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ANDREW MACKENZIE, CEO, BHP BILLITON PLC: Welcome to our results briefing on what is a very important day for our Company. I'm in London with our CFO, Graham Kerr. Other members of our Group management committee are here or they've joined by telephone.

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First, let me point you to the disclaimer and remind you of its importance to today's presentation.

I'm going to provide you with an overview of the last year, and share with you our exceptional results of our productivity agenda. Graham's then going to take you through our financial results in some considerable detail. I'll then focus on our next exciting step in our journey towards a simple portfolio and our strategy to deliver the next level of performance for our shareholders.

In the 2014 financial year, we continued to deliver on our commitments. We exceeded production guidance for a number of our core commodities and surpassed our annual productivity target with another $2.9 billion of sustainable gains embedded, and there's more to come.

Our selective investment, through which we will ultimately deliver higher investment returns, coupled with our financial discipline, generated a substantial increase in free cash flow. And this comfortably covers our progressive base dividend and has further strengthened our balance sheet.

We will return excess cash flow to our shareholders in a consistent and predictable manner. And finally, we've announced plans to simplify our portfolio in a single step.

All of this should provide you with the confidence that we will continue to do what we say we will do.

Sustainability, our first charter value, dictates that health and safety always come first, so that everyone goes home safely every day. This year, we've delivered our best ever safety performance. Our total recordable injury frequency of 4.2 for every million hours worked is a new record low but, most importantly, none of our colleagues lost their lives at work..

As you know, sustainability extends beyond safety alone. During the past year, we achieved, or remain on track to achieve, many of our key public targets. The potential exposure of our employees to contaminants reduced by 21%, compared to our 2012 baseline. Our greenhouse gas emissions remain below our 2006 baseline in absolute terms, even with the considerable and significant growth in our business. And in line with our commitment set at 1% of pretax profit, we invested $240 million in community programs.

The 2014 financial year was characterized by weaker prices for the majority of our key commodities. However, the exceptional success of our productivity agenda, and volume growth from our largely low risk Brownfield investment program, enabled us to increase profitability.

Underlying EBITDA by 7% to $32.4 billion; underlying attributable profit by 10% to $13.4 billion; net operating cash flow by 26% to $25.4 billion; capital and exploration expenditure, excluding finance leases, decreased by 32% to $15.2 billion; free cash flow, one of my overriding priorities has grown by $8.1 billion.

With our disciplined approach to investment, we maintained return on capital of 15%. Our progressive base dividend increased by 4% to $1.21 per share. Our solid A balance sheet continued to strengthen, with net debt at the end of the period of $25.8 billion.

Annual production records were achieved at 12 of our operations across four commodities and, as a result, Group production increased on a copper equivalent basis by 9%. A 14th consecutive year of record production at Western Australian Iron Ore delivered volumes significantly ahead of our initial full-year guidance.

The early completion and accelerated ramp up of the Jimblebar mine expansion, and the success of volume led productivity initiatives, contributed to this result.

Queensland Coal achieved record production and sales. Metallurgical coal production exceeded guidance and increased by 20%.

Copper production met guidance of 1.7 million tonnes, as higher mill through put and concentrator utilization at Escondida offset a decline in ore grades.

At Olympic Dam, with initial trials of heap leaching now complete, we plan to commence construction of our larger scale demonstration plant in the second half of the 2015 calendar year. These studies will help to unlock the full value of this unique ore body.

Petroleum liquids increased by 18%, underpinned by growth at Onshore US of 73% and an 87% increase in production at Atlantis. Our Onshore US business was profitable in the second half, as we focused on our highest value acreage. With a 6% reduction in unit costs, underlying EBITDA increased by more than 60% to $1.4 billion. In our Black Hawk acreage, we now have plan to bring [one] up to 120 new wells in the 2015 financial year.

We're also making further gains in the Permian where our plans to develop 100,000 barrels of oil equivalent per day operation are firmly on track. And with strong growth in liquids production, and further improvements in productivity anticipated, we remain confident that, in the 2015 financial year, this business will be strongly EBIT positive.

The capabilities of our core businesses will carry our momentum forward. Production guidance for this financial year is now: iron ore of 225 million tonnes; copper of 1.8 million tonnes; petroleum of 255 million barrels of oil equivalent; and metallurgical coal of 47 million tonnes.

For the two financial years, 2014 and 2015, we have delivered production growth of 16%. This outlook is the clearest indication of our systematic approach to productivity and how it continues to lift performance in a sustainable way.

How do we do this? Well, we're working on many fronts. For instance, in our minerals business we identify and attack the usual bottlenecks: wash plants in coal; concentrators in coppers; train load outs in iron ore. But the element common to all of our mines is trucks, and with all our operations now using a single platform across the entire fleet, we can interrogate these systems and use the power of big data.

In the 2013 financial year, we identified a high degree of variability in the average utilization of our fleet. Armed with this depth of data, we set benchmarks to improve performance. The result: we increased utilization by 10% in the 2014 financial year as well as reducing variability and increasing predictability.

This 10% improvement has given us the equivalent of 75 additional trucks at no extra cost. And in iron ore and coal, it's allowed us to relocate our fleet, displace contractor equipment and increase both capital productivity and margins.

Our relentless focus on productivity is most evident at our largest asset, Western Australian Iron Ore. After a decade of capital investment, the next phase in the journey is to maximize a return on this investment. In the 2014 financial year, we increased production by 20% and, in the second half, delivered a unit cost reduction of 12%.

As we lift our performance and move the bottleneck in iron ore to the port, we have the potential to grow this business from 225 million tonnes per annum to 290 million tonnes per annum at a capital intensity of less than $50 per annual tonne. As volumes grow and we attack the cost base, we expect even lower unit costs.

While Western Australia Iron Ore provides a case study, it is but one example of the great work of our teams across our whole organization. We've already embedded more than $6.6 billion of sustainable productivity-led gains and there is more to come from our simplification agenda.

I'm now going to pass over to Graham Kerr, and then I'll return to tell you more about our proposed demerger. So with this in mind, I'm very pleased to announce that today we've confirmed -- sorry, last week -- Graham is the CEO elect of our new Company. Congratulations, Graham.

GRAHAM KERR, GROUP EXECUTIVE & CFO, BHP BILLITON PLC: Thank you, Andrew. I'm very excited at the prospect of becoming the CEO for the new company but today, I'm equally excited to present our strong 2014 results, my last as CFO.

Before I turn to this year's financial performance, I want to remind you what we have achieved over the last two years. We started with project reset, a thorough review of operating costs resulting in far-reaching savings across all the business. It evolved into our productivity agenda.

We also optimized the rate, allocation and timing of our capital expenditure by striking the right balance and maximizing investment returns from our high quality projects.

In the 2014 financial year, these rigorous processes and financial discipline underpinned solid financial results. There are four areas I will cover today: individual items affecting profit; an EBIT waterfall analysis covering each of our five businesses; the sustainable productivity gains we have embedded; and our strong growth in free cash flow.

A number of individual items affected our underlying financial performance this year. This slide summarizes the EBIT impact of impairments, closure costs, redundancy charges and other items totaling $1.5 billion, of which $1.3 billion were recognized in the second half, before accounting for the movement of monetary items on the balance sheet.

I will cover these in more detail as I go through each of our businesses to assist you in working through our accounts.

Turning to taxation, as you can see, tax and royalty-related charges were partially offset by re-measurement of deferred tax assets recognized under the mineral resources rent tax. This raised underlying profit by $170 million.

We paid $6.5 billion of income and royalty-related taxation and $2.8 billion for other production royalties. Our adjusted effective tax rate was 32.5% and is expected to remain between 30% and 34% in the 2015 financial year.

Now, turning to the earnings waterfall: we have divided our EBIT waterfall into uncontrollable factors on the left and controllable factors on the right. We have also split the volume variance between growth volumes associated with our capital projects and productivity volumes delivered without additional investment.

Underlying EBIT remained stable at $22.9 billion as our focus on the controllables, safety, volume and costs, mitigated broad-based weakness in commodity markets and delivered a $2.4 billion increase in underlying EBIT.

But first to the factors outside of our control. We continue to benefit from our diversity. A 16% increase in the average realized price for natural gas partially offset lower bulk commodity and metal prices. In total, however, lower commodity prices reduced underlying EBIT by $3.4 billion.

A favorable move in exchange rates as the Australian dollar weakened contributed an extra $1.8 billion, although inflationary pressure, particularly in Australia, Chile and South Africa, reduced underlying EBIT by $800 million.

Now moving on to the factors we control. A 9% rise in copper equivalent production increased underlying EBIT by $2.9 billion. As Andrew mentioned, iron ore and metallurgical coal production exceeded expectations, supported by productivity initiatives and the completion of growth projects.

We reduced controllable cash costs by $1.9 billion by optimizing equipment utilization, contractor activity and, again, reducing exploration and business development expenditure. This lower rate of exploration and business development expenditure of around $1 billion per annum is sustainable, given the level of understanding that we now have of our large, long life ore bodies.

An increase in non-cash charges reduced underlying EBIT by $2.1 billion and included a number of the items I mentioned earlier.

Now to each business in turn. Petroleum and potash contributed $5.3 billion to underlying EBIT. The positive EBIT contribution from volume growth, which included a better than expected 18% increase in liquids volumes was offset by an increase in non-cash costs.

This included $140 million in impairment charges for a number of small Gulf of Mexico assets, and mine site rehabilitation provisions for closed mines in North America totaling $300 million. An adjustment to the Browse divestment price reduced underlying EBIT by a further $143 million and is reflected in other items.

We invested $4.2 billion at Onshore US this year and capital productivity continued to improve. For example, Black Hawk drilling costs declined by 16% and spud to sales timing reduced by 21%.

Now copper. The contribution of our copper business declined to $5.1 billion, as weaker metal prices reduced underlying EBIT by $900 million.

By focusing on the factors we control, we've managed to offset the impact of grade decline by raising productivity. For example, at Escondida, the insourcing, and optimization of contractor activities, led to $190 million cost saving, and contributed to a 6% reduction in unit costs at our operated copper assets.

Our iron ore business contributed $12.1 billion to underlying EBIT, despite the net effect of lower prices, inflation, and exchange rates, which reduced underlying EBIT by $600 million.

Growth volumes, mainly from Jimblebar, added $900 million to underlying EBIT. Productivity volumes delivered a similar benefit as we released latent capacity in our supply chain.

The additional volume, and heightened focus on all aspects of our cost base, led to a 12% reduction in unit costs to below $26 per tonne in the second half of the 2014 financial year.

Our coal business continued to move sharply down the cost curve. Given the significant impact of lower prices, a $1.2 billion reduction in controllable cash costs was fundamental to maintaining a positive underlying EBIT contribution. Queensland Coal cash costs are now more than 40% below their peak.

Included in non-cash charges was a $292 million impairment at South Africa Energy Coal, while other items includes a profit on sale of the Optimum Coal Purchase agreement.

Our aluminum, manganese and nickel business increased its contribution to underlying EBIT. A $300 million improvement in controllable cash costs was supported by productivity-related volume gains. Worsley, Alumar, Hillside, and Mozal all delivered annual production records.

This result was particularly impressive as the closure of the Perseverance underground mine, and smelting activities at Bayside, reduced underlying EBIT by $341 million.

With these productivity gains embedded, this business is well placed to benefit from any sustained recovery in prices.

What does this mean? We have generated more than $6.6 billion of sustainable, productivity-led gains in two years, including $2.9 billion of volume and cost efficiencies this year. This exceeded our target by more than 60%, or $1.1 billion. As mentioned, the key contributor to our cost efficiencies was coal, while iron ore underpinned our stronger volumes.

Our commitment to increase productivity is a continual process. It will drive growth in free cash flow and shareholder returns, even in the absence of higher prices. In fact, our free cash flow increased by $8.1 billion in the 2014 financial year.

Strong operating performance, a 32% reduction in capital and exploration expenditure to $15.2 billion, and a significant reduction in working capital in the second half of the financial year, were the main contributors.

We successfully completed six major projects during the period, and expect capital expenditure to climb again in the 2015 financial year.

Our solid A balance sheet is strong, and getting stronger. Net debt declined by $1.7 billion to $25.8 billion, including financing leases, of which $757 million were brought to account in the second half.

We continue to optimize our debt facilities, and now have a very well balanced debt maturity profile. We issued $5 billion of bonds in multiple markets; this included $2.5 billion of 5% senior notes due in 2043. This is long-term money at very attractive rates.

Conversely, we redeemed $1.4 billion of high yield Petrohawk bonds, and after period end redeemed the remaining Petrohawk bonds for $1.8 billion.

So our balance sheet is in good shape and we are confident in the outlook for the Group. As a result, we have increased our base dividend by 4%, to $1.21 per share, for a payout ratio of 48%. Importantly, this base dividend is comfortably covered by free cash flow.

Looking ahead, we will ensure we have the capacity required to invest selectively, pay out base dividend, and return excess cash to shareholders consistently, predictably, and in the most efficient and value-accretive way, irrespective of commodity prices.

In conclusion, our performance continues to improve. We are generating strong results, underpinned by solid operating performance. We have a strong balance sheet, and it is getting stronger. We will remain financially disciplined, continue to maximize value, and return excess capital to shareholders.

Back to you, Andrew.

ANDREW MACKENZIE: Thanks, Graham. I'd like now to outline the next major step towards a simpler and even more formidable portfolio. Again, let me point you to the disclaimer and remind you of its importance again to the second part of today's presentation.

We've decided to reshape our **Company**, and stay true to our strategy. We plan to simplify BHP Billiton's portfolio with a demerger, and unlock value for shareholders as we focus even more on our largest businesses, reduce costs, and improve productivity more quickly.

We will create a new global metals and **mining company**, which I will refer to as NewCo, and this will largely complete our simplification process in a single step. This will maximize value of all our assets for all our shareholders.

Please note that my presentation will be in three sections. The red section outlines the rationale and structure of the proposed demerger; the terracotta section defines BHP Billiton's core portfolio and its potential; and the blue section introduces NewCo.

BHP Billiton's strategy has remained unchanged for many years. We own and operate large, long life, low cost, expandable upstream assets, diversified by commodity, geography and market. And, over the last decade, the disciplined implementation of this strategy has delivered exceptional results.

We've maintained a strong balance sheet throughout the cycle, and returned $64 **billion** to shareholders.

BHP Billiton has significantly outperformed both the sector and the broader markets. $100 invested in our shares 10 years ago is worth almost $500 today.

Through this period of consistent outperformance, our portfolio has evolved. For **iron ore**, **copper**, **coal** and petroleum, the growth in **Chinese** demand could only be met by the addition of much higher cost supply, so prices rose significantly. But the resource endowment of our major basins allowed us to respond, and we directed the majority of our capital towards projects in our highest returning businesses, which offered the most attractive growth.

We expanded our low cost **operations**, to the benefit of our shareholders and to the global economy. As you can see, our four pillars now contribute the vast majority of our underlying EBITDA, and they generate the strongest margins, and offer the most compelling investment options. These exceptional businesses demand our full focus, attract all of our capital, and drive performance for shareholders.

Given the shift in the shape of our portfolio, we've been simplifying our business now for over a decade. In the last two years alone, we've completed divestments of over $6.5 **billion**, at attractive valuations. A demerger is the logical next step for other high quality assets elsewhere in the portfolio that don't have the scale of those in our major basins.

The assets selected for demerger are: our manganese business, with mines at GEMCO and Hotazel, and smelters at TEMCO and Metalloys; our aluminum business, including Worsley and Alumar refineries, and the Hillside and Mozal smelters; the Cannington silver mine; the Cerro Matoso nickel operation; Illawarra **Coal**; and South African **Energy Coal**.

Creating a new global metals and **mining company** with a dedicated Board and management team, with its own bespoke strategy, will help all these assets realize their full potential, and unlock shareholder value.

Shareholders will have the opportunity to benefit from the potential value created by two high quality companies that can each optimize performance and improve productivity more quickly. All BHP Billiton shareholders will receive a pro-rata distribution of NewCo shares and retain their current holding in BHP Billiton. All shareholders will be treated equally.

NewCo will apply for an ASX primary listing, and a JSE inward secondary listing. While a dual listed structure works well for BHP Billiton, we have decided not to pursue a DLC for NewCo as the complexity, costs and regulatory burden outweigh the benefits for a business of this scale.

Australia, where many of the new **company**'s assets are, has been chosen as its listing location, and home for its headquarters. The decision to apply for a JSE secondary listing reflects the importance of South Africa to NewCo.

Given the time to implement associated costs and risks with third-party approvals, the Board believes this demerger proposal would deliver more value than other options, including trade sales.

This proposal remains subject to final Board approval and will be put to shareholder vote after receipt of third-party approvals on satisfactory terms. Based on our current timetables, we anticipate listing NewCo in the middle of the 2015 calendar year.

Now let me talk to core BHP Billiton and our vision for a minerals and **energy** portfolio of unrivalled scale, quality and diversity.

For many years, we have successfully reshaped our business. We moved from **mining** silver, **lead** and zinc at Broken Hill and tin on Billiton, to first producing and then demerging steel, to petroleum, the Pilbara, the Bowen Basin, and **copper** in the Andes. We also entered and exited many other commodities along the way.

This map shows our portfolio in June 2005. The size of each bubble represents the underlying EBITDA contribution from each asset.

Then we held an interest in 50 assets, spread across 14 countries and six continents. After a decade of investment, and high grading our portfolio, we now hold an interest in 41 assets. You can see the strong growth in our major basins, so this proposal and trade sales will further sharpen our focus.

We see a future based on just 19 core minerals and petroleum assets, a 50% reduction from today. Of these 19 assets, only 12 will be operated by BHP Billiton, and for our minerals business this includes: Western Australian **Iron Ore**, a top three **iron ore** producer; Queensland **Coal**, the largest metallurgical **coal** exporter; Olympic Dam, one of the best **copper** and **uranium** deposits in the world; and New South Wales **Energy Coal**, all in Australia; plus Escondida, the largest producing **copper** mine, and Pampa Norte, also in Chile; and finally, the Jansen project based on our potash resource in Saskatchewan Canada.

Across petroleum, this includes: our liquids rich shale resources in the United States; Shenzi in the deepwater Gulf of Mexico, Pyrenees and Macedon in Western Australia; and the Angostura development in Trinidad and Tobago, a region where we see great exploration potential.

In addition, our core portfolio also includes: interest in the non-operated world class joint ventures at Antamina **Copper**, Cerrejon **Energy** Co., and Samarco **Iron Ore**; plus our petroleum interests in Atlantis and Mad Dog, two of the largest fields in the Gulf of Mexico; and the long life Bass Strait and North West Shelf **operations** offshore Australia.

Given our vision for simplification, there is more we can do. We continue to review Nickel West, including the potential **sale** of all or parts of the business, and New Mexico **Coal**, where we have completed the Navaho transaction. And we're also looking at smaller petroleum assets having recently sold Liverpool Bay.

It's one thing to have the best assets, but a **company** also needs to have the right management team, and we have both. The changes we made 18 months ago to delayer our structure has brought me and the GMC closer to **operations**.

With the changes announced today, we retain a first class management team, and this is important, given our ever increasing focus on health and safety, operating costs and productivity.

Our core portfolio will be perfectly aligned to our strategy, and remain diversified by commodity, geography and market. And with our broad exposure to steel making, **energy**, **copper** and potentially fertilizers, we're uniquely positioned to respond to changes in commodity demand.

From our concentrated largely OECD footprint, we will continue to sell to the four corners of the world, and have the freedom to choose when and where to selectively expand our **operations**, and maximize value.

Compared to our historic performance, the core portfolio would have generated even stronger results over the last decade with no increase in volatility. We have many of the best **ore** bodies in the world; they underpin our competitive advantage, an advantage that cannot be replicated by others.

We hold more than 100 years of inventory across multiple commodities in our major minerals basins. No other **company**, no other **company**, has this unique position. And we will continue to invest our skills and capital selectively and sparingly so as to maximize value and shareholder returns.

As Graham covered, capital expenditure declined by 32% to $15.2 **billion** in the 2014 financial year, and is expected to be below our $15 **billion** investment ceiling next year at about $14.8 **billion**.

In the medium terms, our plans include roughly $2.5 billion for maintenance CapEx, $1 billion for exploration, $4 billion for Onshore US, and around $1.5 billion to maintain steady production in our existing conventional petroleum business. Finally, we have our major minerals projects in execution, and beyond that, all our investment options will compete for capital.

After we complete the proposed demerger, we will reduce our investment ceiling to $14 billion. As we continue to lower our spend internal competition for capital will rise, as will the quality of our major projects. As I said at the half-year, our favored projects are now expected to generate an average rate of return in excess of 20%.

As we improve capital productivity, we can choose either to maintain our rate of investment, create more value, or to invest less than $14 billion and return even more cash to shareholders. But under all the scenarios, we will maintain strict financial discipline to get the balance right.

By the end of the 2017 financial year, we are targeting at least $3.5 billion of additional annualized productivity gains beyond those reported today. These go straight to the bottom line, with more to come. The demerger will be a catalyst that helps us improve productivity, further, faster and with more certainty.

With fewer assets and an even greater upstream focus, we will continue to simplify our management structure and reduce duplication and functional costs at an even quicker pace. We will continually improve our operating performance, more like an advanced manufacturing company than a traditional resources business.

The prize is huge. In line with our commitment to a solid A credit rating, we have a strong balance sheet; as Graham said, it's getting stronger. This enables us to invest consistently throughout the cycle, and we will seek to increase steadily, or at least maintain our dividend per share after the demerger. This implies an even higher payout ratio than the 48% quoted by Graham.

We will be even more focused on the controllables: safety, volume, cost, and the rate and where we invest. But the pace at which our balance sheet strengthens, of course, does depend on external factors like commodity prices and foreign exchange rates.

We will not be overly conservative, and we will return excess cash to shareholders in the most efficient way. But by making sure that we start from a position of strength, we will be well placed to implement an enduring and improved program for capital management that can be carried out over years in a consistent and predictable manner.

BHP Billiton has been a very successful Company, but it can be even stronger. This plan will further differentiate us so that we increasingly compete with the very best companies in the world.

To NewCo: NewCo will be a global metals and mining company with high quality assets, many of which are amongst the most competitive in their respective industries. Even at today's prices, together these assets, which spread across the southern hemisphere, form a portfolio that generates over $1.4 billion of net operating cash flow.

It will be a company of global significance, and NewCo's portfolio will have a diversified exposure to manganese, precious metals, base metals, metallurgical coal, and energy coal which currently trade below mid-cycle levels and have some of the highest rates of demand growth.

NewCo will operate 11 assets, primarily in Australia and Southern Africa. Its culture, processes, organizational structure, and systems will suit the scale of its operations. It will be lean and flat with a regional operating model designed to strengthen relationships with governments and communities where it operates, especially in Southern Africa.

NewCo will have an experienced team whereby Graham Kerr as CEO and headed by David Crawford as Chairperson, who will retire from the BHP Billiton Board in November 2014. Given the location of its assets, the head office will be at its geographical center in Perth, Australia. And there will be a regional head office in Johannesburg to lead its African operations, and a global shared services center there.

As we take a closer look at the portfolio, remember that these are BHP Billiton assets, built to BHP Billiton standards in sync with our strategy of large long life and low cost. They are some of the leading assets in their industries.

Let me now explain the chart on the right. It shows the position of NewCo on the commodities cost curve against other companies in that industry, as well as its production rank. NewCo is positioned in the first or second quartile of industry cost curves and ranks amongst the largest global producers.

These are all high quality assets. Over the last decade, however, their markets have evolved differently so they have not received the same level of capital as our pillars. Individually, NewCo's assets are large and well capitalized; they've been operational for decades. Collectively, they form a robust portfolio that will continue to benefit from the legacy of BHP Billiton's common systems processes and highly trained people.

NewCo will hit the ground running; it will be set up for success and adjust its approach to optimize its portfolio. It is designed to maintain safe **operations**, increase productivity and improve performance. So let's discuss the assets in turn.

Illawarra **Coal** owns and operates three underground **coal** mines. It's situated close to major port infrastructure with easy access to global markets. It's an operation that produces high quality hard coking **coal**, with a capacity of 9 **million** tonnes per annum.

Energy Coal South Africa is the third largest exporter of thermal **coal** in the region, and it had export sales of 13.3 **million** tonnes in the 2014 financial year and has significant potential to grow.

NewCo's **alumina** capacity of 5.2 **million** tonnes per annum is supplied from the modern Worsley and Alumar refineries. And after the completion of recent expansions in both places, these assets are fully capitalized. Aluminum smelters of Hillside and Mozal have a combined capacity of 1.3 **million** tonnes per annum.

Cannington is the world's largest silver mine with a production of 25.2 **million** ounces. And in the 2014 financial year, it generated a return of over 150%, a truly unique asset.

Cerro Matoso is one of the world's leading ferro-nickel assets with an annual production of more than 40,000 tonnes of contained nickel. Over the last 10 years, on average, Cerro Matoso generated an underlying EBITDA margin of 49%.

Finally, NewCo will be the world's largest and one of the lowest cost producers of manganese **ore**. It will also be a top global producer of manganese alloy.

Over the last 10 years, the portfolio has generated around half of its EBITDA in Australia and close to one-third in Southern Africa. As NewCo implements its strategy and seeks to reduce costs, there's significant earnings upside. For example, a 5% reduction in operating costs would equate to approximately 20% of last year's underlying EBITDA. So with consensus estimates suggesting a recovery in most of its major markets, the outlook for NewCo is compelling.

A strong balance sheet will complement NewCo's operational leverage and, on formation, the **company** is expected to have minimal net debt, before finance leases, and would target a credit rating of investment grade.

While BHP Billiton will continue its progressive dividend policy, NewCo will be able to consider a dividend policy that reflects its cash generating capacity. With no immediate plans for major investments, as margins expand shareholders will be rewarded. Over time, though, as NewCo develops a proven track record as a strong operator and a disciplined manager of capital, it will have the choice of a broader set of options.

Attractive low risk Brownfield investments, such as at Cannington and the Klipspruit **Energy coal** mine in South Africa, become even more attractive. These projects extend asset life and have the potential to create significant value for NewCo, but they have not, and would not, be a priority for BHP Billiton.

In conclusion, while our current structure has worked well, we are now at a point where the status quo no longer positions us to best maximize value to fulfill our commitments to grow free cash flow and to be more productive.

Change is required, and we believe a demerger will maximize value for shareholders, better align the BHP Billiton portfolio with our proven strategy, and accelerate simplification. Fewer assets, and a greater upstream focus, will enable BHP Billiton to improve productivity even more quickly.

NewCo will have a competitive position across a broad range of commodities. It will have the best of both worlds, with significant operating leverage and minimal net debt.

It will continue to benefit from the legacy of BHP Billiton's systems and processes, and draw on the pool of talented BHP Billiton people who will join NewCo. From day one, it will have a dedicated management team and a new direction that will position it to increase the value of its asset base and accelerate productivity gains.

BHP Billiton will seek to increase steadily, or at least maintain, its dividend which means a higher effective payout ratio. And on top of this, NewCo will be able to consider a dividend policy that grows with its cash flow.

Overall, we believe returns to shareholders will rise. BHP Billiton will continue to return excess cash in the most efficient and value accretive way possible, and NewCo will be structured to do likewise.

I believe that this is the value maximizing strategy for our shareholders. These two distinctive companies will meet their customers' demand for the critical resources that underpin global economic growth, play a positive role in their communities, create new opportunities for their people and contribute to sustainable economic growth. With one step, we intend to forge a simpler, more productive BHP Billiton and a new global metals and **mining company**.

Thank you. I'**m** now pleased to take your questions.

Questions and Answers

UNIDENTIFIED AUDIENCE MEMBER: Nick (inaudible), Brewin Dolphin. I'**m** just wondering, you mentioned in the past a $25 **billion** target to maintain an A credit rating. Does the divestment of NewCo change that target?

And second question is, have recent movements in commodity prices changed your view of what sustaining or general cash generation the business can generate in the future from the remaining **company**? Thank you.

ANDREW MACKENZIE: Well, as you've heard, we're not quite at that target yet. But BHP Billiton will continue to target a solid A credit rating. Clearly, we'll discuss, as we go forward, the shape of the new **company** and how commodity prices look, going forward, as we make decisions around capital management.

These are under active consideration at our Board level and, as both Graham and I said, we continue to strengthen our balance sheet and lay the basis for something that may be considered as we go forward, that we think would be both consistent and enduring over a period of years. So we want to wait until we're ready and we'll look at all the indications that you refer to, to make sure when we're ready.

JASON FAIRCLOUGH, ANALYST, BOFA MERRILL LYNCH: Jason Fairclough, BofA Merrill Lynch. I don't know if it's a question for you, Andrew, or for Graham as the CEO of NewCo, but could you talk a little bit about the strategy of NewCo; is it just the BHP strategy but applied to different markets? Or is there going to be some nuances to this? Do you dress it up to get Glencore to buy it?

ANDREW MACKENZIE: I don't really want to answer that question today. We've only just created the beginnings of a new team that will look after NewCo. They have to form, and they then have to work out their strategy and come to the market with that in due course, but not for today.

JASON FAIRCLOUGH: So the strategy is not defined yet?

ANDREW MACKENZIE: Many of the elements of the strategy about unlocking free cash flow through running high quality assets better, using a BHP Billiton approach I think are the basis of it. But how they then step up from that basis to do other things I think requires better definition before we attempt to fully answer your question.

MENNO SANDERSE, ANALYST, MORGAN STANLEY: Menno Sanderse, Morgan Stanley. Two questions, Andrew. First on US Onshore, which will be a very big swing factor for the NewCo in terms of earnings, how happy were you with the performance in last financial year? The **Company** just missed its targets, but you've expressed some confidence for next year?

And secondly, you showed a slide [with a] CapEx, $10 **billion** has been determined already and there is a $4 **billion** gap still to be filled in. When is the **Company** ready to give us more insight in how you're going to spend that $4 **billion**?

ANDREW MACKENZIE: Okay, look, I'**m** very satisfied with the performance of the petroleum business and particularly the onshore business in the second half of the year. We delivered an EBITDA of $1.4 **billion**, which, if you annualize that and you look at its current capital spend and what I suggested means that we're well on track to being cash flow positive in FY16 as well as EBIT positive in FY15.

So a lot more to do, but the gains that we've spoken about in productivity and in well performance, and in fact well yield, continue to impress on the upside.

So that's the first question. I think, in filling in the detail of some of how we will spend the capital up to, in the long term, the $14 **billion** ceiling, which, I remind you, is a ceiling, we may not spend all of it, I think it'll come over the months to follow. I think you're probably aware that we do have an investor tour to **iron ore** at the beginning of November and I will certainly have more to say then, as will Jimmy Wilson. And we'll add into that, as the year matures, some of our ideas on small and large scale projects that might come to fruition in the coming periods.

We should take a question from Melbourne, on the phone.

CRAIG CAMPBELL, ANALYST, NORTHCAPE CAPITAL: Craig Campbell, Northcape Capital. With regard the assets going into SpinCo, I've just noticed, flicking through the accounts, that the depreciation on a number of assets seems to have increased a bit more than I would have expected in particular, say, South African **Coal**. Is there something in there that's causing depreciation to rise amongst those SpinCo assets for the new listing, maybe to bring down the valuation perhaps, and make it a better return on **equity**? Or is there something to do with the asset quality that's caused that depreciation to go up?

ANDREW MACKENZIE: I'**m** going to ask Graham to answer the detail on that question, Craig, but it's certainly not preparing for the transaction. This is normal course of business accounting that closes out this year, and maybe Graham would like to say a bit more about that.

GRAHAM KERR: Thank you, Andrew. Craig, the big one in **energy coal** in South Africa with BECSA was there was a $292 **million** impairment at South Africa and **Energy Coal** and that was included in non-cash charges.

ANDREW MACKENZIE: I'll take one more question from Melbourne and then we'll come back here and maybe take questions from the phone elsewhere, possibly London.

ANDREW HINES, ANALYST, COMMONWEALTH BANK OF AUSTRALIA: Andrew Hines, Commonwealth Bank. A question about the assets that haven't been included in SpinCo. I would imagine that assets like New South Wales and **Energy Coal** and the Cerrejon Colombian **coal** assets must have been considered to be included and they haven't been. And then, of course, Nickel West, which you've made some comments, remains under review. Could you talk a little bit about why those **energy coal** assets weren't included in SpinCo and why they remain in the main BHP but no, they're not really significant assets for BHP?

And then, a little more color around the Nickel West process, what's happening there?

ANDREW MACKENZIE: Let me do Nickel West first, Andrew. Nickel West is not really a good fit with either the high quality assets that we want to have in NewCo, or absolutely the high quality business that we're trying to create within BHP Billiton. It's a mature asset and it has other natural owners, I think, other than those two companies. So the steel process continues and I'**m** not able to comment any more on that at the moment.

The decision to include very high quality, some of the best **energy coal** mines in the world, in the BHP Billiton portfolio reflects our broader strategic thrust, which is suggesting that as the world, and particularly **China**, moves into more of a consumption phase, we're likely to invest more in **energy** relative to the past than we have in steelmaking.

We don't yet quite know how **energy** futures will play out and the role that **coal** will play, but that's why we've retained the very best **coal** assets in our portfolio as part of our longer-term thinking about how we can use the skills of BHP Billiton people to maximize returns for shareholders.

ANNA MULHOLLAND, ANALYST, DEUTSCHE BANK RESEARCH: Anna Mulholland, Deutsche Bank. Three quick questions on NewCo, please. The first is, Andrew, you mentioned that your core assets, so the assets remaining in BHP, have attracted most of the capital over the years. How much catch-up or maintenance CapEx do you think you'd need to put into the NewCo assets?

You've given us a life-of-mine for most of the core assets; do you have that for NewCo as well?

And then, thirdly, maybe just to understand why Illawarra is not staying in BHP but going into NewCo? Thanks.

ANDREW MACKENZIE: Okay. In answer to your first question, I said these are assets that were built and run and operated to our BHP Billiton standards, so there isn't any element of catch-up capital. The capital investment there will depend on -- we're working on NewCo developing a track record of investing capital with discipline and it may well then be that they'll have opportunities to invest in growth and growth options that will emerge.

I think, let's wait until we hear more about the details of NewCo before we actually talk to you about the life-of-mines of the assets in NewCo.

The inclusion of Illawarra, it's just a scale thing. Basically these are, although they are competitive assets, they're strong assets in their industries, as I said, they're generally smaller scale than the assets that we're retaining in BHP Billiton, and that's why Illawarra is included in NewCo.

OPERATOR: Paul Young, Deutsche Bank.

PAUL YOUNG, ANALYST, DEUTSCHE BANK RESEARCH: First question's on your [$2.3 **billion**] controllable cash cost target. Taken that the majority of the opportunities will be in **iron ore** and **copper**, can you provide us with a rough divisional split or talk about the opportunities and the split of that $2.3 **billion**?

And also, can you talk about the petroleum growth pipeline, and in particular discuss the reason for the recent $10 **million** downgrade in US Onshore volumes compared to the scenario you presented in Houston in December? If I look at Devon **Energy**'s second quarter results, [JV] partners' results, I note that Black Hawk's performing better than expected. So it indicates to me that the Hawkville and Haynesville well performance are underperforming, so can you can you just talk through that, please?

ANDREW MACKENZIE: Okay, yes. Paul, I think in order to break down where the future productivity gains will come from, I think we should talk to you about that in the more detailed presentations we'll do around the business in the coming months, and the first one, as I said, will be with **iron ore** and Jimmy in early November in the Pilbara.

Clearly, **iron ore** has a big contribution to make, but really all our businesses are working hard on productivity. All of them have a number of potential options up their sleeve, and who comes first and thickest and fast I think depends on a number of things. But more updates in future.

I think you half answered your own question on petroleum. We did have, during the course of this year, some challenges with the wells Hawkville. They had been wrongly tubed and they had quite high H2S. We needed to take them offline to put the more effective methodology in the wells and to make them safe; very much in line with our principle. We think about things for the long term, and the integrity of our assets.

Haynesville is a business where we're learning more and more, through the fracking process, as to how we can contact a greater amount of the potential reserves. Again, like Hawkville, I think we're winning this, and I think increasingly you'll see that we, as a **Company**, are outperforming the industry in terms of reserves per well, and the nature of our decline curves, as we take our time to really master this very new technology and to do it in a very safe way.

SYLVAIN BRUNET, ANALYST, EXANEBNP PARIBAS: Sylvain Brunet, Exane BNP Paribas. Two quick questions. First on potash, I wonder if you could maybe update us on the process there. How close are you to approval if there is anything to report on the shareholder structure?

And second question, when we were in Houston last time on the onshore shale businesses, I remember you were exploring some asset swaps. Has there been any progress there? Do you feel any interest in the industry there? Thank you.

ANDREW MACKENZIE: Okay. Not much to report on potash; we're taking this very slowly. We want to get it right in terms of the technology for developing the shaft, which is the most difficult part of it.

We're also watching the market and we continue to rework the capital, so no decision is imminent on that for some time. It's something that we continue to look at as a team and as a Board, but I wouldn't expect any announcement beyond the commitments that we've already made to complete the shaft over the next couple of years.

On trading, actually trading happens all the time in the petroleum acreage. We believe, of course many others do, that we are understanding better and better where the sweet spots are. If people have different views, or perhaps they want to get into it, then trades are available. And in a small way we continue to do that to upgrade the quality of our portfolio, particularly in the Permian.

FRASER JAMIESON, ANALYST, JPMORGAN: Fraser Jamieson, JPMorgan. A quick one on the debt that you intend, or otherwise, to put into NewCo; could you maybe just clarify your comments? You talked about targeting an investment grade rating, but also about carrying minimal net debt. That business could probably carry a degree of net debt while still retaining an investment grade rating. Could you maybe just make some comments around that, maybe how you think about it in terms of multiples relative to free cash flow, or relative to where BHP as an overall Group is currently positioned?

ANDREW MACKENZIE: Fraser, half the answer to your question is more -- it needs to wait until we have a more detailed plan and strategy for NewCo, and that will emerge in the coming months.

But by minimal net debt, I basically mean there's a range of financing leases that will be included and some associated liabilities for the assets that will be transferred. But beyond that, I'd rather wait until Graham and his team have formed up and can talk to you about that in more detail.

FRASER JAMIESON: Thanks.

OPERATOR: Glyn Lawcock, UBS.

GLYN LAWCOCK, ANALYST, UBS: Two questions. Firstly, you talk about some impediments to the demerger and you need a lot of relief from the regulatory authorities. I would've thought tax [isn't] a big one. Is there an issue or risk that some of the assets, maybe Cannington, good earnings, low book value, if you can't get the tax relief you may not be able to go ahead with this, or are you confident you can get the relief you need? That's the first question.

And then secondly, you said earlier on the call the DLC brings complexity and cost burdens, and I understand it's not [right] for NewCo, but what about BHP Billiton? You don't access **equity** markets; you can't deploy franking credits fully. Can you rule out that the DLC won't be collapsed in the future, or is that something that's further down the track? Thanks.

ANDREW MACKENZIE: Graham will answer the first part of your question; I'll handle the DLC. Yes, you heard me right. Clearly, it has a certain complexity, but for a **Company** of the scale of BHP Billiton, and our ability to access strong capital markets in London as well as in Australia, then it's a valuable way of structuring the capital of our business, and something that we continue to enjoy and we think there is value for BHP Billiton in that, so no change there.

But maybe Graham wants to say a little bit more about the tax issue in Cannington.

GRAHAM KERR: Glyn, just maybe building on some of the points that Andrew made rather than getting into specifics, but we talked about the NewCo would basically list mid next calendar year. We're talking about providing an update sometime in November from the Board about what we do in terms of next steps.

Obviously, now that we've announced this publicly today there are a number of regulatory hurdles we've got to look at; there's a number of other JV agreements and another number of steps to go through. Obviously, they're things that have still got to get done, but we have a high degree of confidence, otherwise we wouldn't be announcing it today.

OPERATOR: Peter Harris, JCP Investments.

PETER HARRIS, ANALYST, JCP INVESTMENT PARTNERS LIMITED: A really fantastic record on health and safety, and also congratulations to both Graham and Brendan in their new roles.

You didn't touch on franking credits in the presentation; do you think the demerger will impact on BHP's ability to liberate the $13 **billion** of franking credits you have in the balance sheet more quickly? People are attributing about $13 **billion** to the value of NewCo, and you've got that sitting on your balance sheet in franking credits. Will the demerger impact on your ability to get those out to shareholders more quickly?

And just following on from that, are you worried about the Murray enquiry and Treasury rumblings about the potential to end the ability -- to frank or [give an indication of] franking credits, and therefore, the need to liberate those credits more quickly?

ANDREW MACKENZIE: I'**m** not going to comment on the second part. That's such an unpredictable area and we'll obviously monitor that, as will you.

But let me be clear, this demerger has no impact, one way or the other, on whatever capital management program we plan to do. We've made no decision if and when we start, other than it will be consistent and predictive over a period of years, and so we start in a way that we're not going to have to interrupt it. So we need to be ready around the mechanism and, therefore, the role the franking credits will play. But there's no impact in those plans, in my view, on our capital management plans.

PETER HARRIS: Thank you.

OPERATOR: Lyndon Fagan, JPMorgan.

LYNDON FAGAN, ANALYST, JPMORGAN: Just a couple of questions. The first one was, why did you decide to give PLC shareholders a proportionate **stake** in NewCo rather than perhaps shares as compensation, given that the mandates of those investors won't allow them to hold the listing, and perhaps that might put some pressure on the share price of the new listing immediately?

And then the second question was just on **iron ore**; you've talked about 290 **million** tonnes as a new capacity target. I'**m** just wondering if you can perhaps shed some light on which mines that might come from, and potential timing, or new project announcements, just to get a better feel for that. Thanks.

ANDREW MACKENZIE: Okay. Let me deal with the second one first. It will mainly come from the expansion of the Jimblebar mine, and then investments in effectively debottlenecking and increasing the efficiency of the port, backing off some of the investments we're making at the moment. We'll provide a lot more details around that when we do the investor tour to the Pilbara in November.

I think on the choice of the listing of NewCo, the choice was to demerge. And once we had actually created what we thought NewCo, or decided NewCo would look like, we then had to make a decision on what was the most appropriate place to list.

As you heard earlier, we rejected the idea that we would have a dual listing, so we did have to make a choice. Because 50% of the assets are based in Australia and because obviously the complexity of approvals and incorporation and so on, it made a lot more sense to primarily list in Australia. It was the highest value creating process for all shareholders to do it in the cheapest and most effective way possible.

And then the secondary listing in South Africa is, in many ways, a recognition that a strong relationship between this **Company** and South Africa and its government and processes is going to be critical to its success. So we didn't work backwards from where we wanted to list, we worked forward from what the demerged **company** looked like and what was the most value accreting way of doing that listing for all shareholders, and that's why we ended up at the ASX.

UNIDENTIFIED AUDIENCE MEMBER: Just to follow up on that, in terms of the spinout of NewCo, is there any possibility that we could see a book building process, and can you rule out the possibility of BHP taking any **stake** in NewCo in terms of any shares that may come out of the UK market at the time of the initial listing?

ANDREW MACKENZIE: Graham might want to add to this, but there's a lot of things that we now need to talk to regulators about to get real clarity around the mechanism. So I'd rather not try and speculate at this stage about some of those issues until we're now in the open we can have a lot of those discussions. But Graham, I don't know if you want to add to that?

GRAHAM KERR: The only thing I'd comment when we think about the PLC shareholders that we haven't quite touched on is one of the fundamental aspects of the demerger and the DLC is actually treating shareholders equally, so the equivalents concept. So when we looked at the demerger, Andrew's exactly right: the first one was, well, what are the suite of assets we want to demerge; what do we think creates the most value; what's the logical listing location. And then we have to think about all the other issues.

Now that, again, we've actually made the announcement today, we can start working with the regulators around what are all the issues and the things are we need to consider and we'll come back to the market when the Board looks at it later this year.

UNIDENTIFIED AUDIENCE MEMBER: But both of those are potentially on the table at this stage? That's okay.

ANDREW MACKENZIE: Give us a bit of time. There's a lot of discussions that we now need to have with regulators to really get into detail on the mechanism, and that's why we're not explaining that today because we're not ready.

TIM HUFF, ANALYST, RBC CAPITAL MARKETS: Tim Huff, RBC. Just a quick question on cash flows, on working cap gains. You've mentioned, and talked a lot, about how you're going to be saving on the cost front, going forward, on the core set of assets.

And I was just wondering, from a net debt reduction standpoint or sustainable basis, have you taken a close look on not only how you can swing your working cap from the first half to the second half in the fiscal year, but how you can sustainably reduce your working cap going forward? And does that play a large or small part in sustainable net debt reduction for BHP core assets, going forward?

ANDREW MACKENZIE: Well, working capital management, in order to reduce net debt, is absolutely core to everything we do, which my prime aim is maximizing free cash flow. I don't know, Graham, as CFO, if you want to add any more color to that?

GRAHAM KERR: There is a natural cycle around seasons about how our working capital balance looks at the calendar year versus our financial year in terms of the timing of shipments and sales, but we certainly do a lot of benchmarking work around our average debtor days, our average trade creditor days, etc. And we think we're performing very well on that. We have a continued focus on it but there is a natural underlying seasonality in some aspects as well.

OPERATOR: Myles Allsop, UBS.

MYLES ALLSOP, ANALYST, UBS: A couple of quick questions; first of all on **M**&A. In the past, you've been reasonably clear that it's very much not on the agenda; obviously, as your balance sheet strengthens, you're in a position to maybe think about it again. Could you just give us a quick update what your thinking is in terms of acquisitions?

And then secondly, with the buyback, obviously it's a bit of a disappointment today that you don't believe you're in a position to launch it. Could you just clarify whether the timing of a buyback will be driven by the timing of the spinout? Are you prepared to do it before the spinout is complete, mid next year? And also whether it's driven by divestments such as Nickel West? So if you get $1 **billion** in from Nickel West, would that trigger the start of the buyback? Thank you.

ANDREW MACKENZIE: Okay. I think your question on the Nickel West proceeds has probably been answered by the room and I don't have a lot more to add to that. But just on **M**&A, Myles, nothing has changed [and much else would have been my answer] to capital management by this demerger process, other than, of course, our ability I think to generate free cash flow quicker in BHP Billiton.

We are, and BHP Billiton, will remain a strongly internal focused **Company**. You've seen through our presentation that we have 100-year resources and the potential to develop them on average at returns in excess of 20%. I find it very hard to imagine any deal that would actually be as compelling as that. So as far as you consider, you should assume that the **M**&A is off the agenda for a considerable period.

I think on your question on the buyback, or capital management to broaden it a bit, this isn't something that will be dictated or be affected by the demerger process which is part of our simplification agenda. As you pointed out, we're not quite ready in terms of our forward look and the current shape of our balance sheet, but our balance sheet is getting stronger. And why we want to make sure that when we start that we are ready, is we want to do something over and above, and I'll come to that in a moment, what we're doing to remind you of that, which is something that we can do consistently and predictably over a period of years and it isn't just some sort of one-off.

But I do remind you is that there is capital management in this announcement. Point one is that we're not going to re-base the dividend that we pay at BHP Billiton when we demerge NewCo, and we are setting NewCo up in a form that we think it will be able to generate dividends through -- relative to its, what we think will be, strong cash generating capacity.

If, in what we've announced today, it turns out that we've been a bit conservative, of course that will bring the possibility of doing something on a consistent and predictable manner forward, but we need to make sure that we're ready. There's factors that we control, so obviously our productivity, our management of capital, everything we're doing and we've discussed on this thing about maximizing free cash flow, but there's other factors we don't control, like foreign exchange and like prices. And these of course are things that are also considered by rating agencies as they look at our credit rating. We have to bring them all to bear and to get ready. And when we're ready be able to actually do things over a period of years. These are things that are discussed almost continually in the Boardroom of BHP Billiton.

OPERATOR: Clarke Wilkins, Citibank.

CLARKE WILKINS, ANALYST, CITI: It's probably a question more for Graham. But just in terms of the NewCo, how much has that contributed in terms of the cost savings that have been (inaudible) out of that $6.6 **billion**, and whether there's any concept of what potentially could be achieved?

And also again, well probably for Graham, it's just in terms of what is the strategy with the new **company**? Is it run these assets as hard as possible; is it use them as a potential vehicle to generate cash flow to be able to grow through **M**&A that wouldn't be material to BHP? More what Graham sees in terms of the strategy for the **Company** going forward.

ANDREW MACKENZIE: Clarke, I'll let Graham answer your questions. I think we could both do that, but you've addressed them to him. But I don't want us to say too much today about the strategy of NewCo. Graham is here not as a CEO of NewCo, he's here as the CFO of BHP Billiton. And with that setup, maybe Graham, you can answer the question?

GRAHAM KERR: Thanks, Andrew. A couple of points I'd make out. When you look at the financial results this year, the aluminum, manganese and nickel business, there you're talking about a $300 **million** reduction in controllable cash costs. And if people remember, at our half-year result we also talked about the strong improvement in that business.

So while they're not the same size and scale, necessarily, of our BMA business or our **iron ore** business in the Pilbara, they certainly have been leading the way on productivity and improvements.

Andrew's right; obviously, it's just been announced today and obviously need a bit of time to look at the strategy. But I think if you look at it in a nice simple way, there is opportunity for the assets in NewCo to continue to improve in terms of we spoke about the org structure, and Andrew showed where we had a regional model, so running a different operating model. And it's about adjusting the systems and processes to fit the size and the scale and the type of the assets that already exist in NewCo. So I do feel there's more opportunity on the productivity side in the new **company** but also on BHP Billiton, as Andrew mapped out today.

JAMES GURRY, ANALYST, CREDIT SUISSE: James Gurry, Credit Suisse. I've just got two quick questions. Your CapEx guidance for the next year is $14.8 **billion** and $14 **billion**, excluding SpinCo. I think that $14 **billion** also coincides with the upper limit of what you want to spend in the future in terms of CapEx. Do you think this is the right time in the cycle to be spending the maximum amount of capital on investment projects within the industry, or do you think it is time to actually have a lower spend, going forward?

And just a quick factual question for Graham; on the franking credit balance, how much of the current balance is actually attributable to the profits generated by the SpinCo assets in Australia?

ANDREW MACKENZIE: On the capital side, so the $14.8 **billion** includes NewCo, while it's with us and the $14 **billion** excludes NewCo, which is, of course, the state we think we'll find ourselves in from at least the whole of financial year 2016. I think it's important to remind you that we have no commitment to spend up to that; that's a ceiling, it's not a target. And as we continue to work capital productivity we assess the projects coming forward, it's perfectly possible that we may spend less than that for the reasons that you outline.

GRAHAM KERR: On the franking credits, obviously they're related to the Australian assets that we have in the portfolio today and I don't have the exact split in front of me, but the vast majority would relate to our biggest earner in Australia, which is **iron ore**. There'd be a little bit associated with Cannington, Illawarra and Worsley, but predominantly they're all related around the big core pillars of BHP Billiton.

HUNTER HILLCOAT, ANALYST, INVESTEC BANK (UK) PLC: Hunter Hillcoat, Investec. You mentioned that the balance sheet is not quite ready in terms of capital returns to shareholders, is there any sort of target you have in mind in terms of about thinking of when you're going to be ready so that you can make those returns?

ANDREW MACKENZIE: I'd rather not get as quite as specific as that. There's a number of factors that we have to consider: obviously, the forward-looking price; the view of the rating agencies, the view of the rating agencies in some respect of the new BHP Billiton. But you're right, we aren't quite ready relatively to where we said we might be and you know the reasons for that. It's not because we haven't tried. We've delivered $1 **billion** more in terms of cash from our productivity savings and we've cut capital by $1 **billion** more. But against that, we've had a number of reductions in price, which tells you that you can't be too certain about the predictions because we are at the mercy of uncontrollables as well as the things that we control.

DAVID BUTLER, ANALYST, BARCLAYS: David Butler, Barclays. Under the DLC structure, is there any regulatory limit to the asset value attached to the limited side versus the asset value attached to the PLC side, i.e., can all the assets be housed under BHP Limited and yet there still exist a DLC structure?

ANDREW MACKENZIE: It's more complicated than just the regulatory side. I guess, Graham, it's very much a financial question, I don't know if you want to --? I can help you, but the reality is that's not a regulatory issue; it's obviously availability of funds to pay dividends out of both companies. But Graham I don't --

GRAHAM KERR: Looking at it slightly more practically and say if you look at the asset split today, if you made the decision to move, even before you got into the regulatory issues, if you decide to move from one side of the **Company** to the other in terms of the DLC, there's going be imposts that are involved around potentially capital gains tax. Perhaps it triggers a pre-emptive right in some of those assets, and then you'd have regulatory approval. So there's certainly so many obstacles in the way that you wouldn't look to do that.

DAVID BUTLER: But there can't be much left under the PLC side?

GRAHAM KERR: If you look at the assets today that will stay part of BHP Billiton, there are a number that come from the old Billiton sides are on the DLC side, including Antamina, Spence, Cerrejon, New South Wales **Energy Coal**, they are large tier 1 quality assets.

DAVID BUTLER: Okay. Thanks.

OPERATOR: Adrian Wood, Macquarie.

ADRIAN WOOD, ANALYST, MACQUARIE RESEARCH: Just two questions. First of all, just on the Permian, last year you were producing at just under 12,000 barrels a day and, as of yearend, I believe you only had four rigs in the play. I noticed that you're still talking about 100,000 barrel a day medium term target. First of all, can you put any timeline around that and is that going to be focused on the Delaware basin or the Midland basin? I just noticed that Devon has 23 rigs in the play at the moment and Apache has 37; they're producing much nearer that 100,000 barrel a day you're targeting. When are we going to start to see the capital flow into the Permian?

And then just following on from some of the questions on franking credits; I just noticed back in 2002 when you demerged BlueScope, you gave them no franking credits. Given that this is going to be an Australian listing and those franking credits perhaps worth more in Australian hands, I just wonder if there is the ability to cut out some of those franking credits. Back in 2002, you had less than $1 **billion** of franking credits; today you've obviously got considerably more than that and perhaps, therefore, could distribute some to the new entity?

ANDREW MACKENZIE: Well, two very detailed questions I would say. Your questions around the Permian, to be honest they're slightly commercially sensitive if we were to answer them because they reflect our view of acreage is still very much actively traded. I'd rather not be drawn on those things. We're taking our time on the Permian to really assess the potential and make our move.

But you're right, when you look at what others are achieving we do see the capability there, if we get it right to -- and more than replicate the liquids performance we're getting in the Black Hawk. The detail of how we do this I think has to remain partly our secret until such time as we feel more able to share it with you.

On the franking credits piece and that question, what we have to do, and what we have done today is announce that we'll treat all shareholders equally. The BlueScope transaction was more complicated because it was provided for in the way in which the merger was done and, to some extent, it was pre-sold as part of the whole merger process in equalizing things between BHP and Billiton shareholders.

We have none of those requirements at this time and so we have to treat all shareholders equally. And as I've said elsewhere, now that we're free to talk to the regulators, the exact mechanism by which we do this has to be part of discussions as we go forward rather than speculation today.

Graham wants to say one thing.

GRAHAM KERR: The only thing I'd add, Adrian, is obviously there's clearly in Australia, franking credits is a challenging issue and there's a lot of [anti] avoidance issues around how you can stream franking credits. So I think Andrew's point is right; now that we've actually announced the deal we need to go through all the regulatory different assessments and hurdles and talk to people. But just to set expectations, streaming or moving franking credits is not an easy thing to do.

ANDREW MACKENZIE: Thanks, Graham. I think that's all the questions. Very good. Well, thank you for listening and I look forward to, in our roadshow in the next three weeks, both Graham and myself and some of my colleagues talking to many of you again in slightly more intimate sessions. But hopefully, this is a taster for things that will come in more detail in the next three weeks. So thank you very much and the session is closed.

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