Introduction

MIKE HENRY (CEO, BHP)

I’m going to keep my intro very short. I’ll start by saying I am really pleased with performance for the year. Operationally, financially, strategically.

First and foremost, another year in which no one lost their life while working at BHP. That makes three-and-a-half years now. We also had some of our other leading indicators improving, including high potential injuries.

We had strong underlying operational performance, both in terms of production and in terms of costs. Hit a few records, but one thing I would draw out is the reliable production which comes back to some of the capabilities that we’ve instilled in the organisation.

That reliable production allowed us to fully capitalise on the relatively high commodity price environment that we found ourselves in and that supported the 16% increase in underlying EBITDA to just shy of US$41 billion. Strong cash flow, free cash flow, US$24 billion.

Of course net debt down to US$0.3 billion, so essentially zero and all of that came together then to underpin record returns to shareholders. US$1.75 final dividend, US$3.25 for the full year. In addition to that, we had US$19.6 billion returned to shareholders through the in-specie dividend on merger of our petroleum business with Woodside. So US$36 billion in shareholder returns all up for the year.

Of course, strong underlying business performance in financials also pulled through to a very significant contribution by way of taxes and royalties to governments of US$17.3 billion.

That’s the numbers. In addition to that, we made strong progress on our execution of other strategic priorities related to corporate structure and portfolio. Unification of the DLC making us simpler and more agile. The merger of our petroleum business with Woodside, creating value and choice for shareholders. Divestment of our stakes in BMC and Cerrejón further optimising the portfolio to the best coals for steelmaking.

We also, of course, made the decision to retain New South Wales Energy Coal and steward it to closure in 2030. Importantly, we pulled the trigger on Jansen Stage 1, opening up this strong future pipeline of attractive growth in what is an exciting new future-facing commodity.

Alongside all of that, on the social value front, we made significant progress on reducing our operational emissions over the course of the year. We announced our Climate Transition Action Plan, supported by shareholders, at our last AGM and we announced our social value framework, which gives everyone real line of sight on how we think about the responsibility that we have to create value for all shareholders and how that gets embedded into all decisions that we take as a business.

We continue to build capability through BHP through our ongoing deployment of the BHP Operating System and through our continued shift in the composition of the workforce with over 32% in the BHP workforce now female and significant progress on hiring more Indigenous employees into the business as well. We’re 8% in Australia.

Continuing to build capability, as I said, through the BHP Operating System which is one of the things that supported performance. So strong year safety wise, operationally, financially and on the strategic execution front. I’ll stop there and maybe open it up for questions.
Yes, morning, Mike. Really good strong free cash flow beats and the balance sheet’s never been better positioned for future growth, which is great. Can I dig into the capex charts on slides 12 and 27, Mike? Particularly the good step up in copper capex in Chile and Australia.

Just after a bit more detail on projects and timing, so the first question is on Chile and around that you’re going to have about 300,000 tonnes of spare cathode plant capacity in the next three, four years. You’ve also got the ability to add concentrate capacity at both Spence and Escondida. Where are you with these studies and how do the proposed Chilean royalties impact your investment timing?

MIKE HENRY (CEO, BHP)
Okay, so I’m going to turn to David for comments here but if I just give some high level comments first, Paul. I think one of the things that comes through in your question is the building optionality in the BHP business when it comes to growth.

Now, in copper, we have some strong growth ahead of us over the next five years but you know, as we’ve been clear and I think I spoke about it at the half year results, we have accelerated studies now for growth in copper and nickel, leveraging this wonderful copper endowment that we have. Largest in the world, second largest nickel-sulphide endowment and we’re looking at how we can unlock more options within that.

Now, on Chile, there’s a process unfolding there around the royalties. Of course we’re not going to trigger any big capital investments until we’ve got clarity on what the fiscal terms are because we have to understand how well these projects will compete against other options in the portfolio, but there’s a good level of engagement with industry, between and the various stakeholders on the set of proposed changes there, but it still has a ways to run.

David, further response to Paul's question?

DAVID LAMONT (CFO, BHP)
Yes and thanks for the question, Paul. Let me make also one other observation which I think you called out there. It’s certainly in FY23 and FY24, we do see a step up in our maintenance capital but over the longer term when we’ve given the projection through to that US$10 billion number, we do see maintenance capital coming back down.

Therefore, the focus does move more to the optionality that we have in the portfolio from a growth perspective. Now, a number of those items when you get out to that US$10 billion picture, are things that we’re studying today.

The great thing that we do have is optionality. So you mentioned the copper growth. You know, that’s at Escondida, at Spence, that’s at Olympic Dam that has Oak Dam into it. We need to actually further those studies to then be able to come back and actually say, what are the specifics and what individual projects are and the timing associated with that?

So the fortunate things is, we have options. We’re studying those and we’re looking to bring those forward. So that US$10 billion number is indicative of what we would see coming through over the medium to longer term.

MIKE HENRY (CEO, BHP)
Paul, I was just going to add one thing. Between the strong underlying operational performance and our demonstrated ability to bring major capital projects in on time and on budget, that there’s a good degree of confidence out there about our ability to, and the other point I should make of course is our capital allocation discipline.
You bring those things together and I hope there’s strong confidence there that the capital that we do spend here is going to be spent well.

PAUL YOUNG (GOLDMAN SACHS)
Yes, thanks, Mike. Second question, just turning to Australia and you mentioned Oak Dam there. Mike, is it possible that you can just sort of outline the concept at Oak Dam from a timing on first resource? What is the development concept? How does that time with potential two-stage smelter at OD?

MIKE HENRY (CEO, BHP)
Sure, so Oak Dam’s still doing drilling there. So best way of thinking about Oak Dam is if we were to bring it on, it’s towards the back half of this decade but still further to go on drilling.

Things continue to look promising at Oak Dam but one thing that I’ve said for a number of years now is that for us to consider any growth at Olympic Dam, be it in the existing resource space or through Oak Dam, we first have to first be able to demonstrate underlying operational reliability and to me, that’s the real story of the past few years.

It’s not this past financial year but the year prior. Record production at Olympic Dam under BHP’s 17-year ownership of the asset. This year, this past year, of course, was a year of major smelter refurbishment.

Coming out of that, we came out of it more quickly than we came out of SCM17 four years ago and in the final quarter, we had 200,000 tonnes annualised run rate. Third best quarter ever, from memory, across the time that BHP has owned the asset so that underlying operational reliability is really becoming embedded at Olympic Dam. That’s the precursor then for us to look at growth options, both within the existing asset and through Oak Dam.

JAMES REDFERN (BANK OF AMERICA)
Hi, Mike and David. Hope you’re well. My first question is probably for David. I just wanted to ask about the net debt. US$300 million, was US$4 billion below consensus of US$4.3 billion, so just wondering why there was such a big delta there of US$4 billion between BHP’s reported net debt and consensus? I’ve got one more after that, thank you.

DAVID LAMONT (CFO, BHP)
Yes, so thanks for the question. We did flag in the announcement that there is about US$3 billion of tax related to FY22 that will be paid in FY23. I would say that’s probably a good place to start having a look at.

The other thing that we have flagged is on the capital expenditure side of things. We have had some favourable FX come through. So I would just emphasise that on the ground, the activity around capital expenditure went pretty much to plan but we did get a favourable coming through on the FX from a cash perspective. They’re principally, I think, the two main reasons why we’ve got a delta.

Just the other quick one is on working capital. You know, things are tight alongside supply chains so we have run things down a little bit on that front. You would expect that going into FY23, there may be a bit of a recovery there on the inventory store side of things.

JAMES REDFERN (BANK OF AMERICA)
Okay, thanks. Thanks, David. Mike, my question for you please. There is a big increase in capex that Paul asked about before. Maybe we can drill into the expansion at WAIO, please? Over 300 million tonnes and up to 330 million tonnes. Just maybe the key drivers to achieve 330 million tonnes in terms of the capex required and the key components of that and maybe some timelines, please? Thanks.

MIKE HENRY (CEO, BHP)
Okay, so really want to break the response into two parts, James. One is getting to over 300 million tonnes. The other one then is 330 million tonnes. So getting to over 300 million tonnes is that revision of medium
term guidance is really a reflection of our growing confidence in the capability that has been built in that business when it comes to continuous improvement and running a really tight business that’s getting better year in and year out. That coupled with the regulatory approvals to be able to export up to 330 million tonnes gave us the confidence to revise that medium term guidance.

Now, in respect of the 330 million tonnes, what we’ve said is, we’re undertaking studies for how we would get to 330 million tonnes. I’m pretty confident that those studies will show that there is pretty capital efficient options to get to 330 million tonnes. What would they involve? It’s going to be less about rail than it’s going to be about port de-bottlenecking and further mining capacity.

Now, on the mining side of things, you’ve seen us bring South Flank on in the past few years. That project was delivered on time and on budget at what I think was a pretty good capital intensity. We of course had Yandi ramping down. There’s going to be latent infrastructure at Yandi so one of the things we’ll be looking at is how we can leverage that infrastructure to some of the adjacent resources.

Then at the port, there would be de-bottlenecking required in terms of, well, we’ll probably need another car dumper. We’d be looking at conveyer de-bottlenecking and so on but because it’s not major expansion of the rail line, for example, and we’d be able to leverage existing infrastructure, it’s mainly about de-bottlenecking. I think that the studies will show that this can be done pretty capital efficiently.

Now, that’s different from the decision to actually pull the trigger on that expansion. We would have to look at the studies first. See how those opportunities stack up against other opportunities within the BHP portfolio and we have a tonne of effort underway right now in copper, nickel, acceleration of Jansen Stage 2, that are building a richer slate of options for us to consider when the time is right.

KAAN PEKER (ROYAL BANK OF CANADA)
Hi, Mike and team. Just two quick ones from me. One, just following up on James’ question. You sort of talked about the capital intensity being low for expansions in iron ore but if you look at slide 27, you’re looking to spend around close to US$3-odd billion in the Pilbara or on iron ore. How do we match those two together? Then I’ll follow up with a second one.

MIKE HENRY (CEO, BHP)
David, do you want to take that one?

DAVID LAMONT (CFO, BHP)
Yes, so let’s just - I think your reference is to the US$10 billion and how the US$10 billion plays out. Because I think we danced around this a little bit. Let’s just break that down for you.

What we’re saying under the US$10 billion is the maintenance capital will go from about US$3.5 billion down to US$3 billion. We’re looking at improvement capital pretty much staying where it is today along that picture but the growth is in our growth opportunities that we actually have.

So some of that sits obviously in the future facing commodities. About US$2.4 billion is what we’re flagging there and US$1.7 billion in relation to iron ore, well steelmaking, and you should take that as principally iron ore because just where we are at the moment in relation to BMA, we still need to step back and just re-assess how much capital we would actually be putting into the BMA operations.

So principally that’s into WAIO and that’s factoring in what we would see we would need to get to that 330 million tonnes. Now, the specifics on that, we’re still looking to work through as Mike referenced earlier. So they’re the numbers.

Obviously, we see that as improving the capital efficiency that we actually see for that growth options that we see and clearly it plays into where we see the steel making industry going. Now, importantly here, that’s creating that option.
We still have to go through the full assessments, still need to go through all of the growth options. But we would say, over the portfolio, that we would continue to see the sorts of internal rates of return that we’ve notionally seen in the potash business.

KAAN PEKER (ROYAL BANK OF CANADA)
Sure, thank you and second question. It’s more around block caving and the capacity of block cave. I know BHP’s known to be best in class operator but if you look at some of the projects being considered, that may or may not come into the portfolio.

I think, correct me if I’m wrong but Leinster B11 is the only block cave and that’s a small block cave. I mean, the question is, is there concerns around the possible projects, particularly around copper that may come into the portfolio and BHP’s ability to block cave?

MIKE HENRY (CEO, BHP)
So look, thanks for the question, Kaan. Yes, your understanding is correct. B11 from the baby block cave within BHP, but I wouldn’t say that block caving has been BHP’s traditional strength.

However, recognising that, we have built over time more - we’ve brought in people who do have deeper experience in block caving. Of course, if the reference is to the OZ Minerals offer which disappointingly hasn’t seen engagement from the other side but in thinking that through, of course we did have an eye on some great people in OZ Minerals that of course would come across with the transaction.

Like I said, bit of a theoretical point at this point, given that the other side has chosen not to engage.

GLYN LAWCOCK (BARRENJOEY)
Good morning, Mike. Mike, two quick ones, just Samarco, firstly; another US$747 million increase in provision this year that followed US$842 million last year. Have you got a handle on Samarco now and the final costings or is this something that’s going to continue on? Just if you could provide some colour and update.

Then the second one is hopefully very quick. You’ve got some pretty aggressive new energy vehicle assumptions out there now for penetration to 2040. I know you review this every three to six months, I guess, but your thoughts on the lithium market still? Still something that doesn’t interest BHP despite your pretty aggressive battery numbers? Thanks.

MIKE HENRY (CEO, BHP)
Okay, so I'm going to answer the second one first because it's probably a shorter answer and then I'll come back to Samarco. On Samarco, I'll have some comments, David, but you may want to add some colour on that.

Glyn, in terms of lithium, what we’ve said, and I've said this in prior periods as well. We see the demand outlook for lithium being really strong – no question, but for us in a world where we need to make choices about what we see as being the most attractive commodities, offering the greatest long term rent potential most aligned with BHP's capabilities.

We see that as potash, copper and nickel, in addition to the iron ore and high quality met coal businesses that we have. Lithium for us is one that because of the scale of the individual assets, how we see the cost curve playing out over time, we're happy to leave to others. It will be an attractive business no doubt for some, but not for BHP.

If I then come to Samarco, obviously our best estimate is embedded in numbers that we've got in the accounts at this point in time. Our clearest, biggest focus by far is on supporting Samarco and Renova in their efforts to ensure that the resettlements are completed, that people receive their compensation, that ongoing remediation of the environment and the dams progresses.
So that's priority number one. The nature of the process given judicial decisions locally and so on and so forth is that we have seen some expansion in the costings over the course of the past year, but we've also made strong progress.

David, you will have to remind me of the exact number between 350,000 and 400,000 people now having received compensation, 65,000 people under the Novel scheme, making more rapid progress in the past year on resettlements than we have in all years prior.

So I think we've gained a degree of confidence now that action is happening on the ground, it's happening at pace and things are heading in the right direction. David, maybe a bit further on Glyn's question.

**DAVID LAMONT (CFO, BHP)**

Yes, certainly. So just on what Mike referenced; yes, it was 388,000. So spot on, in that range in relation to the people that have actually received compensation.

Importantly Glyn, you need to understand that the provision is actually our best estimate under the framework agreement. So it's in relation to that framework agreement and it is the provision.

As Mike referenced, there is a number of other legal cases that are still running and we reference those in the sense that they are a contingent liability and until they actually ultimately are resolved one way or another we have not included estimates outside the framework agreement into our actual provision. So that is a contingent liability if any of those legal cases prove adversely.

**RAHUL ANAND (MORGAN STANLEY)**

Hi Mike and David, thank you for the opportunity. Look first one's on Jansen, so potash. Obviously the market dynamics have changed materially post the Russia conflict. So I just wanted to understand, I mean, beyond calendar year '26 you've talked a bit today about potentially looking at Stage 2 coming in quicker. How quickly can you potentially bring that on in terms of the requirements in terms of infrastructure? I understand the shaft capacity is already there.

Then how should we think about Stages 3 and 4 as well, because I believe your previous guidance was more so driven by market size rather than at the time it takes to actually bring on production. So if you can help us with that. That's the first one, I'll come back with the second. Thanks.

**MIKE HENRY (CEO, BHP)**

Okay, so wow, what a change. If I go back a few years on potash and I think there's a growing understanding of the attractiveness of this commodity longer term. Now we only triggered Jansen Stage 1 12 months ago and that was pre the Russia/Ukraine crisis.

It was predicated upon really two things. One is our long term outlook for potash. Two is the track record we've built up in recent years of being able to execute big capital projects well, on time, and on budget. That gave us the confidence to proceed with Jansen Stage 1.

Recognising the exact point that you make around how the dynamics have shifted. We've said, okay, in order to build optionality and David spoke about optionality earlier, one of the key means for us to build that optionality is to get the studies done on Jansen Stage 2.

It doesn't mean that we'll trigger Stage 2, but we want to have the ability to trigger it if: 1) Jansen Stage 1 continues to go well; and 2) we see long term potash demand supply fundamentally is even stronger. Keeping in mind that a lot of the Greenfields or the growth in supply that was expected to come to market was from Russia and Belarus.

The likelihood is that's going to remain disrupted for some time. So there could be more of a market opportunity. We want to be positioned to be able to capitalise on that given where we sit on the cost curve.
and the attractiveness of Jansen given where we sit on the cost curve and the attractiveness of the Jansen resource.

Now as to the exact timing that we could bring it on, I'd ask that we just hang off on that until we progress the studies a little bit more. We'll come forward in due course, but suffice it to say it would be much sooner than original plans envisioned if we did elect to proceed.

Jansen Stage 3, Jansen Stage 4, I think we've got our hands full right now with Stage 1 and Stage 2, so we haven't started accelerating studies on Stage 3 and Stage 4. Infrastructure wise our Westshore terminal potash port that we put in place under a commercial contract gives us capacity for Stage 1 and Stage 2. We'd need to secure more port capacity for Stage 3 and Stage 4.

In terms of shaft capacity, we've got enough shaft capacity for all four stages, but you would of course have more mining equipment needed underground, more development work and more processing infrastructure above ground.

RAHUL ANAND (MORGAN STANLEY)
Perfect. That's very clear. Thank you. Then the second question is really around just getting a handle on the strategy re organic and inorganic growth.

So perhaps if you can help me understand what type of hurdle rates you are considering when you look at your two key commodities where you want to expand. To me, it seems like it's iron ore in terms of organic, in terms of WAIO but then also in copper through inorganic and organic means.

How should we think about the hurdle rates that you're thinking in these two commodities and perhaps also your thought process on the long-term prices for both copper and iron ore as well, given Simandou and given electrification for copper? Thanks.

MIKE HENRY (CEO, BHP)
David, do you want to take this one?

DAVID LAMONT (CFO, BHP)
Yes, so certainly when we look at the overall returns on both and I would also factor in there as Mike has mentioned potash and don't forget nickel as well. So we certainly see that we have four commodities that are leveraged for growth in the underlying demand that we see across those pictures.

I did reference earlier that when we look at potash, we have said that the potash Stage 1 is 12% to 14% internal rate of returns. So that's an indicative view of where we have been and certainly what we are able to do given the optionality that we have is ensure that we are spending the capital in the most efficient way to give those sorts of levels of returns.

Now, obviously when you're looking at iron ore and going to the 330, we have an existing infrastructure that we're able to better leverage as part of that. So that certainly plays into the overall picture on return rates there.

On the copper side of things, as you mentioned, Escondida has optionality. Spence has optionality as does Olympic Dam. So we're able to actually evaluate those options and ensure that we are spending the capital in the wisest way.

I would also just reference, have a good look at what we did with South Flank as well. I think we have demonstrated that we've got execution capability. Just for reference as well, I think some of you would already know this, but the person that's heading up the Jansen project actually delivered South Flank.

So we're leveraging our capabilities and skills that we have across the group and clearly looking to add value with those return metrics that I mentioned.
PETER O'CONNOR (SHAW AND PARTNERS)
Good morning, Mike. Good morning, Dave. Congratulations on a great result. Management changes. Kudos to both the people who got promotions and new roles.

Focusing those two people on the coal group. I just want to understand what's happening. Mike, we've talked lot about this in the past. You've got about US$8 billion worth of assets tied up.

Yes, it had a fantastic year but we know that was coal price tailwind. What strengths do Edgar and Geraldine bring to unlocking what could be there and maybe parking royalties to the side at the moment. Edgar has got a clear history on what you talked about before about iron ore and turning things around. A lot of people have tried. Where do we see met coal and the portfolio going forward and how are we going to get it there?

MIKE HENRY (CEO, BHP)
Okay. So as a previous leader of the coal business, Peter, I understand it pretty well. So a couple of things just to mention; do I see lots of opportunity yet to be unlocked in the coal business? Absolutely, on the productivity front. Everybody in the businesses is clear on that.

I would call out the fact that the BMA, in spite of all the challenges with wet weather and absenteeism as a result of COVID and so on over the course of the past year, has done a better job than average of managing tight cost control.

So we do see some green shoots in the business. We're seeing in certain periods record or near record levels achieved on truck hours, which as you'll recall, is a key driver of both production and costs in that business.

We've recently deployed autonomous truck fleets across a couple of the coal operations. We have a leader leading the BMA asset who is steeped in the BHP Operating System and is looking to work with Edgar who now will oversee this for the whole of BHP, leveraging his strong track record in the way that he's been able to transform, not just WAIO but the Australian assets overall in recent years, doing that across the whole of BHP.

So the combination of Edgar's sharper focus on bringing the operating system to that next level across BHP, the leadership that we have in place at BMA, Geraldine with the strengths that she'll bring across from the petroleum business, which has some practices that haven't been prevalent in mining.

I think that's a pretty powerful combination and will allow us to unlock the maximum value from that business. Now, what I can also say is that we're not going to be throwing capital at the BMA business. So we're not going to solve productivity challenges in business through throwing more money at it.

It's primarily an operational issue. The recent changes that have been announced to the royalty regime make any significant investment in that business more challenging, both from a returns and risk perspective.

HAYDEN BAIRSTOW (MACQUARIE GROUP)
Good morning guys. A great result. Just a couple from me, Mike. Firstly, just on the capex outlook. Is there anything you can guide us to on the volume impact that might deliver?

I mean, obviously you've done that in iron ore but the copper assets is this setting Escondida up to be flat beyond the five years or is there growth options built into that to offset the grade decline? Just keen to understand that.

MIKE HENRY (CEO, BHP)
Sure. Hayden, so I can't give you specifics because we're still working through the studies and so on. What's the ambition that we've got; of course, to offset grade decline.
We stated that we see copper as a very attractive commodity. So within the broad range of options that we'll look at, at Escondida, we will look at options to grow the business. It's simply too early to say with any degree of confidence at this point or with any numbers to put to it exactly where those studies will end.

It’s really been over the course of the past year that we've said, okay, now that we've got some of the other big strategic issues in the business tackled, we need to accelerate on developing these growth options and Rag across in Minerals America, went across there with a specific remit around looking at how we can unlock more growth options, but we're still working our way through that process.

HAYDEN BAIRSTOW (MACQUARIE GROUP)
Okay, great. Just on capital management, obviously, just to dividends, has there been any discussion around mixing that with off market buybacks or are we just literally going to stick with dividends, do you think, for whatever capital does come back?

MIKE HENRY (CEO, BHP)
Well we consider it each half, but David, you might want to comment on this.

DAVID LAMONT (CFO, BHP)
Yes, I was just going to say, we certainly look at it. In the current environment, we felt that it was better to though reward all shareholders with the increase in cash dividend.

That's the choice that we made this time around, but part of the capital allocation framework does have in there buy backs. So we do consider those as part of the exercise.

LYNDON FAGAN (JP MORGAN)
Thanks. My first question is just on the iron ore growth, obviously flagging another 40 million tonnes medium term. I'm wondering about value over volume. Is this still a concept that BHP subscribes to?

When I look at it, we've got Simandou coming on. We've got Vale trying to get back towards 400 from low 300s. Now another 40 from BHP. Does the negative price impact on the iron ore market have a NPV consequence on your underlying business that we need to consider or is this something BHP considered in looking at that expansion? Thanks.

MIKE HENRY (CEO, BHP)
So Lyndon, value over volume, value over volume. That is absolutely a priority for us. Yes, we do consider in looking at any - so what are the things that we'll look at as part of these studies will be the impact on iron ore price.

You called out some of the others that are looking to invest in the industry. We sit here three years running now, lowest cost major iron ore supplier in the world. We've performed very well in terms of outturn prices on a relative basis.

So against that backdrop, the value to be created through an investment from us, I think there’s reasonable potential that that's going to be attractive relative to others in the sector.

The question for us is really, is it going to be attractive relative to other options that we have in the portfolio? There is a tonne of activity underway across the Group right now to develop options in copper, in nickel, we've spoken about potash.

All we're doing at this point is studying the ability to get to 330 million tonnes per annum given how well the business has been performing. It doesn't mean that we'll trigger them. What I'm confident of is that just through getting better every day, like the team has demonstrated over the past few years, we'll get to the 300 plus level.
As to whether we go from there to 330, we'll see. It depends on what the studies show us when they're completed.

**LYNDON FAGAN (JP MORGAN)**
Thanks. Okay. Look, I'd like to ask about the bid for OZ Minerals. I guess I've got a few related to that. Can you talk about any major capital requirements for the Olympic Dam smelter that we need to know about over the medium term and how bringing in the OZ Minerals assets may change that potentially?

I guess also, I'm still trying to understand how BHP generates a value proposition for OZ Minerals with the starting bid around about 30% higher than analyst consensus. Why is that? Is it BHP's positive, long-term view on copper, or are there more synergies in bringing the group of assets together than perhaps we appreciate sitting on the outside? Thanks.

**MIKE HENRY (CEO, BHP)**
Okay. So, well, you've highlighted it. So stated differently, this is a very full and fair offer. Yes, it takes into account synergies, which are very uncertain of course, but we're confident that there will be synergies there.

They're all priced into the offer. That's why we've been able to offer at a premium to what the market was valuing OZ at.

The question around the Olympic Dam smelter; of course, if an OZ transaction were to proceed, then we'd sit back and look at the various options therein and how we go about creating greatest value.

Keep in mind, we've got the Oak Dam drilling progressing. It continues to look positive. We have more stable operations at Olympic Dam. We are studying two stage smelting and move to two stage smelt would help us de-constrain the mining side of the business.

At this point, it's really too early to say where we would land on how we would think about creating even greater value if we were successful with OZ. At this point, disappointingly, the other side has chosen not to engage at all on what we see as being - and I think this was implicit in your question - as being a really attractive and compelling offer for OZ shareholders.

**PETER O'CONNOR (SHAW AND PARTNERS)**
Thanks. I've got a question for Dave. Thinking about capital management and payout ratio, looking in the medium term and taking on board your capex guidance which you've updated today, as well as potential for acquisition activity in the short to medium term, payout ratios have been higher than the minimum and year on year they dropped.

How do we think about payout ratios going forward? I know it's a year to year and a period to period decision, but broadly speaking, more capex spend, more M&A. Does that mean payout ratio is normalising?

**DAVID LAMONT (CFO, BHP)**
Yes, so Peter, two answers to the question. The first one, as you've flagged, is I'd still come back and say 77% payout ratio is a very healthy payout ratio. So a start from where we are starting from. I would also come back and say, look, one of the strengths we believe of BHP is our ability to invest through the cycle. I think that what we have said is, that we wish to grow in the future facing commodities. That what we want to be able to do is do that growth in a value enhancing way through the cycle.

So the consistency that we have outlined through the strategy is regardless to some degree of what the economic conditions are, but we will tailor every year to them as part of that. That reflects where we are on the dividend side of things. So this year in total we have also been able to bring forward a lot of franking credits. Not only through the cash dividends that we have paid, but I'll also just reference the US$19.6 billion that came back to shareholders through the Petroleum deal.
So we are very mindful of, how do we balance return to shareholders, how we consider that in relation to the dividends that we pay, or options around buy-backs. But also we want to ensure that we are reinvesting back in the business so that we are in the best shape to pick up the growth that we see in the underlying demand for the commodities.

So another way of answering it, it is a balancing act. Every year and half year we look at the balancing act. So minimum is 50%, anything over and above that will be determined based on the operating performance, the cash that’s been delivered in that period, and the other options that we have.

LACHLAN SHAW (UBS)
Yes, morning Mike and David. Congratulations on a great result. So just a couple of questions from me. So firstly on the cost guidance into FY23. It's up across the board, but I think on the light side, which is commendable. Just wondering though, given a good amount of this relates to lagged input costs we have already seen, and we are now seeing some input cost prices rolling over. Do you expect there to be a better profile for costs in the second half of FY23 than the first half?

MIKE HENRY (CEO, BHP)
David, do you want to take that one?

DAVID LAMONT (CFO, BHP)
Thanks for your comments on the cost guidance we have given versus some others. Certainly when we look at things we have factored in what we see as the underlying increases. Just for a reference point here, when we look back, if we are taking our labour and our contractors, they're around about one-third of our cost. So they're not going to come back the other way.

One of the things that clearly plays through here is also diesel. The diesel costs vary depending on the region that we are in, either 6% to 9% whether you are in Australia or over in Minerals America. We have taken a view around forward curves effectively on diesel costs. That's what's factored into our equation over the year. So we haven't sat here and done it just at spot. We have looked at forward curves as an example and factored those into the guidance that we have given in relation to the cost increases.

LACHLAN SHAW (UBS)
Right, thank you. Now just a second question from me. So with the Blackwater South application in Queensland Coal, just talk to how you see that aligning with the broader BMA portfolio and the strategy towards premium quality met-coal? Given that there are other coal qualities in that portfolio that would be a bit better in the market than Blackwater material. Thanks.

MIKE HENRY (CEO, BHP)
Thanks Lachlan. I think at this point it's a bit of a moot point. I will come back to the question in a second. But we're not going to be deploying any major capital into the Queensland Coal business in the face of the recent royalty changes and the way that they were gone about.

Now having said that, and Blackwater South, by the way, that submission has been in for some time, because those are multi-year processes. As David has mentioned a number of times on this call, we are building options in the business, and it's the full range of options. We will then sit back and say, okay, basis of our view of the underlying commodities, the attractiveness of the returns, pay-back, et cetera. Which of those options do we want to bring forward? For a whole host of reasons, most pertinently the one that I just spoke to, that’s not going to be at the front of the queue.

PAUL MCTAGGART (CITI GROUP)
Morning. So I just wanted to focus on the short-term at the minute. So we had overnight another bunch of crappy China data around the property sector. It's obviously a big steel consumer. Looking to the year ahead,
we have been waiting for some kind of bottoming out or turning in the Chinese property sector, but it's not really evident. What are the challenges that you see around underlying iron ore demand out of China of the 12 months ahead?

MIKE HENRY (CEO, BHP)
Yes, so I know there’s been a lot of kind of media commentary about the weak numbers. The statistics we’re seeing out in China are kind of aligned with what we have been expecting anyways, Paul. So we believe, and continue to believe, that as China comes out of lockdowns, as there is a bit more stimulus provided, and all the policy settings that we see in China currently are aligned with that. Including recent meetings and what’s come out of those, that we will see a pick-up in the Chinese economy. That against the backdrop of slowing global growth, China is going to be a bit of a tailwind. Nothing changed on that view. That’s at a macro level.

Now specifically in respect of steel. We have also been saying for some time that as we progress towards the middle of this decade, that we are moving into a plateauing phase for steel production, iron ore demand. Now exactly when you call that, and whether they’re already plateaued, or there’s a little bit further to run, who knows? But we are, I don’t think, well, we haven’t been calling for a major pick-up in steel demand along the way.

I acknowledge that currently things are looking a little bit weaker. They might come in, if current run rates continue for the remainder of the year, at 2% or 3% below last year. But I think it’s still too early to call. Given where we sit, the underlying operational performance of our iron ore business, the improvement in quality that we have achieved through bringing South Flank on, what a wonderful place to be if competition does heat up and things become tougher in that market. But at this point we still think China is going to be an economic tail wind in the year ahead.

PAUL MCTAGGART (CITI GROUP)
Thanks Mike.

ROBERT STEIN (CLSA)
Hi Mike, great result. Just a quick question on the capital figure of US$10 billion going out into the medium-term. If I look at sort of consensus estimates on NPAT going forward, they’re around the US$10 billion mark themselves. So for you to sort of allocate US$10 billion worth of capital, that would infer that the minimum payout ratio would have to be adjusted, or that the balance sheet would have to expand to take on more debt.

So can you just perhaps maybe give us a feeling for where maybe consensus has it wrong? Noting that iron ore prices of around US$80 a tonne, and copper prices of around US$3.90 per pound are sort of baked into those NPAT estimates.

MIKE HENRY (CEO, BHP)
So I’m going to ask David to comment on this one. But can I just preface it with, none of the numbers we have put forward assume any change in the minimum payout ratio. So just I want to put that to bed. But David, do you want to answer Robert’s question?

DAVID LAMONT (CFO, BHP)
Yes. So thanks for the question Robert, and I was going to start with exactly what you said, Mike. The 50% is a core capacity that we see under the capital allocation framework. I will also just reference that if you look at the capital allocation framework we also start with maintenance capital. We have flagged that of that US$10 billion, around about US$3 billion is maintenance capital. So you should factor that in.

The growth side of things, as we said earlier, we have got options that we are actually looking at there as to see how that plays through. Now obviously we are still needing to study exactly what they are, exactly what the timeframe is. But what we are giving you is an indicative view over the medium-to-long-term of the capital
that we think can unlock the value that we see inherently in the endowment that we have, principally through the reserves and resources that we have today. So that's the thesis.

So I would say to you, what you probably need to is go have a look at your volume as part of the equation. We are not doing the growth part of that US$10 billion without actually seeing a return. We just would also say to you, that one of the strengths we see of BHP is how we are able to invest through the cycle and give us optionality for that growth.

ROBERT STEIN (CLSA)

So perhaps maybe then just a quick follow-up then. Noting that Jansen’s growth is, you’ve looked to accelerate that to a ‘26 date. Looking at some of the options that you had in the portfolio sort of over the ‘24/’25 period, when can we expect that volume growth to start hitting the business? Because it looks like a lot of these growth options are in study, that takes time, execution is difficult at the moment. So are we expecting that US$10 billion mark to be a not so much an FY25 figure, but more of a, say, an FY30 figure?

DAVID LAMONT (CFO, BHP)

So let me start by saying, the US$10 billion we will give you, and we have, is an indicative number. Now it won’t be a precise, some years it may be more, some years it may be less. But what we’re saying is, that that is the longer-term average that we would see to sustain the business to deliver on the growth that we’re looking at with the future facing side of things.

So I think we have obviously given you more guidance in relation to ‘23 and ‘24 specifically, that you are able to actually see it and mull through. But those options beyond that will develop through the studies. We will be able to come back and articulate what they look like and the timespans and the years of the spend.

I would just also say, you raised where we were with Jansen. That is an ongoing issue that we will continue through to 2026. We see that as a good option. But we still need to continue the studies to bring that back.

MIKE HENRY (CEO, BHP)

Look, David, I might just build on that. So you asked the question, Robert, about when can we expect to see the volume? Well, we are already over the next five years going to see more volume in copper, more volume in nickel, more volume even before we get to the 330 question, just more volume even getting to the 300 in iron ore.

So there's pretty healthy volume and value growth over the next five years in BHP. But as David has said, we are investing through the cycle. We are looking to accelerate Jansen. Super high margin business once it's up and running. We are developing more options in copper and nickel to provide that growth beyond the five-year period.

DAVID LAMONT (CFO, BHP)

The last thing I just wanted to emphasise there. We have said to you as well, that we will be spending around about US$4 billion in decarbonisation projects. That is in that maintenance number, just to be clear. So that’s factored in over that period as well. So US$4 billion out to 2030, which is in the maintenance numbers.

SAUL KAVONIC (CREDIT SUISSE)

Hello, thanks gents, congrats on the great result. Look, I just have a question about some of the governance concerns that have been raised in the wake of BHP appointing Barrenjoey to advise BHP, not even a year after the BHP Board clearly stated Barrenjoey would not advise BHP. What governance concerns existed last year that no longer exist this year such as the Board’s governance position has been reversed. Should investors be concerned that Management chose to pursue an advisory relationship with a third-party despite a clear governance position from the Board that the third-party was not to advise BHP?
MIKE HENRY (CEO, BHP)
Look, thanks for the question. I'll start by saying, there shouldn't be any need for concern. Management, I, thought that the combination of Barrenjoey and Citi were the best combination to pursue the OZ transaction, or to advise on the OZ transaction. Discussed that with, initially with the Independent, Senior Independent Director on the Board. That was then carried to the full Board. Of course, without the Chair present and everybody understood that at the start - so at the very beginning when the requirements were first put in place, it was in a period of uncertainty and uncertainty as to exactly how relationships would play out over time.

We now have a year-plus under our belt where more clarity has been brought to that and off the back of that clarity and Management's - my clear preference to have Citi and Barrenjoey on board to advise on this, given capabilities, it was given the green light to proceed. But all followed due process, as I think BHP has been known for and certainly no different in this case.

JOHN TUMAZOS (VERY INDEPENDENT RESEARCH)
Thank you for taking my question. Some of the smaller businesses, Olympic Dam, Nickel West, Cerro Colorado, were not very profitable at US$4.16 copper and US$10.50 nickel.

Given the price cost trends, could you talk to the strategies there? How quickly costs might be reduced or volumes expanded or things turned around? I understand Cerro Colorado's late life.

MIKE HENRY (CEO, BHP)
Sure, John and you've called it out on Cerro, so let's put that into a separate category because it's coming to the end of its current life. Also, we are looking at whether there will be opportunities, given that it's a fairly large resource, somewhat lowish grade but even at that, better than some of the other deposits that are being developed out there. So we'll look at whether there's opportunities to get Cerro going again.

But let's focus mainly on Olympic Dam and Nickel West. In the case of Olympic Dam, we've had multi-year program underway of re-securing operational reliability at that asset. Part of that program of work has been spend on asset integrity, some asset integrity is capital, some asset integrity is Opex.

So there's still some of that impacting on cost, as there is more work underway to develop into the Southern Mine Area. But now that we're through this, over the next couple of years, we'll start to see capex come down. We'll see Opex improve, which will create a healthier return for Olympic Dam.

Of course, then we have the medium-term prospects of two-stage smelting which would de-constrain underlying operations further. Potential for Oak Dam and, off the back of that, some more underlying volume.

Olympic Dam is a relatively high fixed cost business so increased volume starts to have a positive impact on returns pretty quickly.

Nickel West, similar story. Also in addition to that, in this past year we've had some operational hiccups at Nickel West which saw us producing less than we would have liked. We also have the third party supply impact on costs at Nickel West where they make up about a third of overall production.

Over time, now that we've transitioned to a new set of resources and if we're successful on some of what we're doing around brownfields exploration and beyond, then we would like to be producing more of our own nickel units as well, which would bring down headline operating costs at Nickel West.

MIKE HENRY (CEO, BHP)
Well thank you, everybody, for joining the call. I know that you may have ongoing questions, in which case, if we're not speaking directly in the coming days, please do direct them to Investor Relations.
I hope everyone recognises that it was a strong set of results in the face of some challenging external circumstances and that’s a real credit to the team, the broad team across BHP, for keeping the steady focus on safe underlying reliable operations.

That allowed us to capitalise on some of the high commodity prices that we’ve seen and that pulled through to these record EBITDA and record returns to shareholders.

I’d also ask though for everyone to focus on the execution against strategy. We’ve been very consistent over the past few years in how we’ve thought about the business, where we’re seeking to grow. You saw that come through in some of the key things we progressed over the course of the past year and on the go-forward growth picture, David’s spoken a few times here to options.

We have a number of levers for growth. We’ve increased our activity in the exploration space. You see us being more commercially agile when it comes to securing toe hold positions in early stage resources. We have accelerated efforts underway within potash, nickel and copper inside the business to unlock more options there. So that’s where the bulk of our growth focus is on - in those areas and we see increasing numbers of options to pursue inside the business.

So with that, we might bring the call to a close. Thank you, Operator and thanks all for joining.

End of Transcript