PRESENTATION OF BHP BILLITON'S RESULTS

FOR THE SEPTEMBER 2002 QUARTER

CHRIS LYNCH: Good morning. Good morning to those of you dialling in from around the Australasian and South African regions, good afternoon to those of you in the US, and good evening to those in Europe. Welcome to this presentation of BHP Billiton's results for the September 2002 quarter.

By way of introduction, my name is Chris Lynch. I am the Chief Financial Officer for BHP Billiton. Joining me on the phone in London is Chip Goodyear, who is Executive Director and Chief Development Officer. Good evening, Chip.

CHIP GOODYEAR: Good morning, Chris.

CHRIS LYNCH: The purpose of this call is to discuss with you BHP Billiton's first quarter results released today, and then Chip and I will be happy to answer any questions. During this call I will refer to a number of slides that are available on the investor centre page of our website, bhpbilliton.com. All dollars referred to in this presentation will be in US dollars.

Slide 2 are the highlights for the quarter ended 30 September. As I touch on each point, a clear theme emerges, namely the strength and stability of the company's cash flows. The strong performance displayed throughout the last financial year from our low-cost long-reserve life asset base has continued.

The diversity of our products, production regions and markets allows us to consistently deliver strong and stable cash flows. Despite the challenging economic environment of the quarter, that ability is demonstrated in the strength of our EBITDA at $1.2 billion. Attributable profit of $572 million and earnings per share of 9.2 cents are both in line with the same period last year.

We also announce today that the board of directors declared an interim dividend of US7 cents per share to be paid to shareholders on 4 December. This is an increase of 7.7 per cent compared to last year's interim dividend.

As you are aware, the company has significant opportunities to invest in value adding projects in our core businesses. Excellent progress has been made on all projects, with a number of significant milestones being achieved.

Escondida phase 4 has reached mechanical completion and commissioning, and the Longwall operations have commenced at the San Juan underground project. Good progress is also being made at our projects still in development. The Mozal 2 and Hillside 3 expansions are both tracking ahead of schedule. In fact Mozal is now expected to be commissioned six months ahead of schedule and under budget.

Finally, recognition of our financial strength was reflected in upgraded credit rating by Moodys Investor Services and the successful launch of our inaugural 750 million Euro Eurobond. Our long-term credit rating from Moodys was upgraded from A3 to A2, and our short-term credit rating was upgraded from P2 to P1. The Eurobond issue was over-subscribed and competitively priced, which was an outstanding outcome considering market conditions at the time. These two events clearly illustrate the market acceptance of BHP Billiton's credit profile.

Slide 3 shows an overview of the quarter's results. Turnover improved by 3 per cent, largely a result of higher sales volumes for many of our commodities. We saw record shipments from iron ore operations in Western Australia, and we had higher volumes of titanium minerals, nickel, petroleum products, aluminium and alumina. Copper volumes were lower due to our self-imposed production cutbacks at Escondida and Tintaya.

Prices for some commodities were up, but others were down. Crude oil, gas and nickel all showed improvement, but prices were lower for export energy coal, average diamond price per carat, aluminium, alumina and silver. EBITDA of 1.2 billion, EBIT of 844 million and an attributable profit of 572 million were little changed from the same period last year.

The exceptional item of 19 million relates to the de-merger of BHP Steel. Six per cent of the equity was retained by BHP Billiton Limited and placed into the book bill. The loss relates to the sale of that interest. This is the only item relating to BHP Steel which impacts the group's results in the current quarter. As we told you in our full year results announcement, we would have preferred to have booked this item in the June 2002 quarter, but accounting rules required us to take it into this financial year.

EBITDA to interest cover at 12.2 times reflects an improvement on the September 2001 quarter and comfortably exceeds our target of 8 times coverage.

Slide 4 shows details of EBIT by customer sector group. Petroleum, aluminium and stainless steel materials all showed improvements in the current quarter. Petroleum benefited from a 4 per cent increase in average realised prices for crude oil and a 3 per cent increase for LPG.

Despite a 5 per cent decrease in realised LME prices, aluminium EBIT was higher due primarily to cost savings driven by the completion of pipe re-lining programs at Hillside in June 2002 and successful operating excellence projects at both Hillside and Worsley.

Stainless steel materials has shown improvement this quarter, mainly driven by a 20 per cent increase in realised prices for nickel and higher sales volumes reflecting increased production capacity from the ramp-up of Cerro Matoso line 2 in Columbia.

Base metals were significantly impacted by the decision to reduce our copper production. You will recall that in November 2001 production was temporarily reduced at Escondida and in January 2002 sulphide operations were suspended at Tintaya. Our focus will continue to be on the real market demand for copper. We firmly believe that these actions leave us well positioned to benefit from any subsequent upturn in demand.

EBIT for energy coal is down due to a 19 per cent decrease in prices for export energy coal. Part of the decrease is also a result of portfolio management activities undertaken in the last financial year. Last year's figures included contributions from PT Arutmin assets in Indonesia, which were sold in November 2001, and the Reitspruit mine in South Africa, which closed in May of 2002.

Performance from diamonds and specialty products, excluding exploration and technology, is in line with the September 2001 quarter. Within that result there are benefits of higher sales volumes for titanium minerals, which is mainly the result of timing, and processing efficiencies at Ekati. These were then offset by lower prices per carat for diamonds, reflecting a change in our product mix.

Group and unallocated items was in line with last year. Base overhead costs reduced by around 20 per cent from $61 million to $49 million. Losses from legacy currency hedging activities reduced year on year from 93 million in 2001 to 55 million in the current period. However, a number of one-off favourable items in the September 2001 quarter, together with the strengthening of the Australian dollar this year, resulted in little improvement at the overall group level.

Slide 5 shows the changes in EBIT from the September 2001 quarter of

867 million to the September 2002 quarter of 844 million. This shows that the adverse price impact of $40 million was greater than the overall reduction in EBIT. The important thing to consider here, though, is the effect that our diversified portfolio of commodities had on that overall price related reduction.

Slide 6 gives us some further insight into this. The red bars in this graph show the commodities where prices fell compared with the same period last year. In total this resulted in a reduction to EBIT of approximately 125 million. The biggest single impact was the 19 per cent reduction in export energy coal prices.

The quarter also saw reductions in diamond prices. Realised prices per carat were down, reflecting a change in product mix. In aluminium the average LME price was down $69 per tonne or 5 per cent. Higher prices for petroleum products increased EBIT by 65 million, and a 20 per cent increase in realised prices for nickel increased EBIT by 20 million. So all up a net reduction to EBIT of 40 million due to the effect of prices.

Another major element in the EBIT equation is costs, and slide 7 gives us a breakdown of cost performance by type. Firstly inflation: Inflation increased costs by approximately $50 million, with the largest impact being in South Africa.

The second is price link costs. Price link costs are those costs that are directly correlated to commodity prices. In the petroleum businesses higher oil prices led to higher royalties and secondary taxes, while lower LME aluminium prices reduced input costs for the aluminium smelters.

The third item is exchange impacts. Movement in exchange rates decreased costs by approximately $55 million, the bulk of which was due to the depreciation of the rand against the US dollar.

Fourth, exploration expenditure was $20 million lower than in the September 2001 quarter from both minerals and petroleum.

Lastly, cost efficiencies: Cost performance shows a net improvement of 15 million compared to last year. Benefits from ongoing cost reductions initiatives, including operating excellence programs, delivered savings of 45 million in this quarter. However, production cuts at Escondida and Tintaya, some further roof control problems at Crinum in Queensland and higher joint venture operating costs at Bass Strait, where we are not the operator, increased our costs by $30 million. So we ended up with a net cost improvement of $15 million.

Turning to slide 8, volumes had a favourable effect on EBIT of approximately $60 million. Sales volumes of titanium minerals, nickel, petroleum products, metallurgical coal and diamonds were higher year on year. Copper volumes were lower due to our self-imposed production cutback at Escondida and Tintaya.

Finally, the September 2001 quarter includes 40 million of EBIT from assets sold or closed as a result of portfolio management activities. I referred to those earlier in the energy coal sector.

Moving onto the non-EBIT items, slide 9 shows the details of these. The decrease in net interest of 37 million compared with the September 2001 quarter is mainly due to lower market interest rates and lower average debt levels.

At the bottom of the slide you will see credit ratings from both Standard and Poors and Moodys, both of which have been upgraded since the merger. Standard and Poors upgraded our ratings in September 2001 to A A1 from A- A2, with a positive outlook. Moodys upgraded our long-term rating from A3 to A2 and our short-term rating from P2 to P1 in October of this year.

The exchange gained on net debt was 31 million compared with 82 million in the corresponding quarter. This is due to decreases in rand and

Canadian dollar denominated borrowings, plus movements in the rand exchange rate relative to the US dollar. Rand denominated debt has decreased by 29 per cent, 5.6 billion rand in September 2001 to 4 billion rand in September 2002. While there has been a 2 per cent depreciation in the rand against the US dollar, this compares with depreciation of 12 per cent in the September 2001 quarter.

Finally on taxes, tax charge excluding exchange gains is 258 million and represents an effective tax rate of 33.2 per cent. Net gains on restatement of deferred tax balances denominated in currencies other than the US dollar total 65 million, giving an overall tax charge of 193 million or an effective rate of 24.8 per cent for the quarter.

So, to conclude, we believe that this is a very solid result delivered in an environment of continued economic uncertainty. EBITDA has remained stable and strong at $1.2 billion, demonstrating the benefits of portfolio diversification to the group. This stability has been endorsed by both credit rating agencies through an increase in both long and short-term credit ratings since the merger. This has assisted us in diversifying our funding sources, as recently evidenced by our successful Eurobond issue.

Finally and very importantly, based upon our current and forecast cash flows and cash needs of the group, the board has decided to increase the interim dividend to 7 cents per share. With that, I would like to open up the lines for questions.

QUESTION: I may have missed some of these points; I had difficulty with the line, but if you haven't mentioned them: Firstly, the run rate of cost cutting, where are we at versus the $270 million number for the merger?

CHRIS LYNCH: Do you have any other questions? I will cover that.

QUESTION: Yes. In your commentary you said that the Ti02 volumes were higher; did I hear you correctly? If that is correct, Rio seems to have given us a conflicting message that the volumes were lower or production was lower during the last quarter. I just wanted to clarify what exactly was happening in the TI02 business.

CHRIS LYNCH: Yes, just let me add to that one first. TI02 was a shipment number; it wasn't a production number that I quoted. We had an overhang shipment from June into July. I think that covers that. You can check that back off the Rio numbers.

With regard to the $270 million, we are well on track to achieve that. Obviously this is going to be an area that we will go into a lot more depth at the half year. If you recall, the $220 million we talked about at the year end included some items that were non-cost, as these are merger benefits and not necessarily costs. But we are actively headed towards exceeding our $270 million and we will go into that in more depth.

If I go back to the numbers, if you look at the exploration reductions, there is a net $15 million in costs for this quarter versus the same period last year. That is in fact a $45 million reduction in the underlying cost structure.

By way of example, our overhead structure in terms of the true nature of overheads went from $61 to $49 million. So we are in good shape there and we will be going into a lot more detail about that at the half.

QUESTION: Just one last question. The funding rate, based on your ratings upgrade that you have received, how many basis points benefit do we anticipate you getting going forward across your debt facilities?

CHRIS LYNCH: I think that is probably a bit too speculative for us at the moment. We will be pursuing our overall financing plan to reshape our financing. We are shifting the reliance away from bank debt and we will be reshaping that. But I think it is a bit too early to judge about just how many basis points that is going to deliver.

QUESTION: But it would be fair to say you will get some tangible benefit going forward perhaps for that better rating?

CHRIS LYNCH: I think the Eurobond issue was very successful. It was at the bottom end of the indicative pricing range. So I think it would be fair to say that we would have an expectation. But, as you are aware, those markets move due to a variety of sources.

QUESTION: Good morning, Chris. Two questions for you today, please; first of all on the carbon steel materials group. If I simplistically look at the quarter versus the previous corresponding quarter, turnover in both iron ore and Queensland coke and coal is fairly flat, but the EBITDA contribution was down a reasonable number. Could you just elaborate on what cost issues may have been taking place in both of those businesses?

Secondly, Chris, the tax rate has been all over the place over the last couple of quarters. Could you give us some guidance on what sort of number we should be using for the balance for the year?

CHRIS LYNCH: I will cover the tax one, first. Obviously we target to get a lower effective tax rate. But I think you should look at the underlying rate of this, excluding any impact from exchange fluctuations, was 33.2 per cent. A number in that order is where we would expect to come out.

If you look at our tax jurisdictions, obviously we have a 30 per cent nominal rate here in Australia, but there are several jurisdictions where the rate is actually well in excess of 30; UK petroleum tax, for instance, 40 per cent and so on. But that 33 number is not a bad indicator.

With regard to the Carbon Steel Materials cost structures and turnover, I guess firstly the turnover, iron ore turnover is driven by lower prices following the price settlements. You would be aware that the iron ore prices were actually reduced year on year. So there is some element of that and also some adjustment back against the volume that was priced during the negotiation period. So that has been adjusted there.

In Queensland coal, we had good price increases on hard coking coal but lower price increases on the softer coking coals, and the mix has sort of played into that equation. But we also had some higher costs in Queensland due to the continuation of adverse roof conditions at Crinum. That is probably the biggest single issue, and we have also had some rescheduled plant maintenance activities in some of the other mines. But, all up, I think we are in pretty good shape there.

The volume continues to be the - the demand is still strong in both areas.

QUESTION: Are those cost issues at Crinum behind us now or will they continue in the coming quarter?

CHRIS LYNCH: Crinum is probably the one that sort of still has work to be done to finally get on top of that, I think. That one is not finished yet.

QUESTION: Just a couple of questions. The base metals result was a little weaker than we were looking for. I was just wondering how much of the cost base is affected by these production cutbacks in terms of how much fixed costs you have and how much flexible costs do you have.

I was particularly surprised by how weak Tintaya was too, given that you took the provision for the production cuts at the end of last quarter. So that is the first question, if you would just answer that.

CHRIS LYNCH: Okay. In the first instance, the method for the reductions at Escondida is to actually deliberately process lower grade ore. So we are reserving the higher grade ore for future periods. If you like, the cost structure there is not a lot changed from the normal ongoing cost structure, but it is actually just spread over less tonnes. If you like to think about that, it is not unlike having a fixed cost structure absorbed by less tonnes.

With regard to Tintaya, yes, we did take a provision in the fourth quarter. It was $11 million, from memory. The costs there reflect that, but the fact is that that operation - the sulphide operations are essentially closed, so there are still ongoing cost structures there, over and above what we were able to provide.

QUESTION: So will you expect those sorts of losses from Tintaya to continue going forward that you still see?

CHRIS LYNCH: I think the key thing there is around - the decision has to be taken about when we bring that production back, and that is the decision that will be taken over the next few months. It is not one that has been taken as yet.

QUESTION: The other couple of questions, just following on from previous questions as well, in Ti02 not only was shipments strong but the earnings which are really put under other businesses, but I assume that is mainly Richards Bay, were exceptionally strong, and I was just wondering whether that will continue going forward.

Also, just following on the iron ore question, the revenue that you received for the quarter seemed weaker than we would expect and costs seemed a little higher. Have you been suffering demurrage costs there with your additional production that you are trying to - well, shipments that you are trying to get out?

CHRIS LYNCH: TI02 - I don't think we see a great deal of change there.

I think I mentioned earlier there was a deferred shipment out of June into July, and I don't think there is any major change expected there in the next quarter.

With regard to iron ore, I mentioned earlier - maybe you missed that, but we actually negotiated slightly lower prices for the new contract period, and this quarter will have an element of an adjustment back over tonnage that was still open during the negotiation period. So I think that explains the revenue side of that.

There is a lot of volume going through the ports at Port Hedland, and that is a fairly narrow channel out there, so you've got - there is a queue of ships that have been out there, but I don't think demurrage would be a number that would be of concern for us.

QUESTION: My question is on dividends, the increase of dividends that we saw. What was that in response to? Was it due to the outcry that we saw primarily from UK and South African investors after the last half or the full year result, and can we expect that your dividend will be kept at that 7c level as opposed to the 6.5 level in the second half as well? Should we include an increase from US$0.13 to US$0.14 from here on?

CHRIS LYNCH: I am not quite sure about the word "outcry" there. It has been a conversation in all our meetings with investors that in the current market in particular I guess people are interested in the dividend.

Perhaps just to state the case where - we have publicly stated it previously, but we have a progressive dividend policy where we aim to increase or maintain the dividends, subject obviously to the current forecast financial performance. As you are aware, our cash is used firstly. If we have got strong growth projects that we can invest in that we believe add value to our shareholders, we will do that. If we need to do any work with our balance sheet, we can do that, and then we look to what is the suitable level of returns to shareholders in terms of that whole equation.

So our growth projects are - you are aware we have got a strong growth pipeline, and that is being fully funded from internal generated cash. Our gearing and EBITDA coverages are all in good shape. So we have been able to have an increase this time round. Future dividends are obviously decisions for the board and they will be taken with those things in mind at the time.

QUESTION: Because you have got a progressive policy to increase or maintain, we can expect that it would at the very least be maintained at this 7c a half level hereafter.

CHRIS LYNCH: No, it is an interim dividend. I think I have sort of given the answer to that, but that will be a decision for the board at the full year.

QUESTION: Just following on the theme of costs, two questions. One is the $500 million cost reduction target that you set. If you could just give us a run rate on that and how you expect to fare over the rest of the year on that; that is certainly the area I would like to focus on. Then the second question: you have painted a bleak outlook for the market going forward. Could you just give us some forward-looking views on particularly coking coal. There is some stock build happening in the short term, I just wondered what that market was looking like and any thoughts in the near term on the copper market as well; thank you.

CHRIS LYNCH: Okay. Firstly, with regard to costs, I mentioned earlier in relation to the $270 million we are in good shape in terms of the merger benefits. The $500 million, that is obviously an aggressive target that we have got out there. We believe we are going to achieve that. We have got programs in place to do that, and we will be talking more about progress toward that at the half year and the full year results. But be aware we are three months into a 36-month program for the 500 million, so we will talk more about it at the six-month mark. With regard to the second question regarding coking coal, there is still good demand for coking coal. We have got some progresses going on there okay. The price increases that were negotiated at the end of last year are in place. We have got, I think, fairly minor tonnage that is not placed in that area.

Then with regard to copper, I think copper is - your guess is as good as anybody's, but the key issue there is before you are going to see much improvement in the price of copper you probably need to see some form of uptick and some form of bottoming of the global recovery or whatever. So, if there is no economic uptick, then you shouldn't expect much change in the view for copper.

QUESTION: In relation to the dividend, I just want to explore a couple of aspects of that. Is this increase in the dividend the first of other capital management initiatives? That is the first part of my question.

The second part is in relation to capital expenditure. Is there thought to decelerating capital expenditure in any of the customer service groups to cope with the lower anticipated trend growth rates?

I have a follow-up question on aluminium in relation to the initiatives to either restrain expansions or cut out some mooted new ventures given the deluge of new capacity that seems to be occurring in that industry.

So there are really three questions. Perhaps you can start on the capital management initiative question first.

CHRIS LYNCH: Okay. I guess the first thing is I wouldn't read too much into this dividend over and above - it is an interim dividend. The board have determined based on the forecast - current and forecast cash positions that this is something that we can afford, it is a good thing to do at this time and so on.

I would refer you back to my previous answer about the way that we apply cash in the business firstly to - the good growth projects where we believe we have those, we think we should invest in those to create value for our shareholders. Then comes the balance sheet, and then comes the returns to shareholders in some way, shape or form via dividends or something like the steel de-merger, by way of example.

With regard to capex, our capex projects are all currently in good shape. They are all on time - well, one, the Rod project is on its revised timetable, but that is the only one that is not actually meeting its original timetable, meeting or beating, and they are all within budget. So they are all in good shape in that regard.

With regard to will there be any dampening of capex in any individual sector, projects that have already been approved are in good shape. The ones that haven't yet come to the board, or the Exco and the board, will be treated on their merits at the time that they are presented. So I think that is really the way with that.

With regard to aluminium, our assets are so well placed in the cost curve, the expansions that we have on at the moment are actually enhancing already first quartile cost assets. For the aluminium business, don't forget that we are long alumina, which is really - the positive story in the strong metal production story is that all of those smelters require alumina and we are in a long position there. So it is not all - that aluminium metal capacity is not all bad news if you happen to be in that situation with alumina.

QUESTION: So there is no second thoughts on greenfield ventures in aluminium given the expansions I think in about 25 or 28, I saw a list of new ventures, in aluminium around the world.

CHRIS LYNCH: You see a lot of discussion about mooted projects and so on, and if you are in the industry you have to sort of be aware of those discussions and be alert to whatever is happening there. But there is no - we don't see a need for any sort of greenfield development in the near - in the immediate term.

QUESTION: Just a few questions, firstly just on diamonds. Looking at the overall revenue numbers there, I know it is dangerous to assume sales matches production, but just back of the envelope sort of numbers suggest received prices are down over 30 per cent. Is that the sort of number that we are seeing? I know you are actually selling lower quality diamonds.

CHRIS LYNCH: Let's address that one straight away. In diamonds a carat is not necessarily a carat. So we have two major production areas, one is called Panda, the other one is called Misery. Panda is the higher quality stone, and Misery is aptly named as a lower quality, more industrial sort of stone. The averaging of those is actually to get a realised price per carat. Average is about $96 a carat. If they were all out of Panda you would see somewhere well above that, and if they are all out of Misery you would see somewhere well below that. So that mix issue is kicking in there. But I guess the key is that the overall EBIT coming out of that business is in pretty good shape.

QUESTION: So are you saying the average price is about $96 across the whole fleet?

CHRIS LYNCH: It was for the quarter. That will vary as we go forward as well.

QUESTION: In terms of the loss, there was a $21 million loss in other business in base metals, what was that in relation to? It was just the closure of Perring, etc, Selbaie?

CHRIS LYNCH: Let me get back to you on that one in a minute. I will get the guys to pull that out and come back to you on that.

QUESTION: There was a bit more capex spent at Antamina of about $26 million for the quarter, which I assume is your share? I would have thought that it having been commissioned we should start to see those capex numbers come off? No?

CHRIS LYNCH: I don't think that is a significant enough number to be concerned about.

QUESTION: Just the last question. I missed it at the end there. You said something about restatement of deferred tax liabilities was around - - -

CHRIS LYNCH: Just with regard to - with the movements in exchange rates where we have a deferred tax liability payable in a currency other than the US dollar, it is a currency revaluation.

QUESTION: Just one last question. In terms of just looking at Boodarie iron there, production had a reasonable quarter there, still managed to lose $28 million-odd. What is the timing do you think in terms of break even?

CHRIS LYNCH: You are on the money with regard to the key issue there being the production volume. Actually yesterday, by way of example, we had all four trains running, all four trains exceeded their name plate capacity and - I haven't checked today. But that has come back from the outage, and it is now - we saw a graph the other day at the Exco which was strongly above the name plate for when it has been running stably. It is back and it is starting to get back up onto that production ramp. So I think you are going to need to give that a bit more time to ramp it up, but the key is we have to make the production targets.

QUESTION: Are you seeing better prices for product?

CHRIS LYNCH: Yes, prices have been pretty good. They have been up around $120/tonne.

QUESTION: I don't want to labour the point on the iron ore figures, but just one of the features of the production report you were highlighting was the increased penetration into China, which I understand is a more spot related market. Can you give us some guidance on the level of discounting that you are having to wear there to get that penetration? Perhaps that was a component in the revenue, EBITDA mix.

CHRIS LYNCH: No, I couldn't give you that specific about a particular customer group. I don't think that would be appropriate to talk about that at this level.

QUESTION: In a general sense can you give us some feel for the sort of percentage?

CHRIS LYNCH: I think that is probably best left - the published data is really what we publish in that regard. We couldn't give out that sort of information.

QUESTION: Ti02 again, looking at the December quarter and taking on board the comments that Rio made at their quarterly last week, how are we looking for shipments in production for this coming quarter? If you are matching production to sales, are we looking at quite a weak quarter?

CHRIS LYNCH: We participate at board level in it. I think you probably get the better guidance on that from Rio.

QUESTION: With regard to the dividend, have you or would you consider underwriting a dividend?

CHRIS LYNCH: I think the key answer there is just that we have stated we have a progressive policy, this is an interim dividend and I think that is going to be a board decision as they come.

QUESTION: Just following on on Antamina, when is the actual first debt repayment due? Given that sort of higher capex and also EBIT of 6 million, have you got enough sort of surplus cash flow to meet that repayment?

CHRIS LYNCH: Let me get back to the CSG guys and we can get you an answer on that one. We will get that sent through to you.

QUESTION: I guess just in terms of the broader economic outlook, are you seeing sort of any signs of pick-up in the first half of next year?

CHRIS LYNCH: I think if you go to our published statements - I mean, this thing, it is very hard to call, and you are going to have as good a view of that as we do. It varies by commodity with us, but some areas are going well. China is obviously the one that is going very strongly. That is a good thing. But the key is going to be what happens elsewhere, in US and Europe. You would have as good a sight on that as we would.

QUESTION: I'm just after your views on economic recovery on a global basis, where geographically do you see it happening and in what commodities - which commodities you think will lead that recovery and I want to, given clearly there is some growth in China in iron ore, but outside of that, where you see some signs of growth, if any?

CHRIS LYNCH: I guess the key or the most fundamental statement is that, the global economy, as you probably well know, remains relatively weak, and as you rightly point out, China is the one standout in that equation in terms of growth. I guess what we're seeing, actually, it surprised me, actually, we're seeing fairly strong demand for the product, but I think the key issue going forward is really going to be what happens with the US and Europe, and the continuation of China. So, in terms of which commodities might be there, I guess we've immediate short-term tensions that are taking the oil price a little bit higher, but in terms of our other commodities, the one that's battling away and probably needs to see some benefit from the European Winter is Thermal Coal. The European Winter, and maybe the Chinese net equation, whether they're importing or exporting. But, I think if you go to aluminium and copper, both of those are going to need an upkick in economic activity over and above what we've seen.

QUESTION: Just two things: firstly, effective tax rate. At the second half balance of this year, should we look to the underlying rate that you achieved, excluding the sort of the currency impact as being more indicative of the balance of the year? And, secondly, cost reductions. I think a net $15 million for the quarter, should we work on - can you give us an indication of the impact of those one-off costs in coal etc to give us a sense of what would be a better rate of underlying cost reductions through the balance of the year?

CHRIS LYNCH: Well, firstly, the effective tax rate, obviously it's impacted -this quarter has obviously been favourably impacted by the movements in the currencies and so on, but I think if you are to assume a cost position on the currencies, you would expect something in the order of 32% to 33% as an underlying rate. With regard to the cost reductions, we're tracking well for our $270 million. I guess the first thing to say is that we will give a far more comprehensive update on costs at the half-year and the full-year announcements. We're tracking well with regard to the expected savings. If you look at these sorts of results, we had a $20 million reduction in exploration and the net $15 million is actually $45 million positive and $30 million negative, and so some of those negative items can go away. But, that's really the challenge in this cost reduction process, so what we gain on the one hand, we have to make sure we preserve as we go forward. So I think we're in good shape on the running rate basis, but you know, we're never going to be finished on this process.

QUESTION: The first topic really is capital management. You've obviously listened to the market base and increased significantly. Could you just remind us of your current dividend policy with regard to the mix at the interim and the full-year stage and going forward? That's the first question on capital management. I have another, but I'll leave that one with you first.

CHRIS LYNCH: Well, I guess with regard to the dividend, you are aware we've talked about a progressive dividend policy, where we aim to increase or maintain the dividend subject to the current forecast financial performance. I guess in simple terms, our first application of cash is if we have the substantial value-adding projects that we can invest in within the company. The second one is really to the balance sheet and issues like the debt to equity balance and so on, and the third one really is the returns to shareholders, be it via dividends or some form of return of capital such as, if you like, an example would be the steel demerger. And, we also seek to maintain all of that within our -some of the stated targets that we have of maintaining our gearing in a range of - net gearing in the 35% and 40% range, and also making sure our EBITDA interest cover is above our targeted level. So, that's pretty much it on the dividend. You had a second question?

QUESTION: Oh, well, there was also the mix question as well. Do you pay out 50% at interim stage, or how do you intend to do this?

CHRIS LYNCH: Oh, well, traditionally we have, but I think that's an issue for the Board, and that will be one that will come up as the Board will make those calls as they decide it and assess it at the time.

QUESTION: Right. And, the second question was really regarding the extent to which you're buying the cost reductions. I see the group and unallocated charge really didn't change in spite of the fact that you mentioned you got your overheads down 20%. Those were net items. Could you explain that they are and to what extent or are they one of five things related to buying future cost reductions?

CHRIS LYNCH: To answer to that question, I guess there were some one-off items that were positives in the corresponding quarter last year, and their absence this year I guess is the key. But if you go to the underlying overheads, back from $61 million to $49 million, and the legacy losses are starting now to come off. You saw the movement there from $90 million through to $55 million.

QUESTION: Hi. Thank you. Good evening, Chris. Just a question first, if I may, on Escondida and the Phase 4 project. You say you were going through commissioning there and in the production report as well, there was a comment basically that I think it's going to be full production in April 2003. Could you give us an indication of when we're actually going to start to see some effect of this coming through in the Profit & Loss Account, because I presume that while it's going through the commissioning phase it's still going to be capitalised.

CHRIS LYNCH: We should see some coming out of there in the

December quarter in terms of the volume side of it, and that obviously will need to be taken into account in the overall mix of total production and meeting up with Brad's stated objective of trying to match up with real underlying demand in the market.

QUESTION: Okay, so if we go that way, even though if only going through the commissioning phase, you'll still take it through the P&L?

CHRIS LYNCH: Yes.

QUESTION: Okay. A second question: as far as the Hillside situation was concerned, you went into a bit of detail about the sort of pot re-lining, how that's actually helped to reduce costs of production there. One of the things that I presume over time is that those new pots are going to end up being replaced. So is it right almost to assume that this is a, you know, maybe not just a single quarter benefit, but it is just a benefit that's not going to last for a long length of time, and that indeed over the future we're going to have less volatility as far as the cost structure is concerned, because all the pots will wear out at different times, the older the smelter becomes?

CHRIS LYNCH: Yes. I think that's essentially it, yes. You've got, obviously the first round of re-lines will be a bit more lumpy than it will be on an ongoing basis, and do some on a preventative basis and some on a as fail basis. So, yes, that will smooth out over time, but I guess it will have the new line coming through with all brand new relined pipes.

QUESTION: Okay, and finally just as far as the service centres business, the joint venture that you've got in North America is concerned, can you give an indication of how that's going? I presume that with the weakness in the US economy that it's not doing particularly well, and I can remember times looking at Rio Algom in the past, seeing some pretty wide or pretty high volatility in terms of the earnings coming through from the business when they just owned their bit of it. Is that the case at the moment? Are there some you know, sharp downturns in earnings coming through that?

CHRIS LYNCH: I wouldn't say a sharp downturn as such. Are you talking about the Integris joint venture with Alcoa?

QUESTION: Yes, indeed.

CHRIS LYNCH: It's relatively neutral, about $4 million of EBIT in this result.

QUESTION: And, what, would it be similar in the September quarter last year?

CHRIS LYNCH: Yes, not too dissimilar to that.

QUESTION: Okay. Thank you very much.

QUESTION: Good morning. I just wanted to direct a couple of questions if I could to Chip. I remember at the earlier conference call, or one earlier on, where you spoke about that you actually pulled out of a potential investment in Chinese coal. I believe that's probably the MOU you have with Yedu. I was just wondering if you could explain what sort of put you off that? Was it the quality of the coal or what? And, then, secondly, obviously with Mozal coming in early, and obviously the Chinese now becoming a net exporter, how has that changed your views, I guess, towards aluminium, and do you think it's going to have much impact on the market?

CHIP GOODYEAR: First of all, with regard to the coal project, it is not that project that you mentioned, it was a much smaller potential investment there, but, in any case, it was something that we just felt the risk return didn't justify our continued participation in that. But it wasn't the project that you mentioned, and the MOU you mentioned. With regard to aluminium, certainly we note with interest the continued export of aluminium to China. Can I just say again, as Chris said, the efficiencies of our expansions continue to be very value-added. I think if you look out over the longer term and think what that situation in China represents, we certainly have to build that into our decision-making process about new investments in aluminium. Just as a note, I think first of all our alumina long position benefits from aluminium smelter expansion. And, second of all, I think long-term you have to think about what are the keys to aluminium success, and coal is going to be lower power costs and access to alumina, which I think the China situation is going to be interesting to watch over the next ten years, given that those two issues are certainly questionable. But, certainly in the medium term, we recognise that there certainly is continued expansion of aluminium smelter capacity around the world.

QUESTION: Just a quick one of the Petroleum Division. Could you give us an idea of the order of magnitude of the EBIT gain from lower exploration costs for the quarter, and also sort of what order of magnitude for the costs for the full year?

CHRIS LYNCH: Yes. The reduction in the quarter is of the order of $10 million in petroleum of the total of $20 million, and for a full year it's going to range in the $220 million to $240 million sort of mark.

QUESTION: Good morning. I have actually three questions. Firstly on the diamonds side of it. If you can give us some insights going forward in terms of a product mix or what it actually means in terms of prices going forward, is the first question. Secondly the capital budget. I think it was, excluding exploration, it was $2.8 billion. Is that still on track, given that you have incurred about just under $600 million? And, thirdly on cost savings. I hear lots of questions on this thing, but I don't hear to what extent these cost reductions have been banked. Can you give us an indication of the $270 million how much has effectively been banked to date?

CHRIS LYNCH: Well, firstly on the diamonds with regard to the mix issue, we're currently mining out of two pipes or pits. One is the Panda Pit which has generally a higher quality diamond associated with it, and the second pit is the Misery Pit, which has more volume but lower quality diamonds, and that mix effect is what's happening with the price. I think our average realised price for the quarter was something like $96. So that's the rationale with the diamonds. That's what's happening with the diamonds. Now, that mix will vary a bit, and I guess the other thing to say is that while the quality is down, there is a much higher volume of carats, albeit a lower quality of carats in the Misery Pit.

With regard to the capital budget, our latest forecast shows that we'll be pretty much on the CAPEX budget. We've got project expenditure of just under $2.4 billion; sustaining capital of about $800 million and exploration expected to be about $300 to $310 million. I guess the key there is that we're in good shape on the costs. Certainly, on the way we had the exploration side of things, but also the underlying costs. For instance, the change in the overhead structure, that's now the new running rate and it's there established. We did invest some money to change that running rate during the course of 2002, and the constant challenges I referred to earlier is really to make sure that we don't have any leakage of the savings that are realised. But, so, for instance, in this case, we understand we've got a different cost structure based on the curtailments in copper. That one, we understand we need to take into account, but the issues - we have some issues to resolve in Queensland Coal with regard to the Crinum roof condition and also offsetting some of the exchange issues there, and also the operating costs of Bass Strait, which is likely - we don't actually operate the asset, but we are affected by the costs.

QUESTION: Can you not give us a number, Chris, or a percentage of how much you've achieved?

CHRIS LYNCH: Well, I'll give you far more detail on that - and probably I'd prefer to keep the powder dry on that one until the half-year and we'll go into that in a lot more detail in the half-year. With regard to the announcement of the $500 million over the three years, we're three months into a thirty-six month program there, and we'll give a far more comprehensive update at the half.

QUESTION: Morning, gentlemen, evening gentlemen. I have three questions. Firstly, looking at the multi-market and the exchange gains, I see that through the tax line there is a $65 million credit due to exchange in that altogether, forty of which comes through the monetary liability restatement. Can you just explain in a bit more detail the other twenty-five of that figure, firstly? Second, I look at your production deliveries and your actual volume output, and there seems to be a bit of a miss-match between those two. Did that indicate that actually you've run the working capital line quite tight this quarter and therefore the cash flow looks extremely favourable, and third, your achieved rate on the oil price looks a little bit below that of West Texas and Brent if one takes the spot price for that quarter. Was there any hedging on that at all?

CHRIS LYNCH: Well, let me cover a couple of those first-up, and we'll work on the - I'll cover the market firstly, the made-up market on the tax line. The key difference there is it relates to the - you mentioned the $65 million, the $40 million for the monetary items for evaluation. The bulk of the difference pertains back to the demerger of steel and the closing out of some currency slots that were in place there as part of the balancing of the Australian monetary assets and liabilities, and so there was a gain in there. That's the bulk of the difference in that regard.

CHRIS LYNCH: The majority of the oil prices are in the Asian region - our Bass Strait, Laminaria and the North-west Shelf, so it's more a function of Tapis rather the US based metrics.

QUESTION: Okay, because you're about a dollar short I worked out with Texas (WTI), but obviously that's because of the geographic.

CHRIS LYNCH: Okay.

QUESTION: And, then the next question was on your production. You've obviously got volumes in terms of the deliveries of the positive. If I tote up the volumes in terms of actual production that would to me indicate a negative. So, does that suggest that you've actually had a very good working capital? The working capital is down, you've generated extra cash in this quarter, and that may be at an ordinary level.

CHRIS LYNCH: Generally no, we're generally pretty well matched with production to sales. There will be in various CSG's minor shifts from where the shipment has slipped here and there and that kind of stuff. For instance, we had that in the case of titanium, for instance, where we had a higher shipment month in the month of July based on a carry over from June and so on. So you get some of those sorts of minor movements, but, no, by and large, we're relatively well matched to the production numbers.

QUESTION: I've got a few questions here. If I can start off at the aluminium side. Looking at the production, the Hillside one, the past year there, if you annualise, is looking like 540,000 tons for the Hillside operations. I mean has pot relining in there reached an equilibrium, the old capacity of 466,000 tons is now looking at 540,000 tons because of all the tweaking?

CHRIS LYNCH: Ah, we get a bit of capacity creep, but I think it would be drawing a probably a bit too long a bow to say that that's all to do with the conclusion of the pot relining, but there will some creep from that.

QUESTION: Okay, and Mozal 2, moving on from there, I mean, you - - - you're six months' ahead of schedule and it doesn't come as any surprise when Mozal 1 was completed in 21, 22 months, and you're saying now that Mozal 2 can come in at the end of this fourth quarter, this financial year. Now, is it possible it could still gain on that, and come in more like the beginning of that 4th quarter?

CHRIS LYNCH: I wouldn't be prepared to call it any earlier than, you know, what I indicated was the six months ahead of schedule. That group has actually done an excellent job of construction. If you look at the recent history, they've obviously got their act in a very good gear.

QUESTION: Okay, we will leave it at that. The thermal coal price out of the Richards Bay coal terminal, what are you getting at the moment for your benchmark coal, roughly?

CHRIS LYNCH: It's been in the US$22's, US$24's/ton sort of numbers.

QUESTION: Okay. Inflation impact at $50 million there, I mean, was a lot of that on the South African side of it? I mean, South African inflation is running at 12%.

CHRIS LYNCH: Yes, the bulk was South Africa.

QUESTION: Do you think you can keep ahead down there, especially in the coal and ferro alloy sort of operations? Can you get ahead of that down at South Africa, or is it a real struggle at the moment?

CHRIS LYNCH: Oh, look, I think that's probably a layer of detail below where we'd want to go on this call, but our South African operations are generally well placed. I think inflation is a bit of a fact of life in that economy. Our guys are handling it quite well so I think its one that we believe we can accommodate.

QUESTION: Okay. Just a final quick one. That Black Box Richards Bay Minerals, I see you mentioned the timing of shipments. My understanding at the moment is apart from prices trailing off, I mean, the volume is down quite substantially because the grade of the yelmonite has fallen in the latest pond. Therefore, it's purely all down to shipment, is it?

CHRIS LYNCH: Yes, in terms of our status there, it's been quite stable and it's, you know, going along quite well. But I mean, well, it's not insignificant, but it's a relatively minor portion of our overall return.

QUESTION: Gentlemen, a question for Chip, if I may, just regarding oil and gas developments in Trinidad. I think earlier this year there was some suggestion we might get an accelerated ramp-up of that project and some news on development by the end of this year. I wonder if you could just update us.

CHIP GOODYEAR: Jack, certainly that's a project that we are quite encouraged by. The petroleum team is working forward at all diligence on that. I'm not sure that you would expect to hear anything before the end of this calendar year but hopefully within the fiscal year end we would expect to be able to bring that forward.

CHRIS LYNCH: Thanks, Chip. Well, thanks very much to everybody on the line. Thanks, Chip. That would wrap it up. Have a good day or a good night or whatever it is, wherever is your jurisdiction. Thanks very much.