BHP

Financial results for the year ended 30 June 2020

Investor and analyst Q&A teleconference transcript - Session 1

18 August 2020

Mike Henry, Chief Executive Officer: Introduction

Hello everyone. Thank you for joining us to discuss our results for the 2020 financial year. As you'd expect, Peter Beaven is also on the line. We're very proud to have safely delivered a strong set of operational and financial results for the year.

US$22 billion in EBITDA, an operating margin of 53%, 9% lower average unit costs, underlying earnings per share up on last year, a return on capital employed of 17%, and the balance sheet remains strong with net debt closing the year at the bottom of the target range. We've declared a 55 US cent final dividend. That brings the full year to 120 US cents. Third year running where we've declared more than US$6 billion in ordinary dividends.

Most importantly, all of this achieved safely, with no fatalities and our leading and lagging safety indicators improving, which of course remains our highest priority.

So overall for the year, we were safer, more reliable, and lower cost.

Now, we've done this with the support of our people, communities, business partners, Traditional Owners, governments, and we also sought to support those who rely so heavily on BHP. If I turn to what lies ahead, of course, the priority remains to grow value in returns by focusing on excellence in operations, financial discipline, and creating and securing more growth options in future-facing commodities.

The near term outlook is uncertain. There will be significant global economic contraction this year. We expect it will take a year plus to return to pre-COVID levels of economic activity. However, as we've just demonstrated in the past half, our portfolio and people make us resilient in the face of this uncertainty, and we're also positioned to capitalise on any opportunities that may arise.

In the medium to long term, our view remains unchanged. We continue with a confident outlook for continued growth in demand for the commodities we produce.

We manage for value in returns over multiple time horizons. We're seeking to grow value in returns in the near-term through operational excellence and through investing in the options that we already have. At the same time, we're seeking to underpin our ability to continue to grow value in returns in the longer term through ensuring we have a portfolio with increased upside exposure and with more options in future-facing commodities. And we've made some progress on that front in terms of securing and advanci0ng future-facing options in copper and in nickel.

Today, we've also been clear about our intent to focus the coal portfolio on higher quality coking coals and to divest BMC, New South Wales Energy Coal and Cerrejon, which are some great assets and they have growth options, but they're unlikely to compete for capital within BHP. So their value is more likely to be realised through a different ownership structure. And we'll look at whatever option here maximises shareholder value, be it trade sales or demerger. And of course we have a strong track record in that regard in choosing the right options with the South32 demerger, but then the shale divestment.

In petroleum, we intend to continue to invest in what we see as an attractive opportunity to grow value in returns for the foreseeable future. However, we will be balanced in our approach and we look at those assets that are less long-life and which have less upside in BHP. And in that respect, we announced today our intent to divest the non-operated interest in Bass Strait.

We're focused on creating value in the near-term through being exceptionally good operators and stewards of capital, and in the long-term through actively managing the portfolio for long-term upside and growth opportunities.

We also announced today a couple of new roles and appointments. Two of the appointments are part of the natural transition of the leadership team. The two new roles are aligned with the intent that I've outlined. So a Chief Technical Officer, which will ensure operational excellence is front and centre for BHP. And a Chief Development Officer, reflecting our priority on managing our portfolio and creating and securing options in future-facing commodities.

So just to close out before we move to questions, in FY20 we were safer, more reliable, and lower cost. We've got great momentum and we're taking further steps to enhance performance and to build options in our portfolio for the future. We're building on such strong foundations and I'm really excited by what the future holds.

So I'll leave it there and open it up now for your questions.

Questions and answers

PAUL YOUNG, GOLDMAN SACHS: Thank you. Morning, Mike and Peter. First question is on Escondida. Thanks for the five-year guidance and grade profile, et cetera. Just an observation – none of the other Chilean copper miners have downgraded copper production guidance yet. Why do you think that is? Or are you being conservative with your assumptions, whether it be on labour productivity and waste movements in FY21? That's the first question. I'll come back with the second.

MIKE HENRY: Okay. Hi, Paul. Look, I might take a first go at that.

We can't comment on others, Paul, because I don't know their circumstances. I would just call out though that we're six months out of sync with some of them. So our period goes for six months longer than theirs. We think we've taken, or we have taken prudent decisions in the face of COVID in the last six months, to reduce people on site, to increase social distancing and that's allowed us to turn in what I think has been a pretty good result for FY20.

Now there's a lot of uncertainty for FY21 because we don't quite know yet how COVID is going to play out. We built in certain assumptions around absenteeism and so on. We'll have to see how that plays out over the course of the year. We don't think we're being overly conservative. If it ends up that things recover more quickly and we have less absenteeism than we have baked into the plans, then happy days. But we think we've taken what we believe to be prudent assumptions and we'll have to see how this plays out for the rest of industry.

Peter, anything you wanted to add?

PETER BEAVEN, BHP CHIEF FINANCIAL OFFICER: No. I think that's right. Paul, we've built up a reasonable stripping. As you know, we've been stripping a lot in the last few years. And so we successfully managed to continue to produce through this COVID period, as you can see from the FY20 results. But we've got to think very carefully about how you trade-off between that, and that'll be a month-by-month proposition, depending on what level of manning we've got, and we'll see. So as far as the others are concerned, who knows what their stripping levels were and what their stocking levels were and so on, so we'll wait and see.

PAUL YOUNG: Okay, thanks. Second question is on oil. The new production guidance over the medium term implies, I think, cumulatively 30 million barrels less oil over the next five years than what you guided to at the petroleum day in 2019. Mike, will you get these barrels back or simply the decline rates are higher than you expected?

MIKE HENRY: No, Paul. So I might ask Peter just to comment on the 2019 guidance. We've obviously deferred some in the short term, but we think that that was the value maximising decision for us given the shape of oil curves currently. But with everything that we're doing in terms of both investing in the current business, looking at further in-fill opportunities on that 2022 horizon and beyond, we then have bigger options like Trion and Scarborough, we think we're well placed. But Peter, do you want to comment on the delta between the numbers Paul's referring to between FY19 and now?

PETER BEAVEN: Yes. Paul, most of it is timing and I think we made a good decision to defer a lot of the expenditure at the moment, bringing barrels, particularly in-fill, where you've got relatively short field lives or project lives on those, you want to bring it in to a good price environment. So I think those are good value decisions and that's what underpins this. I think, so you get the barrels back.

I think Scarborough's probably the one that ticks over and just drops on the other side of the five years that we show there. And so that does make a difference in the five years, but that one year delay is going to create that.

And far as the actual barrels, whether they've gone or not, I think there's only one area where you'd say that probably we've scraped back a few barrels, and that's probably in Bass Strait. I think some of the resource, as Exxon has continued to drill and learn a little bit more about the complexity of some of those resources are a little higher than perhaps that we had expected. And probably that's the only area, only field where you'd say, well there is something which has gone which hasn't.

I still think on top of this though, there are still some opportunities. Wildling is not in there. So we got Shenzi North in there, and that's a two well tie back. But Wildling, the full extent of Wildling is again, we're still appraising that to see what exactly we can do there. And hopefully we'll have some opportunities to perhaps accelerate a couple of the other options and bring forward some of those barrels. But essentially, the portfolio is, as I say, it is what it was.

SAM WEBB, CREDIT SUISSE: Thanks, Mike and Peter.

Can I start on Bass Strait, please, and the plans to exit there? Can you just give us a bit more colour around what you're thinking around timing? Is this is a process you'll run by yourself or could you potentially do it with your JV partner there?

And then a similar question, I guess, with potential trade sales or divestments with BMC and Energy Coal. Can you just get some colour around how advanced those plans are? Is there a certain time frame you're keen to get that process completed by? Thank you.

MIKE HENRY: Okay. Thanks, Sam. Look, in both instances, we've said that these divestments could take up to circa two years, and that's partly because of the... In the case of Bass Strait, at the end of the day there's the process that we'll need to go through with government and so on to get that done. As to whether or not we'll do it with our joint venture partner, that's something that we'll obviously continue to discuss. They've been clear in their intent as well.

In the case of BMC, New South Wales Energy Coal and Cerrejon, we're looking at different options around how we go about divesting those assets, be it trade sales or demerger. We'll choose whichever one maximises value for shareholders. And one of the reasons that we're talking about a two year timeframe on that front is because that gives us the time to develop the options that achieves that aim of maximising value.

GLYN LAWCOCK, UBS: Good morning Mike, Peter. And firstly, Peter, best of luck in retirement. It's been 20 years together, so best of luck.

Two questions I've got, Mike. One is just on capex for FY22. It's a big number, but just wondering if you could split that, even if it was just percentage committed vs percentage uncommitted. Is it something like 60/40?

And then the second question, you keep talking about future facing commodities. And I think it's fair to say the last six months, we've probably been surprised by electrification, it’s gathering probably a bit more pace than we thought. Just wondering if battery raw materials is something that may come back on the radar, or is it still too small for BHP? Thanks.

MIKE HENRY: Okay, so let me address the second one first Glyn and then Peter, you may just want to talk Glyn’s capex question.

Future facing commodities. So in terms of the electrification trend, as we've said previously, we've tended to be at the more bullish end of what we thought was going to play out in terms of electric vehicles and so on. That's one of the key reasons that we've elected to retain Nickel West. And we believe that there's going to be this premium on sulphides going forward.

As to whether that would play through to us saying, well, all of a sudden we like things like lithium and so on. Probably not. We keep an open mind on these things. Our strategy and the commodities that we like remains unchanged. These have to be big markets, big assets, with good shape in the cost curve for us to be attracted to them. At this point in time, the focus is really on nickel and copper, both of which will have exposure on that front. But as I said, we'll keep an open mind. We'll continue to review these things, but no change now.

PETER BEAVEN: Yeah, so Glyn, if we look forward to FY22, actually very little is committed. We are at that point, we're finishing off, there's a little bit left in Spence, just tidy up, but Mad Dog Phase 2, Ruby, Atlantis 3 will be in. But the rest are not committed. So we've got a huge amount of flexibility as always on this number. The difference between say FY21, the US$7 billion and the US$8.5 billion guided in FY22? We put in an additional US$500 million in the major projects year on year, and that's because nominally we allocate some capital to projects that haven't received FID and obviously need to go through FID, but for the sake of it, here it is.

So we put in something for Jansen, there is Shenzi North, Scarborough starts to come in there and we start to actually spend a bit more money on Trion as well because you're actually in DPS at that point in time. And additionally, there's another lift in Laguna's second tailings dam and so we have to put some money into there. So that's about US$500 million. Another US$500 million probably comes in improvements. And that's really putting back in a lot of these infill projects in petroleum. So those are very high returning, very low break even. So we decided to put those back in again, along with the various projects that we have at minerals. And then the other US$500 million I would say, year on year, is in sustaining capital. We've got a lot of spend in FY22 on Olympic Dam as we do at FY21.The next SCM is in there and we've got a bunch of fleet that we have to replace as well across the organisation, just happens to be that it comes up, but particularly, I think in BMA and a bit in Chile. So, a billion and a half up year on year, probably split evenly, more or less, between major improvement and sustaining Capex.

RAHUL ANAND, MORGAN STANLEY: All right, Mike and Peter, thanks for the opportunity. I've got two. First one's on copper, second one on iron ore.

For copper, given the focus on water in the Atacama, I wanted to figure out as to post the first five years or the coming five years of Escondida, should we think about the capex profile thereafter in terms of just the expansion of throughput at site, or would you require to spend more money in the desalination side of things as well?

That's the copper one, I'll come back with iron ore. Thanks.

MIKE HENRY: Okay, so this is a real good news story for us with the move to move to fully desalinated water much earlier than was originally planned, and the election not to withdraw any more from the Monturaqui aquifer. On the five year horizon, I don't believe that we've got any plans for the desalination. I think that we've got full ability to continue to operate on the basis of the capacity that we have installed.

PETER BEAVEN: The question though Mike, is, what do you do beyond that? Because the grade does decline, and so that may be an outcome. The grade declines, we continue to produce a lot of copper at a relatively low price, but it's not quite the unbelievable thing it is today. But I think we're not done yet. There is 29 billion tonnes of the stuff there. The reserve grade is 0.6%.

Of course, if you go deep, then inevitably there is better grade. So somewhere in there, there's a series of options, I think… something between maybe a small underground, maybe a small block cave even, to sweeten grade. And perhaps the trick is to find a lower capex way of processing additional tonnes. And so more concentrators means more concentrator capex, plus it means more desal and so on. So back then, can you find a leaching technology that will allow you to leach chalcopyrite at reasonable recoveries. And obviously you avoid all that additional capex spend, and obviously there's much less water. So, just before anybody thinks that Escondida is done and so on. Absolutely I don't think that's the case. Lots of work to be done, but there's lots of optionality there.

RAHUL ANAND: Thank you. And then the second one was on iron ore. I noted on slide 41 that the car dumper availability is now significantly higher. So, just wanted to take the question back to sort of the medium term goal of 290 to 300 million tonnes. Is the rail signalling system now the only constraint in reaching capacity, or is there anything else left to do?

MIKE HENRY: No. I mean, we have ongoing improvement in port conveyors and so on and so forth, but the big thing that we need to get done is the rail signalling project. We have all the car dumper operating capacity that we need. We've got the mines – obviously we've got Yandi in wind down and South Flank coming up. So it is really down to the rail signalling project.

And what a good news story. This focus on asset integrity and maintenance is helping us to achieve this performance without investing big licks of new capital. And we have a lot further to go.

HAYDEN BAIRSTOW, MACQUARIE: Morning Mike, just a couple from me. Just firstly, on the oil portfolio, you've started talking about Bass Strait. Just interested in, given what we've seen in oil prices in the last six months, whether you're reconsidering your ownership levels, particularly in the bigger projects like Trion?

And then, on the broader growth on the portfolio, you're putting a few assets up for sale. Are you confident that Spence ,and assuming you go ahead with Jansen and WAIO volumes and potentially coking coal over time, that that's enough growth to replace what you're going to sell in the next few years? Or are you looking at bringing some earlier stage projects forward or more M&A. Thanks.

MIKE HENRY: Okay, there's a lot in there, Hayden. I'll start with the oil portfolio.

One of the things that we've spoken about in the results announcement today is the intent to sell down our working interest in some projects. But that was always the intent, and it's part and parcel of the way that you go about these petroleum projects. So I hope that what you hear coming through in today's announcement is that we continue to see oil and advantaged gas as being attractive. We believe that they're going to be attractive for at least the next decade and likely beyond that. And so we think there's great value to be created by continuing to invest in growth projects in that business with an eye to those projects that are going to return over the time horizon where we've got the greatest confidence. So there'll be more to come on that front. And if there is an attractive acquisition opportunity that arises in our bag, we know we've got the capabilities to operate these things. So particularly for those ones that have near-term production, we're open to pursuing those.

But on the other hand, we are being balanced and we'll divest an asset like Bass Strait. And that gives us the ability to recycle some of that capital.

Now, on the broader point that you're making around, we're selling, getting out of Bass Strait, getting out of BMC, New South Wales Energy Coal and Cerrejon, where's the growth coming from? Well, some of the projects that you see us investing in currently have yet to see first production and we'll see the benefits of those projects in the coming years. So things like Atlantis Phase 3, Mad Dog Phase 2, the Spence Growth Option, and so on. That's one kind of area of growth.

There's further growth to come through productivity. You've seen what we've been doing in Iron Ore and Escondida. I think Escondida's turned in some fantastic results. There's more of that to come across the rest of the portfolio, and that will release some more volumes. Decision to be taken on Jansen.

But then we've also been clear – we want more growth options, and we particularly want more growth options in future-facing commodities… copper and nickel, and so on. And, part of that will come through some of the... you know, Peter referenced Escondida earlier and how we might bring some innovative thinking to bear on unlocking more options there. That's the sort of mindset that we want across the company, so we can get more out of the resources that we have, but we'll also look to secure more resources through exploration, early stage entry, and whilst M&A isn't our first focus, if the right opportunities arise in the right commodities for great assets, where we can secure them at a good price, of course, it's incumbent on us to consider those, as well.

LYNDON FAGAN, JP MORGAN: Thanks very much. Look, first one is on Samarco. You talked about a restart in the presentation. I'm just wondering when we can expect first production, and what sort of capital is allocated to that?

And then, the next one's on the petroleum division. So, obviously, mentioning Bass Strait demerger, why stop there? Bass Strait is almost 20% of the EBITDA, so you'd be left with a very complex business with not a lot of earning contribution. So, I guess I'm wondering whether a full demerger or divestment was considered in petroleum? Thanks.

MIKE HENRY: Okay, Lyndon, I'll start with petroleum, and then I might ask Peter to comment on Samarco.

So, in petroleum, I actually heard two parts to your question. One was, why stop at Bass Strait? And I thought where you were going to go with that was that there'll be other assets that are also mature with less upside. And then, you've got the broader question about, well, why do we stick with petroleum?

So, on the first one, we are clear on the future for Bass Strait, because as Peter mentioned in response to an earlier question, there's not a lot of upside there, in terms of exploration, or in terms of what we're seeing on the exploration front. It's obviously a gas asset rather than oil, which is our first preference. So, that's a relatively clear cut decision for us. There are other assets. If I look at North West Shelf, where in the fullness of time, that will become a tolling operation or essentially a tolling-like operation, and may not be something that we want in the portfolio. But for now, there's still further value to be unlocked through North West Shelf, through securing the gas that will fill the ullage. That's something that where, in the course of time, we probably won't be the natural owner for it, but it's not something that we want to firm up at this point in time.

Now, your point around the broader petroleum portfolio. As I said earlier, we think that, particularly over the course of the next decade, there's still great value to be unlocked in the petroleum business. We've got, first of all, more production to come on out of the projects that we're currently investing in. There's the infill opportunities that we have ahead of us. And then, we've got great projects, like what we've got in Trion, where there's further value to be unlocked. So, we like the commodity. At least for the next decade, it's likely going to be attractive for a period beyond that. We've got some great options in the current portfolio, which will allow us to grow value and returns in the near term. And, there's further options to be firmed up. So, on balance, we look at that and say, that's a pretty attractive business for us. But just because it's an attractive business, doesn't mean that we should hang on to all assets, and hence the decision around Bass Strait.

Peter, do you want to comment on Samarco?

PETER BEAVEN: Yes, Samarco. So, pre COVID, we were looking to get the asset back into action by the end of this calendar year. I think COVID is probably going to delay that a little bit. We've had US$44 million allocated to it, so it's not a lot because, basically, what we have to do is just reinstate the tailing solution, this will be a dry tailing solution, and then deposit into an exhausted pit. So, relatively small amount of work that needs to be done there. And, just to remind you, it'll probably produce probably about seven to eight million tonnes a year, maybe six, seven years of life, something of that order, so it's not particularly material to the market, or even to BHP. But surely it's better to have it back in action, people being employed, and of course, making money, which will help pay some of the obligations that Samarco owns.

PETER O'CONNOR, SHAW AND PARTNERS: Thanks Mike. It's been a long time Peter. Good luck as well. Two questions on the financial side. Peter, the capital allocation slides, slide 14, just trying to reconcile that back to the payout ratio this year versus prior years. It seems to be on the capex, which has taken up a bit of chunk of surplus cash that may have gone to a dividend top up, so I'm just trying to square up the payout ratio as it landed, versus what I thought it might have been. That is the first question.

PETER BEAVEN: Yeah, so in terms of the payout ratio for this go around, of 72%, that is a reasonable payout ratio. But at the end of the day, every six months, we start fresh on the dividends. And, I think we've made reasonable decisions, in terms of the balance between cash returns to shareholders. I think $6 billion for the last three years, I think we've managed to keep, in fact, a good set of projects underway, we've maintained our business. So, the capex has been pretty okay as well. And then, finally, of course, the other acid test is the balance sheet and, of course, we've had this is range, so we're at the bottom of the range, right at the bottom of the range today, that's probably a good place to be at this point in time, as we have been for the last three years. So, this is the beauty of the dividend policy, if we get it slightly wrong, we'll just pick it up in six months' time and adjust. But, so far, I think the capex was okay and I think it's about right.

PETER O'CONNOR: So, based on slide 14, that waterfall of cash, it looks like capex was the reason why the dividend this time was a little bit lower, but it sounds like you could catch it up in the next periods if that was to change.

PETER BEAVEN: Yeah, it is always a balance between the three, right? It's just the balancing on all of those.

PETER O'CONNOR: Hey Peter, and to divestments in coal. Could you just refresh us, given where they reside in the corporate structure, accounting and legal structure, what tax losses reside within that corporate and legal structure, and how that may play out if it is a trade sale? And then, taking that a step further, dual listed company impediments, we've talked about on and off for the last decade or so, what else is out there if the tax loss is gone and the Singapore hub has been cleaned up?

PETER BEAVEN: Yeah so, Rocky, BMC is just part of the BHP tax group, along with everything else, so WAIO, petroleum and so on. New South Wales Energy Coal is in the old Billiton tax group, and there's about US$600 million of tax losses in that tax group. And so it's not actually sitting alongside New South Wales Energy Coal, it's not actually in the same company, but in the same group. So that's kind of the way it is. And, as Mike said, we'll just see what's the best way to generate value for shareholders, as we seek to exit that and everything's on the table, and let's see whatever the most efficient way to do that and the simplest way, and the end of the day, we're trying to simplify the organisation. So, that'll be part of it.

As far as the Plc and so on, BMAG has obviously been tidied up as part of the ATO settlement, and Plc is no longer the 40% owner of BMAG, so you're right, that changes that and if New South Wales Energy Coal is another asset out of there. Having said that, there are a lot of reserves in Plc and there is still a bunch of assets that create a really good profit, we think we'll continue to create profit from things like Spence and Antamina and all the rest of it. So, again, we don't have any particular concerns about how the DLC works. Plus, as you know, it's a very flexible thing, so we can, as Rio and others do, we keep that thing nicely balanced, so yeah.

PAUL MCTAGGART, CITI: I just want to follow up on Peter's question. So, if [inaudible] a buyer for the coal assets, because there's a few people looking to sell thermal coal assets around the globe at the minute. If you go down the demerger route, firstly when you are trying to consider what's the best thing for shareholders, is it just simply a function of what you get offered or what's on the table, versus what you think it might be worth if it spun out? And secondly, those tax losses that sit within Mount Arthur, are they going to be lost to shareholders of the demerged entity.

MIKE HENRY: Paul, great questions. One of the reasons why we've come forward with talking about this intent early is to afford us the time to get out there and explore all options. Whereas normal practice would have been for us to land on the single option that we want to pursue, get all the I's dotted, T's crossed, and then come forward, we think this is one where we want to genuinely explore the different alternatives available to us. Through that exploration, depending on the structures that we land on and whether it's trade sale or de-merger, or what have you, obviously, one of the considerations in that will be, well, what happens to the tax losses? So, it's a hard one to answer at this point in time because there's so many variables that we're dealing with. My only commitment, or our only commitment, is that whatever options we land upon, it's going to be the one that is best for shareholders and will have fully taken into account the engagement that we have with shareholders over the coming year or two.

PAUL YOUNG, GOLDMAN SACHS: Hi again, Mike and Peter. Mike, a question on the portfolio and actually the commentary around oil acquisitions. Is the obvious area for us to focus on the central Gulf of Mexico, and possibly assets in the western Gulf of Mexico in both Mexican and US waters?

MIKE HENRY: Well, maybe a different way of putting it, Paul, is that is in our backyard. And so, if there were producing or near producing assets that came available there, and we were able to secure them at a price that we thought was attractive, then yes, we'd be interested in pursuing those. What we're not flagging here is that we'll be looking at acquisitions that are well outside our capability set or well outside the jurisdictions that we're currently operating in.

PAUL YOUNG: Okay, thanks, Mike. And then, a question on section 18s in the Pilbara. Obviously, a big discussion point at the moment. A couple of things. One is, first of all, good to see South Flank's on time and middle of next year, first production. Also, you're reiterating that you don't need a replacement, or another hub, sorry, for another decade. But I've got a question around some of your potential replacement mines or extensions, whether they're Eastern Ridge or Jimblebar. Are there any extension, deposits or mines or pits that you actually don't have section 18s over, and is there any high-level commentary you can provide us on section 18s and the current discussion? Thank you.

MIKE HENRY: Sure, thanks, Paul.

First of all, section 18s and securing them are a part and parcel of doing business in the Pilbara. But keep in mind a couple of things. One, we've been strong advocates, well before Juukan Gorge, of changes in the legislation to lift the standards that everybody operates to and to increase the role and the rights for Traditional Owners when it comes to making key decisions around their heritage.

Now, the other thing I would note is that we have, for a long time, been operating with process, standards, and controls well in excess of the legislation. So, it's not like we're looking at this and saying, "Well, the law is going to change. And therefore, we need to get our house in order and lift our standards." We're already operating to these higher standards. And even when we have a section 18 in place, like we have for South Flank, that doesn't mean green lights, all systems go, and we get off with these things. That's simply one step in what is a broader ongoing engagement with Traditional Owners. And at the time that we apply for a section 18, that is already when there's been deep engagement that has occurred with Traditional Owners. For example, with the Banjima, Paul, 15 years ago, we were sitting down with the Banjima, overlaying our whole of Pilbara development plan and the options that we had available to us. They were putting on the table their understanding of their heritage and what areas were most sensitive to them to ensure that then, in our go-forward planning, we were planning in a way that took into account those sensitivities and sought to preserve the most sensitive area. So, we're starting from a strong base. As to whether any of our go-forward extensions require further section 18s, we might come back to you, Paul, but I expect that the answer would be yes. And whether it's called a section 18 at that point in time or not, we'll have to see how the legislation evolves, but it's not a section 18 that drives the decisions that we take around heritage. First and foremost, the decisions get driven off of deep engagement with the Traditional Owners.

PETER O'CONNOR, SHAW AND PARTNERS: Mike, Going back to the coal divestments, again, I may have missed this because there's a lot of ticks out today, but there doesn't seem to be any reference to divestment or demerger of the thermal coal assets due to carbon or CO2 related issues. It just seems to be an economic decision. Is that right? So, the demerger spin is on economics and opportunities, as opposed to carbon neutrality, which you're going to talk about in September?

MIKE HENRY: 100%. This is driven by our strategy, the portfolio that we want to have in future, and based on how we see markets unfolding over time. So, we see more upside opportunity in commodities like copper and nickel, certain parts of coal, the higher quality hard coking coals. Whereas for thermal coal, as we've been clear previously, whilst we see thermal coal being used by the world for a long period of time, these being great assets, on balance, there's less upside skewing in the market scenarios that we run than there is for some other commodities. Given that these are a very small part of the portfolio, they're not going to compete well for major capital investment within our portfolio going forward. To maximise shareholder value, we think they're better held under a different ownership structure. But it's not because we believe that in taking this step, that somehow that's going to address ESG concerns. This is all about value. Now, as it happens, in doing this, you will see an overall halving of coal tonnes in the portfolio, but that's not the reason for going down this path.

Okay, well, thanks, everybody. A great set of questions. As often happens with these things, we get stuck into individual issues, big questions, but I do just want to bring it back to performance for the year. We've laid out this ambition of really driving operational excellence. I think you can see that shining through in the results of the past half, where we've got a great cash flow being generated, reliable operations, costs coming down, we've maintained the financial discipline that Peter and the rest of the team have driven so strongly over recent years. And we've got real momentum sitting behind us.

We then talked about the team that we're putting in place to carry forward this agenda, as well as some of the portfolio tidy up optimisation that we have underway, all trying to build this portfolio that's going to allow us to continue to grow great value and returns for shareholders for many decades to come, starting with driving productivity further and investing in some of these near term options that we have, including some of our best options being in the petroleum division.

So, thanks for the questions today. I'm sure Tristan and the team will be happy to follow up with you on any further detail.

Thank you.