BHP BILLITON

PRELIMINARY RESULTS – ANALYST BRIEFING

WEDNESDAY 24TH AUGUST 2005

Chip Goodyear:

Welcome to our presentation of BHP Billiton Results for Financial Year 2005. My name is Chip Goodyear, Chief Executive Officer of BHP Billiton and joining me here in Melbourne today is Bob Kirkby and Marius Kloppers. Bob as you know is our Group President of Carbon Steel Materials and Marius is our Chief Commercial Officer. In London, we have Chris Lynch, Chris is our Chief Financial Officer and he will join me in making some prepared comments today. And with Chris we have Phil Aiken. Phil is the Group President for the Energy business.

In Johannesburg is Mike Salamon. Mike is an Executive Director and the Group President of Non Ferrous Materials. My colleagues are going to join me in answering some of your questions a little later today.

And as we did before, we're going to try to keep the prepared comments to a relative minimum in order to give you more time for questions. So as you know keeping comments to a minimum is fairly difficult for me but I'll try to do it anyway.

Slide 4

First of all, let's go to slide 4 which is the highlights in the screen in front of you, at least in this room. People as you know are absolutely critical to our strategy and to our long term success and therefore it's appropriate to talk a little bit about safety. A year ago, I began by saying that we have done a study of safety in our safety systems and did that with some outside help. And they determined that our safety systems were very good, in some cases, some of the best in class. But that our operating discipline and this is the way that we actually adhere to those systems, were things we needed to work on. And that's been something the organisation has worked very hard on over the last year. I am pleased to say we've had some very good results there.

Our classified injury frequency rate which is an important number had a 21% decrease and that's very good. Again, as you see in your press release and I'll talk about it a little later that comes despite some very good production results. And that's the exact message we want to tell. That good business and good safety are very much aligned.

Unfortunately, safety is not something you can say you ever finish with. It's a continuous process and this year we did have three fatalities in our operations. Now that's better than the 17 we had in 2004 but as you know one fatality is one fatality too many. So we continue to work on our systems and our operating discipline and that will continue to be an aspect of this company essentially infinitum.

Moving to the financial results, let me begin by saying we had very strong results across our business operationally and financially. We set production records in 11 separate commodities. We did that in a combination of the capacity expansions we have had over the last few years as well as the operating excellence program that's been part of the company for quite some time. When you take those production records and combine it with the environment that we're in, the strong pricing environment we're in, you end up with some significant financial records. And that's coming off of a very good 2004, which in and of itself was a record.

EBITDA with US$11.4 billion for the year; EBIT was US$9.3 billion and attributable profit was US$6.5 billion; up 86% from the prior year. Our earnings per share were over US$1.06 and that was an 89% increase from the prior period. We had EBIT increases in every one of our Customer Sector Groups, year on year and our group EBIT margin was over 37 %, again a significant increase from the prior year. We commissioned eight major projects for the last year. We approved four new projects; two in petroleum, one in copper and one in iron ore. Our project pipeline currently stands at US$11.9 billion and I'll talk about that a little bit more later in my comments today.

As you are aware, we had a successful acquisition of WMC; that was about a US$7.2 billion commitment. I'll talk about that in a few minutes also. And then we did complete our capital management program which we announced last year – US$2 billion capital management program through the share buyback of the Limited stock and by rebasing our dividend which we did the last time we declared a dividend.

So, with that I'll say that it has been an illustration of successful execution of strategy over a period of time. Although it is a very good year, it is one that does represent what can happen when we bring opportunity and preparation together and that kind of result can result in these outcomes that we have financially and operationally for 2005. So, with that, let me turn it over to Chris who will make a few comments on the financial area and then I'll come back with a few comments before our questions.

Chris Lynch

Firstly all references to dollars are obviously to US dollars and throughout the presentation the comparison to the prior period refers to the period ended 30th June 2004. Our results today include the earnings from the former Western Mining Resources Limited assets for the full of month June and finally when referring to headline numbers we will exclude the exceptional items in both periods.

Slide 6

So slide number 6 shows our record headline results for the year ended 30 June 2005. Turnover increased by 28% to US$31.8 billion primarily due to higher commodity prices which added US$5.7 billion but also due to higher volumes sold into that high price environment. EBITDA of US$11.4 billion and EBIT of US$9.3 billion are up 53% and 70% respectively. Attributable profit of US$6.5 billion is 86% higher than in the comparative period and earnings per share of 106.4 US cents is an increase of 89% on the prior year.

Our results include a number of exceptional items which in total reduce attributable profit by US$114 million. These items fall into three broad categories. First, there is US$298 million profit from the disposal of assets and other investments. Secondly, there is a charge of US$387 million for decommissioning and site restoration plans, US$266 million of which relates to the decision taken today to permanently close the Boodarie hot briquetted iron plant. And a further charge of US$79 million to restructuring certain operations mainly associated with the WMC assets.

Slide 7

Turning now to slide number 7 were you can see that the EBIT contribution increased year on year for each of our seven Customer Sector Groups. In the Petroleum CSG, EBIT increased by 32% to US$1.8 billion. Prices are up for oil by 46% and natural gas by 14%. The new production from the North West Shelf Train four, ROD and Mad Dog, all commissioned in the current year and increased production from the ramp up of Ohanet which was commissioned in October 2003 and contributed to the increased result. Partially offsetting this was the impact of significantly higher price linked costs and lower production of crude and condensate volumes, the latter due to natural field decline of mature assets and the sale of Laminaria and Corallina oil fields.

On the exploration front, we had a very successful year with Petroleum bookings of proven reserves totalling a 141million barrel of oil equivalent giving a reserves replacement ratio of 118%.

Negative impacts of a weaker US dollar and inflationary pressure on input costs were a theme for most of our Minerals CSGs. I won't go through each individually but I will cover the impact of rising costs across the entire group later in this presentation.

The Aluminium CSG achieved a 26% increase in EBIT to US$977million. The main drivers being high prices, higher volumes and the benefits from various operational improvement programs. In fact in a year of strong prices, we again produced record volumes of aluminium metal. These increases were partially offset by higher LME price linked costs, increased pot relining activity and a US$36million charge related to the agreed repurchase of an aluminium supply contract.

In Base Metals, EBIT of US$2.2billion was 88% higher than for the last year. Record annual production at Escondida, Antamina and Cannington combined with higher production at Tintaya enhanced our ability to capture the current high price environment. Price link costs mainly TCRCs were higher than for the previous period.

We've changed our methodology for calculation of the provisional pricing for copper to the lower of the spot rate at balance date or the forward curve to better reflect the value and reduce volatility. This resulted in a positive US$3million addition to EBIT during the current period. Whereas had we used the spot rate effective on 30th June, the adjustment would have been US$49million positive.

In Carbon Steel Materials record production volumes, higher prices for iron ore, coking coal, manganese ore and alloy and records shipments from each of our owned and operated Australian ports led to an EBIT increase of US$1.7billion or 148%. Increased CIF business as well as modified supply arrangements with BlueScope Steel also contributed to these earnings. Partially offsetting this was the impact of higher price linked royalty costs, higher labour and contractor costs, and increase stripping costs for Queensland coal where we have accelerated production levels to meet customer demand. Increased depreciation charges at West Australia Iron Ore together with Boodarie Iron being on care and maintenance throughout the year also negatively impacted this result.

Diamonds and Specialty Products EBIT of US$498 million was 8% higher than the prior period. EBIT for Ekati increased by US$28 million to US$380 million as a result of higher realised diamond prices and improved quality offset by production from lower grade ore during the year. The impact of this lower grade was more noticeable in the second half of this year, when EBIT contribution reduced to US$95 million from US$285 million in the December half. This lower level of earnings is expected to continue into the 2006 year with a consequent impact on EBIT.

The contribution from Integris ceased following the divestment of our interest in January of this year. The profit realised on sale of US$19 million is included in this D&SP result.

Energy Coal EBIT increased by 163% to US$616 million. Higher export prices contributed but were partially offset by increased costs. These were largely incurred in Ingwe on items such as contractors and major overhauls to insure optimal future production and efficiency.

Stainless Steel Materials EBIT increased by 33% to US$758 million and was largely driven by higher prices for nickel and record production at Cerro Matoso and Yabulu. But with some offset for higher imported ore costs at Yabulu. Royalties at our Columbian operations have also increased.

Net corporate operating costs increased to US$266 million reflecting higher costs associated with employee share awards, recruitment programs and increased regulatory compliance costs relating to items such as Sarbanes Oxley and International Financial Reporting Standards. This was partially offset by the profit on the close out of the Western Mining Corporation cash settled derivative.

Slide 8

Before I step through costs impacts in more detail, let me recap on volumes. Although we had record production volumes for a number of major commodities you cannot see a significant impact reflected in our volume variance of US$110 million. A conservative approach is used based on 2004 year margins for this calculation. Additionally, we disclosed the US$140 million contributions from new operations separately. In the last four years, we've delivered on average volume increases of around 38% across our major commodities excluding oil and condensate.

Slide 9

Turning now to costs on slide no. 9, despite the cost pressures being experienced in our business, we've delivered record earnings and again, improved our EBIT margin. Before third party trading, our EBIT margin was 37%. However, increased costs are having an impact. In total, net of the effect of price linked costs, exchange rates and inflation, costs have a net unfavourable variance on EBIT of US$775 million. Including inflation, this represents 5.7% increase over our 2004 cost base.

It's important to note that a reasonable portion of these increased costs have been deliberately incurred to enhance the earning capacity in the current high pricing environment. However, we are conscious to be careful that they do not become a permanent structural change to our cost base. Increased charges for labour and contractors added US$235, million, higher labour cost reflected the full year's impact of wage settlements made last year together with higher bonus levels aligned with the record results. Higher rates and increase usage of contractors used to accelerate production also contributed. We are paying more for raw materials such as coke, fuel and energy. However, as we are also producers of these commodities, these higher costs are more than offset by the benefits we are gaining from higher prices.

Maintenance costs were higher as we increased activity to support higher production, combined with increase contractor rates. The higher production costs at Ekati due to the processing of lower grade ore is the largest component of the US$70 million grade and field decline variance. Expenditure on business development activities increased by US$60 million, distribution and demurrage increased by approximately US$50 million on the previous period and a change in accounting treatment to two items resulted in a US$50 million increase to costs.

Other costs largely relate to the increased legal and compliance costs previously outlined.

Offsetting these increases, we achieved US$100 million of cost efficiencies through our operating excellence programs, utilisation of knowledge sharing networks and strategic sourcing initiatives. This offset is represented by the green bar on the chart.

Slide 10

The results of these initiatives can be see on slide number 10. This is the output from our benefits capture system and captures the total of the improvement initiatives from our results recorded through that benefits capture system. In addition to the US$100 million of cost efficiencies, there is US$135 million in costs that have been mitigated. We have reduced the extent of supply cost increases by ensuring we adopt best practice procurement methods across the group. Add to that US$200 million of revenue enhancements which have been captured from incremental volumes resulting from de-bottlenecking and other efficiency programs and in total our various programs have contributed to ensure we reduce or avoid costs wherever possible saving us around US$435 million for the year.

Slide 11

Turning now to the non EBIT items on slide number 11, despite higher US interest costs, our net interest expense fell by 7% to US$330 million. This was driven by lower average debt levels combined with higher interest income earned. There was a US$1 million exchange loss on translation of net debt in the current year compared with a loss of US$133 million last year, principally driven by lower levels of Rand debt.

The tax charge for this year excluding exchange impacts was US$2.3 billion and represents an underlying effective tax rate of 26.2%. Continued progress in the Gulf of Mexico has again enabled us to recognise the benefits of US tax losses of US$350 million in line with previous guidance. We would expect this level of loss recoupment to continue for the 2006 year.

Slide 12

I will finish up by looking briefly at cash flow on slide number 12. As mentioned earlier, we had record available cash flow after interest and tax of US$8.7 billion, an increase of 70%

due to increased cash generation from operating activities, offset by higher tax payments. Outflows related to capital and investment items were US$11 billion. This included US$2.7 billion on growth projects, US$6.6 billion related to the WMC acquisition, US$1.1 billion on sustaining capital and US$533 million on exploration.

When we announced the WMC acquisition, we indicated that this would increase our net gearing to around 42% by 30 June 2005. In fact, our net gearing is a full 6% lower at 35.7% as a result of the strength of our cash flows during that period.

And finally, some guidance on capital expenditure for 2006 financial year. We expect total expenditure to increase to around US$6 billion. This will include approximately US$4 billion spent on growth projects, about US$550 million on exploration with the remaining US$1.4 billion being spent on sustaining capital. And with that I'll hand you back to Chip.

Chip Goodyear

Alright, thank you Chris. I'd like to take a few minutes and cover a couple of areas. First will be our view of the market that we operate in, and then next talk about where we're positioning ourselves to take advantage of the opportunities that we see in the years ahead.

Slide 14

Let me begin with China in terms of the markets. China continued to show a strong GDP growth, in fact, it's a little bit higher than we had expected when we talked to you in February. We had targeted about a 9% GDP growth for China this year. In the first half, it's been about 9.5%. We continue to expect it to be at about 9%, but fixed asset investment has continued to be quiet strong; it has slowed a little bit, but probably a little bit less than we might have expected. Consumption continues to be quite good and we are seeing the consumer continue to spend and the growth of that spending to be quiet rapid. The government's policy initiatives have certainly been around the things we talked about in February, and that is, long term sustainable world class businesses. They are trying to manage businesses out of existence that they don't believe are sustainable in the long run. From a policy point of view, they have also focused on infrastructure and this would be the backbone of what they ultimately believe will be important for economic development. So things like the power system and the rail system, the government has been spending its time and money in those areas.

Export growth has been good, particularly in the manufacturing area, but we would expect that to come under some margin pressure in the next year to six months or so. That ultimately will be good news as it starts to manage out some of these inefficient businesses that may not be able to survive in the longer term. But ultimately we don't see that as being a significant factor.

Now I always have to say in China, that we continue to believe that it is a very exciting place to be. That over the next several decades we see a significant number of people that are looking for a better way of life and that ultimately is going to drive the resource business. But I also have to say; there will be ups and downs. Like any economy, there are business cycles and those will occur in China like they do everywhere else. The key for us is being in position with large, low-cost, long reserve life assets that we can manage through those times.

There are a number of other things that have happened over the last several months, the last six months or so in China that I will certainly discuss in questions if you would like me to. But about the Renminbi and the revaluation, I am glad to talk about that. The controlling of the VAT, the tax issues around energy intensive exports, the steel industry policy that they put out a couple of months ago and the LNG terminals which they restricted some of the permits until they have supplies for those LNG terminals.

Now I am glad to talk about those in questions, but I would just say that those are all rational moves, very consistent with my earlier comments about trying to identify sustainable long-term businesses. Despite these things, growth continues. So although people like to say ‘chicken little the sky is falling’ every time you see an announcement like this, the fact is growth continues in China and it is something that is ultimately going to be driven by 1.4 billion people identifying a better way of life, seeing that come and many of the conveniences that we find in the developed economies.

Moving on to Japan. Japan had a better first half of the year than we expected. What’s going on in Japan is interesting. It has been restructuring over the last 5, 10 and some may say 15 years. You are starting to see some of the benefits of that. The companies are generally doing okay. The compensation to employees has been generally moving up and was pretty good in the last pay period.

The consumer has then taken that money and put it to work. They have spent money. Domestic demand in Japan has continued to be quite good and that has driven growth, better than we otherwise might have expected it to be.

Having said that, we do expect it to perhaps fall off in the latter part of this year. Again, slowing down a little bit from where it was in the first half of this year. I would also say though that Japan’s niche in Asia and perhaps in the world is going to be in high technology areas and that is going to be true in raw materials or raw material processed goods, like steel.

That’s where they see themselves competing. So we continue to see good demand from raw materials in that marketplace. Obviously those products are not only Japan, but also other parts of the world.

The US. We expected the US to have a good year in 2005, which it certainly had. Not quite as strong as 2004. In fact there was a little bit of a wobble in the early part of the second quarter, but it seems to have gotten over that. Consumer confidence is good, business confidence is good. Industrial production is moving in the right direction. Housing starts are good and employment levels are also quite good.

So that economy, despite high oil prices and rising interest rates, looks as though it is going to meet the targets we set for that, which were for a good year, not as strong as 2004, but still an above-trend growth rate.

The next area is Europe. Probably as long as I can remember we have said that Europe is the laggard in terms of economic activity and unfortunately you're going to hear the same thing today. We are not seeing much of a change in Europe. Business confidence is rising but this isn't the first time that's happened, so again, we don't expect to see much significant growth coming out of Europe.

I will just say in summary, we continue to see good demand around the world. We stick with our projections in February in which we said that 2005 will be an above-trend growth year in terms of global demand, but it will be a little bit below 2004. Remember that 2004 was the best year in the last three decades for global growth.

Slide 15

Now the question that we are always asked is, where to next. Where are prices going to go? We are all familiar with the two, three and four year business cycles. Most of us have had most of our working life in those kind of cycles. The decades of the 70s, 80s and 90s are characteristic of those. What I talk about from time to time is that there is another set of cycles that take place. These are secular changes that do take place from time to time. What I have talked about there has primarily been the post-WWII period where we did see several decades of above-trend growth in commodities and that was an intensity of demand driven increase that led to real price increases across a wide variety of commodities.

I generally show then a 100-year chart, but I figured we need to go longer than that and today we'll show you a 200-year chart. Now this chart is not metals and it's not energy. It is actually a broad index put together by the US Bureau of the Sensus and it is US commodity prices, but it is food and so on and so forth. But it does illustrate one of the points that I've made in the past and that is that there are periods of time in which you have multi-decade increases in real commodity prices.

Those secular changes occur from time to time. In fact in the last 200 years, there are three or four periods of time when you've seen that and that is illustrated on this chart. In the mid 1800s with the industrial revolution. Power came in the form of steam and rail transportation was also obviously coming to the fore. At the end of the 1800s electric power and communications started to take a rise and then my favourite, the post WWII period and so on.

Now it is interrupted from time to time by moves in the opposite direction. But what I would say is that you need to look at that chart quite carefully. Because we are looking at 200 years, a small move on that chart is actually several decades.

Today we find ourselves at a period of time which is, or rather close to it anyway, 2001/2002 when real commodity prices were the lowest they've been in the last 200 years which essentially puts them at the lowest price they've been in known history.

The question is, is China and is India and is the developed economies of the world going to represent the next secular change in raw material demand and therefore raw material price.

Now as you know, we can't answer that question in foresight. But from a BHP Billiton point of view, we do think there is a reasonable probability that that is going to occur. At least we have to build that into our scenarios. So what we do is consider what options we can create to participate in that market circumstance if indeed it does occur.

We will not bet this company. We do not need to bet this company in order to achieve the opportunities that can come from that. What we do, is we benefit from a tier one set of assets, large low-cost long reserve life assets. We benefit from the technical skills that come with having operated these businesses in an industry that has shrunk over the last 30 years in terms of the number of companies as well as the number of individuals participating in our industry.

We have used our tentacles into the marketplace to understand where our customers want to take their business. We have used our global footprint to identify opportunities, not just from the market point of view, but from where products are produced.

To give you an example of that, in 2001, we produced 65 million tonnes of iron ore from the Pilbara in Western Australia. Today we're producing about 110 million tonnes of iron ore. As I have said in the past, good oil fields and good mines get better and bad ones get worse. Embedded options exist in this portfolio across the asset slate we have as well as through those markets, that technical knowledge and the asset footprint that we have.

Slide 16

Now what has that led to over the last three or four years? The next slide illustrates the volume increases. Chris mentioned a broad number of 38% on average. This shows you across the suite of commodities, since the year 2001 to the year 2005 the percentage increase. We have invested over that period of time US$6.3 billion. We have executed 24 organic growth projects. We also have two relatively minor acquisitions in that period of time and many of those commitments came in relatively tough environments. Tough commodity environments.

Plus our operating excellence, have led an ability to show significant commodity volume increases across our business. Nickel and silver are up 50%. The iron ore, manganese and alumina areas are up over 40% each. The copper, aluminium and natural gas up over 30% each.

Now the question is, what do we do next? Well we are going to do very much the same thing that brought us to this point. We are going to continue to manage our assets in a superior way, to get the maximum value out of those tier one assets. The next we'll do is make sure we share knowledge across our business. I bet every one of our 100 assets around the world has a best practice. If we can share that across the other assets, there's very little that can stop this company.

Then what we'll do is reinvest in businesses that we know and understand exactly as we have done here that has led to these volume increases that we are showing.

Slide 17

The next slide shows you our project pipeline. This has been updated. You are very familiar with the style of this slide, but it has been updated from the last time that you saw it. We've taken off the eight projects that we have completed in 2005, we've added two on.

That is the Shenzi Project in the Gulf of Mexico – it's a petroleum project, and Marawai, which is a coking coal project in Indonesia.

We've also modularised the iron ore business. We have broken down that bubble that you saw last time and in addition, made a few other changes that we make from time to time. This is 26 projects, US$11.9 billion. It is a US$1.7 billion dollar increase in opportunity relative to what you saw before, and that is after excluding the projects that have been concluded.

Now again, this is just projects in execution and in feasibility. There is a whole suite of projects in pre-feasibility and in concept that are not here that are working their way through our approval process. These are high quality projects. They are generally going to be in the low part of the cost curve and our issue is one, when they are ready to go and two, when is the market ready to accept those.

Now it is very important and we always say it, that despite these opportunity sets and others, we are not going to compromise our focus on long term shareholder value creation and we are in a challenging environment. Costs have certainly gone up. It impacts not only operating costs that Chris talked about, but also in terms of projects. There is tight supply, not just in those that are taking raw material from us, but obviously as we try to acquire steel and other inputs as well as the human resource input.

This does impact our projects. It is a matter of fact in the life that we live today in the resource business. But we are managing to the best we can. We are using our strategic sourcing initiatives to manage those costs down and mitigate not only the operating costs, but our project costs also. We are also using our project development services function to make sure you are putting the right resources, the right human resources in this area and then we also from time to time do things like modularise the iron ore activity because it is a very heated market in Australia. It does make sense to try and find a way to manage that so we don't all of a sudden throw a US$2.8 or US$3 billion project at an already heated marketplace.

Obviously we rely and continue to rely on our investment approval process, which has held us in good stead over the last several years.

Slide 18

Moving on to WMC. As you are aware, we have been successful in that acquisition. We achieved 100% ownership in the early part of August this year. Just to remind you, what did we see here? We saw a series of world-class assets, in fact almost all of the assets at WMC were world-class assets and they fit very well with our portfolio.

We saw very good strategic opportunity in nickel. It fits well with our business and does help with the overall structure of that business.

We saw important copper assets that fit very well with our skill of moving material. We saw a tier one uranium resource that very much complemented our energy offering of pipeline gas, LNG and energy coal. We also saw growth options which, as I mentioned earlier are very important to us as we think in the years ahead.

Then certainly we have current production in a marketplace where we believe supply reaction to this environment will be restrained or at least will be delayed in the implementation of that supply-side response.

The integration process has gone very well. It is on schedule. We have actually closed the WMC headquarters office which is on the Southbank here. We have closed it two months early. We have closed a number of marketing exploration offices around the world. There are 400 positions, or more than 400 positions that have been eliminated as a result of this combination and those people have been identified and that process is moving forward.

We have continued to identify opportunities to manage costs, to find synergy opportunities and efficiency opportunities, but we do stick with our cost projection of AUD$120 million on costs and AUD$115 million per annum in terms of cost savings.

The Olympic Dam pre-feasibility is moving forward. That is an activity that we need to put into our own system and we have done that and we are continuing to move that forward. No surprises in that area. Over the next couple of years we expect to move that through our pre-feasibility program.

The assets have now moved into their Customer Sector Groups. So Olympic Dam into Base Metals, what we now call Nickel West has gone into the Stainless Steel business, the fertilizer business into Diamonds and Specialty Products and the exploration area has picked up, obviously the exploration team.

The activity in nickel has been to optimise across our nickel business the addition of those nickel assets and that continues to move forward and we continue to look in exploration opportunities in Western Australia. That is very important to us. The other mining companies out there supply resource to us and we expect that to continue. We are looking at Brownfield and Greenfield opportunities in this area.

One thing we are able to do quite effectively when we look at an opportunity is think about how our systems will work in that acquisition or in that new company. What we often have more difficulty doing is determining how some of those opportunities within, in this case, WMC, fit into the BHP Billiton family. We call those ‘gems’. We have identified a number of those in the process of the integration activities and I’ll mention two of those to you.

One of those is an exploration technology called GeoFerret which is a magnetic technology that fits very well with our Falcon technology, which is a gravity-based technology. We think the combination of those things will give us even a better suite of resource, of technology resource, to find new mineral deposits around the world.

Another one is in the area of reclamation. They have an arid land reclamation project and system that we think is actually one of the world’s best and we think we can use that not only in Australia, but in our other operations around the world.

There are a number of things which we will identify over time and certainly we have identified to date. Any good combination is going to try to pick the best parts, not only of what we bring, but what we find and utilise those to the best of our capability.

Slide 19

So finally and in summary, let me just say that it certainly has been a successful 2005 to see operating and financial results that have been record results in a large number of categories. When you combine the environments that we're in, things like that can happen.

I think Chris' comment on gearing is an important one. In four months essentially before three or four months before the end of the year, we expected a 42% gearing level in the company, and we ended up with a 36% gearing level. That is an illustration of not only the performance of BHP Billiton but also the WMC assets and what has obviously been a pretty attractive price environment.

The outlook remains positive. Demand is good. Inventories are low across most of our products and the supply response is lagging as a result of regulatory issues, as a result of human capital issues, as a result of the inputs that come to making these projects come to life.

I think that it is obviously quite a bright story, but I think one of the important things about BHP Billiton that we've said, essentially ever since we have talked to you about it, is the portfolio diversification that comes with this company.

Sometimes it is hard to see that in an environment like this where things across the commodity suite are doing well. Companies that are in single products, also look to be doing well. But I think you will very much appreciate as things come into balance, which inevitably they will, the supply-side will respond. It may be delayed but it will respond at some point in time and then the diversity and quality of these assets will certainly shine through.

Now from a management point of view. I mentioned what we do, we manage the assets well, we try to find ways to share our knowledge across our business and then we reinvest in those things that we know and understand. Our track record of delivering that growth has been illustrated, not just by volume number, but in terms of overall financial performance.

But always we will focus on what is value accretive to the shareholders. We do that in terms of not only thinking about how do we value the equity that you see in front of you every day, but through dividends. We have increased the dividend seven times and we have made a material change in that over the last year. We have seen a 53% increase in the final dividend last year to the final dividend this year. Obviously our capital management initiatives, share buybacks, on-market and off-market as well as capital returns in the form of a company like Bluescope Steel.

So with that let me open it up for questions. What I would like to do. I am going to start with Sydney, London, Johannesburg and Melbourne. Then we will go to the telephones and we will try to rotate that around as much as we can until we run out of time.

I would like for you to address your questions to me, and then I will farm it out as appropriate. So why don't we do that by beginning in Sydney.

: **Question:**

Assuming we've got a US$6.5 billion profit for the current year, US$3.5 billion last year and yet the dividend has only, emphasis my word – only, increased by US$0.26 to US$0.28, which effectively means the pay out ratio is almost halved. I wonder if you could give us some idea of the motivation for keeping it that low?

The second question relates to disclosure. I always get a little perturbed when companies reduce disclosure. I just notice that other South American operations which used to previously include Tintaya, Cerro Colorado and Antamina are now grouped as other. So I wonder would you just give us some colour on what those specific operations did?

Chip Goodyear:

I will tell you. Let me try to answer both your questions. First of all, in terms of the dividend I think you need to be careful about last year. Because if you remember we paid three dividends last year instead of two. So I don't think comparing US$0.26 to US$0.28 is exactly apples and apples.

I think you ought to look back over time and in fact, just a few years ago our dividend was US$0.13 and today we find it at US$0.28. I would also say that we have had seven consecutive increases. We have paid out US$2 billion in the form of a buyback and we did, by the way, just make a significant investment in what we believe to be a very attractive opportunity, in the WMC acquisition. So the total spending in opportunity this year has turned into a number that is not only the growth expenditure and the exploration expenditure and the maintenance, but another US$7.2 billion. So the total spending last year was a little over US$11 billion. So we are working through that and we will see what happens. But I think again, we have seen a significant increase. We continue to have a progressive policy. We always say we want to invest in things that are good value accretive things, but if we don't have good opportunities, we do return it to shareholders, and we've done exactly that.

In terms of the disclosure issues, I am not going to go through each of the other businesses, but I think it is important to note that as the company grows, now we are somewhere in the US$90-95 million, we do need to make sure that we are getting relevant with regard to the numbers that we do disclose. I think we have to always look at that. There is no intent to reduce disclosure. In fact in materiality, those have continued to – it's a big company now obviously – and those that have continued to at least move down that spectrum and so in terms of understanding where this company goes, you know that's okay, but it is not going to make a huge difference to your investment decision.

Next question Sydney.

Question:

: Yes, hi Chip. I was interested in finding out about what is happening with the tax rate moving forward. I think we had in February, we had Chris tell us that the tax rate long term would be closer to 30% rather than the 25-26% you've seen today – so if you could comment on that.

Secondly, could you also make some comments on the Capex increases you are seeing across your projects. I notice in your development tables, you have got the costs under review at your nickel operations. Could you give us a heads up on where else we may expect cost increases to come through.

Chip Goodyear:

Chris, I will let you do the tax rate, but why don't I start with the Capex side just in general. As you know, I mean it is no surprise to anybody who follows this industry, particularly here in Australia, that costs are rising. As I say, human capital, the supply side – we may complain about steel, but oh by the way, iron ore and coking coal have certainly gone up also. So we are on both sides of that to some extent.

But with regard to specific areas, most of what we are seeing overseas is an FX issue. Other than that, we are generally seeing pretty good performance. In Australia, as I said, you are seeing some of these other things come to the fore. So what we will do with Ravensthorpe and Yabulu as that continues to go through its review. I would expect some time in September there is a SSM or stainless steel materials review and at that point in time, we should be in a position to give you an update on that.

Again, these issues are there, there is no doubt about it. But I would comment that our projects continue to be on schedule. So those things that we can continue to control, are being well controlled. But again, the fact of life is that we are seeing some of the input costs going up.

So with that Chris, why don't I turn the tax over to you.

Chris Lynch:

Okay thanks Chip. Yes the tax rate – obviously there are a lot of moving parts. But our go-forward advice would be somewhere in the range of 26-28% for the 06 financial year. We will obviously update that at the half as best we can. That does include a continuation of a similar amount of US losses being booked. This year was US$350 million as we mentioned. We would expect a similar sort of booking of those in the 06 year. So somewhere in the range of 26-28%. Just also be aware that there are some things around adoption of IFRS that may move that around a little bit in terms of where some line items may be classified. Which again, I think we just need to sort of see the fullness of time. But I think on an apples to apples comparison going forward, 26-28%.

Chip Goodyear:

Okay, thank you Chris. One more question in Sydney and then we'll move over to London.

Question:

: Yes thanks Chip. I just thought I would ask you about outlook. Just looking forward into the 2006 calendar year, compared to your view of 06 earlier in the year. Where do you stand today, light of what seems to be a stronger US economy. We are seeing salaries and employment growth strong, we are seeing the consumer-wealth effect, housing keeping up and demand growth seems good. China seems to be beating consensus particularly IP. You mentioned yourself, Japan seems to be rolling along and the Europe cross figure seems to be non-recessionary. So just if you can give us an outlook further out than just 2005 today, compared to say, six months ago.

Chip Goodyear:

Thanks for that question. I think you hit the key points. You are seeing pretty good economic activity around the world in those critical economies. The US certainly. Seeing it in China and certainly from a resource point of view, quite critical, and Japan is looking okay. As I say Europe is the difficult one. So I am not sure I can add much more. I would say that today the outlook looks a little bit brighter than it probably did in the early part of the second quarter.

But again, much of what we are seeing out there is not only what are we seeing in some of the developed economies of the world, but what are we seeing in the developing economies of the world. So listen I can't add much more to that other than things generally look pretty good.

Okay. Why don't we move to London and pick up some questions there.

Question:

: Good morning. Just a question if I may on exploration spend. You mentioned you were going to spend around US$550 million next year but just looking in some of the appendices, it looks like US$390 million of that is going to go into Petroleum and US$160 million into Minerals. Given that you have seen a big step change in your production base – up 36% - are we likely to see a step change in exploration spend over the next couple of years, particularly in Minerals. In particular, which commodities are they likely to go into?

Chip Goodyear:

Okay. Since you mentioned Minerals, may be what I will do, is ask Marius to answer that question. Again, Petroleum, I think the important thing in Petroleum is just to note that we do take a look at what we think is the right level based on the production that we have and the rate at which we expect to hopefully add resource to that.

So again, since you are focussed on Minerals, let me just turn that over to Marius.

Marius Kloppers:

The way we look at minerals exploration is that we need to put an infrastructure in place that can sustainably and effectively spend the money. The level that we have indicated for next year is about where we are configured to effectively spend the money and you are unlikely to see any major revisions to that at this stage.

Chip Goodyear:

I think that is important that we don't end up creating a roller coaster or a yo-yo with our exploration spend. You cannot get the sustainability that we need on that. Next question?

Question:

: Just a couple of questions on the petroleum division. Firstly can you talk more about lifting costs. It seems like costs were a little bit higher than expected in the period for that division and also update us on production outlook for 06.

Just finally, when do you think you will be in a position to sanction the Shenzi and Stybarrow projects?

Chip Goodyear:

Great. Phil, why don't you answer those questions on petroleum.

Phil Aiken:

During 05 some of our lifting costs were affected by the change of mix. I mean a lot of our legacy assets obviously have lower cash costs than some of our new assets and therefore you do see a bit of a change and lifting costs will increase a little bit more than they have been in the past. I suppose my comment would be particularly also during last year we had some issues in Bass Strait and we did have some higher than normal maintenance costs there. So you did see a bit of a lift in the lifting costs overall.

My view is that going forward you will see them stabilise. We have had a lot of new projects coming on over the last few months. There are always start up costs, but I would be fairly confident going forward that we have got our lifting costs under pretty good control. We are still, if you look at any benchmark, one of the lowest cost operators, when it comes to any benchmark you do against the peer group we compare ourselves to.

With regards to production into 06, our guidance has been somewhere between 125 and 135 million barrels of oil equivalent. The situation at the moment is that that is still our guidance. We haven't actually got any new production coming on this year. We have a lot of projects ramping up - Mad Dog, Angostura, ROD etc, and therefore during this year there are actually no major new projects coming on. Atlantis is due to come on in the third quarter of calendar 06. So that remains our guidance for the year.

Finally with regards to Shenzi and Stybarrow, hopefully towards the end of this year. Stybarrow is a fairly standard FPSO and we would be pretty confident that will be sanctioned in the October/November time frame.

Shenzi, it is a bit hard to give you an exact answer. We are currently in feasibility. It is a very large project as you have seen before. It is a Mad Dog type project. It could be later this year or early next year we would expect it to be sanctioned.

Chip Goodyear:

Thanks Phil, and I may just make a comment on costs. Costs are certainly an important aspect of the company and how we perform, and we are very focussed on that, but I would note that 80 per cent of the price change has fallen to the EBIT line. So that is after the cost increase, after the inflation, and after price linked costs. 80% of the price move has ended up in EBIT, and that is not a bad outcome, particularly in an environment like this.

Okay. One more question in London and then we'll move over to Johannesburg.

Question:

Chip, just a couple of questions. One, just on Atlantis. I guess post the mishap at BP Thunderhorse, is there any update or consequence in terms of Thunderhorse? Project scope modification perhaps?

The second question, just in terms of your volumes. You obviously paint a pretty bullish picture about your volumes over the last five years, but when you look at the EBIT contribution for 05 versus 04, it is US$110 million only for volumes. How do we read this figure overall in terms of the group, and that is obviously a net number, and I guess some guidance for 06 if you can.

Chip Goodyear:

I think it is important to note how that number is calculated. It is based on last year's margins, and it obviously has the petroleum business and the diamond business, which obviously had lower performance, not just looking at those mineral businesses. So again, and your also looking at just 04 to 05. You have to look across all of those things to assess what that is. But again our number is calculated as Chris Lynch mentioned on the basis of margins last year. You would get quite a different number if you looked at that in the businesses that have increased if you looked at this year's margin.

Phil why don't I pass over Atlantis and Thunderhorse to you.

Phil Aiken:

Sure. Well as you know John, there are a lot of similarities in the design and construction of Thunderhorse and Atlantis, and obviously at the moment BP are looking at the learnings out of Thunderhorse. We are pretty confident. I think one of the important things to stress here is that the issues with Thunderhorse, the investigation is going on but the work to date has confirmed that the listing was not due to any inherent problem or leakage in the hull of the pontoon. BP are obviously doing a lot of work on this. We are in constant touch with them, and any issues out of that are now being taken into account as we go ahead with the final work on Atlantis.

The Atlantis platform is being worked on in Corpus Christie. There is a lot of work to go, well into September but it is not due to go offshore until November, and at this point in time any learning from the issues out of Thunderhorse are now being built in to some changes on Atlantis. We are still confident. The operator is still looking at the third quarter of 06, and as I said any issues out of that, and at this stage there does not appear to be anything, of any significance are being built into Atlantis.

Chip Goodyear:

Okay. Let's move over to Johannesburg and see if there are some questions there.

Question:

Chip, over the last two years at least we have seen a nice steady increase in revenue from third party products, but not much of a growth, if any, in profitability. I mean you always said the marketing was a differentiating factor for the growth compared to the peer group.

Now you are two years at least down the line, are they generating the returns and information that you expected?

Chip Goodyear:

Sure. I'm going to let Marius handle that question, but I have to say that I think marketing is indeed a distinguishing factor and it is a very important part of what we see as our strategy. So let me Marius answer that and then I may just make a few comments after he makes his.

Marius Kloppers:

We try and get the maximum price for our equity product. We do trade some third party product in order to optimise things like logistics and to get some price discovery and so on. The way we like to think about the contribution of the overall effort is towards the net EBIT margin that we generate for the company. So albeit that there is little trading profit per se out of that activity, we believe that these efforts have greatly aided our understanding of the market and consequently our ability to realise the best possible prices for our equity product.

Chip Goodyear:

Yes thanks Marius, and I think that is showing up in the EBIT margins which you have seen move up substantially over the last four years. I think in addition, one of the things we do through that activity is develop customer relationships, and often we will develop a relationship and it may involve us having to deliver products we may not have access to. So we will identify that, and that will be important for our customer, and we may need to acquire that somewhere else, but ultimately we will be bringing along our equity product.

There are many ways to think about that marketing activity, but I can tell you that in terms of customer penetration, margin results, which you have seen and again continue to rise, that marketing activity is very, very important to that and it is something that puts us right in front of the customers on a regular basis, but it is very important. It is not a trading business. It may be called trading from a regulatory point of view, but it is not a trading business. I think that is very important to note. We take very little, if any, price risk there.

Next question Johannesburg.

Question:

Chip, can you provide an update on your diamond exploration activities in Angola and the DRC, and in particular when will you know whether or not you have a major new mine at Alto Cuilo?

Chip Goodyear:

Marius, would you have comments on that? I'll let Marius answer that.

Marius Kloppers:

Yes, as you know, our major exposure in Angola is through the joint venture with Petra Diamonds, where we have essentially got a series of options and farm in rights. We think that the area is very prospective. We have tested a number of kimberlites in the area.

They all contain diamonds, and from the way that these pipes are configured we think that they have got a lot of volume in them, but perhaps not that high diamond grade per ton. That process will continue to play out over at least the next year before we have any definitive answer to move into the next stage, and if you just refer to our bubble chart, you will see that that project does not appear on our bubble chart yet, which means that in our parlance it is still prior to the feasibility study phase. So we have got to patiently work our way through pre feasibility and then eventually feasibility, and that is a process that takes time.

Chip Goodyear:

Okay. Why don't we come here to Melbourne then.

Question:

Thank you. Just three quick questions. One on costs. Your costs this year are up 5.7 per cent, which is a good effort in the current environment, but having visited some of the operations this year they were talking about much greater cost increases going forward. Could you give us some idea of how high you think costs overall will rise over the year?

The second question is US tax losses, just beyond 2006 and we've got them factored in for 2006 currently but can we extend them beyond that time?

The third question is probably more strategic, but you had very strong growth rates last year. You will be spending US$6 billion next year. Can I just sort of ask what is the optimal growth rate that you see, and how do you work out what growth rate you really need?

Chip Goodyear:

Chris I'm going to send you the tax and if you want to say anything to costs or anything to me on costs, that will be fine and I will come in on the growth, what's the right growth rate.

First of all on costs, if they were telling you that prices, costs are going to be up very materially, you must have been there in budget season. We were hearing the same thing. I can't give you – what I say is certainly the input costs will certainly go up, and we are trying to manage that. I can't give you an estimate of where that is going to be, but those pressures are certainly there and I think you can get a sense of that looking at steel prices in certain cases, looking at some of the contract settlements that we have now. What you are seeing here is much of the contract has rolled through. Last year you might have seen half a year of a settlement. Now you are seeing a full year in the 04 year, but again I agree with you, I think it's a pretty good performance in this environment, but again we are across so many different assets and so many different environments, that it is tough to give a one number outlook for that.

On the growth element – what is the ideal growth rate? There isn't an answer to that unfortunately. It is very much dependent on a couple of things. What's happening in your market and what's happening with the opportunities to fill that demand space that is there, and obviously what's the return on that.

Now from a company point of view we don't sit here and say, gee why don't we give the Base Metals guys a billion dollars this year and Bob and his people US$2 billion and so on and so forth. We look at every project through a very disciplined process of what's the return on the project, what's the risk profile of the project, how do they fit earnings and cash flow, accretion/dilution, and how does it fit into the portfolio of BHP Billiton, and that allows us to assess, not only return but the risk in the project based on our long term price protocol.

That price protocol continues to look at the current futures curve, where available. It continues to move to a long term average, and it continues to show the 1 to 2% real decline. We have not changed that long term outlook for pricing. So that's what drives the way we think about it, all driven to the value, ultimately delivering value.

Chris, come in on the question around tax.

Chris Lynch:

This year we booked US$350 million of losses. We figure we can do that for about another two years and then that would be pretty much exhausted. It is all to do with the virtual certainty test that we apply, but we have about two years more at about the same rate to go.

Chip Goodyear:

Thanks Chris. Okay. Another question here?

Question:

Rob Clifford from ABN AMRO. I have two related questions. The first one is what proportion of the cost increases that you saw, do you think fall into the category of deliberate cost increases to get volume gains, and now you are at the higher volume rates, are those additional costs still required?

The second question is, you talk about rapid increasing costs, particularly for labour and consumables, and particularly the rate has been increasing quickly, can you comment on what you think the rate is going to do going forward? Are we still seeing those costs increase at the rate we have over the last 12 months, or do you think the rates of increases are paring back?

Chip Goodyear:

I'll tell you what. Maybe Bob I might get you to just comment on some of the voluntary cost increases – things like contractors and pre stripping and so on, because a number of those are taking place in coking coal and iron ore, and I'm not sure we have calculated exactly what's the percentage. So I think may be if Bob can just give you an idea of what we are doing there, may be you can get a sense of what that will be.

Bob Kirkby:

We have undertaken a number of voluntary things to increase our EBIT and our value, and with today's margins you can sustain some higher costs. So we have done some deliberate things there and I can think of examples in the Bowen Basin where we are taking additional strips in the strip mines that today are very profitable, and in other price environments wouldn't be so. The other thing that we are doing is we are ramping up our production, and so we're engaging contractors in that because it is the quickest way to do it. We could wait for our own equipment but in today's price environment, time means a lot more money than waiting for costs.

We have an eye on that and obviously if the price situation changes, as Chip said we don't expect these prices to continue forever. We will keep our eye on that and when those prices come back we will wind back that type of activity, but right at the moment we've got all of our people chasing extra EBIT, and there are a lot of opportunities in this price environment for that.

Chip Goodyear:

But it is very important that we do think about that other side of the marketplace place that we can take those costs out. The hardest costs to take out are your employee costs. That takes longer. Contractors and so on and taking a strip that you wouldn't otherwise have taken, you can manage that pretty carefully.

I think if you look across that list, you get an idea but I think you'll see quite a bit of that, at least it has the opportunity to be managed away in a downside environment, which we ask our businesses to look at.

Okay. Another question here?

Question:

A great result by the way. I just want to talk about Carbon Steel. Firstly iron ore. Can you give us an idea of the mix of CIF versus FOB in the result? I thought the revenue number looked very good. Do you have the flexibility with your new supply to move maybe more into CIF or be able to move that around anyway on market conditions?

Just on coking coal, just looking at your volume changes there. Obviously that is one that looks a little low compared to your other commodities, and you are obviously a market leader there and it is a very hot market. Thirty-seven million ton last year. Can you give us guidance on what sort of production we can expect this year, and do you see any concern with the recent rapid rise in coke production in China? Are they using more of their own supply or can you actually supply that market, or are you supplying more the Japanese/Korean market?

Chip Goodyear:

Thanks for that question. Why don't I let the two guys here tag team that. Maybe Marius you can handle the first part, and Bob maybe handle the second.

Marius Kloppers:

On iron ore, the growth market for iron ore has been China and we believe that it will continue to be the growth market. That is a predominantly CIF market for us. Numbers you should think about for last year is about two thirds FOB, one third CIF sales, and that number as we continue to ship volume into China, for 06 we believe it will be early forties CIF, and sort of the balance FOB. So that is sort of how that will develop. Obviously a little bit of that development will depend in future on the mix between countries and so on, but I think the general guidance is that China is predominantly a CIF market.

In terms of coking coal I will let Bob talk about the growth, but perhaps I will make one or two comments about the opportunity set. We continue to be very bullish about the overall opportunity set to serve customers in coking coal, and there are a number of reasons for that. The first one I think is that the cost increases in the Chinese coal industry have been dramatic. We think that that cost increase will continue and continue to be quite dramatic. Now obviously that increases the cost effectiveness of our products.

The second point to note is that there has been a very strong policy setting exercise by the Chinese Government, and if I can summarise that it basically says shut down all of the small, inefficient, predominantly inland located steel mills and replace that capacity with large sort of seaboard located mills. Now the two operative words there are large and coastal. Large means you need more strong coke, which our product on the high end of the spectrum gives. Seaboard again gives us the opportunity to serve those customers as opposed to domestic. So we believe that very, very good opportunities for that business in the pacific market, in addition to our core markets of Europe and Japan as they stand at the moment.

Bob Kirkby:

Just on the volume - there are two things here. There is undoubtedly a lag in the timing of our ramp up between coking coal and iron ore, and we have talked about that a number of times. It goes back to our understanding of what was happening in China. Where originally we thought they may be exporters, and now as Marius has said, we see big opportunities particularly in the seaborne area. It took us time to evaluate that so our ramp up is slower.

But if you look at the bubble chart the expansion is coming through this year. In fact today, I am pleased to say that their Broadmeadow Mine, which is their newest mine, started cutting coal at 12.30 today. That's new, and we have other expansion activities. What we call BMA Stage 1 and Stage 2 coming through.

The other thing in these numbers is we did shut Riverside Mine down this year, and Riverside is a BMC asset of which we get 80% of the equity. That will be replaced with our Poitrel mine which comes on in calendar 06. So there is a bit of blip in this year as we shut one down in time to get the other one up, but generally we are on a ramp up and we put out quite a big paper on this September last year, which you can refer to, and we are sticking to that program.

Chip Goodyear:

Why don't we go to the telephone and see if there are any questions that we have there.

Question:

Chip, just on the bubble chart, the iron ore projects, the split of the old long term growth projects into two rapid growth three and four. It is hard to tell from that chart – would they in your estimation still sum to the original capital cost estimates of when it was a long term growth project? Can you also just give us some idea of the split in the components between those two phases, and then would rapid growth go to Board for sanctioning?

Chip Goodyear:

Bob, I'm going to turn that to you.

Bob Kirkby:

No, the sum of the two is bigger than the whole. I think the previous number was US$2.3 and we are not talking about US$2.7 billion for those two projects. Rapid Growth Project 3 is in the very final stages of assessment, and we will be taking it to either the next board meeting coming up in October or the following one, and it is about a US$1.3 billion project, and it revolves around expanding the Mining Area C mine by 20 million tons.

Question:

Just interested – in a previous briefing it was commented that post Atlantis the Petroleum business could generate up to around 170 million barrels of oil equivalent and then move forward from there. That was before the difficulties we saw at Angostura. I'm just interested in what you think the level of production will be post Atlantis, so sort of 07 annualised numbers, that we should be thinking of and therefore obviously considering growth from that point with the likes of Shenzi etc.

Chip Goodyear:

Okay. Phil do you want to handle that?

Phil Aiken:

Well as I said before this year we are looking at somewhere between 125 and 135 million barrels, and then we get a big step jump in our production when Atlantis comes on stream, and at the moment that is the third quarter of calendar year 06.

We have Stybarrow which we talked about before. We also have another FPSO project in the West Pyrenees. We have Shenzi, which as I said before is moving through to feasibility and hopefully to sanction in the next six months. We sanctioned Neptune not so long ago. We sanctioned Train 5. At the moment in the Gulf of Mexico we are probably the most active E&P company. At one stage about a month ago we had nine wells with a combination of exploration, appraisement and development wells being drilled and we have a number of opportunities there like Puma. What we can do with the south west ridge of Mad Dog for example. Will that be a new facility or a tie back to Mad Dog.

So we remain confident that we will continue to see volume growth in this business. The 170 million in calendar 07 remains our sort of guideline. After that I really don't want to start putting figures on it. It depends on how quickly we develop these projects, and as we have always said in the past it is not just about developing projects quickly, it is about doing them safely and adding value overall.

So we still feel confident you are going to see growth in the next few years up to that 170 million in calendar year 07, and we think there are good growth opportunities after that in a number of areas, not just the Gulf, but in our gas business and also off Western Australia.

Question:

Chip congratulations. Firstly on the BlueScope deal that Chris mentioned in his briefing. I just want to check what that was and how that relates to financials in 2006. I just wanted to understand where, secondly, the exploration, the additional costs would be going. In coming years I think Marius talked about the 150 compared to the current level we see in the Diamonds group.
Thirdly your chart, that 200 year chart – when should we start using real price increases in our long term forecasts?

Chip Goodyear:

Let's see. BlueScope, Chris may be you can talk about that. May be Marius if you would like to talk about the Diamonds question.

Then when should you start using real prices for the forecasts? That is a good question. As I have told you before we make a lot of things but crystal balls isn't one of them. What we have to do is we have to look at a lot of scenarios, and all I'm giving you here is a scenario, and I think that's just the way I would look at it, because there is not one right answer to any of the – what's your price protocol, or when should you start using it. But just recognising that essentially most of us have been in an environment where this happens for two or three years and then things fall back. That isn't always the case, and I think it is important to keep that in mind. Again, our long term price scenario is one of real price decline, so ultimately that is the right answer. That chart actually illustrated that but that doesn't mean it happens every year or every decade, and that's just I think the thing you need to think about.

Chris on Blue Scope, could you answer the question on that?

Chris Lynch:

Yes Chip. I don't have a precise number but it is of the order of about US$45 million, and it pertains to the supply arrangements over the next 18 months that have basically been pulled into the 05 and out of the 06 year. So that's the impact on our performance.

Marius Kloppers:

I think what is important to understand is we normally have a number of offsets or changes in our exploration spend. The number that we show in diamonds includes all of the activities, but from time to time there are things like royalties that we sell, and other items within the exploration business that comes through there. So what you are seeing there this year is perhaps somewhat changed from I think the previous year in which there was a higher sort of an income proportion from some activities that we sold off.

Chip Goodyear:

Let's go back to Sydney. Any questions there?

Question:

Hi Chip. Good evening. I just want to take you back to the start when you answered the first question about why you didn't increase the dividend and I can understand you obviously bought Western Mining during the year, but if I look forward, and as you look forward to, I mean EBITs are US$11.5 this year. I think you like I, and like everyone here, thinks 14/15 to be an EBITDA for the next 12 months given you are going to get nine months of very high coal and iron ore prices.

I just wanted to ask how you and the Board then sit there now, you know, even with US$15 billion of EBITDA, probably US$10 billion for capital, tax and interest. That is still US$5 billion of free cash flow which, when you've got an asset of US$9 billion, in 12 months you'll be down to net debt of US$4 billion. I'm trying to understand firstly, why no capital management with that scenario facing you for the next 12 months, and you have half year earnings locked up with fixed prices. So if you could just help me understand why the Board chose not to may be give some capital management initiatives for the next 12 months.

Secondly just a quick one for Chris. How much franking do you have left as well, and was that an issue why we couldn't see another off market buy back?

Chip Goodyear:

I guess I'd say a couple of things around that. Again, the generation of cash has certainly exceeded the expectation, but three months doesn't make a ballgame here. We obviously have to continue to exercise and finish the final payment on WMC from a financial point of view. We have significant capital spending. We obviously have to watch the performance of the business. I'm not going to comment on your expectation for cash generation, but again, I also don't think you can look at our gearing level in this kind of environment and say, oh, your target is 35% to 40%, you know, happy days, you should pay that out. I think you need to think about what's going on in the environment that surrounds us.

So, in fact, we have absolutely led the way in capital management. There is no way you can look at what we've done in this company compared to anyone else, certainly in our industry, and say we haven't been the one who's been most aggressive. In fact, over the last few years since the merger, we've done about US$8.3 billion, if you include the spin-off of BlueScope Steel. So I think it's nice of you to look at that that way, but I think, if you really look at the track record, we have delivered on that, and we are very prudent in doing so. This isn't simply a question of how much do you make today - let's throw it out the door. It's a question of how do you manage this for a long-term business, and we have shown absolutely no restriction in giving money back where we didn't have a better alternative to do it. So that's how I expect we'll manage it now and we'll manage it in the future, consistent with how we've managed it in the past.

Chris, on the franking?

Chris Lynch:

Chip, there's a healthy balance of franking credits there now, and that's, subject to any other caveat, obviously expected to grow. So it is not a franking credit issue with regards to any sort of cause for concern other than I'd leave it with where Chip has commented on that issue. But franking credits are there and available, and they're expected to build further. Obviously the dividend this time around is fully franked.

Chip Goodyear:

Next question in Sydney.

Question:

Just a question of a strategic nature. Phil mentioned that you've got some of the legacy assets in petroleum were responsible, if you like, for the higher cost—or sorry, put another way, you've got new petroleum assets that have got higher costs than the legacy assets. I was just wondering, do you now view the Bass Strait as a legacy asset?

Phil Aiken:

Yes. When it comes to oil production, Bass Strait these days is very much in its last years. At its high peak it produced 550,000 barrels a day, total liquids in Bass Strait now down to about 160,000 barrels a day. But, as a gas production, Bass Strait remains very important. We've still got growing gas systems out of Bass Strait. I'd define a legacy asset in this case as an asset that's probably now not going to have a lot of investment longer term and it is an asset that obviously now we are looking at as being in its latter days. But I believe Bass Strait will still be a part of our portfolio at the end of this decade, and it's still got a lot of legs in the old legacy asset.

When I answered the comment before about costs, the question came on about Angostura, and there's no doubt that we are actually writing off Angostura against lower reserves, so that did have an effect on our costs last year. Therefore it's a combination last year of higher costs on some of the older assets – maintenance, etc, of Bass Strait and Liverpool Bay – but also we are taking higher DDNA on Angostura.

Chip Goodyear:

All right, thanks. How about London, any questions there guys?

Question:

Just two questions: Just something to pick up on what Bob said. Beneath the environment of high prices, are you pursuing assets that would be sub-economic in normal times, in long-term pricing environment, or are you moving away from a sort of high-grading ore affair, not that you had it, but is this the drive to almost low-grade some of the assets? Secondly, there's a difference between the sales at Escondida of 9,000 tons between the production and the sales. With the high TCRC rates, are we seeing a holding back and a bit of stockpiling of material, and maybe that's just in this environment of high TCRCs?

Chip Goodyear:

I might answer those, and unless I get somebody to shake their hand, are we taking our eye of the asset quality ball? The answer to that is absolutely not. We're not going to go out and buy any piece of trash just because the high prices are here. It's not going to have any impact on our company anyway. But what we will do is, as Bob said, if we're taking an area that we wouldn't have taken at US$60 coal and then at US$120 coal you would, that's a good economic decision. You wouldn't go buy a mine at US$120 coal, but if you pass something, you're going to take it out of the ground. I think that makes sense. It's always a tough question for management. Because what do you say? Hey, you can make a US$60 margin because let's say the cost is US$60; no, we should pass that up because we want the cost to be US$40 in the report. The answer is to go get it if it's easy to do.

With regard to holding back concentrate, that's not happening, no. We're not doing that. That's just a point for the timing of the ship. Another question in London?

Question:

Hi, Chip. Just a couple of quick questions on Olympic Dam. You mentioned it's in pre-feasibility. I was wondering if you could give us a little bit of data on the options you're looking at, and perhaps talk us through the timeline for the decision? I guess along with that, maybe your outlook on the uranium market and how you'll be factoring that into your decision-making process?

Chip Goodyear:

I tell you what I'm going to do is ask Mike to just make any comments on Olympic Dam he'd like to. And with regard to price, I'd say that certainly we see what you see, and we obviously study it pretty hard. But there's no doubt, as we go around the world in our business, that energy consumption and economic development go hand in hand. As I've said before and many of you have heard, I love going down the freeway in Shanghai and looking up at the apartment buildings, and there's an air conditioner in every residential window which is fantastic, that uses aluminium, copper and steel, but they only buy one every five or six years, but they turn it on every day. There is no doubt that energy consumption is going to increase with the development of these economies. How that's going to happen; is it going to be carbon based, is it going to be nuclear, is it going to be renewable? The answer is it's going to be all those things. So we think that there is a bright future for energy in general, and we see uranium as being part of that. Beyond that, I don't think there's much we can say about price. Most of our product at the current time is under long-term arrangements signed in the WMC days. So those will obviously work out over time. But again, we'll be looking at that market as we have to move to a decision. Mike, do you have some comments on Olympic Dam?

Mike Salamon:

Yes, sure, Chip. As you're aware, we are still drilling the resource, so in terms of our terminology, this would be a concept phase project. What we see is very, very good. However, the drilling will continue; the project team is being reconfigured in line with the way we do things, and I guess we will go as quickly as possible from the drilling through to pre-feasibility, but our estimation is that you are looking at probably three to four years before you come to any sort of sanctioned decision on Olympic Dam. In terms of what we expect to have there, the expectation is a very large open pit, probably somewhat more than double copper output, somewhat around triple current uranium production, and obviously, like the existing facility, producing finished product on site, given that you have the uranium there, so each aspect of that will be finished product. Overall, we're very pleased with what we're seeing.

Chip Goodyear:

Thanks, Mike. One more in London?

Question:

Chip, you've made a few comments about capital cost pressures, but I was wondering if we could turn more specifically to petroleum and the sort of trends that you or Phil are seeing on a world wide basis and then more specifically in the Gulf of Mexico and off shore Western Australia?

Chip Goodyear:

Phil, go ahead with that.

Phil Aiken:

When it comes to deepwater drill ships, the rates have almost doubled. I mean, if you do a generic figure; if you'd look back a couple of years ago, you were looking at about US$200,000 dollars a day for a drill ship in the Gulf of Mexico. When things were a bit quieter in the market, those drifted down to about US$150; you now hear drill ships costing US$400,000 plus, and that's just activity, so a big pressure on cost of drill ships and drilling over all.

In our particular case, we have long-term agreements with global Global Santa Fe on the DD1 which we take possession of very shortly. That's one of the first generation of dual development rigs, and we have our commitment with CR Luigs. One of the things we like with the Luigs for example is although the day rate has gone up, we have very, very high efficiency there. We put down wells quicker than most wells that go down. So it's not just a matter of cost; it's also about the efficiency of the rig. Like every other part of BHP Billiton's business, when it comes to construction, we are seeing increasing costs, there's increase in steel, steel pipe, etc, but I think that's manageable in our projects. We are living in a world of US$60 oil; we've got to expect costs to be commensurate with that. So, over all, we find it manageable, but obviously it's putting pressure on, and drill ships in particular are escalating quite a bit.

Chip Goodyear:

Thanks Phil; Johannesburg, any questions there?

Question:

BHP Billiton was awaiting an oil rig for exploration work off South Africa's west coast. Is there any advance on that? I note that the Klipspruit energy coal project is no longer on the growth inventory list. Can we assume that it's been abandoned? Just on the issue of uranium, if you are thinking broader than just Olympic Dam, could South Africa feature in your plans?

Chip Goodyear:

Phil, why don't I turn those over to you and answer what part of that you'd like.

Phil Aiken:

Firstly, on the South African well, we do hope to drill that well later this year. What we've been waiting for is the availability of the drill ship which is moving somewhere between

West Africa and Asia. We don't want to have to pay a big de-mobilisation cost, and we're pretty confident that we have secured a rig, and we hope to drill that well later this year.

With regard to the second question on Klipspruit. The Klipspruit project has been put back into what we call pre-feasibility in our terms. I think you're all aware our number one priority at the moment at Ingwe is about our improvement plans. We have already openly said we are looking to reduce our costs and improve our capabilities to be competitive in the coal market out of South Africa. Quite seriously, until we are happy that we've achieved that, we will not be generating new projects and investing more money in that business. So Klipspruit is not dead but it's been pushed back to pre-feasibility until we're further down the cost improvement program at Ingwe overall.

Chip Goodyear:

And uranium, we certainly are sitting now with 38 or 40% of the world's known resource of uranium, so I think we've got plenty to say grace over; at the same time we're in the mining business, and if there a good opportunities, we'd certainly be willing to look at it.

Okay, thank you. Here in Melbourne, questions?

Question:

A couple of questions. First, just with regard to the iron ore and the freight arrangements to China, we you able to extract an increased margin through that activity? Secondly, just on costs but a different angle, we've heard a lot of talk about increasing royalties and government taxes, have any further areas come up for royalties to be going up? Are any governments having discussions with you at the moment, and has the situation in Chile now settled down and finalised?

Chip Goodyear:

Mike, do you want to deal with these questions?

Mike Salamon:

Yeah; we generally don't undertake activities if we don't feel that they're overall profitable, and the reason that we ship product on a delivered basis is that we believe that we can make a bit of an extra margin out of them. It's obviously a brought-in service. We do have about 100 million tonne a year dry bulk ship of enormous leverage over prices, and I think that that freight activity just contributed again to us slightly outperforming where our margins would have been if we hadn't done that.

Chip Goodyear:

I think that is important. We look at it as a service to the customer. If we can use some of our buying power to benefit them, that ultimately benefits us. On the marketing side, we're sitting with 2% overdue receivables. For a year they were over 15, so we really need to consolidate that and be thinking about how we deal with our counterparties is very important. The second one on royalties, as you saw probably the other day, we have reached agreement with the Western Australia Government with regard to our iron ore royalties out there. In Chile, things have settled down; Peru, we're looking at that, but we have current agreements that stabilise our royalties at whatever they were at the old rate, so that has no impact on us. So I'd say, cross your fingers, but I'm not aware of anything significant that has come to my mind around any royalty changes, or any proposed royalty changes. Any more questions here in Melbourne?

Question:

This is a question for Phil Aiken. Congratulations, Phil, in terms of increasing your nominal capacity for the third time in your new offshore developments. We saw Mad Dog, Atlantis and now Stybarrow go up, which leads me to Shenzi. Looking at that project, the capex looks very similar to Atlantis South, and I'm just wondering why the capacity is half the amount, and if there's potential to increase that in the future?

Chip Goodyear:

Phil, would you like to handle that?

Phil Aiken:

Shenzi is a large project. It will have a name plate capacity of 100,000 barrels a day, where of course Atlantis has a name plate capacity of 200,000 barrels a day. Costs have gone up, and we are living in a different environment, but over all we are still in pre-feasibility on Shenzi. It's a bit early yet to say what the final capital would be, but certainly it is going to have much more expensive drilling costs than say the original wells which were drilled on Atlantis which were drilled in a more favourable environment. Like all these projects, a lot of the costs are the drilling costs, and therefore you are going to see the higher rates for the whole of the Shenzi project where Atlantis actually had lower levels. Having said that, it is still a very, very robust project, and we're very confident that it will be sanctioned.

Chip Goodyear:

Okay. Let me go to the telephones, and we'll finish it there. Any questions there?

Question:

Okay. With regard to conditions in the stock market at the moment, there are conflicting signals that the Rio's interim, because we heard that the Chinese were planning spot terms for five annual contract terms. Some say they are paying spot terms below annual contract terms. What's your feeling for the state of the stock market for iron ore currently? How do you see that progressing through to the end of the year?

Chip Goodyear:

I think we got about two-thirds of that question. Marius, do you want to give that one a try?

Marius Kloppers:

I'll try.

Chip Goodyear:

Answer whatever you like!

Marius Kloppers:

That's a great position to be in! I think I heard that there have been some market reports that some parties have been able to buy ore at below the annual contract price, and the second part was what is the outlook for the year ahead. I think six months ago, as Chip said, we were less bullish than we are today. We see the iron ore market today as tight as we've ever seen that. Inventory levels in China are down; price rises are consistent over the last month to about today on a landed cost basis, about mid-70s or so, is where 68% concentrate trades. So, not sure but whoever bought that cargo at below the term price did a great deal. Certainly he didn't buy it from us.

Chip Goodyear:

Thank you. Okay, one more from the phone?

Question:

Good morning. Just briefly, looking at the base metals division and to a lesser extent the stainless steel division, the thing that stands out is the margin decline in the second half versus the first half, and also year on year compared to the second half of 04. I just wanted to understand from your perspective whether this is just a temporary grade issue or is this the by-product of input cost pressure? If it's input cost pressure, I wonder if you could just share with us your thoughts about the sort of run rate of cost inflation you're looking at in 2006, and whether or not this will then lead to margin decline in the base metals division, assuming prices of copper are static at today's level?

Chip Goodyear:

Mike, would you like to comment on that?

Mike Salamon:

I guess the two biggest single impacts on margins—in base metals, it's TCRCs, and in stainless steel materials, it is price and cost that is important, or in the case of Yabulu and it is the royalty at Cerro Matoso which is a profit related royalty. The drivers of both of those are independent and TCRCs are yet with the situation. Marius would probably be closer to this than I am, but the situation is that the TCRC market levels are moderating, so the impact should not be as high in the coming year. In terms of the imported ore in the royalty, they will just go with the price. Overall on our nickel business, of course we will have a very different mix going forward. Nickel West will have a major impact on the nickel businesses in they coming year. The relatively lower margins of Yabulu will be substantially diluted in a positive sense, so we will be looking at a different business there.

Chip Goodyear:

I know that we are running over time, but I thought it was important to try to give everybody a chance to ask a question or two. Again, thank you for your time; it certainly has been an exciting 2005 and 2006 has started off obviously equally exciting if not more so. Again, whilst a great result, both operationally and financially, the key thing is the long-term strategy around manage your business well, share knowledge and re-invest in things that you know and understand. Always driven to that driver of long-term shareholder value. So again, thanks for your time. Feel free to be in contact with our group here in Melbourne, with Mark and Tracey and Alison in London and then Michael in Johannesburg, and we look forward to seeing you in February next year. Thanks a lot.