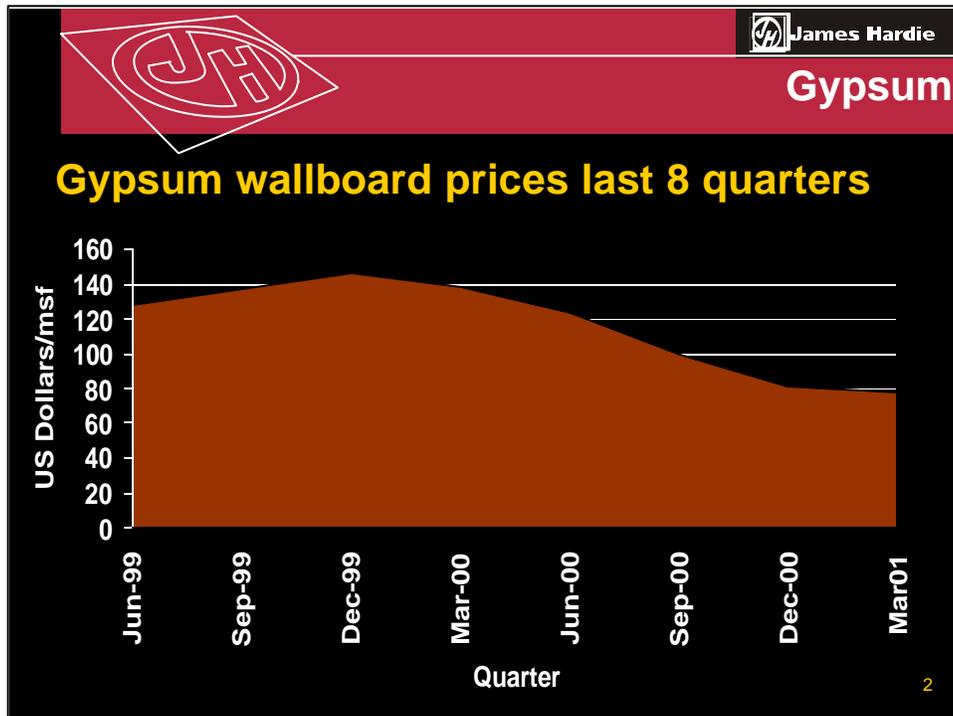


Good afternoon. It is my pleasure to welcome you all to this, the 81st Annual General Meeting of James Hardie. As there is a quorum present I declare the meeting open.

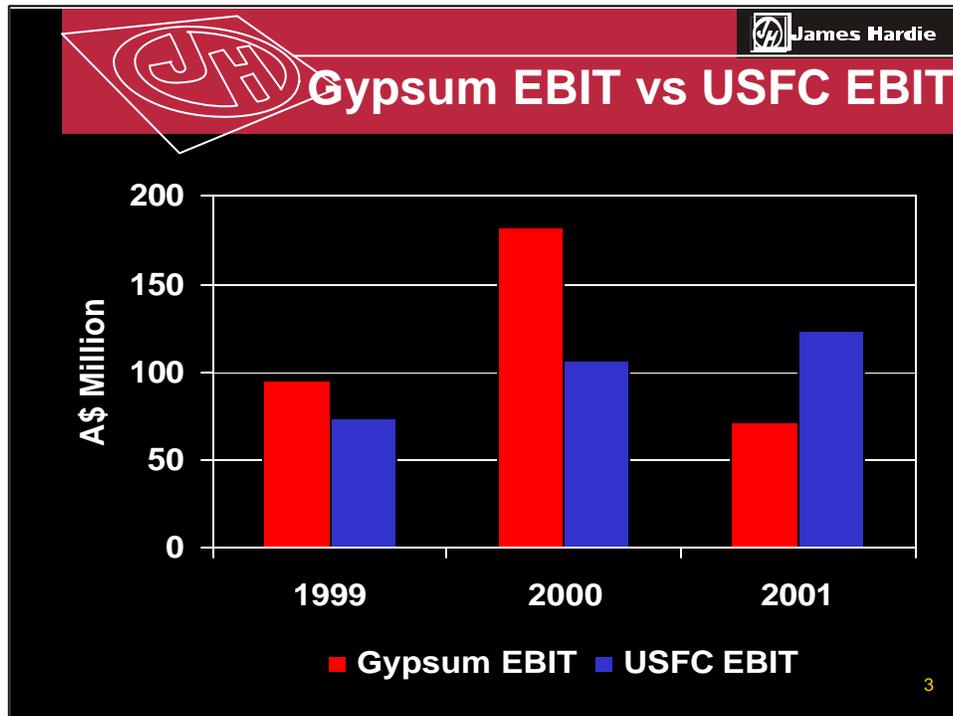
This meeting is being transmitted live on the internet through James Hardie's website. Welcome to anyone on the world wide web. A recording of this meeting as well as copies of my address will be available on our website after the meeting.

The notice of meeting has been sent to all shareholders. I propose it be taken as read. At the end of my address I will ask my fellow directors to join me on the stage for the business of the meeting. I will introduce them to you at that time.

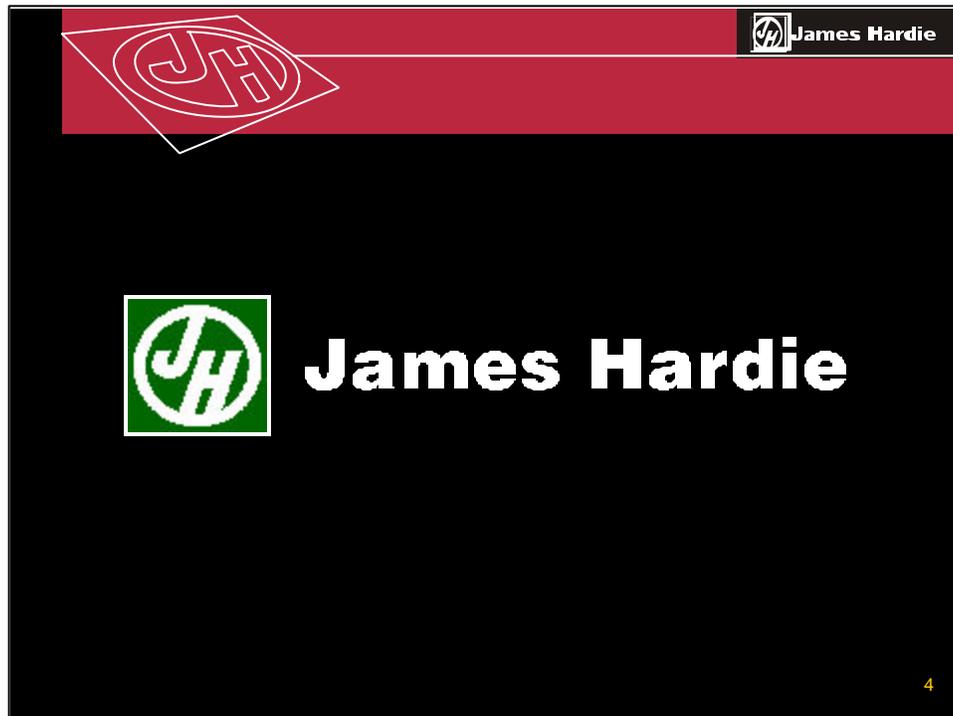


The company's operating profit declined almost 40% in the past year.

This was due almost entirely to the impact of falling gypsum wallboard prices, shown here, which declined significantly during the year. This trend represents the sharpest downturn in the industry's history.



Lower gypsum prices more than halved our profits from gypsum, shown here by the red bars. This more than offset the continuing strong growth from fibre cement, from which profits again grew strongly as shown by the blue bars.



Shareholders will have already received their final dividend. The total dividend for the year was 6% higher than last year. This reflects the continuing strong performance in fibre cement and the Board's confidence in the company's position going forward.

Where we go from here is, I expect, the question for most of us. I hope I can give you some guidance on that today.



June Quarter 2001

- > Wallboard prices were at unsustainably low levels
- > Price increases are being implemented now
- > Industry is exhibiting strong signs of recovery

5

Results for the June quarter were mixed. Last week the company announced that it expected to lose \$9 million US dollars on its gypsum business in the June quarter. This was due to a further, sharp decline in wallboard prices.

This result is unsatisfactory, despite the fact that this performance is expected to be better than most, if not all, of our competitors during this difficult time.

We believe the wallboard prices in the June quarter were at unsustainably low levels. Signs of a recovery have emerged in recent weeks. Eight of the largest producers, including James Hardie, have announced price increases. The third largest producer has announced that it is closing or curtailing almost half of its production capacity.

The price increases are being implemented now and the closure of capacity should materially improve the supply and demand imbalance, which has dragged prices down over the past 18 months.

While it is still too early to tell whether the latest price increases can be sustained, we believe the industry is now exhibiting the strongest signs of recovery since the current downturn began in November 1999.



June Quarter 2001

- > Strong growth continued
- > Volume growth and higher prices
- > Profit up 25% in US dollars

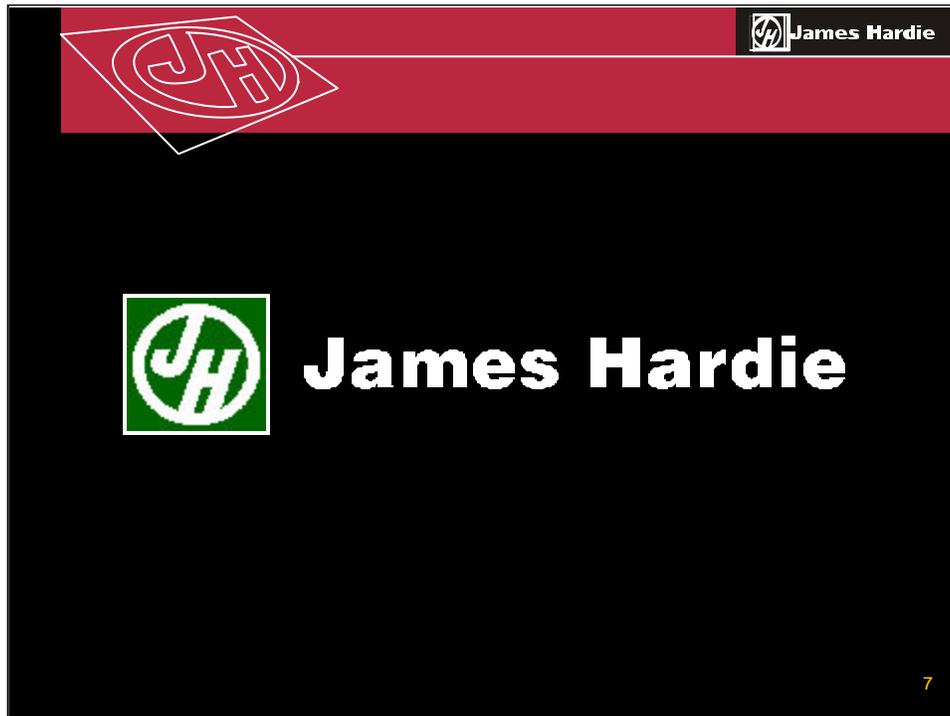
The US fibre cement business continues on its high growth trajectory. Profits will be about 25% higher for the June quarter, compared to the same period last year. Sales volumes and selling prices have continued to increase and prospects for a strong performance this year are encouraging.

Housing starts in the US remain at high levels and are forecast to decline only marginally this year.

There have been recent signs in Australia that there could be a strong recovery in housing in the second half of the year.

Our fibre cement businesses in Australia, New Zealand and the Philippines are also performing satisfactorily this year. The new fibre cement pipe business in the United States and the new fibre cement business in Chile are now entering their respective markets and consolidating their production facilities.

The detailed results for the June quarter will be announced on August 13.



I would now like to talk about the long-term growth strategy for the company.

Fibre cement is our future. The worldwide market for fibre cement is already large and growing rapidly.

Sales of fibre cement are growing at a faster rate than for most other building materials around the world. In our view, this growth could continue for many years.

Our estimate is that the global market potential for fibre cement is 10-15 times larger than our current sales.

We also believe that this market potential could increase further if the company is able to develop products that will make fibre cement suitable for applications for which it is not suitable today.

James Hardie's goal is to be the global leader in fibre cement. We have many competitive advantages that will help us achieve this goal, but we will need to expand our geographical presence to do so.

We have clear leadership positions in our existing markets. Much of the technology we use is proprietary to James Hardie. Many of our products are unique to us; they are produced with technology that no other company has been able to replicate. Our expertise and know how, particularly in manufacturing, are unmatched in our existing markets.

We think we can capitalise on these advantages to grow in existing markets and at the same time introduce the Hardie approach to other countries.

Here are some examples. The first two deal with new products for existing markets.

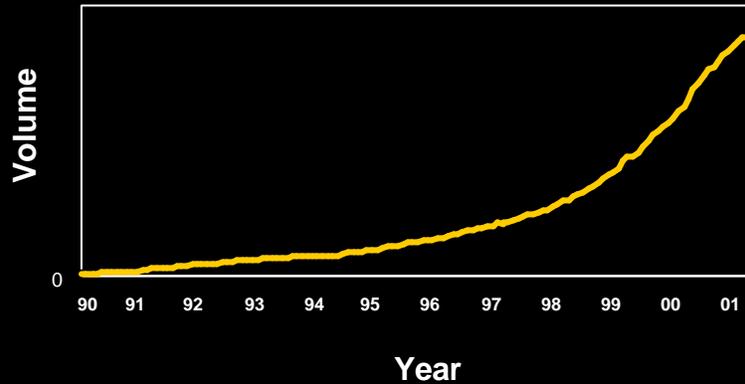


Hardibacker, seen here, is a modest looking sheet product, which is used as an underlay for tiles in areas such as bathrooms, kitchens and laundries.

Until recently, we produced a ¼ inch thick product in the USA, which was used on floors. The US market for this kind of application is about 150 million square feet a year.



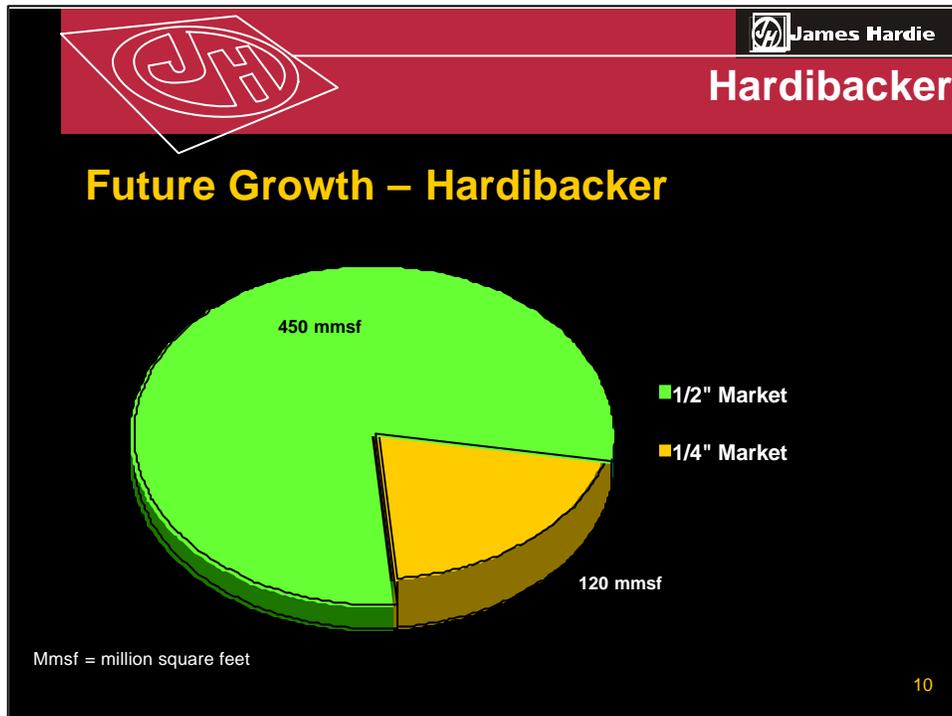
Hardibacker Sales Volume



9

Our growth in this market has been very encouraging as you can see on this slide which tracks sales volumes for Hardibacker since 1990.

There is an even bigger market for these kinds of products as an internal lining for walls, again in wet areas such as bathrooms. This requires a lightweight $\frac{1}{2}$ inch thick product, quite different to the $\frac{1}{4}$ inch product we've been manufacturing so far.



We already have about a 50% share of ¼” sales, shown here as the smallest part of the pie. In the past year we developed and launched a unique, new ½ inch product, which is proprietary to James Hardie. The new product was made possible by what we call G2 or second-generation technology.

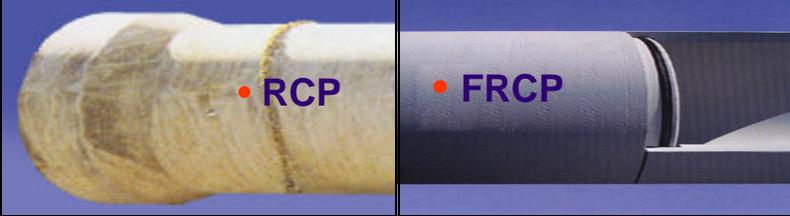
As you can see, the market opportunity for ½ inch product is very large. Within 6 months of its launch, the new ½ inch product has won a 5% share of this market segment.

Long term, Hardibacker could have a very large share of the combined ½ inch and ¼ inch market in the United States. The market itself is also growing.

This is a simple example of how technology is helping us to win new business. We developed a thicker product without making it heavier, which can compete in a market segment that we were unable to supply in the past.

 James Hardie

USA FRC Pipe



The image shows two pipes side-by-side. The left pipe is labeled 'RCP' (Reinforced Concrete Pipe) and is a thick, yellowish, textured pipe. The right pipe is labeled 'FRCP' (Fibre Reinforced Concrete Pipe) and is a thinner, grey, smooth pipe.

USA market for JH pipes is worth US\$2.0 billion

11

The second example relates to the concrete pipe industry in the United States. The US market for large diameter pipes is worth about \$5 billion US dollars a year. Of this, there is a US\$2 billion market for which James Hardie's fibre reinforced concrete pipes would be suitable, and that we could envisage supplying.

This market is currently dominated by reinforced concrete pipe, shown on the left side of this picture.

In March, we commissioned our first pipe plant in the United States in Florida. If we are successful in penetrating this market, we plan to build more pipe plants across the United States.

Our long-term vision for this business is to win a 20% share of the market. In today's terms, that is a business which would generate about \$400 million US dollars in sales annually.

Our confidence is based on the benefits conferred by our product, which is on the right side of this photo. Compared to the conventional concrete pipes, which have been used for many years, our pipes are:

- one third to one half the weight
- twice as long, and



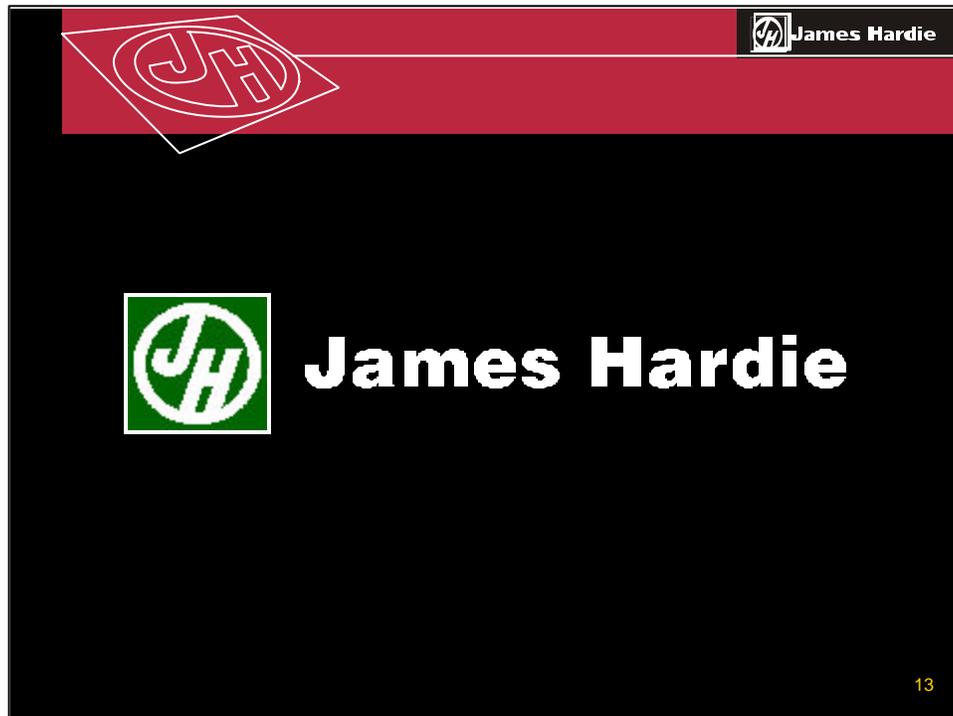
- stronger than concrete pipes of the same engineering class.

These simple but compelling advantages mean that our pipes will be substantially cheaper to install than conventional concrete pipes. We believe this will make them very attractive to contractors in the large US civil construction industry.

Our basic proposition is that:-

- there is a large market for our pipes
- we have a differentiated product which is unique to James Hardie
- our pipes will be cheaper to make, and
- cheaper to install than competing products

There is also potential for our fibre reinforced concrete pipes in other parts of the world. The company's management is currently investigating this potential.



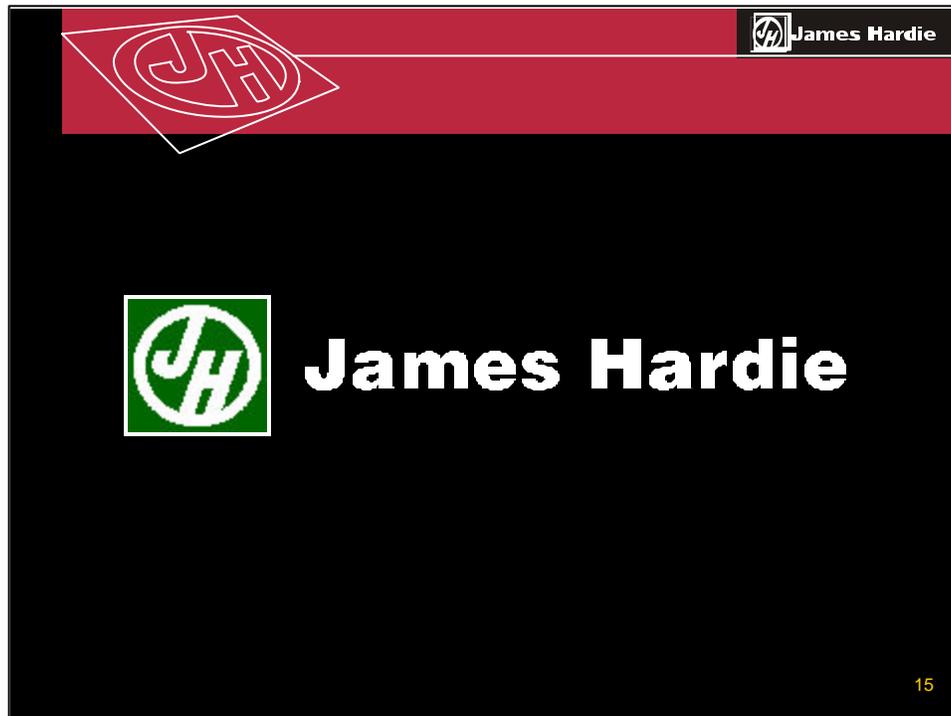
The third example of growth potential relates to new markets



This is our new fibre cement plant in Santiago in Chile, which was commissioned earlier this year. It is our first plant in South America, a region in which we believe there is strong, long-term growth potential for fibre cement.

The South American market for cementitious boards, of which fibre cement is one, is about 2 billion square feet a year. This is almost twice the size of the current application for fibre cement that we have in the United States.

In addition to Chile, we think there could be growth opportunities in Argentina and Brazil. Our management is also currently investigating these opportunities.



As mentioned earlier, the company is looking at international expansion both from its established bases and to new areas.

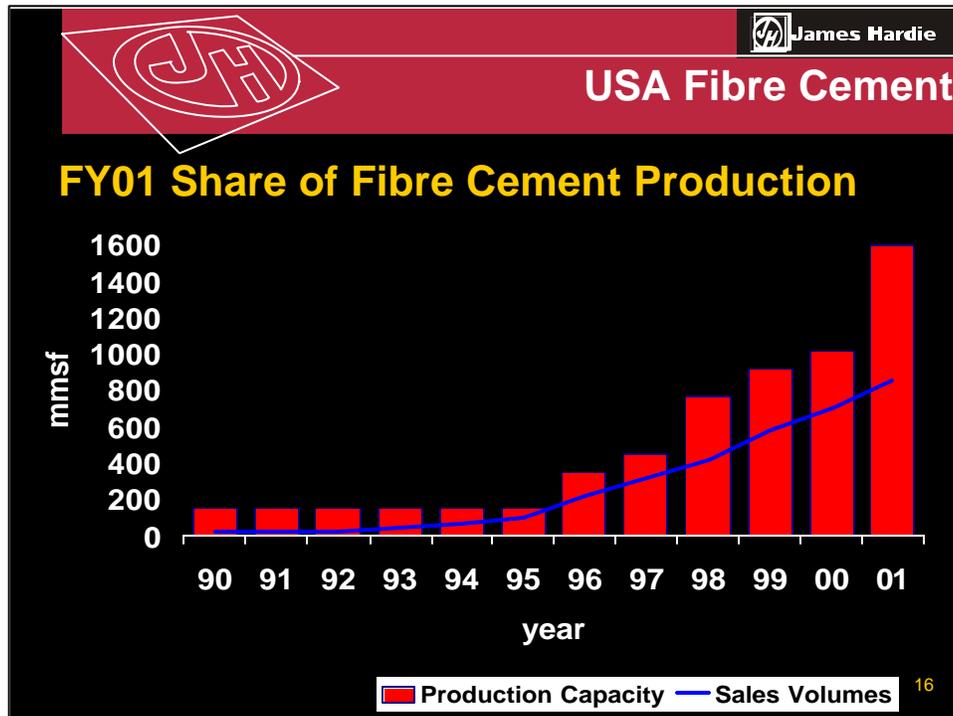
The major trading nations in Asia, as you would know, have continued to suffer from mixed political and economic fortunes in recent years.

Our business in the Philippines has not performed as well as we would like, mainly because trading conditions in that country have been unfavourable since construction of the fibre cement plant near Manila three years ago.

This plant is now among the company's lowest cost fibre cement manufacturing facilities. While demand in the Philippines is expected to remain depressed in the near term, the plant is producing an increasing volume for export within the region. This year exports from the Philippines plant could account for up to 30% of its production. Korea, Thailand, Taiwan, China and Hong Kong are among the countries we are supplying from this plant.

The company has conducted extensive market studies in Europe in recent years. We are still not ready to proceed into Europe, however, the market potential for fibre cement is encouraging. We are currently working on the development of new products which could have widespread application in Europe. It is not possible to say how long this development work will take or whether we will be successful, but we are optimistic.

I would like to draw together my comments on growth potential in order to give shareholders an appraisal of the long-term growth strategy for the group.



This chart shows the expansion of the company's fibre cement production capacity in the USA since entering the market in the late 1980's. The red bars indicate capacity. The blue line indicates sales volumes over the same period.

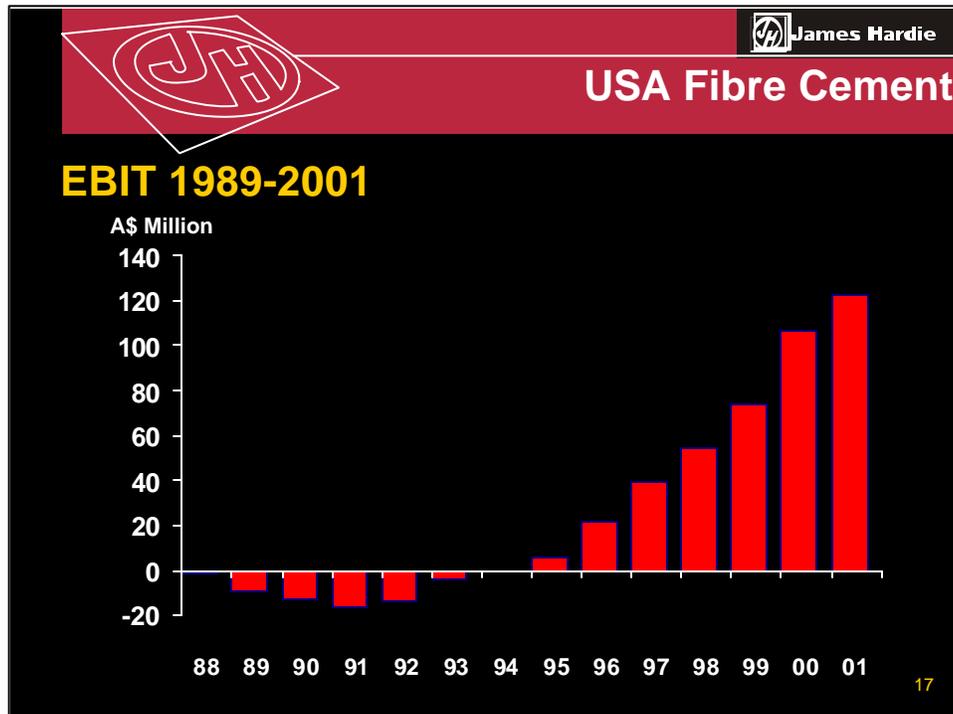
This year our fifth US plant was commissioned in Illinois, to service the mid-west and north east regions of the country and within one month of its start up it was decided to double its capacity based on the growth potential in that area.

We also took over a competitor's plant in Texas – to become the sixth company plant – and have rebuilt it to our specifications.

A new production process is being commissioned at our other plant in Texas. This represents a genuine breakthrough in manufacturing technology for fibre cement. The new process will initially be used to expand production of Harditim, for which sales have grown more than 90% in the past year.

We believe this new process will enable the manufacture of a wide range of new products, which will be thicker and lighter in weight than the current range and for which there could be further significant market potential.

Overall, we believe that the growth rates of recent years in the United States can be sustained, as capacity is expanded and new products launched.



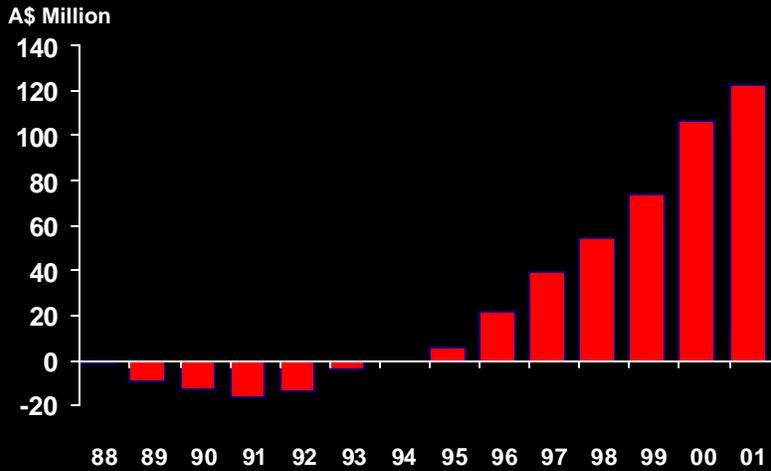
In examining the potential of new markets it is useful to reflect on how we started in the United States. Losses in the early years have been replaced by rapid profit growth as you can see. Our aim is to sustain sales growth in this business of 20-30% a year and maintain profit margins at or around the long-term target of 20%.

We have been able to simultaneously grow demand for fibre cement and defend the company's strategic position against other producers by:

- having the lowest cost fibre cement plants
- building a national network of plants to reach all major markets economically
- launching new, differentiated products which competitors cannot readily make; and
- building customer preference for the Hardie brand, which is now well recognised in US building markets.



EBIT 1989-2001

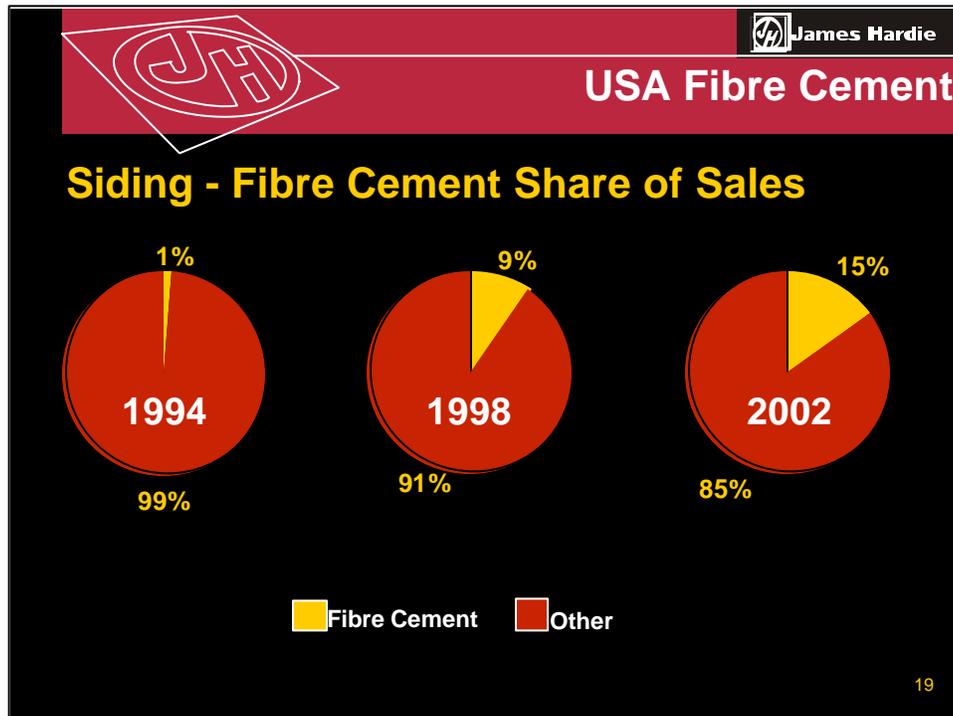


It is well known that James Hardie builds fibre cement plants faster and at a lower cost than FC competitors and also operates FC plants at lower cost. By our estimate - some 20-30% lower than our competitors.

Both these factors are clearly a fundamental competitive advantage.

Some detractors have been saying for several years that the company's fibre cement advantage would disappear once competition entered the industry. I am pleased to say that experiences thus far appear to be in our favour.

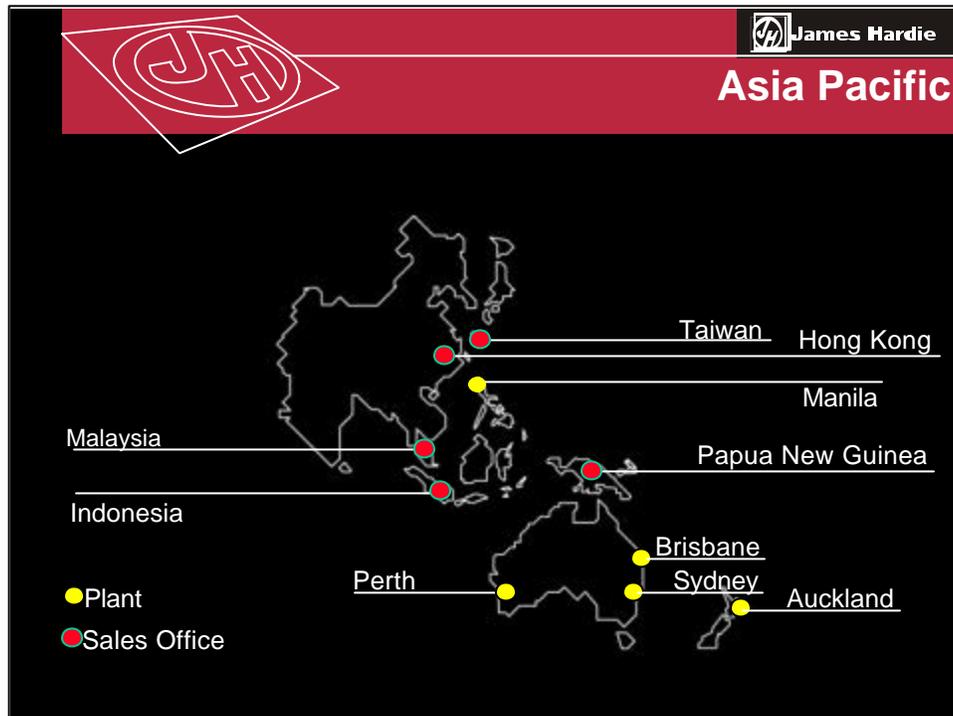
Here are some charts we first published some years ago that also relate to the competitive position.



This shows fibre cement's share of the US siding market, growing from 1% in 1994 to 9% in 1998. Today, that share is between 12-13%. James Hardie has been the primary driver of the growth in demand and we still command about 85% of that 12-13%.

When we first published these charts, we estimated that by 2002, fibre cement could command about a 15% share of the siding market. A lot of people were skeptical of this forecast. Today, it is becoming more obvious that this forecast is realistic. Growth is tracking the rate required for this share to be exceeded.

I hope what I have said about fibre cement in the USA demonstrates that the optimism expressed in this speech is soundly based.



In the Asia Pacific region, we have restructured our business to bring all of our operations under one, coherent management structure. Production and sales will be coordinated on a regional rather than individual country basis.

The Perth plant is being closed this year because advances in manufacturing technology have enabled capacity to be increased in Sydney and Brisbane, at very low capital cost. It will now be possible to supply the Western Australian market from the east coast plants at a lower operating cost than if we kept producing in the west.

There is a large market in Asia Pacific and James Hardie currently supplies almost half of the fibre cement produced in the region, including more than 70% in Australia and more than 80% in New Zealand.

New products are an important part of our growth plans locally. Here are some examples that have been launched in the past year.



New wall systems and façades



21

New wall systems for housing known as Harditex and CMX are providing the textured look of rendered masonry but at lower cost.

We have also launched ComTex, a new façade system for commercial buildings to replace masonry.



New flooring systems



22

New flooring systems – shown here – for Commercial and Residential applications have been launched recently. The residential system is designed to overcome expensive cut and fill methods that are used on sloping sites.

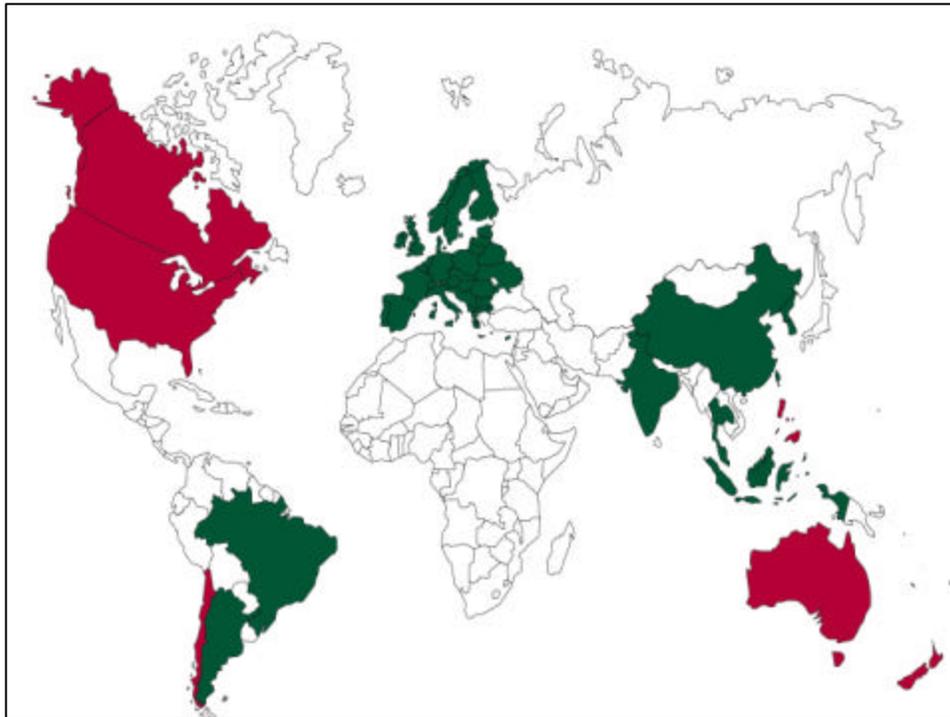


New architectural columns



23

The range of architectural columns has been upgraded and expanded. These are produced at the pipes plant in Brisbane, where production capacity has been increased in the past year.



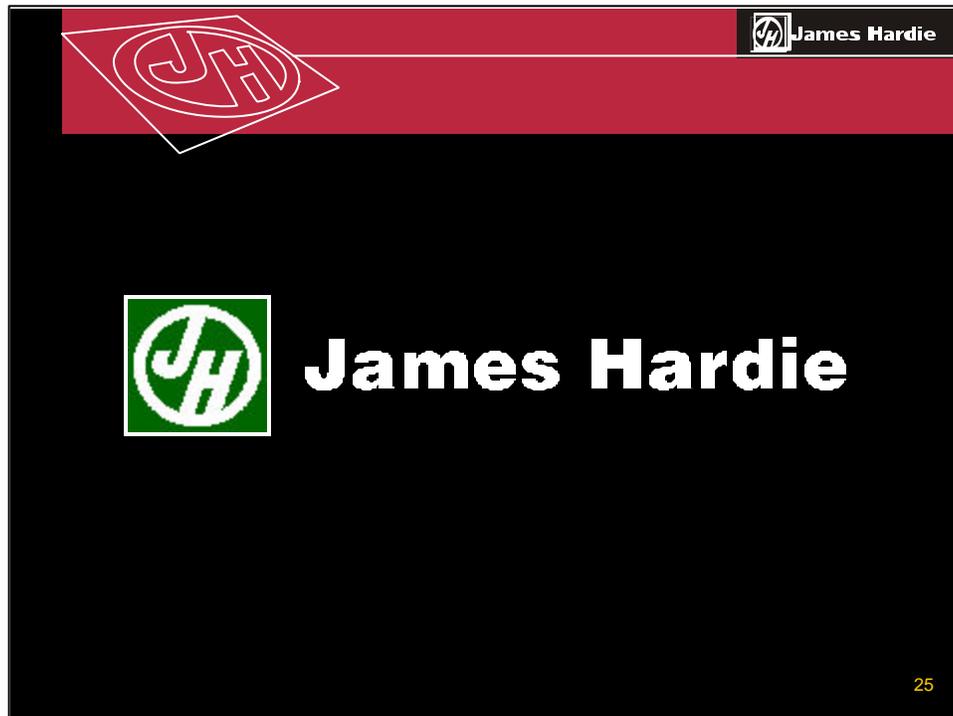
Let me summarise the global potential. The countries marked in red are those where we make and or sell fibre cement today in significant volumes.

The countries marked in green are those where we believe James Hardie has growth potential.

Around the world, markets are opening up for modern fibre cement. This will not occur overnight but a number of emerging trends suggest the long term potential is significant.

Our products are highly suited to lightweight, framed construction. This typically has a steel or timber frame and can be clad with materials such as fibre cement on the exterior and gypsum wallboard on the interior.

There is evidence that this form of construction is gaining in popularity. Most commercial construction has converted or is in the process of converting to lightweight, internal wall systems.



Residential construction is also increasing its use of lightweight systems because these systems are, for example, faster, easier and cheaper to install than masonry.

In this respect, some parts of Europe, Asia and South America all offer long-term growth potential for lightweight building systems as a replacement for traditional masonry construction.

Asbestos cement still accounts for more than half of the market for cementitious boards worldwide. As many of you know, asbestos is being banned progressively around the world. It will be completely banned from use in building materials in the EU by 2005 and the phase out leading to this deadline has already begun.

Chile has recently banned asbestos and in other countries, like Brazil, governments have begun work on timetables for phasing out asbestos.



James Hardie

Global Potential

Region	Existing demand for asbestos cement and fibre cement (bsf*)	% Asbestos cement
Asia	5.0	91
Asian Sub-continent	2.0	95
North America	1.0	0
South America	2.0	80
Europe	3.0	35
Australasia	0.3	0
Total	13.4	-

*billion square feet Source: Management Estimates

This table shows the extent of the potential for fibre cement, simply as a replacement for asbestos cement. As you can see, asbestos cement still commands more than 50% of the global market for cementitious products.

Even in Europe, as you can see, asbestos still accounts for 35% of the market. Consistent with our own conversion from asbestos many years ago, James Hardie is encouraging and supporting the introduction of bans on asbestos in these regions.

Our share of total worldwide sales of cementitious boards is still only 7%. In our minds, this suggests that the company's long term - and I stress long term - potential upside for fibre cement remains significant.

For James Hardie, there are plenty of opportunities. The issue is the extent to which it will be profitable to invest outside current established markets. I can assure you however that we will not be expanding into new territories unless the capital required is justified by good returns and there are sound business prospects in each case.



Continuing Commitment to Australia

- > \$40 million to upgrade and expand Australian manufacturing
- > \$4 million spent on Pipes plant upgrade in Brisbane
- > \$6 million investment in Global R&D Centre in Sydney

27

As Chairman, I am occasionally asked about our ongoing commitment to Australia given our success in the US.

Our commitment to Australia is undiminished.

In recent years we have invested more than \$40 million to upgrade and expand our Australian fibre cement plants. In the past year, we invested a further \$4 million to upgrade and expand our fibre cement pipes plant in Brisbane.

This year, we opened our new \$6 million Global Research & Development Centre at Rosehill in Sydney.

We were honoured that the Premier of NSW The Honourable Bob Carr, MP, agreed to open the R&D centre in April. At the opening, the Premier acknowledged James Hardie's commitment to science and innovation and noted that the new centre is helping to expand the range of new technology industries in western Sydney.

Premier Carr described the company's new R&D centre as an outstanding example of traditional industry embracing new technology.



Continuing Commitment to Australia

> 5 year \$75 million spend on R&D in Sydney

28

This brings me on to an important announcement I would like to make today.

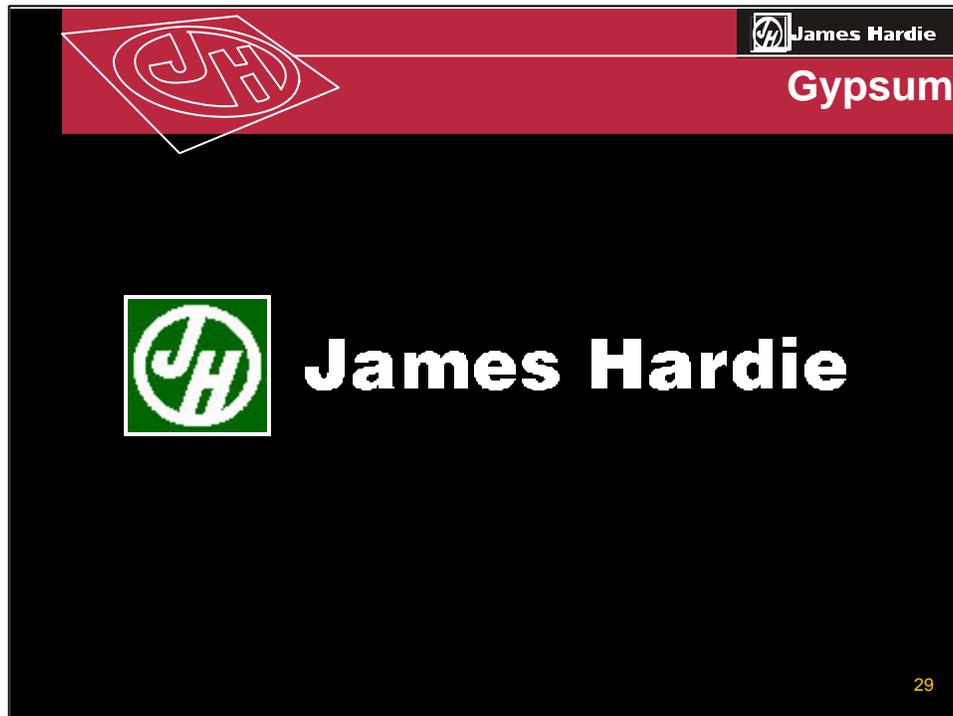
The market position we have currently, and the position we aspire to have in the future, will be built on the company's continuing leadership in fibre cement technology.

Research and development is fundamentally important to James Hardie. To that end we are pleased to announce that James Hardie will spend over \$75 million in core research, product development and technical support in Australia alone over the next five years.

We have chosen Australia as global headquarters for our core research and development work because this is an attractive place in world terms in which to conduct breakthrough scientific research work. There is a large pool of talented scientists and engineers available to us here.

Today James Hardie aspires to be an innovative, high growth, technology based company that generates profitable growth and attractive returns to shareholders over the long term.

I am pleased that our commitment to R&D in Australia has been reflected in innovation statements and policy positions which have or are in the process of being developed by both the Federal Government and the Opposition.



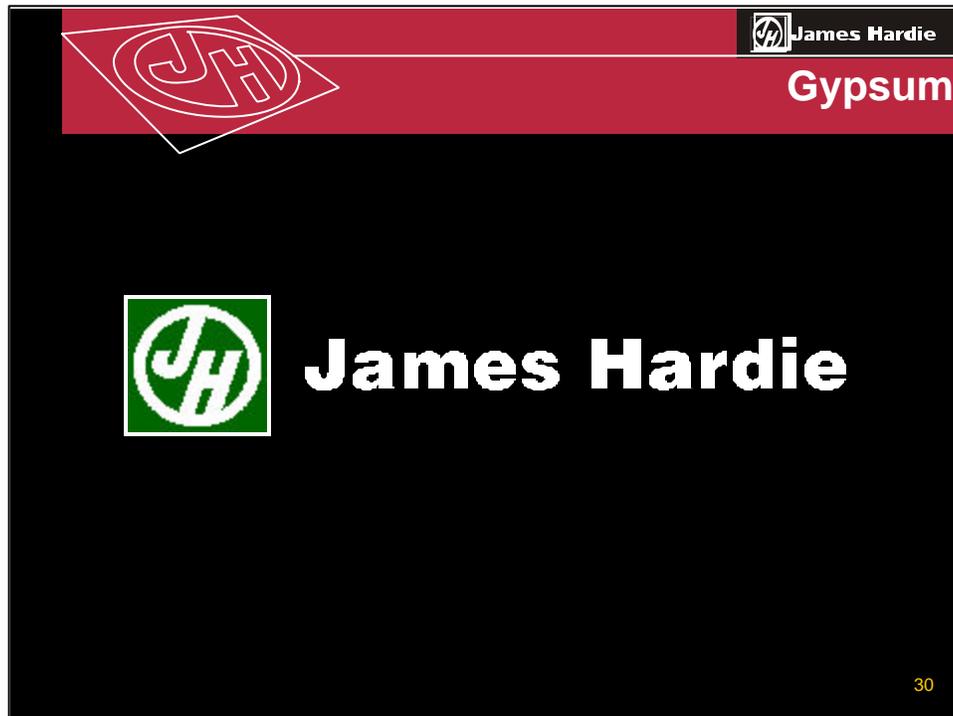
Turning now to gypsum. This business has created considerable value for shareholders, despite the fact that in the past year, results were well down on the year before.

Even though it has been a disappointing year, the US gypsum business produced almost \$100 million in cash. Over the past 5 years, it has generated more than \$525 million in cash. A large proportion of this cash has been used to fund growth in fibre cement.

Our strategy in gypsum over the past few years has been to position the company as a low cost producer, and to seek to achieve the best returns in the industry, even at the lowest points in the cycles.

As a result, gypsum assets have attracted the interest of competitors. In May, the company announced that a formal process had begun to evaluate the sale of this business.

This process has elicited strong interest among prospective acquirers. Discussions with these parties are underway, but have not yet reached the stage where a firm timetable for the sale of the assets can be established.



While the company is not under any pressure to sell its gypsum assets, the current discussions suggest there are good prospects for a future sale at the appropriate time, when significant value could be created for shareholders.

Last week we announced the sale of the gypsum mine in Las Vegas for US\$50 million. This divestment will occur at a substantial profit to book value and represents what in effect, is the first stage of the company's planned exit from the gypsum business.

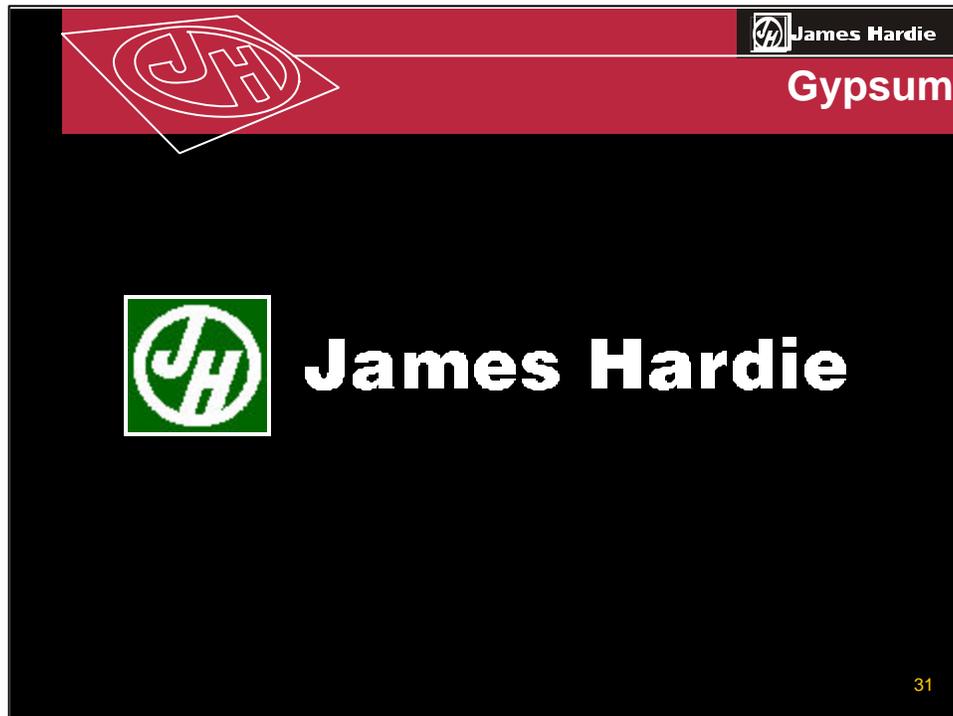
That concludes my review of the company's strategy for growth.

During recent months there have been significant changes to our share register and the Board.

Sir Lew Edwards retired to take up his role as Chariman of The Medical Research and Compensation Foundation. He had been a member of the Board for almost eleven years and I thank him for his contribution over this time.

In May, Brierley Investments Limited, which was then James Hardie's largest shareholder, sold its entire 29% stake in the company. The sale reflects Brierley's intentions to pursue other investments, having made a satisfactory profit on its long standing shareholding in James Hardie.

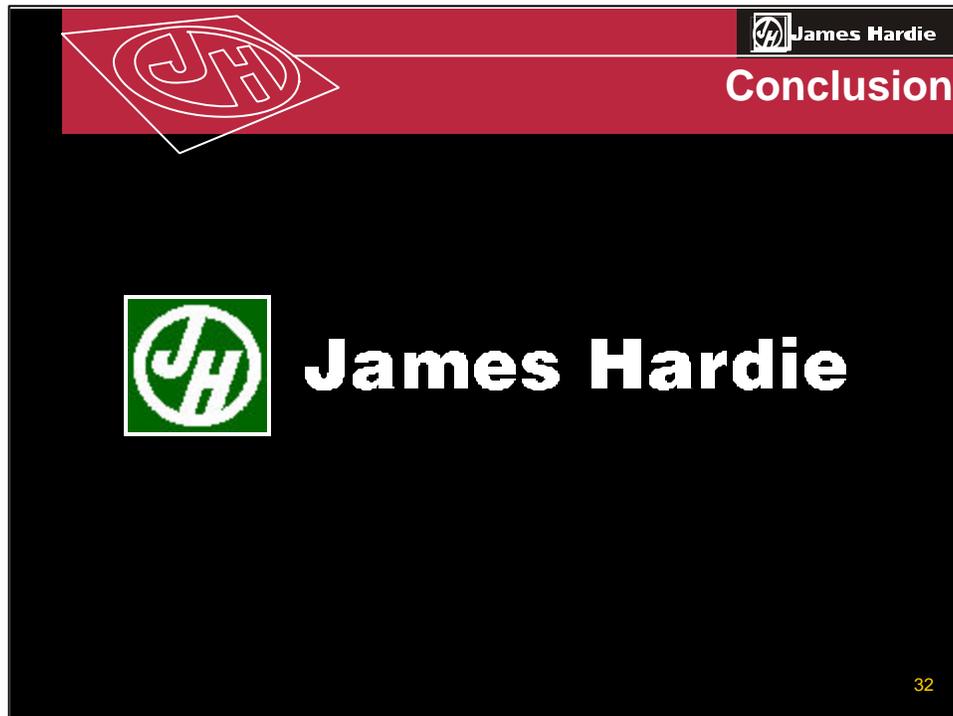
The shares held by Brierley were sold in a placement to a large number of domestic and foreign, institutional and retail investors. The placement was oversubscribed, reflecting renewed investor interest in the long-term growth prospects for fibre cement. The company's share price since then has traded well above the placement price.



This appears to be at least, in part, due to the improvement in liquidity. The average daily volume of shares traded has risen substantially. This improved liquidity will benefit all shareholders and is considered an important factor for institutional shareholders.

The two Brierley representatives on the Board, Mr. Greg Terry and Mr. Dan O'Brien, resigned following the sale of Brierley's stake. I also want to thank these directors, and their predecessors, for their contribution to the development of James Hardie over the past several years. The relationships between them and the company have always been open and constructive.

The Board believes that it would be beneficial to recruit additional directors with experience in North America and possibly Europe. We will proceed with this initiative during the year.



In concluding my formal address I emphasise several key points.

I believe the transformation of this company in recent years has set it on a sound course for the future. There is a clear and coherent growth strategy focused on global development in fibre cement.

There are numerous opportunities available for further growth and development and a sound process is established which will enable the appropriate priorities to be selected and pursued.

I would like to express appreciation and thanks to the management and employees for their fine efforts and success last year. I believe shareholders would want me to do this on their behalf. We have a relatively young and extremely enthusiastic team of managers who show great loyalty to the company and who work tirelessly for improved results.

End of Chairman's Address.