Houston Analyst and Investor Meetings
Base Metals Briefing
May 29, 2003

Francis McAllister: The first presenter this morning will be Brad Mills. Brad is the president and CEO of BHP Billiton Base Metals. He has been the president and CEO of Base Metals now since the creation of the Customer Sector Group, which happened at the time of the merger between BHP and Billiton in 2001. Prior to that, Brad Mills was the Chief Strategic Officer for BHP. He currently serves on the Executive Committee for BHP Billiton and has been on the Executive Committee for five years. Before Brad steps up, I would like to request that you do hold the questions until the end of the presentation. If you do have questions clarifying an item on a slide, feel free to ask them during the presentation, but for general questions, please hold them off until the end and we'll go ahead and take them at that time. With that, I'll go ahead and turn the time over to Brad.

Brad Mills: Thank you Francis. Good morning everybody. Just before we get started, I'd like to introduce some of the other members of the Base Metals team that are here in the room. Glenn Kellow who will be talking to you a little bit later, is the new Chief Financial Officer for Base Metals. He joined us from Petroleum so you can probably ask him Petroleum questions or Base Metals questions. He probably knows more about both of them than anybody else in the room. Keith Scholl is our VP of Human Resources. He's here with us today. Peter De Zwart, who's the General Counsel for the Americas and specifically has the responsibility for Base Metals. Ken Pickering, who you'll also hear talk about growth projects and exploration, and Paul Benson is with him as well as support and the guy that did most of the hard work putting this presentation together. They'll also be available later for questions.

Slide 2:

To quickly go over what we'll talk about today, I'll give some introductory remarks. We'll talk a bit of the last quarter, just to make sure everybody is familiar with what's happening from a financial perspective. I'll give you a strategic update. We gave a pretty thorough

briefing in more detail of the Base Metal strategy about six months ago, so I'm not going to repeat that. I will talk about what's changed, what are some of the highlights, and what's new, so for those of you who sat through those more detailed strategy briefings, we're not actually going to make you sit through it again. If you haven't seen one those, we have them available on both tape and disk and Francis can make them available to you if you. Then Ken will talk about some of our key projects. He'll give you the wash up on Phase IV in terms of how that ended up and where we are today with that and talk a little bit about Norte and Sulphide. He will also spend a little bit of time talking about our future growth. What happens out four or five years from now? Where we think we're going from here? Give you a bit of a view if darkly into the future. Glen is going to talk a little bit about capital processes and how we look at risk and how we manage risk in the CSG to give you a sense of our decision-making processes in terms of how we want to invest. Then I'll close out and then we'll take questions. Again, during the process or during the presentations, if you have questions for clarity about particular slides, happy to take those, but general questions, general information questions, we would like to save until the end.

Slide 3:

One of the things that is always part of any BHP Billiton presentation is to start out talking a little bit about HSEC performance; Health performance, safety performance, environmental performance, and community performance. I'm not going to throw out any numbers or statistics at you today, but just to give you a quick highlight in terms of how we're traveling, Base Metals like the rest of BHP Billiton has a very concerted effort on in terms of achieving its overall effort HSEC goal of Zero Harm. And what do we mean when we talk about Zero Harm? It's a really simple concept. Zero Harm to people that work for us – in other words, every employee goes home every day the same way he came to work; that we do zero permanent damage to the environment in the long term and; that the communities that we operate in value our presence and are better off at the end of our mining than they were when we started. In Base Metals, this really is a core commitment. Our view is that we're not going to produce if we cannot produce safely. We're not going to produce if we're not going to produce in an environmentally friendly way. And so that's just a core commitment that sits behind anything. That's really all I just want to just mention today, but it needs to be at the front of everything we do because that's how we think about our business.

Slide 4:

If we look at the last quarter, this was the best ever performance that we had since the formation of BHP Billiton and the Base Metals Group. We had a modest improvement in copper price and we'll see that as we go through some of the numbers. We continued with the production curtailments at Tintaya and Escondida during the quarter, so we're currently operating at an annual basis about 290,000 tons of copper below capacity. We did complete the official opening of the Escondida Phase IV Project in Chile with the president of Chile. We approved the Cannington expansion from 2.1. to 2.4 million tons per annum of ore processing at that site and we did reach agreement for the sale of the Alumbrera mine and we did close the sale of the Aqua Rica project. In addition, even though it is not strictly Base Metals, we also reached conclusion on the sale of the Crandon Project in Wisconsin, which was a long legacy asset that has been dragging around for many, many years, but that was actually sold during this quarter.

In Base Metals, we are going through a process of really reinvigorating our cost management and we've chosen to adopt a Base Metals wide, very detailed, 6-sigma program, that I'll touch on in a little bit, as it is very important to us in terms of cost management going forward.

Slide 5:

Again, looking at the raw numbers, year on year change, over the nine month period, saw a 52% improvement for the Base Metals Group over the period.

Slide 6:

If we look at copper production since the inception of BHP Billiton, we can see the steady increase that has occurred since first quarter 2002 to the third quarter 2003, and this is really reflecting a mixed bag of things. It has curtailments in there. It has growth and Escondida Phase IV, but we're on gradual upward trend despite the fact that we've had really tough market conditions. In the silver world, we're comfortably producing now about 10 million ounces a quarter. It bounces around a little bit due to grade variances at Cannington. Cannington output can jump around a fare bit from a small change in grade, but we comfortably produce around 10 million ounces a quarter of silver.

Slide 7:

If we look at overall margin performance, this top slide really talks about C1 costs and, despite being in a curtailment mode, we have seen steady improvement of our C1 cost today, where we're comfortably below 40 cents on the C1 basis, that's our cash cost of production which is all cash but does not include depreciation and amortization numbers in it. And the net result has been improved earnings on a quarter-by-quarter basis across the entire period. A small recovery in the copper price has also had an impact on our profitability.

Slide 8:

If you look at it in more detail, this shows total turnover and EBIT by asset, then again we can see that Escondida is really the most important contributor that we have from the operations in this CSG, and its performance has improved substantially. Over this time, Alumbrera and Antamina have been commissioned and ramped up to full production. The Tintaya numbers reflect the shutdown.

Slide 9:

So net on net, about a 19% improvement from operating profits, really reflecting a lot of the restructuring changes in the business and no exceptional items during the last nine months. A small 3 cent change in copper price during period and 5% increase in copper shipments - total copper production was up about the same amount. So, that really is just a quick summary of where we end up at the nine-month mark in the last quarter.

Slide 10:

In looking forward, I mentioned there are really three core pillars in Base Metals: the Charter itself, which is just the core value set that we have at the base of the business; Zero Harm, which I touched on briefly at the beginning, and we're adding to that the third one, which is really a very strong focus on Disciplined Operating Methodology, which is adopting a 6-sigma program CSG-wide. We had, and you all have heard this in other CSGs, we had a and continue to have the Operating Excellence Program in BHP Billiton that is driven out of the Corporate Group. However, we felt in Base Metals that there wasn't a sharp enough focus in terms of the discipline in the operations themselves, and Six-sigma is a very reproducible, very benchmarkable process that we have a lot of data on. It also fits well for our types of processes that we have. We do a lot of repetitive processing. We dig a lot of ore and we

crush a lot of ore and we grind it up and we do it over and over the same way. 6-sigma is really designed to help you continuously improve in dramatic ways this process in a very disciplined way. So we have taken a look at that and with our Executive Group, redesigned that and started the redeployment in March. For those of you that don't know 6-sigma, it is a total management system that is in use and adopted by many of the world's best companies to really drive continuous improvement throughout their operations. It is top down mandated by myself. I do review it and the programs with each of the assets and in fact, just completed a detailed review in the last month. It has total visibility through the organization, so we see those results. It's very structured from the project identification process and prioritization of where we deploy resources. And it's finally audited and tracked through our financial group so that the benefits and results are tracked and the goal is to drive savings to the EBIT level. So, the only thing that we really care about, it's not cost avoidance, it's not cost that gets gobbled up by some other cost increase, it's what do we drive to the EBIT level. So the focus of the program is EBIT improvement. The target that we are publicly putting out is about 2% per annum, which is basically the same as the core target for BHP Billiton. We think that we will have substantial opportunities to exceed that inside the Base Metals Group going forward.

Slide 11:

O.K., so, that's kind of a quick snap shot of what's going on inside the business and I'll talk about a strategic. Again, this is really an update – it's going to be a bit of sound bites about what's changed, as opposed to kind of a detailed strategy itself.

Slide 12:

The core strategic issue is where are going with our demand-based production scenarios at this point in time? We are getting close to one of our key review points, which we said would happen in June. That will still happen in June. I'm not going to announce anything special here today. We are looking hard at what's going on in the market. We're mildly encouraged by what we see. We've seen the LME and the Comex inventories decline pretty continuously, and then at pretty good clips with episodic trading going on in the background. But we've seen more than 250,000 tons of inventory decline in the last year or so, and this rate of decline is quite substantial and we're happily going along at a 10-15,000 ton per week decline rate. This is a very healthy decline rate that we see on average across that time

period. The caveat is that we know that Codelco is building stockpiles in Chile, so it's all not completely transparent as to what is going on. But net effect is that stockpiles are clearly eroding at a fair rate. The things that are contrary or difficult to see at this point in time is U.S. consumption / European consumption. There are no direct market indicators that there is much happening at least at a level of detectability. You know there may be ½% growth in there some place, but you can't see it in the numbers and so most of the growth is clearly being driven by what's going on in Asia and China. And so, like everybody else that you will have talked to or listed to in the last six months, it's all about what's happening in China.

Given that, we are moderately encouraged that the markets are certainly in balance and slightly negative probably today in terms of overall production versus demand. I think that from an overall perspective of the industry, the industry is clearly poised to take advantage of any significant upturn in IP demand. One of the things that we do see is that virtually all of our customers are completely destocked. So, as one of our customers explained to me that when you're at 75% capacity, you can easily respond to day orders. If somebody wants to special order this, or special order that, you can simply just turn it out, because you have extra capacity on your line. He said when you get up to 85% capacity, you actually have to build inventory to be able to meet order demand. You have to anticipate what they are going to want. You have to hold inventory to do that, but today no one is doing that. So we only need a moderate uptick in global IP to cause a restocking cycle to occur in Base Metals and when that happens it will be dramatic. We just don't see it happening yet. And I think that probably like everything else in the world, the U.S. is really fundamentally the key to this. It is the place that when things flip, it will really be most noticeable here.

Slide 13:

I want to talk a little bit about what's happening at Tintaya – our Nuevo Tintaya project. Many of you would be familiar that when we shut down Tintaya almost two years ago now, we made a commitment to essentially recapitalize the entire mining fleet and redo the entire economics of Tintaya based on a new operating scenario. Since that time, we have completed the new Oxide Plant and the new Oxide Plant is operating at capacity, 36,000 tons a year, and the costs of that are now well established. We are able to produce copper at the Oxide project there in full production for less than 40 cents per pound, so we're very comfortable with that project. It will fall to the mid-30's when you have full synergies with

the Sulphide plant. The quality of the cathode is excellent. It is all classified as LME Grade A and we're in the process of registering it. Part of the reengineering that we've done will result in a significant reduction in total personnel on the site. As you can see from the numbers, we're taking almost a quarter of the entire workforce out, as a consequence of going to much larger equipment and changes around the camp arrangements.

Question:
I'm sorry; did you say that cash operating cost is supposed to be less than 40 before the synergies with sulphides or after?

Answer:
Less than 40. Right now they're about 42 cents without any synergies. When you have full synergies with the sulphide operations, they'll be in the mid-30's kind of number. Now I was just talking about the oxide piece. I will talk about the whole operation in a second. The sulphide cost will continue to be higher than that and we'll talk about what they look like blended.

What are the primary things that we've done? We've completely replaced the existing truck and shovel fleet and taken advantage of the closed Robinson Operation and relocated about 2/3 of the equipment from Robinson to Tintaya, which includes low hour trucks, much larger trucks, it went from 150 to 250 ton trucks, and much larger shovels and we'll show a slide or two of that in a minute. There are four preconditions for reopening the operation that we've asked the operation to fulfill for us, and these include; the signing of a new Five-year Labor Agreement, the signing of a new Community Agreement, the completion of a new Orders Incorporating all of the recent drilling that's been done on the project, and the development of a Restart Plan that's satisfactory to the BHP Billiton Executive Committee. These look all on track to be completed in about the next month, so we will be in a position to restart the operation under this new basis by the end of June.

Slide 14:
I'm just going to kind of give you a quick visual look at what's going on there – that's all the equipment that we moved down from Robinson, with the big trucks and the big shovels, and

they did a great job, it was all done, without any accidents whatsoever. There were almost 300,000 man-hours involved in that process.

Slide 15:

When we look at total operation, this gives you a sense of benchmark in terms of how this operation will fit with some major competitors. We see that with 36,000 tons of cathode and 90,000 tons of copper in concentrate, total cash costs, and the assumption in here is Tintaya is very sensitive to TCRC, so the assumption is what I would call normalized TCRCs. We would see this asset operating at 55 cent net cash cost and benchmarking very favorably with operations like Candelaria or Zaldivar or very similar mines, similar size, and costs, in the mid to bw 50's. So that's kind of where we are with our view of Tintaya at this point of time.

Question:

Sorry Brad, was that 55 the weighted average cost including job site?

Answer:

Yes, that's weighted average cost including Oxide, in normalized TCRCs. If you…again, whatever that means to you…whatever you think that would be on a normal basis.

So that's kind of just a quick update on some of the things that have changed and where we've gotten to with some of the strategy pieces.

With that, I would be happy to take any questions.

Question:

Can you breakdown your overhead? You've got a note here that say they're $40 million. Can you comment on them? Because the way they're going, it is higher than last year.

Answer:

Its basis is different as well. Its a little bit as to how we classify it. What's included in that is our entire marketing line as well, which was not included in the prior year? So, specifically, in there is,...Glenn, do you remember what specifically? It's a lot of definitional differences

from prior years. The biggest slice is marketing. There also is $4 or $5 million associated with Rio Algom. So, it's a bit of a mixed bag of stuff at this point in time.

Question:
Are there any costs in there that have been called from Corporate?

Answer:
Yes, there are. Corporate allocations are also allocated in there.

Question:
As Corporate costs are the same, do you seem a bit greedy?

Answer:
Some, some percentage of those have certainly been shoved down at this level. That's correct.

Question:
When can you remove the Rio Algom debt obligations? How?

Answer:

Well, they are going down. We have completed repurchase of one set of the public debt that allows us to kind of reduce it to another level. Until we completely finish with the public debt, there is probably what, $2.5 million a year, roughly that are associated with maintaining a public company and some of that is pension funds, and then other issues associated with former Rio Algom employees, but it's of that order of nature until you take out the rest of the public debt.

Question:
About the strategy. Among the recent European Commission investigation, has it changed your thinking or approach to…"(interrupted by Brad)

Answer:

O.K., let me clear up something quick, guys. Right now. I am not going to make any comments whatsoever on anything to do with the European Union. So, if you put in a question, the answer is "no comment." You can phrase the question, but you've got to leave out the words EU investigation on it. So, if you can rephrase the question and drop that out I will attempt to answer it.

Question:
"Well, maybe I can get it done in another way. You presented a slide presentation in Chile quite recently. It's a little bit surprisingly with the video that was shown. Maybe you can just talk about as your approach to TCRC and variations changes.

Answer:
Again, I'm not going to touch on anything that has to do with TCRCs and how we approach negotiating for TCRCs. I think that it's just too sensitive a subject given the current environment. I think that our view is that we are completely comfortable with what we have been doing. We are cooperating fully with the Europeans, and the Americans, and the Canadians, and whoever else is involved in this, but it really hasn't changed our view of how the market is unfolding. The TCRC market is a market that is created really quite transparently and we think that it will stand up on some assessment.

Question:
How can you justify bringing Tintaya on before Escondida? Can the market absorb this production?

Answer:
I think our simple view of life is that if the market can absorb, again, the whole philosophy has been if the market can absorb the demand, we certainly are prepared to meet it and from a perspective of where do you bring the production back, again our view is that Tintaya is the most expensive place for us to withhold production because you are withholding full operating costs, which are quite expensive at Tintaya to do that and you impose fairly significant social burden on the national economy and local economy around Tintaya, which is not impacted at Escondida. So, given the choice between the two, we would probably unwind Tintaya first.

Question:

What about partners?

Answer:

Yes, what about them? I think it's our decision in terms as to what we do with Tintaya and we wouldn't consult with them, particularly in the current environment. No.

Question:

What if you decide to start Escondida? Really, it's not an independent decision that really you can make.

Answer:

Yes, it is. We're the operators of the project. We determine the amounts.

Question:

Then will this create a reaction with Codelco. Will they abandon this objective of stockpiling.

Answer:

Again, I think our view has been always that we need to focus on demand and demand for the product, and if the demand is there for the product, we need to meet it and that's our view and what Codelco does is a Codelco decision.

Question:

So are you saying that we should expect additional production this year?

Answer:

Again, we haven't said we're redoing anything at this point in time either. So, I'm saying, if there is room, we would unwind Tintaya first and then we would look at where we would go with Escondida, and we're not making that decision today, but that's to give you a flavor of where we would be.

Question:

Brad, could you just walk us through this scenario where you and Rio Tinto would consider a restart at Escondida, rather than Tintaya and you've got misproportion interest in the property. How do you wire those issues up?

Answer:

It's not their decision.

Question:

Would you be willing to live with that unhappy partner?

Answer:

Yes.

Question:

What role is the marketing organization playing? Are you seeing any difference to your costs coming to you?

Answer:

Again, the goal in the marketing department is to put together one view of the market for all of our assets and to have a single point approach to the customers and that has been achieved, I think, very, very successfully with the formation of the marketing group. I can say that we're very happy with the results that they have been able to demonstrate. I think in taking aside issues of very, very, very tough economic environment which people are operating in, I think that customers are seeing a great deal more clarity in terms of who they go and talk to, how they get their answers, the quality of their answers, a whole bunch of issues, the kind of responsiveness that we have as a business going forward. So I think that from both the customer side and from our side, having that marketing group has been a very significant benefit. As far as cost goes, I think that there are clear synergies to being part of a larger group. There are a lot of things you share in common, such as systems and systems development, and particularly when you get into the trading side of things in terms of having common execution systems in a single back office that are of substantial benefit to us. So, I

think that is all very positive. We would expect that the financial benefits of that will continue to become more obvious over time, but we are in the first 18 months of operations of that group, and I think that we're really comfortable with the progress that they made and we do have significant expectations for their ultimate ability to generate both continued savings as well as additional profitability for the business through the trading activities. So we'll see that evolve.

Slide 16:

Ken Pickering: Well, good morning. I'm going to touch on the area here of growth of the company and basically hone in on some of our projects that are in our pipeline and then I want to venture into some of our other exploration areas that we've got that are pretty exciting in the next 12-18 months and give you that kind of perspective

Slide 17:

This is the BHP Billiton pipeline that all of you have seen many times before. We've put the blanks on those that fit some of the oil and gas, aluminum, etc., but the point to make here is that Base Metals has some significant pieces in this pipeline for growing the wealth of the company, but go back to doing what we say what we will do, which is where you gain your credibility, back on the left side of the page, is Escondida Phase IV. This project was really a five-year plus project to get through the concept inception, going through the government's procedure and building it. We had a US$1.045 billion capital approvement with our board; we came in at $944 million. We had some FOREX gains in there, but it was a significant jump under what was the authorized capital. The project was completed on time. It started commissioning in September of last year and the ramp up occurred through April and it's now at full capacity. I think the outstanding feature here is that it allows Escondida to drop their C1 operating costs. The project had a peak of 10,000 men during the construction, there were 32 million man-hours worked, and at the altitude in the snow and everything else, there were no disabling injuries. We had a lost time frequency rate of one over 1million man-hour consideration, so I think that's going back to proof of the pudding of when you set out to make a promise to the board and promise the shareholders of what you're going to do. Going on to the future, there are two significant Brownfields projects, Escondida Norte and Escondida Sulphide Leach and again, they are in your handout there. These projects are to be

part of the Escondida complex. The idea is that they will be developed at a time so as to enhance the whole intrastructural operating complex of Escondida. These projects are coming on to actually sustain and maintain the production levels that Escondida has achieved today with Phase IV. They are not intended to increase the production, but the production they are going to bring on is very cost effective, low cost production, Norte for one reason, Sulphide Leach for another.

Slide 18:

Norte is really an extension of Escondida. It's another deposit located 5 kilometers to the North of it. Basically, we're going to take equipment from Escondida and shift it over and start digging in the Norte operation. If you imagined a prestrip of Norte is like taking a pushback of Escondida, you're basically not enhancing a whole new mine, a whole new plant.

Slide 19:

The ore that's developed after about two years of prestripping or another pushback, will be delivered by conveyor to connect to either one of the two concentrators or both and the oring milling characteristics are very similar, but the Norte deposit as we talked about from previous conversations, is a significant deposit in its own right. It's in excess of 500 million tons at about a 1.4 grade of copper. It's got a high-grade core, which is about 200 million tons of almost 2% copper and that's the advantage. You're bringing the high-grade ahead and of course, it's replacing the lower grade that comes out of Escondida. The Norte deposit also has the ability of delivering some oxide and low-grade sulphide that enhance the Leach operations.

Slide 20:

Sulphide Leach again is taking material that's basically waste. It's material that grades about one half percent. There's some 2 billion plus tons located within Escondida Norte and in the main Escondida pit and the idea here is to take this material and put it through a run of mine heap Leach. We are planning to move the Electro end facility from Colosso, which is a 90,000 ton capacity to the Escondida site and the material that's leached on these pads will be sent to this Colosso tank house, and as the Oxide Plant, which currently has a capacity of 150,000 tons, as the Oxide feed stock diminishes the solutions from the Sulphide Leach will

feed that Plant as well. So, Suplhide Leach will ultimately have the capacity to deliver at least 230,000 tons a year of copper cathodes. Where are we at with the Sulphide Leach? It's in a feasibility stage with LaFleur. The IE is in progress with Chilean authorities and we're progressing.

Go back to Slide 18:

What I'd like to point out, then, just to establish the Escondida Complex. This is an aerial view with Escondida, the center with the red ring, the Escondida Norte is located to the ring to the about 5 kilometers to the up of the page to the North. The arrows indicate would be the conveyor system coming from Norte down to Los Colorados concentrator and connecting there to deliver material either to that concentrator or to the far south concentrator which was the Laguna Seca, Phase IV concentrator; and this then gives probably one of the most robust and powerful mining complexes in the world. It would be delivering 230,000 tons a day of material from two mines, to two concentrators, you've got tremendous operating flexibility about cut-off grades, you can either, as Brad uses the words, "you can either dial up or dial down", but you can optimize it based on grades and based upon grindability. You have Leach stock of sulphide Leach of oxide Leach that can be delivered to either of the two plants and it just gives you a tremendous amount of operating flexibility and operating security delivering from two world-class mines.

Slide 20:

I'd like to talk briefly about Spence. We talked about it in the past. It is an oxide / sulphide Leach operation. It is located between Calama and Antafagasta. It is a good sized deposit; 300 million tons of 1.2% ore. It has an excellent infrastructure in the fact that it's got power, road access, rail access, water, etc. We contemplate that as this thing comes on stream at some point in the future, 200,000 per year cathode production. We have awarded the EPCM which at this stage is only to do trade-off studies and project process atomization's to Kvaerner.

Slide 22:

I'd like to talk about exploration here. We have discussed the attractive suite of Brownfield and Greenfeed projects, but longer term exploration success and breakthroughs in new technology is the real key to creating the value in Base Metals. The technology development

really is focused on copper leaching. It's very competitive. Our knowledge is proprietary and commercially sensitive so I'd rather not dwell on that, but just to say that we're putting innate effort in it and it is very important to the future of Base Metals. On exploration, I'm going to touch on the Resolution project, where we have a joint venture with Kennecott with Rio Tinto, and some of the Grass Roots projects internationally. I think at the cutting edge of applying Falcon, not just discovering diamonds, but also to discovering copper deposits and with the airborne gravity application, and some of the areas that we are working on. As you fellows know all too well, the exploration game is a bit of a crapshoot, it's high risk. If you make a hit, it's a high reward, but you can't hope to find anything and create value unless you play the game. So, there is no guarantee no matter how many targets you have that you're going to come up with something that's for sure.

Slide 23:

This is the a bit about the superior deposit. It's was actually discovered during the days of Magma from drilling extensions in the underground superior mine. It indicated some significant grade intersections. It's deep. Some 1,400 meters to maybe up to 2,500 meters in depth. It's hot down there, 75-80°. Obviously, it's something that we're working on for the future. Its location is good. It would have synergies into Pinto Valley, processing facilities and possibly San Manual. Rio Tinto are operating the project with us. They are earning in at 55% interest and we're currently in conceptual studies with them on this.

Slide 24:

What I'd like to talk about now is exploration and what we're doing on IOCG type deposits or iron ore copper gold. This is a map of Northern Chile / Southern Peru. In this particular context, we have two projects that are in joint ventures. The lower one near Candelaria is in a joint venture with a Canadian Junior and what we're seeking there are types of deposits that are like Candelaria, 400 million tons of +1% ore. We're certainly in good hunting ground for that. The other project is just under way now. It's the Falcon project. It's flying in Southern Peru and really the types of areas three you're looking for there are iron ore copper. Rio Tinto announced that they've had a discovery near the Yido. Again, you've materialized it into several hundred million tons of greater than 1%. The situation we're into here in Lima is in flight in this area in Northern Chile, we've flown the Falcon over eight different blocks and we're ready to start drilling in some of the targets in this particular area.

Slide 25:

What we're looking for as well with Falcon on the kind of the perfory concept; this is kind of a cartoon type arrangement, but you can see the coast where you've got intrusives breaking the surface. You can see here something like the Toquepala mine where the intrusives are breaking the surface and you've got a huge root where you have a very large mine, whether you have Toquepala or Cuajone. These are world-class operations. And this kind of work, working on intrusive outcrops have been well explored in both Peru and Chile, but what hasn't been discovered is those that are underneath the surface; and Escondida was discovered in this way, and we feel there is a lot of unexplored territory here in this part of the world, that we can use our Falcon technology and our knowledge of deposits from this part of the world to our advantage.

Slide 26:

What we have here is, we call the Falcon, in Northern Chile the Tarapaca Project and into Southern Peru, the Jewel Project. In Northern Chile, in Tarapaca, we've come up with nine different anomalies. Two of which we've then taken up to subsequent groundwork with Deuce Polarization Geophysical Surveys and we're about ready to start drilling on these here in the coming months. We've taken ground positions on this and we'll follow-up on the rest of the anomalies on the ground. The area here in Peru, Jewel Sur and Jewel Norte, you can see where the Toquepala and Cuajone and Cerro Verde mines are, as far as location goes, we've taken on this particular one here, we have nine anomalies of the porphyry type and three of the IOCG type anomalies and we have a dozen anomalies picked up on the recently flown Jewel Norte. On the Jewel Sur, we've followed up some groundwork here, and we've had a significant piece of interest with anomaly here that we've done geophysical work on. It's about 4½ kilometers by 1½ kilometers and it's extremely strong geophysical response. We're fairly enthused about this. We're getting in here to try and see where we can get the best access to put some drilling here in the near future.

Slide 27:

Let's switch countries here. Some of you are familiar with the African part of the world. Obviously, it's the copper belt here, the traditional copper production from Enchanga, from Concola and so forth, where Anglo-Americans were big in the 70's and for the last 30 years

was MCCM, etc. What we've come in here with is with the Falcon technology. These are sedimentary type deposits. These would be following the lines of the inclines and declines and we've flown Falcon here sometime in the past. We've indicated we have a number of very interesting footprints. We're following that up with gaining ground position which takes time to work all that out, but we're progressing that well. We've taken up some 10,000 square kilometers of ground up here on top of the fold where the copper belt bends over into the Congo side and then there's a parallel area of liniments here of sediments that come up and go underneath the Kalahari Dessert area. Again, we've done some groundwork here with some encouraging signs.

Slide 28:

We're about to do some drilling on some of these targets we've picked up at these blocks here. These are airborne magnetics, but these large blocks, we're going to be flying with the Falcon here in a new joint venture we have with First Quantum. So, drilling work here, plus additional Falcon work.

Slide 29:

The last place I want to touch on is our Jokkmokk Project, which is in Sweden. Again, this type of climate has been under glacial cover and has not been well explored with modern technology. There are six blocks indicated here that you also have in your handouts and we're about to fly the electromagnetic condor operation here, spending about $1.5 million on that. Plus, the groundwork that was earlier done by the Billiton staff, we've got a number of smaller targets that we're going to identify and put some drilling on here during the coming months.

Slide 30:

So, moving then from the United States to Southern Peru, Northern Chile, to Zambia, we've got a good suite of projects. I guess, the exploration success is a clear path to long term adding value and of course, if you can't play the game, you can't grow it. So, we think that we've got some great targets here. Some 80 targets around the world, 30 of which are ready for drilling, which we're already following up on. As we pointed out before, it's a high risk, but potentially high reward activity. We think with our Falcon application, not only seeing diamonds, but certainly seeing in the copper porphyry and the IOCG types, we've got some

advantage given that with follow-up on some of our geophysical applications. We work very closely with our Base Metals Group, with the exploration, to go to countries where we think we can work within the definitions of our charter, where we can be right and working in a very transparent manner and certainly in accordance with that, use our expertise to create future value. I'll leave it at that.

We'll go ahead and take some questions.

Question:
Can you talk a little bit more about Spence with regarding the possible timing and the sorts of options that we're looking at and which of those options are more likely than others?

Answer:
Well, what I guess what you could talk about Spence is the fact that it is a very, very healthy, robust project for the future and Brad has talked a bit about producing copper to meet demand. We are bringing Spence through the design side to the optimization side, so that we can get the best technology that's proven to apply it and we're taking a number of our learnings from our Tintaya Oxide operation that we put together there and applying them to Spence, which really enhanced a lot the earlier estimates that were done by Rio Algom and by Billiton. If you went through a governance procedure of our company, and Glenn's going to talk about some of that, that's a very rigorous mixture. Don't make a mistake. It's got a timeframe to it. And once that would be completed, in some 26 – 28 months then of course, this is a long Leach period thing. This is a 250-day cycle on Oxide and 600-day cycle on Sulphide. So you're putting something out here that's four years away. We have not committed anything with this with our directorship or our board, but we really want to bring this on. It's just a very, very good project to have in your portfolio, but you could be looking at something like 200,000 tons of very competitive Leach copper that we could bring on. There is no date committed for this now, it's one that has to be fitted into our strategy with the rest of our operations today and with what the IP is going to do in the world.

Question:

I've got a couple of questions here. I just wonder, at this stage, whether you can spend more time on the size and grade indication and resolution? I have about three or four more questions, but I don't know if it's easier to ask each one.

Answer:

Part of it is an issue that we're working with partners on the thing and we haven't made a lot of the information public and so I'd really be hesitant to comment too much about it other than the fact that that I think the grade would be quite interesting to say the least or else we wouldn't be pursuing the work with Rio on it. I think that there will be some more public information coming out over time, but yeah, I think it's a significant discovery and it's for some time in the future because it's going to take some special technology to develop.

Question:

What is the effect of copper Leaching on the benefits for Base Metals?

Answer:

I think what we've seen is a shift, even today, of the production taking a very good, healthy balance with leaching and we have Cerro Colorado doing 140,000 tons a year, we've got Escondida doing copper oxide Leaching at 150,000 tons a year, we've taken Tintaya to almost 40,000 tons a year, we're talking the Sulphide Leach, which will be doing 230,000+ tons a year, so you can see the significant amount of metal that's coming out. Considering the profile on the Leach, depending on the grades and recoveries, it's very competitive. Escondida Oxide came on up to 25 cents a pound. As Brad mentioned, with the synergies, Tintaya Leach is going to be in the mid-30 cents per pound. We would expect that our Sulphide Leach at our Escondida was going to at that mid-30 cents per pound range. So, what is the effect, it replaces, if you want to call it the declining grade of Escondida in that particular complex, with material that has low cost, low cents per pound. So, either it allows you to hold your operating costs or C1 costs or actually have them go down in the decline. Obviously, we're still a significant concentrate producer, as we will be at Tintaya and at Escondida. And if you take what we're using for our Sulphide Leach Operations, a recovery estimate of 35%,. Now you can imagine if you could do some things to twist that up to, you know, 37, 40, 50. I mean, it's all free, basically.

Question:

Just in terms of time, would you go with Norte, Spence, or Sulphide?

Answer:

I think because Norte is really an extension of Escondida, you know, it's just like one more pushback. So, you could go to the North wall and take a 200 million plus ton pushback or you could take the shovel over and take it in Norte. It's part of the complex already. It's just like making a pushback. Whereas with Sulphide and Norte, there is no increase in production. It's enhancing the fallen grade. So, I think that probably it's logical that Norte would be the one that's going to get the gear to be moved over in the center factor.

Question:

Can you quantify, that when you consider saving, with Phase IV coming on, can you quantify the save on cost effect?

Answer:

It's probably too early yet. He's asking about the C1 cost impact with Phase IV coming on. I think that, you know, what we've done by having 200,000 tons of production throttled back, we're working really hard to keep those C1 costs down and everything running at full speed and dropping the grade. What we have to see is, whenever Apollo unwinds, what the place can do with the normal feed. It's hard to say now, but you're making the cost difference that's coming out of that new Norte mill, the new Laguna Seca mill. It's about what we expected and it's much cheaper than what was happening at the old Los Colorados mill. So, it is adding value to us. You guys can make some estimates to those numbers, but it's getting up to the tonnage level we want and it's, getting up to the recovery levels we want, and so on and at a lower cost per ton. So, it's doing what it said it would do, and in that context, it's keeping its cost in that 40 cent range.

Question:

Two questions Ken: Firstly, is water an issue for Norte?

Answer:

No issue because we're feeding the same tons. I think we need a few liters a second to keep the dust down, but basically nothing is an issue.

Question:

"How about Spence?"

Answer:

We have water already secured on agreement. What we did was made an arrangement with an existing pipeline that was coming by and with the money that they'll get from that contract they guarantee they'll put a desalinization plant in Antofagasta, which is a win-win situation. For Sulphide Leach, we are likely to look at the application of additional water, which may well be desalinization.

Question:

Just on taking down costs. Given the underling cost estimates of increasing over time, what are the costs of Sulphide, in the Leach chem and blower, would we expect the average cost of the site to stay around the low 40's?" Unlimited?

Answer:

Yes. Again, this depends on timing of these projects. None of them are committed. These are just enhancers. You come on, you're bringing on low copper and it helps keep the base. A bunch is not approved, so I can't fess it up, but Brad and I were in Melbourne last week and we got some pretty good reception for…with supporting exploration people for a notch up and of course, I think that the success that we've been having with Falcon, we've got a good suite of Juniors who want to participate with us and things, so, yeah, we've got healthy funding. That doesn't answer you, but it's what I'm going to tell you.

Glenn Kellow: Thanks Francis. We thought it timely, given that Ken just went through the portfolio of projects that we have coming through the pipeline, to actually talk about the

governance process that we have and the review process that we had over those projects; and really that's just part of the overall BHP Billiton build and framework. Although we do have some variations that are Base Metals provided, so I just wanted to talk about the context of moving these projects through the pipeline in the overall BHP Billiton build and framework of which Base Metals is a part.

Slide 33:

Some of you may have seen elements of this, but essentially, there is a quite a rigorous review and tollgating process that is now in place for the combined BHP and Billiton organizations. It really took the best of both systems as part of that merger activity and has since been further refined. In particular, I'll talk about probabilistic analysis on valuation that some of you may not have seen before.

Slide 34:

The purpose of the system, obviously, is to look at our investments and making sure they are in line with the company priorities and we have strategic intent; and the company's overall charter. Looking at investments to maximize shareholder value and the way we look at that is if we do calculate the weighted average cost of capitals, and that cost of capital is adjusted for Country risk premiums, depending on the environment, that we are operating within. The process itself is designed to make sure that there is the best probability of success possible within the project and then particularly it's looking at risk mitigation, but also the framework of reviews lend itself to continual feedback and proven enhancement as the projects work their way back through the pipeline. Very important as you get higher up in the organization that the decisions are being made consistently, on a consistent basis, and I'll talk about how that is achieved and how the process itself is designed, so that risks are identified and evaluated and that mitigation strategies are in place to address the major risks. What I think are the major features of this process is the clear and consistent bonds that exist throughout the organization and through Base Metals. I'll talk through the toll gate steps, but obviously, we have a series of phases or toll gates and each one has a number of characteristics associated with that toll gate phase culminating in a review and decision point at the end of that toll gate. We have quite an extensive authority structure. It took a lot of decision points and I'll work through that. I'm not going to talk about how we structure our price protocol, but we essentially do have one. We have one for each commodity. That's got a consistent

theme throughout all the CSG groups. In fact, each one has a minor variation depending on the particular characteristics of that price. It's developed under the corporate framework, but it's developed by Base Metals, but it's independently reviewed outside of Base Metals, in terms of our go forward assumptions; and that price protocol is signed off by the highest management level, the Office of the Chief Executive. Economic assumptions are developed by our Corporate Group and are consistently deployed though the organization, so every single project that you see across the BHP Billiton will have a consistency of economic assumptions that flow through it. The process itself is based on independent review and challenge. We really give the mandate for the people doing the review groups to act independently, and they have the clear and explicit guidance to challenge and to work through issues, and to raise issues. In fact, they're obviously not doing their job if they don't do that, and let me assure you that they do have the gusto.

Slide 35:

In terms of key risks, we have an Enterprise-wide risk management framework that exists across all of our business and is really used for every facet of the business. That framework works for safety; it works for production; it works for operations. In terms of our financial risk management, in terms of our investment decision process, we use it to analyze key risks and to build in cross mitigation strategies to address the size of risks. We have evaluation process and evaluation analysis and I will show you examples of that and obviously there is continual feedback loops all the way through the toll gating process, but at the end of the process, we have a post investment review system, where both the good and bad points and learnings are captured, and disseminated through the organization.

Slide 36:

This looks like a very, very busy slide, but really, it shows that the process itself is somewhat busy. It's really split between two types of frameworks: On the left, in terms of the yellow, is the Decision-making framework; and on the right is the Review framework, and really, they are two clear and distinct elements and I will talk about why that is the case as we work our way through. In terms of the toll gating phase, which is essentially those in blue. The various phase's concept pre-feasibility; feasibility through execution of Operations. Reasonably consistent terms, but I will talk about what it means to BHP Billiton and each one of those. As we work through a development concept, what a project in development would

typically be is when we're looking at an idea or concept. We're looking at characteristics. How does it fit in with the Corporation's overall strategy? Have we identified key risks? Is it likely to be commercial? What are our views of the economic consumptions around that? The order of accuracy of the economic analysis is probably +/-30-35% at that stage of the cycle; and what are the likely development options to achieve commerciality that could occur in that concept phase? As we move into pre-feasibility, at that point, we are starting out that phase with a number of different development options by the time we reach the phase we would have selected the development concept that we'll move forward with, the development plan, we're probably conducting more detailed engineering through that phase, but we are conducting certainly more detailed engineering through and the order of accuracy on evaluations and risk assumptions are probably moving toward 20-24% framework. On top of that, we are identifying key risks and we're looking to develop mitigation strategies for that reason. As we move into the feasibility phase, we're working on the engineering option of that single selected concept. The order of accuracy is dropping, so by the time we reach the end of the phase, it's +/-10-15%. All of the key risks have been identified and mitigation strategies are in place for those key risks and we're really looking to move the project towards execution. Once it's in execution, we can hand it over to Operations, and there, there are various call points. I'll describe the review process that now occurs in the call points. When a project reaches the end of the development concept phase, there are a number of review points to pass in order to pass from concept to prefeasibility. It needs to go through the Base Metals EXCO and if it is approved by the Base Metals EXCO, it would then be forwarded to the Base Metals Board. Now, the Base Metals Board consists of the Chief Executive Officer of Base Metals, plus two independent directors, and this Board structure is uniform throughout the BHP Billiton group. Two independent, and by independent, they're outside of the Base Metals Group, are members of the Executive Committee and our case, it's the Chief Development Officer and it's the CEO of Petroleum. If that group approves it, notification would then be made to another committee called the Investment Risk Committee ("IRC"). The Investment Risk Committee is informed and starts off its own review processes. The IRC's main focus is the identification of risk and making sure that risk strategies are in place to mitigate the key risks. The IRC comprises of the Chief Development Officer, the Chief Financial Officer, the Chief Marketing Officer, the Chief Legal Counsel, the Vice President of Economic Evaluations and the Secretary is provided from our Project Management, Project Services Group. Its role is to identify risks and it's

activated at that point. It will commission an independent peer review to monitor the project and it appoints, in consultation with the Base Metals, it appoints a completely independent IRC. There would then be experts brought in from outside of Base Metals to act as independent reviewers. Now, each of those review points may also commission their own self-teams that flow from that. Now the level of review really depends on the phase that the project is going through. In pre-feasibility, the IRC team is being commissioned and will be starting to work in reviewing the project team as it moves through the pre-feasibility stage. When it reaches the pre-feasibility toll gate, the decision point is then made whether to take that project forward once again to the Base Metals EXCO and to the Base Metals Board. At that point, the project is referred to the IRC, who will call upon the independent peer review report. That report will be an independent assessment of the project. Now, the primary purpose, as I said, is to identify risk and to make sure that mitigation strategies are in place. However, often, it is supported that the people within the peer review, will be providing support and guidance as they work through that process. If the project is endorsed, it will then move forward to feasibility and the projects we're talking about now within Base Metals, Norte, Spence, Sulphide Leach, are all in that feasibility stage. So, all those projects are currently receiving independent peer review assessment and that is in any process as those projects work through that phase. At the end of feasibility, the project is then referred to the Base Metals EXCO. If it is approved, it is once again referred to the Base Metals Board. If it is approved, it goes to the Investment Review Committee, where they receive their independent peer report, final peer report, from that governance group. Projects then receiving that assessment of risk are referred to the Executive Committee, and in fact, the Office of the Chief Executive now. If the project is then approved, it goes through to the BHP Billiton Board through that phase and the decision is made to execute the project.

Three months after the project is handed over from development to Operations, there was a project closeout review and the intent of that is to capture the learnings, from the project team. It will once again, have an independent leader, but essentially its main project team will constitute the review team, to capture the learnings of the project phase. When it moves through into operations, 12-18 months after operations our post investment review is finished. The purpose of the post investment review is to assess the project, after commissioning, after we've had a chance to see how it's performing, how the market is reacting, what the updated

forecasts are, to assess the performance of that project against the initial project matrix. So, the overlay is quite an extensive governance process.

On top of that, the question was raised about Escondida, if you take the case of Norte, Phase IV, Sulphide Leach, there is an Escondida governance crisis that occurs associated with the joint venture nature of that, and that essentially is that we will have technical committees that will work alongside the independent peer reviews that are comprised of members of the joint venture group and at the end of the day, parallel to or prior to the projects going to the BHP Billiton Executive Committee, they will also go to the Owners Counsel of Escondida.

Slide 37:

A key element of the governance process is the identification of risk. Can I mention the EWR in process? Its intent is to make sure that we assess and capture key risks as part of that process. This is just an example of some risk – some output from EWR in process, but essentially what we're looking to do is develop a risk writing of the various risks that have been identified by the project team by the independent peer review group. Essentially, each risk is assessed according to its overall potential exposure, from a financial perspective, its overall severity rating, and the probability that that risk will occur. Once we've assessed the risk, we look at the control environment that exists around that risk and whether or not there is a gap. Just, in this shop, we're obviously looking for a control gap of zero (0) that's a meter of ineffectiveness on the right-hand side of the existing control. We're trying to drive down those controls to get that control gap to a manageable level, so it will lower it down. So, in this case, you can see there have been clear issues that have been assessed here, that of inappropriate project management, and that would be an area that the project team would be focusing on addressing.

Slide 38:

Valuation and Analysis. This is not a key attribute of the whole process and what this is about is trying to make sure that we have a full understanding of the risks involved and the financial consequences of those risks as we move forward to the investment decision. Often it would start on the left-hand side in terms of that chart, a view of an assessment of the range of variability of the risk and really this is where the individual projects comes into play. It's not only the single point price outcome of the Price protocol that's really important, it's our

view of the fluctuation of that price and the range of price variability that may occur. The top five risks, it could vary four to six risks, from a financial perspective, are then put in terms of a probabilistic analysis and that's the chart on the right-hand side and that's really intending to look at the expected outcomes overlying the probabilistic assessment of all of those risks occurring. In this instance, there's been a Monte Carlo simulation performed. 10,000 trials of sensitivities of options, based on our assessment of the likelihood of those risks occurring provides a probability distribution Just to give you more of an example using the low, med and high on the chart. Essentially, we pick three points as to what we believe are the expected med case, the expected high case, to a reasonable extent, and the expected low case. That's being tested using this probability distribution in order to see what is our expected value and what is the opportunity to which this project will look to correct value. You can see that we have a 90% confidence level or more that this particular project, and this is just in the immediate area, that this particular project across the range of risks that we have assessed, will, in fact, provide value to shareholders.

Slide 39:

I mentioned the projects that have gone through this process: Escondida Norte, currently in feasibility, Sulphide Leach, and Spence; Cannington North Block went through this process. Often, we will solicit independent outsiders for a particular asset that we are looking at. It's also quite common, in areas, to take independent reviewers from outside of the CSG. So we still have a very similar process to what I described as being the major projects that actually operate beyond quite a certain level within the organization after the actual investment. So you still get sustained capital type items that are subject to the same degree of discipline and review within their own essential authority structures that go through these and Cannington is an example of that. Escondida, Phase IV, went through that full circle.

Slide 40:

I'm going to wrap up now and hopefully talk back to some of the comments that Ken was talking about. We believe that we have got a world-class suite of projects that have been moving through the portfolio and are well advanced in the portfolio. Obviously, that has been stressed by Brad and has been stressed by Ken. The key consideration is bringing those projects on where market conditions warrant. Nonetheless, we've still got our own internal hurdles, all of the projects that we have been talking about have gotten to the stage where

people say, “ah, we can be quite robust and pass through the previous stages of the process.” The way I’ve described it, hopefully conveys that it is a rigorous and disciplined review process, is one that has a high degree of independence associated with that, and the focus all through the process is on value and risk. That’s embedded within.

Question:

Glenn, I understand you use consultants such as IPA to review your projects institutional process. I’m just interested in to what degree you actually benchmark yourself into this and just on that, how you actually compare to your peer group.

Answer:

I think there has been a history of projects back to 1998 that were original review, back reviews that gives us some background data as to how we used to do. I would suggest that the projects at Base Metals, the oxides and sulphides and Phase IV, very, very well placed back in these standards.

Question:

How does the project remain current if this huge copper market doesn’t prove fruitful for you to use? What’s the feasibility on life you talk about? Does this thing remain valid for 6 months, 3 months or do you have to go back and do a the review process again.

Answer:

Essentially, the projects we have been talking about, in terms of Norte, Sulphide Leach, and Spence, do not have Board approval, so they have not yet gone through that and all of them are working through feasibility, so I guess it’s a hypothetical question. Ken’s talked about what’s Spence is up to and Sulphide Leach is still working its way through the process. So, I guess I can’t answer that because we haven’t yet tested it.

Question:

Can I ask a question on contingency, please? Is there always a 10-15% contingency on all projects? In slide 4 or 5 number, whatever the number was, or so. The fact that the project came in at 944, which is about 10% below, would be in line with this pre-contingency capital

gain. If that's right, should we be assuming, generally, across the project's bend, that the project's schedule is going to come in 10-15% below the stated level?

Answer:

I think the contingency is there because the order of accuracy is basically +/-10-15% and we're looking to build contingency to try and understand that risk. So no, I would not be deducting 10-15% from projects because that is reflecting the order of accuracy at that point in time, although we have done quite detailed engineering design although key contracts are in place, there still is a degree of risk associated with any project as you move through that development phase.

Comment by Ken:

There is usually a –5 to + 15% swing in estimated cost, so the easier risk is asymmetrical and at the time it goes to Board approval, it is contingency by line item. It is not a big project contingency, so we will have done sufficient engineering, such that in the Escondida Norte, if you were buying trucks and shovels, you can price those with Caterpillar. They just sign the board. They would have zero contingency because you would know what you're going to pay Caterpillar for that, so they go into no contingency. So, you actually billed it by line item, and we might have anywhere from, depending on the complexity of the project, the nature of the project, 6-15% contingency in a project, depending on what kind of elements are. What's obscuring things a little bit, and you should not use it as a example of average, on Escondida Phase IV, of the $100 million it came in below budget, $65 or $70 of that was exchange rate; and so when you look at how much under budget was it against our real control budget, it's probably only 3 or 4% under budget, which is well with inside the error margin of your contingency bars, so they're effectively on budget from our perspective. So, it looks good as a headline number, but really you're getting a big fat benefit from the Chilean labor costs.

Question:

As a Senior VP and Executive of our group, I didn't understand that question about the project, but hear me out. It looks like most of the projects are either under budget or on budget or ahead of schedule or on schedule. In which case, is there a degree of circles being built around projects capital budgets?"

Answer:

What I would say is that the company went through a period where it was not very credible as it relates to doing what it said it could do. It has very substantially increased its rigor and its capital approval process and Glenn walked you through some of that rigor. The idea and benchmarking review stuff goes by individual element of the project by front-end loading. I don't know about in years, but how much engineering do you do before you take the project to the Board, and that's called front-end loading, and they have a benchmark and they say, "what percent of the project was engineered fully before you took it to the Board?" and they have Best in Class kind of norms around those things. So we moved from sort of being no front-end loading to kind of Best in Class and what we've seen is…the prize in all this…in IPA's overall benchmarking, the Best in Class companies that hit all of their norms typically do about 10% better absolute IRR points. Big prize in terms of getting that ride and what you've seen in the last 3 or 4 years, is all of the BHP Billiton projects have moved substantially up that scale and one of the reflections of that you're seeing is that projects are coming in on schedule, on budget, or a little bit better than schedule and a little bit better than budget, because they're doing a lot more front-end loading and a lot more planning work before they pull the trigger on them and that is an earmark of Best in Class companies. The issue is have we gotten too risk averse, are we not going to have projects that we maybe should be doing, and maybe have a few busts in there, and I think that the answer is probably not. My particular view of projects is that it's very much like compound interest. If you make only positive decisions, it results in positive returns. The value of the company positively increases continually, but if you make one good decision and then one bad decision, it's like negative interest. It's like one negative payment interest and one positive payment interest, you end up going sideways. So, if I'm comfortable that we're doing the right things; the right projects are getting through, and we're delivering them on schedule and on budget, which is what we need to do on anything over $100 million. We really can't blow a $100 million investment. That's far too painful for everybody to blow.

Question:

Ken, you start off with Phase IV. You say the contract is $1.4 billion. You talk about this rigorous review process. We got down to $1.045 million. We gained $300 million out of that in real terms. So if you take projects that go the other way, and want to know, time and

cost, there was a 50% over the capital, but it doesn't matter that they're making 9 cents copper. So, we're not trying to be over conservative, we're trying to get it right.

Question:
Can I ask you a bit more then, just in terms of this whole rigor of this process, when you've got all of the toll gating? What are the hurdle rates that you use to distinguish between Brownfield and Greenfield?

Answer:
Essentially, no, the hurdle rates are what we've assessed is the weighted average cost of capital plus particular country risk premiums for that environment. Whether a project creates value that way is necessarily determined the one to go forward. It's the overall portfolio of investment decisions and what projects will achieve the best returns versus the capital allocation, but the overall hurdle rates simplistically is the cost of capital plus that country risk premium.

Question:
What about capital allocations for acquisitions? Does that go through a separate process and is it through a CSG level and after that?

Answer:
It really depends on the level of experience or similar process for acquisitions, for overnight acquisitions. Simplistically so, often the nature of the acquisition mean that the ability to go through each of the phases isn't there, but certainly we're talking about review teams, independents, and those particular decision points.

Question:
In relation to technical risk and the different levels of technical risk that exist between Greenfield and Brownfield and how do you factor those in and potentially, why don't we change it to the discount rate? Second question is unrelated. The safety aspect, near this criteria, that you showed in that graph. Can you just qualify a little bit more regarding safety in terms of paranoia in terms of safety? What happens if you come across a project that say,

is tremendous financially, but has a high probability of safety issues? How do you balance that?

Answer:

The first one is about risk, once again, hurdle rates are consistent. Why don't we do that and how do we address different risks? As I said, each risk is assessed and obviously, the assessment of the risk and control gaps may or may not be better in the Brownfield project than the reasons that you talked about. That can come out in the overall risk assessment, the probability distribution of that project; therefore, the expected value distribution that will occur. So, we assess it through that way. The actual expected value outcome, rather than through the financial hurdle rates or discount rates. Let me make it clear to you. If there was a big negative on the safety side of a project we wouldn't be in the project

Question:

I just want to understand where the Magma copper liabilities lie? Can you give some ideas of what we should expect? Are there any milestones in regards to closure?

Answer:

What's currently going through the P&L in relation to Southwest Copper is cost associated with the projects that we've got or the mines that we've got suspended, that we've not made a decision to close those mines. Those items are going through the P&L. There are general overhead type costs that are going through for Southwest Copper and the things like past liabilities associated with employee benefits, pension costs, and whatnot, are all going through P&L. We review all of our abandonment liabilities on a six-monthly basis. We review it based on our latest review of the engineering estimates for closure. So, I guess every six months, there is a rigorous review undertaking.

Question:

Sorry, the question was: "in relation to which ones are closed versus which ones are suspended, and if we made a decision to close those mines, what would the actual liabilities would be?

Answer:

Essentially, the abandonment liabilities of all of the mines have been provided for. The decision is taken to provide, on an ongoing basis, during the life of the mine, for the ultimate closure costs. That's the decision. Some of those mines, though, were closed before the ultimate mine life. So, we're probably talking about the gap. I'm not quite sure in terms of what the size of that gap would be on a mine by mine basis.

What's happening with Southwest Copper is that a couple of mines are in closure and have provisions that have been assigned to them. Every mine has closure provisions that are assigned to it. Some of the ones that have been suspended only operate for a couple of years, like Robinson, so they didn't accumulate a full closure provision, and so there may be a gap between what we have provided for and what the actual cost may be; and that is actually a subject for engineering review, who has more time. But, in specifics, the San Manual mine site is going to permanent closure and is being closed and there is a full provision for doing that, that is being finalized in terms of engineering studies, and finalized in terms of what the state expects to see in that operation. Our view is that there are some gaps that are going to be against the plan that are going to happen. They are not substantial. They are relatively minor. Pinto Valley mine is currently on maintenance. There's four years of remaining life, and some Leaching opportunities that we're continuing to investigate, and again a lot of study around Pinto Valley. We don't see a lot of unprovided risk in that operation. The other major one is Robinson and Robinson is again, has a full provision for closure that was taken at the time of closure and we think that's adequate so we won't see a gap. The last property that we're talking about is Superior and what happens in Superior, if and when Rio Tinto completes its earn in, they will assume proportionate share of the liability. So, we have provided an amount for that, they will get 55% of that becomes theirs, they assume it, and so we either, we have a much bigger provision that's bigger than we hopefully need or we can write back their share of the provision as profit. So, it's a little bit complicated and as we go through each iteration of engineering and get closer to final closure, we will see those costs move around a little bit, but we don't see a lot of risk.

Question:
What is the cash outcome?

Answer:

Total cash expenditure, the largest chunk of cash expenditures, in Southwest Copper today, are pension funds, liabilities, there's ongoing property taxes. Right now today – we're about $50 million. Next year we're expecting $50-60 million. Total provisions are about $300 million, and those bleed down as you go to final closure over five or six years. Again, a little bit complicated. What actually happened was when Southwest Copper was suspended three years ago, an engineering review was done on the total set of packages and the global provision was put in place of the magnitude of about $300 million. And we had two years to go in detail and look at each property, on what we wanted to do on each property, and portion that specifically to each property, and under the accounting rules, at the end of last year, we had to make that apportionment specifically property by property. So we split the $300 million up into a bunch of little bitty packages effectively, so they got allocated specifically to the San Manual open pit mine, the San Manual underground mine, and so on. The consequence of that is if we adjust anyone of those individuals goes up, then we have to increase the provisions specifically for that individual item and we may get an offset or sell a property and actually reduce it to somewhere else.

Question:
So, it should be so great, should we assume that in the next 5-6 years, $15,000,000 per annum of cash going out? You say, it's currently at $50,000,000 to $60,000,000.

Answer:
It bleeds down. It's got a long tail on it. The whole recollection program is over about 15 years. It peaks in the beginning as you go through actual closure, physical stuff, you know, moving around, and then it bleeds down.

Question:
So, in the next couple of years?

Answer:
It's in that order and then it goes down. It stabilizes. Probably $15 million over the long time.

Question:

What is the assessment of Smelter closure?

Answer:

We took the decision to fully provision to closure cost of Smelter. A year ago, Glenn? We increased the provision to Smelter about a year ago? We took about another $100 million and we wrote down the value of the Smelter; it was on the books as a positive and we wrote it down to zero. He basically said the oxygen plant and the other little bits and pieces of it, still have some book value, but basically, it's mostly zero and the reclamation provisions are part of that provision package and, so, again, I think our view is that there are no substantial big surprise there when you actually go to…or if we made a decision, for instance, tomorrow, to tear it down, and ship it out, the question would be, "how much do you get paid for the bits of equipment that you sell off in that process versus what is the cost to close the property to the state requirements, and there might be some adjustment associated with all that, but we don't expect it to be major issue.

Brad Mills: Let me finish. Let me get my conclusion in here guys.

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So, our view is that the CSG has delivered improving performance since its formation. If you're touching on one of the things that we have been doing, not only at Southwest Copper, but it's really cleaning out the portfolio. Go through it and get rid of the stuff that even drags on cash. So, just kind of a short list: we've sold the Smith Ranch and Alumbrera properties; we've sold Agua Rica; we've sold Crandon, we've closed La Granja; we've closed Pering and that's about $100 million worth of cash in drag that's gone out of the assets. We're working through the Southwest Copper very rigorously and we've got a couple of years of hard work to finish that off, but we do expect that to bleed down very rapidly. One of the things that's kind of buried in…that we talk about so much is the litigation. We've got about $10 million a year of litigation over the next year and one-half that is all about resolving all of the insurance claims, the environmental super fund sites, and so on. A lot of those are very advanced cases. They are well into upper courts in Arizona and our view is that we're going to have substantial recoveries as a consequence of those, but again, it's a litigation game and the risk/reward kind of ratio issue, so I can't predict what the outcome will be, but we are

comfortable enough that we are spending that money to look at potential significant recoveries.

Question:
You will get recoveries?

Answer:
Yes, and some of that's even happening as we speak, and we've have some significant successes in the last couple of months. So, the goal is to clean the portfolio up of all the stuff that's just burning cash or management time and just get rid of it and to get it out of the process; to re-deploy capital from assets where we have no control, and we really don't see any growth, so projects like Alumbrera, where it's a nice project, but it's got no growth, we have no management influence on it and re-deploy that capital to something like the Spence project, where we can obviously add real substantial value. In that, we hope to be able to come back to you in 18 month's time and say, "look guys, this is a really clean portfolio. It does not have these kind of cash drags or EBIT drags in the business. The total cost of operating this thing, whether it's on balance sheet or off balance sheet, has dropped dramatically and you're seeing the true earning power of the business.

From a project development point of view, we've delivered all of our major projects on time and within budget and are achieving the expected outcomes from that. So, a proven team of people capable of delivering projects. We have, against a very extraordinary set of economic circumstances, tried to manage our business against a true demand, a picture that we see out there in the world and as we're able to unwind that, that will have substantial benefit as we mentioned, the figure of 290,000 tons of curtailed production that's available to us in the immediate six-month timeframe. So, there's a lot of equivalent of spins and a half almost, that's already built and sitting there ready to bring on stream. We can continue to grow the business in the medium term with varied quality suite of growth of opportunities through Spence, Norte, Sulphide Leach; and then over the longer terms, we are committing funds to build for the future, five to ten year future in terms of a reasoned rational exploration program that takes advantage of what we think are competitive advantages in terms of the Falcon technology and leveraging that in areas where we feel very comfortable with the economic environment and the development environment, which is really primarily focusing on

Northern Chile and Southern Peru. The bottom line, about this business guys, is that from my perspective, when I talk about this to my Board and I talk about it to my guys, it's really only three things that we need to worry about in terms of making this business work:

The first thing is: We've got to run this business safely and we've got to achieve that Zero Harm criteria. Everything has to be looked through the lens. Can we do this in a safe manner? Can we do it in a way where we don't harm the environment? Can we do it in a way that we enhance our reputation with the local communities and are seen as adding to their ultimate development?

The second thing we focus on is: Are we doing it the most cost-efficiently way possible? We've got enormous access to global benchmarks through BHP Billiton's Operational Excellence Group, and our mines should benchmark as Best in Class in the world in terms of mining costs, processing costs, the efficiency of our functions, and we are going to drive those processes hard to achieve Best in Class sufficient cost operations and we'll be happy to show some benchmarks against that in more detail in the future.

And then the third thing is: We need to grow this business over the long term and you've seen a fair bit about that today, but we do see a pathway to do that going forward. That's also the order in terms of how we think of importance order from today. And that's the big story about Base Metals.

So now I'm happy to take questions.

Question:
Just regarding Cannington project. Where, how and why does Cannington fit?

Answer:
Cannington is a wonderful asset. It's a very high quality asset. In my mind is not really much different than Cerro Colorado. It is 66 cents an ounce silver, 70 cent ounce silver kind of cost. It has growth optionality associated with it. You've seen us exercise the 10% incremental growth option that we exercised this year. There's probably at least another 10% incremental growth option. There's exploration optionality associated with Cannington that's

not fully exercised and so, it's a very solid cash flow performer for the business. It's got very good return on capital and an integral part of our Base Metals business. It fits with our marketing side. It's culturally aligned with all of our other Base Metals processes, really no difference than a copper mine, from our perspective. So, that's how we see it.

Question:

Why only use a hurdle rate of WACC plus country risk premium?

Answer:

What I would say is about that is that is the threshold target. The reality is that we're not going to get a project approved that's of any substantative size that's WAC plus a country risk, unless it's got enormous growth optionality associated with it in some fashion, and so I think that's a theoretical minimum hurdle rate. The reality is that all of the projects that I have been involved with at the BHP Billiton level and certainly the Base Metal level are well in excess of that and that number basically says that if you cannot achieve that minimum hurdle rate, and if you go back to the Probability Distribution Diagram, what that really says is that if you have a 25% possibility at being at that hurdle rate or below, the project probably will not get approved. That brings to question what your medium or expected hurdle rate is obviously going to be a lot higher than that, so when you look at that distribution curve that Glenn showed, it's really saying, "where does that minimum hurdle rate match and how much of a probability is there of it going to be less than that?" and we spent a lot of time talking about how big a tail are we comfortable with in terms of probability being below your WACC plus country risk rate, so that's really how it plays out. It's really not a conventional hurdle rate and secondly, any project over that, we're going to fund and put capital into it, because in reality that's now how we look it.

Question:

But in terms of the legacy assets, can you get based a ROIC better than 15%

Answer:

The issue of legacy assets in the Base Metals is an issue for us and its one that we are working hard in terms of portfolio redesign. We do have a target for the entire CSG that we aim at our lowest expected price point. So, our effective goal is, again, it gets a little

complicated here, in terms of internal targets. I'm not going to share with you specifically, as it has not been published, but we have a minimum, what we call EBIT ROC, which is calculated the same as return on capital but it's at the e-bit level and it obviously has a significant premium over the kind of weighted cost of capital because it's a pre-tax number; and we look at that and say our design criteria is the entire Base Metals business must achieve EBIT internal capital positive result at our lowest expected copper rate and without specifically spelling that out, that's a tough test, but it's an aggregate test. So, it does allow us to have some projects that are not quite as good as others. I think that, going back to Ken's commentary, Antamina is a classic project that would have a very difficult time getting through our toll gates and would be maybe a difficult one for us if it hadn't come to be an acquisition to invest in because it does have a difficult return profile and substantial risks.

Question:
Do you think the expectations are too high?

Answer:
It passes the carrying tests. The carrying tests aren't really an issue. It's just from a return perspective, it's not very attractive. It looks a lot more like Alumbrera than Escondida.

Question:

"Sorry, Brad, just when are caring tests reviewed? When was the last time you reviewed your copper price assumption? I understand it hasn't been that recently."

Answer:
June was the last time we did it that year. Cutoff was October, but we don't pay that much attention to the spot, so there's not any change after three months.

Question:
Do you review the zinc price as well?

Answer:

Without being too coy about it, we don't have a lot of expectations about zinc prices. So, in the caring value test, it is at an appropriately low level.

Question:
How does that fit in with some of the things which the SEC is talking about, in terms of the long term assumptions?

Answer:
We've recently gone through an exercise on the ore reserves. We have submitted all of our Ore reserves to the SEC in compliance with three year trailing average price and that's all been published. So, we've gone through all of that exercise. There really are no surprises in that, I think that most of our mines due to cost structure, and the way that they've been designed, you don't really see any changes. If your reserves are based on 80 cents and you change it to 60 cents, the long term expected price, it doesn't change our expected Ore reserves very much. The sales are not that sensitive to price.

Question:
Why don't we use third-party independent audit assessors?

Answer:
The reality is that we actually use a whole variety of both internal and external and it kind of depends on what we're talking about. So, for a particular project, for instance, all of our ore reserves are independently audited by outside parties, so when you look inside of the audit piece of the peer reviews, some of that may be provided by internal peers and some of that may be provided by external peers, depending on the question you are asking. We clearly have global expertise on a lot of things that's probably every bit of good or better than what you can get externally in some areas. In some areas we don't, and the areas where we don't, then we do look outside. I was the chairman of the Capital Review Committee and in fact, set the whole process up a few years ago, and on the petroleum projects, we specifically used IPA to benchmark all of the petroleum projects because they have a very deep suite of comparable petroleum projects to look at and they can directly compare scale, and size and cost on any particular petroleum project or 35 other ones that have been done in the last "x" years and so we use them very extensively on the petroleum where we specifically did not

have other people in the company that could benchmark against us. So the reality is that we do exactly as you're asking.

Question:

Just, about the copper cuts. Are you even happy with the result in the market? Next time, when copper starts coming on and the stock piles starts going up, are you going to use a calculated model when you say, guys we're looking at stock piles?

Answer:

Sure. In terms of the actual 20/20 hindsight of the last couple of years, the environment that we've operated in, I think, in many ways is probably historically unique to some degree. September 11th, followed by the meltdown of the U.S. corporate structures in the U.S., followed by the Iraq war; hopefully, we won't repeat that anytime soon. That's a little bit too traumatic for me to try to deal with the business trying to go through that, and it caused unprecedented change in consumption levels and change in very, very short periods of time. So, we had a global business in the copper business that had been designed for a certain expectation of consumption and a certain expectation of growth that got radically reset in a six-month period and then hasn't really fundamentally changed too much since that resetting. So, I think our response was both appropriate in that environment and extraordinary at the same time, but I'm not sure that you can take what we did starting in November of a couple of years ago, after September – November, 2001, and really say what we would do in a future scenario, because it's a little too hard to understand what the dynamics of that might be. But, suffice to say that we felt that the program, in terms of matching our production profile to the demand, and preserving the resources for future production at a later date when there is more demand, and there is more support for the commodity and the market, is an appropriate thing to do and not simply pile it up in a big pile of copper in the LME warehouse. That doesn't make a lot of sense and continues not to make a lot of sense to us. So, we've done a lot of quantitative assessment of that and our view is that whole process over the last couple of years has been substantially value creative to our shareholders, both in the immediate short term, if you measure it over a one-year timeframe or if you measure it over a ten-year timeframe.

Question:

But it's now an integral part of the toolbox approach?

Answer:

Demand matching is an integral part of our toolbox and we have changed our perspective on the world as a consequence of that.

Question:

Do we think the process is too bureaucratic in its capital approvals and how does it stack up against third parties and is it effective?

Answer:

Let me subdivide that into a couple of parts of the answer. The first thing, I think, is we should be very clear, that we do benchmark that process. It is a key part of the IPA process around Best of Class Capital Management Systems, because they do benchmark your system. Remember what I said before about the price difference between doing the average investment versus Best in Class is about ten percentage points of return on an equal project. So, the prize for doing it right will probably add six months to a year in the design phase and will probably cut the execution phase by as much as 25-50%, so you spend more time in design and less time in execution; and one of the reasons is that you almost have no changes once you execute the project. So you don't have a project where you get going and say, "well, oh darn, that wasn't put right", and "change this", or "oh, that doesn't work very well", and "change that", and you have almost no rework after you complete the project.

A good example is Escondida Phase IV, is six months into the completion of Phase IV and the ramp-up schedule. We have spent no money modifying the mill. You might contrast that to what you might have experienced and things like the Alumbrera mill, which spent $100 million after it was finished to make it work. So, those are the kinds of differences that you see. We're going to spend a substantial amount of money in the Antamina facility to get it to work the way it's supposed to work because not enough time was spent in the design phase. So, there are very big payoffs by going a little slower in the beginning and then nailing it and getting it right, and that's really the approach; and that's how you capture the value, is that your execution phases are flawless, and your ramp-up and production phases are flawless, because that's where all the money leakage occurs in projects. If you don't get the execution

phase right and you don't ramp-up, it's very, very hard to fix; and so, that's why you get it right in the beginning.

Now, the second part of the question is what about sort of all the bureaucrats, and the checkers and blockers, and boy, we know the checkers and blockers well, and they're sometimes difficult to live with. But the contrast is that we have guys like Ken, who are very serious project champions and they see the value, they know what can be achieved and they want to go and get it done; and really, what the checkers and blockers do is just put some reins on them and get them to go slow enough to get it right, because our project champions are very strong guys and they love to build stuff and they love to get it going; and by just putting a little bit of harness on them, it just makes them faster and stronger when we finally let them out of the gate. And so, I think it's a necessary balance, a necessary tension, and there is tension in that system and I think, Ken, you can attest to it, sometimes the tension gets pretty loud. But I think you get a lot better result as a consequence and it's a tradeoff of having a good process. Does that give you enough flavor for that part…?

Question:
Back to Antamina, in the portfolio review, clearly it was a marketable project in the beginning, but depending on how you allocated the acquisition value, you could be getting great returns or negative returns and it's kind of irrelevant, but you don't have control and you don't like zinc and I don't know what you think about the partners. What are you going to do long term about assets?

Answer:
Let me give you my view of it and it's kind of a flair for it. The Antamina ore body is a big interesting ore body, 500 million plus tons of 1.x% copper and 1.X% zinc and a bunch of silver. The average cost profile today is o.k. It's an o.k. cost profile in the kind of 40 cent range – something like that. Even with the low zinc price. Our view is that there is a lot of upside opportunity in terms of a very immature organization, it's got a lot of excess cost in it and it's got a lot of creep capacity that we can do in terms of ironing out costs and creeping capacity. As far as influence goes, the fact of the matter is nobody operates Antamina in terms of the conventional sense of there's not a designated operator. The reality is that I sit down with Derrick and I sit down with David Thompson and we give very strong marching

orders to the president of Antamina and say this is what we expect you to do and this is what we are looking for out of the project, and we have representatives right now in Ian Ashby and his team, who rigorously review what's going on there and we have been able to put a lot of our process into that system and in fact, the current president of Antamina, Rick Pauling, I think you may remember that name from history, he was our former VP of Operations at Tintaya, ran Pinto Valley operations and is very, very well known to us and we're very comfortable with his appointment to the project. So, our view is that we have a very strong voice in what happens there. We have a strong voice in the marketing of the project of the product. So, from that perspective, it's quite different than Alumbrera, where we really don't have any say at all on what goes on. As long as we think that we can add value to that project and still see optionality in it, we'll continue to work that and see if we can get the maximum value out of that and also see if there's an upside expansion opportunity or even a consolidation opportunity that could occur with that asset. So, we haven't lost hope with that. At the point all that stops, and we don't see that anymore, then we may have to rethink our position, but for now, it's still got a ways to go and we still see some opportunity there.

Question:
What is our expectation for production at Escondida in FY04?"

Answer:
Let me answer a little bit differently. The nominal production that we're shooting at, at Escondida, absent Apollo, is about 1.2 million tons of copper per annum. Ken, that's…1.25, thanks, and we should be able to dial in that production, absent Apollo considerations, for the next five years or so. That's kind of the timeframe where we see that with Norte coming on stream, so we should be able to keep it in that range. With Apollo, it's going to be below that by whatever % Apollo has applied to that during the course of a particular calendar year. Right now, total annual curtailment is about 200,000 tons per year. So, if we were to run Apollo for a full fiscal year, 2004, you'd be at 1.05 effectively on that. If you run it for half of a year, it would be at 1.15. If you take it off at the beginning of the year, it's 1.25, so that's the range that you could think about. As to what we actually do, we'll kind of have to let you guys know as we see the market unfold. That's total, with cathode.

Question:

How quickly can you turn the production back on?

Answer:

Our view is that we need to be in a position to do that, pretty much, at the flick of a switch. It would probably take us a couple of months in reality to do that, 3 or 4 months, maybe a quarter to get to full running rates.

Question:

How comfortable are you with the Base Metals headquarters being in Houston?

Answer:

I'm very comfortable with it. I think…I'll give you my view of life and I'll let you draw your own conclusions. My major operations are Latin America and Australia; my major markets are North Asia and North Europe; my Corporate headquarters are London and Melbourne. Where would you put your office if you were trying to manage that? My deal flow is New York – London. It's a global business and we're in a global environment. I think the most important thing, from my perspective, is being in the same time zone as the Operations, because it means operationally, I can talk to them all day long. I can also get on a plane in the afternoon in Houston and be up and running in a business meeting first thing in the morning in Santiago. So, there's no jet-lag issues; it's an easy overnight flight there. I have one-stop flights to London, to Tokyo. Some of my major customer bases and one of my major corporate headquarters is a direct flight.

Question:

…South America?

Answer:

From where? I think it's impossible to run it from there. Right now, from Houston, it's a 24-hour trip to Melbourne; from Santiago, it's about 36…to London. It's the same type of issues. You just run into enormous travel barriers for your executives and your team. You get out of deal flow, you're out of communications flow, it's a much harder proposition to do, so it doesn't make that much sense. I think we also see talent issue is not in substantially.

The business is largely globalized. We have a focus on global expertise and global expert talent and it's surprisingly difficult to attract that to Santiago.

Question:
First question: Is exploration potential at Escondida? Second one: If we have copper, uranium and a hypothetical discovery or some other way?

Answer:
Will flick first question about Escondida to Ken in a moment. I'll answer the second one. If we've got copper, uranium and a hypothetical discovery or some other way, there's no charter issues associated with that. I think uranium is a fuel, with fuel values, the same as petroleum or coal does. It has issues that have to managed around it like many of the other energy sources. It, per se, is not a barrier.

Ken, do you want to talk about Escondida exploration?

It's a, with a reserve life now with Escondida and Norte, Sulphide Leach, it must be something like forty years. And, we're at a 1.25 nameplate, we'll try and maintain that nameplate for as long as we can. We think that with Norte and Sulphide, you've got 1 million plus tons out there for about 15-20 years, so we think that we've got ourselves a good healthy base. There is great potential in the mine fields exploration in and around Escondida and our exploration is an absolutely great hunting ground for… a couple of three years ago, when they had to tighten down and had to start melting ... back off and Brownfield was thinking reserves are going to be +30 years out when we're not going to use them. But, we're going back to Brownfield's again this year, because of the fact that it is underground and see if there is some way we can enhance the Leach project and so on and so forth, it could be really capital efficient. But the good hunting ground is not exhausted by any stretch.

Question:
What are you spending, given that sort of activity, were you spending the same amount on Escondida as some of the other exploration properties?

Answer:

I would say that because we already have a lot of the other projects identified, we can go back and focus on what you want to do.

Question:
Do you still have an interest in Tenke?

Answer:
No, we've complete pulled out. We've made the assessment that we would never be able to come to grips with an implementable project in the Congo.

Question:
O.K., so question ending, why are you spending exploration dollars in that region? Usually, you would pull out at that point in the project."

Answer:
Well, first of all, most are on the other side of the border. So, the one thing is what side of the border you are on? I think, also, our view is that a clean Greenfield's project without all the ownership encumbrances, I can't remember the term you had on it, might be easier to do. The reality is we're not really excited about the Congo, but the other side of the border, I think, with the Greenfield's project, you have a potential of being successful. So that was kind of the assessment, but not spend.

Question:
So, can I just add on to that? The use of Falcon here was also looking for diamonds as well, was it doing for dual purpose?

Answer:
The Falcon in itself is extremely valuable in hunting for diamonds and we've talked to the market about Marcus and his gang and we've discovered a number of high traditionally gem territories and we have programs with joint venture progress in Botswana as well. But, that's why they say, we've got this proprietary knowledge and we're leveraging the maximum and seeing some good results in the hindsight, and we've got some good indications on that.