# Financial results for the half year ended 31 December 2021

# Investor and analyst briefing Q&A transcript – Session 2

15 February 2022

## Questions and answers

**MYLES ALLSOP (UBS)**

The first question is just around the net debt range, why you have such a wide range and what that means in terms of capital allocation going forward?

**DAVID LAMONT (CFO, BHP)**

Myles, if you look at where we have been and where we have come from, we have clearly de-levered the balance sheet significantly from when the capital allocation framework was put in place and I should just say the new range that we have announced in no way changes the fundamentals of the capital allocation framework, so the discipline that was instilled as part of that capital allocation framework still exists and it certainly is the criteria that we assess opportunities through, both internally and externally.

The range of $5 billion to $15 billion is partly reflected on the basis that petroleum will move out of the portfolio and that probably accounts for more of the shift from $17 billion down to $15 billion at the high end of the range, but then if you look at where we are today at $6 billion net debt, you can clearly see that, as a result of the good performance across the business, we are getting below the bottom end of that range. What we are saying here is $5 billion to $15 billion enables us to still run a resilient balance sheet. As Mike referenced earlier, in no way does that negatively impact our ability to pay our dividends and, clearly, the $22 billion that we have paid out in the last 18 months is a demonstration of that. If you take where we are at the $6 billion and factor in the dividend that we have just announced of $7.6 billion, we get back up towards the top end of that range again, so it really is a factor of just how we have been operating and the strong cash producing performance across the business that we have ultimately had to move the range to a $10 billion level.

**MYLES ALLSOP (UBS)**

Great. Thank you. Maybe just secondly in terms of thinking about Rio's cultural report that was disclosed or released over the last few weeks. Do you think this is an industry issue or a company issue and are you intending to commission a similar report? Are you going to be adopting some of the recommendations in the Rio report? How should we think about this as an industry?

**MIKE HENRY (CEO, BHP)**

I would say that we know that unacceptable behaviour is still happening in all workplaces and BHP is certainly no exception to that, and this sort of behaviour needs to stop. But I would say, Myles, we have been clear about this actually for a number of years now. You saw us come out in 2016 with our by 2025 gender balance workforce goal. We have made massive progress against that, in fact crossing the 30 per cent mark in the past six months. In tandem with that goal, we started focusing on creating a more respectful and inclusive culture.

We did conduct a further review in 2018, which underpinned discussions at the Board level in BHP. Off the back of that, we initiated a respectful behaviours campaign in BHP and that continues through to today, so we have had a few successive waves of effort on that front. We have had lots of action underway around stamping out sexual assault and sexual harassment across the organisation. You can see everything that we have done on that front in what we reported up to the WA inquiry into sexual harassment in the mining industry. We are the first to say we still have further to go, so not withstanding all of the strong actions we have taken, we have further to go.

You did ask a question about whether we will be adopting the recommendations in the Rio report. I have had the team do a full reconciliation against the recommendations in the Rio report. I have personally looked at it as well. I am confident that most of the recommendations therein have been addressed by the actions we have already taken or have underway, but, of course, we are going to look for opportunities to improve, and one that I would call out in there is back in 2020 we established an independent investigations unit in BHP and that investigations unit investigates all incidents of harassment, bullying, sexual assault, sexual harassment and racism. Racism, sexual assault and sexual harassment are given the highest category of seriousness in that and warrant the most significant investigation.

In parallel with that, last year we established an independent unit that provides support to victims of sexual assault and sexual harassment. It provides support to bystanders and support to leaders who are needing to deal with these incidents. That is a 24/7 service that is fully staffed worldwide. One of the things I take away from the Rio report is there is a recommendation for them to do something similar, but it gets talked about in the context of not just sexual assault and sexual harassment but also racism and bullying, so a potential improvement action for us to go away and say, 'Should we widen the scope of the unit that we established already to deal with this?' No doubt there will be some opportunities for improvement, but the broad thrust of what was laid out in the Rio report has been recognised by us a number of years back and we have had actions in train to deal with that.

**MYLES ALLSOP (UBS)**
Great. Thank you. That is helpful.

**TYLER BRODA (RBC)**
Congratulations, by the way, on the successful unification. There are just two questions from me, one of them just on the net debt: I was hoping you could give some commentary around how you look at the top end of that number and potential future acquisitions? Then, secondly, if I could just ask about your perceptions at the moment on Chile and is it changing any ideas around investment at this point with the constitutional reform process ongoing? Thank you.

**MIKE HENRY (CEO, BHP)**
I will take the one on Chile, David, and then I will pass to you again for net debt. Thanks, Tyler. On Chile, I will talk to two things: One is where we see the process at currently and I will come back to investment. Where do we see the process at? At the start of this process obviously there were a lot of extreme calls for royalty levels and so on, but as expected at the time, as the conversation evolved, we expected that you would see more balanced voices come into the conversation, including on the left, from people who do understand the criticality of the industry to the nation and the benefit that arises as a result of the industry in terms of jobs, other business opportunities and government revenue.

As those voices have come in, we have seen some of the calls around royalties and the proposals that have been brought forward moderate to certainly lower levels than some of the extremes that were being talked about early on, but the process is not yet finalised and there is further to play out, both on the constitutional reform process as well as the specific royalty proposals. At this point I would say that things are looking more balanced and measured now than they were earlier on.

If I then bridge to what that means for investment, investment loves certainty and, if I am just speaking in terms of how we would think about it, for us to be investing big amounts of new capital into Chile we would want to get a higher level of certainty first, around the fiscal settings that are going to apply to that investment. We expect that that will play out over the remainder of the year and I think that same thing probably applies to the industry more broadly.

It is one of the things where I think there has been a growing recognition that as Chile goes through grade decline, the country is going to need to be attracting more investment to help offset that and the only way it is going to attract that further investment is if it has reasonable settings in terms of taxes and royalties that allow it to compete effectively against other jurisdictions in South America and beyond. The final point I will make, Tyler, is that for our business specifically, we do have the tax stability agreements in place for Escondida and for Spence. David, from memory it was 2023 for Escondida and 2032 for Spence. David, with that, I will pass to you for net debt.

**DAVID LAMONT (CFO, BHP)**
In relation to the top end of the net debt, I will just go back and clarify. As I said earlier around the new range, it does not change the fundamentals of how we actually think about the cap that was in place prior to the new range. The high end of the range, now at $15 billion, was $17 billion. What we have said is we would step outside that for the right acquisition. Absent any acquisitions, we see the range at $5 billion to $15 billion being appropriate, but if there was to be a value-accretive M&A opportunity that saw us step outside that, we would entertain that, providing, as I say, the overriding consideration is that it does add to shareholder value.

**TYLER BRODA (RBC)**

Just as a quick follow-up, would there be any limit to that or would it just be basically based on what the opportunity is at hand in terms of adding value?

**DAVID LAMONT (CFO, BHP)**

Yes, the latter, we do not have a set rule around that. Obviously, if there was the right acquisition, we would look at how we fund that and whether we would fund that with debt, equity, or a portion of both, but it really comes down to the opportunity that we would see and we will assess it on its merits.

**TYLER BRODA (RBC)**

That is great. Thanks very much.

**RICHARD HATCH (BERENBERG)**

Morning Mike and team, and congratulations on a good set of numbers. I just have two questions. First on cost inflation, you did a commendable job, assisted a bit by FX, in the half. How should we think about cost inflation as we look out into the balance of 2022 and into 2023, just with some of your other peers and competitors talking around 10 per cent or 15 per cent cost inflation? How should we think about how that impacts your business? Thanks.

**MIKE HENRY (CEO, BHP)**

I am not going to put a specific number out there. What I would say is that, as we said earlier today, we are not immune from cost inflation, so the pressures are definitely there. We have done a credible job of containing that so far and that comes back to the way that we have structured ourselves, the capability that we built up around procurement and the sharp performance focus that we bring to bear in operations, supported then by things like the operating system that we put in place a few years back and our Centres of Excellence and so on. I do expect that we will continue to see the lag effect of inflation coming through, but I am also confident that we will do a better job of keeping a lid on costs than perhaps has been the case in previous up-cycles, and certainty the task we have set ourselves is to do a better job than the industry on average.

**RICHARD HATCH (BERENBERG)**

If we look back through the last cycle, you pulled a lot of levers and pulled a lot of costs out through 2015, 2016 and 2017. Have you got those levers to pull this time around if we do start to see inflation whip through again?

**MIKE HENRY (CEO, BHP)**

You always have short-term levers you can pull, but the key point I would make is one of the reasons that such big levers were available then was because costs had been allowed to go so high. I do not want to be in that situation, so we do not want to be in a place where the minute that markets turn south all of a sudden we find big pools of cost to pull out, because that suggests that we have been running the business a little bit less sharply than we should have. We have a very clear understanding of where costs are rising in the business and what choices we can make and actions we need to take to keep a lid on costs on a sustainable basis, but also what we can do in the short term to drive some costs from the business or pull up projects if the need arises.

**SYLVAIN BRUNET ( BNP PARIBAS EXANE)_**

Good morning, gentlemen. There are two questions from me. The first one is on the decarbonisation capex, just to make sure this number is included in the overall capex guidance? My second question is on Jansen potash: given the strong conditions we are seeing, which are likely to prevail in the next few years, how much flexibility is there in the project to potentially bring the project forward or is there not much flexibility in the sequence to execute? Thank you.

**MIKE HENRY (CEO, BHP)**

I will take those. On decarb capex, in short, yes, so decarb capex gets brought in under the capital allocation framework and comprises components of any capex guidance that we are putting out there. We have said this time around, Sylvain, that it will be at the upper end of the $2 billion to $4 billion range we provided previously. David has spoken earlier today about the fact that for that $4 billion, right now the numbers tell us it is about -$500 million NPV. To put it another way, $3.5 billion of returns on that $4 billion spend, but the task that we have set ourselves is to get back to at least NPV neutral, if not better. I call that out because it is very important that this does not get seen to be free money or free capex. It has to compete for a place in the portfolio under the capital allocation framework, and through that we will drive best possible returns for what we see as essential spend for decarbonisation.

On Jansen potash, flexibility on timing is not that great. The way it works is, because of the winter period there and the impact that has on build slots, you kind of have, if everything went perfectly, maybe a year of float where you could bring things forward, but I would not want to bank on that, because it does require everything to go very well. That would be the outer bounds or inner bounds, depending on how you look at it, for bringing things forward.

**RAHUL ANAND (MORGAN STANLEY)**

Hi Mike, David and Tristan. Thank you for the opportunity again. I have two. Mike, you were talking about cost inflation earlier. You were a bit ahead of the curve in early 2020, you went out and hired a lot of staff from Qantas and other people who had lost their jobs. It seems as though you were ahead of the curve in that and perhaps that has added to your cost advantage in the current environment by taking on all those workers earlier on. How long do you think you can maintain this advantage that perhaps you got at the time? You talked about how you do not want to reset the cost base too much higher. Does that mean you want to think about more short-term incentives for staff, so that you are still able to retain them and if the cycle turns, you still have that flexibility? Just a bit more colour on that would be very interesting. On the future-facing commodities, your presentations talk about copper, nickel and potash. Are there any others that you would like to call out that you consider? That is the first part of it. The second part of it is potash: obviously, you have a fair bit of organic growth there, but does that also remain an inorganic opportunity to gain market size to use some of that capital power that you have? That is the second one. Thanks.

**MIKE HENRY (CEO, BHP)**

David, because I have the background on what Rahul was talking about in terms of hiring back in 2020 and so on, I will take that one, but it may be worthwhile you just talking to some of the broader things that we have done to structure ourselves for success on cost and then I can talk to future facing commodities.

Rahul, just on cost inflation, we did take the decision at the time, mainly to cater for potentially higher levels of COVID absenteeism, to bring quite a number of people on from the likes of Qantas, Virgin and so on. We also at the same time triggered a decision to train people up. We invested in a massive apprenticeship and traineeship programme over five years, training up thousands of people new to industry. Both of those have proven to be good decisions over time. If we look at the constraints now on labour availability on mobility, I am very happy that we did those. I would not say that they have been the main reason for being able to contain cost, but they have helped. How long can we maintain the advantage? For reasons that David will talk to in a second, we believe our advantage is enduring.

You also wove into your question how we are going to ensure that wages do not run away from the industry, like they did back in the early 2010s. I think that will come back to some of the innovative things that we have done from a workforce perspective, so for example we also put Operation Services in place back in 2017 probably as well, which is a different employee value proposition and a more flexible approach to employment, which helps to give us a permanent workforce, but with more flexible working conditions and a different set of benefits for employees that will help us deal with some of the short-term pressures as well. Where we do need to provide short-term incentives for people, given the circumstances, of course we will do that, and that is always going to be better than locking in a permanent cost increase that is arising because of short-term circumstances. David, do you want to elaborate on the cost control measures and I will come back to future facing commodities?

**DAVID LAMONT (CFO, BHP)**

Yes, thanks, Mike, and thanks for the question. Certainly, we have learned a lot in the past and when we look at the super cycles that occurred previously and the lessons learned out of that, one of the key things that we actually did is we structured up differently our end-to-end procurement function to have a far more end-to-end view of the whole supply chain and how that plays through. That has enabled us to standardise more on the contracts that we have actually entered into. What does that mean tangibly? We have had a good look at the rise and fall that actually sit within contracts and ensured that they are appropriately based. That has certainly delivered some benefits across all regions.

The other thing that we are very mindful of, is when we are looking at the inflationary aspects there are two elements of that. Right now we are seeing some inflationary pressures that are supply-chain orientated. We would say that they are more transient through the process. A lot of that is coming on the back of the COVID side of things that we have experienced, and so we are mindful of how that plays out over time versus what we would say is more the demand-led inflationary aspects, which are more commodity inputs. What am I referring to there? It is like diesel, acid, explosives, etc, and to some degree we have a bit of a natural hedge on those because we get a pricing impact of that demand aspect on our own commodities.

Ultimately, what we are very focused on is how we continue to grow our operating margin. A very healthy 64% was delivered in the half, with all of our major assets delivering well over 50% as well as part of that. A key focus is margin, a key focus is discipline and a key focus is taking the learnings historically and understanding how we actually embed that across the business.

**MIKE HENRY (CEO, BHP)**

Rahul, I will just help bring to life what David has just talked about in terms of the way we have structured ourselves. As crazy as it may sound, back in early 2010 when we did not have a centralised procurement function in place, we had in the background different arms of BHP competing against each other and bidding prices up in the marketplace for certain things because we did not have visibility on what was being procured and a consolidated focus on that across the whole of the business, so this is certainly helping with things.

On your question about future-facing commodities, do we consider others? Of course, we always keep an open mind. We regularly review other commodities, but at this point in time it is copper, nickel and potash. Those are the ones that we think offer the right combination of market size, steepness of cost curve and, therefore the opportunity to generate outsized margins and where we have the capabilities to do them well.

You asked specifically about potash and, now that we have the organic growth programme underway, whether we need to look at inorganic. Frankly, we do not have to look inorganic at any of them. We will be disciplined. We do want to be present to opportunities and be quite deliberate about looking whether there are opportunities where we can unlock further value through inorganic opportunities. That would apply to copper, nickel and potash, but it is not the first focus. The first focus is on making more of the resources that we already have, and in the case of potash that is Jansen Stage 1, likely to be followed up then by Jansen stages two, three and four in the fullness of time.

**SHILAN MODI (HSBC)**

Good morning, guys. Thanks for taking my questions. Firstly, just in terms of the potential acquisitions that you could be looking at, are there specific geographies that you would be interested in and are there other geographies that you would exclude? I am trying to understand if you are comfortable with locations like the DRC or if you would prefer locations like Canada. Then the second question is: in terms of long-term prices, do you think the sell side is too low as an industry as a whole and do you think that is because we are not accounting for decarbonisation costs? Thanks.

**MIKE HENRY (CEO, BHP)**

David, maybe you can speak to prices. I will deal with the M&A question first. Because I know that the M&A side of things gets a lot of focus, I do want to make it clear that, yes, we are very focused on how we go about growing value, but it is a multi-faceted strategy - it is not reliant upon M&A. There is not an outsized focus on M&A. The first focus is on taking the base business and generating more value from it through productivity and through looking at further debottlenecking and larger brownfield projects. There is a tonne of work underway in the background on how we go about doing more of that and making more of the big copper resources and nickel resources that we already have. We have upped our activity in exploration and you have seen what we have been doing both in exploration but also early-stage entry by way of farm-in agreements and small investments to increase the options set.

When it comes specifically to M&A and the question that you asked around geographies, it really does depend on the opportunity. We are going to be driven by the value and where we see higher risk or management effort required to develop opportunities, including in some of the tougher jurisdictions, it would have a commensurate or consequent impact on how big the opportunity would have to be for us to consider it, but if you saw a really big opportunity and we believed that we could navigate the challenges of the jurisdiction, then we would be open to it. It is all back to opportunity and value.

David, if you could respond to prices and the question around whether we believe the sell side is undercooking long-term prices.

**DAVID LAMONT (CFO, BHP)**

My view would be, on the long term, no. The basis around long-term sell-side prices fundamentally comes back to the demand and supply picture. As part of that they do factor in the costs associated on the supply side, and how we ensure that the right level of return is maintained in that.

Having said that, clearly in the short term there is a lot of volatility. That does mean that, at times, the sell-side potentially gets that wrong, as we do sometimes, in relation to the short-term pricing. Coming back to the fundamentals, we certainly think the commodities we are talking about, the five that Mike mentioned earlier, have very sound fundamentals in relation to the industry dynamics and the cost competitiveness that actually sits there. We certainly like those commodities based on the cost curves that exist for each one of those, and we do see that as being an area, if you are at the bottom end of that cost curve, which is the bit that we are focused on and what we can control, that will mean we will get a disproportionate portion of the rent out of the industry.

**MYLES ALLSOP (UBS)**

Could you give us a sense around capex medium term? You had in the past talked about a ceiling of $10 billion. Should we assume that means it is a $7 billion ceiling now that you have exited petroleum, or about to exit petroleum? Could you also give us a few thoughts around the buyback? You decided not to launch a buyback, but at what point would you consider a buyback? Do you think the stock is too expensive at the moment?

**DAVID LAMONT (CFO, BHP)**

Let me deal with the buyback question, as it is one that has come up a bit today. Certainly what we do is look at each half year in isolation and ultimately determine, firstly, how much should we be looking to return to shareholders, consistent with the principles, as I mentioned earlier, of the capital allocation framework. That is stage one into the process. There are then a range of factors that go into how we distribute that to shareholders, and it would be an incorrect assessment that the sole decision around a buyback would be around where we see value in the share price or not.

Certainly, one of the things that we do look at is a range of aspects. We certainly think about our overall shareholder make-up, and therefore who would be able to look at tendering into a buyback or not. The determination this time around, and I will say this time around; it is not something that we would take off the table moving forward, was that a cash dividend, fully franked, was the appropriate way to reward all of our shareholders. There are a range of factors that go into how we actually see that.

On the capital side of things, certainly what we have said in the past is that we are looking between the $9 billion to $10 billion as an overall capital number. It is not correct to assume, therefore, that that just automatically reduces as a result of the petroleum demerger. What we need to do is, again consistent with the capital allocation framework, go through the metrics and ensure that we are reinvesting back into the business appropriately to maintain the growth where we see the right level of returns.

We have called out that this year we are looking at about $6.5 billion for the business, excluding petroleum. We are certainly wanting to continue to invest in exploration. Moving forward we have the Jansen project coming forth and, as we said in the presentation, there are a range of other organic growth opportunities that we will continue to assess. I would not be saying that you take the nine that we have said previously, knock off two and arrive at seven, and that is the forecast moving forward. No, that will not be the case. We still see somewhere around that $9 billion as the right sort of level moving forward over the medium to long term.

**TIM CLARK (SGB)**

Just to clarify my understanding on the debt range, if I read the transcript of the overnight call correctly it looked like you were happy to move up into the debt range and then move through the debt range as cash flows accrued during the interim period, just so that I can be clear on dividend declaration and the debt range? Secondly, I wonder if you could just speak a little bit to us about what some of the long-term options for Escondida are to avert some of the grade decline.

**DAVID LAMONT (CFO, BHP)**

Yes, so certainly your understanding of what we said around the net debt is right. If you look at where we are, $5 billion to $15 billion, we see that that gives us flexibility around maintaining that resilient balance sheet, as such, as we move through. We do assess that on a six-monthly basis, but, having said that, if we ended up in a situation where there was more cash coming in than what we had anticipated then obviously we would reflect on that and where that put us between that $5 billion and $15 billion. But if you look at where we are now, $6 billion at the end of December, declared a dividend at $7.6 billion, so that would push us up towards the top end of that $5 billion to $15 billion range. We will be producing cash over the remaining part of the period; you would expect that to come back down, and we would raise this again at that point.

**MIKE HENRY (CEO, BHP)**

Just on the question around Escondida, we have kicked off a big programme of studies to look at exactly this question, keeping in mind we have 19 billion tonnes of total resources there. We have an expectation that we are going to be able to do more in the first instance to mitigate the grade decline there. That is something that we start to see become a factor five-plus years out, because over the coming five years we actually see increasing grade and average 1.2 million tonnes per annum of production. We do need to accelerate our work around looking at the projects beyond that. The options that we will be looking at will be options around leaching, more concentrator capacity and so on, but it is a little bit too early to talk about the specifics. I would like to let the team get a bit further into things before we bring any of those options forward.

**ANDY WILSON (WEST YORKSHIRE PENSION FUND)**

On copper, I am wondering about Resolution and what the current situation is there, whether the tribal consultations have restarted and how things are going? Also, you have a holding in SolGold in Ecuador, I was just wondering whether there were any plans to maybe just pick up more prospective licensing within Ecuador?

**MIKE HENRY (CEO, BHP)**

On Resolution, I will just preface it by saying that for the more detailed responses, you would be best off speaking to the operator, Rio. Having said that, we are very close to things, of course. The way I would characterise it is there has been a tonne of work undertaken over recent years to re-look at the mine plan, mitigate any impacts on cultural heritage and so on, taking on board First Nations' concerns. The process around ensuring that there is free, prior and informed consent around Resolution remains underway. It is guided to some extent by the way the process plays out in the US, which is first engagement being led by the US Forestry Service, but of course Rio Tinto as the manager of the project is directly engaging. We have also had direct engagements with the First Nations tribes there, but there is further to go. We are also not yet on the cusp of the final investment decision, so that is still some way off. That period will be used for both further engagement with the First Nations groups and further looking at the mine plan and options around ensuring that the key cultural heritage areas of concern are not impacted.

Now, it is already clear that the two key areas that have been looked at in the past are Apache Leap and Oak Flat. The latest iteration of the mine plans do not see any impact to Apache Leap at all, and any impact on Oak Flat would be well into the future and not part of a first-phase project or investment decision, but even that requires further consultation with the First Nations and effort to secure that consent, all being led by Rio.

In the case of SolGold, if I recall correctly, there is still work underway on their feasibility study. We remain engaged with SolGold, obviously as a sizable shareholder there. Outside of SolGold, because your question pertained to Ecuador more broadly, we do have exploration activity underway on the ground there in partnership with others, because we do see it as a highly prospective jurisdiction and one that is potentially attractive for us.

**ABHINANDAN AGARWAL (DEUTSCHE BANK)**

I have a question on the oil divestment: how much, if any, cash or debt will be transferred to the petroleum business upon completion of the transaction? Also, does the cash generation right now stay with you until the transaction is complete or does a portion of that get transferred to Woodside?

**MIKE HENRY (CEO, BHP)**

The second question is wrapped up in the first question, or it results in the answer to the first question. The short answer is it is not yet certain, because the two factors are cash generated in BHP's petroleum business over the period and any dividends being generated out of Woodside over the period. The balance between those two will be determined on the day of reckoning, and that is not yet certain. I would just point out that, in terms of any cash being generated by BHP's businesses through this period, BHP shareholders will still hold 48 per cent of the new entity, so will get the benefit of both that and what is happening on the Woodside part of the business. David, anything further you want to add?

**DAVID LAMONT (CFO, BHP)**

Just to clarify, the transaction has an effective date of 1 July 2021. That is effectively when we arrived at the 48/52 split, and that is the factor that will ultimately come into what cash changes hands alongside things on completion.

**DANIEL MAJOR, (UBS)**

Two questions. The first one is clarity on the dividend framework - is it right to basically assume that there is a 50 per cent floor of net earnings, and then providing you are in the net debt range you pay 100 per cent of free cash flow? Is that the way we should be thinking about it?

**MIKE HENRY (CEO, BHP)**

No, it is not that simple. You are right on the first point, which is that we consider all cash above the 50 per cent pay-out ratio, but in considering that incremental cash, and this is laid out on one of the slides, if my memory serves me well, we do consider best application of that cash in terms of further reinvestment in the business, putting it to the balance sheet, paying it out in the form of cash dividends to shareholders and buybacks. There are a number of options that we ranked equally against each other in coming to the final call.

**TYLER BRODA (RBC):**

Just one follow-up on Spence, obviously it is very hard as an industry to get things ramped up, but can you just give us some colour on what is happening there and what we should expect going forward?

**MIKE HENRY (CEO, BHP)**

In simple terms, recovery is not quite as high as was initially planned for, volumes through the concentrator are fine, it is the recovery that is lagging a bit, and it comes back to the clay content and maybe a few other factors in the ore. The team is still studying exactly what needs to be done to address it. We remain confident that we will get to the full production levels originally anticipated, and that any rectification by way of plant design is going to be manageable is the best way of putting it, but it is still a little bit too early in the process to give specifics on cost and schedule.

**TRISTAN LOVEGROVE (GROUP INVESTOR RELATIONS OFFICER, BHP)**

I am conscious of time for everyone on this call. I appreciate that there are other companies reporting, so we just wanted to call it a session. Thank you, everyone. We appreciate everyone taking the time. If they have any further questions they can ask the Investor Relations team. Thank you very much, everyone.

**MIKE HENRY (CEO, BHP)**

Thanks, all. A good half behind us, and I hope that you can see that we are progressing things both operationally, doing exactly what we said we would do, and taking the steps that we need to take to set this business up to continue to deliver great results well into the future.