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Preliminary Results 23 August 2006

Chip Goodyear:

Thank you for joining us, ladies and gentleman. My name is Chip Goodyear, Chief Executive Officer of BHP Billiton and thank you for joining us for our results presentation for financial year 2006.

I'm joining you from Sydney and with me in Sydney is Chris Lynch and Marius Kloppers. Chris is our Group President for Carbon Steel Materials and Marius is our Group President for Non-Ferrous Materials.

In London, we have Alex Vanselow. Alex is our Chief Financial Officer and he'll be making some prepared comments today. With Alex, we have Mike Yeager. Mike Yeager is our Group President for Energy, and both Alex and Mike are joining us for the first time on our BHP Billiton results calls. So we certainly welcome you to the call.

In Johannesburg, we have Mike Salamon. Mike Salamon is the Executive President for BHP Billiton. They will all join me in making a few comments and answering your questions later today.

Now moving to the results slide or the highlights slide, slide number 4 for those on the telephone. Let me begin with safety. We had mixed results in the safety area this year when we look at our lagging indicators. There are two critical indicators we look at, one is our total recordable injury frequency rate and the other is our classified injury frequency rate. The total rate was flat year on year, and the classified rate was actually up. Now, obviously we look for declines in those numbers. But what we found is the integration of WMC assets into the BHP Billiton family did cause a deterioration of those numbers in the first half of the year. But in the second half of the year, we did see our safety numbers improve and head in the right direction, one that's consistent with our aspiration to zero harm.

We did see some particularly good things in our leading indicators and these are some of the things that give us an impression of how safety is going in the organisation, how we should expect it to go, and particularly in our area of significant incident reporting. This is where we identify incidents, we make sure we share it across the organisation, and we did see a significant improvement in that.

Well now moving onto the financial results. Obviously, we had another record year and by a material amount, and it's sometimes hard to put perspective around a number that has ten billion around it. But I know many of you have been around for a while and it's kind of interesting to note that our market capitalisation seven years ago wasn't a whole lot more than US\$10 billion or our profit for this year. Now, there have been other ways to look at it. We had several months in financial 2006 which would have been acceptable years four or five years ago.

But they are just numbers, so let's go ahead and get to those. The underlying EBITDA was up 50% to US\$18.1 billion, the EBIT was up 54% to US\$15.3 billion and attributable profit rose to US\$10.2 billion and that was before exceptionals, that was up 58%.

On an earnings per share basis, before exceptionals, it moved up to 168 US cents per share or up 60%. Now earnings per share grow faster than earnings because of our buy back program that we had this year. If you include the exceptionals, our profit was US\$10.5 billion.

Now, product prices were certainly an important factor in our performance this year but unless you have volume, it doesn't matter how high prices are. Over the last five years, we've

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completed 30 projects and four of those were completed and commissioned in the last 12 months. Average volumes across our major products are up significantly over the last five years. I'm going to talk about that in a few minutes.

For 2006, we set record production for five major commodities and two minor commodities. We completed the WMC acquisition integration and in the year generated US\$960 million in EBIT from the WMC businesses, and that is after the spending we took on Olympic Dam expansion project. We also generated US\$1.2 billion of cash from that business in 2006. These obviously are far in excess of our expectations at the time of the acquisition.

In our synergies, there were approximately 70% greater than we had estimated at the time of the acquisition. Despite these cost pressures that exist in our business, we did see our EBIT margin rise for the fifth year in a row to 44% and we have our return on capital employed now at 35%.

We had the opportunity this year to approve seven new projects and these projects will have a capital cost in the order of about US\$5 billion. In our current pipeline, when you add projects we've moved into feasibility, now stands that 23 projects with a growth capital cost in the order of almost US\$14 billion.

Now this brings our position, obviously we've just put the projects in in execution and in feasibility. It does not include our projects in pre-feasibility or in concept phase.

Our cash flow obviously was strong for the year and our business outlook remains positive. I'll talk about that in a few minutes also. But as a result we did increase our dividend, the final dividend for the year to 18.5 US cents per share. This is 4 cents or 28 per cent higher than our final dividend for 2005 and it's the ninth consecutive increase consistent with our progressive dividend policy. It is almost three times what our dividend was just four years ago.

In addition we announced a capital management program, an additional US\$3 billion of return. That's in addition to the US\$2 billion that we announced in February and completed in May.

Now for quite some time we've been executing a strategy which has been based on a large diversified portfolio of resources capable of returning high margins and stable cash flows through a business cycle. We've said that we would take the cash generated and we'd reinvest in businesses that we know and understand using our market knowledge, our global footprint and our technical and operating capability.

We've done this organically in our project area and in M&A that's produced the kind of volumes that you've seen today. We've taken this ability to invest through the cycle that enabled us to catch the opportunities presented by the marketplace that we have at the current time, and do that by producing some of the best margins in the industry. These results continue to reflect the consistent and successful execution of our company strategy.

So before I go on I'd like to turn over to Alex who will take you through some of the numbers and then I'll come back for some additional comments.

Alex Vanselow:

Thanks Chip, welcome everyone. Fiscal year 2006 has been another extraordinary year for BHP Billiton and I'm delighted to be here presenting these record results for you.

Across our company and over many years our people have been working very hard to get us to the leadership position we now enjoy. In 2006 their work resulted in record production of 14 assets right across our commodity range, including record annual production in five key

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commodities like Chip said, iron ore, copper, aluminium, nickel and natural gas. This is at the same time that prices and demand were very strong.

We have a first-class workforce and an outstanding suite of assets. This combined with our focus on executing our strategy will ensure that we continue to deliver exceptional results to our shareholders.

Turning to slide six. This slide clearly demonstrates the acceleration of EBIT growth over the last few periods. In 2002 we reported a full year EBIT of US\$2.2 billion compared to today's result of US\$15.3 billion. That is just short of a five fold increase in just four years.

As Chip mentioned earlier, this year our EBIT margin has increased to 44 per cent and our return on capital employed is 35 per cent. Both are records. Going back to 2002 our target was to achieve 50 per cent ROC by 2006. We have well and truly beaten this target.

But what has underpinned the success? Firstly we have high graded our portfolio. Over the past few years we have realised \$5.6 billion in portfolio management activities. This has allowed us to focus on tier one assets and high margin businesses. We have also spent US\$15 billion on project acquisitions, on projects and acquisitions resulting in volume growth in the higher margin operations.

In addition we continue to focus on cost reductions and business excellence, and leverage from our unique customer centric marketing structure. Combined, these activities have contributed to what is an outstanding result.

On this next slide I'll break down the results by each individual CSG. In 2006 five of our seven Customer Sector Groups have delivered record EBIT. In general the positive influences have been price and volume related with an offset of increased costs and inflation.

Firstly let's have a look at Petroleum. This business is a key component of our diversified portfolio, it provides an outstanding platform for growth. It also provides us with a greater than 90 per cent long energy position. Higher fuel price is a very large net positive for our company, as you can see from the Petroleum results for the year. EBIT increased 24% to US\$3 billion. Aside from prices, volume from new operations were a significant contributor. Full year contributions from ROD, Mad Dog, Angostura and Minerva, together they added US\$360 million to EBIT.

We sanctioned three additional projects during the year, and they were Stybarrow, Angel and Shenzi, bringing the total petroleum pipeline to nine projects in development or feasibility. This photo shows Atlantis that is on site in deepwater Gulf of Mexico. As of now, seven mooring lines have been connected and we expect to have the eighth line connected very soon. With the eighth line, this platform will be considered storm safe.

Contribution from that plant and other discoveries in the Gulf of Mexico means that in the medium term our long energy position will become longer.

In Aluminium CSG, EBIT increased 24 per cent to US\$1.2 billion. Higher prices for both alumina and aluminium added US\$591 million. The benefits of our technical expertise are clearly evident at the Mozal and Hillside smelters where consecutive production records were again achieved from the same number of pots.

Commissioning also has been successfully completed at our Worsley expansion and we'll see the benefits of increased alumina production in future periods.

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Base Metals underlying EBIT rose 149 per cent to US\$5.4 billion. We had record copper production during the period, with the highest ever production from both Escondida and Antamina. The integration of Olympic Dam was successfully completed also making a significant contribution to higher results.

The Escondida sulphide leach and Norte projects were completed during the year, on schedule and to budget in local currency. Spence is on schedule to deliver capital in December this year. At full capacity Spence would be one of the twenty largest mines in the world today. Beyond this we are excited with the expansion potential at Olympic Dam and also in the longer term with the Resolution project.

In Carbon Steel Materials a 61 per cent increase in underlying EBITs to US\$4.5 billion was driven by higher prices and record volume sales for iron ore as well as increased prices for metallurgical coal. With seven Carbon Steel Materials projects in our pipeline, volume growth will continue to be delivered in all three commodities.

Returns from this business continue to be excellent and margins were outstanding of both WA Iron Ore and Queensland Coal. These were the highest year on year margin expansion at our operations. With continued strong demand and prices for these key commodities largely locked in into April next year, the outlook continues to be very positive.

Diamonds and Speciality Products, underlying EBIT, it decreased by US\$215 million to US\$345 million. Our Ekati diamond mine was impacted by processing of lower grade and lower value material. Diamond revenues were positively impacted by sales from the inventories carried over from 2005.

EBIT for Ekati in this current financial year will continue to be impacted by processing of lower grade and lower value materials and will not benefit from the sale of back stocks. In the medium term increasing underground production from Koala will help restore profitability to historical levels.

The EBIT for Energy Coal decreased by 44 per cent to US\$327 million. Prices and volumes were largely flat but cost pressures being experienced across the industry were experienced at all energy coal assets. The recovery plan at Ingwe is starting to take hold and we are looking for an improved result in the medium term. Annual production records were achieved at both Cerrejon Coal and New Mexico operations.

In Stainless Steel EBIT of US\$901 million was up 27 per cent over 2005. The successful integration of Nickel West has been completed and we are now looking to optimise this business. The Nickel West business has made a significant contribution to EBIT during 2006.

Cerro Matoso had annual record production and we are looking to further increase production in the medium term from improved slag recoveries. The Yabulu expansion is on track for delivery next year and the gas conversion project at this refinery is now completed and is expected to have a positive impact on costs in 2007.

Whilst disappointing, the budget and schedule for Ravensthorpe is under review. This project will enable us to deliver increased nickel volumes in the structurally tight nickel market. Progress has been significant but current cost pressures and low contract labour productivity has become a major factor in the industry since the project was approved in early 2004. And so have \$15 or \$16 per pound nickel prices.

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Let me now outline the volume impact on our results. BHP Billiton has an outstanding volume growth story both historically and looking forward. Over the last five years we have invested US\$15 billion in growth projects including the acquisition of WMC. We have delivered an average volume increase of 38 per cent. This is despite having sold a number of producing assets over the period.

This consistent investment in first-class opportunities underpins today's results. The overall volume impact is US\$1.2 billion. Increased volumes from new business contributed US\$1.3 billion. The prime driver was US\$961 million of increased EBIT year on year from Olympic Dam and Nickel West, and US\$360 million from ROD, Angostura Mad Dog and Minerva.

Volumes from existing operations also increased for copper, iron ore, diamond, energy coal, natural gas and molybdenum. This added another US\$304 million to EBIT. This was partially offset by decreased sales volumes for oil, metallurgical coal and silver. We will continue to deliver volumes growth across our commodities portfolio over the next five years due to the wealth of projects included in our pipeline.

Turning now to the key drivers of change in our EBIT. During the period the net impact of high prices added US\$6.2 billion and we estimate we have captured 80 per cent of this increased revenue to EBIT. The same factors supporting higher commodity prices are also driving our input costs upwards. These cost pressures impacted EBIT by US\$1.3 billion excluding the effect of price linked costs, exchange rates and inflation. This represents an increase of 6.3 per cent on last year's cost base of 5.7 per cent if you exclude inflation and non cash costs.

This is a lower year on year rate than presented at the half year. We have slowed down the rate of increasing costs across our business. Only 40 per cent of this cost increase was incurred in the second half of the year. Although this is a positive sign the battle is not over. We are invigorating our business excellence program and our global procurement program, looking for further ways of improving revenues, cost efficiencies and cost mitigations.

Approximately 30 per cent of this year's cost increases are deemed to be structural and the remaining 70 per cent are either one-offs or caused by heated markets, which bears a strong correlation to prices.

Now moving into the details of the cost variance which is calculated on a pre-tax basis. The largest impact, approximately 25 per cent, is higher costs for fuel, energy and raw materials. This additional cost is more than offset by the revenue benefit of higher prices we received for these products.

The Ekati diamond mine is the largest component of the mining rate variance where lower grade has resulted in higher unit costs per carat. Contractor charges have increased through higher rates and increased activity. In certain cases we continue to deliberately incur costs to enhance production without permanently embedding this higher employed cost in our businesses.

Running our operations at capacity levels impact on maintenance costs and a higher investment is required to ensure that we cannot continue to operate at those levels. Non-cash costs are largely made of depreciation and amortisation which are higher due to the commissioning of new operations.

Moving onto net finance costs, tax and attributable profits. Our net financing cost increased by US\$174 million to US\$505 million, mostly caused by higher average debt levels which followed the funding of the WMC acquisition.

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The tax charge for the year was US\$3.6 billion, representing an effective tax rate of 25.6 per cent. If we exclude exceptional items, royalty related taxation and exchange impacts, this represents an underlying effective tax rate inclusive of taxation of jointly controlled entities of 27.6 per cent.

Continued progress in the Gulf of Mexico has enabled us to recognise the benefit of US tax losses of US\$500 million. This had a favourable impact of 3.4 per cent. Royalty related taxation had an impact of adding a further 3.1 per cent to our tax rate. Excluding royalty related taxation we would expect our effective tax rates to move towards the statutory rate of 30 per cent over the next few years. Saying that, however, in 2007 we would expect a loss of US\$250 million to US\$300 million to be realised against US tax losses.

Now turning to cash flow. We had record available cash flow after interest and tax of US\$10.5 billion, an increase of 25 per cent. This was due to the increased cash generation from operating activities, offset by higher tax payments and working capital.

Outflows related to capital and investment items were US\$6.6 billion. Our net gearing was 25 per cent compared to 33 per cent last year and our interest cover was 44 times.

Let me just recap. Today we have delivered our third consecutive year of record results, achieving higher production in five major commodities. In a challenging cost environment we have held cost increases to 6.3 per cent with less than 30 per cent of them likely to be of a permanent nature.

Of higher price impact during the period, we have translated 80 per cent into EBIT with our margin and return on capital employed now standing at 44 per cent and 35 per cent respectively.

We have continued to invest in our project pipeline whilst accelerating returns to shareholders. Another extraordinary year. With that I'll hand you back to Chip.

Chip Goodyear:

Great, thank you Alex. We are clearly at a very interesting time in our industry. We see the global economy as being good, developing economies are strong. The world has rediscovered resources and how critical they are to our daily lives. And when you take a look at the developing countries they are absolutely fundamentally to economic development for, as I say, billions of people around the world.

We find product inventories are low, the supply side is constrained and disrupted. Prices are high for our products and corporate transactions where companies are looking to gain scale and diversity are following the strategy that we've been executing for years. Interest rates are rising, inflation is a concern. Rampant growth is moderating in certain places and resource companies are trading at bear market multiples.

Now there are obviously a lot of cross-currents that are impacting that so what we thought we'd do over the next few minutes is give you our perspective on these things.

So where I'd like to start is taking a look at global economic growth and I'll begin with China. China had growth in the first half of the year of 10.9 per cent. While this is a pretty strong number it's one that we see across the economy as more balanced than it has been in the past. Nevertheless, we do see GDP growth having peaked in the second quarter of 2006. The government has taken certain steps to obviously reign in speculative growth. But we do expect this slow down to be a moderate one.

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The government is adopting measures that are designed to help the economy transition from a dependence on investment to a dependence more on consumption and primarily driven by consumption. This was described in the eleventh 5-year plan. And if you take a look at the underlying numbers, domestic consumption in China is still expected to grow at a faster rate, 2005 saw a rate of about 7.5, and if you look at 2006 and 2007 the domestic demand growth is looking like something like 8.5 per cent or even higher.

Now there are certain overheated sectors like property. And the government's interest rate and credit policy is designed to cool these but focussed mainly on the quality of investment. And I talked to you about that in February, that any kind of growth is not good growth but quality growth is certainly the driver for the leadership in Beijing. But we do need to put these measures in perspective.

Most of the bank lending in China is to the state owned enterprises but the state owned enterprises only represent about 30 per cent of the corporate fixed asset investment. The remaining 70 per cent is by private enterprise and they primarily fund their fixed asset investment through savings and through earnings. Having said that, we do expect the growth rate for this year, 2006, to be in the order of about 10 per cent in China and we don't see a case in the next five years to believe that it would be below 8 per cent in any one of those years.

But I do caution, you will see cycles that will occur in any economy and China is no different. And from time to time that will occur but again we would see this as part of a normal cycle not one that is necessarily going to impact the long term view of what the opportunity is in China.

Let's move onto India. We haven't talked about India in the past but it is growing as a percent of our sales, and that's presented on the slide in front of you there. It's growing faster than China actually but again it's coming off a much smaller base.

Economic growth has been progressing solidly in India and it is continuing to outperform the projections that we see. And this is despite volatile equity markets, increasing trade deficit, rising prices. And those rising prices have led to a tightening of monetary policy. This tightening of policy will slow down the growth rate, we do expect the rate this year to be in the order of about 7 per cent for the whole year. But having said that, for our products we continue to see quite a strong market, our major products into India are copper concentrates and coking coal.

If we move onto the developed economies, the United States has experienced three years of strong economic growth but the second quarter clearly did see a slow down. Continued monetary tightening, a slow down in the housing market, higher energy costs, all of these factors influenced consumer confidence. But on the positive side, the weak US dollar and the solid growth around the world has led to an encouraging export sector in the United States and we do continue to see good demand for our products in that marketplace.

I might just pause before I move onto Japan and Europe at the moment. Over the last several years there have been a lot of issues about the US being the engine for growth around the world and Japan and Europe somehow not keeping up. That decoupling of the United States from Europe and Japan actually seems to be continuing but in this case in an opposite direction.

So if we move to Japan, growth in Japan has been good. We've had a couple of years of growth over 2 per cent, our expectation remains to be above 2 per cent for this year. We have seen a slow down in the second quarter but if you look behind that number, the reason for that slow down was primarily two things, a decrease in public investment and a decrease in net exports.

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But that disguised an increase in domestic spending, a declining unemployment rate and increasing capacity utilisation in Japan.

So as I said, we continue to expect a growth rate to exceed 2 per cent which would be three years in a row of growth over 2 per cent, which would be the first time in more than a decade you've seen that in Japan.

And Europe seems to be waking up after several years of lacklustre growth. I think most of you recognise that Euro zone GDP in the second quarter grew at its fastest rate in six years. However, that growth is leading to concerns about inflation and has led to monetary tightening in the EU and in the UK. And despite that view we continue to see forecasts at about 2.2 per cent growth in the Euro zone.

So really in summary, as we look around the world we do expect demand in developing economies and in Japan and Europe to essentially offset the slowdown in the United States. So we anticipate global growth in 2007 to look a lot like 2005, but 2006 was a little bit higher than 2005. But again, 2007 on a global basis continues to look like a good and positive year for us.

Now inventories. The slide in front of you is an index that's showing the real LME metals prices and the inventories of those on a stock to consumption ratio basis.

Now probably a couple of things to note here. First in terms of prices which are the red line. We have been here before. In fact the most recent time was the end of the 1980's when we saw prices at a similar level, but on a stock to consumption ratio we really haven't been here before. And one thing to note is what bailed us out of this last time, in other words led to lower prices and higher inventories, was the break up of the former Soviet Union. And it is unlikely that we can see that kind of event come into the marketplace today to move price down and inventories up. And I think that's particularly true when you consider the volumes today, relative to 1990 steel is up 50 per cent, copper consumption is up 60 per cent and aluminium and use is up 75 per cent.

So what we see is a period of time where we do have high prices but little that we can see on the horizon to deal with that.

Now linking this supply-demand situation, obviously the industry is trying to determine how to add new capacity. But this is severely impacted by the availability of the resource itself, by the extended regulatory approval processes which are appropriate, and by the capacity to support our capability to develop new opportunities.

So the slide in front of you talks about a number of the things that we've reviewed from time to time: tyres, truck capacity, the ability to deliver trucks, rig constraints in the oil and gas business, the shortage of people to make it work. I'm not going to talk about each of these, I'm happy to answer questions a little bit later on. I'm not going to talk about explosives or mining equipment or conveyor systems but you can be sure that each one of those things still provides its challenges about how we fill that supply and demand gap, particularly in the short to medium term.

But I can say that our own work around demand planning, forecasting and market intelligence, efficiency in the way that we use things, and our strategic relationships have helped us mitigate that. And I do encourage you to walk around if you have a chance at the end and notice in your region where you are, there's posters on the wall that talk about some of these initiatives in this area. I think again they'll give you a good feel. Based on the activities here, I'm sure you didn't

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have a chance to see the video about what we've done in tyres but we'd certainly be able to give that to you again if you'd like to see it. These are very important for us.

But it's not just about new projects, obviously. The market is demanding more product and it is struggling not only to bring on that new supply, or we're struggling to bring on the new supply, but it's about disruptions to existing supply also. For example in the area of copper, since the beginning of the year based on our own work and third party work we've seen a decrease in expectation for copper production this year of about 600,000 tonnes. In the area of nickel, the decrease has been about 23,000 tonnes for a commodity that's obviously in extremely tight supply. And you can find examples of disruptions across essentially all the commodities.

Now some of this is due to natural events. These can be things like weather, cyclones is an obvious example or earthquakes. Some are due to mechanical failures which are systematic in an industry which has essentially been operating at full capacity now for three years. But others are due to industrial action as unions increasingly use the current environment that we're in and the threat of disruptions to obviously further their wage claims.

In my view these disruptions will continue in the current market environment. So supply will continue to be an issue but we've been working hard to invest in our business to meet our customer needs.

The next slide is our inventory of growth projects, our project pipeline. This is where we stand today, as I mentioned we've completed four projects in the last twelve months, we've approved seven additional ones this year to move into execution. And with a few other changes in feasibility and so on, the current pipeline is 23 projects that produce capital costs of about US\$14 billion of growth in the year. And it does provide substantial growth for us out to the end of this decade.

In the next twelve months you should see us ramp up Worsley which we commissioned this year, Escondida Sulphide, RGP 2. The start up you should see very soon in Spence, Atlantis South and Ravensthorpe. All of those things should occur in the next twelve months or so. By the end of calendar year 2007 we'll add to that Yabulu, Neptune and RGP 3.

So it's an important year for BHP Billiton, we have a lot of projects we've been working on for a while and this year is the year you should expect to see those things ramp up or start up as appropriate. Now these are all pretty significant and obviously at today's prices far exceed the return expectations that we had calculated at the time of the approval.

And in the case of Escondida and Spence, they're essentially two of the most significant copper projects in the next couple of years in that industry. And as you're aware, Ravensthorpe is probably the only significant nickel project in the next couple of years.

Now moving on, just a capital expenditure profile for 2007. Obviously you've seen the results we're showing in the slide here that goes over the last five or six years. For 2007, we expect the number to be between US\$7 billion and US\$7.5 billion: this is growth, sustaining and our exploration expenditure, some of which will be expensed, some of which will be capitalised. So in terms of growth US\$5.3 billion, in sustaining about US\$1.4 billion and exploration in the order of US\$800 million.

As an organisation it's obviously critical that in this constrained environment we do run these projects and this exploration activity in an efficient way.

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We've talked a little bit about our growth over the last five years and this slide is just an opportunity for me to I guess reiterate what Alex said. We've completed 30 projects, we've done two bolt-on acquisitions and we've completed the WMC integration. That equated to an average volume growth across our major projects over the last five years of 38 per cent.

And with the current pipeline of projects and the ones that are coming either in ramp up or very close to commissioning, we would obviously expect that volume growth to continue.

Now let me just spend a minute to talk about obviously in a general sense, some of these longer term options we have. As we've said, our project pipeline only covers those things that are in feasibility or in execution and sitting behind that are opportunities in what we call concept and pre-feasibility.

Now we will be driven obviously by the opportunities in exploration and early project acquisition. We've increased the expenditures in this area over the last several years both in the area of near field resources as well as looking at new opportunities around the world. So either alone or in conjunction with our Junior Alliance Program, we have more than 200 projects in early stage assessments in 35 countries around the world.

Now we've talked about the strong demand environment, we've talked about supply, we've talked about high prices. Obviously in that environment we're producing more cash than we can put to work efficiently. I've always said that our first priority is to reinvest in our businesses, things we know and understand and that can add value to this organisation. And obviously we've talked a lot about that and we've illustrated it by our activities over the last five years.

The next area is keeping our capital structure in line, and that we meant by strong single A credit. And obviously we've achieved that and achieved it quite well.

And finally we look to take excess capital and return that to our shareholders in the most efficient way. And we've led the way with our aggressive dividend policy and our capital management activities. Today's announcement of US\$3 billion on top of the US\$2 billion we announced in February and concluded in May, leads to a US\$5 billion return announced in this financial year and US\$7 billion over the last two years.

In fact if you look over the last five years, we've returned US\$15.5 billion to shareholders through dividends, through buy backs and through the steel demerger.

Now we expect the capital management program that we announced today will be led with an on-market buy back program in the PLC stock which benefits from the current discount that we've seen relative to the Limited share. We'll enter the market from time to time as we see attractive opportunities for us to do this.

Now I hope you'll agree that we've consistently looked at ways to put our capital to work in a disciplined way, in a value focussed way, in the area organically, through M&A and obviously returning that to the shareholders.

So really in summary, we're never going to be the flavour of the month. Our size, scope, diversity, means that from time to time single product companies are going to have some spurts of out-performance. But we run this business for the long term. The consistent execution of our strategy through the business cycle is what we see gives us the opportunity to out-perform in the long term.

We reinvest in businesses that we know and understand, and it allows us to generate impressive and consistent financial performance. We've been able to significantly increase our volume and

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expand margins while replenishing the pipeline in a high quality way. We run a disciplined business with an ultimate objective of providing an attractive return to our shareholders.

We see solid product demand and a supply side that simply has not kept up. We believe this will be a characteristic for our industry in the short to medium term. For the long run we must be prepared for a future where billions of people entering the global economy from the developing world need the essential products which are what we produce which are key to economic development.

Now before I go to questions I just did want to mention that this is Mike Salamon's last conference call with BHP Billiton. Mike has been a tireless contributor to the organisation for more than twenty years and we wish Mike lots of success, Mike and his family lots of success. And we certainly appreciate the energy and enthusiasm that he's shown to this organisation and we look for his continued counsel in the years ahead.

Now on that note what I'd like to do is go to questions. What we'll do is we'll start in Sydney and then we'll rotate around, maybe do three questions in each place. And if you could start with addressing your questions to me and then I'll farm them out to the various people around the world as appropriate. So with that, why don't we start with our first question.

Question:

I'm just interested in those 200 conceptual projects that you have looking out into the future. Can you just give us a little bit of colour on what causes you to push the button on those sorts of projects? Presumably they would need, or many of them would need higher prices and with the current strong demand that we're seeing, if you're not pushing the button and accelerating those things now just what is required?

Chip Goodyear:

I'll tell you what I'll do, I'm going to ask Mike to just make some comments about the projects in general. But let me just say that what causes us to push the button on any project is going to be its economic opportunity to the shareholders of BHP Billiton and our ability to execute that. You can only get the economic opportunity when you execute a project and are ready to do that.

So there are going to be projects out there that simply have not had the kind of process that we need to get through to make that decision. Whether you need higher prices, lower prices, we'll see what happens on those. And that's really going to be the driver for essentially everything that we do. Again, whether you see it in our execution/feasibility or in a concept or pre-feasibility.

With that, Mike, if I might just pass it over to you just to make some brief comments about where you see that activity and give a flavour to Neil in the audience about where that might be.

Mike Salamon:

I guess you can think of this as three different types of opportunities. Brownfields type, in other words near existing operations were maybe looking with new technology, new ideas we could bring to the fore opportunities.

Secondly we've got a series of things in pre-feasibility which are well known. Good examples of that would be the Olympic Dam expansion and Resolution.

And then thirdly, the more Greenfield's type exploration where we're hunting for new territories. Much of the world is well explored, two particular areas are not so well explored I guess, sub-

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Saharan Africa and the former Soviet Union. And not surprisingly that's where a lot of those potential opportunities now are.

In terms of commodities, the three that are the highest, diamonds, copper and nickel. And I guess particularly interesting situations in Russia, we've entered our alliance with Norilsk so a lot of good ideas coming there. And then also Angola, Guinea and the DRC.

I think that covers it in summary.

Chip Goodyear:

Great, thanks. I might just add one thing to that. Something like 85 per cent of our cash flow comes from single A credit countries or better. But we have some great businesses in Colombia, in Pakistan, in Algeria and in Mozambique. Where many people are out there now saying, I've discovered that you need to go to challenging parts of the world, we can at least say, not only have we been there, but we have outstanding success in the places that we have done it. So I think that's something that is truly a distinguishing factor for this company. We don't just say we're going some places with a new idea for the first time, we actually have demonstrated a capability not just to find something but to make it work.

Question:

Chip, I'm interested in your uses of cashflow. As a company that's given US\$10.2 billion net profit, it becomes increasingly harder to generate double digit EPS growth moving forward even if you have a very positive outlook on world demand for the commodities. What can you do to actually get that rating up? You mentioned that global mining stocks are trading on bear market multiples, what multiple should you be on if you can deliver a 10% EPS from here, and how would you deliver that EPS if prices stay where they are?

Chip Goodyear:

You asked a number of things and I'll try to cover them. First of all, in terms of growth, when we did the BHP Billiton merger in 2001, there were a lot of people said, you're a US\$28 billion company, how are you going to grow? I think we've demonstrated the capability to do that through our technical expertise, our global footprint and our willingness to take some challenging decisions from time to time. I would expect essentially everyone has had a radar screen opportunity for the public marketplace. There was an issue about whether we should do it or not. But I think time has shown that being perhaps counter cyclical, taking some perhaps current unpopular choices, led to where we are today.

I think in terms of you say, how can we grow. Listen, I think a lot of it is how we have, and Mike talked about some of the things that extend out the projects that you don't have visibility to, in other words the ones that stand behind pre-feasibility and concept, are very exciting opportunities, but they're also very big. So we'll see what happens there.

But I did give you the short term view. In other words, I talked about Escondida sulphide and Worsley and Atlantis and so on, and I would challenge you to find anybody in our industry that in the next 12 to 18 months will see that kind of production profile as we go forward. If you go out to year 2010 or 2011, the project pipeline which we show you does show significant growth. So prices will be where prices will be. We can't control prices, but we can control things like our project activity, our development timing and process and obviously we work on that.

In terms of valuation, most of us have a fulltime job already. So I'm going leave that to you all. I guess the only issue is that, as I said, listen, you get a little wobble in China and all of a sudden

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you see the resource stocks – and I'm not just talking BHP Billiton – take a little tumble down. You're already price in a pretty draconian environment out there. I think that's what most of you would tell me. So if it's not quite that bad, you tell me what multiple that ought to be on, because as you say, S&P 500, FTSE 100, whatever you want to look at, you will find that our industry is going to be at the low side of that.

One other item, I've said this now for quite some time, the diversified companies are different than the one trick ponies. You guys cover the single product companies, and you look at them, and you cover us also. Operationally, we're very similar. Financially, we're extremely different. Ultimately, you're here to make money just like I am. Think about that part as you go forward. But listen, every time I talk about telling you how you to do your job, I get in trouble, so I must stop doing that.

Question:

Chip, I wonder if you could tell us what the differences in your strategy are over the next four years versus where you saw them four years ago?

Chip Goodyear:

Very good question, and I'm going to try to keep it simple, as I usually do. First of all, four years ago, it was about efficiency. It was, go back and read the stories that we were talking about then – cost management. Find the occasional opportunity, put money into it when you see that opportunity. The world has changed dramatically. All those things are very important, no doubt. But now we see a world where the Chinas, the Indias, other developing parts of the world have said, it is my turn to participate in the global economy. That puts pressure on resource.

So as opposed to just worrying about efficiencies and the occasional resource development there's a huge pressure to find new product and get it to customers that need it. Because they're going to find that product somewhere and I think there's only a few of us who have the capability to deliver that.

So that element has changed quite dramatically. If you look at me or any of the guys, certainly in the senior levels in the company, you see our schedules are now visiting customers, getting to new countries, getting in front of people because they have the opportunity to make you successful or not. Unless we're there doing that we're not going to be a successful organisation.

Our executive committee has something like 16 people and nine nationalities. That's unique but we have to work like that in order to be successful in some of the new parts of the world that will be homes for resource development and homes for resource consumption. So it has changed a great deal.

If we can go to London and see if there are some questions there.

Question:

Three questions with regard to really more the cycle than specific to you. Firstly, if you could give us a feel for what you think your exposure to US housing is across the board? We've got quite a bit of a drop in housing starts at the moment from 2.1 to 1.7. Possibly they will head as low as 1.5, so just to give us a magnitude of impact.

Secondly, China – everybody talks about the effect of big numbers but the truth is that at the moment they're de-stocking and imports are declining. Maybe you can give a little bit more of a feel for whether we should expect more restocking or what do you think is going to happen here?

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Just lastly, the nickel market has, according to some sources, become disorderly and maybe that's because of the late cycle nature of the product. If that continues to be the case then you will continue to see very, very low levels of stock. Is that a way a market can work?

Chip Goodyear:

I tell you what, I'll give you a comment on just housing in general and maybe, Marius, I'll ask you to just comment a little bit on copper and nickel and markets. Housing in the US is an important driver to business in the US but at the same time if you look at it on a global basis I think most of you are aware that in commodity consumption, China is certainly leading the way. Yes, it will be an issue but you're already seeing some substitution taking place in long line electric cables. You're seeing some substitution in the nickel area with manganese, so will it have an impact? It will have a little bit of an impact but if you do see Japan, Europe, India and China move in a positive direction I think you'll be able to mitigate that, certainly to some extent.

With that Marius, why don't I turn it over to you to comment on copper and nickel?

Marius Kloppers:

Perhaps a couple of comments, the first one just to reaffirm a comment that Chip made already which is that the Chinese policies are definitely geared towards preventing re-export of partially transformed product. I think we will see continued action in the economy there to try and enforce those directions. There has certainly been some de-stocking in copper. I think it's evident if you look at the growth rate, or apparent growth rates of last year and of this year. Our assessment is that that process is essentially complete. We do think that the industry is quite de-stocked.

Lastly, in nickel, we have maintained for a long time that nickel from a supply/demand balance is going to look very favourable. We commented on the fact at the time of the WMC acquisition that China was using only about 14 or 15 per cent of the world's nickel but 28 or 30 per cent of the world's copper and aluminium. So it actually doesn't come as any surprise to us that from a demand perspective, nickel is favourable and we believe will continue to be favourable.

Lastly, I think when we sanctioned the Ravensthorpe project we indicated that we viewed from a supply/demand perspective that the market was going to be very tight. That's as long ago as two years and I think we've seen nothing to change those views. We don't actually believe that the situation that we find ourselves in is actually unexpected.

Can markets work? I think Chip commented on volatility. There is a secular relationship between stock levels and prices. We also saw that in one of the slides that we saw in the presentation. I think what is less apparent is that price formation is more difficult and you get more volatility under very low stock conditions. I think we are going to see that going forward.

Question:

I have two questions. First is, could you give us an update on Olympic Dam, particularly with the very high price of uranium, if it's changed your parameters in terms of the design of the project and also what you're looking at uranium pricing going forward?

The second question is if you think that multiples in this industry are so cheap shouldn't you be going out and making more acquisitions?

Chip Goodyear:

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I'll turn Olympic Dam over to Marius. That falls within his business area. In terms of making acquisitions, I think it's a question of where do we put our money to work in the most efficient way? What we said is that obviously reinvesting in the organic way, we did find a nice opportunity with regard to WMC last year. We have done some other, what we say bolt-on acquisitions, and we do do minor acquisitions which probably don't hit your radar screen. Probably at the moment we've said we want to buy our own stock so we see that as probably one of the best investment opportunities, obviously that's where we think we can create the most value. Let me turn Olympic Dam over to Marius.

Marius Kloppers:

A couple of words perhaps, no material update on size, schedule, cost and so on at this stage. The majority of the work over the last year that we've owned the project has been to delineate the resource. I forget exactly how many drills we've got on site today, 20-odd. We are continuing to look at the resource which is still open to the side and to the bottom to try and see what the ultimate extent of that is and that continues to develop very favourably as we move forward.

I think a couple of things to keep in mind, Olympic Dam's metallurgy historically has not resulted in extremely high recoveries. That is one thing. If uranium is at ten or twelve dollars a pound, clearly that's something that is focusing a lot of attention of the development team as they look at the current uranium prices. Then perhaps just a word on uranium prices, we historically and currently only review prices about once a year. We haven't made material revisions in our uranium price protocols over the last 12 months. We're due to enter that process again in November or so of this year.

Historically our prices are actually quite modest by industry standards simply because the high or a low price protocol actually doesn't change what we've got to do. We've got to drill out this ore body, we've got to make a feasible project out of it and we've then got to deliver it on budget and on time. Whether we use X or Y as a uranium price doesn't really change that.

Chip Goodyear:

What we've said in the past, is obviously we travel around the world and see the world's economic development being a big consumer of metals, but you don't have economic development without energy consumption. We see that coming in all forms that you can think of, renewables certainly, but that's not our business. But in the area of oil, natural gas, LNG, energy coal and nuclear, all those things are going to play a role in the future. At least on the energy supermarket you will find BHP Billiton on essentially all the aisles, so which way it goes, I can't answer that question for you today but I can tell you we'll be there.

Question:

Two questions. One, first of all on Petroleum. You have recently made a number of divestments there, particularly in the Gulf of Mexico. I was just wondering whether you could give us some rationale behind those divestures and perhaps give us some indication whether there's further divestments to occur in the Petroleum business.

Secondly, on the tax issues in the US and the tax losses, you gave us an indicative range of US\$250 to US\$300 million for next year. Will that be the final year or will it be ongoing beyond 2007?

Chip Goodyear:

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You're in London and you've got the two guys who can answer those questions for you, so why don't we start with Mike and ask him to address your question about petroleum and what we've done around the recent sales that you've seen, and then turn it over to Alex to handle the tax question.

Mike Yeager:

We've had a couple of things that have moved forward here in the last few weeks and we've been public on. First of all, on the Typhoon divestment, that is in the last week or so, you will recall that that was the platform in the field that was damaged in last year's hurricane. What we did was re-examine the different options that we had for that, either redevelop it ourselves, market it or just abandon it. We have chosen to market it as the least onerous to our workforce and the highest value to our company, so we've taken that and that's the rationale for doing that.

In regards to the Cascade Chinook divestment that we announced about three or four weeks ago, certainly these are deep water discoveries that in our view have technical issues associated with them that don't fit within what we do best and can do best. We have an enormous number of projects in the Gulf of Mexico now and these two fields were sold in advance of any development decision. Once again, viewing that as being the best value opportunity for us.

Certainly when it comes to the rationale for any further asset sales we'll continue to look at our portfolio, we'll continue to look at those things that we do well and try to do more of them. Those things that are quite honestly not down the mainstream of our business, we will examine whether it's our best interest to keep them or to test the market. We are testing the market right now in a couple of other things and we'll make the same rational decision based on value at the end of that. This is nothing more than normal clean up in the two that we just don't have little or not impact on any volumes or any forward plans.

Alex Vanselow:

I'll address the second question. It's quite a simple answer. As I mentioned, on my speech the outlook for the US operations has improved. We see that we will be able to use the whole balance which is around that US\$200 and US\$300 million next year so that would be the end of that tax losses.

Question:

Just going back to something you said earlier, Mike, in terms of looking at new projects. You mentioned products or commodity preferences being diamonds, copper and nickel. There's one commodity area which BHP Billiton doesn't seem to have been involved in or shown much interest is platinum and PGM's. That industry that we know is growing, there seems to be an awful lot more entry points. Is there an issue with p gems and BHP Billiton or is it something that's just off the radar screen?

Mike Salamon:

I think the truth of the matter is that if we get the right opportunity we would go for it and that really is a question of having the right opportunity. I guess, as we stand at the moment when we don't have anything facing us, some of our exploration in particular, I guess in Russia, could lead in that direction but nothing as yet.

Chip Goodyear:

Thanks Mike, and that's a full suite of things both from the health, safety environment issues as well as to the economic opportunity there.

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Question:

I wonder if you could just give us an update on Petroleum volumes for this year and next year, given that they have been relatively poor over the last three or four years?

Chip Goodyear:

I might go ahead and just make a comment on that and then, Mike, I'm certainly glad for you to follow on. A key item in terms of our Petroleum volumes is going to be Atlantis. As we've said we expect 2007 to be similar to 2006 which puts us in that 115 area – 115 million barrels. Atlantis, when it ultimately reaches its full capacity is on the order of 26 million barrels so you can see it's a huge thing. The timing of that, how fast it ramps up, is really going to be the driver. So rather than try to predict when that is, what day it is or month it is what we'd like to do is just focus on obviously getting that on and when we do you'll have some visibility as that moves forward. I don't know Mike, do you have anything to add to that?

Mike Yeager:

Chip, no I think you discovered what will happen in the very, very near term. As you stated earlier, it's worth repeating that beyond Atlantis we have a number of things that are very material to us that are in certain stages of execution, whether they be Stybarrow which is FPSO off Western Australia, our Neptune – the tension leg platform that we will set and operate in the deepwater Gulf of Mexico. Shenzi will follow on there. We have expansions in the North West Shelf, so we have a number of things that have very material volume movement to them. They will be occurring over the next year, two years, three years so our outlook there is very favourable.

We're retuning our execution plans right now. We've got dedicated management on this. We're not going to take for granted that it's just going to improve. Back to your point, we are refocusing what we measure, how we measure it, what management's involved and we're going to come back to you hopefully in October, talk with you in great detail about anything that you'd like to talk about the petroleum division but clearly we are going to have some things here that are foundational, that are changed and that we hope will lead us to what we want to do. It's very favourable and clearly we're optimistic about what the next couple of years hold. Chip, back to you.

Chip Goodyear:

Thanks Mike, and as Mike said, things like Atlantis, Shenzi, Stybarrow and Neptune, they're all approved and actually under way in terms of execution.

Question:

Good morning Chip. I guess, as a CEO you have to be careful not to chase the latest fad and I guess at the moment the hot thing in the market is very aggressive buybacks or very aggressive and M&A. Whilst you have been leader in the past in both of those you are probably right here, right now and not in either of those camps. With a net coverage of interest of 44 times and a gearing of 27 per cent, do you feel that the balance sheet right now is really at its full potential? With such a great outlook that I'm hearing from you and Marius and the team, surely there is potential there to extend that balance sheet going forward?

Chip Goodyear:

There's no limitation to that. We have always said that we don't see ourselves going to zero debt. Debt is our cheapest form of financing and we need to make sure that there is the

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appropriate amount of debt on the balance sheet. I think you will find that our gearing ratio is actually higher than some of the other people in the industry but we see obviously a lot of cash generation is very strong. This year you will obviously have to look through the numbers but if you take into account the US\$5 billion that we're buying back you'll actually see that we have been quite effective in returning money to shareholders. It doesn't make any sense to have it sit on our balance sheet and earn one, two or three per cent.

We can always continue the program, in other words, continually announce new capital management opportunities leading forward. When you say it's ideal we believe a strong single A credit is ideal. We think that's where we have the lowest cost of capital and that's where we are. Obviously if you look at it on a short-term basis you'd say you do have a better credit than that but I certainly don't need that so I think we're in pretty reasonable shape. We are not, as you say talking about fads, we are not the flavour of the month. We're not going to chase the fad that comes along. We're actually going to try to find the opportunity that maybe not be quite as apparent to everyone and I think that is going to be a consistent execution as it has been over the last five and six years.

Question:

Can I ask one final question? Any update on Escondida, where we're at?

Chip Goodyear:

There's no real update on Escondida. Obviously we're disappointed that we've been unable to reach an agreement with the union at Escondida. We have created an offer for the union which we feel is an attractive one. Our workforce at Escondida is some of the highest paid in Chile and this is essentially the most attractive package that's been offered to the workforce in that region. We think it was a very attractive thing. Again, we're disappointed we can't get there. We will continue to work hard to get to the point where we can restart that, so other than that I'm afraid, no, update. It seems to be almost a story a minute but the team there is, I think, handling the job very well and doing it with a long-term perspective on what it takes to be a first class world class asset in the marketplace over a business site.

Question:

Can I just ask a question that encapsulates some of the earlier questions but from a longer term perspective? What if commodity prices stay about where they are or even spike in some cases to around 2010? How would your strategy change given that you could pay for your US\$14 billion in capex probably from next year's profit if prices stay where they are? What might that mean for your capital management?

Chip Goodyear:

We won't change, I mean, this has been a policy that goes back certainly since I've been at BHP – reinvest in our business, keep our capital structure in line and if we can't use the capital efficiently give it back to the shareholders. For people who have been back to '99 or 2000 or 2001 or 2002 when it was tough times, that was our policy. Obviously in more encouraging times that's our policy and that's exactly what we would do. We are positive about the long run. We do think that it's going to be very difficult to put the genie back in the bottle – three or four billion people around the world who would like to have the kinds of things we take for granted but that is not going to be a straight line. We are going to find opportunity along the way to be opportunistic and that's part of what we do.

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I think that that underlying use of cash will be very consistent for a long period of time but that doesn't mean that we're not going to see opportunities from time to time to put it to work in various ways and at certain times giving it back to shareholders is the right answer. If that continues to be the case we'll certainly do that.

Question:

Good morning. Just wondering if you guys might be interested in Falconbridge's aluminium assets and if you think they fit into your portfolio in any way. On a wider basis, what kind of attitude do you have, sort of downstream/upstream assets in aluminium?

Chip Goodyear:

In terms of are we interested, we don't comment on situations like that. What kind of assets we have – I'll tell you what, let me hit it simply. We have alumina production in Brazil, Suriname and Australia and smelter activity basically in southern Africa – very attractive in both segments of that. We are an upstream company and that's where we'll focus our business so we like being on alumina but we also like having low cost capacity to turn it into metal as appropriate.

Question:

Just on costs, if understood correctly you talked about an easing in the costs pressure in the business to some degree in the second half. I'm interested in your view going to FY07 and maybe one for Chris. Are interests in the iron ore cost outlook, given the tie-ins that are occurring, obviously cessation of mining in Goldsworthy and that system effectively being decommissioned, I'm particularly interested in what will happen in costs in that business.

Chip Goodyear:

I'll handle the general costs and Chris can handle the question on iron ore. As Alex said, we did see a moderation of costs relative to what we saw in the first half of the year. He also said the battle is not over and I think that that's right. I would think about it more in terms of an inflection point as opposed to we have the cost situation on the run. As you go into '07 the issues that we've talked about are still there. Again, I said I wasn't going to talk about individual things but the tyre issue isn't going to solve itself. You will see new capacity in '08 and that's not going to solve it at that point in time. Small trucks are 12 months away. Big trucks are 24 months away but in a number of the areas we have put in strategic relationships particularly on raw material sourcing. I think that is something that helps from a planning point of view. I think it helps us better manage that. Again, I don't see a major change in the pressures that will be there but, again, energy costs rose quite dramatically in the first half of the year. They're high in the second half of the year but the delta – the change in energy, hasn't changed as much as it did in the first half of the year, so we'll see what happens as we go forward. Chris?

Chris Lynch:

Thanks Chip. The issue with iron ore, obviously the tie-ins will hold our volumes at or about the same sorts of levels. I think we're going to be up marginally in '07 versus '06. That does give you less time to absorb fixed costs and so on but that's a temporary condition. Where we're focused is really to get the cost base in line such that when the growth does come we're in a good cost competitive base there.

I guess the other thing, while I've got the opportunity to talk a bit about costs, I think the biggest single cost issue we've had in the Western Australian operations has really been the use, both in terms of volume of use, but also in terms of the cost of use of contractors. Something like 60 per

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cent of our total material moved in Western Australia is actually done by contract workforces and those rates price more frequently or more nearer term in terms of their rates but also with the demand that's there for those contractors. The margins to contracting companies have been higher. That's probably the biggest single issue that's there and that's the one, the challenge in terms of the structural component of that cost and how we would bring that cost back out in the future.

The other things like fuel and explosives, no difference there versus elsewhere in the operations.

Question:

I want to talk a little about capital management like I always do. If I look at your last US\$2 billion, you did it very quickly three months, very commendable. But then you stopped. I'm just interested in giving you want to keep giving cash back to shareholders if you can't use it. Three months later, you announce US\$3 billion. I mean, it was probably an opportune time when the share prices fell 20% almost a few days after you stopped. Why didn't the board continue then, you had 10% approval, and I guess I'm just trying to understand why we had to wait.

Chip Goodyear:

Yeah, you have 10% approval from the shareholders but you did have to go through a board process to do that and that was one of the things that we just had to take a look at and...

Question:

But I mean that was a great opportunity.

Chip Goodyear:

Oh absolutely, no doubt, and that's why as I said we'll look for opportunities to do that because every six months or so, you all give us an opportunity to find something like that.

So that's part of being opportunistic.

Question:

The US billion then over 18 months we would expect you probably would look to push that quite aggressively again like the last.

C Goodyear:

Well, again, it will be opportunity driven, and if you give us the opportunity, yeah, I would expect we'll try to take advantage of it. But it is something that we can continue to look at as we go forward. In other words, it's a continuous process. People like to see big numbers but as you say, the key is execution.

Question:

Chip, could you please break up the performance of your nickel operations a little bit more. We got an overall number of US\$840 million or thereabouts. How are the Nickel West operations going versus Cerro Matoso versus Yabulu, and can you give us some understanding about what pressures in order of magnitude percentages you're getting from Ravensthorpe given the high cost pressures in the WA labour market.

Chip Goodyear:

Yeah, I'll let Marius answer those questions. But let me just make a comment mainly about Ravensthorpe. There is no doubt that there is lots of pressure in WA and what we've said in the

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past is if you approve a new project in WA, you probably have to add 10% to every other project you have because you're cannibalising the existing workforce.

I think with Ravensthorpe, what we said is at least 30% and I think the 'at least' isn't by mistake. I think you're going to see that number continue to move north of that 30% number. But it is something that we do have to go under a review. We're obviously getting closer. There was a picture in one of Alex's slides in the corner, you can see that. That thing is coming along, it's not a dream, it is there, and we are getting closer, but as we do, we'll be able to give a much better answer on that.

Marius Kloppers:

Perhaps on Western Nickel, I think we probably had about US\$400 million or so out of Western Nickel over the period. We're obviously continuing to invest in that business and incur costs to get that in the most productive fashion for the long run and to continue to deliver volumes there over an extended period of time into a pricing environment that we believe will be favourable.

In terms of Ravensthorpe, I think there a number of positives and a number of negatives there, as Chip has indicated. The first is that if anything, the market is stronger than we thought from a supply-demand balance. Secondly, our performance while perhaps not commendable, certainly vis a vis some of the competitive projects out there in the market is appearing to perform actually quite well for what is a very complex Greenfield environment in very tough conditions to get everything sourced. It looks like we're actually going to be in the market ahead of some of the competition that at first appeared to be ahead of us.

In terms of rates, productivities and so on, perhaps two comments. The first is that on schedule, we seem to have materially stabilised schedule. I mean the project is advancing and we've got a material part of the project actually completed so we're getting more certainty around schedule, but obviously costs I think Chip has said it all about where we expect costs to land.

Overall, we believe that that's going to be a very attractive project given that every day that passes brings us closer to production there in an environment where there's just no nickel around.

Chip Goodyear:

And Cerro Matoso is just a fantastic operation. It's not only fantastic financially but safety wise, really spectacular. So that's going to be the one that's there. QNI had a lot of tie-ins this year as it goes through its expansion and they're switching to a coal bed methane as a gas source, and those have all had an impact, so they've been challenged around that. Nickel West would probably be somewhere in the middle as they go through some of the issues of transition into the BHP Billiton family.

Question:

Just a couple of questions on growth, and I guess the first one, you have gone ahead with a few projects for this year in terms of approval but you have actually deferred a couple that we know about: RPG4 in terms of making a decision and Worsley Alumina. Are these deferrals just isolated to WA and I guess in some of Chris's comments around contractors and pricing and margins that's going on there or is it more widespread I guess, having seen the growth that you've got coming out for the next couple of years. A lot of those decisions were made a couple of years ago, is there some risk that we might see some further delay and some dearth of growth in a couple of year's time.

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Second, just in terms of management. Obviously, there's been some quite significant management changes across the organisation at the senior levels over the last 12 months. Can you give us a bit of colour and background on that? Have we got some new initiatives as part of the new approach that you perhaps have been flagging over the next couple of years.

Chip Goodyear:

Just in terms of the changed RGP4 and Worsley, those were for a variety of reasons, but one of the major ones is we've got to make sure that we do have a cost position, a cost structure on the capital side that can support those things through a business cycle. I think the critical thing as you say, are we going to stop spending money? Obviously the answer to that is no. If you look at our increase in capital expenditure, as said we approved seven projects last year, over US\$5 billion of growth capital regarding that. There will be other things coming along obviously as we move into 2007.

Again, we've seen very good performance in a number of projects. So I don't see that at all. But at the same time, again, we're in the business for the long run. There will be opportunities to come along. You will see response from the people who are able to execute, the suppliers to our industry. So all those things will help manage us. I mean, we talk about rigs, new drilling rigs will come online. Today, you're paying US\$450,000 a day. You're not going to need to do that in several years because the market will respond. So I don't expect that you're going to see that dearth of opportunity. In fact, I think you'll find that our growth pipeline and the ability to execute that will give us a very good picture as we go out over the next several years.

Then with regard to management changes, I actually see that as a great strength. We've seen an opportunity to take people who have been in the organisation and have been part of the company for a while who've done things, who've executed a number of things, and to get a new picture, a new view of the organisation from another seat, and that for us is a great strength where we will always say, people are absolutely critical to this organisation, they are the foundation of the organisation. But any individual, any one individual is not, and the ability to move people around, give them a new experience. But to do that in what I want to say is a safe way. I mean Mike (Salamon) obviously, as we've talked about, he's going to retire from BHP Billiton, but he was able to work with Marius (Kloppers) on the transition into the Non-Ferrous role and that went through a very smooth process and as a result, we now have a position where Mike can move on without having a significant impact or what I'd say a shock to the system.

Again, Chris (Lynch) moving into Carbon Steel. Bob (Kirkby) essentially will be around till the end of the year, he's continuing to look after Energy Coal, a great way to transition. Alex coming in, in the CFO role, obviously I was there, Chris was there. So it's a great opportunity to do that. Mike (Yeager) is new to the organisation, but as I said, maybe in a little earlier thing, we're transitioning petroleum from kind of a right size, focus on exploration and growth, to one of operator, developer, that's what we have to do and balance out, keep exploration and make sure we're executing development in operating activities.

So it's actually an excellent way to give our people a perspective of the organisation, so we do have the flexibility, succession planning and the talent management that creates an organisation. It's not about one or two people, or three or four years, it's about generations. That's what this company is about in the long run.

So, next Question in London.

Question:

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The obligatory question about capital management. How did you decide between the split between paying up an extra dividend against share buybacks?

Also on an accounting question, the depreciation and amortization, there's been some substantial changes, if I look at Ingwe and if I look at diamonds, diamonds is down, Ingwe is up substantially. Maybe if you could just go through some of those big changes that have happened on the income statement.

And then the third question is to continue on with Ingwe is producing US\$7 million EBIT as a performance. You talked again about the changes that are happening in the write-up. Can you just go through what is happening in that company and what we can expect to come through into the future.

C Goodyear:

I might come back to you on the third question. I probably missed a little of that. Just first of all, how do you decide between dividends and buybacks? What we have is a progressive dividend policy, we try to continually increase our dividend basically as we move forward. We've been fortunate obviously to be in a generally rising market and Alex showed you the annual increase in performance but in a slow down, you'd hopefully see us continue to do that. No guarantees but we see, back to the earlier question, about where do you value this thing at? We are not, we hopefully are not, into the volatility that you might see in a single product company. So we have to assess that as we look forward. And the buybacks give us an opportunity to utilise that excess cash as we grow into the operating performance and dividend that we would see over a long period of time. I do want to specify that there is no commitment; it is a progressive strategy and dividend that we have been able to execute over time. I'll ask Alex to briefly talk about depreciation but only very quickly if you can do that. The best thing for you to do on that would be to talk to the investor relations people. They'll have all the answers on that but Alex, if you had the 30-second summary, that would be great.

Alex Vanselow :

I had about 10 minutes down for this Chip. Basically on Ingwe we had a review of some of the reserves and that came through to the non-cash. So you saw that in the depreciation and amortisation. In diamonds, the drilling that was done allowed us to extend the life of the business there. So you see the lower depreciation coming there.

Chip Goodyear:

And now, could you repeat the last question for me?

Question:

Just, the profit of Ingwe down to US\$7 million. What are you doing? This is the year and you are talking about the changes. What can we expect as far as changes are concerned? What can we expect coming through from the organisation?

Chip Goodyear:

Ingwe has been a place that has been a challenging situation for us. It is an important part of the energy coal portfolio. And, as I mentioned to you earlier, we see that as an important part of our overall energy position.

So what can you expect, we would like to see a continued performance. Our business there is going to be one that's going to be focused on how do we make it the most efficient given the

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asset and how do we maximise our strengths. We do have a domestic business that we need to obviously watch after. But it's going to be, how do we efficiently access that export market. In terms of, we don't give projections on profit and so on, but it is something that, as we've all said, is really an important thing for us to do. So, you should hopefully see an improving cost performance and an improving mix in terms of where we send our product, over time obviously.

Okay, let's see, anything on the phone? Johannesburg?

Mike Salamon:

Chip, there's no further questions from Johannesburg.

Chip Goodyear:

Okay, I see we're about at an hour and a half, which is our limit. We did want to try to give as much opportunity to answer questions. So we did, as you know, keep our fixed comments to a minimum, but I'm sure there are plenty of things about the details. Feel free to call investor relations activities in South Africa, Alison; in the United States, Tracey; in the UK and in London start with Mark; and here, certainly Jane and James would be here in Australia. Be sure to give them a call to follow up on the details. Again, thank you very much. It's been an exciting 2006 for BHP Billiton, a lot of interesting things happening. Obviously, some pretty impressive numbers. But as we look forward to 2007, our financial 2007, not only do we see a constructive environment, we see lots of issues that come with the supply side but an organisation now that's looking at a ramp up of some very important projects and commissioning of others as we move into the year, the financial year and the calendar year 2007.

So thank you very much for your time and your patience and we look forward to seeing you at the half year in February of 2007.

Thank you.

[END OF TRANSCRIPT]