BHP BILLITON COPPER PRODUCTION ANNOUNCEMENT

TELECONFERENCE

9 NOVEMBER 2001

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MR PORTER: Good morning and good evening. Robert Porter from BHP Billiton in Melbourne. I would like to welcome you to the teleconference associated with BHP Billiton's stock exchange announcement made yesterday evening in London to reduce copper production by 170,000 tonnes per annum from our Escondida and Tintaya operations in South America. Today, we have three people from the base metals senior management team, Brad Mills who is the president of base metals; Ken Pickering who is president and chief development officer; and Bruce Turner president of Escondida Minerals. The three of them join us from Santiago in Chile.

Brad will make some introductory comments around our announcements and then we will open it up for questions. Brad, I'd like to pass it over to you.

MR MILLS: Thanks you very Rob. Again good afternoon and good evening to everybody on the phone. Let me give you a little bit of a background to why we're taking this action today and how we're taking the action, and then we'll move to questions after that point in time.

We are reducing copper production by 170,000 tonnes on an annualised basis; that will come in two forms. It will be an immediate reduction in production from Escondida by about 10 per cent. That 10 per cent is addition to the natural decline of production that occurs because of declining grade at Escondida, and our entire operation we will suspend sulphide production from January 8. We will review all of those decisions at the end of our fiscal year, essentially June 30th, and we will look at conditions in the market place and determine whether it's appropriate to continue with those cuts or to take additional action or to restore production at that time depending on market conditions.

In terms of the impact on the group, this will have a relatively minor impact on the EBIT of the group. Most of this production is fairly marginal from an EBIT perspective at this point in time. We will also be trying to minimise the impact on our employees. No Escondida employees will be affected by the reduction, and at Tintaya we will maintain the employee workforce on standby basis until the end of June again when we will review the decision.

At Escondida the cuts will be affected by mining lower grade ore and preserving high grade ore until a later time. That has the effect of pushing value out into a future date in time. Then again depending on your view of copper prices, that could be a highly net present value enhancing benefit to the company by mining that higher grade ore at a later date.

We do intend to continue with our development projects, Escondida phase 4 and Tintaya Oxide and we will finish the construction on those and plan at this time to bring them on-line when they have finished their construction phase.

That's really my introductory remarks at this point of time and I'll really then turn it over to questions from the group.

QUESTION: Good morning, Brad. Look, I know this particular question falls outside of your personal realm, but I'm just wondering, we've seen you take a fairly big initiative in here copper. You are a low cost producer, you didn't need to cut production in terms of your profitability. Could we expect to see BHP Billiton take similar initiatives in aluminium, for example?

MR MILLS: Let me talk a little bit about some of the background on this. One of the things that we certainly looked at, and it was very key in our thinking, was about what is going on with the fundamental demand in the marketplace. One of the things that we see is that the physical end use demand of copper has fallen away very materially and particularly post September 11. We today are actually very uncomfortable with what the overall market deficit may be.

It was at least 400 500,000 tonnes during the calendar year, this calendar year we think, but maybe accelerating toward the end of this period of time. We really don't see much point in producing copper metal for which there is no end user. The use of the (inaudible) warehouses to park copper is a very expensive form of really funding working capital, and we don't really think it's an appropriate use of our finite resources.

QUESTION: Just a couple of questions on Escondida in terms of the contained copper and concentrate. You are expecting now(inaudible) 2002 and I guess 2003.

MR MILLS: Let me turn that question over to Bruce Turner and he can give you a little bit more details about the copper contained and concentrate as it flows out the rest of this year and going forward. So I'll let him have a go at that.

MR TURNER: I think it's best to look at comparable - what we have done last calendar year, year 2000 versus what we've done during this year, 2001. Year to date end of October, we're running about 14.3 per cent under total contained copper production including (inaudible). We will increase that difference to about 15.8 by the end of the year. It represents about a cut back of an additional 14,000 tonnes below what we were averaging year to date.

Then going into 2002, comparing ourselves back to calendar 2001, we will reduce by an additional 39,000 tonnes of copper contained in concentrate by the end of June. So if you take that and analyze it, you will get close to the 80,000 tonnes we're talking about.

QUESTION: If you look at 2000 compared to 2002, the overall number or quantum of number we would be looking at in terms of contained copper and concentrate.

MR TURNER: We don't want to project beyond end of June at this point in time as we will review the situation at the end of our fiscal year. By the end of June we will be doing 9,000 tonnes down from calendar 2001 for the same period.

QUESTION: Including the cuts today because obviously there was a natural decline, a cycle decline of almost 90,000 tonnes on our numbers coming through from the production, from the head grades before today's announcement.

MR TURNER: Year 2000 was about 940,000 tonnes and it will now be ended year 2001 will be 791.

MR TURNER: Which is partly grade reduction as you point out and also our forced reduction of some 14,000 tonnes. Then that number will again be reduced by a force number of another 39,000 tonnes.

QUESTION: Hi, Brad. I just wanted to ask you, are you expecting other copper producers around the world to take a lead in this? Does there need to be more copper cuts and how soon do you think we could see some more production cut backs?

MR MILLS: Well obviously we can't predict what other copper producers will do. I think that and we certainly hope that the rest of the producers look very seriously at the demand for the physical product that they have and really reflect on whether or not the market needs the units at this point in time.

QUESTION: I guess though is it fair to say though there's more expensive copper production out there that's sort of a bit marginal at these prices?

MR MILLS: Well again I think that each producer has to look at their circumstances and what is appropriate for them. I don't really think it's appropriate for us to speculate on what other copper producers may or may not do.

QUESTION: Just a quick question. Obviously you have other operations that are pretty marginal as well. Is the decision really just that you don't have management control there or are there other issues at play as well?

MR MILLS: From our perspective the production cuts have come from the highest cost production that we control which is Tintaya and at Escondida. In joint ventures, the only one that has marginally higher cost production than Escondida is Highland Valley and right now they are cash positive and we haven't broached the subject of whether we should do anything with that project, between the petro partners. But that would be something that we would certainly review over the next six to eight months.

QUESTION: What about the other operations in other commodities that can fall under your sphere of influence?

MR MILLS: Everything else that we have is doing really quite well so we are in good shape really across the board. Again, the reason for the cuts is not fundamentally a profitability or a cash issue. It's really looking at a market demand that just is not there.

QUESTION: Why you hadn't looked at Highland Valley, but you mentioned the cash positive nature of Highland Valley. Is that to say that the production you are cutting back now from Tintaya Sulphide and Escondida is not cash positive at current prices?

MR MILLS: Tintaya is very much on the bubble at this point in time. It's about a 60 cent cost producer so it's very marginal. At Escondida it's really a question of looking at the market conditions and whether or not from our perspective we really see end use for that and do we actually earn the kind of EBIT from the use of that ore body that we want to. Our judgment is at this point in time that we can create better value for our shareholders by postponing of high grade ore to a later date.

QUESTION: It's really a question for Bruce. The unit cost at Escondida, as a result of the lower head grade, what sort of increase do you expect to the cost per pound for the sulphide operation?

MR TURNER: Normally if you were to cut 10 per cent, you would expect the unit costs to increase by 10 per cent. Our average costs are of the order of (inaudible) are at an average of 42 cents, so you would expect that to go up about 46. However, unfortunately we have a number of cost reduction programs well underway as well as some help from the deteriorating Chilean peso and a number of other initiatives which in fact will negate that increase. We should end up fairly close to where we are right now.

QUESTION: I have a question on the demand. You mentioned there has been quite a significant drop off in demand post September 11. Could you perhaps elaborate on that, and if You were to take the demand we say in the three months prior to September 11, how does the demand that has materialised since compare with that?

MR MILLS: I'm going to pass that question to John Crofts who is our vice president of marketing and give you some sense of what he think has happened to demand post September 11.

MR CROFTS: I guess with the recent gathering in London for LME week there was a lot of decision around the topic of demand and what sort of levels it stabilised at post September 11. I think the conclusion was that it's not really clear at this point but there has been a precipitous fall particularly in the western world and therefore predictions of surpluses of 400,000 to 600,000 tonnes of metal coming on top of the 900,000 plus tonnes that are in Comex and LME warehouses already, so it's something that we're working to understand I think with a lot of other people, but which is not clear at this point.

QUESTION: Just looking at the WBMS numbers, the seven months I think that was down about 4 and a half per cent, something like that. You would say that probably over the balance of this year, it will be a significantly greater year on year decline than that?

MR CROFTS: I guess I'm seeing ranges in terms of western world demand of falls in the high 5 per cent and some analysts are even looking at it in excess of 6 per cent year on year for this year. You know, it's actually been deteriorating by the week in recent weeks and it's still an open question. The other aspect that is important in all of this of course is China which throughout has remained strong and certainly promises to continue in that manner at this state.

It's something we're keeping a very close eye on, but I think you're probably looking at around 2 per cent year on year decline in total demand at this stage.

QUESTION: So that's 2 per cent over what period?

MR CROFTS: Over the last 12 months.

QUESTION: Hi Brad. Just a question, you have been around the copper industry for an awful long time in the States and everywhere else. Really a question on industry structure and one of the issues that we are trying to struggle with is if the strong guys are cutting production, is that not just saving the weaker production and really disadvantaging the industry structure over the longer term and meaning that the long term returns on that really should be lower?

MR MILLS: I think that what we look at is really probably something a little bit different. We really go back and look at the lessons learned in the 1980s when the copper producers very stubbornly hung on to their production during the early '80s and managed to build an (inaudible) level as well in excess of 2 million tonnes of copper. As a consequence of that, in the period sort of post '85, even though you had a resumption of normal demand, you had two years where the copper price did not respond.

As a consequence of that, the industry had very poor returns over a five year period and there was no sort of migration back to a mean value, 80 cent value for copper over that period of time. We really think that all that represents at the end of the day is shifting of working capital management from the producers to the financial institutions that fund the copper in the LME, and it's very, very expensive financing from an industry perspective. We think it's a far better choice to leave the copper in the ground and then produce it when we can get an appropriate return for it for our shareholders, and that's really the approach that we're taking this time around.

QUESTION: Would you then say that the industry structure has got about as good as it's ever going to get now.

MR MILLS: I couldn't comment on that. I think the industry has changed dramatically over the last ten years and I expect it will change dramatically over the next ten years as well.

QUESTION: My question was regarding the concentrate markets and what impact if any you see these cuts having first of all on TC/RC, and secondly is there any impact on your smelter customers?

MR MILLS: Let me hand that question to John Crofts.

MR CROFTS: To the extent that this is the first significant cut of copper in concentrate that goes into the custom market, undoubtedly there will be an effect on TCRCs in the absence of any cutbacks in smelter production. I guess to try and predict the amount of that or the impact of that is a little difficult. We're just starting out on the annual negotiating season now. There's no benchmarks that have yet been put in place to our knowledge, so those negotiations will have to play out in the normal course but it will be against a background, of course, less copper and concentrate into the market.

QUESTION: Yes, just a second question I guess on Escondida in terms of next year's production. The copper grade you're looking at coming out of the pit for next year, how much is that going to be different from the previous estimate?

MR MILLS: Let me hand that question to Bruce Turner.

MR TURNER: I think basically we're going to reduce throughput by 10 per cent so you can assume we're going to drop our head grade by 10 per cent as we will maintain our throughput for the plant. The increase in grade that you would see in the future would depend on the configuration of the mine as well as our desire as to how fast we want to ramp up the copper production after we decide that that's an appropriate thing to do.

QUESTION: Just a quick question on Tintaya in terms closure costs on the sulphide operation, of what sort of costs are likely to have to be worn there?

MR MILLS: The total cost for the Tintaya in the shutdown mode will be about $2 million a month. Part of that is because we will continue the exploration program at Tintaya. Longer term we see a very strong upside for Tintaya as we continue to develop very substantial resources there, and part of our plan is to really look at that project when we have the oxide coming on stream and possibly recapitalise the mining fleet in the mill. That will allow us to bring production back up maybe in the high 40s, mid 40s cost range.

QUESTION: Do you have a copper price in mind in terms of what sort of price you would like to see before you restarted the sulphide operation?

MR MILLS: Basically what we're telling everybody is we're really going to look at this from a demand perspective in the middle of the year. Again, this issue of reduction of production is not a function of price. We are comfortably cash positive at this point of time as a company, and if we saw demand actually declining today and the price was as it was today, we would not have taken this action; our demand would have been increasing. We wouldn't have taken this action so we are really responding to the demand market as opposed to anything else. It's really not a price issue.

QUESTION: Good morning, Brad. Could you make some comments on where you stand with Antamina and its costs. I mean, with zinc prices where it is, I guess your cash cost profile there is hardly something to boast about. Would it not have made sense to undertake some early stage rationalisation of this project?

MR MILLS: Antamina is obviously in its wrap-up phase and it's actually opening next week. So we have an interesting situation of taking production down on a couple of mines and opening another one at the same time. I think that what we see in Antamina is Antamina was designed to be a producer that produces copper in the low 30s. We have every expectation that that will be achieved. We have seen excellent results out of the initial mill runs both in the copper side and on the zinc side. So we really don't anticipate that there will be much difference over the coming months in terms of the cost profile for Antamina.

Again, I think that it doesn't make sense to interrupt that ramp up in the development of that as a stable operation at this point in time so we will continue with ramping up Antamina to its potential and that then we'll take a look at it and say where are we at in the total picture of the whole demand market at that point in time.

QUESTION: I recall that wasn't it 29 cents at a 55 zinc - with a 55 cent zinc credit. Well we're nowhere near 55 cent zinc of course. I mean, what is the equation worth? What does it look like? What are you saying about costs now that copper can do low 30 cents per pound?

MR MILLS: Yes, I think that's where we're comfortable talking about it at this point in time. There are a lot of factors obviously like moving around, there are things like exchange rates, there is throughput rates, there's a whole variety of factors that come into play and I think we need to give that operation a bit of time to bed itself down to get comfortable about a detailed discussion about costs. But we're relaxed about where we are at this point of time in those kind of ranges..

QUESTION: Thanks for taking my question. My question is about acquisitions. Some people in this industry would say that you know with pricing so bad they wouldn't even think about buying assets in the copper business. Other people would rather buy assets when copper is 90 cents a pound. I want to see where you stand on these kind of issues given basically just your position on acquisitions in the copper business as a company.

MR MILLS: Sure, I think that from a company perspective, this is one of the real benefits of being a large diversified organisation. We have the funds and the balance sheet to make acquisitions in sectors that are at a low point in their cycle, and we certainly see this as being an opportunistic time to look at good acquisitions. We are clearly focussed on value and what we think are things that enhance our strategy, but we do actually think that this is a good time to look at acquisitions in the base metals business and we are looking at a number of them as you would be aware from all of the things that are for sale at the moment.

QUESTION: First of all on the feelings of your partners at Escondida and your cut in production, and secondly you referred to a reduction in the inventory bill that we're seeing and keeping capital employed (inaudible) deployed. Are you referring that capital employed across the industry or specific to BHP Billiton, and if specific to you, can you give any sort of order of magnitude as to the inventories or the degree of inventory drawdown that you might see as a result of this?

MR MILLS: Sure, let me answer the first question about the owners. We obviously put the whole issue of what we should be doing with Escondida to our owner's council. We had our owner's council meeting today and they unanimously approved the decision to proceed with the program that we're on. So there's obviously a comfort with the owners that we are proceeding along the right path at this point in time.

As far as inventories are concerned, I think that today we're sitting just shy of 1 million tonnes of inventory in the Comex and the Alomede. It's very difficult to predict what will happen because of John's comments about our kind of lack of visibility on what true offtake is at this point in time. We are certainly hoping that the industry will look at that balance in terms of whether it's growing or not and hopefully take appropriate action as that becomes clear over the coming months.

We don't know whether this is enough to stabilise it. Our sense of life is it's probably not quite enough to stabilise it at this time.

QUESTION: So when you are talking about inventory build, you're talking really across the industry as opposed to specifics yourself; it doesn't do too much to your own company capital employed?

MR MILLS: That's correct.

QUESTION: My second question really is just regarding the new projects. You say you are continuing with them. Brad, I was just wondering whether you could give us an update on where you are with the oxide project and phase 4, and just refresh my mind for when they start.

MR MILLS: Sure. Both projects are roughly at the mid point of their construction phases. The oxide project may be a little bit more advanced than Escondida phase 4. The oxide project will start around June of next year and go through its ramp-up phase so we would expect to understand how it's doing about the middle of next year. Escondida phase 4 is currently scheduled to start its ramp-up in September next year and we plan to - right now we would plan to bring those on stream as normal.

QUESTION: Would you look at those if the situation doesn't change over the next six months?

MR MILLS: I think that really will be the subject of our conversation about mid year timeframe when we really look at the markets and understand what is going on. But right now it certainly would be our intention to go forward with them. They are both very low cost projects. The oxide is less - sort of around 30 cents and Escondida phase 4 will also be very low cost. So we would anticipate that we would go forward as planned at this point in time.

QUESTION: And as against budget as well?

MR MILLS: Yes. They are travelling both on schedule and on budget.

QUESTION: Another question for you Bruce regarding Escondida. I notice in the investor relations e-mail that we got today that we're talking about Escondida with the potential to add I quote "over 450,000 tonnes per annum of new production". Generally, until now the figure quoted as being 400,000 tonnes, Not 450; I just wonder if there has been a subtle change in expectations of what you are expecting from Escondida 4 or otherwise, and also could you just comment a little bit on over, how much over could that potential be and what sort of timeframe are you looking at?

MR TURNER: Yes, okay. I think what we're referring to there is the additional production that can be brought on with our sulphide leach and the development of Escondida Norte.

QUESTION: So in that regard, an extra 50 - the extra 50,000 tonnes is neither here nor there because the sulphide leach and Escondida Norte would be well in excess of that figure, wouldn't it?

MR TURNER: Yes.

QUESTION: So when you talk about 450,000 tonnes, does that mean that Escondida 4, the expectations for that are a little bit higher than what you've thought previously bearing in mind the market constraints?

MR TURNER: Well, you could understand that as we push the higher grade out into the future, we also increase the potential to produce.

MR GERRARD: Okay, thank you.

QUESTION: Just a follow on question. You were saying before that obviously you're better off leaving it in the ground for when prices are higher. With that rationale, why do you stop at 170,000 tonnes, why not take half of Escondida production out off line, for example? Just how did you come up with only taking 10 per cent out of Escondida I guess is the question.

MR MILLS: I think the major thing that we look at is again we were trying to minimise the impact on our employees and to be able to manage that situation. It's particularly important to maintain the very good work force that we have developed over the years and not impact them. We can take that relative magnitude of cut at Escondida without really materially impacting our costs. We also have our long-term customers and commitments to that we have major considerations around. We need to also manage our impact on those relationships as well. So there are a variety of things that went into the decision in terms of what was an appropriate amount. Quite frankly, we don't really believe that it's our responsibility to do all of the work that might be necessary in the industry.

QUESTION: Just the ownership council unanimous backing of this decision, did you get any feeling from Rio there about what they might be considering for their mines?

MR MILLS: Again, it's not appropriate for us to discuss what other companies might be doing with their own operations in that context so the only thing that we really talked about was Escondida. It's just again not an appropriate thing to talk about what they might be doing with their own production.

MR PASCOE: Your answer to the previous question had an implication in there that you are expecting other companies to do their bit too.

MR MILLS: Again I don't know whether I expect them to or not. I think that we see what there is for us to do, and the industry will have to make its own conclusions about where it thinks supply and demand is and draw conclusions about what it thinks its appropriate actions are. But it's not appropriate obviously to discuss those in any detail with any other companies.

MR PASCOE: Just one further question, in terms of the fall off in demand, could I have a break down geographically on that? China is obviously the exception. Is there a particular fall being seen and in which markets?

MR MILLS: Let me hand that question to John.

MR CROSS: I guess the answer to that is still playing out. As I mentioned before, I think you've seen about a 5.8 or 5.9 per cent year on year fall in the western world. The United States has been a substantial part of that. I think you saw perhaps the industrial production figures for September were down 5.8 or 5.9 per cent. That is a pretty good proxy for copper as well. We're seeing an ongoing slide in demand levels most particularly in western Europe at the moment and I think it's also been well documented that the Japanese economy remains very weak.

In fact, Japanese consumption is always difficult to measure in terms of in-country consumption as opposed to exported goods, but 22 per cent year on year decline in Japanese domestic consumption was the last figure I saw. As I made reference earlier, China has remained the one bright light on the demand scene and we certainly hope that that continues to be the case. The next major issue on the demand front will be to see what the effect of the fiscal stimulus packages are in various western economies. It's a little early to make a call on that yet.

QUESTION: Just a couple of questions. Firstly I've come into the call a bit late so if you've an answered before, let me know. Copper operations, Ok Tedi in particular and what is happening in the US at Magma copper; was there any consideration given to Ok Tedi cutbacks despite the fact of your change in status with that and likewise you are still trickling out copper out of Magma; what is happening there?

MR MILLS: Let me address Ok Tedi first. We have disclaimed any further financial interest really in Ok Tedi as would be clear from the recent press announcements around Ok Tedi. So we think that it's inappropriate to really talk about production with the partners on that operation and that the decisions related to the future of Ok Tedi are really in the hands of the PNG government at this point in time in terms of the proposal that is sitting in front of them. That really has to play itself out before any decisions could be made by the trust and the Papua New Guinea government about the future of Ok Tedi. So that was really not something that we felt was appropriate to deal with at this time.

As far the North American Copper, there's very, very minor amounts of production coming out some of the small oxide operations there. I think the total is about 10,000 tonnes of metal, maybe maximum. It's all very low cost, kind of in the really 20, 30 cents range a lot of it is tied into various environment or mediation programs so it was not considered at this point in time.

QUESTION: (inaudible) statement says there was no material impact on profitability. Quantify, do you mean by material impact and how you reach that conclusion.

MR MILLS: We certainly look at our EBIT expectations for the base metals group and what we think the impacts will be. Again, very much there are a lot of variables that are moving around at this point in time but the level of EBIT impact on BHP Billiton is really not seen as being terribly material at this point in time.

QUESTION: Can I just run a thesis by you that based on your indicative production cuts for a full year, you talk about $US179 million worth of revenue at the current price which translates to an after tax impact of 126. Am I missing something there or have you got an offset that would offset that foregone?

MR MILLS: Yes, again we look at it from an EBIT perspective. I think Bruce really laid out the case that the cost structure for Escondida is not going really be materially different. Again, we said we're looking at this program through June so it's really a half year that we're dealing with. This entire operation was essentially breaking on a cash basis and under water on an EBIT, so you are actually closing production that is negative on an EBIT basis and some production at Escondida that is positive.

Mine is marginally positive on an EBIT basis. A lot of that is essentially neutral so when we look at the overall effect, there's really not much effect.

QUESTION: With the regard to the closures or the curtailments, is there any one off - what's involved that will be booked this year and are there any lay offs involved in that?

MR MILLS: No, there's no lay offs at this time. Again, we will maintain the workforce entire through the June period and then reassess at that point in time. Escondida is not a factor in there are no one-off impacts associated with this decision.

QUESTION: Yes, Brad. Have you actually talked to your partners at Alumbrera about potentially doing something similar at that operation?

MR MILLS: We haven't talked specifically to them about opportunities at Alumbrera. Again, it's a very low cost operation. Net of credits it's probably in about the 25 cent range. They have significant debt service that they must deal with on an ongoing basis and so their ability to actually do much is fairly constrained because of the financing structure of that operation. Again, I think that in the coming months, if we see continued significant deterioration of demand, we may have other conversations with joint venture partners about the appropriateness of running certain operations.

QUESTION: I'm just wondering if you could outline the total impact of the production cuts on jobs.

MR MILLS: Again, we don't anticipate that there will be any job losses from BHP Billiton or Escondida employees as a result of this. I think obviously in this entire operation there will be an impact on contractors but it's probably too early for me to give you any specifics of that. One of the reasons for the two month delay in turning down the entire operation is to really work through a number of the detailed issues around, contracts and employees so that we get that right by early January.

MR PORTER: Thank you very much indeed for your participation. We realise this teleconference was organised at fairly short notice, but I think you can understand the circumstances under which we had to disclose this. So thank you for your partition and also thanks to Brad in Santiago.

MR MILLS: Thanks everybody for being on line, and if you have any other questions, get them to Rob and we'll try and get them answered quickly. Thanks.

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