in May. That cycle will continue now. We are looking at that based on the fact we no longer do quarterly reporting. Again it's not a function of how much money you made today and let's pay it out. It's simply a function of the communication and scheduling of that. So we will look at that and see but the old schedule currently stays in place until there is a change and we are looking at that. Let's go to the telephones and see if we have any questions there.

QUESTION: A question about energy coal which you may take or Marius. I want to understand what you forward sold in energy coal for the current calendar year and what prices and what time you forward sold. Also, what prices did you forward sell at and what proportion of your global energy coal book have you forward sold for calendar 2004.

MARIUS KLOPPERS: I think we signalled about a year ago that we saw the coal market changing and that essentially what we were moving towards was depricing coal when we sold it from a price risk perspective. What that means is that progressively we have moved towards where our coal income stream will more closely match spot prices in the market. That process really in all earnest started at the beginning of this financial year.

It's fair to say we entered into the financial year on the old regime, so to speak, market changing and since July 1 we have been selling a very, very small proportion of our coal, chiefly Australian coal which we have not been able to deprice. So at the current moment about two-thirds of the product that is going to realise in the next six months, that is as of 31 December, two-thirds of the product was sold effectively on an index basis, either directly or through a combination of selling fixed price and taking an opposite paper position against that and stapling the two together.

About one-third is still on fixed price contract. Our expectation is that you would see that proportion move up as we move over time. And I have to make the caveat that that excludes production from the Columbian Coal joint venture where obviously that is a jointly marketed one-third, one-third, one-third venture where our control to influence marketing strategy to that extent is not as direct as it is in our hundred per cent operations.

QUESTION: If we look at a price received for that 66 per cent being less than US$30 per tonne.

MARIUS KLOPPERS: I would say that for the 66 per cent you should assume that the price that is prevailing in the market for each month is the price that we expect or very, very close to that.

QUESTION: Just on hard coking coal. You answered the question before mentioning Dendrobium and Broadmeadow, both came on during calendar year 05. I am wondering in the short term what degree of elasticity is there in the Queensland operations in addition to those two projects.

CHIP GOODYEAR: I would say that Queensland is operating full out. So the opportunity to do more there without spending capital is limited. But at the same time we are looking at ways to do that, it would require some capital to do it. But you will find one of the risks in our business and every other business that is currently operating at 100 plus per cent of capacity is that there is not any flex in the system. Everything is working 24 hours a day, seven days a week and I have to say the systems haven't done that in the past necessarily.

Escondida, as you get it to that level, you do find little things that need to get tweaked. I don't see at the moment there is a great deal of flex in that Queensland number but again, just like iron ore, we are working hard to figure out how to get it there. Back to the energy coal, just remember that Marius said the two-thirds per cent, so that's our export business. You have to make sure you are not considering the domestic sales in the US or South Africa or Australia.

QUESTION: Thank you for your comments. Concerning the water issues at Escondida, it's always possible that mother nature doesn't fit into an engineering equation perfectly and evaporation on the tailings dam is a little more than might have been estimated. It appears that further sulphide leach, you might have desalination and pipeline a little sooner. At some point what would the lead time be to get the desalination plant and pipeline installed and up and working if it might be desirable to have an extra 10 per cent water go to the mill as well as the water for the projects you are contemplating.

CHIP GOODYEAR: There are several alternatives to supplement the existing water system at Escondida. Finding other water fields we can use to supply that, looking at desalination earlier than we would otherwise but I can't give you a timing as to when, if we wanted to fast track desalinisation, that would occur.

The current schedule as you look from that project pipeline is the middle of 06, so two and a quarter years from now. But an acceleration of that particular element, I can't answer that.

QUESTION: Good morning Chip. Great result that you guys have put out. Just a couple of questions. Last time I spoke to you we talked briefly on TCRCs and they have kept tracking downwards. I think at the time you were commenting that you were talking to the contract smelters. I am just wondering whether you have any further thoughts on the health of the contract smelters going forward. Then secondly with Mt Arthur North, obviously the rail and port is impacting coal producers in New South Wales. Is that going to affect the continued ramp up there or do you have some sort of work around that you might be able to do.

Thirdly, on a longer term view within the Petroleum division, once you get Gulf of Mexico projects on line, are you going to be looking at about 180 million barrels oil equivalent annual production out of the total petroleum group, will you be looking to replace production year on year through exploration or do you have enough up your sleeve with 2P reserves to be able to book that through without having to make massive additional spending on the petroleum exploration.

CHIP GOODYEAR: Let me try to hit these and I may ask Marius if he has anything to add. TCRCs have come down. That is putting pressure on the smelters and that is not a BHP Billiton issue. Obviously there are other production issues around the world on that. The only thing I can say is it is tough times with them and they are doing all they can to try to benefit from the higher price. Many of them do have some price participation in their contracts but it is certainly a challenge and I can't really add much more to that. I think there are issues of how long that is going to last and so on.

On Mt Arthur North, that's a relatively small piece of our business. Obviously we are not a big user of that port facility. We are ramping up in that area but I don't think it is going to have a major impact on the speed in which we ramp that up but again we are a relatively small user of that facility.

Then in petroleum production, once we get to 180 million barrels we will look to replace that and just do the drill bit or acquisitions, we will look to replace it in what is the most value-added way we can. If there is ways to continue to grow that and do it economically we will, maintain it we will, but if there's not we will grow other pieces of our business. We don't run our business on volume, we run it on value, so that's how we make the call. Any additions, Marius on TCRCs?

MARIUS KLOPPERS: Perhaps two comments, one on the TCRCs, one on Mt Arthur North. We have seen a clear shift of smelting capacity from traditional smelting countries to new smelting countries driven by a variety of factors ranging from import barriers in certain cases and just a resetting of what capital cost is required to construct these smelters. So I think one should also think that as TCRCs come down, the smelting base sort of becomes fitter and evolves as a result.

I think overall in conclusion we are not concerned that lower TCRCs are going to cause a bottleneck in smelting because there's not enough smelting capacity around. The situation is largely self correcting, even though in the short-term that might not be completely the case. Just perhaps one more word on Mt Arthur, it is a small part of our business. I think just to note that Mt Arthur North is a very low cost operation, it is the one that logically should supply under a regime of constrained throughput capacity and therefore you are most likely to see that the higher demurrage cost feeding through will squeeze some of the marginal production out of the Hunter Valley and hence we don't anticipate any major impact on our ramp up schedules.

QUESTION: This is an excellent result and I must say it vindicates a number of years of real effort. We compared the results like by like on aluminium and iron ore and copper with Rio Tinto's and on a total basis you are now on an EBIT margin, very similar. Aluminium roughly a line, thermal coal in line at 10 per cent. Copper however is interesting. You have got them having an EBIT margin of 29 and your latest result which you just produced, you have now got an EBIT margin of 23 up from, which was way below theirs. But overall a much, much closer picture.

Would you say moving forward if you compared your results for the next 6 or 12 months with extra operating costs to generate that commodity prices will be moving higher and shipping hopefully the rates will stabilise. Do you think that you are envisaging a better result for 6 months and 12 months? Do you think that you are neck and neck with Rio now?

CHIP GOODYEAR: Let me try and give an answer to the question. I guess a couple of things. I think when you do your numbers, make sure you are taking the trading activities out of ours. Certainly I notice your comment on copper. Just remember the by-product credits that rest in the Rio Tinto asset base. We don't have gold nearly to the level that they would have in their production base.

So, having said that, the question is, I think, do we expect to continue to see good margin improvement. I am not going to comment on Rio Tinto, talk to them about what they expect. We expect to continue to reduce costs and that's our US$770 million target. Long term it's 2 per cent real cost production so we expect to continue to benefit from the operating excellent activities.

We obviously try to benchmark ourselves against best and polished performance, whoever that might be. Obviously we hope that is us and that we learn from our operations ourselves. Again, just make sure you are comparing apples and apples in terms of business and I would expect that we continue to deliver on the things that we have talked about for several years now. Next question in Melbourne.

QUESTION: Just on steaming coal, the market there is obviously very strong at the moment. You have got a major production base in South Africa. Would you consider expanding it there and if so, does that bring in the empowerment ownership issues?

CHIP GOODYEAR: Expansion in South Africa given the coal market, we have on the bubble chart a project called Klipspruit which is a South African coal operation. It is in our bubble chart, obviously a decision to forward there is based on economics and economics is the main driver. Are there issues of empowerment? Certainly there are issues of empowerment but within the existing legislation or the legislation that has been propagated, and that is five years from enactment get to the 15 per cent, ten years 26 per cent. Would that be something we have to do at some point in time? Yes, but that is all of our mining businesses in South Africa.

QUESTION: It seems like further improving the operating cashflow was constrained by quite a large increase in debtors. Was that linked to the increase in sales during the half or was there something else? The other question I have is going forward, how are your marketing activities and the increase in proportion of sales in China, how will that impact your average trade and working capital?

CHIP GOODYEAR: That sounds like two questions, one for Chris and one for Marius. Chris, if you handle the existing working capital position and Marius, I think the second question had to do with activities in China and impact on working capital. I will turn it over to you two.

CHRIS LYNCH: With regard to the trade debtors, they are all in line in terms of days outstanding and so on. You have seen an increase based on the revenue increases, so that's number one. The second aspect of it as well in the receivables, there are some receivables pertaining, for instance, to the litigation settlement in Petroleum, that was a receivable at year end and so on. So there have been those sorts of increases, but by and large the bulk of the increases is purely a function of the increase in price.

MARIUS KLOPPERS: The second question on the terms of trade with China, by and large terms of trade with China is probably slightly more restricted credit on average than the sales base as a whole. So given that it is 10 per cent of the book and the rate of increase is marked from 10 to 20 overnight, I would say that there is not likely to be a huge impact but on balance probably towards slightly lower days of receivables on the debtors book.

QUESTION: I have a question about interest rates and the policy that the company undertake going into the future. I think we have all been a bit surprised at how long these low interest rates have persisted given the rise in economic activity, but I am just wondering what the strategy is if you face volatility in that I important parameter.

CHIP GOODYEAR: I will make one comment about that and I will then pass it to Chris for any specific comment. I think just like currencies, just like commodities, interest rates, commodity prices and currencies are related and are served to impact the natural hedges that exist in the portfolio. So as you said, certainly the interest rates versus commodity prices versus currencies, you would expect some reaction to that. It is all related and feeds into the model that we have used. Chris, do you have any particular comment on the interest rate policy?

CHRIS LYNCH: Chip, maybe a couple of observations. We have done work to reshape our debt portfolio, that has been ongoing virtually since the merger and you have seen that going through. I think the other issue hand in glove with that has been sort of taking advantage of some of the lower rates that have been in the market obviously. The other one I guess on the way through that is that we have been upgraded by both rating agencies on the way through this process as well. We are well positioned to take advantage of whatever is in the market and always will be a function of what is in the market.

Question and Answer session from second briefing held in London. Joining Chip Goodyear in London is Phil Aiken and video linked to the briefing is Mike Oppenheimer in Johannesburg and Chris Lynch and Marius Kloppers in Melbourne.

QUESTION: Chris, could you update me in terms of the outstanding amount of tax losses in the USA and then Chip, do you have a comment on Resolution, the joint venture with Rio and the fact that the US economy is recovering and the state of the US dollar, does it lead you to look at, or more actively at businesses in the USA or exploration activities in the USA.

CHIP GOODYEAR: I will take the last part. Chris, can you comment on the US tax laws?

CHRIS LYNCH: I don't want to be too specific about that. You saw in this result we have recognised US$50 million. At the last full year result we indicated we would probably be able to recognise somewhere in the order of 80 to US$100 million. We have gone to the top end of that range. The issue really about the confidence in recognition is purely about the likelihood of a profit stream to meet those losses being recognised. So as we get increasing confidence we have milestones we are looking to achieve to take further recognition of those losses. In this result there is US$50 million recognised for those carry forward losses and we expect a similar number in the second half.

CHIP GOODYEAR: With regard to activities in the US, exploration in particular and the US dollar, does it make us more willing to look at exploration in the US. The answer to that is never say never but I think it is unlikely that that would be the driver. We start with resource and the US has certainly had many opportunities to identify and develop resource over the last couple of hundred years and it's our view, again in general, that there's not enough lying on the ground waiting for someone to come along and find.

I would also say it is a challenging environment from a regulatory and environmental point of view and as a result is probably one that from a whole life cycle economics makes it more challenging. You will occasionally find something that is indeed what we call a tier one deposit and if that's the case then we certainly look forward to participate but we look at something that is going to be profitable through their investment life with that project. It is unlikely that this movement in the US dollar, particularly for a year or two, changes the investment proposition in the US around exploration.

QUESTION: Given that Phil is here, we have spoken a little bit about the Gulf of Mexico today; could Phil give us an update on Bass Strait? I know certainly there are some views that potentially there could be more oil in Bass Strait still. Just to get a sense of what is going on in the new horizon.

PHIL AIKEN: As you know, we have now completed a fairly major seismic programme of what we call the 'Northern Margin'. That was completed some time ago, and with Exxon at the moment we are currently going through evaluating all the data from that. At this point in time we are expecting to drill one, maybe two wells within the next quarter. It really depends; there is a rig coming out which we are going to share with another company. At this stage we have only got one slot, but it appears as though we might actually have two slots. So we expect to actually drill the first two wells to test the results out of that Northern Margin in the next quarter. Depending on those results, we then expect to have a fuller campaign later on this year.

So far, the data we have received is promising, but actually until we drill a couple of wells – which, as I said, we should get drilled in the next quarter – we will not have any results. At this stage, we are still fairly hopeful that we might have some upside. It could be oil, could be gas. Most gas, as you know, in Bass Strait is wet. We would expect any more gas to be wet, and therefore we are still very confident going forward we will have more reserves. But we really have to start the drilling programme.

QUESTION: I have a question for Chris, really. Provisional copper prices have moved pretty rapidly. I guess it played a part in boosting the earnings in the half. Could you please give us a sense of that?

CHIP GOODYEAR: I will turn that over to Chris. We are talking about the provisional pricing that comes, and we price those at the end of the reporting period.

CHRIS LYNCH: Averaged realised price was 96 cents per pound. I think we finished the half higher than that. As you are aware, we do have the shipments progressively, and then adjusted to the period-end pricing. We expect that will continue obviously through, and we did exceed the LME price consistently through that quarter. I think that is pretty much it.

CHIP GOODYEAR: We would probably have to get back to you in terms of the magnitude. What you do is compare 96 cents to what the average is, and that will give you the answer.

QUESTION: I have a question on the transport costs and shipping costs that have adversely affected your customers buying Free on Board (FOB) product out of Australia. You did have a negative impact in aluminium and I presume in the export of alumina from Western Australia to South Africa. However, do you think there is some impact in terms of the price negotiations and the price increase that you have been able to achieve in iron ore from those higher transport costs? Are any of your customers saying, ‘We cannot pay a higher US dollar price because we have to cover these much higher transport costs as well.’?

CHIP GOODYEAR: I will turn that question to Marius. The question is essentially, for iron ore in particular but you may want to spread that a little bit: what is the impact of the increasing freight cost in terms of our customers’ willingness to accept price increase on our product?

MARIUS KLOPPERS: I think I have got that. When selling most of our bulk products, which are shipping-intensive, if we can call it that, you are always competing with the customers’ next best alternative – obviously within certain technical limits and so on – on a landed cost basis. So I think the paradox here is probably because Australia is relatively closer to the areas of growth. We are seeing the consumption pattern of the world effectively migrating east, and our production facilities on balance are closer than those of our competitors. The paradox is probably that it favours our negotiating position somewhat because the customer looks at the landed costs and we have got relatively lower transportation costs. That is the first point to make.

The second point to make lines up with that fairly closely. In the majority of our markets, at the end of the day the customer does pay the freight. While it has not made negotiations any easier, just simply because the quantum of the increases that you are talking about is greater, I do not think that it had any material effect on the way prices were ultimately settled.

CHIP GOODYEAR: Also, just adding to what Marius said, there are customers – if you look at the profitability of the Japanese steel makers and the profitability of the Chinese steel makers, you will find that they have very profitable opportunities. As Marius said, their priority is to get product and to be able to generate the margins they are able to generate. Are there any questions from Johannesburg?

QUESTION: I have two questions. Could you just give us some insights in terms of your new dividend strategy, given that you have scrapped Q1 and Q3 reporting? When can we expect some sort of formulation on that? Maybe if you could give us some guidance.

Secondly, with respect to third party trading, there was a huge increase in third party trading activity in this half-year. I am sure that is to do with the buoyant market, particularly on the Petroleum, Base Metals, and Energy Coal side. Could Marius give us some insights in terms of what is happening? Because effectively, at this EBIT level it is clear that you did not make any money out of it, but that is only looking at one period.

CHIP GOODYEAR: I will talk about dividend policy. There is no change in our policy. Over the last couple of years we have had a very consistent policy: with our free cash flow, we would like to reinvest in projects that are value added. That project pipeline, we have said, generally has nominal after-tax returns of 15-25% at our declining real price forecast. If we can find ways to put money back to work at that kind of return, we would love to do it. I think the example of the 15 projects, and the fact we have them coming on now, is an illustration of that.

Secondly, we said we want to keep our capital structure in line. We have achieved all of our targets there, so I will not spend any time on that. Thirdly, return the money to the shareholders. That comes in the form of buybacks, dividends, capital returns; we have done all those things over the last two-and-a-half years. The policy is the same: the progressive dividend we want to continue to increase, based on our future expectation of volumes, price, and obviously margin.

Now what does get adjusted, or potentially adjusted, is the timing of that announcement. As you know, we have done that essentially at first and third quarter. Now that we do not report that, it would be more convenient to do it at the time of the half-year and full-year release. The board is considering that and obviously we will come back to you as that moves forward. But the policy will be similar. Again, we are seeing good pricing, good markets, and that has an impact on what we expect around our future cash flows. Again, the policy is the same.

Let me just mention the third party trading, and then I will ask Marius if he has anything to add. You are certainly right: there are a number of things going on in third party trading. One, demand from customers is up and we must find a way to meet that. Second of all, price is up. That will flow through in the revenue line that you see. Thirdly, certainly the bottom-line result on trading was not anything to write home about, but do not simply look at that to see the value of trading. I talked about our overall margin moving up by two percentage points, or from say 25-27% – it is actually a little more than that. You are seeing improvement in margins that comes from a lot of reasons. One is the ability to service customer needs; some of that shows up in the margin in our equity product. In general, those are the things that are driving the business. Obviously as we develop our marketing activities that will continue to be an issue, but I think our level of trading relative to overall revenues is going to be more or less where we are, perhaps even dropping depending on where price is and where product demand can come from.

Marius, do you have anything to add to that question?

MARIUS KLOPPERS: Just one or two things. We have seen a fair amount of volatility in physical material premia. The way that we run our business is that we try to maximise the return that we get on the physical premia. If premia move around, we might buy back a position in one place and sell it in another. That does not show up as a trading profit, but it does show up as revenue and would manifest itself in a higher level of achieved premia. For example, some of the examples Chris has just mentioned in the copper business are certainly attributable to that.

The second item, apart from premia volatility, is freight. We have seen a phenomenon, as Chip has mentioned, where in some cases freight has been tight. We have got the ability to essentially ship some period charter; we have got that operating capability. We might use one leg of the ship and then sell off the other half to somebody that wants to do back-haul. That sort of thing has been sort of boosting turnover.

Lastly, as you see volatility and as you move things around trying to get the best net back, that has been one of the effects. But probably, Chip, we have had a period of high volatility over the last couple of quarters. Likely levels going forward are about the same, or slightly down.

CHIP GOODYEAR: Is there another question from Johannesburg?

QUESTION: I have a couple of questions as well. The first one is about: the cash flow has been strong and you have been very forward about the mix of your products going forward. Also, you have just mentioned that in fact everything is going fantastically well: the energy cycles look on a high, the bulk commodities are on a high, and the base commodities are all on a high. Does that increase your level of risk within the Company? Are you taking any further steps to reduce that risk, such as hedging or – as Marius was just saying – selling more volatility forward into the market?

The second question regards LNG. Could you give us an update on your policy and some of the projects going forward?

CHIP GOODYEAR: Let me talk about risk, price and so on. We do not predict price. I cannot tell you if price is on a high or not. There is a relationship between currency and commodity price, and time will tell. As I have said in the past, although our long-term expectation of price is real decline, that does not mean that it declines every quarter, every year or every decade. The last significant period of real price increases in our industry happened from 1945 to 1970. There you had an industrialisation in Japan, reindustrialisation in Europe, and the US consumer buying air conditioners, cars and so on.

The question for us is: does China, with 1.3 billion people, represent the next multi-decade real price increase? I just want to make sure that I am not the one running around saying we are at a high or a low or anywhere. I also say: this is a business that has asset lives that are 30 and 40 years. Any one half-year or any one year may be an exciting time, but it is a business that has a present value of cash flow over a very long period of time. Any one period doing well does not fundamentally change the underlying value of the Company. If prices shift up over that period they certainly do, but one quarter or one half-year locking that in does not make any material difference to the bottom line value.

I would also go back to Chris's slide on the EBITDA stability. That came through some very tough times, and I would just say that the natural hedges in the portfolio work. We layer on top of that our capital structure. Is there risk? There is a risk in everything we do. But is it a risk we cannot manage and absorb? No, and it is also a position we should take vis-à-vis an opportunity that exists in China. My job, the job of this management team, is to create options to participate in markets when they are available, but never to sacrifice the long-term fundamental aspects of this company, which are in that pyramid: operate assets well, find ways to save money, and do value-added growth projects on-time and on-budget.

I will turn the question on LNG over to Phil.

PHIL AIKEN: Just to give you a few updates, I think the first point is: Train Four of the North West Shelf is due to come on-stream right about the middle of this year. The new contracts, which underpin the development of Train Four, I think the first shipments are due in about September. So obviously Train Four will increase the North West Shelf capacity from 7.5 million to about 11.7 million tonnes per annum. Underpinning the fourth train also to some degree was the China contract. I was in China a few months back and I will be there again next month. All progress seems to be fairly good now, with the terminal in Shenzhen Province. We expect that to be on-stream towards the back-end of 2006.

We are at a fairly critical stage at the moment in what is the 2004 price reopener in Japan. We are in negotiation with the Japanese utilities. We expect that, when that is completed, we will start talking about additional volumes post-2009. Those discussions of the price reopener and the expansion will be what will underpin the Train Five decision when that is made in the future. So, North West Shelf into Japan and China very positive, Train Four coming on, and the price negotiations.

There are two other things that BHP Billiton is actively involved in at the moment. As you are probably aware, we have been awarded a development license – actually, we are negotiating a development license for an off-shore terminal in Cabrillo Port, which is actually off-shore Los Angeles. We actually now have had our application for a deepwater port deemed complete by the US Coast Guard and the Californian Department of Lands. Now there is a 8 month clock that runs to get those approvals through. This is a very challenging project but one which we feel is very feasible. Therefore, you will hear more progress on that over the next few months. Obviously if we were successful in getting a license there, we would open up a new market for Australian LNG into the west coast of the US.

The last thing, just to complete the LNG picture, as you are aware we will start up this year in Trinidad and Tobago with Angostura. We will start up in December of this year. When we start in Angostura it will be an oil facility. We will be re-injecting the gas, but we do see longer term obviously that gas out of Trinidad, out of the Angostura discovery or hopefully other discoveries we make, would be potentially a source for another LNG train in Trinidad and Tobago. Obviously that would be destined mostly for the east coast of the US, but also for Europe. So there are a lot of things happening in LNG and good progression: Train Four on this year, expansion coming in China in 2006, and there are many options for us to look at towards the back-end of this decade.

QUESTION: I was glad to see on your colourful project slide that the South African project Klipspruit Coal is still there. I would very much like an update on the prospects for the Klipspruit Coal project going ahead in South Africa. When is the project likely to receive regulatory approval, and is board approval likely to follow shortly thereafter?

MIKE OPPENHEIMER: The Klipspruit project is in its final feasibility stage. There are probably two or three critical outstanding issues. One is that the project is an export-oriented project and we need to find a viable home for the domestic fraction that will be produced. We are still negotiating with Eskom around our contract to allow coal from Klipspruit to be used in that power station. That is one outstanding issue.

We have actually opened a mini-pit at Klipspruit, so we are actually producing a few hundred thousand tonnes of export coal, as a way to develop the operation and to achieve a market presence with Klipspruit coal itself. We have an old order right granted for the Klipspruit project, and we are in discussions with the government as to what confidence we can secure from them around conversion of that old order to a new order right before we ultimately put the project proposal to our board. That is really where the project stands right now.

QUESTION: There have been some press comments with respect to BHP Billiton looking in the DRC with respect to diamonds, and possibly also doing something with Alrosa in Russia. Can you give us an update on that? Also, with Brad Mills' departure from Base Metals, does that signal any sort of change in strategy or emphasis going forward?

CHIP GOODYEAR: With regard to looking for diamonds in the DRC and talking to Alrosa, we do not comment on any specific rumours or issues. But I would just say that diamonds is an important business for us and our Falcon exploration tool is a very valuable tool in minerals exploration, and particularly in diamonds. You can assume that we will be looking for diamonds in various parts of the world, and we do that in the traditional exploration format that we use. I know Marcus Randolph has talked about that.

With regard to Brad, there is no change in strategy. The same projects that you see on the pipeline are the same projects you will see us bring forward. Brad had a wonderful opportunity and he is an excellent strategic thinker. The opportunity to go to an organisation like Lonmin and to put his skills to work is an excellent opportunity for Brad and one that we are very glad to see him use the skills that he has gained over the years and his knowledge to make that work.

I have to say that we are a big organisation with a lot of very talented people. From time to time those people get excellent opportunities to go do other things. The ASX50 in Australia has five former BHP individuals as CFOs and those companies you will see are doing extremely well. Now having two London-based CEOs that are alumni of this organisation I think is a tribute to what we have been able to accomplish and a tribute to our people. I can assure you that we have a lot of talent internally, and there are plenty of people externally who would like to get a piece of this action, in terms of being part of our team. There is no issue in terms of strategy, and in terms of moving forward with what we do in Base Metals and everything else; that is on track.

Are there any questions from the telephone lines?

QUESTION: Good afternoon. I just really wanted to ask you a couple of questions regarding China. What is BHP Billiton's forecasts for the Company's long-term prospects? How long do you expect the current boom to continue? Just in terms of your own sales, you say $1.1 billion revenue into China this half-year; where could that go in the next couple of years on an annualised basis? What commodities do you expect to benefit the most in the future? Just also on China as well: when do you see your sales in China exceeding those into Japan?

Also, regarding savings, Mr Goodyear stated in his presentation that the savings was $770 million would be a challenge to achieve. I think you used the word 'challenge'. What are the challenges?

CHIP GOODYEAR: Let me try to just cover China in just a few words. It is an ambitious task, but let me try to do that. Where do we see China going? As I said earlier, you need to think about China as a 5, 10, 20-year opportunity. Any one year can be a challenge, but you cannot afford not to be there. On the ground there we have 50-plus people, 90% are Chinese nationals, and the language in our office is Mandarin. These people are in front of their customers essentially every day: three or four times a week. They see product come in, they see product go out. That to us is a reasonable window, but does it tell us what the next 12 months are going to be like? No, but I have to say: if you get the national interest, what the government talks about, the ambition of the people, the intelligence and knowledge; it is an exciting place. Again, our job is to keep options to take advantage of that and to be there when we can be, but obviously to make sure we do it in a prudent way. I cannot give much more than that; we could talk about any product for a long time.

Good products are going to be those things they do not have, in terms of high quality resource. It is the bauxite/alumina, iron ore, and nickel. The LNG activity we have there, bringing gas into that market, is very important. I think that the slate that we have is certainly ideally suited to the demand that they have, but which one is going to be the absolute best one? All I can say is our marketing guys are very much on top of that and they help us. But we cannot change our product slate overnight. Our lead times are very long. We try to run our business very well and identify where we get economic opportunity.

With regard to why the $770 million is a challenge, one issue is that the low-hanging fruit has been gotten. There is no doubt about that. The other thing is that people are working long hours servicing customers and getting product out the door. As a result, that is very important from a long-term value perspective. Continuing to say, ‘Let’s go in and save money today,’ that is something they have to do generally between 10 p.m. and 1 a.m., because we are keeping them busy the rest of the time. The easy stuff has been gotten; the market is demanding we focus on that, and so finding the additional ways to get that savings is important – in addition to keeping the ones we already have, which we have been able to do. That is why it is a challenge.

QUESTION: Well done on the good results. I just have a couple of questions. The first one is in terms of the capex profile. I guess I had your capex profile peaking around 2004/05, but looking at the large-scale investments coming up at the back-end of your bubble chart there, is that not the way you are seeing it? Can you see this sustained high capex level going through?

The second question is in regard to the additional Petroleum expenditure of about $100 million. Is this more wells, or is it just the wells becoming more expensive as time goes on? Any additional disclosure on this large cost item would be greatly appreciated.

The third question is just in regard to Spence. Given that it does not look to have changed much in terms of the bubble chart there, you must be looking to move ahead on that in the next few months. Is there any chance of an accelerated development of that project? Is that one of the reasons why the feasibility study has taken as long as it has to get completion?

CHIP GOODYEAR: Let me try to answer your questions. There is always a standing wave in terms of capital expenditures. In other words, we can only see out a certain period of time. We have to execute on certain things and then other opportunities show up. That is an example in iron ore. We would like to find ways to continue to keep capital expenditures at a reasonable level. I think most of your forecasts are going to show that even with this spending cash flow is exceeding the ability to put that to work. We would like to continue to invest in that business, but we will only do so if it adds value. This is not about volume; it is about value. And that will be our driver, so – as I said earlier – we would love to find ways to reinvest in our business.

With regard to exploration, is it more wells or is it more expensive? No, it is more wells. We organise our exploration in Petroleum around the exploration, and then we supplement that when we have success. The increase is for additional appraisal wells, not because the well cost is getting higher.

With regard to whether we can accelerate Spence, we have actually approved some spending to accelerate the moving of a highway. We have begun to get in line to bring that project forward, but it has not been approved. We will not give up on all of the rigorous process we have internally that has allowed us to perform so well on-time and on-budget. It may sound funny to you, but when you spend money in advance of approval you decrease your risk substantially. Our target is 6% or 7% of the money. Many people say, 'Oh, we do not want to spend that if we do not know if we are going to do it.' You decrease risk so much that it gives you a lot more comfort on the ability to deliver the project. We are not going to give that up. On Spence we are moving as rapidly as possible. We have sulphide, we have coarse particle recovery, and we have Spence. In this market we certainly need to think about our customer, but we are not going to give up on our rigorous process.

Are there any more questions in London?

QUESTION: Where within your portfolio would you have the operating flexibility to surprise us all by pushing volumes to take advantage of windfall prices? If I could think of one example, it might be Escondida. Clearly you have low-graded; now you got the operating flexibility to high-grade and push the concentrator beyond nominal capacity, with the shiny new capex now invested. Where within your portfolio might you surprise us with volumes?

CHIP GOODYEAR: In terms of the portfolio overall, it is going to be tough to do. We are at full capacity now. Each one of the operating teams is doing exactly what you said. Marius and his guys are talking to them and saying, 'Our customers are banging on the door.' And we say, in this time, we ought to be there to feed that demand if we can. They are working hard. It is those incremental things, but it is not going to be 10% of everything; it could be 3% or 4% here and 3% or 4% there.

I think the main thing we are doing is like in iron ore, things that are visible to you. In other words, we announced the expansions that we have. As I said, going from 70 million tonnes a year ago to 110 million tonnes in 11 months from now, that is the kind of thing that I think is what we can respond to. I think just tweaking a little bit is going to be a few percent here and there, but these people are working long hours trying to make it happen. But we hit four production records, four business head production records, and everybody was up year-on-year. The nice thing about nice assets is they can surprise you, but do not expect huge surprises in that; we will announce it as it comes along.

QUESTION: I have two questions. First of all, in terms of bulk commodities, given the exceptional price rises that we have seen and the growing significance of China, can you perhaps comment on whether you see any change in the structure of price negotiations going forward, and what the implications may be for you?

Secondly, there are a couple of items: a fairly major reduction in your effective tax charge. Could you perhaps comment on the sustainability of those items and some guidance on what sort of tax rates going forward would look like?

MARIUS KLOPPERS: On the first question, let's put it in the context of the steelmaking raw materials. I think it is fair to say that the size of the spot market – or pseudo-spot market in, for example, iron ore – has grown, since the majority of Chinese consumption to date has been bought and procured on shorter-term contracts, shorter-term pricing structures. I think that is the one effect. The other effect is just simply that there are one or two national champions developing in China in most industries. At a time when raw materials are scarce, those national champions are keen to exert their pricing power and their purchasing power on the market. I think it is fair to say that negotiations are not exclusively confined to Japan in the Far East, as they once were.

CHRIS LYNCH: In the current year we would expect the underlying effective tax rate, before any currency and so on, to be in the order of 28-29% for the full year. That is largely a result of two issues. One is that we have been able to recognise some US tax losses, which we highlighted at the annual results last year. We have recognised $50 million from that source and we would expect a similar amount in the second half. There are also some investment incentives and other development entitlements etc. which further reduce the rate. Our guidance for the rest of this year would be that we would expect an effective tax rate for the full year of something like 28% – maybe 29%, but probably more likely in the 28% range. Going forward, I think for now it would be prudent to use something like about 30% in future years.

QUESTION: My question relates to the thermal coal business in South Africa or Australia. Some of the producers in those areas, particularly around the Hunter Valley, have sold forward a lot of their production for next year. I would also tie that back to some guidance we have received from BHP Billiton to not to pay too much attention to the very high prices we have seen recently, the ones starting with $40 coming into the market. Could the reason for that be that BHP Billiton has also sold forward? And if that is the right conclusion, why would BHP Billiton sell forward, given the extent to which they are involved in trading and the advantage they have with the marketing hubs placed around the world?

MARIUS KLOPPERS: About 18 months ago we indicated that we saw the thermal coal market had changed profoundly in the Atlantic Basin, and that in future our guidance was that we should consider the product far more like a traded product from a pricing perspective than it had been in the past. What that has meant is that because we want to give maximum transparency to our results and have the portfolio effect work for us, our policy has been to progressively price our product in such a way that it follows the market. Now obviously, and I will make a comment or two about old contracts in the portfolio prior to that period, but I think going forward you should assume that in the

Atlantic Basin our products will effectively follow the spot market that you see on the screen, in the papers, and so on. Our policy is a little different from our competitors.

What proportion of our coal is already fully exposed to the market movements? Obviously not all of our customers want floating prices, so the first point that I would like to make is that where we sell fixed price, we try and unwind that position in the market so that we restore the natural price exposure of the Company and let the portfolio effect work for us. That combination of activities progressively to 31 December has meant that about two-thirds of our product sold is just purely following the market, and about one-third of monthly sales going forward over the rest of this fiscal year you should consider as fixed price. When modelling, just two-thirds at spot and one-third sort of at contract. Our ability to trade out the fixed prices is slightly less from our production in the Hunter Valley, and we think that will continue for a couple of years as that market catches up with the Atlantic market. But much more than our competitors, you should see our product follow the market as opposed to cutting through it.

MIKE OPPENHEIMER: I just had one comment to add. When you have to move 35 million tonnes of physical coal into the market every year, you do have to place some of that product in the forward market – simply to manage your logistics and your production planning. As Marius said, the key issue is whether you can price that on the index on a forward basis. In the past you were not able to do it; now we are increasingly able to do exactly that.

CHIP GOODYEAR: I am glad to see there is continued interest in questions. If there are questions that we have not covered today, please contact us; we would be glad to get back to you as soon as we can. In summary, it has been an exciting period of time. Pricing has certainly been good, but I think what has brought us to these attractive results is the fact that we have a long-term strategy based on having excellent assets, running them well, finding ways to continuously improve that, and year-in and year-out using that stable cash flow to reinvest in businesses that we know and understand. It is opportunistic and is something that we can add to that portfolio, but having those products from projects over the last several years to come into markets like this has certainly been the kind of strategy and the kind of opportunities we have traditionally talked about. Again, thank you for your interest in the company. We look forward to seeing you in the next six months. Thank you.