

**CHIP GOODYEAR:**

Ladies and gentlemen, welcome to BHP Billiton's presentation of our half year results for the 2005 fiscal year. My name is Chip Goodyear, Chief Executive Officer of BHP Billiton and I'm joining you today from London.

In Melbourne, we have Chris Lynch. Chris is our Chief Financial Officer and he will be making some prepared comments today. With Chris we have Marius Kloppers. Marius is our Chief Commercial Officer and both Chris and Marius will join me in answering some of your questions a little bit later.

Our plan today is to try to limit our formal presentation to something like 25 minutes and hopefully give a little bit more time for you to ask and for us to answer your questions.

Moving to slide 4, and our highlights for the first half of 2005, let me first begin with safety. In the full year results for 2004, I had commented on some disappointing safety results. I mentioned at the time we were going to take significant activity to get us back on the road to zero harm, which is an important strategic driver for the company.

I'm happy to report that we have seen improvement in that area. Our classified injury frequency rate is coming in at a 12-month rolling average of 4.3. That's the best in the company's history. It's something that I have to say we are never finished with. Safety requires constant vigilance and that is going to continue to be a priority for the management team in this organisation. But I'm happy to report that we are making solid progress in this area.

Now moving on to the financial side of our business, we produced a number of record results from a financial point of view for the first half of the financial year 2005. Our EBITDA for that period was US\$5.2 billion. We had EBIT of US\$4.3 billion and attributable profit rose by 127 per cent from the prior period to US\$2.8 billion. Every one of our Customer Sector Groups showed a better EBIT performance in this half year than in the prior period, and the company as a whole produced an EBIT margin, that's before our trading activities, of a spectacular 37 per cent; really an outstanding result and our return on capital for the period was 30 per cent.

Available cash flow rose 116 per cent to US\$3.5 billion. We set half yearly production records in six major commodities. We also set them in four minor commodities including manganese ore. We commissioned six major projects since 30 June 2004.

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Those projects were all in the petroleum business. We also commissioned an iron ore project, a smaller iron ore project, but certainly a high value one.

I will talk a little bit about our project pipeline later but you will see that pipeline has continued to grow both in terms of number of projects and total cost despite the fact that we have removed those seven projects.

One of the items that was an important comment at the full year results for 2004 was our capital management initiative, one that targeted US\$2 billion. I know there was some skepticism at the time of our ability to deliver on that and do it over 12 months. We have exceeded that. We have done it within a six month period.

The first step was the off-market buy-back in Australia of the BHP Billiton Limited shares. That consumed about US\$1.8 billion and today, we announced that the remainder, about US\$200 million, would be used to rebase the dividend. We've moved the dividend to 13.5 cents at this interim period. It represents an increase from the interim dividend that we paid a year ago of some 69 per cent. It also becomes the new base from which we continue our progressive dividend policy. So as we move forward, it's that 13 and a half cents that will then become the new base for our policy moving forward.

There's many exciting things to talk about in terms of our results. One of the things I said six months ago was that environments like this show how important it is to find that preparation and opportunity can indeed create an outstanding financial result. But it's not just about this half year; it's really a combination of looking at that preparation over a significant period of time and executing on that strategy. I will talk about that a little bit later.

Let me now turn it over to Chris who will make a few comments on the numbers and then I will come back. Thank you.

**CHRIS LYNCH:**

Thanks, Chip, and good morning everyone. Before I start with the financials just a couple of reminders. Any references to dollars in this presentation is to US dollars unless otherwise stated. The comparisons with the prior period will be for the six month period ended 31 December 2003. Finally, the headline numbers that we talk about will exclude any impact from exceptional items.

Slide number 6 shows our half yearly record headline results for the period. Turnover

increased by 42 per cent to US\$15.5 billion primarily due to higher commodity prices which added US\$3 billion but also due to higher volumes. Half year production records were set for six of our major commodities. This is a reflection of increased capacity from growth projects commissioned since 2001, and the benefits of ongoing de-bottlenecking programs at a number of operations.

EBITDA of US\$5.2 billion, an EBIT of US\$3.4 billion are up 67 and 95 per cent respectively compared with the prior period. Attributable profit is 127 per cent higher than profit for the same half last year and earnings per share of 44 and a half US cents represents a similar increase of 128 per cent. For the calendar year ended 31 December 2004, our attributable profit was US\$5.1 billion, an increase of 130 per cent over the previous calendar year.

Our results include one exceptional item related to equity participation by China National Offshore Oil Corporation in the North West Shelf project. We received a payment of US\$59 million for our portion of 5.8 per cent of the current gas reserves and associated processing rights. This resulted in an exceptional profit of US\$56 million.

As Chip just mentioned, the group has declared today a dividend of 13 and a half US cents per share.

Turning now to slide number 7, where you can see that the EBIT contribution for each one of our Customer Sector Groups (CSG) has increased compared with last year.

In the petroleum CSG, prices were up for both oil by 53 per cent and natural gas by 24 per cent. The commissioning of Ohanet in October of 2003 and lower exploration expense also had a favourable impact on EBIT. Offsetting this to some extent was lower oil and condensate production mainly due to expected field decline at a number of assets and higher price linked costs. In total, EBIT increased by 51 per cent to US\$909 million.

Higher than expected down time at some of our assets in the current half, the sale of Laminaria, slight delays in commissioning some recent projects and the price impact on volume entitlements from Ohanet means that total production for the 2005 financial year is now expected to be in line with last year's volumes. This is slightly lower than was previously indicated.

Ohanet volume entitlements together with the sale of Laminaria, and lower forecast production at Bass Strait and Angostura, means that 2006 production will also be lower than current market expectations by as much as 10 to 15 per cent.

Negative impacts of a weaker US dollar and pressure on input costs were a theme for most of our minerals businesses. I won't go through these individually now, but I will cover the effect of other input costs across the entire group later in this presentation.

The Aluminium CSG received a 49 per cent increase or achieved a 49 per cent increase in EBIT to US\$458 million with higher prices and volumes being the main drivers. These increases were partly offset by a US\$36 million one-off charge related to the cancellation of an aluminium supply contract and the impact of higher price linked costs.

Base Metals EBIT of US\$1 billion was more than 200 per cent higher than the same period last year. Higher average realised copper prices, together with a solid production performance, led to a US\$640 million benefit from our copper business. Similarly, the de-bottlenecking program at Cannington enabled record volumes of silver and lead at a time when prices for these commodities have also increased.

In Carbon Steel Materials, record production volumes and higher prices for each of the three product groups, iron ore, coking coal and manganese, increased EBIT by nearly US\$900 million. Of particular note here is our leverage to higher manganese prices. While alloy prices have fallen back in recent weeks, prices for both ore and alloy were strong during the half adding US\$310 million to EBIT.

Queensland Coal incurred higher priced linked costs along with higher stripping costs associated with expanding capacity to meet customer demand. Combined, the impact of these costs amounted to approximately US\$50 million.

Depreciation charges at West Australian Iron Ore were higher than in the prior period reflecting the recent commissioning of several expansion projects. Together, these operations also incurred an additional US\$22 million in demurrage costs as we have sought to maximise throughput at our ports.

Diamonds and Specialty Products EBIT of US\$344 million were 63 per cent higher than the same period last year. EBIT for Ekati diamonds increased by 126 per cent to US\$285 million as a result of higher sales volumes of higher value diamonds. This was partly offset by higher profit based royalties.

While Ekati has benefited in this period from the sale of high value diamonds from the rich grade zone in the Koala pipe, we expect the second half results to reflect the lower grade, lower value material we have been processing in the first half. This will continue through the 2006 year. Integris has had improved performance but our interest in that is now sold having settled that sale on 4 January. There's no impact from that sale in these results.

Energy Coal EBIT rose by US\$223 million to US\$308 million. In both the Atlantic and Pacific markets, strong demand has seen price for export energy coal substantially higher than in the prior period increasing EBIT by US\$345 million.

Stainless Steel Materials, EBIT of US\$340 million, represents an increase of 76 per cent on the prior period largely driven by higher prices for nickel, ferrochrome and cobalt but with some offset for higher input costs.

Net corporate operating costs were US\$135 million, an increase of US\$25 million compared to the prior period reflecting higher costs associated with employee share awards.

Before I step through costs in more detail, let me recap on volumes. I've mentioned strong market demand several times, record production volumes and de-bottlenecking programs. Slide 8 shows the growth across our major mineral commodities offset only by lower volumes of petroleum products which we expect to improve with the recent commissioning of the new growth projects.

The substantial volume increases delivered by our project pipeline, plus initiatives focused on de-bottlenecking and improving efficiencies of key processes, has positioned us to capture the additional benefit of the current high priced environment. Remember, that the volume variances shown here are determined using prior period margins. But if we apply current period prices to our volume variance, we find that the revenue benefit amounts to approximately US\$490 million and this is one component of the price variance you see in our results today.

Turning now to costs on slide number 9, despite record earnings and EBIT margins of around 37 per cent for the current period, higher input costs are exerting pressure on margins to varying degrees across most of our businesses. In total, excluding the effect of priced link costs, exchange rates and inflation, costs had a net unfavorable variance on EBIT of US\$255 million. Of this total, we have split out a number of drivers of this

increase shown as red bars on this chart.

Higher raw material costs largely represents the increase in cost of coke and fuel and energy costs mainly representing the increase in cost to petroleum based products.

You should recall here, however, that we accrue a significant revenue benefit in Petroleum and Carbon Steel Materials as prices for these two products rise.

Higher shipping, demurrage, labour and maintenance costs also had a negative impact on EBIT across the group.

For the last two years we have periodically updated the market on our progress towards costs savings and merger benefits targets. While we achieved those targets at 30 June 2004, our drive to enhance margins through business improvement activities remains. In the current period, we achieve US\$65 million of cost efficiencies through our operating excellence in six Sigma programs, utilisation of knowledge sharing networks and strategic sourcing initiatives. This acts to offset some of those cost increases and is represented by the yellow bar on this chart.

Perhaps another way to show the benefits of these initiatives and to show how we are mitigating costs can also be seen on the next slide. In addition to the US\$65 million of cost efficiencies, US\$35 million in costs have been mitigated largely through initiatives taken to ensure we use best practice procurements methods across the group, we have reduced the extent of supply cost increases also.

Add to that US\$75 million of revenue enhancements which have largely been captured from incremental volumes resulting from de-bottlenecking and other efficiency programs that I referred to earlier, and in total our various programs have continued to ensure we reduce and avoid costs wherever possible saving us around US\$175 million than would otherwise have been the case for the current half.

Turning now to the non-EBIT items on slide number 11. That interest expense of US\$155 million is US\$56 million lower than the same period last year despite higher US dollar interest rates. We have continued to actively manage our debt portfolio which is lowered average debt levels and interest income is increased on higher average cash balances.

The exchange loss on translation of net debt was US\$69 million in the current year compared to US\$89 million last year.

The tax charge for the year excluding exchange impacts was US\$1.1 billion and represents an underlying effective tax rate of 27.3 per cent. Continued progress in the Gulf of Mexico with the commissioning of new projects, the development of Atlantis and an initial two projects advancing through to the feasibility study phase has again enabled us to recognise the benefits of US tax losses increasing the amount from US\$100 million in the 2004 financial year to US\$175 million in the current half year. The large increase in minorities was largely due to the increase in profits at Samancor Manganese.

I will finish up by looking briefly at cash flow on slide number 12. Of note on this slide, capital expenditure of US\$1.5 billion includes US\$1.1 billion of expenditure on growth projects and US\$430 million of sustaining capital. Exploration expenditure of US\$199 million is in line with the same period last year. The reduction in dividends paid reflects the payment of two dividends during the December 2003 half year.

Net cash flow before funding of US\$1.3 billion is more than 300 per cent higher than for the same period last year. Cash outflow from funding activities total US\$2 billion, of which US\$1.8 billion was for the off-market buy-back of 181 million BHP Billiton Limited shares in November of 2004.

With that, I will hand you back to Chip.

#### **CHIP GOODYEAR:**

Slide 13:

Thank you, Chris. In the next section what I would like to do is talk a little about our outlook for 2005 and do that in the context of the last couple of years of economic growth. I will then spend a few minutes on what we are doing today and in the future to create options to participate in a merging market growth as it continues in the year ahead.

Slide 14

First of all, you wouldn't be surprised to have looked at 2004 and wondered what kind of year it might have been. The headlines that we saw last year, depending which day you opened the newspaper, would have made you believe we were in a significant depression or we were in fact in the golden years of industrial revolution. We saw headlines, and a few examples are in front of you now, that could have lead you to

either of those conclusions.

The facts are that 2004 had a global growth rate, that was one of the best in the last three decades. Now to try to predict that to continue for 2005 would be somewhat cavalier. But despite that, we do expect to see a solid 2005 although we expect it to be a little bit below what we saw in 2004.

Let me walk through each one of the regions of the world, the major regions of the world, that impact our business and give you a few specific comments.

The first area is China. China had a growth rate last year of about 9.5 per cent. It was a little bit above expectations. Obviously it was a quite strong growth rate, but at the same time, the government began a program to try to foster growth in large sustainable corporations and move away from growth that was happening in unsustainable businesses that were there simply for short term gain.

That did slow the growth rate somewhat. The government we expect to continue that program. It's certainly appropriate. Sustainable long-term growth is in the best interests of China and certainly from our point of view in the best interests of the kind of businesses that we are in. But despite that, we continue to believe that large and sustainable growth in China over a significant period of time will be a characteristic of the years and perhaps decades ahead.

We will see ups and downs over that period. It will be a characteristic of China, but it does look like it will be an important market not only next year but in the years ahead.

Moving on to Japan. Japan had a growth rate last year that was certainly its best in quite some time. Most of that growth took place in the first half of the year. There was a significant slow down in the latter half of the year in Japan. Despite that, we expect to see growth continue in the year 2005, albeit at a significantly lower rate than it was last year. But I would say that the resource consuming businesses we expect to continue to do quite well. It's important to note that product that goes in there, our product that goes in there, is often converted into a product that is then in some form exported or at least a portion is exported. So we believe that the growth in the region will continue to benefit the resource businesses in Japan.

Moving on to the United States. The United States had a growth rate last year of about 4.5 per cent. That was obviously a significant growth rate and significantly above trend. It is an environment that we would expect to continue although again, at a slightly lower rate. Last year there was significant issues around the election, obviously tax cuts and



so on. Now there's going to be we think continued good business confidence, consumer demands looks to be good, companies have significant amounts of cash and the weaker US dollar will give us confidence that next year will look pretty good in the United States, again above trend line but probably not quite as strong as we saw in calendar 2004.

Then finally in Europe. Europe has been a laggard over the last several years. We don't expect to see much of a change there. There will be reasonable growth, probably consistent with last year, but nothing that would mean a substantial increase in that growth rate. Business confidence does appear to be increasing in Europe but at the same time we wouldn't expect to see a major change from the pattern that we saw in 2004.

So on an overall basis, we expect 2005 to be a good year. Again not quite as strong as 2004 but still in general an above trend growth rate for the global economy as a whole.

Slide 16:

Now, moving on to what does that mean for the businesses that we're in? I think there are four major comments that I would make there.

In general, we do see demand continuing to exceed supply in a number of important commodities. That's happening again in a number of businesses that we and others are involved in.

We see that inventory to use levels are low. So the amount of weeks of supply that is available on inventory is hitting a low and certainly a 30 year low in a number of cases. It's simply a function of the utilisation of that product and the ability of the supply side to continue to replenish those inventories.

That moves to the third point and that is capacity utilisation. Capacity utilisation in many of the commodities in our industry is at a very high level. In fact, it's essentially at full capacity; at least that's the way we would look at it. There's very little and to a certain extent no latent capacity. That is in turn, exacerbated by infrastructure and logistical issues in the supply chain to ultimately reach that customer.

The ability to deal with that in the short term is certainly a challenge but I would also say it does create significant issues around supply side. If there is a short term issue in

any one of those elements of the logistic chain, it could have a relatively near term impact both in supply and obviously in price. When you are operating at something less than full capacity, the ability to bridge that is much easier. Today it's a much more difficult thing.

The other thing I would say, in the fourth item on the slide in front of you is that the ability for us to move expansions at an accelerated pace is certainly difficult to do. The environmental issues and the community issues around the businesses that we are in, are appropriately stretching out the times these projects need, to go through evaluation. And that is a critical thing but it is a nature of our business.

I would also say that the shortage of people, the shortage of supplies and the shortage of the materials we need to construct mines and oil fields is continuing to be stretched. Much as the supply chain that we are talking about is being stretched. So the ability of the industry to respond to this demand is drawn out probably longer than it has been in previous cycles. Now, it is something we are working quite hard to manage, but it is a function or it is the nature of the business that we see today.

Needless to say, environments like this do lead to higher prices. They also lead to an environment where more projects tend to show up. Whether they are great projects or not is left to others to comment, but I would say that what we have tried to do is accelerate the capacity expansions that we have within our control in order to meet the customer's demand for what we see in the future.

Now, admittedly, you can't deal with that in a one quarter or one year term, but I think you will see from the project pipeline I will go through, that we have been quite aggressive in trying to meet that demand, over the time period we can respond.

Slide 17:

So if we move to the next slide, it is our current inventory of growth projects as illustrated on the project pipeline that you are quite familiar with. Just to describe what we have done here, this is an update from the last one you saw. We removed the seven projects that have been completed since June 30 and we have added nine projects to this pipeline. Six are in petroleum, two are in iron ore and one is the Koala Underground in the diamond business at Ekati.

In that set of projects, one of the iron ore projects is currently in development, and the other projects are in the feasibility stage.

This project pipeline as I mentioned does include development and feasibility. There's a significant number of prefeasibility and concept projects that sit behind this. To just describe this pipeline as it is today, it represents 26 projects at US\$10.2 billion of investment over the period indicated.

Despite the fact that we have completed seven projects, we have been able to not only increase the number of projects from 24 to 26, but the capital that we would invest has also gone up. The projects we have completed cost us about US\$1.5 billion. The projects that have been added have added about US\$2.1 billion. So despite the fact that we have completed projects we continue to re-populate this pipeline as we move forward.

Slide 18:

What else are we doing in terms of project activities in terms of looking at things? The next slide talks about some of the options that we look at in the years ahead.

I would say here there are four major things that I would focus on; first of all, new production countries for BHP Billiton. Now, let me just say here that in a world where demand grew simply at the rate of the developed world's population, that is, one or two per cent growth, we could probably simply increase the capacity in our existing assets and feel comfortable that we can meet demand. But in a world where the developing world says, "hey, it's my turn" for a refrigerator or an air conditioner or ultimately an automobile, it's difficult to see that coming by just expanding existing assets.

That's going to require that a company like ours look at new countries. Today, BHP Billiton produces about 80 per cent of its EBIT from countries that are investment grade or better. But in the future, we will have to look for iron ore and alumina in India. We will be looking at our coking coal activities in Indonesia. We will be looking at new resource opportunities in Russia or sub-Saharan Africa. And while these represent challenging areas, that can present challenges for any company, you have to remember that BHP Billiton currently operates in Mozambique, in Algeria, in Pakistan and has had a long and successful history in Colombia. We know how to operate in environments like this, and a company of our size and scale has the capability to take those investment opportunities for the returns that we believe they will generate. But we are in this business for the long-term and we do have to start looking early at opportunities like this.

The next area is markets. The economies of Brazil, Russia, India and China are things that people have talked a great deal about. Those represent opportunities for us and new markets. Now, we are active in those areas today. We buy product sometimes and we sell product into those market and we will continue to do so and in some cases operate in those regions but we can't lose sight of the fact that these markets will continue to grow and be important drivers on the margin for the businesses that we produce. You have to remember that nobody has the global footprint of BHP Billiton across markets, across products and across those production regions.

Speaking of new markets and new products in new markets, recently we made a couple of announcements around how we'd use technology to identify new opportunities for us. It's important to note that technology can be a critical difference in this industry and over time helps drive costs down. We have seen that in the last few decades. And examples for us include the bio leached enhanced copper sulphide leach project in Escondida. This is where we have used some of our technology to identify what we believe is an extremely low cost and very value accretive opportunity.

In the iron ore business we announced last year a joint venture with Japan's JFE Steel Corporation to capitalise on opportunities to commercialise the pisolite iron ore deposits in Western Australia. Recently you may be aware that carbon credits have begun trading in Europe. What we do with those is we staple those carbon credits to our energy coal so we can supply our customer essentially zero carbon emission product.

That ability to innovate, not only in terms of markets but in terms of products, we believe is an important distinguishing factor for this organisation. And then finally with regard to customers, we can never forget the customers who have grown with us and who we have helped support in the decades gone by. But we also need to make sure that we meet the demand of a new set of winners that are emerging around the world. Last year we talked about the Wallarah joint venture with four Chinese steel mills.

From the point of time that we announced the memorandum of understanding, to the point that we created the final contract, we essentially doubled the contract volume. In the ability to understand what our customer wants to do and build that relationship is one that we think is critical to our business. We will continue to build those relationships as we move around the world.

But all of this is going to be done in the context of a strict focus on capital and financial discipline. We are in this business to create value for shareholders ultimately. We

believe all the things that we do lead to that, and the things that we will consider in the future will also fit that criteria.

Slide 19:

Moving on to the summary, let me just make a few comments. The last six months has certainly been an outstanding set of operating and financial results but I do want to comment that it's not just a six month story. I mentioned earlier that situations like this occur when we find opportunity meets preparation. Let me just put a historical perspective on our performance. Our EBIT for the six month period was US\$4.3 billion. That number is over two and a half times what it was in the December 01 half year. Many of you will say that's a petroleum story. Petroleum has been fine; petroleum is up 58 per cent. But if you take petroleum out of that, the EBIT growth over that period by the rest of the businesses is an increase of 3.3 times. That has been a function of running the business well, finding efficiencies across what we do and executing our growth projects even during the difficult times in the industry.

I think you will find this performance not only an outstanding absolute performance but an outstanding relative performance when you consider what others have been able to accomplish in this industry over a similar period of time.

We believe the next year looks to be a solid year ahead. We see tight market fundamentals on the backdrop of reasonable global growth. The supply reaction to this is lagging. Obviously many of us are putting money to work and we expect that over time to balance itself out, but 2005 looks to be a continued tight year in resources.

We will continue to work our project pipeline and expand and grow our business in an organic way, but we will also look at future opportunities as I talk about new products, new regions, new markets and new customers. We will continue do that on a regular basis, building capacity to be able to take decisions in the future around where we can create growth opportunities for this company.

We have obviously had an outstanding set of financial results. We have made adjustments in the way that we have returned money to shareholders over a number of years now. It's not only happened in the area of dividends where this is the sixth increase we've made in the last six times we have addressed the issue. But we have done transactions by distributing the steel businesses over time by buying back shares in open market bases and then obviously our capital management activities we're buying on an off-market basis.

This is an organisation that's run ultimately for shareholder value. There are many

constituencies we take care of along the way, but the shareholder is the last guy to get paid here and we recognise that ultimately that's the place that we have to create value.

So, several years ago we had a slogan that was stability plus growth equals value. I think not only this half year but this last three years is an illustration that indeed that has been the case and we have delivered on those opportunities for us.

So with that, let me now take questions. We are going to rotate around to our various locations. We will begin in Sydney. We will then move to Melbourne and then to the telephones and then continue that as long as we have a reasonable set of questions. What I would like you to do is address your question to me and then I will farm that out to Chris and Marius as appropriate. So with that, we will begin in Sydney. So may I have the first question when available.

QUESTION: Two questions, first regarding petroleum. Can you give us a little bit of insight into how you may have moved your long-term pricing for oil? A year or two ago it was around US\$18 or US\$19. Can you just go through that a little bit. Also explain some of the difficulties that you are having with Trinidad etc. that will reduce your expectations or the market's expectations by 10 or 15 per cent. One further question, with regard to aluminium, it's I guess conspicuous by its absence from the very good project pipeline, I was wondering if you have got any comments on the aluminium industry with regard to very expensive increases in energy. Thank you.

CHIP GOODYEAR: Sure, thanks. We have looked at our petroleum price. We look at that every year and we look at all of our commodities every year just about this time, and we have moved that up about US\$3 or US\$4. It's still obviously way below where the current price is but we have always believed that in this area it's probably reasonable to take a long term view. But I also would comment that we do with every commodity look at a range of outcomes where we have a low case scenario and we have higher case scenarios. So we have moved it up but I think it's certainly nowhere near the kind of prices that you see.

In terms of volumes, just commenting on that in general. There are a couple of things that I would say are volume related, that are functions of transactions we have undertaken. We sold Laminaria. When you sell it you are not going to have that production. We believe that was a good decision for us, a field that maybe valuable to others, is certainly in its significant decline period. Ohanet which is Algeria, the contract says it is a risk sharing contract and as a result, when prices are up, you get less

production. So the value is still there. It's just a question of do you count it as a barrel or do you count it as a bottom line. Ultimately we are in this business for profit.

But with regard to Angostura, what we found at Angostura is significant what we call compartmentalisation. In that reservoir, it's highly fractured, lots of faults, and that makes it much more difficult to try to develop that field. Now, it is an excellent facility. We continue to do drilling and we will do drilling there for some time. There's opportunities in step out there, but its ramp up would be longer than we would expect to see and that's consistent with Chris's comments. That is a contributor to that lower expectation for next year.

With regard to aluminium, there are a number of projects there. The Worsley projects and obviously we look at the continued opportunity to add to the pipeline there. There's expansion we've talked about conceptually and in a prefeasibility stage at Alumar. But I think it is important to note that it is finding economic opportunity here that is a challenge, and we went through a very significant growth stage. We have an outstanding business; one of the lowest cost producers of both aluminium and alumina in the western world, and through that growth stage we have executed extremely well. We look for the next set of opportunities and incrementally they are there. But again, you are right, energy is a critical issue and you have to find low cost power to make those work as well as bauxite obviously. Next question from Sydney.

QUESTION: Great result with all the stars seemingly aligned on the prices of your commodities all at one time. I would like to focus on bulks and I notice that you have put out a metcoal price of 120 per cent rise. I wondered if you could tell us what this basically takes the base up to and explain why only 70 per cent of the your contracts roll over from 1 April. Then could you talk for both coking coal and iron ore a bit longer term about the sustainability of prices up at these current levels given as you say the inventories are very low; another production interruption at Consol overnight which may reduce US exports yet again. So could you talk about how long we can expect to see prices up at these record levels and of course how that will drive your future earnings with your expansions?

CHIP GOODYEAR: Yes. In coking coal, 120 per cent would probably take us into about US\$120 a tonne somewhere in that range is where I would say. Why the 70 per cent on 1 April date? Our transaction or our contract with BlueScope is a June contract and some of the Chinese contracts are on different periods. So we would expect those to roll in as we move into 2006, fiscal 2006.

With regard to sustainability of iron ore prices, coking coal prices, there's no doubt that the world's steel production has certainly taken an unexpected and dramatic increase over the last several years. And that took a number of players by surprise, not just the resource producers like ourselves, but also steel companies by surprise and various governments and consumers and so on.

We have reacted I think quite significantly as an industry to try to add capacity in the iron ore area, to try to get to the point where we can see better balance. That ought to bring a better balance to the overall supply and demand in the years ahead, but recognise that capital costs will continue to rise. Chris mentioned this. We can sit and talk about costs and how costs are going up. The facts are, part of the reasons costs are going up is because the cost we sell petroleum and iron ore for and coking coal are going up also.

I was at Posco maybe about ten months ago and talking to the chairman and we recognised that our iron ore and coking coal were going to Posco. They were turning it into steel plate. That steel plate was going to a ship yard in Korea that was building the Atlantis hull. So we looked at they were kind of tolling our iron ore and coking coal into our petroleum production platform.

So I would say in terms of sustainability, two things: One we are reacting as an industry. That ought to help moderate price rise as we go forward, and stability is the best in these prices. But I would also say that that new capacity does come on at a significant cost. It will impact the price at which iron ore can be sold, the marginal cost to which iron ore can be sold. So like I said earlier I can pull out a crystal ball and tell you where I think it's going to go but we can't make absolutely accurate predictions, but certainly capacity is going to catch up at some point in time and moderate some of the price increases I would expect.

Next question. Can we move to Melbourne then.

QUESTION: Just interested in your comments, Chip, on when you were talking about going to new countries and you specifically mentioned Russia and India and a few others. I am just wondering how much of the asset base would you feel comfortable with in those sort of countries, and are we talking just a toe in the water type job here or are we talking like a BP deal where they made a major acquisition?

CHIP GOODYEAR: Yes, thanks. I guess just to answer your first or your second question first. We would expect it to be more of a toe in the water. Again, I said we are in this business for the long-term. In Russia for instance, we move in alumina to supply



some of the aluminium smelters there. Occasionally we move in other resources. We source energy coal out of there from time to time. And so we have been active in that and we understand what is happening in the supply and demand and business community there.

But we just need to build that capacity over time in order to make sure that we are capable of understanding the resource opportunity that exists in Russia and how we could participate. I think it would be unlikely that you would see us make a big step certainly in the near future by any means.

And with regard to how much we would be willing to put in challenging environments as we manage country risk in a couple of ways: We manage it very specifically to the country. We have people on the ground. We have very strong relationships with governments, with the communities that we operate in and that specific tactical approach happens regardless of where we are.

The overall portfolio is the other part and perhaps the real key to your question, how much would we be willing to put in this area. I don't think there's an exact answer to that, but as I mentioned some 80 per cent of our EBIT currently comes from investment grade countries or better, it's probably greater than 80 per cent, and we are seeing expansions in the United States with regard to the oil business. We obviously have significant growth in Australia with the iron ore business, the nickel business, the aluminium business, the coking coal business. So our capacity to put assets to work in some more challenging environments is there. Obviously we have to get paid for that. In other words the returns have to recognise there's an element of risk that comes with that. But I would expect to see gradual building knowledge and over time, say more a toe in the water than a huge major investment.

Next question from Melbourne.

QUESTION: How would you rate China as one of those challenging environments?

CHIP GOODYEAR: Listen, you can get me in trouble because I have to say I have been extremely impressed the way that China has focussed on the long-term as opposed to the short term. If you were simply running for re-election next year, you might say listen we want growth to be extremely high. People will go to work and they will vote for us. They are able to take a long term perspective about what growth means and quality and sustainability, and while we can comment on political issues and so on, you go to Shanghai and Beijing, there are a lot of smiles on people's faces. Ultimately the economic opportunity created results in many other changes taking place in society.

So as a risky place, we say China is going to go, we are going to have good years and bad years. That's true of any economy and they will be no different than that. But they have been able to manage significant issues in China not only last year as everybody thought it was either going to boom or bust, but other issues over time. And so again, we think it's an important place. We have 10 per cent, a little over 10 per cent of our sales in China. It's an important environment. But ultimately we see a society that has visibility to what is available in the developed world.

As I said earlier, people say hey, I would like a refrigerator, I'd like an air conditioner and it's hard to keep people down on the farm after they have seen those opportunities. So we think that over time it will continue to be a good place to do business. We do not currently own any assets or have any physical assets in China. We benefit by obviously moving other product into China. But I would say the simple answer to your question is it's they have managed to transition from a centrally planned economy to a market economy of that size that no-one has ever done, and it's not been too bad of a job to date.

QUESTION: On a separate issue, given your results today, when are you planning to have a crack at WMC and at what point will you enter the fray?

CHIP GOODYEAR: We don't comment on those situations. That's our policy and we are going to stick to it. Next question.

QUESTION: With Kyoto coming into effect, what do you think of the treaty and what sort of impact is the treaty likely to have on BHP Billiton going forward, and just on a another question, with Australia not being part of the treaty and not being part of any emissions trading scheme, will Australia be missing out on any economic benefit or will the economy suffer in any way as a result do you think?

CHIP GOODYEAR: With regard to Kyoto, that is an agreement between governments and that's for governments to decide and for the rest of us to manage our business around that. With regard to BHP Billiton, certainly we have a greenhouse gas efficiency target, a reduction target that is related to the intensity of greenhouse gas emissions. That's a 5 per cent reduction target that started in 2005 and we are well on our way to meeting that target.

We continue to do a number of things with regard to our businesses and working with our customers to improve our performance and opportunities around greenhouse gases. We invest in clean coal technology in Australia and the United States, and we

continue to identify ways we can contribute to lower greenhouse gas emissions which is an important item for us. So I don't see a significant impact on our business other than continuing to find ways to work with our customers which I think ultimately is positive, and I know Marius is there but I mentioned the comments about being able to be creative in stapling in some of these emissions credits that are currently trading in Europe to our energy coal that we sell to our customers.

Certainly in talking to government officials in Australia, we would expect at least from what we hear from them that Australia will meet with their greenhouse gas target would have been in Kyoto regardless of signing the agreement or not, so as of now I don't expect that - at least my view is there isn't a negative impact to Australia in not signing the Kyoto protocol at this time.

QUESTION: Just as a follow on that, Chip, in terms of not being in any emissions trading scheme, Australia not being part of that, do you think that could be an economic risk for the country at all?

CHIP GOODYEAR: To date I don't see. We are happy to support an emissions trading scheme. I think that is an issue for government. We certainly are happy to exist in that kind of environment.

Perhaps we can move to the telephones and see if there's any questions from the telephone audience.

QUESTION: Good morning, Chip, and first thing, congratulations on an outstanding result. Just on petroleum, Chris mentioned during the briefing about the exploration expense being lower. I am just wondering whether looking at sources of cash going forward you can comment on exploration spend for 05, just recap that and possibly 06 both for minerals and petroleum and also the capex profile 05/06 as well if there's any updates, we should get them?

CHIP GOODYEAR: Yes. What Chris was talking about I believe is the item of exploration that was taken to expense is down. The level of exploration continues to be essentially at the level that we had expected it to be, but because we have wells that are either drilling or wells that are deemed to be successful and development opportunities, they are capitalised rather than expensed. So I believe that's the way Chris was talking about it.

Our budget process begins essentially now or begins in the next couple of weeks and

that's the period of time we will address the issues of overall exploration expenditure both in minerals and petroleum, but I would expect that we will continue to at least be amenable to increases in those areas again if they are value added opportunities for us. Then with regard to capital spending, Chris, any comment with regard to capital spending?

CHRIS LYNCH: Yes, Chip. The capex this year we are targeting somewhere between the growth projects sustaining and minor capital and exploration, targeting about US\$4 billion. The current rate is behind the run rate on that, but that's quite a normal sort of distribution. The growth projects are all pretty much on target with where we thought they would be and then the sustaining and minor capital is traditionally it's slow at the half and as a back-end weighting. So we are expecting that will come in. For the full year we would expect somewhere around the US\$4 billion of those three items of major growth, sustaining and minor capital and the exploration spend.

CHIP GOODYEAR: Okay, another question on the telephone.

QUESTION: Yes, thank you very much. Congratulations, Chip, a cracker result. I have three questions for you. Firstly, on our numbers we see there's potential for another buy-back in calendar 05 and wondering if you are looking ahead towards that later in the year. Secondly, the capex guide, just wondering if there is a number for '06. We see capex increasing significantly going forward, and in particular, with reference to your comment about projects taking longer to build, I would expect that would have an impact on projects and just wondering how projects such as Ravensthorpe is going at the moment. And finally, on the tax side, the low effective tax rate, is that something that we should expect to continue for another year, year and a half or so?

CHIP GOODYEAR: Okay, Chris, I will let you do taxes. Let me handle the other two. With regard to cash generation and use of cash, we are very consistent. We've said what we'd love to do is continue to reinvest in our business. If we find value added opportunities to do so, that's where we would like to do it and in our project pipeline I've said for some time, that even with our declining real price protocol, we still see those projects generating 15 to 25 per cent nominal after tax returns. In environments like this, they are obviously much higher than that and we don't ask you whether or not you think you would like us to do that or give the money back to you, we just assume that you think that that's a good thing to do. So we would love to do that first of all. Secondly, keep our capital structure in line and we have achieved that. I won't spend any more time on it but it's important that we do over time, and then thirdly, if we don't

have a better use, return that money to shareholders. As I mentioned earlier, we have spun off businesses like steel. We bought back shares in the open market. We bought back shares in off-market programs. We have increased the dividend six times in a row, and obviously the last one being a pretty significant increase.

So that's how I think about it. We are not going to stop thinking about these issues; that's the way we run the company today and that's the way the company will be managed in the years ahead. So I can't comment specifically, but the thought processes don't go away whether it's half years, full years or whatever environment.

With regard to capex for 06, as I mentioned, the budget process is beginning now. You can see the number of projects that are underway or have been approved, and those are both in our pipeline and in our development report. In the back of your slide pack, if you have that or on the website if you are on the website, you will see the project names and the capital and our share of it and so on. So that ought to give you some idea, but we would expect next year is going to go up somewhat as a result of these projects moving on. That's probably the best to leave it at this point.

Then with regard to Ravensthorpe, the projects in general, I refer to the development report that was put out a week or two ago and therein we report essentially projects are on time and on budget, the Dendrobium project and I think one other is probably over budget and one is little behind time. But anyway, just refer to that. That still stands. Chris, maybe on the tax.

CHRIS LYNCH: Yes, Chip. The effective tax rate in this set of results is 27.3 per cent. That is lower than where our guidance would have been. One of the issues there, it's a coupling of the success in the Gulf of Mexico and also our outlook for the certainty of future earnings in the US.

We have been able to recognise more US losses that were previously not booked. Previously we'd given guidance of about US\$100 million from this source. We think that number for the full year will be about US\$350 million, and in accordance with the UK GAAP, we have recognised half of that at the half year. So US\$175 million which is up from the guidance we would have given of about US\$100 million at the last set of results.

So for the full year, I would expect guidance wise for the full year would be there or thereabouts about the 28, 28.5 per cent mark. It's difficult to be too precise because obviously the source country of the profitability has to be taken into account in that sort

of metric.

Going forward, it's hard for me to give anything other than about a 30 per cent rate into the future but we will update that as we go, but I think for rest of the year, you should see somewhere in the order of the current rate of 27.3 up to somewhere about 28 and a half as a usable range.

CHIP GOODYEAR: Thanks, Chris. One more from the telephone and then we'll see if there's anything else in Sydney.

QUESTION: Good morning, great result. Two questions firstly on the copper market. I think the last profit result you commented you thought the copper market could be in balance by the end of 2005. I'm just listening to your commentary today in saying supply will remain very tight or conditions very strong. Do you still hold that view that the copper market could be close to balance by the end of this year, end of calendar 2005; and secondly, just on prices, very good achievement, particularly in copper. Can you give us some guidance going forward whether you will be achieving 12 to 13 per cent above spot prices in that market?

CHIP GOODYEAR: I will tell you what, why don't we turn those over to Marius and he can answer the questions, hopefully answers just the top one without too much detail on the second, but in any case let me say, the comments about overall supply and demand, the balance certainly applies across the broad spectrum of commodities in general. Each individual commodity is going to have its own particular situation, and so with regard to your questions around copper, why don't I turn that over to Marius?

MARIUS KLOPPERS: Yes, I think it's clear that production of copper metal units into the market is currently constrained by smelting capacity, not mining capacity. So I think part of the previous comments related to that. We find it extremely difficult to forecast medium term supply demand balances. We just find that invariably we are wrong. I would therefore - you sort of conclude that we expect those smelter balances to reset, that the capacity will become available over the next year or so to smelt those copper concentrates.

The second comment on balance, I would just note that copper inventories are unsustainably low and have trended down over the last couple of months since our last guidance, and between those two factors, we still remain very optimistic about the

markets going forward.

With respect to achieved prices, I think what you have got to look at is our performance relative to prevailing spot prices which are a matter of public record. We have no anticipation that our performance relative to those premia would change. Obviously the level of global premia themselves are a factor of many, many things like freight and so on but we expect our performance relative to prevailing premia to remain as it has been.

CHIP GOODYEAR: And perhaps, Marius, I'm not sure is there an issue here about the pricing of opportunities at the end of the period?

MARIUS KLOPPERS: Yes. Obviously there is some quotational period mismatch between how product is sold and how product is delivered, and you have an element of provisional pricing in these markets which often tend to have the sort of elements at the end of a quarter or a half. That can go either way obviously depending on whether prices have trended down or up.

CHIP GOODYEAR: So, you may have considered that in your question. All right. If we can go and see if there's any questions in Sydney and then we will move back to Melbourne and the telephones and see if there's anything else.

QUESTION: I guess you talked about the oil price; you've just kicked that up by about US\$3 a barrel. But in terms of your volume forecasts when you are looking to bring these big projects on such as Western Australian iron ore, what sort of range do you look at for world growth there? Do you assume China growth at 8 per cent, 10, 15? Obviously the long term nature of these things means it makes a big difference by the time you bring it on.

CHIP GOODYEAR: Absolutely, and what we have traditionally done and we haven't changed, is that at least our base case scenario shows real long-term price decline as we go out. We take the futures curve where available for the next 12 to 18 months or so. We move to a long term trend and then decline that at the real term. So the growth rates that we would expect to see in various economies turn into this real price decline.

Now, if the growth is stronger and some of the high side scenarios might have growth lasting for a longer period of time in these economies, you would see obviously a

different price line around that, but in the long-term, we continue to see this real price issue. I made the point before and the audience here changes from time to time, but the question is obviously, is the current environment we see in the developing world creating potentially a multi-decade increase in real prices? We can't answer that question for you.

We can say that we are optimistic about what we see and we've build that into the scenario planning of the future, but we also make sure we understand what is the down side. We manage that by our large low cost businesses or assets and we manage that by making sure we share efficiencies and we continue to find projects that are additive to that profile. So that's how we look at it. That's what the price scenarios generally look like. Okay, next question in Sydney.

QUESTION: I'm just interested in the company's thoughts. I mean, clearly you've done the bottom up analysis on the Chinese steel market and hence your investment in iron ore and coal. But Chinese steel is now leaving the country and not coming in, and you are seeing global inventories rise. I'm just wondering what your thoughts are how that plays out; and then just secondly, just following on from previous comments. You have pushed up oil long term, you've stated that your cost pressure in particularly bulk minerals has gone up; have you pushed any other long-term prices up?

CHIP GOODYEAR: Marius, I might let you talk a little bit about steel and what we are seeing in those markets. Let me just talk about other long-term prices. Perhaps we have talked about this before. From last year we have made some adjustments in iron ore and coking coal based on the studies that we have done. We have made the adjustments in oil that I mentioned, but other than that, we have continued our protocol process which uses the futures curve, but in general we have kept prices pretty much where they have been, after this protocol process we have gone through. Now, Marius, the first question around the global steel markets and what we see happening there.

MARIUS KLOPPERS: I wouldn't like to forecast sort of medium term steel prices, I think just a comment about Chinese steel consumption. We indicated at the last couple of rounds of results that we have done a complete bottom up analysis of where steel is going into China, what the drivers are and so on. I would summarise by saying our view of the long-term steel consumption trends in China is not inconsistent with the comments made by the Chinese government where they contrast the total steel amount that they will need to put into the economy in order to modernise it and figures up to about 20 billion tonnes of steel during a total build up period is being forecast by the government, and our numbers are well perhaps not as optimistic are not



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inconsistent with that.

Our expansion programs are largely geared towards on an incremental basis maintaining our global market share and following those markets. You should not read into our programs that there is an aggressive plan here to oversupply the market; it's really to meet the market demand and do so by incrementally putting those projects on the table.

CHIP GOODYEAR: Okay, all right. One more in Sydney and then we will go to Melbourne.

QUESTION: Two questions; one just in terms of the third party sales. There is a pretty hefty increase in terms of the revenue from there, just running the numbers, there's also reasonable increase in terms of the EBIT generated from that business. Just wondering if that's a trend that's going to continue with your trading arm that you've got over in The Hague. Are you going to start getting more profit and EBIT out of that third party sales? Second question is more just looking at sustaining capex. You have mentioned in terms of project capex, you are seeing tightness in all the areas, labour, procurement, rising costs. You have also said that in terms of a lot of your businesses, you are at 100 per cent capacity at this point in time. Are you seeing that sort of rise in terms of the timeframe for a project capex moving back into sustaining capex as well? Are we going to start to see some significant elevations and sustaining capex over the near term? Will that affect some of the prices that you sell at and are there any sort of critical errors in your business shown at the moment that you are going to need to sort of look at and remedy over the next 12 or 24 months?

CHIP GOODYEAR: Okay let me try to work on those. Maybe, Marius, if you might just talk about the third party sales. Let me just make a couple of comments. Integris which is the metals distribution business in the United States is treated as a trading activity. It doesn't sell our product. That's been sold. So that number will obviously disappear from future financials.

We have significantly decreased what we have called Energy Market Trading, but closing out those positions, are showing up in the financial statements now. But I would also say that you can't just see the value of our marketing and trading activities by looking at that statement. The ability to use this as a way to supply more and varied customers, products to your customer, understand where they are going, leverage your equity positions is fantastic, and it shows up in the huge margins that we are seeing across our base businesses.

So I'll let Marius talk about that and then maybe, Chris, if you would just like to talk about the sustaining capex and perhaps what you are seeing there I'm happy to supplement that but why don't we go to Marius first and then Chris.

MARIUS KLOPPERS: Yes, I think the first thing that we have got to take into account when we look at trading volumes is that the prices of many products have increased dramatically. So I think one of the things that we are looking at here is dollar amounts as opposed to volumes. So we have got to split that out. In terms of how we have signalled market developments before, we have indicated that volatility in freight rates give volatility in regional premia and that's especially true in our copper, aluminium and other traded product businesses. What that means is that there is a base line tendency to do more things like geographical, arbitrage, move products from one area to another and so on. So that's a second element that you are seeing there. The third element that I would like to comment on is that we clearly are seeing a more liquid market or spot market for iron ore for example in China. It's obviously very important that we understand the price that that product is being settled at in order to properly price our term business to accurately understand supply demand conditions. So there has been some growth, underlying growth, in our carbon steel materials business trading third party products. In terms of profitability, I think again one, to reiterate what Chip has said, our primary objective here is to satisfy customer needs, to get information about the underlying businesses and the state of the markets that we find ourselves in, and thirdly, through judiciously executing things like geographical swaps, product swaps and so on actually add value to our underlying equity streams. That message is absolutely unchanged and the strategies unchanged

CHRIS LYNCH: Okay. The question regarding sustaining capital, obviously that's taken into account in terms of our overall applications to cash and so on. I am sure you will have been delighted to have seen the capital management initiatives that have been successfully executed in the last six months, just to get that one off the table. But the sustaining capex, yes, there is pressure on capital costs. That's absolutely the case. And you do see that in the sustaining capital. There are significant production volumes that are going through these organisations, and so the planning around timing and scope of not only the major growth capital but also the sustaining effort as to how it may impact on current production, but also the downside risk of not addressing those types of issues in a timely manner and the cost of that opportunity should that downside risk occur.

So there's a lot of planning goes on around that how that capex is managed. But you have got to love our CSG Presidents, but this is probably the one area where I have significant difficulty with their ability to forecast in this area.

They are chronic overproviders in terms of what they ask for, and then we come back and have a sort of a sparring match during that budget process that Chip talked about earlier.

The other thing that's in this area as well is the pressures on the total supply chain. I think you have probably seen a little bit of press here in Australia in the last week or so regarding tyres for earthmoving equipment. That's quite real. It is an issue and we have had the tightness in some of the areas. For instance, about six months or so ago we were talking with Caterpillar and they were talking about difficulty accessing some of the steel that they required for their increased production build. It seems like in the case of the tyres, that the tyre manufacturers have perhaps not fully believed the growth projections that some of the suppliers were giving them.

So there is pressure in that area. There will be pressure in terms of the same item of work will probably cost more in terms of this market. Also, the volume of work has to take account of the fact that there's also more production going through most of these assets. So I would see some form of increase in the order, you would probably expect increases in that level going forward, but without putting a number on it.

CHIP GOODYEAR: Okay, let's move to Melbourne and see if there's some question there.

QUESTION: Thanks Chip. You mentioned prices are very a powerful inducer of new capacity, but balance that against another mine disaster in China last night and the Chinese Premier reacting by saying they are going to introduce much stricter measure in bringing new capacity on line and for existing mines. Russia's nickel producers saying that environmental legislation is slowing their increasing capacity, and the constraints you are running into in terms of infrastructure bottlenecks, shortages of capital equipment and labour. Are we sort of moving into a period in the next six to 18 months, where you could actually see resource scarcity in which, regardless of price, your customers just simply can't get their hands on the commodities they want? Would that in a sense change the way that you have - the relationship you have with your customers?

CHIP GOODYEAR: That's a very good question. Let me try to hit that in probably a general way. There is resource scarcity now. It is an issue for us. It's an issue for our customers, and in a win-win relationship, if our customer sees an economic opportunity to convert resources into an end product and they can't get the resource, then we all have a problem. Our commitment is to try to do all we can to meet their need consistent with our objective of creating value. So that already exists out there.

I think your comments are very appropriate in that now you understand how important the health safety issues are for us. They are your licence to operate, and I didn't see the specific comments regarding the recent accident in China, but I can tell you that is a huge issue in China. I was up there recently and one of the heads of one of the major companies had to spend - when I say had to - the government required they all spend a full day having a discussion about how they are going to improve mine safety. Environmental issues people just won't put up with it any more.

So, you have to have an organisation and a mind set with which builds that into the way you think. Again, I think that will be a competitive advantage for a place like BHP Billiton and I think some of the other companies in our industry. So you can see that kind of environment. But again, we are working very hard and we are trying to do all we can to create that pipeline and fill it over time.

So without being necessarily specific I think you hit some very important issues that are longevity issues but we all have an responsibility to try to meet that. It isn't by taking shortcuts. My comments about promoters coming to the business, unfortunately in parts of the world, you can find places where the economic development in the near term profit is driving decision-making and ultimately those will be difficult for the investors, difficult for the communities and difficult for the environments. So again, pride enhancers specifically but they are challenges and we have to find a way to meet them.

Why not go to the telephones then. Any other questions on the telephones.

QUESTION: Good morning, Chip. Just my wife passing on her regards for the stunning performance for our super fund with BHP Billiton. That means I have to work a little bit less. Through you, can I ask Marius about South Africa and how you see the situation developing. I mean, we have got a very strong Rand and domestic costs rising. That's on the one part, and has BHP looked at the overall energy scenario in the world? I have seen you increase the oil price but I wonder whether you have undertaken a full blown study given the impact of China?

CHIP GOODYEAR: Yes. Just with regard to South Africa, I think if you just ask me a general question about South Africa, the economy there is quite good. Even with that strong Rand, I think it has been pretty resilient in terms of reacting to something that I think most of us felt would be a real challenge to deal with. The government is certainly supporting the minerals industry as it goes through its transition to the empowerment activities which we are supportive of doing and working very closely with the government.

So in terms of what we are doing there, I think our issues are much more related to trying to make sure we have efficient activities and operations and trying to make the most out of what opportunities we see there. Marius, would you have anything to add to that?

MARIUS KLOPPERS: Yes, I think, Chip, one thing to perhaps look at is that our activities in southern Africa are very dominated by the aluminium business in terms of profit. That is a business where a large amount of the input costs are actually LME related or not Rand denominated. So I think we probably don't have the same exposure as some of our competitors or other people in the market might face.

The second thing is that some of the businesses there are very good quality high margin businesses where the operating costs are not as big a component of the total turnover.

Then the third element that I think we should take into account is that in some of our businesses, actually the product price does show some correlation with the level of the Rand. So between those three things I think if you synthesise them, then you get our total opinion about the Rand and business there.

I guess I want to reiterate some of the things that we believe that the transformation program, they are important. We obviously are very supportive. We are very optimistic about the overall economic outlook there.

CHIP GOODYEAR: Okay. And then, with regard to your energy question as you know, last year we grouped our Energy businesses into one area under Phil Aiken. We are continuing to assess the energy situation. As I said earlier, energy is key to economic development and in developing worlds, that's very important. So our studies there are incorporating a view of energy in total not just individual commodities.

So that is underway and I think whether you read it in the press or read it in company

reports, I think you will see how important energy is in the world going forward. I don't know what it takes to allow you to retire tomorrow, but if we can figure out a way to get there, I hope we can do it.

Okay another question on the telephone.

QUESTION: Thanks, Chip. I have four questions. Firstly on capital structure, you mentioned several questions ago about the three steps you have regarding distributing capital throughout the company, and you mentioned you got your capital structure in order over time just recently. What is the correct capital structure is my first question?

Secondly, regarding your tools that you can use for the company using your cash? Does paper for transactions figure in what you can do going forward? Could you use it, would you it and have you used it before?

Thirdly, coal prices if I could direct one at Marius regarding your realisation of prices for both what I see in Ingwe, Hunter Valley and Colombia are quite a bit lower than the spot prices prevailing over that period of time. Can you just explain why?

And lastly, if I could just as respectfully as possible direct a question to you, Chip, just regarding the continuity of the office in the company nearly behind us and your contract running out a couple of years yet, where do you go from here and given you've set the company up so well, after the next three to five years?

CHIP GOODYEAR: Yes, let me - Marius I will have you do the coal one and we will try to rush through that and get one last question on the telephone and then head off. The ideal capital structure for us we characterise as a strong single A credit. That means various things in terms of gearing, coverage ratios, funds from operations to debt, that kind of thing. So that's how we look at it. I would say as you very well know, looking at simply book gearing in my view is pretty meaningless. Our assets are worth much more than the value they show up on our books, but that's how we consider it, strong single A credit we believe minimises our cost of capital.

Secondly, would we use paper or have we considered using paper or have we used paper in the past? Depending on how you look at the DLC, that was obviously a merger, not a cash element, that was equivalently a paper transaction as everybody's paper stayed the same, but that's that kind of deal. I am not aware of us using it other than that. There may have been historically a time when the company did that. But we

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promise ourselves around this price we never stop thinking and if there's an opportunity to do that or something, we are certainly not going to rule anything out. We always look at where we can get the best value and so on. I will let you go to coal prices in a minute, Marius.

Continuity of the chief executive. Let's see, I saw the article this morning. I guess the way I'd put that is that the best thing about that article was when I think it said, not quite this way but it might have said, listen, there's a lot of good people in the company who have the capability of running the place. That's the way we ought to think about BHP Billiton. It's not a personality place. It's not a cult of individuals, it's a team that generates the results you see. And I certainly appreciate all the nice comments people say about good results and so on, but that it goes to 35,000 people and probably 30,000 contractors and who knows how many customers and so on around the world. So certainly, I got a question from the media about what is the next couple of years. I don't even know what I'm doing at April spring break but the most important thing is that this is an organisation that is not counting on one person, it's counting on thousands of people around the world. To me that's the sign of a true world class organisation. Certainly that's the way I think about that. Coal prices, Marius.

MARIUS KLOPPERS: Yes, three separate comments on the three separate operations.

On Ingwe we have indicated about 18 months ago that the European coal market was changing very rapidly. That change has continued and we now see liquidity there on the traded coal market which probably exceeds, for example, the British gas market. However, that period of change has been very rapid. We have indicated that we want to follow that market price. We also indicated that we do have some historical fixed price contracts. That will take some time to run out. Some of that you do see in this period's pricing and there is an additional component that you will see in the next six months as well. However, for all incremental coal and that we have indicated since about 18 months ago, we are fairly capable of following the market fairly precisely there

On Hunter Valley, clearly a coal index in Asia is developing as well. It is a lot more immature than what we have got in Europe. It's sort of reminiscent of what we had in Europe about four or five years ago. We have just started seeing the banks climb into that index and provide more liquidity there. However, while we try and sell our product as close to that changing market price as possible, there is no deep and liquid market

there to completely track that.

That will develop in due course and then we will be able to track it more closely, but until then there will be some untimely period mismatches where we sell can't be hedged completely, prices move around. So I think that's what you are seeing in the Hunter Valley prices.

On the Colombian coal, you will recall that there is a joint venture in which we hold a third of the shares. Obviously the decision-making there is on a cooperative basis. We don't sell all of the coal there precisely following the spot markets. So again on an ongoing basis, there is likely to be some component of the Colombian coal which cuts through the market and that's by virtue of not marketing the product there solely on our own. Hope those three comments answer the question.

CHIP GOODYEAR: Thanks, Marius. Let's see, last question on the telephone?

QUESTION: Thank you very much. Just two questions to Chip, just wondering if there's any further news you can give us on the HBI in Western Australia? And then, finally, with regard assets currently in the portfolio, is there any further news on the ferrochrome business?

CHIP GOODYEAR: With regard to HBI we would hope to have clarity on that situation toward the middle of this calendar year. Those studies are currently in the process of completing and being assessed, and as that happens, we will then come back to you on that but I would expect toward the middle of the year is a reasonable expectation.

Then with regard to ferrochrome for those that don't know, we did receive some unsolicited approaches last year. We have gone through a process to try to assess those, and I would expect that we will reach a conclusion on that in the relatively near future.

Okay. Thanks for those questions. I appreciate it. Let me just say that I think the results have been outstanding. I think it's a real tribute to the organisation and the people in it, but it is one that's a result of consistent execution of strategy. I think the dividend is an important sign. It probably rounds out some of the things we have done. It is an illustration of the confidence we have in this business and our ability to execute which ultimately leads to improved earnings and cash flows in the years ahead.



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With that, let me thank Chris and Marius for joining me today. There's certainly additional questions I'm sure you have, between Mark and Allison and Jane and Tracey and James and Francis, be sure to give them a call to follow up on any of those things. Again, thank you for your time.

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**Q&A Session London-Johannesburg briefing 16 February**

QUESTION: Good result. Great result, I should say. Just a couple of questions leading from your presentation: From your bubble chart you indicated that you are reassessing, rescaling some of the growth options, given a lot of your comments on China. Are your iron ore, coking coal intentions or ambitions getting larger? Are you looking at increasing the scope of those from the current assessment?

The second question: just in terms of the new products that you've flagged. You've got a pretty extensive list in the portfolio already. You mentioned a couple of examples of your technology advantage, but those were already within your existing products. As it is, are there some commodities that you feel you're currently missing?

CHIP GOODYEAR: First of all, on the resizing of opportunities. I think, when you look in the detail on the back of the handouts you have, or on the website, you'll see that the iron ore project is one that has certainly increased in size from where we saw it before. A lot of that has to do with where we get the efficient economies of scale in that business.

That project, that big bubble there, is one that has completed feasibility and is currently under assessment. That's why you see the size move. It's a function of where the appropriate breakpoint is in that.

We did announce last September the coking coal business, a desire to move that to 100 million tonnes. That comes in a variety of projects, some of which are identified and underway and on the chart you see here – the BMA Phase 1, BMA Phase 2 and Blackwater – but also things like Maruwai, which are currently in essentially a pre-feasibility stage. There are a variety of probably seven or eight additional projects that go into that. So, we've certainly seen, through a bottom-up study of what's going on in the steel business around the world, and in China in particular, that there is a demand for resource, so that does have an impact on how we think about putting money to work.

In terms of other products that we might get into, it's not appropriate to speculate on what those might be, but we do align that with what we believe our competitive advantages are. It's the ability to use our technical skills of moving dirt, moving material, being able to understand and technically process that material, to be able to use market knowledge to get maximum value for those things. That's how we think about it. I think you'll see that most of what we will do will stay in the upstream end of the business. We don't see going downstream-side of the business. We believe our customers are probably more efficient at managing that than we are.

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The next question here?

QUESTION: In view of your comments on the extended cycle, can you give us some idea of what you're looking at in terms of long-term prices? Have you raised your long-term prices forecast at all? And also in terms of your hurdle rates, have you looked at any different scenarios as far as your hurdle rates are concerned? And the second question is, what is your view on hedging at these levels?

CHIP GOODYEAR: First of all on prices, it's important to note that we have essentially an envelope, what we believe to be a high-side type scenario, a low-side scenario, and something in between, which represents a base scenario.

In general, we've made adjustments to iron ore and coking coal, the Carbon Steel Materials – I'm talking about over the last year or so. We do address that about this time of year, actually, in terms of approvals, as we set our budgets for next year.

The oil price we've moved up a little bit. We haven't made any significant material change over the last year in the other commodities. But again, we don't look at one scenario of the future; we look at a range of scenarios for the future.

Hurdle rates: we don't think about our business in terms of hurdle rates. The pipeline, as I've mentioned in the past, if you've looked at that and looked at it from inside the tent, had a declining real-price scenario, price protocol. Those things generate 15-25 per cent nominal after tax. That's not a hurdle rate. That's just an outcome of these projects themselves.

In an environment like this, that number's obviously substantially higher than that 15-25 per cent. So, what I would say is, the cost of capital in our business has fallen, mainly because interest rates are lower than they were several years ago. That's not a BHP Billiton issue. That's a capital market issue.

Now we target a strong single-A credit, and we have seen the improvement, so that itself does move. But, that's a whack number. We don't have a hurdle rate approach to it, but we do use country discount rates, etc.

And then hedging: basically we do not hedge on an operating-activity basis. What we do hedge is the capital cost in projects that fall into certain categories. We try to do that when we make commitments to those capital expenditures.

QUESTION: A couple of questions: firstly, on petroleum, obviously you've guided down for 2006 and 2005. I'm just wondering where you see it in 2007, particularly with Atlantis coming in. Secondly, I just wanted to get your feel for how you've seen cost

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curves change in your key commodities – whether that's had an influence on the way you are seeing those markets through the down cycle potentially.

CHIP GOODYEAR: I'll tell you what: why don't I have Phil answer petroleum; let me just make a quick comment before that, and then probably what we'll do – maybe, Mike, if you want to just make a few comments on cost curves.

Just before Phil takes the petroleum question, let me just make sure you're aware there's a couple reasons that it's guided down. One: we sold Laminaria, and it's sold. I think that was an excellent transaction for us; I think it was probably fine for the buyer, but it was an asset that was nearing the end of its life and we'd prefer somebody else to bury that thing.

In Ohanet, it's a contract which is based, essentially, on risk-sharing, so if price goes up, you get less barrels, but that doesn't mean you get less economics, but there are issues around Angostura and the decline of the Bass Strait. With that, let me turn to Phil, and then Mike will come back for cost curves to you.

PHIL AIKEN: Well, just let me make a comment on Bass Strait and Angostura. On Bass Strait, as you know, it's a very mature asset; it's now been operating since the mid-1960s. In the last few years, we have been very successful in mitigating the decline by the in-fill programmes but, like all in-fill programmes in a very mature asset, you've got to expect, eventually, you are going to actually have the decline go back to where it's been, so we are seeing declines now in Bass Strait in our oil production of 15-20 per cent, and we really don't think there's a lot of upside in the in-fill programmes into the future.

With regard to Angostura, as we told the market in December, we have an issue there with the subsurface. We started up production on 9 January; the first cargo goes on 18 February, and really we haven't got a lot of information as yet – further information – about what our final situation is there. However, next year, we will be producing less because we have got less oil reserves.

The question about 2007: everyone knows Atlantis is a huge project. We increased the capacity to 200,000 barrels a day. When it comes on-stream, our share of production will be in excess of 25 million barrels a year; it depends exactly how it comes on-stream at the time. Obviously, that's going to be a big step change in our production. Obviously, all these things depend on the legacy assets. The legacy assets are declining and, obviously, with the growth projects we've got, we'll see production rising into the future.

I think just one final comment you would have seen in the project pipeline: we took off

the six projects that came on-stream, but we've got six more projects, so we think towards the end of this period, right through the rest of the decade, you will see growth in our petroleum business, although some of it will be a bit different to what you might have seen in the past.

MIKE SALAMON: I guess two sets of thoughts here: one on cost curves and the other on what one can do about it. I think the important thing to recognise at the moment is yes, costs are rising, but prices have risen, so margins have actually grown more than the rate of cost movement. The implications of that are that a lot of the historic benchmarks – both for capital and for operating cost – are probably not that relevant: they've all changed. I think what is important to recognise is a good project is still a good project.

I also think it's important to recognise that a lot of what we've seen in the cost environment, from a project perspective, is not necessarily always relevant, because we're seeing short-term themes which, when you're looking at projects, it's a long-term effect that you need to look at. In terms of what one can do about it, I think Chris talked about the mitigating things. Two areas that we work very, very hard at: one is really stability, in an operating sense. You hear about Six Sigma-type activities; what that does is that, through operating discipline and stability, you can squeeze more out of existing capacity. A good example of that is our aluminium smelters, where we're managing with the same or improving current efficiency and kilowatt hours per tonne to ramp up the kiloamps, so we squeeze more and more aluminium metal out of the existing pots.

Also, you can do things in terms of efficiency of use. Again, in the aluminium world, we're getting cleverer and cleverer about how we make anodes, so we're using less and less carbon. Thirdly, the whole area of buying: at the time of the merger, we created a global supply activity, which has turned out now to be extremely valuable. We can buy either globally or regionally, and big effects in earth-moving equipment, tyres, explosives, fuel – whatever.

So, yes, the cost curves are going up. I think the good operators are doing something about that; we are seeing costs rise, but we are seeing margins rise more. Historic benchmarks for a lot of capital and operating, probably not that relevant, so you've got to be careful about looking at those. Fundamentally, a good business stays a good business.

QUESTION: The question I'd like to ask is about the energy coal business. I know the profit's gone up by a considerable amount, but when you look at the return on the

operating assets – especially the Australian asset – is very poor. I realise you've been through a rationalisation in South Africa, as well as appointments of a new head of the business. What aspirations have you got for the business going forward? Certainly, when you look at the numbers, it doesn't look as though it's your best-performing asset.

CHIP GOODYEAR: I'll tell you what – I'll turn that over to Phil. Let me just say that there are 100 assets around the world; there's always somebody that needs a little bit of attention, and that's certainly going to be the course. Overall, we believe the energy coal business is a good business. We think that, if we can use our creativity and technology and markets to find additional opportunity there, it's something we would do, but certainly we need to make sure that we are able to get our existing assets running at what we expect to be full capacity and full performance. Maybe, Phil, I'll let you handle the rest of that.

PHIL AIKEN: The specific question about Australia and Hunter Valley, you might be aware we had a fire in an excavator some months back, and that meant that, during the last period of time, we were restricted in what we could actually produce out of Hunter Valley. We've also, as you know, had issues there with regard to the port. Hunter Valley – Mt Arthur is actually still ramping up, and I believe that you'll see, in the next period of time, as the volumes increase and as we do get the operations more stable, good growth in that business.

We've also had some particularly difficult weather conditions in Colombia. The weather there, in the last few months, has been extremely wet and, therefore, our production out of Colombia has also been constrained. Here, in South Africa, as you said, we've been going through some reorganisations, but we do believe that, going forward, we can actually increase our export sales. Of course, that is where the profitability of the business is very much affected.

I still believe that the energy coal business is a very good business. We look at our energy group now as being not just in oil and gas but also being in energy coal, and I think we see some very good growth opportunities for the business overall, both here in South Africa and other parts of the world.

QUESTION: Just a couple of questions, if I may, Chip. Firstly, what has happened to the sale of Samancor Chrome. Has that been delayed for any particular reason? Just looking at the chrome operations, the costs seems to be rising far more rapidly than turnover there. Maybe can you be a bit more specific in terms of what's happening on the cost side there?

Then just a more general question: obviously, mining companies generally now are making an awful lot of money. Are you finding your best staff getting poached? Is it a struggle retaining your best staff at the moment?

CHIP GOODYEAR: Mike, you want to say something about chrome costs; I'll handle the other two. In terms of Samancor Chrome, as we told you, we had gotten an approach from several parties in the last year on an unsolicited basis. We've gone through a process to assess those, and I wouldn't expect that it's going to take long from now for us to reach a conclusion with regard to that, so stay tuned.

With regard to the competition for people, it's very intense out there. There's no doubt about that. Certainly, I probably get approached every day but, at the same time, hopefully we can provide an opportunity within the company that people look beyond the near-term 'where to get the most money' and turn that into the longer-term view that this is a company that has lots of opportunities all over the world – 50 projects over a relatively limited period of time – and can put you, basically, anywhere, in any product that's around resources.

I think we've done a pretty reasonable job of retaining people, but it certainly is a challenge. I think you're right: this organisation is becoming perhaps almost the GE of the mining business. Six of the chief financial officers of the ASX 50 are BHP Billiton people. You're all familiar with Brian, Brad, Dave Munro, Mick Davis – we've got CEOs that are all over the industry. I think it's a great thing, actually, that we're able to find an organisation that not only can develop great people who can go on to do great things, but also that we're able to then continue to perform in an extremely outstanding fashion. I think it's actually a real strength, but it is tough to retain people in this kind of environment.

MIKE SALAMON: Just on the people as well, we recognise that there's a lot of people who are joining us because the story that Chip described early is a very powerful story, so a lot of people are very interested in joining BHP Billiton.

As regards chrome costs, the biggest movement is actually the reductants; it's the price of coke, principally. If you actually look, the EBIT of that business has gone up; I think it's trebled, year on prior period, so it's actually performed extremely well. Volumes are up, but we had reductants go up and the Rand was somewhat stronger, but, in fact, the business performed well.

CHIP GOODYEAR: Mike is absolutely right; if you look at our organisation, we've done an outstanding job of attracting really first-class people, and that's a real tribute, not

only to the people we've been able to identify, but to the organisation that they are joining.

QUESTION: In your bubble diagram, you've got Panda and Koala. Can you speak to your other diamond exploration activities – specifically what you've found in Angola with Petra?

CHIP GOODYEAR: I'll tell you what; I'm not sure, at this level, we're going to be able to give you much information there. I know they've made some comments about that, and I think it's appropriate that we just leave it with that.

QUESTION: Just a quick question, please, on tax rates: I know that the effective tax rate was a little light, at 27 per cent, when we talked about some of the tax losses, but the cash tax rate was quite low – about 17 per cent – so I need a little guidance on that going forward.

CHRIS LYNCH: I guess the key issue with the effective tax rate – perhaps to address that first up. 27.3 per cent: our guidance would be probably there or towards the 27.3 up to about 28.5 probably for the rest of the year. Going forward on that, I would expect something – it's very hard to give guidance much below 30 per cent.

One of the big factors that affects our effective tax rate is our ability to recognise losses in the US. Given further development and success in the Gulf of Mexico, we've been able to recognise US\$175 million in this first half of losses that have otherwise not been unrecognised. We did US\$100 million of that last year. We had an expectation of about US\$100 million in this half, but with the combination of factors, we were able to increase that, so we'd have an expectation now of 350 million from that source over the full year.

With regard to the precise cash tax amount, I think it's virtually impossible to explain that over the phone here and now. As you'll be aware, we've got jurisdictional issues around the world, basically, so that number is a function of timing. It's a function of a whole series of events and, I guess, going forward, one of the complications with the effective tax rate for us as well is it depends, to a degree, on where the profits are earned, as to what the local jurisdictional tax will be. I think that's about as much guidance as I can give you but I think, going forward, the rest of this year probably somewhere between where we were in the first half and about 28-28.5 and, beyond that, probably 30 per cent would be about as good a number as I could give any guidance on.



CHIP GOODYEAR: I think Chris hit it: the timing issue is of when you actually pay. I'm not sure exactly how you got your number, but obviously, as performance rises, your tax payment is delayed from the point you're in income, so that perhaps is what you're seeing.

QUESTION: In your closing slide, you said you wanted to retain flexibility for mergers and acquisitions. Can you actually see attractive opportunities out there at current stock market valuations?

CHIP GOODYEAR: Let me just make sure what I said on that slide. I've said this for a long time, and that is that, in our industry, there are very well-capitalised players – whether you're in the oil part of our business or the minerals part of the business. Obviously, the largest are in the minerals side, but, in fact, there are others that are quite capable of being aggressive players in the M&A market. The companies you target are generally going to be smaller than many of us are. I guess what I'd say there is that you're going to pay the highest price that anybody else is willing to pay for that resource – for that opportunity. That doesn't mean it's not a good one; what that simply says is that you've got to bring the most to the table in order to get that to be a value-accretive story.

With that in mind, we will, from time to time, find partners that are selling out; we'll find adjacent oilfields and mines; we'll find things that fit extremely well with what you do, and others will find the same thing also. I think it's going to be very specific to the situation.

QUESTION: I was wondering if you could talk a little bit more about achieved prices. You seem to have achieved well above the spot copper price, whereas premiums, certainly in the aluminium business, and also the energy coal business, came down in the half. I was just wondering whether you could give us some more clarity on that. Secondly, in terms of sustaining capex, given the cost pressures now that you're starting to see in the business, do you expect to see that coming up over the next couple of years? Thirdly, in terms of the capital structure, could you just give us some indication of what you believe is the capital structure, given the large growth projects that you've got coming up?

CHIP GOODYEAR: I'll take the last one, then Marius will handle the market-related questions, and then Chris, we'll stay with you to just finish off on the sustained capex.

Capital structure: we've said, for a long time, that a strong single A credit is where we expect to minimise our weighted average cost of capital, and that's essentially where we are. What does that mean in terms of gearing, in terms of coverage, in terms of funds from operations, debt? It can be all kinds of things. My personal view is that gearing is less relevant. In our business, you find something that's worth a lot more than what you put into it and, over time, you depreciate your infrastructure that you continue to benefit from in the years ahead.

We have businesses that produced more cash in the half year than [inaudible]. I think those coverage ratios are the key driver, but focus on strong single A credit is where we think we'd minimise. With that, let me turn it over to Melbourne and Marius, and then Chris.

MARIUS KLOPPERS: The three questions: copper versus aluminium. I think, intrinsically, you shouldn't see that our achieved rates of premia versus the market should dramatically differ. We don't take any large premium exposure. There's no intrinsic reason for any of those, relative to our historic performance, to move. Obviously, our performance versus the market is set on a net-back basis: where our assets are and related to market, so there is a little bit of a shift as freight rates go up and down and so on, but no material change.

With respect to copper, it is important to point out that the way in which copper concentrate is sold is sold on a peculiar quotational period system, where it's often sold on a very late quotational period. You're always provisionally pricing material and, depending on the way that the market has moved, you get different finalisation outcomes, which often can be distortive if you just look at a single period. That's on copper and aluminium.

I didn't quite get the question on energy coal, but let me say a couple of things about energy coal. We've indicated, as long ago as 18 months/two years ago, that we saw energy coal markets changing; in particular, Europe much more liquid, much more tradable. We indicated that incremental business from that point on forward, we would essentially sell on a net-spot basis, as a combination of our transactions. By and large, we've achieved that. Insofar as European prices are still somewhat lower than the spot price has been over the period, that's largely as a result of old fixed-price contracts still running out which, in the next period, essentially will disappear.

In terms of the Hunter Valley prices, there's no traded market there so, to hit the spot market precisely is quite difficult. We obviously strive towards that, but there can be a bit of lead and lag in between. Lastly, on the Colombian asset, obviously that's an asset in which we own a third of the equity. The marketing of that is an aggregate of

the views of the three parties that actually operate that, and the prices that result from that are really largely as a result of that strategy.

To summarise: Europe, some legacy contracts; Australia, can't match the spot price exactly, some leads and lags; Colombia, some fixed price components in the coal there as well.

CHRIS LYNCH: Regarding sustaining capital, obviously there are cost pressures on sustaining capital, the same way there is in regard to the major project type spends. Those external pressures are coming to bear there. One of the things that occur here too is the sustaining of minor growth capital has to be balanced in amongst the day-to-day operations, obviously, but also with regards to what other major growth spending is going on. Sometimes you'll see some of that will be picked up along the way by the major growth. We have a timing issue about when the capital is actually spent.

The other thing is availability; sometimes the guys may well have a very firm intention, for instance, on an earthmoving equipment fleet replacement programme or something such as that, and then they find that they have a longer delivery period than they were envisaging, and so on.

With regard to our CSG presidents, I love them dearly but, fortunately for us, they're better at running the business than they are at forecasting sustaining capital. We're just about to enter our planning cycle and we'll be going through that with them. This is one of the areas where we do have a bit of a courting ritual on the way through the planning cycle, but there is pressure on capital in all its forms, and we'll be going through that over the next couple of months with a view to the next near-term years, out to probably about a five-year span.

QUESTION: A couple of questions: firstly, could we just press Phil a little bit in the production profile for petroleum in 2006? I guess, when you say it's 10-15 per cent less than market estimates, it's wise, through experience, to have little confidence in market estimates. What is the BHP estimate? Secondly, I've just had a note passed to me; the new screens are showing that China is to introduce import quotas on iron ore from March. We've seen this recently in the aluminium markets as well; is this something that you can respond to?

CHIP GOODYEAR: I'll tell you what – just in the interest of efficiency, let me try to answer the petroleum question, and let me turn over to Marius to answer the question about imports in China and so on.

With regard to petroleum, I think the key thing is the speed of the ramp-up of those six new projects that have come on-stream, so that's why, as you say, market estimates – I don't think it's any great secret about what the market number is. The market number was 148 million barrels for the financial year 2006, and that was probably a pretty aggressive estimate by anything we would have talked about, but that's what it was. The speed of the ramp-up will then determine what next year looks like. There's not a new project that comes on next year, other than the ones that have already started, so how the existing fields go, and then that ramp-up is the real driver, and that's why there's a range coming off of something that was already in the public.

Marius – why don't I turn over that second part of the question to you?

MARIUS KLOPPERS: We've had a clear indication from the Chinese government that they are somewhat dismayed by the short-term nature of some of the operators in the iron ore market. Obviously, that doesn't include us. What they are particularly worried about is that there has been a profit-taking by intermediaries buying product and then reselling it at much higher prices on the spot market.

Obviously, in the longer term, long-run prices must reflect what's going on in the spot market, but I think the endeavour here is to limit speculative behaviour by channelling imports. We've lived with similar situations in many of our other products over time. We don't regard that as changing the underlying or intrinsic supply/demand characteristics, and it's not really something that's aimed at us. In fact, we've been hearing this plan of attack for a couple of months now.

QUESTION: The first question is regarding energy coal growth project. The project confirmed is Klipspruit; I notice, on your chart, that it's been pushed out again. Can you give us the reason for that, and is there any link to South Africa's new order rights? Second question, also South Africa, affecting oil and gas: can we have an update on the west coast drilling off South Africa, and what is the earliest expectation there in terms of hydrocarbons coming out of the ground – the best case scenario?

PHIL AIKEN: Klipspruit: no, it's just that projects take us longer to get through. Obviously, with the change of the value of the Rand, we're looking at all the project overall. We still would like to do the Klipspruit project; it really is just the timing of getting the approvals to go ahead and, no, there's no issues with regards to the minerals bill; it really is about the internal processes within our own organisation. With regards to the drilling, I think we told you, in December, that we hoped to drill well off South Africa later this year. We're still aiming for somewhere in the second half. It's

subject to a couple of issues: one is rig availability. There are not a lot of rigs around at the moment and, therefore, we have to get a rig which is in the area, and there are also some regulatory requirements to be settled, but we're still planning to drill that well later this year.

QUESTION: When you took up the reins at BHP Billiton, [inaudible] in terms of its interest and its financial performance was very much from energy products – from petroleum, gas and the various coals, which I think, at that stage, were about two-thirds of your EBIT. Now, as I look, they've dropped down to about 40 per cent. Obviously base metals have gone, but I look at your diagram on page 17, and I see most of the petroleum bubbles have been pushed right out to the end of 2007, with the exception of Atlantis. Are we seeing a change in strategy? Are you bringing the balance of base metals and ferrous right up, perhaps at the expense of petroleum? I notice that petroleum has, for a number of quarters now, as a percentage, been contributing less.

CHIP GOODYEAR: Just a couple things on that: first of all, I'm not sure it was ever two-thirds in energy coal and petroleum, but petroleum initially was around a 30-35 per cent number; I would be surprised if energy coal pushed it to essentially double that. In any case, that's where I think I see it. There's nothing in particular that says we're pushing one and delaying another. That's a function of where those projects are in terms of their maturity in our investment approval process. There's no particular view to 'let's push this out and haul that in'. In fact, Atlantis was the only project – other than the ones that have been completed, obviously – that was on the pipeline until today. The other projects had been added in, and the nature of these projects we operate essentially offshore – all these projects are offshore, other than Zamzama, which is in Pakistan. They are just longer lead time projects.

We try to accelerate all projects that we can within the confines of our approval system. A project pushed forward that doesn't work is of zero value to us. There's nothing that is pushing one and delaying another, from a financial point of view. It really is where they are in the pipeline. I think most of you, in your analysis – or most of the analysts – would indicate, even with this, our cash flow exceeds the ability to put it to work, that we've illustrated here. There's plenty of money; it's just a question of the opportunity and is it ready to get actioned.

QUESTION: You've added a number of projects to your project pipeline and I think you've given some provisional start-up dates there. Can you give us a sense of when you feel those projects may be sanctioned? Secondly, can you give any indications of

what projects you feel, at this point, you may be able to add to that pipeline when we meet in six months' time?

CHIP GOODYEAR: The last question. As I maybe didn't mention, but in the comments that I had, this does not include concept and pre-feasibility. I have to say that one of the great things that we've seen recently – over the last few years – is the creativity of our teams in finding new ways to put money to work has really been outstanding. You need the idea before you can make the decision on it. There is lots that sit behind this, and I really can't go through those things – they'd take a long, long time and they're probably not ready for public consumption.

In the things that are here, the iron ore expansion, as I mentioned, has finished its feasibility – that's the big purple one – work, and that's something that we would expect, certainly in the next few months, to be actioned through the organisation and make a decision on, obviously. Mike – Alumar – toward the end of summer?

MIKE SALAMON: In the summer.

CHIP GOODYEAR: In the summer. Escondida CPR?

MIKE SALAMON: Probably by the back end of the year.

CHIP GOODYEAR: Phil – comments on the petroleum ones?

PHIL AIKEN: I think I can say that Angel/Stybarrow are probably going to be in the summer. The fifth train depends on what happens with the Japanese re-negotiations. As you know, Neptune will also probably be somewhere around mid-year. These are all going through their final feasibility, and the timing will be when that work is completed.

CHIP GOODYEAR: It's a continuous process. Chris manages the investment risk committee, which is a critical step in our process, and he's put in for overtime.

**Closing Comments**

**CHIP GOODYEAR: Chief Executive Officer, BHP Billiton**

Why don't we finish it up there? Again, thank you for coming today. I think it's a real tribute to the organisation – the people in the organisation – to see the kind of results that we've had. A lot of people put in hard work and long hours to execute that strategy, and it's nice to have results like this, but it is a continuous process. It's one that lasts for many, many years in this organisation, but it is nice to have quarters and half years and results like this. Obviously, we expect to continue good operating and financial performance and what we think is a reasonable outlook for the years ahead, and our direction will clearly be around value-added growth opportunities to add to BHP Billiton in the period ahead of us. With that, thanks again for coming and we look forward to talking to you soon.