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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Noranda second quarter results conference call. During the presentation all participants will be in a listen-only mode. Afterwards, we will conduct a question-and-answer session, and at that time if you have a question please press the 1 followed by the 4 on your telephone. As a reminder, this conference is being recorded Friday, July 25, 2003.

I would now like to turn the conference over to the Vice President of Communications with Noranda, Mr. Denis Couture, please go ahead, sir.

Denis Couture - *Noranda Inc. - Vice President of Communications*

Thank you, operator. Good morning and welcome to the Noranda second quarter conference call. I'm Denis Couture, the Vice President of Communications.

I would like to remind everyone that during the course of the conference call we may be making some forward-looking statements. Please keep in mind that such comments are predictions based on current market expectations and that actual results could differ materially. Additional information is available in the ND&A section of our annual report and our annual information form.

On the call today are analysts and investors. I would like to welcome those joining us on our web site that is on listen-only mode. There are slides to go along with the presentation. You can access the slides by going to the home page of the web site at www.noranda.com and clicking on access to the webcast from the top stories. This presentation is also posted as a power point file that can be printed.

The call should last about one hour, including time for questions and answers. Joining us, speakers this morning, are Derek Pannell, our President and CEO, and Lars-Eric Johannson, our Executive Vice President and Chief Financial Officer. I will now turn the call over to Derek.

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

Good morning, everyone.

I'd like today to, first of all, make a few general remarks, then talk a little about the recapitalization plan that we announced this morning, then I will be handing over the call to Lars-Eric Johannson, who will go through our second quarter results and update you on those, and then before handing it back to Denis for questions, I'd like to just make a few wrap-up remarks.

First of all, in the second quarter, we did, in fact, end the strike at the Horne. We have an agreement with the union there that I think is quite positive for both ourselves and for our employees and enables us to go forward in a very positive way to rebuild the customer base that we had, both on the concentrate and recycle side. At the same time, we, in the same quarter, have also signed the three contracts with Brunswick mining and smelting and also the contract at Lomas Bayas in Northern Chile, the latter four, of course, without any work stoppages.

We have also completed and closed out the contract with Chrysler for the manufacture of original equipment wheels and have shut down the Correterro Mexico plant where we're in the final stages of shutting down the plant that made those OEM wheels. So that all of the wheels we are now producing at American Racing, after-market wheels that are making a cash margin.

During the quarter we also raised $260 million of cash, first of all through $150 million preferred share issue, and secondly through the sale of another 25 percent of Noranda income fund units. Although that was initiated during the second quarter, it will not actually be booked because the sale was not completed until the third quarter. It actually finished at the beginning of July.

In the same quarter, we also retired $200 million of 8% debt and, as you know, it will be announced this morning, a recap at the I will sayings plan to better position the company for the future.

Turning now to our recapitalization plan, one of the corner stones will be the $500 million equity issue, common share issue, that we would expect to do during the second half of this year. BrassCan has agreed to subscribe to up to $300 million of that issue. The proceeds will be used to redeem $150 million of preferred shares to reduce debt and augment general financial resources.

This additional equity will add substantially to our financial flexibility. It's going to improve our balance sheet ratios and will improve our cash flow and we've also announced that we will be converting to U.S. dollar reporting effective at the beginning of the third quarter, this quarter, and essentially all the prices for our products, all the metal prices, TCRC's, are quoted in U.S. dollars, so it certainly makes sense, from that revenue standpoint, to make this move. Now, over 55 percent of our asset base is located outside of Canada and, in fact, is growing.

During this last quarter, we've seen the final shutdown of the magnesium plant in Canada. We cast the last magnesium billet on April 15th The further 25 percent through the Noranda income fund has had a tendency also to reduce assets in Canada and, in addition, the start up of Altonorte and bringing on stream of that smelter to in excess of 100 percent of its design capacity during the quarter, and also during this last quarter aluminum foil plant in Huntingdon,Tennessee, Quantum Leap, achieved more than 60 percent of the design capacity, and with all the products sold, we're using the 60 percent as a completion of the project, and that increases our assets outside of Canada.

This conversion to U.S. dollar I think, as I've tried to explain, reflects really the company's primary economic environment now and financial reporting, I think, will be more readily comparable to our peer group and I think, in addition, has the potential to widen our shareholder base, and I think also in Europe.

We have also announced a reduction of the common dividend this quarter from 20 cents down to 12 cents. this is a reduction of 40 percent. I think that this is a prudent measure, given the continuing low metal prices and the improving, but I think still uncertain, economic outlook. It also brings our rate in line with our industry peers and will improve our cash flow.

We also expect to issue up to $300 million of additional debt in the second half of 2003 when we feel it's appropriate. This will be used to pre-fund the $300 million U.S. debt that matures on June 15th of next year. This will, I believe, benefit from the prevailing low interest rates that exist right now and have existed for some time and, again, will also improve our cash flow.

We've also, on the 1st of July, with our partners, submitted the documentation that releases the Antamina debt and turns it nonrecourse. The banks have 45 days to protest that something was wrong. We don't believe that's likely to be the case, but essentially the debt, effective the 1st of July, has gone nonrecourse. All of the documents have been submitted, and the project is operating extremely well. In fact, the last quarter, we were at 73,000 tons of throughput compared to a design capacity of 70,000 tons and, again, that releases Noranda from another financial obligation.

All in all, the measures that I've just gone over and have raised $1 billion in capital, or will raise $100 billion in capital and will certainly improve our net debt to total capitalization ratio. Our calculations show that at the year end last year, year end of December 2002, we were at 51 percent, and we expect that after this plan has been completed, we will be at 38 percent, a major improvement and we think that these measures will certainly reposition, in an industry which has experienced many changes.

We have at Noranda, I think, as most people will know who have followed us, we've been, in the last two years, through some very difficult changes. We've reduced the work force quite substantially, not much less than 20 percent now. We've shut down some uneconomic plants, we've cut costs considerably but at the same time, we have started up some very low-cost world class operations.

The measures that we're taking in this recapitalization savings plan are very much a complement to the measures we've taken. They build on the accomplishments that we've already proven, on the operational side, build on those, they allow us flexibility, and they added essentially a solid financial to our operating base, so that we are indeed well positioned for the worth of times and also for the best of times.

Turning now to the first quarter results and I will go through and do some highlights there. And I think, talking of that underlying performance, I'd like to point out that during this quarter, the EBITDA was maintained at 229 $230 million, in the second quarter, versus in the same quarter last year of $235 million and in the face of continuing low metal praises and a currency impact that was quite considerable in the last quarter. In addition, we've done that in the face of rising energy costs and actually, although it's been now settled, the Horne strike was in progress too.

Turning to the South American operations, the Collahuasi expansion is on plan and on budget and actually right now is around 47% complete and is going ahead very well and should be on stream in the middle of 2004. Antamina, as I mentioned earlier, is going extremely well, operational wise, and we have, with our partners, put in a new management structure there, new CEO and VP of operations and I think Antamina is well aligned to continue to perform well.

Lomas Bayas, again performed slightly ahead of plan. We have a crusher expansion, a project that is approved and underway. We started the engineering, and we would expect that to be up and operating in the middle of 2004.

Altonorte, as I mentioned earlier, has exceeded our expectations. We are expecting to be fully up to capacity in July. In fact, April and May, we operated greater than the design rate. However, we have some very high-grade concentrates there and somewhat of an inventory buildup that will be coming down in the next couple of months. A part of that buildup is due to the lack of a casting wheel, and that will be installed in the middle of this month, and at the end of this month will be operational, so that project will then be complete.

Canadian Copper and Recycling Plant, the operations, as you know, has resumed at the Horne smelter, and we have reached normal operating levels. We announced 125 reduction in work force, unionized work force at the Horne that has been implemented already. We also announced a reduction of 85 people at the Kidd operation, and that also has been enacted and, in fact, that is the restructuring charges that you can see in our financials for this year.

At the Kidd mine, the upper mine, which is a somewhat older mine, of course, we're not down yet to the deep levels, expanded levels,but we did suffer from some access to one of the higher grade stokes there. We've done some reconditioning work this quarter, and we would expect to be back on plan after that for the rest of the year at Kidd.

The recycling business is ramping up extremely well after the strike. We certainly seem to have kept our customers, and we are seeing some increase in volumes on the recycle side, so we're very happy about that.

I think we have noted some potential changes in the CC&R operations, Kidd, and the Horne. At the present time, we're not prepared to talk about those initiatives other than to say that we have made considerable changes to what I will call the base case and I think right now we would plan to see how those work out with the reductions of some, as I said, in excess of 200 people.

Nickel, we've had excellent performance there, particularly benefited from the higher prices that were offset by currency and energy prices, and I think the Falcon Bridge Review has given a complete review of nickel, so I won't go into that further.

The zinc operations, again, increased productions there year over year, two mines, the Brunswick and Bell Allard have operated extremely well, continue to be cash positive even at the price we had in the second quarter, seen something of a minor price increase recently but operating very well, those mines.

Brunswick smelter began its four-month shutdown in the middle of June. We have sold concentrates, or switch concentrates, lead concentrates and it will be back up and have a full concentrate availability when it comes back up. It's operated well, but, of course, the contract with present TCRC"s the contract Noranda has to maintain, the concentrate has dragged down the zinc operating results.

In the aluminum side, we had higher production compared to second quarter, both from the primary aluminum smelter that was up about 5 percent compared to last year, and at Noranda we were up 15 percent compared to last year. So solid operating performance at both of those aluminum divisions, somewhat offset by higher power and natural gas charges.

That's my summary of where Noranda stands. I'd like to hand the conference call over to Lars-Eric Johannson to talk about the financials. Lars-Eric?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

Thank you, Derek and good morning, everyone on the line.

This morning we reported a loss of $50 million, or 11 cents per share for the second quarter. Before unusual items, a restructuring charges are $12 million after tax, and a tax credit of $7 million. The loss was $10 million. This compares favorably to the loss of $29 million recorded in the first quarter of this year before shutdown costs related to the magnesium plant. Compared to the same quarter a year ago, EBITDA of $229 million was heavily impacted by the stronger Canadian dollar, before hedges, the impact was $55 million.

In spite of the unfavorable exchange rate, EBITDA was virtually the same as a year ago in the previous quarter. As a result of higher sales volume and production, lower operating costs with the exception of energy and, of course, also higher nickel prices impacted.

Depreciation, amortization was lower than a year ago, as a result of the sale of CSF to the Noranda income fund and lower provisions for explanations as we made a one-time provision of $12 million in the second quarter of last year. Restructuring costs for the quarter include $9 million provision relate to work force reductions of about 200 people. $5 million of shutdown costs of the magnesium plant and another $6 million of shutdown costs related to the closure of American Racing Mexican plant.

Interest expense have increased as interest have previously capitalized on the magnesium project are now expensed. If we exclude the after-tax gains of $66 million recorded in the second quarter of last year, when we still see the Noranda income fund, and other long recurring items, net earnings improved by $7 million. The major variance, $23 million after tax, relates to the stronger Canadian dollar which was already mitigated by a stronger variance of $11 million on our hedging activities.

With the exception of energy, operating costs and volumes were favorable compared to the same quarter a year ago. However, energy costs have come down from the level of the first quarter this year. With the exception of nickel which increased by 21 percent compared to the same quarter a year ago, zinc, copper, and aluminum prices were virtually flat, and the Canadian dollar was 10-percent stronger than a year ago.

Looking at our business units, how they're doing, improved EBITDA in our nickel and Canadian copper and recycling businesses were offset by lowering numbers in the zinc, copper and aluminum business compared to the same quarter a year ago. For the first six months of the year, EBITDA improved by $13 million to $449 million in spite of the stronger Canadian dollar exchange rate.

Our copper business unit in South America continued to turn in very solid earnings and cash flow. During the quarter Antamina basically operated at its new capacity. The lower copper production is the result of lower copper grade at Collahuasi and Antamina. At Antamina, the lower copper grade in the quarter was offset by higher zinc grade and zinc production.

Operating costs per pound of copper continue to trend down in spite of slightly lower production and was 38 cents during the quarter. Lower production at the Canadian copper and recycling business unit is a result of the Horne strike that now has been resolved. The amount of recycled materials processed continued to increase in spite of the strike. EBITDA and operating income for the same quarter last year was affected by the shutdown of the [Gatsby] center.

Our nickel business unit continued to benefit from the high nickel price but also production volumes increased compared to the same quarter last year. Falcon is still suffering from high oil prices. The cash operating price per pound of nickel increased from U.S. $1.92 to $2.20 at the integrated nickel operation as a result of the stronger Canadian dollar and significant lower Canadian prices.

In our zinc business, the Brunswick and Bell Allard mines continued to be cash positive in spite of very low zinc prices. The negative EBITDA of $17 million in the quarter is a result of the fixed-price supply contract that Noranda has entered into with the Noranda income fund which was discussed at the last conference call.

Our primary aluminum smelter continued to operate at the new higher capacity. The lower EBITDA and the higher operating cash costs per pound of aluminum from 49 cents to 52 cents per pound is a result of higher energy costs, natural gas, and electricity, which was partly offset by the higher production volumes. The smelter is not affected by the recent increase in aluminum prices, as we have a long-term fixed-price contract poor the aluminum supply.

During the quarter, the new plant, Quantum Leap, reached 60-percent of its designed capacity, as Derek mentioned. In spite of a slowdown in the market during the second quarter, the volume increased, and we were able to maintain the higher fabrication spread achieved in the first quarter. EBITDA was likely lower as a result of higher prices for natural gas.

As a result of the termination of the final OEM contract at American Racing, the Mexican plant will be shut down, and the results for the quarter has been reduced by a $6 million provision for the restructuring. EBITDA has also been negatively impacted by the slowdown in the market for after-market wheels.

Moving on to our financial position, cash flow from operations improved to $201 million compared to $153 million for the same quarter a year ago. The increase in working capital, both for the quarter and year to date, is temporary and caused by the strike at the Horne smelter, the fire at the Belledune silver refinery and the buildup of copper process at the Altonorte smelter. When the new casting wheel at Altonorte that's been commissioned later this month, the inventory will come down. We also had more than normal annex in the pipeline between Altonorte and Collahuasi.

We expect working capital to come down to the same level as last year end during the balance of the year. Capital expenditures amounted to $154 million compared to $206 million the same quarter a year ago. Before financing activities and dividends, we reached our objective to be cash neutral during the year.

The major capital investment continued to be the Collahuasi mine transition and expansion and the Kidd mine deed development. We are now forecasting our capital expenditures to be about $700 million for the year, which is lower than previous plans.

Our balance sheet continued to improve. We have reduced our debt by $680 million during the year and increased our cash position by almost $100 million, to $554 million.

In addition to our cash position, we had undrawn bank lines available at the end of the quarter of $1 billion. The net debt to capitalization ratio has thus improved from 54 percent to 49 percent on a consolidated basis, and from 51 to 46 percent on an unconsolidated basis.

On a pro forma basis after recording the net profit of $111 million and, again, of $41 million after tax, from the sale of 25 percent of the Noranda income fund in July and the net profit from the proposed common equity share, our net debt to capitalization ratio will improve further to 38 percent on an unconsolidated basis. After the proposed recapitalization, we will meet our objective to have a strong balance sheet that will make investment-grade ratings criteria and give us flexibility.

We will also change our reporting and currency to U.S. dollar as of July 1st. At almost 60 percent of our asset base now is outside Canada as a result of the capital investments we have made in the U.S. aluminum business. As a result of a debt to capitalization ratio should not be affected by movements in the U.S./Canadian dollar exchange rate.

Finally, I would like to remind you about our earnings sensitivity to rising metal prices. A 10-percent increase in the price of our four major methods will add about $150 million to our net earnings. A 10-percent stronger U.S. dollar will add another $85 million to earnings. On balance, prices for our major methods are now approximately 5 percent higher than the average price obtained in the second quarter and the potential is obviously there to benefit from higher metal prices during the second half of the year.

So the present trend of stronger metal prices continues and I hand the presentation back to Derek Pannell.

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

Thank you, Lars-Eric.

As you are aware, we believe that we continue to face somewhat uncertain market and economic conditions but it is our intention to maintain our focus on productivity and cost improvements, among others. We will also continue the strict capital investment discipline that we have initiated at Noranda. We believe with what we've announced today that we will emerge with a much improved asset base and increased earnings generating capability.

We will all be well positioned, both financially and operationally, to benefit from any improving market fundamentals, as Lars-Eric mentioned. I think, too, that when the one-time restructuring costs are stripped away, you will see that we have achieved good, solid performance in the face of historically low prices and unfavorable foreign exchange, so that the underlying operations, I think, have improved substantially and make an excellent complement through the financial changes that we've announced today.

Finally, we have extremely strong leverage to metal prices as they are improving. Thank you very much, and I'd like to turn it back to Denny Couture, who will open the call for questions.

Denis Couture - *Noranda Inc. - Vice President of Communications*

Thank you, Derek. Operator, would you please give the calling instructions before we open for questions and answers?

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, if you would like to register a question, please press the 1 followed by the 4, on your telephone. You will hear a three-tone prompt to acknowledge your question. If your question has been answered and you would like to withdraw your registrations please press the 1 followed by the 3.

If you are using a speaker phone please lift the handset before entering your request. Our first question comes from Terence Fornstrom with P.F.O. and Associates. Please proceed with your question.

Terence Fornstrom - *P.F.O. and Associates - Analyst*

Good morning. Let me start off by saying that I think the measures you're taken, probably along the area of option that you probably have, needs the most explaining.

Could you go over the options that the board were presented, either internally or through the outside advisors, and in light of the option you may have had, why do you choose this option? The equity and BrassCan staying in the company. What other option have you looked at?

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

We can't really go over the entire process that we went through, but I think, Terry, as people who are on the line and have heard the comments over the months will know themselves that we have been through a major restructuring transformation within Noranda, and I think have achieved a lot. We put together, as management, a package that, I think, is complete, rather than pick away one part at a time, what we've tried to do is to put together a financial plan that I think makes us extremely well positioned and is an excellent compliment to all the changes that we've already brought within the operational side of the company.

So as we come out of this historically long down period in the metals industry, I think Noranda is going to be well positioned both on an operational basis and a financial basis and it was that objective that we had in mind when we put this financial plan together.

The different options that were considered were different kinds of equity, obviously the level at which we pitched the dividend, but I think I've tried to explain why we did what we did. We believe that the dividend is pitched at a level that is consistent with our peers in the industry, as we come out of the down-turn, I think it's something that is sustainable. But I think also it's a prudent level, given that the recovery and the improvement in metal prices is still relatively uncertain.

Terence Fornstrom - *P.F.O. and Associates - Analyst*

Derek, the present management team at Noranda has been very proactive and obviously, management has been quite lauding the activities that they have put further, shutting down, restructuring also reorganizing and aligning.

However, I think your Board is out of touch with reality. I think your Board is either not getting the advice or not market savvy. The issues are, you're kind of ballooning this thing out but to kind of see what the market reaction would be, but if I were a shareholder of Noranda, I would have seen more like maybe asset sale and/or let the parent organization have a complete detachment from the company and since the present management has proved themselves, then let them stand on their own merit and go on.

I think they are, again, half measures, and I believe that the issues that the Board is concentrating on right now is, once again, incomplete. So that's my comment, that's not a question. Thanks.

Denis Couture - *Noranda Inc. - Vice President of Communications*

Well, Terry, you know, it's clearly stated, how I believe it's pitched. I think it's excellent complete package, well done, but I certainly respect your opinion, and we will look forward to discussing it with you in the future.

Operator

Our next question comes from the line of Tony Lesiac with H,S,B,C. Please proceed with your question.

Tony Lesiac - *H.S.B.C. - Analyst*

Good morning. Just a couple of questions.

I guess this means that BrassCan is going to be in it for the long haul. Do you know if they're going to be putting Noranda back on their books?

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

No, I can't speak for BrassCan. I think -- but certainly BrassCan support and not just this, not just with the announcements of today but with the earlier bridging 300 million, offered 150 million that was transacted, I think clearly BrassCan support has been there and has been very helpful.

I don't think that this is a change in BrassCan's attitude towards Noranda. I've certainly not perceived it as such, but I think it's a continuing demonstration of that same support that we saw at the beginning of the year. They have agreed to purchase up to 300 million of the equity issue.

Tony Lesiac - *H.S.B.C. - Analyst*

I guess, sort of a follow-up question, this is for Lars-Eric, how much do you still have outstanding for Magnola on your books, and why didn't you just write all of it off in this one shot?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

We haven't changed that. It's still 300 million. We believe that in due course magnesium prices might come back, and if that's the case, we have an option for the future of producing 60,000 tons of magnesium.

Tony Lesiac - *H.S.B.C. - Analyst*

Lars-Eric, remind me, what's the sustaining capital for Magnola at this stage, just to keep it moth balled?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

It is a couple of million a year.

Tony Lesiac - *H.S.B.C. - Analyst*

The contract for the New Madrid smelter, can you comment on that? You indicated that costs for your smelter have gone up?

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

It's a two-year contract that started on the 1st of June, May 30th or 1st of June of this year, two-year contract, and it right now is 31 cents, or 3.1 cents per kilowatt hour.

Tony Lesiac - *H.S.B.C. - Analyst*

Are there any escalators in there?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

There are, yes, but that's right at the top of the range. There's a trigger and a cap and right now it's at the cap of 31 cents.

Tony Lesiac - *H.S.B.C. - Analyst*

And, finally, on these currency hedges, from what I can gather they're probably worth a lot of money. Was there any talk about collapsing them at this stage or/and maybe you can just go flu what they are again going out for the next few quarters?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

We have in total about 850 million of forward, and they basically go out 24 months, and the average rate is about $1.51.

Tony Lesiac - *H.S.B.C. - Analyst*

Did you look at collapsing those maybe or somehow to raise some cash?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

No, we haven't.

Tony Lesiac - *H.S.B.C. - Analyst*

And I guess it's 850 U.S. right?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

850 U.S., right.

Tony Lesiac - *H.S.B.C. - Analyst*

Thanks so much, Lars-Eric.

Operator

Our next question comes from the line of Ernie Nutter, RBC Capital Markets. Please proceed with your question.

Ernie Nutter - *RBC Capital Markets - Analyst*

Good morning, gentlemen. Just looking down the list of items in the restructuring or recapitalizations here, you mentioned the issue of U.S. $300 million to refund company debt maturities.

I'm just wondering, A, if this is in place, and whether it is or not, I suppose was this recapitalization really a prerequisite to get term debt? I know you have quite a bit in the way of revolvers, so was this a prerequisite, or was it viewed by management as a probability that some sort of restructuring would need to be done, recapitalization, to be able to secure that sort of term debt?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

We have already mentioned Ernie, that an investment grade balance sheet is important to us for our overall objectives and, of course, in renewing bank facilities, as well as public debt, it's quite helpful to have an investment grade and a strong balance sheet.

So in doing this, it's, of course, you start with strengthening the balance sheet with equity, and then you'll renew the debt and in the present interest rates environment, very low interest rates, excess to capital, we think it would be a good opportunity if the market continued to be as good as it is right now, to do it in the earlier fourth and there is just a press release out where Moody's confirmed our investment grade credit rating.

As some of you may know, we've been on the credit watch, and they have now confirmed, subject to implementation of the recapitalization plan, that the rating remains investment grade with a stable outlook.

Ernie Nutter - *RBC Capital Markets - Analyst*

So would it be fair to say that your investment grade rating was a factor, or driving force in this recapitalization?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

The objective has been to have a strong balance sheet, and that's the reason for the recapitalization.

Operator

Next question comes from the line of John Redstone, Scotia Capital, please proceed with your question.

John Redstone - *Scotia Capital - Analyst*

Two quick questions. First, some clarification about the intention of BrassCan regarding the equity issue. You mentioned that they may take up to $300 million of the $500 million. Is it your preference for them to do, so or would you rather them take a lower level?

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

I don't have a preference but the BrassCan have not indicated to me that it is their intention to increase their holding within Noranda, I suspect that they would be happy to maintain it where it is, but they are prepared to support the equity issue up to $300 million.

Right now, they're around 41 percent, and you can calculate what their pro rata interest would be to maintain their proportion.

John Redstone - *Scotia Capital - Analyst*

I see. On a different subject regarding your aluminum foil operations, you mentioned that the rate in the quarter the operating rate, was 60 percent.

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

That's just for the new plant.

John Redstone - *Scotia Capital - Analyst*

Yeah, I'm sorry. That's what I mean. It's at 60 percent. When do you suspect that it will be at 100-percent operation?

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

We have it planned for the end of 2005, but that's not the plant itself that's our ability to maintain market discipline and to market share. We just can't flood the floor market suddenly with sheets, but the way that it's improving, I would expect it to come up much faster than that.

What we are also doing is we would put more material through that plant and bring it up to 100 percent say by the middle of next year and we would cut back on the older plants, because our operating cost is lower at the new plant, so we would expect to have that up, let's say 100 percent, by the middle of next year.

John Redstone - *Scotia Capital - Analyst*

Okay. Thank you very much.

Operator

Our next questions comes from the line of David Charles with GMP. Please proceed with your question.

David Charles - *GMP - Analyst*

Yes, good morning, everybody. Two quick questions. Lars-Eric, does the pro forma balance sheet that you included in the presentation does it include the proportion of consolidation of the Antamina debt now that it's gone nonrecourse and, maybe a second question if you do know, do you know what the historic costs of the BrassCan interest is on a per-share basis?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

To answer your last question first. I don't know. And to your first question, Antamina debt will still be on our balance sheet. We are consolidating one-third of the balance sheet and income statement of Antamina.

David Charles - *GMP - Analyst*

So it is in the pro forma?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

It's in the pro forma, yes.

David Charles - *GMP - Analyst*

Thank you.

Operator

Our next question comes from the line of Bill Reed of Deutsche Banc Securities. Please proceed with your question.

Bill Reed - *Deutsche Banc Securities - Analyst*

Thank you very much. I just would like to applaud management for their demonstrated commitment to an investment-grade profile, especially since you act on the commitment as opposed to paying lip service to it.

I have two quick questions. First, the pro forma calculations that are shown on the balance sheets show a long-term debt reduction of only $460 million, versus the $500 million issuance of equity. I was wondering what the perceived difference would be. Is it just, are we to assume that the absolute debt reduction is going to only be $460 million? Hello?

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

I'm just thinking about your question here to make sure we get the answer exact. Hang on one second. Could you just tell us which slide you're looking at?

Bill Reed - *Deutsche Banc Securities - Analyst*

It was on both slides. I don't have the slide number, but if you just look at the long-term debt of, say, for example, on the consolidated, it shows long-term debt on June 30, 2003, at 4083, then the pro forma is 3623. I make that a $460 million debt reduction as opposed to $500 million.

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

Yeah, the difference consists of 500 million in new common shares and the repayment of 150 million of BrassCan preferred shares. That's $350. Then it's $111 million net proceeds from the sale of Noranda income fund.

Bill Reed - *Deutsche Banc Securities - Analyst*

Okay. So -- okay. $500 less $350 plus the income fund.

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

Yeah.

Bill Reed - *Deutsche Banc Securities - Analyst*

Okay. Just to make sure I understand, on the Antamina debt, it's your policy that even as a non-recourse basis you will continue to show that in your long-term debt amount?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

Yes, Canadian GAAP, you have to do part of your consolidation of joint ventures. And we have one-third of the debt as well as one-third of all the other items in Antamina's balance sheet and income statement.

Bill Reed - *Deutsche Banc Securities - Analyst*

Great. Again, thanks very much.

Operator

Our next question comes from the line of Greg Barnes with Canaford Capital. Please proceed with your question.

Greg Barnes - *Canaford Capital - Analyst*

I'm wondering if the recapitalization and strong balance sheet you've got post restructuring, is that going to signal a change in your intentions with respect to Falcon Bridge? Are you going to accelerate your acquisition of the company?

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

It doesn't change our policy as regards Falcon Bridge, what we've said in the past would still hold. It certainly doesn't make it any more difficult.

Greg Barnes - *Canaford Capital - Analyst*

Okay. Thank you.

Operator

Our next question comes from the line of Ray Goldy of Solomon Partners. Please proceed with your question.

Ray Goldy - *Salomon Partners - Analyst*

Good morning, gentlemen. Looking at the press release announcing the recapitalization, one of the things that I notice, you start with a net to total capitalization ratio of 51 percent and you borrow and raise in equal amounts of money, which takes your ratio down to 38 percent. I have trouble with that arithmetic, I think what I'm missing in that arithmetic is the sale of the Noranda income fund and perhaps the repayment of some of the existing debt.

Could you give me more clarification how you get from the 51 to the 38?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

We are already, I think, at 46 percent, and the recapitalization and the sale of Noranda income fund takes it down to 38 percent. We have had an improvement, as I mentioned, over the year. We raised 300 million in preferred equity and we also have the impact of the U.S. dollar exchange rate.

Ray Goldy - *Salomon Partners - Analyst*

Thank you very much.

Operator

Our next question comes from the line of Victor Lisvoroviche with Nesbitt Burns, please proceed.

Victor Lisvoroviche - *Nesbitt Burns - Analyst*

Good morning. I have two questions. I wonder if we could explore your change in dividend policy. I'm not quite sure I understand from your comments or the press release the logic of cutting it now.

For decades the dividend has been higher than the peer group and management has been comfortable with that. You've been through, I think three recessions and protected the dividend. You've got your capital spending program behind you, and you've committed -- or you've constantly said that you were committed to the dividend.

So, I find your statement that cutting it now is a good thing because you're going to be in line with the peer group is a little bit less than I would have expected in rationalization.

Derek Pannell - *Noranda Inc. - President and Chief Executive Officer*

Yes. If you lack back historically, I think you will see that the level that we were at, you've mentioned three recessions, I'm not sure that we've always been as high as we were, and the dividend certainly has varied.

I would say also that hindsight, of course, is 20/20. When should we have done it and should we have done it now? I think a lot of us, and not just in Noranda, perhaps would have done things differently had we been able to predict two or three years ago what would happen.

But as I've tried to explain rather than do a sort of a piecemeal job here, what we've tried to do is to put together a complete plan and announce quite clearly what our intentions are. And I think if you just sort of work through what you can do and which order one can do, clearly one can't issue common shares and then suddenly cut the dividend. So I think the whole package of what we've put together has consistency.

So, it was looking at that, looking at what we've done and where we wanted to go. I think the package that we've put together here certainly complements what we've done already and puts us in good financial shape a lot more flexibility than we would have had had we tried to fix things up a little bit at a time.

So, you know, I think the dividend is at a level that's closer to our peers and if you go back, it has varied over the years and it has been at lower levels than the six-odd percent. Clearly we've stuck out before.

Certainly, it was a difficult decision and we've been through a whole series of difficult decisions but in the end, we had to make it and I think it was the right thing to do and I think it sets us up extremely well for the future.

Victor Lisvoroviche - *Nesbitt Burns - Analyst*

I don't disagree it's the rate thing to do, Derek, it's just the timing surprises me.

The other question I had was related to your 38-percent calculation. If the debt issue is prefunding a U.S. maturity coming up in the middle of the next year, your 38 percent debt/equity ratio is only going to be good for something on the order of six months. Can you give us a sense of what it would be after you pay down that other debt at issue? It would obviously be somewhere between 31 and 38 percent.

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

We have revolving facilities, basic facilities that we can pay down and, of course, we do this on a net debt-to capitalization ratio. And if we don't have any debt to pay down, it will end up as cash, but we would still net it, the way we do it and it's still 38 percent.

Victor Lisvoroviche - *Nesbitt Burns - Analyst*

Let me maybe ask another way. After you get the 30 percent you're going to have to -- and if you've applied the prefunding to paying off your revolvers, you're going to have to tap your revolvers in the middle of next year and raise your debt level. So at that point, what would the ratio be? Sorry?

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

If we borrowed to pay down debt, then the debt is the same.

Victor Lisvoroviche - *Nesbitt Burns - Analyst*

Yes. But it would be -- it would take your ratio above 38 percent.

Lars-Eric Johansson - *Noranda Inc. - Executive Vice President and Chief Financial Officer*

No, it won't, because -- unless we increase our debt but our intention is not to increase our debt, on the contrary, our intention is to reduce debt.

Victor Lisvoroviche - *Nesbitt Burns - Analyst*

Okay. I'll have to work through the numbers, then. I'm not quite sure I'm following.

Operator

There are no further questions at this time. I will now turn the conference back to you.

Denis Couture - *Noranda Inc. - Vice President of Communications*

Thank you very much. I would like to remind everyone that a recording of this teleconference will be available at 416-626-4100 and 1-800-558-5253, pass code 211-536-34, and a recording will be available at 10:30 this morning, will last until August 1st, 2003. In addition, the webcast will be available on our website. Thank you for joining us and good-bye.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We appreciate your participation and ask that you please disconnect your line.