BHP BILLITON LTD
Form 20-F
September 28, 2017
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED 30 JUNE 2017.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from **to**

Commission file number: 001-09526	**Commission file number: 001-31714**
BHP BILLITON LIMITED	**BHP BILLITON PLC**
(ABN 49 004 028 077)	**(REG. NO. 3196209)**
(Exact name of Registrant as specified in its charter)	**(Exact name of Registrant as specified in its charter)**
VICTORIA, AUSTRALIA	**ENGLAND AND WALES**
(Jurisdiction of incorporation or organisation)	**(Jurisdiction of incorporation or organisation)**
171 COLLINS STREET, MELBOURNE,	**NOVA SOUTH, 160 VICTORIA STREET**
VICTORIA 3000 AUSTRALIA	**LONDON, SW1E 5LB**
(Address of principal executive offices)	**UNITED KINGDOM**
	(Address of principal executive offices)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**	**Title of each class**	**Name of each exchange on which registered**
American Depositary Shares*	New York Stock Exchange	American Depositary Shares*	New York Stock Exchange
Ordinary Shares**	New York Stock Exchange	Ordinary Shares, nominal value US$0.50 each**	New York Stock Exchange

* Evidenced by American Depositary Receipts. Each American Depositary Receipt represents two ordinary shares of BHP Billiton Limited or BHP Billiton Plc, as the case may be.

** Not for trading, but only in connection with the listing of the applicable American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

	BHP Billiton Limited	**BHP Billiton Plc**
Fully Paid Ordinary Shares	3,211,691,105	2,112,071,796

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Table of Contents

BHP

Our Charter

We are BHP,

a leading global resources company.

Our Purpose

Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

Our Strategy

Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our Values

Sustainability

Putting health and safety first, being environmentally responsible and supporting our communities.

Integrity

Doing what is right and doing what we say we will do.

Respect

Embracing openness, trust, teamwork, diversity and relationships that are mutually beneficial.

Performance

Achieving superior business results by stretching our capabilities.

Simplicity

Focusing our efforts on the things that matter most.

Accountability

Defining and accepting responsibility and delivering on our commitments.

We are successful when:

Our people start each day with a sense of purpose and end the day with a sense of accomplishment.

Our teams are inclusive and diverse.

Our communities, customers and suppliers value their relationships with us.

Our asset portfolio is world-class and sustainably developed.

Our operational discipline and financial strength enables our future growth.

Our shareholders receive a superior return on their investment.

Andrew Mackenzie

Chief Executive Officer May 2017

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered office: 171 Collins Street, Melbourne, Victoria 3000, Australia. BHP Billiton Plc. Registration number 3196209. Registered in England and Wales. Registered office: Nova South, 160 Victoria Street, London SW1E 5LB, United Kingdom. Each of BHP Billiton Limited and BHP Billiton Plc is a member of the Group, which has its headquarters in Australia. BHP is a Dual Listed Company structure comprising BHP Billiton Limited and BHP Billiton Plc. The two entities continue to exist as separate companies but operate as a combined Group known as BHP.

Table of Contents

The headquarters of BHP Billiton Limited and the global headquarters of the combined Group are located in Melbourne, Australia. The headquarters of BHP Billiton Plc are located in London, United Kingdom. Both companies have identical Boards of Directors and are run by a unified management team. Throughout this publication, the Boards are referred to collectively as the Board. Shareholders in each company have equivalent economic and voting rights in the Group as a whole.

In this Annual Report, the terms BHP , Group , BHP Group , we , us , our and ourselves are used to refer to B Limited, BHP Billiton Plc and, except where the context otherwise requires, their respective subsidiaries. Cross references refer to sections of the Annual Report, unless stated otherwise.

All references to websites in this Annual Report are intended to be inactive textual references for information only and any information contained in or accessible through any such website does not form a part of this Annual Report.

Table of Contents

Contents

Table of Contents

Table of Contents

Forward looking statements

This Annual Report contains forward looking statements, including statements regarding trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; closure or divestment of certain assets, operations or facilities (including associated costs); anticipated production or construction commencement dates; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; provisions and contingent liabilities; and tax and regulatory developments.

Forward looking statements can be identified by the use of terminology such as intend , aim , project , anticipate , estimate , plan , believe , expect , may , should , will , continue or similar words. These statements discuss f expectations concerning the results of assets or financial conditions, or provide other forward looking information.

These forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and which may cause actual results to differ materially from those expressed in the statements contained in this Annual Report. Readers are cautioned not to put undue reliance on forward looking statements.

For example, our future revenues from our assets, projects or mines described in this Annual Report will be based, in part, on the market price of the minerals, metals or petroleum products produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project, the expansion of certain facilities or mines, or the continuation of existing assets.

Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of assets, mines or facilities include our ability to profitably produce and transport the minerals, petroleum and/or metals extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the minerals, petroleum or metals we produce; activities of government authorities in the countries where we are exploring or developing projects, facilities or mines, including increases in taxes, changes in environmental and other regulations and political uncertainty; labour unrest; and other factors identified in the risk factors set out in section 1.8.3 of this Annual Report.

Except as required by applicable regulations or by law, BHP does not undertake to publicly update or review any forward looking statements, whether as a result of new information or future events.

Past performance cannot be relied on as a guide to future performance.

Table of Contents

Form 20-F Cross Reference Table

Item Number	Description	Report section reference
1.	**Identity of Directors, Senior Management and Advisors**	Not applicable
2.	**Offer Statistics and Expected Timetable**	Not applicable
3.	**Key Information**	
A	Selected financial data	1.12
B	Capitalization and indebtedness	Not applicable
C	Reasons for the offer and use of proceeds	Not applicable
D	Risk factors	1.8.3
4.	**Information on the Company**	
A	History and development of the company	1.4, 1.12, 1.13, 6.4, 6.5, 7.1 to 7.4 and 7.12
B	Business overview	1.4 to 1.5, 1.8, 1.11 to 1.13, 7.3, 7.4, 7.11
C	Organizational structure	7.3 and Note 28 to the Financial Statements
D	Property, plant and equipment	1.11.1 to 1.11.3, 1.13, 6.1 to 6.3 and Note 10 to the Financial Statements
4A.	**Unresolved Staff Comments**	None
5.	**Operating and Financial Review and Prospects**	
A	Operating results	1.6, 1.8, 1.11 to 1.13, 7.11
B	Liquidity and capital resources	1.12.3, 5.1.4 and Notes 21 and 32 to the Financial Statements
C	Research and development, patents and licenses, etc.	1.5, 1.8.2, 1.11, 1.12, 4.14 and 6.3
D	Trend information	1.8.1, 1.11.1 to 1.11.3, 1.13
E	Off-balance sheet arrangements	1.14 and Notes 32 and 33 to the Financial Statements
F	Tabular disclosure of contractual obligations	1.14 and Notes 32 and 33 to the Financial Statements
6.	**Directors, Senior Management and Employees**	
A	Directors and senior management	2.2
B	Compensation	3
C	Board practices	2.2 and 2.13
D	Employees	1.9, 1.9.4 and 1.9.5
E	Share ownership	2.19, 3.3.18, 3.3.19 and Note 23 to the Financial Statements
7.	**Major Shareholders and Related Party Transactions**	
A	Major shareholders	7.6
B	Related party transactions	3.4 and Notes 22 and 31 to the Financial Statements
C	Interests of experts and counsel	Not applicable
8.	**Financial Information**	
A	Consolidated statements and other financial information	1.7, 5.1, 5.6, 6.5, 7.7 and the pages beginning on F-1 in this Annual Report

Table of Contents

Table of Contents

1 Strategic Report

About this Strategic Report

This Strategic Report provides insight into BHP s strategy, operating and business model, and objectives. It describes the principal risks BHP faces and how these risks might affect our future prospects. It also gives our perspective on our recent operational and financial performance.

This disclosure is intended to assist shareholders and other stakeholders to understand and interpret the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) included in this Annual Report. The basis of preparation of the Consolidated Financial Statements is set out in section 5.1. We also use alternate performance measures to explain our underlying performance; however, these measures should not be considered as an indication of, or as a substitute for, statutory measures as an indicator of actual operating performance or as a substitute for cash flow as a measure of liquidity. To obtain full details of the financial and operational performance of BHP, this Strategic Report should be read in conjunction with the Consolidated Financial Statements and accompanying notes. Underlying EBITDA is the key measure that management uses internally to assess the performance of the Group s segments and make decisions on the allocation of resources.

This Strategic Report meets the requirements of the UK Companies Act 2006 and the Operating and Financial Review required by the Australian Corporations Act 2001.

Section 1 of this Annual Report 2017 constitutes our Strategic Report 2017. References to sections beyond section 1 are references to sections in this Annual Report 2017. Shareholders may obtain a hard copy of the Annual Report free of charge by contacting our Share Registrars, whose details are set out in our Corporate Directory at the end of this Annual Report.

1.1 Chairman s Review

Dear Shareholder,

It is an honour and a privilege to be able to write this letter as the new Chairman of BHP. At the outset, I want to acknowledge the contribution of my predecessor, Jac Nasser, who has led the Board for the past seven years. I thank Jac for his outstanding service to the Board and the Group during his tenure. While we will miss his strong leadership and wise counsel, he leaves a lasting legacy at BHP.

As incoming Chairman, I spent much of the past three months engaging with shareholders and other stakeholders around the world in order to better understand their perspectives. I plan to engage with investors on a regular basis.

Since I joined the Board in September last year, I have also taken the opportunity to visit many of our locations around the world to gain a better understanding of BHP from the front line. I have visited Western Australia Iron Ore in the Pilbara, coal operations in Queensland, the Jansen Potash Project in Canada, Onshore and Offshore petroleum operations in the United States and copper assets in Chile. This has been a rewarding experience and has reinforced to me the strength and potential of BHP to create long-term value for our shareholders.

BHP s first-class assets generate significant amounts of cash in almost all phases of the commodity cycle, and the way we allocate that cash going forward is going to be an important determinant of how much shareholder value is created. The Board strongly supports the capital allocation framework that your CEO, Andrew Mackenzie, established at the beginning of 2016. It is however a framework, and since its inception, the Board and management team have been working together to strengthen its application. This work is ongoing.

1

Table of Contents

Your Board recognises the importance of cash returns to shareholders. The dividend policy provides for a minimum 50 per cent payout of Underlying attributable profit at every reporting period. For FY2017, the Board determined a final dividend of 43 US cents per share, which is covered by free cash flow generated in the current period. The final dividend comprises the minimum payout per share plus an additional amount of 10 US cents per share. Strict adherence to our capital allocation framework balances value creation through capital investment, cash returns to shareholders and balance sheet strength in a transparent and consistent manner.

The Board has continued to focus on responding to the tragedy at Samarco. A review of the non-operated minerals joint ventures was conducted in FY2017 and we have implemented a number of actions identified as part of that review. We have developed a global standard which defines the requirements for managing BHP s interest in our non-operated minerals joint ventures. These minimum requirements include a framework for identification and management of risks to BHP from the non-operated joint ventures, which is consistent with the risk management framework for identifying and managing risks across BHP. More information can be found in section 1.7.

We take a structured and rigorous approach to Board succession planning, having regard to the skills, experience and attributes required to effectively govern and manage risk within BHP, so that we have the right balance on the Board and the Board continues to be fit-for-purpose.

During the year, John Schubert and Pat Davies retired from the Board. In addition, Malcolm Brinded and Grant King have decided that they will not stand for election at the 2017 Annual General Meetings. I thank all of these retiring directors for their service to BHP and wish them the very best.

In line with our planned approach to Board succession, Terry Bowen and John Mogford were appointed to the Board as Non-executive Directors with effect from 1 October 2017. Both have extensive executive experience which will enable them to make significant contributions to the BHP Board.

After several years of considered and deliberate effort, BHP is stronger, simpler and more productive. BHP has a world class management team, led by Andrew Mackenzie, and I look forward to supporting them in our pursuit of long-term value creation for all our shareholders.

Thank you for your continued support of BHP.

Ken MacKenzie

Chairman

1.2 Chief Executive Officer s Report

Dear Shareholder,

To meet the challenges of today, we must think in decades and generations. BHP s ability to plan, work and invest for the long term has always been our competitive advantage.

Over the past five years, we have laid the foundations to significantly improve returns and grow value. The benefits of this deliberate path are clear in our FY2017 results.

Safety is, and always will be, our highest priority. In the last 12 months, tragically, two of our colleagues died at work one at our Escondida mine in Chile in October 2016 and one at the Goonyella Riverside mine in Australia in August

2017. I offer my sincere condolences to the families, friends and colleagues of the two team members who lost their lives.

The most important job our people have, myself included, is to make sure our team goes home safe at the end of each day. While our safety performance has improved in terms of total recordable injury frequency (down to 4.2 per million hours worked), we have renewed our efforts to help our people understand the risks and critical controls that must be in place to protect the health and safety of everyone who works with BHP.

Table of Contents

Our new five-year sustainability performance targets came into effect 1 July 2017. These targets are a public statement to our stakeholders about our commitment to sustainability and are consistent with our commitment to the Paris Agreement and the United Nations Sustainable Development Goals. They are also at the heart of how we work at BHP we are determined to make a positive difference through our performance.

Our FY2017 financial and operational results were strong. All our operated assets were free cash flow positive and delivered a total free cash flow of US$12.6 billion. We used this cash to strengthen the balance sheet and return US$4.4 billion to you, our shareholders.

We have achieved a great deal over the past year, but we will not stand still. We are committed to maximising cash flow, maintaining capital discipline and improving value and returns.

We will deliver consistent and transparent application of our capital allocation framework, which includes cash returns to shareholders.

Our strong performance in FY2017 was achieved thanks to the hard work and passion of the people of BHP. It is a testament to what we can all achieve when we come together as a team of teams.

We know that the most diverse teams are those who perform the best our data tells us this. That s why we were proud to announce at last year s Annual General Meetings our aspirational goal to achieve gender balance by FY2025. BHP has made great progress in 12 months, but we know we still have a long way to go.

The past financial year has taught us many things, but especially this the world needs people who think boldly, think creatively and bring the best of themselves to what they do. It needs people who think big. For corporations like BHP, it is up to us to shape change for the better, through innovation, productivity and technology. It is our responsibility to have a voice and be transparent.

Thank you to our people, shareholders, suppliers, customers and host communities who work with us. Together, we work to improve the lives of millions of people across the world and drive global economic growth.

I also extend my thanks to outgoing Chairman Jac Nasser, who has been a source of strength and leadership for BHP, and to me personally, over the last decade. His remarkable legacy and contribution will be felt for years to come.

BHP is well-positioned for the future with our incoming Chairman, Ken MacKenzie. Together with the Board, I look forward to FY2018 and beyond as we grow shareholder value and increase returns.

Andrew Mackenzie

Chief Executive Officer

1.3 Performance summary

Not required for US reporting. Refer to sections section 1.12 and 1.13.

Table of Contents

1.4 BHP At a glance

Key facts

BHP is a world-leading resources company. We extract and process minerals, oil and gas, with more than 60,000 employees and contractors, primarily in Australia and the Americas. Our products are sold worldwide, with sales and marketing led through Singapore and Houston, United States. Our global headquarters are in Melbourne, Australia.

We operate under a Dual Listed Company structure with two parent companies (BHP Billiton Limited and BHP Billiton Plc) operated as if we were a single economic entity, which we refer to as BHP. We are run by a unified Board and management.

Table of Contents

What we do

Table of Contents

Our purpose and strategy

Our corporate purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources. We do this through our strategy: to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Table of Contents

1.4.1 Who we are

Our Operating Model

We have a simple and diverse portfolio of tier one assets around the world, with low-cost options for future growth and value creation. This allows us to apply our values and culture, emphasise safety and productivity, deploy technology and exert capital discipline to extract the most value and the highest returns from our assets.

Our Operating Model allows us to leverage our expertise across our business, with multifunctional teams that connect across the organisation to share best practice, make us safer and solve problems together.

Assets: Assets are a set of one or more geographically proximate operations (including open-cut mines, underground mines and onshore and offshore oil and gas production and processing facilities). We safely produce a broad range of commodities through these assets. Our operated assets include assets that are wholly owned and operated by BHP and assets that are owned as a joint operation and operated by BHP. Our non-operated assets include interests that are owned as a joint venture but not operated by BHP.

Asset groups: We group our assets into geographic regions in order to provide effective governance and accelerate performance improvement. We do this through sharing and replicating best practices, combining efforts to take advantage of our scale and through common improvement initiatives. Our oil and gas assets are grouped together as one global Petroleum asset group, reflecting the operating environment in that sector. This allows us to share best practice and promote new technology across our portfolio.

Table of Contents

Marketing and Supply: Our commercial businesses optimise our working capital and manage our inward and outward supply chains. Our Marketing business sells our products, gets our commodities to market and supports strategic decision-making through market insights. Supply sources the goods and services we need for our business, sustainably and cost effectively.

Functions: Functions operate along global reporting lines to provide support to all areas of the organisation. Functions have specific accountabilities and deep expertise in areas such as finance, legal, governance, technology, human resources, corporate affairs, health, safety and community.

Leadership: Our Executive Leadership Team (ELT) is responsible for the day-to-day management of the Group and for leading the delivery of our strategic objectives. The Operations Management Committee (OMC) has responsibility for planning, directing and controlling the activities of BHP, including key Group strategic, investment and operational decisions, and recommendations to the Board.

We disclose financial and other performance primarily by commodity. This provides the most meaningful insight into the nature and financial outcomes of our business activities and facilitates greater comparability against industry peers.

Table of Contents

What we produce

We are among the world s top producers of major commodities, including iron ore, metallurgical coal and copper. We also have substantial interests in oil, gas and energy coal.

(1) For more information on the reconciliation of alternate performance measures to our statutory measures, including from Profit after taxation from Continuing and Discontinued operations to Underlying EBITDA (and Underlying EBITDA margin), refer to section 1.12.4. For more details on commodity performance, refer to section 1.13.

(2) Percentage contribution to Group Underlying EBITDA, excluding Group and unallocated items.

9

Table of Contents

How we contributed in FY2017

Figures are rounded to the nearest decimal point. For more information refer to the Economic Contribution Report 2017.

(1) Calculated on an accrual basis.

(2) Social investment target is one per cent of pre-tax profits invested in community programs, including cash and administrative costs, calculated on the average of the previous three years pre-tax profit. Priorities and focus areas are outlined in our Social Investment Framework, detailed in our Sustainability Report 2017. Additional social investment of US$7.2 million (BHP Share) was made by our Equity Accounting Investments for a total social investment of US$80.1 million.

The resources we produce help build cities, produce energy and provide developing nations with the resources they need to grow.

We are proud of the value we generate and how this contributes to building trust with the communities in which we operate.

The economic contribution we make is important. We bring capital and high-paying jobs to the communities in which we work, both within our assets and throughout the supply chain. We also create value for our shareholders, lenders and investors. In FY2017, our total direct economic contribution was US$26.1 billion, including payments to suppliers, wages and employee benefits, dividends, taxes and royalties.

The taxes we pay enable governments to provide essential services to their citizens and invest in their communities for the future. We paid US$4.7 billion globally in taxes, royalties and other payments to governments in FY2017. Our statutory effective tax rate was 39.7 per cent and our global adjusted effective tax rate was 34 per cent. Including royalties, this increases to 44 per cent.

For more information, refer to section 1.12.4.

Table of Contents

1.4.2 Where we are

BHP locations (includes non-operated)

11

Table of Contents

(1) Non-operated joint venture.

Table of Contents

1.5 Our strategy

Our strategy is to own and operate large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our plan to grow value

Consistent with our strategy, we have a plan to create long-term shareholder value. This plan is focused on six key areas:

1. Cost efficiencies *focused on further gains*
Since FY2012, we have reduced unit costs across BHP by more than 40 per cent. Our simple portfolio, standardised systems and greater connectivity across our assets and commodities, position us to further improve productivity.

2. Latent capacity *attractive returns, limited risk*
We have further opportunities to optimise and debottleneck our existing mine, rig, port, rail and processing facilities. That means we can get more production, or replace production, from our existing infrastructure for lower cost. For example, we plan(1) to increase capacity at our Western Australia Iron Ore asset during FY2019 to a record 290 million tonnes per annum, by improving our rail signalling system and better utilising our equipment and infrastructure. This will help make full use of the port, rail network and mines we ve already built.

3. Major projects *timed for value and returns*
We have a pipeline of potential growth projects that could create significant shareholder value over the long term, in particular in conventional oil, copper and coal. This includes the Mad Dog Phase 2 project, which has the potential capacity to produce up to 140,000 gross barrels of crude oil per day, and the Spence Growth Option. In the first 10 years of operation, incremental production from the Spence Growth Option is expected to be approximately 185 ktpa of payable copper in concentrate and 4 ktpa of payable molybdenum, with first production scheduled for the 2021 financial year. We are also continuing to investigate one of the best undeveloped potash resources in the world in Jansen in Canada. There are many ways we could realise the value of this project, but Board approval will be sought only if the project passes our strict investment hurdles and is in the best interests of our shareholders.

4. Exploration *positive results reduce risk for future wells*
We are focused on finding new oil and copper deposits through targeted exploration. Production of these commodities is declining, while demand is forecast to increase. Exploration is the lowest cost way to add these resources to the portfolio, and investing now means we can take advantage of lower exploration costs. We recently had positive drilling results at Wildling in the US Gulf of Mexico following the discovery of oil in multiple horizons. Together with the successful bid for Trion and positive drilling results in the Caribbean, this provides us with additional confidence.

5. Technology *improves safety, lowers cost and unlocks resource*

We will continue to develop and introduce new technology that increases efficiency, improves safety and unlocks resource. Our diverse portfolio enables us to adapt technology developed for one commodity to other areas of our business: for example, a tool that has been developed for assaying iron ore is now being trialled for use in our copper assets.

6. Onshore US *value and flexibility*

Our regular portfolio review has concluded that the Onshore US assets are non-core and we are pursuing options to exit our quality acreage. This will take time, which we will use productively to maximise the value of our acreage through disciplined development, larger completions, acreage swaps, gas hedging and divestments.

(1) Assumes all internal and third party approvals received.

Table of Contents

1.5.1 Focus areas

Three critical focus areas underpin our strategy: safety, culture and productivity.

Safety

We achieve nothing if we do not do it safely.

We seek to prioritise the health and safety of our people, our host communities and the environment.

We know that we can never take the safety of our people for granted. We reassess our safety risks and controls regularly. If anything changes (for example, new technology is developed, new risks emerge or we gather new information), then we adapt our approach as needed to make sure our people are as safe as possible.

The performance of all of our people is measured by how safe our workplaces are. We have a goal of zero fatalities, and our total recordable injury frequency (TRIF) is a key performance indicator throughout BHP.

For more information on our approach to safety and our safety performance, see section 1.10.3 and our Sustainability Report 2017 at bhp.com.

Culture

We focus on our culture as it enables performance.

We believe it is important for every employee to understand how their work contributes to achieving our strategy, work in an environment where it s safe to speak up and be able to take up their full accountability. Our Employee Perception Survey (EPS) results serve to guide us on areas where we have performed well, and areas that require further attention.

In FY2017, our leaders put in place tailored plans to increase care and trusted relationships within our teams attributes we have identified as critical in making the most of our Operating Model. These plans include local and BHP-wide priorities, including new leadership development programs focused on the identification and realisation of value and the management of risk. This work builds on years of investment in developing our leaders capabilities to engage and develop their teams and to lead change.

For more information on our culture and the actions we are taking to support it, see section 1.9.1.

Productivity

We have achieved significant productivity gains in recent years, helping us to produce our resources at significantly lower cost and achieve strong cash flows, even while commodity prices were low.

There is considerable value still to come from our assets and initiatives across BHP. The simplicity of our portfolio, the scale and quality of our ore bodies and oil and gas fields and our standardised systems and processes are all important attributes. When combined with a newly streamlined corporate structure, and centres of excellence in maintenance, projects and geoscience, we are well positioned to reduce costs and improve production even further.

For more on productivity, see section 1.6.

14

Table of Contents

1.5.2 Managing performance and risk

Corporate planning

Our corporate planning process is designed to deliver long-term, sustainable shareholder value.

The Board sets the long-term strategy for BHP, considering all our opportunities for the creation of long-term shareholder value. The long-term strategy is developed by integrating portfolio, commodity and asset-level outlooks and is underpinned by our strategic objectives.

Our corporate planning process is an annual process that is fundamental to creating alignment across the organisation; it guides the development of plans, targets and budgets to help us decide where to deploy our capital and resources. The process starts with planning to maximise opportunities for the long-term creation of shareholder value by understanding our strategic options, then focuses on medium and short-term plans to deliver against these objectives.

Plans are assessed at the Group level to balance the goal of maximising the value of our individual assets with the goal of creating value and mitigating investment risks at the portfolio level. We evaluate the range of investment opportunities and aim to optimise the portfolio based on our assessment of risk and returns. We then develop a long-term capital plan and guidance for the Group.

Assessment and monitoring

We review our strategy against a constantly changing external environment, to capture and manage emerging risks and opportunities and cascade them through our planning processes. Long-term scenario planning is used to evaluate our portfolio of assets and to help us identify new opportunities and test the robustness of our strategy over a range of possible outcomes.

We also use signals tracking to monitor near-term trends and events that may give an early indication of threats and opportunities identified from evaluating the long-term scenarios. Signals also support actions to position BHP to mitigate or benefit from these threats and opportunities, while helping to inform major portfolio investment decisions.

Risk management

Identifying and managing risk and opportunity are central to achieving our corporate purpose of creating long-term shareholder value.

We embed risk management in our critical business activities, functions, processes and systems through the following mechanisms:

- Risk assessments   we regularly assess known, new and emerging risks.

- Risk controls   we put controls in place over material risks, and periodically assess the effectiveness of those controls.

Risk materiality and tolerability evaluation   we assess the materiality of a risk based on the degree of financial and non-financial impacts, including health, safety, environmental, community, reputational and legal impacts. We assess the tolerability of a risk based on a combination of residual risk and control effectiveness.

Table of Contents

We apply established processes when entering or commencing new activities in high-risk countries. These include risk assessments and supporting risk management plans to ensure potential reputational, legal, business conduct and corruption-related exposures are managed and legislative compliance is maintained.

For information on our principal risks, refer to section 1.8.3. For information on our risk management governance, refer to sections 2.13.1 and 2.14.

Capital management

Our Capital Allocation Framework aims to maximise the potential value of every dollar we earn for our shareholders.

We start by aiming to earn as much as we can through the safe and productive operation of our assets. We then put this capital to work to:

- maintain our plant and equipment to enable safe and efficient operations over the long term;
- keep our balance sheet strong, to give us stability and flexibility through good times and tough times;
- reward our shareholders by paying out at least 50 per cent of our Underlying attributable profit in dividends at every period.

We then look at what would be the most valuable use for any excess capital that remains after these three priorities are met, and decide whether to:

- further reduce our debt;
- return more cash to shareholders through additional dividends or share buy-backs;
- invest in growth, either through projects within our assets or through exploration or acquisitions, provided it will create more value than a share buy-back.

This disciplined and rigorous approach helps us to maximise the value of every dollar for our shareholders.

Table of Contents

1.6 Our performance

Key performance indicators

Our key performance indicators (KPIs) enable us to measure our sustainable development and financial performance.

These KPIs are used as direct and indirect measures in the short-term or long-term incentive remuneration arrangements for senior executives. Certain KPIs (Total recordable injury frequency, Greenhouse gas emissions, Underlying attributable profit, Underlying EBITDA and Total shareholder return) are used directly to calculate incentive outcomes (subject to certain adjustments as described in section 3) and the remainder (Community investment, Net operating cash flows and Long-term credit rating) are considered more broadly in determining final overall results.

Our Remuneration Report is contained in section 3 and provides information on our overall approach to executive remuneration, including remuneration policies and remuneration outcomes.

1.6.1 Non-financial KPIs

Sustainability KPIs

Total recordable injury frequency [1]

Definition

Total recordable injury frequency (TRIF) is an indicator in highlighting broad personal injury trends and is calculated based on the number of recordable injuries per million hours worked. TRIF includes work-related events occurring outside our operated assets from FY2015. In FY2015, we expanded our definition of work-related activities to include events that occur outside our operated assets where we have established the work to be performed and can set and verify the health and safety standards: such as an employee driving between two sites for work, in a BHP vehicle. TRIF does not include events at non-operated assets.

Link to strategy

We are committed to ensuring the safety and health of our people and this is supported by *Our Charter* value of Sustainability.

FY2017 performance

Tragically one of our colleagues, Rudy Ortiz, died at Escondida in Chile in October 2016.

Our TRIF performance in FY2017 was 4.2 per million hours worked, a two per cent decrease on the previous financial year. This represents a decrease of nine per cent over five years.

For information on our approach to health and safety and our performance, refer to section 1.10.3.

(1) Includes data for Continuing and Discontinued operations for the financial years being reported.

Table of Contents

Greenhouse gas emissions [1] [6]

Definition

Greenhouse gas (GHG) emissions are measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol. This data covers our operated assets (including, until 8 May 2015, assets that now form part of South32).

Link to strategy

The global challenge of climate change remains a priority for BHP and is core to our strategic decision-making. Our operational GHG emissions are monitored and our performance is tracked against our target.

FY2017 performance

In FY2012, we set ourselves the target of limiting our overall emissions in FY2017 to below our FY2006 baseline, while growing our business. With our FY2017 GHG emissions of 16.3 million tonnes of carbon dioxide equivalent (CO_2-e) being 21 per cent below the adjusted FY2006 baseline, we have successfully achieved our ambitious target. Projects at our Continuing operations tracked since FY2013 as part of our current GHG target achieved more than 975,000 tonnes CO_2-e of annualised abatement in FY2017.

For more information on our GHG emissions, refer to section 1.10.6.

(1) Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol.

(2) In order to compare the total GHG emissions in FY2015 to other financial years, GHG emissions (estimated) from South32 assets between the date of demerger and 30 June 2015 have been added to FY2015 GHG emissions as shown above.

(3) Scope 2 refers to indirect GHG emissions from the generation of purchased electricity and steam that is consumed by operated assets (calculated using the market-based method).

(4) Scope 1 refers to direct GHG emissions from operated assets.

(5) Our FY2006 baseline was adjusted as necessary for material acquisitions and divestments based on asset GHG emissions at the time of the applicable transaction.

(6) Our GHG target for our operated assets is to keep our absolute FY2017 GHG emissions below our adjusted FY2006 baseline.

Table of Contents

Social investment [1]

Definition

Our voluntary social investment is calculated as one per cent of the average of the previous three years pre-tax profit. For FY2017, as pre-tax profits for the period FY2014 to FY2016 were lower than in recent periods, social investment has also decreased. Expenditure includes BHP s equity share for operated and non-operated joint ventures, and comprises cash, administrative costs and contributions to our BHP supported charities and the BHP Billiton Foundation.

Link to strategy

We believe in addition to operating a responsible and ethical company, we can make a broader contribution to the communities in which we operate and support *Our Charter* value of Sustainability.

FY2017 performance

Our voluntary social investment totalled US$80.1 million. This included US$75.1 million contributed to community development programs and associated administrative costs as well as a US$5 million contribution to the BHP Billiton Foundation.

For more information on our voluntary social investment, refer to section 1.10.4.

(1) Includes BHP s equity share for both operated and non-operated joint ventures. Data prior to FY2016 includes payments made by operations demerged with South32.

Capital management KPIs

Total shareholder return (TSR)

Definition

Total shareholder return (TSR) shows the total return to the shareholder during the financial year. It combines both movements in share prices and dividends paid (which are assumed to be reinvested).

Link to strategy

TSR measures BHP s performance in terms of shareholder wealth generation, which aligns to our purpose as presented in *Our Charter* and enables the comparison of our performance with that of our peer companies.

FY2017 performance

TSR was 31.1 per cent during FY2017 as a result of increases in both the BHP share price and the dividends paid. From 1 July 2012 to 30 June 2017, BHP underperformed the sector peer group by 8.7 per cent and underperformed the Index TSR by 101 per cent.

For more information on our long-term incentive performance outcomes to June 2017, refer to section 3.3.3.

Table of Contents

Long-term credit rating

Definition

Credit ratings are forward looking opinions on credit risk. Standard & Poor s and Moody s credit ratings express the opinion of each agency on the ability and willingness of BHP to meet its financial obligations in full and on time.

Link to strategy

The balance sheet is an enabler of strategy. An appropriately structured balance sheet enables BHP to act on value accretive opportunities at low points in the cycle and facilitate shareholder returns through the cycle. We aim to maintain a strong balance sheet consistent with seeking to achieve and maintain a solid A credit rating.

FY2017 performance

Standard & Poor s credit rating of BHP remained at the A level throughout FY2017. It affirmed this rating and changed its outlook on 20 January 2017 from negative to stable. Moody s maintained its credit rating of BHP at A3 throughout FY2017 and improved its outlook from stable to positive on 3 May 2017.

For more information on our liquidity and capital resources, refer to section 1.12.3.

Table of Contents

1.6.2 Financial KPIs and performance overview

Financial KPIs

Significantly higher prices have improved our margins, generated strong cash flow, reduced net debt and, in line with our financial performance, increased our dividends.

Profits and earnings

Attributable profit of US$5.9 billion includes an exceptional loss of US$842 million (after tax). This compares to an attributable loss of US$6.4 billion, including an exceptional loss of US$7.6 billion (after tax), in FY2016. The FY2017 exceptional loss related to the Samarco dam failure, Escondida industrial action and Chilean withholding tax paid at a concessional rate, partially offset by the reimbursement received on cancellation of the Caroona exploration licence. The FY2016 exceptional loss related to the impairment of our Onshore US assets, the Samarco dam failure and global taxation matters.

Our Underlying attributable profit was US$6.7 billion (FY2016: US$1.2 billion).

We reported Underlying EBITDA of US$20.3 billion, with higher prices, controllable cash cost improvements and other net movements (in total US$9.4 billion) more than offsetting the impacts of unfavourable exchange rate movements, inflation and one-off items (in total US$1.4 billion).

Cash flow and balance sheet

Our Net operating cash flow of US$16.8 billion reflects higher commodity prices and further cash cost efficiencies.

We continued to strengthen our balance sheet with a reduction in net debt of US$9.8 billion to finish the period at US$16.3 billion (FY2016: US$26.1 billion). This reduction reflects strong free cash flow generation during the period as well as non-cash adjustments of US$0.6 billion related to a fair value adjustment of US$1.2 billion from interest rate and foreign exchange rate movements, partially offset by the recognition of the Kelar finance lease of US$0.6 billion.

Our gearing ratio is 20.6 per cent (FY2016: 30.3 per cent).

Table of Contents

Reconciling our financial results to our key performance indicators

(1) Represents amounts attributable to non-controlling interests with respect of the Escondida industrial action (gross expense of US$(232) million; tax benefit of US$68 million; net expense of US$(164) million).

For more information on financial performance and alternate performance measures, refer to section 1.12.

Table of Contents

Capital management

We achieved strong capital management results in FY2017. We have focused on low-cost, high-return latent capacity projects, which has allowed us to reduce capital expenditure. We strengthened our balance sheet and our dividend policy enables the stability and flexibility to create value and reward shareholders in a more volatile environment.

Free cash flow

Net operating cash flow of US$16.8 billion and free cash flow[1] of US$12.6 billion in FY2017 were underpinned by higher commodity prices, strong operating performance and improved capital productivity. Our free cash flow position was our second highest on record and all operating assets were free cash flow positive.

We continued to strengthen our balance sheet through debt reduction (see cash flow and balance sheet commentary on the preceding pages).

Our dividend policy provides for a minimum 50 per cent payout of Underlying attributable profit at every reporting period. The minimum dividend payment for the second half was 33 US cents per share. Recognising the importance of cash returns to shareholders, the Board has determined to pay an additional amount of 10 US cents per share, taking the final dividend to 43 US cents per share which is covered by free cash flow generated in FY2017. In total, dividends of US$4.4 billion (83 US cents per share, an increase of 177 per cent from FY2016) have been determined for FY2017, including additional amounts of US$1.1 billion.

Capital and exploration expenditure reduced by 32 per cent to US$5.2 billion in FY2017, as we focused on capital efficient latent capacity projects and exercised flexibility in our Onshore US plans. Capital and exploration expenditure is expected to increase to US$6.9 billion in FY2018. The increase in expenditure compared to the prior year reflects continued investment in high-return latent capacity projects, increased Onshore US drilling activity and approval of Mad Dog Phase 2 and the Spence Growth Option.

(1) For more information on the reconciliation of alternate performance measures, refer to section 1.12.4.

Productivity and costs

Productivity gains (which represent changes in controllable cash costs, changes in volumes attributed to productivity and changes in capitalised exploration) of US$1.3 billion were achieved for the period, with total annualised productivity gains of more than US$12 billion accumulated over the last five years. Productivity gains were lower than expected, largely as a result of volumes at the lower end of expected ranges and increased exploration expenditure, including the successful bid for Trion in Mexico.

Improvements continue to be realised across the portfolio. We expect to deliver a further US$2.0 billion of productivity gains over the two years to the end of FY2019, with gains weighted to the second year.

Table of Contents

Group copper equivalent unit costs declined by four per cent compared to FY2016. Escondida and Western Australia Iron Ore (WAIO) unit cash costs decreased by 17 per cent to $0.93 per pound (excluding the impact of the industrial action) and three per cent to US$14.60 per tonne, respectively. Conventional petroleum and Queensland Coal unit costs increased by two per cent and eight per cent, respectively. Escondida unit costs were seven per cent lower than expected due to continued productivity improvements and favourable inventory movements. If costs related to the industrial action were included, Escondida unit costs would have been US$1.13 per pound (compared to US$1.12 per pound in FY2016). WAIO unit costs declined due to reductions in labour and contractor costs, and productivity improvements. Conventional petroleum unit costs were higher due to lower volumes as a result of planned maintenance at Atlantis and natural field decline. Queensland Coal unit costs were higher as sales volumes were impacted by Cyclone Debbie.

For more information, refer to section 1.12.2 and 1.6.3.

Case study: Driving value through excellence in maintenance

Achieving excellence in maintenance has the potential to drive real value for BHP. We have set ourselves the ambitious target of saving an aggregated US$1.2 billion in maintenance costs across BHP by the end of FY2022 and reducing down time by 20 per cent. We plan to do this by focusing on defect elimination, excellence in planning and scheduling, and safely embedding optimised maintenance strategies.

Across BHP s operations, we use more than 3,000 machines, including 1,300 trucks, around 400 loaders, 450 dozers, 240 drills, 200 excavators, and more. We also rely on a variety of fixed plant equipment to process our commodities. All this equipment currently costs around US$3.5 billion annually to maintain.

BHP has created the Maintenance Centre of Excellence to partner with our operations with the goal of delivering safe, sustainable improvement in our equipment performance. The Centre aims to utilise BHP s scale and draws on the deep expertise, data and systems we hold across our business to reduce cost, cut unplanned down time, improve production and ensure our equipment is safe and reliable for our people.

We have established regional planning hubs in Brisbane, Perth and Adelaide, co-located with supply chain and maintenance strategy teams, to enable work to be more accurately planned further in advance. The goal is to improve supply chain performance, making frontline maintenance teams more effective, which in turn leads to improved availability and reduced cost.

The Centre s work to date has reduced master data errors, improved planning lead times and accuracy, and reduced life-of-asset costs. One example is the equipment strategy for our most important haul truck, the Caterpillar 793F, almost 300 of which are in use in BHP s operations around the world. We brought together a team of experts from our Coal, Iron Ore, Copper, Technology and Supply teams to identify how to maximise the value of this truck based on the function it performs in our mining operations. By optimising the maintenance and supply chain strategies, and setting operating limits for how we use these trucks in the field, we have reduced costs by a projected 20 per cent across the remaining life of the fleet, and improved availability.

Another example is our Liebherr T282 haul trucks. By standardising pit stop servicing improvements, implementing preventative activities, such as targeted electrical component inspections for identified problem areas, and installing specific component updates and parts, we expect to reduce costs by a projected 18 per cent across the remaining life of the fleet. Similarly, for our fleet of D10 and D11 dozers, we expect to reduce costs by a projected 18 per cent across the remaining life of the fleet as a result of improvements to undercarriage, hydraulics and power train strategies.

Over the next three years and beyond, the Centre intends to work through BHP s top 70 asset classes to accelerate the delivery of these productivity improvements. This significant program of work will focus on improving the end-to-end performance of these assets and the maintenance systems that support them to generate a step change in safety, equipment availability and cost performance.

Table of Contents

1.6.3 Commodity performance overview

Commodity prices

The following table shows the prices for our most significant commodities for the years ended 30 June 2017, 2016 and 2015. These prices represent selected quoted prices from the relevant sources as indicated and will differ from the realised prices due to differences in quotation periods, quality of products, delivery terms and the range of quoted prices that are used for contracting sales in different markets. For information on realised prices, refer to section 1.13.

Year ended 30 June	**2017 Closing**	2016 Closing	2015 Closing	**2017 Average**	2016 Average	2015 Average	2017 vs 2016 Average
Natural gas Henry Hub [1] (US$/MMBtu)	**3.0**	2.9	2.8	**3.0**	2.2	3.3	33%
Natural gas Asian Spot LNG [2] (US$/MMBtu)	**5.5**	5.2	7.3	**6.4**	6.1	9.7	5%
Crude oil (Brent) [3] (US$/bbl)	**47.4**	48.4	61.1	**49.6**	43.2	73.9	15%
Ethane [4] (US$/bbl)	**10.3**	9.7	8.4	**9.5**	7.7	8.6	24%
Propane [5] (US$/bbl)	**25.1**	21.7	16.3	**24.9**	17.9	29.3	39%
Butane [6] (US$/bbl)	**30.8**	28.9	23.9	**33.3**	24.2	36.9	38%
Copper (LME cash) (US$/lb)	**2.7**	2.2	2.6	**2.4**	2.2	2.9	10%
Iron ore [7] (US$/dmt)	**63.0**	55.0	59.5	**69.5**	51.4	71.6	35%
Metallurgical coal [8] (US$/t)	**148.5**	91.5	88.0	**190.4**	81.6	102.9	133%
Energy coal [9] (US$/t)	**82.5**	56.5	61.7	**80.5**	53.4	64.4	51%
Nickel (LME cash) (US$/lb)	**4.2**	4.3	5.3	**4.6**	4.2	7.0	9%

(1) Platts Gas based on Henry Hub typically applies to gas sales in the US gas market.

(2) Platts Liquefied Natural Gas Delivery Ex-Ship (DES) Japan/Korea Marker typically applies to Asian LNG spot sales.

(3) Platts Dated Brent a benchmark price assessment of the spot market value of physical cargoes of North Sea light sweet crude oil.

(4) OPIS Mont Belvieu non-Tet Ethane typically applies to ethane sales in the US Gulf Coast market.

(5) OPIS Mont Belvieu non-Tet Propane typically applies to propane sales in the US Gulf Coast market.

(6) OPIS Mont Belvieu non-Tet Normal Butane typically applies to butane sales in the US Gulf Coast market.

(7) Platts 62 per cent Fe Cost and Freight (CFR) China used for fines.

(8) Platts Low-Vol hard coking coal Index FOB Australia representative of high-quality hard coking coals.

(9) GlobalCoal FOB Newcastle 6,000kcal/kg NCV typically applies to coal sales in the Asia Pacific market.

Table of Contents

Impact of changes to commodity prices

The prices we obtain for our products are a key driver of value for BHP. Fluctuations in these commodity prices affect our results, including cash flows and asset values. The estimated impact of changes in commodity prices in FY2017 on our key financial measures is set out below.

	Impact on profit after taxation from Continuing and Discontinued operations (US$M)	Impact on Underlying EBITDA (US$M)
US$1/bbl on oil price	48	73
US¢10/MMBtu on US gas price	17	28
US¢1/lb on copper price	18	26
US$1/t on iron ore price	142	202
US$1/t on metallurgical coal price	23	33
US$1/t on energy coal price	10	14
US¢1/lb on nickel price	1	1

1.7 Samarco

The Fundão dam failure

On 5 November 2015, the Fundão tailings dam operated by Samarco Mineração S.A. (Samarco) failed. Samarco is a non-operated joint venture owned by BHP Billiton Brasil Limitada (BHP Billiton Brasil) and Vale S.A. (Vale), with each having a 50 per cent shareholding.

A significant volume of mine tailings (water and mud-like mine waste) was released. Tragically, 19 people died five community members and 14 people who were working on the dam when it failed. The communities of Bento Rodrigues, Gesteira and Paracatu were flooded. A number of other communities further downstream in the states of Minas Gerais and Espírito Santo were also affected by the tailings, as was the environment of the Rio Doce basin.

Our response

Our commitment to do the right thing for the people and the environment is unwavering.

Our initial priority was to support Samarco in the humanitarian response and ensure the safety of people and the environment. We have now moved from that emergency phase to a more strategic, structured way of working, which is focused on engaging with the affected communities to provide the solutions they need. This work is being conducted through Fundação Renova.

Fundação Renova

Fundação Renova is implementing programs to restore the environment and rebuild the communities, as set out in the Framework Agreement with the relevant Brazilian authorities that was signed in March 2016 (see section 6.5 Legal proceedings for more information on the Framework Agreement). Fundação Renova is a not-for-profit, private foundation, named after the Portuguese word for renew . It was established by BHP Billiton Brasil, Vale and Samarco, in accordance with the Framework Agreement, and became operational on 2 August 2016.

Table of Contents

Fundação Renova s Chief Executive is Roberto Waack, a biologist with an extensive background in sustainability-related organisations, including World Wide Fund for Nature (WWF) Brazil, Global Reporting Initiative, Forest Stewardship Council, Ethos Institute and the Brazilian Biodiversity Fund. Fundação Renova is governed by a Board of Governors, comprised of representatives nominated by BHP Billiton Brasil, Vale, Samarco and the Interfederative Committee. Its governance structure also comprises a Fiscal Council, Advisory Council, a Compliance Manager and an Ombudsman. The Advisory Council includes representation from impacted communities, and community development and education experts. The activities of Fundação Renova are overseen by an independent Interfederative Committee of 12 representatives from the Brazilian Government and environmental agencies, who monitor, guide and assess the progress of actions agreed in the Framework Agreement and are implemented by an Executive Board, comprised of members appointed by the Board of Governors. Fundação Renova s staff of 400 people is supported by around 2,500 contractors and a small number of BHP employees seconded to the organisation who provide specialist environmental, social, legal, governance and communication advice. Fundação Renova s budget for CY2017 was R$1.94 billion (approximately US$590 million).

To address the diversity, scale and complexity of the programs, Fundação Renova collaborates and engages broadly with affected communities, scientific and academic institutions, regulators and civil society. An independent scientific technical and advisory panel, to be managed by the International Union for Conservation of Nature (IUCN), will provide expert advice to Fundação Renova. The panel is to be guided by the principles of independence, transparency, accountability and engagement, and its reports and recommendations will be publicly available. Chaired by Yolanda Kakabadse, currently President of WWF International, the panel intends to hold its first meeting prior to the end of CY2017.

Resettlement

Fundação Renova is relocating and rebuilding the communities of Bento Rodrigues, Paracatu and Gesteira, in consultation with the affected community members. The relocation process involves the identification and acquisition of land, design and planning for the urban development, including all services and reconstruction of public buildings (schools, health centres, squares, covered sports grounds and religious buildings) and construction of new houses for the affected people. The resettlement also involves the employment of community members and provision of support services to help them resume their way of life.

Resettlement is progressing, with active participation of the communities. Residents collectively designed criteria for potential sites for the new communities and applied the criteria to agree a short list of options from a larger list of possible locations. They visited the different relocation options, viewed 3D videos and received booklets containing information such as soil quality, water, geology and vegetation. In addition, residents saw models of each site, to better assess different areas.

The communities identified their new locations through a voting process overseen by an independent audit company, and urban planning has commenced in consultation with the communities. However, issues with the sale of the land selected by Gesteira residents have delayed the process. Fundação Renova is now investigating alternatives for the residents consideration.

Remediation

Geochemical studies have concluded that the tailings material is non-toxic and does not pose human health concerns.

Fish surveys were conducted along stretches of the Rio Doce. The surveys identified the presence of fish in all areas studied, with experts concluding that it is likely that repopulation of Rio Doce fish stocks is being complemented by stocks in the river s tributaries. However, precautionary fishing bans remain in place while definitive studies to assess any potential impacts on fish tissue metal levels or fish stocks are completed.

Areas to be rehabilitated have been temporarily revegetated with fast growing species to reduce potential for erosion while longer-term solutions are developed.

Table of Contents

Areas with the greatest potential to act as sources of sediment and contribute to turbidity were prioritised according to independent expert consultant reviews.

The majority of the emergency works for stabilisation of flood plains, tributaries and river banks in the priority areas are completed. Erosion stabilisation activities in non-priority areas will continue for the remainder of 2017.

Environmental compensation programs to rehabilitate 40,000 hectares of degraded land are in the design stage, with consultants engaged and consultation with regulatory and community stakeholders having commenced. Over 500 degraded natural springs have been revegetated as part of a Framework Agreement commitment to rehabilitate 5,000 springs over 10 years.

The program to build additional retention structures to contain tailings by December 2016 was completed successfully, controlling tailing releases during the wet season.

Compensation and financial assistance

Around 8,000 financial assistance cards have been distributed to people whose livelihoods were impacted by the dam failure, with the majority of those being for fishermen who are unable to fish following the dam failure.

The mediated compensation program is being rolled out throughout the impacted regions. It is intended to fairly compensate all individuals impacted by the dam failure. The program was designed based on inputs from public attorneys, local judges, technical entities and impacted families.

Around 400,000 people are expected to be entitled to compensation for interruption to water supplies along the Rio Doce. As at 22 July 2017, over 186,000 claims have been accepted for payment and 82,000 claims have been resolved. Over 14,000 families have registered for compensation for other damages, such as property loss or business impacts.

Lessons learned

Non-operated minerals joint ventures

Following a review of governance at our non-operated minerals joint ventures (NOJV), we have focused on the following actions.

Risk management and processes: we have developed a global standard which defines the requirements for managing BHP s interest in our NOJVs. These minimum requirements include a framework for identification and management of risks to BHP from NOJVs, which is consistent with the risk management framework for identifying and managing risks across BHP. The global standard covers matters such as audits and input on succession planning for NOJV leadership positions. We are working closely with our NOJV partners with a view to establishing priority areas, communication strategies and workplans in line with this global standard.

Accountability and structure: the oversight of all our NOJVs has been centralised in our Minerals Americas asset group. We have created a NOJV leadership team and supporting team, who are a single point of accountability with responsibility for all NOJVs.

People: we have added to the capabilities of our teams to oversee the risks and opportunities at each NOJV. Further resources have been allocated to provide functional support, and for projects, governance and planning. This dedicated

NOJV team of subject matter experts provides support to the NOJVs. These experts also contribute to discussions on governance improvement and value generation opportunities.

Our focus for FY2018 is on our governance processes for our NOJVs, including further development and implementation of specific standards for how BHP interacts with our NOJVs, based on best-practice governance benchmarking, and working with our NOJV partners to improve governance and assurance processes.

Table of Contents

Dams and tailings management

A risk review was conducted of all significant dams across our operated assets and the assets of our NOJVs in FY2016, which confirmed the dams to be stable.

Tailings dams require continuous monitoring and maintenance, so our focus has shifted to risk identification, governance and monitoring programs. We have identified opportunities for improvements to dam governance and risk management at our operated assets and at NOJVs. The following actions have been taken to address these issues:

- Dam safety reviews consistent with the Canadian Dam Association s Dam Safety Guidelines are underway at all significant operated and non-operated sites, and are expected to be completed by December 2017. Those reviews include considering how climate change might impact the risk and design requirements for those dams, and will be repeated on a regular basis.

- A centralised function for dams and tailings governance and risk management has been created, to support our site management to apply appropriate dam risk management practices and build internal capability across the Group.

- We have investigated potential technological solutions for better dam management, in conjunction with leading technology providers. We have identified monitoring and early warning as having the greatest potential to enhance dam risk controls in the near term. We are also examining the feasibility of additional technologies to further enhance controls for dams.

BHP has used the lessons from the dam risk review to contribute to a broader tailings storage review by the International Council on Mining & Metals (ICMM). That review has resulted in the ICMM releasing a Tailings Position Statement, including a governance framework and benchmarks, which we intend to adopt.

Our focus for FY2018 will be on:

- the implementation of a stewardship program;

- progressing monitoring and early warning technologies and emergency response preparedness;

- further development of BHP s dams and tailings controls and standards.

Legal proceedings

On 18 January 2017, BHP Billiton Brasil, together with Vale and Samarco, entered into a Preliminary Agreement with the Federal Prosecutors Office in Brazil, which outlines the process and timeline for further negotiations towards a settlement regarding the R$20 billion (approximately US$6.1 billion) public civil claim and the R$155 billion (approximately US$47 billion) Federal Public Prosecution Office claim relating to the dam failure.

The Preliminary Agreement also provides for the appointment of experts to advise the Federal Prosecutors on social and environmental remediation and the assessment and monitoring of the programs under the Framework Agreement. The expert advisors conclusions will be considered in the negotiation of a final settlement arrangement with the Federal Prosecutors.

Under the Preliminary Agreement, BHP Billiton Brasil, Vale and Samarco agreed to provide an interim security comprising R$1.3 billion (approximately US$395 million) in insurance bonds, R$100 million (approximately US$30 million) in liquid assets, a charge of R$800 million (approximately US$245 million) over Samarco s assets and R$200 million (approximately US$60 million) to be allocated within the next four years through existing Framework Agreement programs in the Municipalities of Barra Longa, Rio Doce, Santa Cruz do Escalvado and Ponte Nova.

The Preliminary Agreement suspends a R$1.2 billion (approximately US$365 million) injunction order under the R$20 billion public civil claim and requests a suspension of that claim with a decision from the 12th Court of Belo Horizonte pending. The Court also suspended the R$155 billion Federal Prosecution Office claim, including a R$7.7 billion (approximately US$2.3 billion) injunction request. The suspended legal proceedings and injunctions may be reinstated if a final settlement arrangement is not agreed by 30 October 2017.

For more information on legal proceedings relating to the Samarco dam failure, refer to section 6.5.

Restart

Restart of Samarco s operations remains a focus but is subject to separate negotiations with relevant parties and will occur only if it is safe, economically viable and has the support of the community. Resuming operations requires the granting of licences by state and federal authorities, community hearings and an appropriate restructure of Samarco s debt.

Table of Contents

1.8 Our operating environment

1.8.1 Market factors and trends

We produce raw materials that are essential to modern life. Our success is tied to sustainable growth and development of both emerging and developed economies and, at the same time, is integral to driving that growth.

As a result, our performance is influenced by a wide range of factors that drive a complex relationship between supply and demand. In line with our purpose of creating long-term shareholder value, we navigate those market factors by thinking and planning in decades. Our diverse portfolio of long-life, low-cost assets allows us to adapt to the changing needs of our customers and protect long-term shareholder value.

Key trends

Our long-term view for our markets remains positive. Population growth and rising living standards will continue to drive demand for energy, metals and fertilisers for decades to come. New demand centres will emerge where the twin levers of industrialisation and urbanisation are still immature today. Technology will advance, creating both opportunities and threats. International responses to climate change will evolve.

Against that backdrop, we are confident we have the right assets in the right commodities, with demand diversified by end-use sector and geography. Our exploration and acquisition efforts are critical to maintaining that advantage, as they create a pipeline of products to meet future demand (see section 1.8.2). Exploration is inherently risky (see section 1.8.3) as the geoscience used for locating and accessing resources is complex and uncertain. Exploration and acquisition are also subject to political, infrastructure and other risks that can impact the accessibility of resources.

In the near term, challenges remain. After a period of weak prices, several of our commodities currently trade above long-term forecasts. In addition, there has been a marked rise in geopolitical uncertainty and protectionism, which has the potential to inhibit international trade, weigh on business confidence and restrain job creation and investment.

Short term

Political and policy uncertainty

Political uncertainty has continued during FY2017 and protectionist policies that have the potential to curb international trade are becoming more common. Such policies are harmful for consumer purchasing power, and by extension, business confidence, investment and jobs.

Modest economic growth

Protectionism and political uncertainty lower the achievable ceiling for global economic growth while they remain in place. We expect world growth to remain in the 3 3.5 per cent range, on average, in coming years.

Table of Contents

Price volatility

Commodities markets will move back towards balance at various speeds, while prices are expected to remain volatile.

Petroleum market rebalances

Global demand for petroleum is expected to surpass global supply in the short term. Production outside the United States is likely to remain relatively flat and current excess inventories are likely to decline.

Medium term

New supply

New supply, particularly of copper and petroleum, is expected to be required as demand grows and current resources are depleted.

Steeper costs

The costs of producing some commodities are likely to rise, particularly for oil and copper, as existing resources deplete and new resources come from lower-quality deposits that are more costly to access.

Sustainable productivity rewarded

As costs rise, large producers are likely to benefit, as they can take advantage of scale and disciplined production practices.

Asian growth

China still offers rich opportunities due to its large scale, ongoing urbanisation and the Belt and Road initiative, despite its ongoing structural shift away from manufacturing towards services. India has significant potential for high growth. Economic reforms appear to be maintaining their momentum, which will be critical to realising that potential.

Long term

Growth in population, wealth

Demand for commodities is expected to increase to meet the needs of the world s growing population. Global energy needs are expected to increase by around 25 per cent in the next 20 years, with much of that demand coming from Asia, particularly China and India.

Urbanisation and new demand centres

New demand centres will emerge where the twin levers of industrialisation and urbanisation are still immature today. They include nations in South Asia, South East Asia, Africa and Latin America.

Decarbonisation

The move towards a low-carbon economy will continue to drive significant change. Environmental and risk concerns will drive increasing diversification of national energy sources.

Table of Contents

Technology

Technology can substantially alter the markets for and uses of our products. However, markets for essential products such as ours are typically slow to change. Our diversified portfolio provides some protection against disruption of demand caused by technological change.

Global long-term outlook

We anticipate ongoing increases in global living standards over the longer term, with urbanisation, industrialisation and trade expected to underpin commodity demand. The development of emerging economies in South and South East Asia should drive particular demand for industrial metals, energy and fertilisers.

Key geographies

Our customers are geographically diverse. We have structured our business to flexibly meet changing demands as global market dynamics shift. Developments in a particular country can affect the demand for our products in that country and in any countries that supply goods for import to that country.

China

China is the largest consumer of our commodities, with 49 per cent of our revenues being derived from China. China is the largest manufacturing and exporting economy in the world and the second-largest importing economy, so its performance is also a significant factor in the health of the global economic system.

China s GDP growth in the short term is expected to remain steady. Growth is expected to slow modestly in FY2018, while remaining within the official GDP target range of between 6.5 and 7.0 per cent. We expect to see a cooling of growth rates in the housing and automobile markets, while infrastructure investment is expected to provide stability as overall growth slows.

China s policymakers are likely to continue to seek a balance between the pursuit of reform and the maintenance of macroeconomic and financial stability. We expect a continuation of current efforts to reduce debt and deal with housing inflation.

In the long term, China s economic growth is expected to slow progressively as the working age population falls and the capital stock matures, with productivity reforms offsetting these impacts to some degree.

China s economic structure is expected to continue to move from industry to services and growth drivers will shift from investment and exports towards consumption. This structural change is likely to produce a less-volatile underlying growth rhythm in the long run.

United States

As both a major producer and consumer of our products, the United States is important to our performance. As most of our transactions are denominated in US dollars, fluctuations in that currency can also influence our performance.

The medium-term outlook for the US economy is uncertain. Consumer confidence and spending are expected to remain strong, but a slowdown in the automotive and housing sectors may impact demand. Strong currency and higher interests rates may also reduce demand. Progress on growth enhancing infrastructure spending and tax reform has been slow and monetary conditions are expected to tighten further.

Protectionist policies would cut consumer purchasing power and productivity growth. Purchasing power is reduced through higher prices for imported goods and domestic goods with imported components. Reduced competition and the unintended consequences of restrictive migration policies on the free flow of world-class talent would dent productivity growth.

Table of Contents

Japan

Japan s demographics (ageing population and extremely low birth rate) and its public debt burden are constraints on long-term growth. Without population, immigration and microeconomic reform, growth is likely to stagnate.

In the short to medium term, with monetary and fiscal policy proving ineffective at spurring domestic demand, any sustained lift in Japanese growth is likely to have to come from external sources.

Eurozone

Europe s short-term outlook has improved, with most countries in the region now experiencing growth in domestic demand. While financial fragilities remain, downside risks have been reduced.

Significant microeconomic reform is required in Europe s southern regions to prevent longer run stagnation. In the more internationally competitive northern regions, lower savings rates would boost growth at home and help to rebalance demand within the common currency zone.

India

India s short-term outlook is solid, driven by consumer demand. Economic reform that boosts the supply of basic infrastructure is critical to India s ability to take advantage of its demographic profile and successfully urbanise.

Progress on key reforms, including GST, real estate regulation and demonetisation of high denomination bills has been encouraging.

We expect India s GDP growth to average more than seven per cent annually over FY2016 FY2020, with energy and metals demand rising at a similar pace.

Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases. Operating costs and costs of locally sourced equipment are influenced by fluctuations in local currencies, primarily the Australian dollar and Chilean peso. The majority of our sales are denominated in US dollars and we borrow and hold surplus cash predominately in US dollars. Those transactions and balances provide no foreign exchange exposure relative to the US dollar presentation currency of the Group.

The US dollar remained relatively stable during FY2017 against our main local currencies.

We are also exposed to exchange rate translation risk in relation to net monetary liabilities, being our foreign currency denominated monetary assets and liabilities, including certain debt and other long-term liabilities.

Interest rates

We are exposed to interest rate risk on our outstanding borrowings and investments. Our policy on interest rate exposure is to pay on a US dollar floating interest rate basis.

Our earnings are sensitive to changes in interest rates on the floating component of BHP s borrowings. Our main exposure is to the three-month US LIBOR benchmark, which increased by 65 basis points to an average of 0.99 per cent in FY2017.

1.8.2 Exploration

The world has abundant potential resources, but they are increasingly difficult to find and, for many resources, demand is increasing. For example, we estimate that demand for petroleum will increase by one per cent per year, while world production is expected to decline by three to four per cent per year by 2035.

A successful exploration program is the lowest cost way to add these resources to our portfolio. Innovation and discipline in exploration will be key to the discovery of new deposits. BHP has a proud history of successful exploration, since we first started mining silver, lead and zinc in Broken Hill over 130 years ago. We are building on that legacy; developing new technology and methods to identify and develop deposits. In this, we have the advantage of being the only global resource company that combines petroleum and minerals expertise. We are using that advantage to leverage science, technology and experience across our exploration program (see *Leveraging our exploration expertise to create value* on the next page).

Exploration strategy

Greenfield exploration is focused on copper and petroleum, and is the lowest cost way to build our portfolio of these assets. We are able to invest now, while others have cut back, which means we can take advantage of lower exploration costs. We are exploring for copper resources in Chile, Peru, Canada, South Australia and southwestern United States, and for petroleum liquids in the Gulf of Mexico, Trinidad and Tobago, and Western Australia. Like all investment decisions, these opportunities are carefully assessed and only pursued where they align with our strategy.

Exploration in FY2017

Petroleum

Our Petroleum exploration is informed by the results of an in-depth proprietary global endowment study. This study assesses the likelihood of significant hydrocarbon deposits and evaluates the viability of development and production of those deposits. Consistent with our strategy, we concentrate our efforts only in areas we feel have the potential to be high-quality assets: the Gulf of Mexico, the Caribbean and Western Australia.

In FY2017, we discovered gas at LeClerc in Trinidad and Tobago. Commercial evaluation of that discovery is well advanced: the region has large installed liquefied natural gas capacity and local petrochemical demand that is short of gas in the medium term.

Table of Contents

After finding oil at Shenzi North to the north of the operated Shenzi field in the US Gulf of Mexico in FY2016, we completed the nearby Caicos well in FY2017 and also discovered oil. The Caicos well reached a total depth of 9,198 metres and encountered oil in multiple horizons. Following these positive results, we accelerated our Wildling appraisal well and oil was discovered in multiple horizons in August 2017. Drilling of the Scimitar prospect, to the north of the Neptune field, is planned for FY2018.

Our exploration portfolio has been recently expanded with the acquisition of more leases in the Western Gulf of Mexico and the successful bid for the Trion discovered resource in Mexico s deepwater. We have a partnership with Pemex to appraise and further explore opportunities over the licence area. The appraisal program is underway and drilling is planned for the beginning of FY2019. The appraisal program will allow us to further define the opportunity and assess commerciality.

For more details on Petroleum exploration, refer to section 1.13.1.

Copper

Our copper exploration is focused on the search for large, high-quality copper deposits in Chile, Peru, Ecuador, North America and Australia. We continue to review other jurisdictions and opportunities to partner with third parties to counter the increasing exploration maturity of our existing geographies.

In Chile, Peru and North America, activities focused on identifying and testing targets. In Australia, geophysical targets were identified and developed for testing. In Ecuador, five concessions were awarded to BHP via an auction process and we made applications for additional concessions. Establishment of an in-country presence in Ecuador has progressed, with a temporary office being rented and employment opportunities posted locally.

Sharing of exploration methodologies between the Petroleum and Copper teams has led to better targets for copper (see *Leveraging our exploration expertise to create value* below) and better research and development of new technology for Petroleum exploration.

Case study: Leveraging our exploration expertise to create value

Creating future value will require a very different approach to exploration. Identifying new deposits will be more difficult and expensive than in the past, but the rewards if we get it right will be correspondingly greater.

BHP is investing in geoscience excellence as a core skill and fundamental value driver for our business. Drawing on our petroleum liquids expertise, we have developed a systems approach to exploration that considers the whole earth system (tectonics, erosion, sedimentation, climate and more) in deep time, to determine where deposits are most likely to have formed. From this, we can determine which areas to target for further investigation and development.

This approach gives us more confidence in the potential of targeted areas, earlier, at lower cost. We have the potential to gain early mover advantage in undervalued regions, and better target our exploration and development spend to create value.

Driven by our Geoscience Centre of Excellence, the systems approach is already delivering results. We brought together an expert team of geoscientists from across our petroleum and copper assets, and reviewed our model for targeting copper exploration. From approximately 3,000 land-based sedimentary basins worldwide identified by our

Petroleum business, we have selected around 200 with potential to contain copper deposits, and determined which to further investigate. As further data is collected, the certainty of finding a significant deposit improves.

Table of Contents

Exploration expenditure

Our brownfield minerals exploration expenditure increased by three per cent in FY2017 to US$120 million, while our greenfield expenditures decreased to US$43 million. Expenditure on brownfield and greenfield minerals exploration over the last three financial years is set out below.

Year ended 30 June	2017 US$M	2016 US$M	2015 US$M
Greenfield exploration	**43**	59	55
Brownfield exploration	**120**	116	194
Total minerals exploration	**163**	175	249

For more information on minerals exploration, refer to section 1.13.

Petroleum exploration

Petroleum exploration expenditure for FY2017 was US$805 million, of which US$473 million was expensed. Expenditure on Petroleum exploration over the last three financial years is set out below.

Year ended 30 June	2017 US$M	2016 US$M	2015 US$M
Petroleum exploration	**805**	590	567

Our Petroleum exploration program had positive results in FY2017. We are pursuing high-quality oil plays in our three priority basins and a US$715 million exploration program is planned for FY2018 as we progress testing of our future growth opportunities.

For more information on Petroleum exploration, refer to section 1.13.1.

Exploration expense

Exploration expense represents that portion of exploration expenditure that is not capitalised in accordance with our accounting policies, as set out in note 10 Property, plant and equipment in section 5.

Exploration expense for each segment over the last three financial years is set out below.

Year ended 30 June	2017 US$M	2016 US$M	2015 US$M
Exploration expense			
Petroleum [(1)]	**575**	288	529
Copper	**44**	64	90
Iron Ore	**70**	74	38

Coal	**9**	18	20
Group and unallocated items [2]	**16**	1	21
Total Group	**714**	445	698

(1) Includes US$102 million (FY2016: US$15 million; FY2015: US$28 million) exploration expense previously capitalised, written off as impaired.

(2) Group and unallocated items includes functions, other unallocated operations, including Potash, Nickel West and consolidation adjustments.

Table of Contents

1.8.3 Principal risks

Robust risk assessment and viability statement

The Board has carried out a robust assessment of BHP s principal risks, including those that would threaten the business model, future performance, solvency or liquidity.

The Directors have assessed the prospects of BHP over the next three years, taking account our current position and principal risks.

The Directors believe a three-year viability assessment period is appropriate for the following reasons. BHP has a two-year budget, a five-year outlook and a 20-year strategic planning horizon. We have publicly stated our view that the outlook for the sector remains challenging and volatile in the short to medium term. This exchange rate and price volatility results in variability in plans and budgets. A three-year period strikes an appropriate balance between long and short-term influences on performance.

The viability assessment took into account, among other things, BHP s commodity price protocols, including low-case prices; the latest funding and liquidity update; the long-dated maturity profile of BHP s debt and the maximum debt maturing in any one year; the Group-level risk profile and the mitigating actions available should particular risks materialise; the Board strategy discussions, which provide a strategic review of BHP s markets and plans under divergent scenarios and consider available strategic options; the flexibility in BHP s capital and exploration expenditure programs under the enhanced Capital Allocation Framework; and the reserve life of BHP s minerals assets and the reserves-to-production life of our oil and gas assets.

The Directors assessment also took account of additional stress-testing of the balance sheet against two hypothetical significant risk events: a well blow out in the Gulf of Mexico and a low-price environment.

The Directors were also mindful of the scenario analysis incorporated in BHP s corporate planning process. These scenarios help identify the key uncertainties facing the global economy and natural resources sector.

Taking account of these matters, and BHP s current position and principal risks, the Directors have a reasonable expectation that BHP will be able to continue in operation and meet its liabilities over the next three years.

Risk factors

External risks

Fluctuations in commodity prices (including sustained price shifts) and impacts of ongoing global economic volatility may negatively affect our results, including cash flows and asset values

The prices we obtain for our oil, gas and minerals are determined by, or linked to, prices in world markets, which have historically been subject to significant volatility. Our usual policy is to sell our products at the prevailing market prices. The diversity provided by our relatively broad portfolio of commodities does not necessarily insulate BHP from the effects of price changes. Fluctuations in commodity prices can occur due to price shifts reflecting underlying global economic and geopolitical factors, industry demand, increased supply due to the development of new productive resources or increased production from existing resources, technological change, product substitution and national tariffs. We are particularly exposed to price movements in minerals, oil and gas. For example, a US$1 per tonne decline in the average iron ore price and US$1 per barrel decline in the average oil price would have an estimated impact on FY2017 Profit after taxation from Continuing and Discontinued operations of US$142 million and US$48 million, respectively.

For more information in relation to commodity price impacts, refer to section 1.6.3. Volatility in global economic growth, particularly in developing economies, has the potential to adversely affect future demand and prices for commodities. The impact of sustained price shifts and short-term price volatility, including the effects of unwinding the sustained monetary stimulus in the United States, and uncertainty surrounding the details of the United Kingdom s exit from the European Union, creates the risk that our financial and operating results, including cash flows and asset values, will be materially and adversely affected by short- or long-term volatility in the prevailing prices of our products.

Table of Contents

Our financial results may be negatively affected by exchange rate fluctuations

The geographic diversity of the countries in which our assets are located means that our assets, earnings and cash flows are influenced by a variety of currencies. Fluctuations in the exchange rates of those currencies may have a significant impact on our financial results. The US dollar is the currency in which the majority of our sales are denominated and the currency in which we present our financial performance. Operating costs are influenced by the currencies of those countries where our assets and facilities are located and also by those currencies in which the costs of imported equipment and services are determined.

Reduction in Chinese demand may negatively impact our results

The Chinese market has been driving global materials demand and pricing over the past decade. Sales into China generated US$18.9 billion (FY2016: US$13.2 billion) or 49.3 per cent (FY2016: 42.6 per cent) of our revenue in FY2017. FY2017 sales into China by commodity included 61 per cent Iron Ore, 22 per cent Copper, 16 per cent Coal and 1 per cent Nickel (reported in Group and Unallocated). A continued slowing in China s economic growth and demand could result in lower prices for our products and materially and adversely impact our results, including cash flows.

Actions by governments, regulation, political, community or social events, judicial or community activism or unrest in the countries where our assets are located could have a negative impact on our business

There are varying degrees of political, judicial and commercial stability and activism in the locations in which we have operated and non-operated assets around the globe. At the same time, our exposure to emerging markets may involve additional risks that could have an adverse effect on the profitability of an operation. Risks in the locations in which we have operated and non-operated assets could include terrorism, civil unrest, judicial activism, community challenge or opposition, regulatory investigation, nationalisation, protectionism, renegotiation or nullification of existing contracts, leases, permits or other agreements, imposts, controls or prohibitions on the production or use of certain products, restrictions on repatriation of earnings or capital and changes in laws and policy, as well as other unforeseeable risks. Risks relating to bribery and corruption, including possible delays or disruption resulting from a refusal to make so-called facilitation payments, may be prevalent in some of the countries where our assets are located. If any of our major assets are affected by one or more of these risks, it could have a material adverse effect on our assets in those countries, as well as BHP s overall operating results, financial condition and prospects.

Our operated and non-operated assets are based on material long-term investments that are dependent on long-term fiscal stability and could be adversely affected by changes in fiscal legislation, changes in interpretation of fiscal legislation, periodic challenges and disagreements with tax authorities and legal proceedings relating to fiscal matters. The natural resources industry continues to be regarded as a source of tax revenue and can also be adversely affected by broader fiscal measures applying to businesses generally. BHP is currently involved in a number of uncertain tax and royalty matters. For more information, refer to note 5 Income tax expense in section 5.

Our business could be adversely affected by new or evolving government regulations and international standards, such as controls on imports, exports, prices and greenhouse gas emissions. The nature of the industries in which we conduct business means many of our activities are highly regulated by laws relating to health, safety, environment and community impacts. Increasing requirements relating to regulatory, environmental, social or community engagement or approvals can potentially result in significant delays or interruptions and may adversely affect the economics of new mining and oil and gas projects, the expansion of existing assets and operations and the performance of our assets. As regulatory standards and expectations are constantly developing, we may be exposed to increased regulatory review, compliance costs to meet new operating and reporting standards and unforeseen closure and site rehabilitation expenses.

Infrastructure, such as rail, ports, power and water, is critical to our business operations. We have assets or potential development projects in countries where government-provided infrastructure or regulatory regimes for access to infrastructure, including our own privately operated infrastructure, may be inadequate, uncertain or subject to legislative change. The impact of climate change may increase competition for, and the regulation of, limited resources, such as power and water. These factors could materially and adversely affect the expansion of our business and ability of our assets to operate efficiently.

We own assets or interests in countries where land tenure can be uncertain and disputes may arise in relation to ownership and use, including in respect of Indigenous rights. For example, in Australia, the Native Title Act 1993 provides for the establishment and recognition of native title under certain circumstances.

New or evolving regulations and international standards are complex, difficult to predict and outside our control. Potential compliance costs, litigation expenses, regulatory delays, rehabilitation expenses and operational impacts and costs arising from government action, regulatory change and evolving standards could materially and adversely affect BHP s future results, prospects and our financial condition.

Business risks

Failure to discover or acquire new resources, maintain reserves or develop new assets could negatively affect our future results and financial condition

The demand for our products and production from our assets results in existing reserves being depleted over time. As our revenues and profits are derived from our oil, gas and minerals assets, our future results and financial condition are directly related to the success of our exploration and acquisition efforts, and our ability to generate reserves to meet our future production requirements at a competitive cost. Exploration activity occurs adjacent to established assets and in new regions, in developed and less-developed countries. These activities may increase land tenure, infrastructure and related political risks. A failure in our ability to discover or acquire new resources, maintain reserves or develop new assets or operations in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects. Deterioration in commodities pricing may make some existing reserves uneconomic. Our actual exploration drilling activities and future drilling budget will depend on our inventory size and quality, drilling results, commodity prices, drilling and production costs, availability of drilling services and equipment, lease expirations, land access, transportation pipelines, railroads and other infrastructure constraints, regulatory approvals and other factors.

There are numerous uncertainties inherent in estimating mineral and oil and gas reserves. Geological assumptions about our mineralisation that are valid at the time of estimation may change significantly when new information becomes available. Estimates of reserves that will be recovered, or the cost at which we anticipate reserves will be recovered, are based on uncertain assumptions. The uncertain global financial outlook may affect economic assumptions related to reserve recovery and may require reserve restatements. Reserve restatements could negatively affect our results and prospects.

Potential changes to our portfolio of assets through acquisitions and divestments may have a material adverse effect on our future results and financial condition

We regularly review the composition of our asset portfolio and from time-to-time may add assets to, or divest assets from, the portfolio. There are a number of risks associated with acquisitions or divestments. These include:

adverse market reaction to such changes or the timing or terms on which changes are made;

Table of Contents

the imposition of adverse regulatory conditions and obligations;

commercial objectives not being achieved as expected;

unforeseen liabilities arising from changes to the portfolio;

sales revenues and operational performance not meeting our expectations;

anticipated synergies or cost savings being delayed or not being achieved;

inability to retain key staff and transaction-related costs being more than anticipated.

These factors could materially and adversely affect our reputation, future results and financial condition.

Increased costs and schedule delays may adversely affect our development projects

Although we devote significant time and resources to our project planning, approval and review processes, many of our development projects are highly complex and rely on factors that are outside our control, which may cause us to underestimate the cost or time required to complete a project. For instance, incidents or unexpected conditions encountered during development projects may cause setbacks or cost overruns, required licences, permits or authorisations to build a project may be unobtainable at anticipated costs, or may be obtained only after significant delay and market conditions may change, thereby making a project less profitable than initially projected.

In addition, we may fail to develop and manage projects as effectively as we anticipate and unforeseen challenges may emerge.

Any of these may result in increased capital costs and schedule delays at our development projects and materially and adversely affect anticipated financial returns.

Financial risks

If our liquidity and cash flow deteriorate significantly it could adversely affect our ability to fund our major capital programs

We seek to maintain a strong balance sheet. However, fluctuations in commodity prices and ongoing global economic volatility could materially and adversely affect our future cash flows and ability to access capital from financial markets at acceptable pricing. If our key financial ratios and credit ratings are not maintained, our liquidity and cash reserves, interest rate costs on borrowed debt, future access to financial capital markets and the ability to fund current and future major capital projects could be adversely affected.

We may not fully recover our investments in mining, oil and gas assets, which may require financial write-downs

One or more of our assets may be adversely affected by changed market or industry structures, commodity prices, technical operating difficulties, inability to recover our mineral, oil or gas reserves and increased operating cost levels.

These may cause us to fail to recover all or a portion of our investment in mining, oil and gas assets and may require financial write-downs, including goodwill, adversely affecting our financial results.

The commercial counterparties we transact with may not meet their obligations, which may negatively affect our results

We contract with many commercial and financial counterparties, including end-customers, suppliers and financial institutions in the context of global financial markets that remain volatile. We maintain a one book approach with commercial counterparties to make sure all credit exposures are quantified and assessed consistently. However, our existing counterparty credit controls may not prevent a material loss due to credit exposure to a major customer segment or financial counterparty. In addition, customers, suppliers, contractors or joint venture partners may fail to perform against existing contracts and obligations. Non-supply of key inputs, such as tyres, mining and mobile equipment, diesel and other key consumables, may unfavourably impact costs and production at our assets. These factors could negatively affect our financial condition and results of assets.

Table of Contents

Operational risks

Unexpected natural and operational catastrophes may adversely impact our assets

We have onshore and offshore extractive, processing and logistical operations in many geographic locations. Our key port facilities are located at Coloso and Antofagasta in Chile and Port Hedland and Hay Point in Australia. We have four underground mines, including one underground coal mine. Our operational processes may be subject to operational accidents, such as port and shipping incidents, underground mine and processing plant fire and explosion, open-cut pit wall or tailings/waste storage facility failures, loss of power supply, railroad incidents, loss of well control, environmental pollution, mechanical critical equipment failures and cyber security attacks on BHP s infrastructure. Our minerals and oil and gas assets may also be subject to unexpected natural catastrophes such as earthquakes, floods, hurricanes and tsunamis. Our Western Australia Iron Ore, Queensland Coal and Gulf of Mexico oil and gas assets are located in areas subject to cyclones or hurricanes. Our Chilean copper and Peruvian base metals assets are located in a known earthquake and tsunami zone. Based on our risk management and the limited value of external insurance in the natural resource sector, our risk financing (insurance) approach is to minimise or not to purchase external insurance for certain risks, including property damage and business interruption, sabotage and terrorism, marine cargo, construction, primary public liability and employee benefits. Existing business continuity plans may not provide protection for all the costs that arise from such events, including clean-up costs, litigation and other claims. The impact of these events could lead to disruptions in production, increased costs and loss of facilities. Where external insurance is purchased, third party claims arising from these events may exceed the limit of liability of the insurance policies we have in place. Additionally, any uninsured or underinsured losses could have a material adverse effect on our financial position or results of assets.

Breaches in, or failures of, our information technology may adversely impact our business activities

We maintain and increasingly rely on information technology (IT) systems, consisting of digital infrastructure, applications and networks to support our business activities. These systems may be subject to security breaches (e.g. cyber-crime or activists) or other incidents (e.g. from negligence) that can result in misappropriation of funds, increased health and safety risks to people, disruption to our assets, environmental damage, poor product quality, loss of intellectual property, disclosure of commercially or personally sensitive information, legal or regulatory breaches and liability, other costs and reputational damage.

Evolving convergence of IT and operational technology (OT) networks across industries, including ours, present additional cyber-related risk as traditionally IT networks have focused on availability of service to the enterprise.

Our potential liability from litigation and other actions resulting from the Samarco dam failure is subject to significant uncertainty and cannot be reliably estimated at this time, but could have a material adverse impact on our business

On 5 November 2015, the Samarco Mineração S.A. (Samarco) iron ore operations experienced a tailings dam failure that resulted in a release of mine tailings, flooding the communities of Bento Rodrigues, Gesteira and Paracatu and impacting other communities downstream and the environment of the Rio Doce basin. Samarco is a joint venture owned equally by BHP Billiton Brasil Limitada (BHP Billiton Brasil) and Vale S.A. (Vale). For information on the Samarco dam failure, refer to section 1.7.

Table of Contents

The Samarco dam failure and subsequent suspension of Samarco s mining and processing operations continue to impact our financial results and will be disclosed as an exceptional item for the year ended 30 June 2017, as described in 1.7 and in note 3 Significant events Samarco dam failure in section 5.

Mining and processing operations remain suspended following the dam failure. Samarco is currently progressing plans to resume operations; however, significant uncertainties surrounding the nature and timing of any resumption of operations remain, including as a result of Samarco s significant debt obligations. For financial information relating to Samarco, refer to note 29 Investments accounted for using the equity method in section 5.

BHP Billiton Brasil is among the defendants named in a number of legal proceedings initiated by individuals, non-governmental organisations (NGOs), corporations and governmental entities in Brazilian federal and state courts following the Samarco dam failure. The other defendants include Samarco, Vale and Fundação Renova. The lawsuits seek various remedies, including rehabilitation costs, compensation to injured individuals and families of the deceased, recovery of personal and property losses, moral damages and injunctive relief.

Among the claims brought against BHP Billiton Brasil is a public civil claim commenced by the Federal Government of Brazil, the states of Espírito Santo and Minas Gerais, and certain other public authorities (Brazilian Authorities) on 30 November 2015, seeking the establishment of a fund of up to R$20 billion (approximately US$6.1 billion) in aggregate for clean-up costs and damages and a R$155 billion (approximately US$47 billion) claim brought by the Federal Public Prosecution Service on 3 May 2016 for reparation, compensation and moral damages in relation to the Samarco dam failure. Given the status of these proceedings, it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures for BHP Billiton Brasil. For further details on some of the legal proceedings relating to the Samarco dam failure, refer to section 6.5.

On 2 March 2016, BHP Billiton Brasil, together with Vale and Samarco, entered into a Framework Agreement (Framework Agreement) with the Brazilian Authorities to establish a foundation (Fundação Renova) that will develop and execute environmental and socio-economic programs to remediate and provide compensation for damage caused by the Samarco dam failure. The Framework Agreement was ratified by the Conciliation Chamber of the Federal Court of Appeal in Brasilia on 5 May 2016, suspending the R$20 billion public civil claim. However, on 30 June 2016, the Superior Court of Justice issued a preliminary order (Interim Order) suspending the 5 May 2016 ratification of the Framework Agreement and reinstating the R$20 billion public civil claim. BHP Billiton Brasil, Vale and Samarco and the Federal Government have appealed the Interim Order before the Superior Court of Justice.

In light of the significant uncertainties surrounding the nature and timing of ongoing future operations at Samarco and based on currently available information, at 30 June 2017, BHP recognised a provision of US$1.1 billion, before tax and after discounting (30 June 2016, US$1.2 billion), in respect of BHP Billiton Brasil s obligations under the Framework Agreement.

The measurement of the provision requires the use of estimates and assumptions and may be affected by, among other factors, potential changes in scope of work and funding amounts required under the Framework Agreement, including further technical analysis required under the Preliminary Agreement (referred to on the next page), the outcome of the ongoing negotiations with Federal Prosecutors, costs incurred in respect of programs delivered, resolution of uncertainty in respect of operational restart, updates to discount and foreign exchange rates, resolution of existing and potential legal claims and the status of the Framework Agreement. As a result, future actual expenditures may differ from the amounts currently provided and changes to key assumptions and estimates could result in a material impact on the amount of the provision in future reporting periods.

Table of Contents

On 18 January 2017, BHP Billiton Brasil, together with Vale and Samarco, entered into a Preliminary Agreement with the Federal Prosecutors Office in Brazil, which outlines the process and timeline for further negotiations towards a settlement regarding the R$20 billion public civil claim and the R$155 billion public civil claim. While a final decision by the Court on the issue of ratification of the Framework Agreement is pending, the Preliminary Agreement suspends a R$1.2 billion (approximately US$365 million) injunction order under the R$20 billion public civil claim. The Preliminary Agreement also requests suspension of the public civil claim, with a decision from the Court pending. The R$1.2 billion injunction order may be reinstated if a final settlement arrangement is not agreed by 30 October 2017. Given the status of these proceedings, it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures for BHP Billiton Brasil.

With regard to the Preliminary Agreement, the 12th Federal Court of Belo Horizonte suspended the R$155 billion claim, including a R$7.7 billion (approximately US$2.3 billion) injunction request. However, proceedings may be resumed if a final settlement agreement is not agreed by 30 October 2017. Given the status of these proceedings, it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures for BHP Billiton Brasil.

In addition, government inquiries and investigations relating to the Samarco dam failure have been commenced by numerous agencies of the Brazilian Government. Other lawsuits and investigations are at the early stages of proceedings, including a shareholder action in the United States against BHP and a Samarco bondholder action in the United States against Samarco, Vale, BHP Billiton Brasil and BHP. For more information on the shareholder and bondholder actions and other lawsuits relating to the Samarco dam failure, refer to section 6.5. Additional lawsuits and government investigations relating to the Samarco dam failure may be brought against BHP Billiton Brasil and possibly other BHP entities in Brazil or other jurisdictions.

While additional retention structures have been completed, the potential remains for further release or downstream movement of tailings material, which may result in additional claims, fines and proceedings (or impact existing proceedings) and may also have additional consequences on the environment and the feasibility, timing and scope of any restart of Samarco operations.

Our potential costs and liabilities in relation to the Samarco dam failure are subject to a high degree of uncertainty and cannot be reliably estimated at this time. The total amounts that we may be required to pay will be dependent on many factors, including the timing and nature of a potential restart of operations at Samarco, the number of claims that become payable, the quantum of any fines levied, the outcome of litigation and the amount and timing of payments under any judgements or settlements. Nevertheless, such potential costs and liabilities could have a material adverse effect on our business, competitive position, cash flows, prospects, liquidity and shareholder returns.

Cost pressures and reduced productivity could negatively impact our operating margins and expansion plans

Cost pressures may continue to occur across the resources industry. As the prices for our products are determined by the global commodity markets, we do not generally have the ability to offset these cost pressures through corresponding price increases, which can adversely affect our operating margins. Although our efforts to reduce costs and a number of key cost inputs are commodity price-linked, the inability to reduce costs and a timing lag could materially and adversely impact our operating margins for an extended period.

Some of our assets, such as those producing copper, are energy or water intensive. As a result, BHP s costs and earnings could be materially and adversely affected by rising costs or supply interruptions. These could include the unavailability of energy, fuel or water due to a variety of reasons, including fluctuations in climate, inadequate infrastructure capacity, interruptions in supply due to equipment failure or other causes and the inability to extend supply contracts on economic terms.

Many of our Australian employees have conditions of employment, including wages, governed by the operation of the Australian Fair Work Act 2009. Conditions of employment are often contained within collective agreements that are required to be renegotiated on expiry (typically every three to four years). In some instances, under the operation of the Fair Work Act, it can be expected that unions will pursue increases to conditions of employment, including wages, and/or claims for greater union involvement in business decision-making.

Table of Contents

In circumstances where a collective agreement is being renegotiated, industrial action is permitted under the Fair Work Act. Industrial action and any subsequent settlement to mitigate associated commercial damage can adversely affect productivity and customer perceptions as a reliable supplier, and contribute to increases in costs.

The industrial relations environment in Chile remains challenging and it is possible that we will see further disruptions. Recent changes to labour legislation in Chile have resulted in the right to have a single negotiating body across different operations owned by a single company. This change may lead to a higher risk of operational stoppages that can contribute to an increase in costs and a reduction in productivity.

More broadly, cost and productivity pressures on BHP and our contractors and sub-contractors may increase the risk of industrial action and employment litigation.

These factors could lead to increased operating costs at existing assets, interruptions or delays and could negatively impact our operating margins and expansion plans.

Non-operated assets have their own management and operating standards, joint venture partners or other companies managing those non-operated assets may take action contrary to our standards or fail to adopt standards equivalent to BHP s standards, and commercial counterparties may not comply with our standards

We have interests in assets which are operated and managed by joint venture partners or by other companies. Those joint venture partners or other companies have their own management and operating standards, controls and procedures, including health, safety, environment and community (HSEC) standards and may take action contrary to BHP s management and operating standards, controls and procedures. Failure by those joint venture partners or other companies to adopt equivalent standards, controls and procedures at these non-operated assets could lead to higher costs and reduced production, litigation and regulatory action, delays or interruptions and adversely impact our results, prospects and reputation.

Commercial counterparties, such as our suppliers, contractors and customers, may not comply with our HSEC standards or other standards we apply, causing adverse reputational, legal and financial impacts.

Sustainability risks

Safety, health, environmental and community impacts, incidents or accidents may adversely affect our people, assets and reputation or licence to operate

Safety

Potential safety events that may have a material adverse impact on our people, assets, reputation or licence to operate include fire, explosion or rock fall incidents in underground mining operations, personnel conveyance equipment failures in underground operations, aircraft incidents, road incidents involving buses and light vehicles, incidents between light vehicles and mobile mining equipment, ground control failures, uncontrolled tailings containment breaches, well blowouts, explosions or gas leaks and accidents involving inadequate isolation, working from heights or lifting operations.

Health

Health risks faced include fatigue, musculoskeletal illnesses and occupational exposure to substances or agents, including noise, silica, coal mine dust, diesel exhaust particulate, nickel and sulphuric acid mist and mental illness.

Longer-term health impacts may arise due to unanticipated workplace exposures or historical exposures of our workforce or communities to hazardous substances. These effects may create future financial compensation obligations, adversely impact our people, reputation, regulatory approvals or licence to operate and affect the way we conduct our assets.

Given the global location of our assets, we could be affected by a public health emergency such as influenza or other infectious disease outbreaks in any of the regions in which our assets are located.

Environment

Our assets by their nature have the potential to adversely impact air quality, biodiversity, water resources and related ecosystem services. Changes in scientific understanding of these impacts, regulatory requirements or stakeholder expectations may prevent, delay or reverse project approvals and result in increased costs for mitigation, offsets or compensatory actions.

Environmental incidents have the potential to lead to material adverse impacts on our people, communities, assets, reputation or licence to operate. These include uncontrolled tailings containment breaches, subsidence from mining activities, escape of polluting substances and uncontrolled releases of hydrocarbons.

We provide for operational closure and site rehabilitation. Our operating and closed facilities are required to have closure plans. Changes in regulatory or community expectations may result in the relevant plans not being adequate. This may increase financial provisioning and costs at the affected assets.

Climate change

The physical and non-physical impacts of climate change may affect our assets, productivity and the markets in which we sell our products. This includes acute and chronic changes in weather patterns, policy and regulatory change, technological development and market and economic responses. Fossil fuel-related emissions are a significant source of greenhouse gases contributing to climate change. We produce fossil fuels such as coal, oil and gas for sale to customers. We use fossil fuels in our mining and processing operations either directly or through the purchase of fossil fuel based electricity.

A number of national governments have already introduced, or are contemplating the introduction of, regulatory responses to greenhouse gas emissions, including from the extraction and combustion of fossil fuels to address the impacts of climate change. This includes countries where we have assets such as Australia, the United States and Chile, as well as customer markets such as China, India and Europe. In addition, the international community completed a new global climate agreement at the 21st Conference of the Parties (COP21) in Paris in December 2015. The absence of regulatory certainty, global policy inconsistencies and the challenges presented by managing our portfolio across a variety of regulatory frameworks have the potential to adversely affect our assets and supply chain. From a medium- to long-term perspective, we are likely to see some adverse changes in the cost position of our greenhouse gas-intensive assets as a result of regulatory impacts in the countries where we do business. These proposed regulatory mechanisms may adversely affect our assets directly or indirectly through our suppliers and customers. Assessments of the potential impact of future climate change regulation are uncertain given the wide scope of potential regulatory change in the many countries in which we do business. Examples of this include China, which is launching the world s largest emissions trading system in 2017 and Australia, where the federal government repealed a carbon tax in 2014 and introduced new legislation to take its place.

There is a potential gap between the current valuation of fossil fuel reserves on the balance sheets of companies and in global equities markets and the reduced value that could result if a significant proportion of reserves were rendered incapable of extraction in an economically viable fashion due to technology, regulatory or market responses to climate change. In such a scenario, stranded reserve assets held on our balance sheet may need to be impaired or written off and our inability to make productive use of such assets may also negatively impact our financial condition and results.

The growth of alternative energy supply options, such as renewables and nuclear, could also present a change to the energy mix that may reduce the value of fossil fuel assets.

Table of Contents

The physical effects of climate change on our assets may include changes in rainfall patterns, water shortages, rising sea levels, increased storm intensities and higher temperatures. These effects could materially and adversely affect the financial performance of our assets.

Community

Our assets and activities may directly impact communities and also risk the potential for adverse impacts on human rights or breaches of other international laws or conventions.

Local communities may become dissatisfied with our operations or oppose our new development projects, including through legal action leading to, potential schedule delay, increased costs and reduced production. Community-related risks may include community protests or civil unrest, adverse human rights impacts, community health and safety, complaints and grievances, and civil society activism. In extreme cases the risks may affect viability, adversely impacting our reputation and licence to operate.

Hydraulic fracturing

Our Onshore US assets involve hydraulic fracturing, which includes using water, sand and a small amount of chemicals to fracture hydrocarbon-bearing subsurface rock formations, to allow flow of hydrocarbons into the wellbore. We depend on the use of hydraulic fracturing techniques in our Onshore US drilling and completion programs.

In the United States, the hydraulic fracturing process is typically regulated by relevant US state regulatory bodies. Arkansas, Louisiana and Texas (the states in which we currently operate) have adopted various laws and regulations, or issued regulatory guidance, concerning hydraulic fracturing. Some states are considering changes to regulations in relation to permitting, public disclosure, and/or well construction requirements on hydraulic fracturing and related operations, including the possibility of outright bans on the process. For more information, refer to section 7.11.

While we have not experienced a material delay or substantially higher operating costs in our Onshore US assets as a result of current regulatory requirements, we cannot predict whether additional federal, state or local laws or regulations will be enacted and what such actions would require or prohibit. Additional legislation or regulation could subject our assets to delays and increased costs, or prohibit certain activities, which could adversely affect the financial performance of our Onshore US assets.

Governance and compliance

A failure of our governance or compliance processes may lead to regulatory penalties and loss of reputation. We conduct our business in a global environment that encompasses multiple jurisdictions and complex regulatory frameworks. Our governance and compliance processes (which include the review of internal controls over financial reporting and specific internal controls in relation to trade and financial sanctions and offers of anything of value to government officials and representatives of state-owned enterprises) may not operate to identify financial misstatements or prevent potential breaches of law, or of accounting or governance practice. Our *BHP Code of Business Conduct*, together with our mandatory policies, such as the anti-corruption, trade and financial sanctions and competition policies, may not prevent instances of fraudulent behaviour and dishonesty nor guarantee compliance with legal or regulatory requirements. This may lead to regulatory fines, disgorgement of profits, litigation, allegations or investigations by regulatory authorities, loss of operating licences and/or reputational damage.

Table of Contents

1.8.4 Management of principal risks

The scope of our assets and the number of industries in which we conduct our business and engage mean that a range of factors may impact our results. Material risks that could negatively affect our results and performance are described in this section. Our approach to managing these risks is outlined below.

Principal risk area	Risk management approach
External risks	
Risks arise from fluctuations in commodity prices and demand in major markets (such as China or Europe) or changes in currency exchange rates, and actions by governments, including new regulations and standards, and political events that impact long-term fiscal stability	The diversification of our portfolio of commodities, geographies and currencies is a key strategy for reducing the effects of volatility. Section 1.8.1 describes external factors and trends affecting our results and note 21 Financial risk management in section 5 outlines BHP s financial risk management strategy, including market, commodity and currency risk. The Financial Risk Management Committee oversees these risks as described in sections 2.14 and 2.15. We also engage with governments and other key stakeholders to make sure the potential adverse impacts of proposed fiscal, tax, resource investment, infrastructure access, regulatory changes and evolving international standards are understood and, where possible, mitigated.
Business risks	
Risks include the inherent uncertainty of identifying and proving reserves, adding and divesting assets and managing our capital development projects	Our Geoscience and Resource Engineering Centres of Excellence manage governance and technical leadership for Ore Reserves reporting as described in section 6.3.2. Our governance over reporting of Petroleum reserves is described in section 6.3.1.
	We have established investment approval processes that apply to all major capital projects and asset divestment and acquisitions. The Investment Committee oversees these as described in sections 2.14 and 2.15. Our Project Management Centre of Excellence aims to make sure projects are safe, predictable and competitive.
Financial risks	
Continued volatility in global financial markets may adversely impact future cash flows, our ability to adequately access and source capital from financial markets and our credit rating. Volatility may impact planned expenditures, as well as the ability to recover investments in mining, oil and gas projects. In addition, the commercial counterparties (customers, suppliers, contractors and financial institutions) we transact with may, due to adverse market conditions, fail to meet their contractual obligations	We seek to maintain a strong balance sheet, supported by our Portfolio Risk Management strategy. As part of this strategy, the diversification of our portfolio reduces overall cash flow volatility. Commodity prices and currency exchange rates are not generally hedged, and wherever possible, we take the prevailing market price. A hedging program for our shale gas assets is an exception and reflects the inherent differences in shale gas assets in our portfolio. A shale gas operation has a short-term investment cycle and a price responsive supply base, while hedging prices and input costs can be used to fix investment returns and manage volatilities. We use Cash Flow at Risk analysis to monitor volatilities and key financial ratios. Credit limits and review processes are required to be established for all customers and financial counterparties. The Financial Risk Management Committee oversees these, as described in sections 2.14 and

2.15. Note 21 Financial risk management in section 5 outlines our financial risk management strategy.

47

Table of Contents

Principal risk area	Risk management approach
Operational risks Unexpected natural and operational catastrophes may adversely affect our assets. Breaches in IT security processes may adversely affect the conduct of our business activities. Our potential liabilities from litigation and other actions resulting from the Samarco dam failure are subject to significant uncertainty and cannot be reliably estimated at this time. Operating cost pressures and reduced productivity could negatively affect operating margins and expansion plans. Non-operated assets may not comply with our standards	By applying our risk management processes, we seek to identify catastrophic operational risks and implement the critical controls and performance requirements to maintain control effectiveness. Business continuity plans must be established to mitigate consequences. Consistent with our portfolio risk management approach, we continue to be largely self-insured for losses arising from property damage, business interruption and construction. IT security controls (to protect IT infrastructure, business applications and communication networks and respond to security incidents) are in place and subject to regular monitoring and assessment. To maintain adequate levels of protection, we also continue to monitor the development of threats in the external environment and assess potential responses to those threats. The Board has continued to focus its attention on responding to the tragedy at Samarco. As that response has now moved from the immediate, emergency stage to a more strategic, structured way of working, we have transitioned the work previously carried out by the Samarco Sub-committee of the Board to the Risk and Audit Committee, the Sustainability Committee, as appropriate, as well as the Board. For further information on BHP s response to the Samarco dam failure, refer to section 1.7. BHP has identified a number of actions that we will take in the management of tailings dams and non-operated joint venture arrangements. For details of those actions, refer to section 1.7. We aim to maintain adequate operating margins through our strategy to own and operate large, long-life, low-cost, expandable, upstream assets. Our concentrated effort to reduce operating costs and drive productivity improvements has realised tangible results, with a reduction in controllable costs. The capability to sustain productivity improvements is being further enhanced through continued refinements to our Operating Model. The Operating Model is designed to deliver a simple and scalable organisation,

providing a competitive advantage through defining work, organisation and performance measurements. Defined global business processes, including 1SAP, provide a standardised way of working across BHP. Common processes generate useful data and improve operating discipline. Global sourcing arrangements have been established to ensure continuity of supply and competitive costs for key supply inputs. We seek to influence the application of our standards to non-operated assets.

From an industrial relations perspective, detailed planning is undertaken to support the renegotiation of employment agreements, and is supported by training and access to expertise in negotiation and agreement making.

Table of Contents

Principal risk area	Risk management approach
Sustainability risks HSEC incidents or accidents may adversely affect people or neighbouring communities, assets, reputation and our licence to operate. The potential physical impacts and related responses to climate change may impact the value of BHP, our assets and markets	Our approach to sustainability risks is reflected in *Our Charter* and described in section 1.10. *Our Requirements* standards set out Group-wide HSEC-related performance requirements designed to support effective management control of these risks. Our approach to corporate planning, investment decision-making and portfolio management provides a focus on the identification, assessment and management of climate change risks. We have been applying an internal price on carbon in our investment decisions for more than a decade. Through a comprehensive and strategic approach to corporate planning, we work with a broad range of scenarios to assess our portfolio, including consideration of a broad range of potential policy responses to and impacts from climate change. We also track signals across the external environment to provide timely insights into the potential impacts on our portfolio. For more information on the management of climate change, refer to section 1.10.6. Our approach to engagement with community stakeholders is outlined in our minimum organisational requirements for Community. We undertake stakeholder identification and analysis, social impact and opportunity assessments, community perception surveys and human rights impact assessments to identify, mitigate or manage key potential social and human rights risks. *Our Requirements for Risk Management* standard provides the framework for risk management relating to climate change and material health, safety, environment and community risks. We conduct internal audits to test compliance with *Our Requirements* standards and develop action plans to address any gaps. Key findings are reported to senior management and reports are considered by relevant Board committees. *Our Requirements* standards and action plans are developed to address any gaps. Key findings are reported to senior management and reports are considered by relevant Board committees. Our *Code of Business Conduct* sets out requirements related to working with integrity, including dealings with government officials and third parties as described in section 2.16. Processes and controls are in place for the internal control over financial reporting, including under Sarbanes-Oxley. We have established anti-corruption, competition and trade sanctions performance requirements, which are overseen by the Ethics and Compliance function. The Disclosure Committee oversees our compliance with securities dealing obligations and continuous and periodic disclosure obligations, as described in sections 2.14, 2.15 and 2.17.

Table of Contents

1.9 People

With a workforce of more than 60,000 employees and contractors working across 87 locations worldwide, BHP s culture is shaped to support the creation of value from our portfolio.

Our culture is shaped through our policies and the programs we enact to build a positive work environment and engage our people. It is driven by our leaders and the behaviours they demonstrate. And it is supported by the dialogue we have with and between our people, every day.

1.9.1 Supporting our culture

We engaged with a selection of employees across all levels and geographies in FY2017 to gather their views on the strengths and challenges of our current culture. Despite the diversity of our business, we found a handful of enduring traits that span business lines, geographies and levels. These traits contain many strengths that have enabled the delivery of strong business performance over many years.

With input from our employees, a cohort of senior leaders (including the General Managers who lead the workforces at our assets) have identified the behaviours that we will focus on to leverage the strengths of those traits. Leaders around the globe have translated these priorities into plans to amplify care and trusted relationships within our teams. These plans comprise both local and BHP-wide priorities, including the further roll out of leadership development programs focused on the identification and realisation of value and the management of risk.

This work builds on years of investment in developing our leaders capabilities to engage and develop their teams and to lead change. The positive impact of the programs that have been run to date is reflected in improvements in our annual Employee Perception Survey results.

BHP s culture of care

BHP values a culture that enables our people to do the right thing for each other, for our communities and for our shareholders; reducing risk and driving performance.

Our focus on inclusion and diversity enables us to challenge entrenched ideas and bring innovative perspectives to our work.

For more information on our culture, refer to section 1.5.1.

Table of Contents

1.9.2 Inclusion and diversity

At BHP, we believe all employees should have the opportunity to fulfil their potential and thrive in an inclusive and diverse workplace. We employ, develop and promote based on merit and we do not tolerate any form of unlawful discrimination, bullying or harassment. Our systems, processes and practices support fair treatment.

To better reflect the communities in which we work, we have set an ambitious, aspirational goal to achieve gender balance across BHP globally by FY2025. It s an aspiration designed to harness the enormous potential that a more inclusive and diverse workplace will deliver at BHP. Progress on our goal of gender balance will be reported to the Board each year for review.

The commercial case for action on gender balance is compelling. For the past three years, BHP s most inclusive and gender diverse operations have outperformed our average on a range of measures, including lower injury rates, adherence to work plans and meeting production targets.

Our CEO, Andrew Mackenzie, chairs the Global Inclusion and Diversity Council that has recommended four priorities: embedding flexible working; enabling our supply chain partners to support our commitment to inclusion and diversity; uncovering and taking steps to mitigate potential bias in our systems, behaviours, policies and processes; and ensuring our brand and industry are attractive to a diverse range of people.

The gender composition of BHP s employees was 20.5 per cent women as at 30 June 2017; an increase of 2.9 per cent in one year[(1)]. This was very close to the goal we set our Executive Leadership Team of reaching a three per cent year-on-year increase in representation of women among employees across the Group. This was achieved in part through an improved gender balance in external hiring and reduction of the turnover rate for women. Our work on culture has also supported us in becoming more inclusive and embedding flexibility in the way we work.

We re also enabling our supply chain partners to support our commitment to inclusion and diversity, by working with our suppliers to identify opportunities for improvement, incorporating inclusion and diversity enablers into supplier procurement processes and working with suppliers to redesign equipment to allow for handling by all operators, regardless of gender.

(1) Based on a point in time snapshot of employees as at 30 June 2017, as used in internal management reporting for the purposes of monitoring progress against our goals. This does not include contractors.

Table of Contents

Case study: Achieving gender balance in practice

BHP s Mooka Ore Car Repair Shop (OCRS) is a high-tech, semi-automated production line, designed to safely conduct highly repetitive activities that are involved in maintenance of ore cars.

Mooka OCRS took on the challenge of achieving a more inclusive workplace. As part of our push for continuous improvement, we redesigned the OCRS to reduce risk from activities such as shunting and overhead crane use. This not only made the workplace safer, it also made it possible for a diverse pool of talent from the local community to participate in our workforce, without requiring specialist technical qualifications.

For example, the introduction of automated guided vehicles and a robotic gantry system means that dogging and rigging licences are no longer required, while the mechanisation of tasks that formerly required heavy lifting means people of different physiques can perform them safely. Tasks that require a trade-qualified operator are separated from tasks that do not, which has enabled the participation of people without trade qualifications or previous experience.

As a result, we were able to adapt our recruitment and assessment processes to reach a broader range of people from our local communities. We used information sessions and assessment centres to promote opportunities. Assessment focused on characteristics such as demonstrated behaviours and the ability to work in a team, rather than technical capabilities. Our workforce is now 30 per cent women (up from five per cent in FY2016) and 10 per cent Indigenous as at 30 June 2017.

We know that in addition to improving diversity, we must support inclusive workplaces. We focused on creating an inclusive culture through visible leadership, more face-to-face updates on performance and regular updates on any changes impacting the team. The strength of this approach is reflected in this year s Mooka OCRS Employee Perception Survey results, which are higher than the BHP average and above external norms for high performing companies.

The success at Mooka OCRS means it can also act as a talent incubator for other BHP assets. We re continuing to build on our achievements through active promotion of our apprenticeship program to a diverse range of participants, working with communities to develop a more structured work experience program for high school students, and developing a cultural plan to continue to drive an inclusive workforce.

1.9.3 Our people policies

We have a comprehensive set of frameworks that support our culture of safety and productivity.

Our Charter is central to everything we do. It describes our purpose, our values and how we measure our success, who we are, what we do and what we stand for.

Our *Code of Business Conduct* demonstrates how to practically apply the commitments and values set out in *Our Charter* and reflects many of the standards and procedures we apply throughout BHP. We have internal dispute and grievance handling processes, as well as a business conduct advisory service, to address any potential breaches of the Code.

Our Requirements standards outline the minimum mandatory standards we expect of those who work for, or on behalf of, BHP. Some of those standards relate to people activities, such as recruitment and talent retention.

Our all-employee share purchase plan, Shareplus, is available to all permanent full-time and part-time employees, and those on fixed term contracts, except where local regulations limit operation of the scheme. In these instances, alternate arrangements are in place.

Through all of these documents, we make it clear that discrimination on any basis is not acceptable. In instances where employees require support for a disability, we work with them to identify any roles that meet their skill, experience and capability, and offer retraining where required.

For more information on our people, including our focus on culture, inclusion and diversity, training and development, see our Sustainability Report 2017 at bhp.com.

1.9.4 Employee and contractors

The data in this section (consistent with previous years) are averages. We take the number of employees and contractors (where applicable) at the last day of each calendar month for a 10-month period to calculate an average for the year. This does not necessarily reflect the number of employees and contractors as at the end of FY2017.

The diagram below shows the average number of employees and contractors over the last three financial years.

The diagram below provides a breakdown of our average number of employees by geographic region over the last three financial years.

Table of Contents

The table below shows the gender composition of our employees, senior leaders and the Board (Non-executive Directors) over the last three financial years.

	2017	2016	2015
Female employees (1)	**4,868**	4,708	5,183
Male employees (1)	**21,278**	22,119	24,487
Female senior leaders (2)(3)	**65**	65	62
Male senior leaders (2)(3)	**211**	251	293
Female Board members (2)	**3**	3	2
Male Board members (2)	**7**	7	10

(1) Based on the average of the number of employees at the last day of each calendar month for a 10-month period to April and in accordance with our reporting requirement under the UK Companies Act 2006. This does not reflect the number of employees as at the end of FY2017.

(2) Based on actual numbers as at 30 June 2017, not rolling averages.

(3) For UK law purposes, we are required to show information for senior managers , which are defined to include both senior leaders and any persons who are directors of any subsidiary company, even if they are not senior leaders. In FY2017, 276 senior leaders comprised the top people in the organisation. There were 12 Directors of subsidiary companies who are not senior leaders, comprising 10 men and two women. Therefore, for UK law purposes, the total number of senior managers was 221 men and 67 women (23 per cent women) in FY2017.

Changes in market conditions and our business transformation programs, focused on improving efficiencies and driving greater productivity, have resulted in a decrease in our workforce requirements.

1.9.5 Employee relations

Relationships with our employees are built on mutual respect. We strive to achieve outcomes that are mutually beneficial to our people and BHP.

We are committed to full compliance with legislative workplace requirements in the many jurisdictions in which we work, and we have both individual and collective employment contract arrangements in place. In FY2017, 55 per cent of our employees were covered by collective arrangements.

Where labour disputes arise, we aim to maintain the safety of employees while minimising the impact on our customers. A labour dispute arose at Escondida in Chile during negotiation of a new collective agreement (see section 1.11.2 for information on the dispute), which resulted in a 44-day strike by Union N°1 and the temporary suspension of operations. Following the resolution of Union N°1 to extend the existing collective agreement, the restart was conducted gradually to ensure the safety of our people and the mine has been fully operational since late April. BHP continues to engage proactively with our workforce at Escondida.

1.10 Sustainability

Sustainability is at the heart of everything we do. We put health and safety first, we are environmentally responsible, we respect human rights and we support our host communities.

As a partner in the communities in which we operate, we share stewardship of the environment, support local cultures and help drive economic development. Many of our assets last for decades, and the maintenance of a social licence to operate them is essential.

Full details of our sustainability framework, management, performance and targets and an introduction to our new sustainability targets and longer-term goals are available in our Sustainability Report 2017 at bhp.com.

Table of Contents

1.10.1 Our sustainability approach

Health, safety, environment and community (HSEC) considerations are integrated into our daily activities and decisions. Our approach to sustainability is defined by *Our Charter* and realised through *Our Requirements* standards. These clearly describe our mandatory minimum performance requirements and are the foundation for developing and implementing management systems at our assets.

We are committed to complying with the laws and regulations of the jurisdictions in which we operate and aim to exceed legal and regulatory requirements where those are less stringent than our own. Contractors working at our operated assets are required to comply with our HSEC standards and requirements. We also engage with and encourage our suppliers, agents and service providers to maintain business practices and workplace standards that are comparable to our own.

We believe high standards of governance are critical to deliver our strategy, create long-term value and maintain our social licence to operate. The Board oversees our sustainability approach. The Board s Sustainability Committee assists with governance and monitoring. The Board s Risk and Audit Committee assists with oversight of the Group s systems of risk management.

For information on the Sustainability and Risk and Audit Committees, refer to section 2.13.

BHP has been setting global sustainability targets since 1997. A strong part of our history, these targets help us focus on our most material sustainability risks. FY2017 marked the end of our FY2013 FY2017 sustainability target period. Details of our performance against these targets are provided throughout this section of the Annual Report. Our new, five-year HSEC performance targets, which took effect from 1 July 2017, are framed around shared global challenges.

Engaging with our partners at non-operated joint ventures

Following a review of governance at our non-operated minerals joint ventures (NOJV), we created a NOJV leadership team and supporting team, and developed a global standard which defines the requirements for managing BHP s interest in our NOJVs. For more information, refer to section 1.7.

1.10.2 Operating with ethics and integrity

Operating responsibly and ethically involves bringing *Our Charter* values to life. We cannot deliver value to our shareholders, employees or communities unless we demonstrate these values through our actions, processes, systems and interactions with all stakeholders.

Our BHP *Code of Business Conduct* (Code) demonstrates how to apply *Our Charter* by setting behavioural standards for everyone who works for, or on behalf of, BHP. Acting in accordance with our Code is a condition of employment, and all our people are required to undertake annual training on the Code.

Anti-corruption compliance

We are determined to play a significant role in the global fight against corruption to ensure communities benefit from the development of natural resources. Our commitment to anti-corruption compliance is reflected in our Code and the *Our Requirements for Business Conduct* standard.

Our Ethics and Compliance function is responsible for designing, monitoring and reporting on our anti-corruption compliance program. The function is independent of our assets and asset groups, and comprises teams that are co-located in our main global locations and a specialised Compliance Legal team. The Chief Compliance Officer reports to the Risk and Audit Committee.

Table of Contents

In addition to anti-corruption training as part of annual training on our Code, additional risk-based anti-corruption training was completed by 3,412 employees in FY2017, together with numerous employees of business partners and community partners.

More information on our anti-corruption compliance program (including risk assessments, training and communication) is available online at bhp.com/anticorruption.

Closure planning

We consider the entire life cycle of our operations, including closure, in our planning and decision-making.

Our operated assets are required to develop a closure plan, including a financial assessment, to minimise closure-related risks over the life of the asset. Our Internal Audit function tests the effectiveness of these plans, with findings reviewed and reported annually to Asset Presidents, and summary reports provided to the Risk and Audit Committee. Information about the financial provisions related to closure liabilities is available in note 14 Closure and rehabilitation provisions in section 5.

Building trust through transparency

Our business model is based on trust. To earn this trust, we are dedicated to becoming a global leader in corporate transparency and public disclosure. Transparency is a priority for BHP because it allows our stakeholders to hold us accountable for our actions and minimises the risk that the significant taxes and royalties we pay around the world are diverted away from the citizens who should benefit from the wealth created by the resources we produce.

Our approach to transparency is guided by our Transparency Principles of responsibility, openness, fairness and accountability. Our annual Economic Contribution Report discloses our payments of taxes and royalties to all our host governments on a project-by-project basis, consistent with the European Union Transparency Directive.

Our approach to transparency and tax is detailed in our Economic Contribution Report 2017 available online at bhp.com.

1.10.3 Health and safety

Safety

The safety of our workforce and the communities in which we operate is an essential priority.

Our goal is zero fatalities and we are committed to achieving this through the effective management of safety risks.

We committed to a set of global safety priorities in FY2016 that continue to guide our decision-making and approach to safety. These four focus areas are:

- reinforce that safety comes before productivity;
- focus on in-field verification of material and fatal risks;
- enhance our internal investigation process and widely share and apply lessons;
- enable additional quality field time to engage our workforce.

This work is supported by our ongoing work on our culture of safety and productivity, in particular our focus on leadership. Recognising that visible leadership is a key driver of safety and productivity, our Field Leadership program is designed to drive a cultural change and help us achieve our goal of everyone going home safe. It involves leaders spending time in the field engaging with employees and contractors on how we can enhance our safety processes and observing at-risk activities. The program also focuses on improving in-field verification of material and fatal risks.

Tragically, one of our colleagues, Rudy Ortiz, died in October 2016 during planned maintenance on the Laguna Seca Line 2 concentrator at Escondida in Chile. Following completion of the investigation, lessons were shared across BHP. At Escondida, a number of actions have been taken to improve our change management and in-field contractor management processes, as well as investigating the use of new technology to mitigate the inherent risks associated with this activity.

In August 2017, another colleague, a contractor from Independent Mining Services, died as a result of an incident at the Goonyella Riverside Mine in Queensland, after the period covered by this Report. An investigation is underway.

These fatalities are a tragic reminder that safety must come first in everything we do. We will continue to strive to make sure our people prioritise safety in their day-to-day activities.

We were encouraged that events with the potential to cause a fatality which had an associated injury reduced by 30 per cent at our operated assets compared with FY2016. This can be attributed to field leadership, in-field verification of critical controls and an increased focus on what we need to do to avoid single fatality risks.

Our total recordable injury frequency (TRIF) performance at our operated assets in FY2017 was 4.2 per million hours worked, a two per cent improvement on the previous financial year. This represents an improvement of nine per cent over five years.

Workplace fatalities [1] (FY2008 FY2017)

(1) Includes data for all operated assets for the financial years being reported.

Health

Recognising our operations can impact the health of our people, we set clear requirements to manage and protect the health and wellbeing of our workforce now and into the future. We set the minimum mandatory controls to identify and manage health risks for both employees and contractors.

In FY2012, we committed to reduce potential occupational exposure to carcinogens and airborne contaminants at our operated assets by 10 per cent by 30 June 2017. We have exceeded this target by reducing these occupational health exposures by 76 per cent.

A number of projects were rolled out in FY2017 to make sure we continue to reduce our people s exposure to carcinogens and airborne contaminants.

Table of Contents

The majority of our reported occupational illnesses continue to be noise-induced hearing loss and musculoskeletal illness. We continue to implement solutions designed to minimise the risks through engineering and administrative controls.

The incidence of employee occupational illness at our operated assets in FY2017 was 4.92 per million hours worked, an increase of 18 per cent on FY2016. The incidence of contractor occupational illness was 1.43 per million hours worked, an increase of 23 per cent compared with FY2016.

The increase in musculoskeletal illness reporting has been driven by an improvement in reporting process and access to data in Minerals Americas. Historically, gradual onset musculoskeletal illnesses were not well recognised as being work-related under Chilean regulatory requirements.

We do not have full oversight of contractor noise-induced hearing loss in many parts of BHP due to regulatory regimes and limited access to data. We are working with our contractors to resolve these issues.

In line with *Our Charter* and our culture of care, we also undertake activities to enhance the physical and mental wellbeing of our workforce. This includes the provision of preventative health measures and a Mental Health Framework focused on awareness, support and proactive management of mental wellbeing.

Coal workers pneumoconiosis

As at 30 June 2017, four current Queensland employees have been identified as having coal workers pneumoconiosis (CWP). We were deeply concerned to learn of these cases and have provided counselling, medical support and redeployment options to all four employees. In addition, as at 30 June 2017, two former Queensland workers and one former New South Wales worker have been diagnosed as having CWP.

Details of the steps BHP has taken in response to the re-identification of CWP in our industry are detailed in our Sustainability Report 2017.

1.10.4 Society

Strong and respectful engagement with host communities is vital to our business. Our minimum mandatory requirements guide our approach to these relationships and to engaging openly with communities to understand and respond to their concerns.

We play an important role in helping develop economies and improve standards of living. Our contribution includes employment opportunities, the purchase of local goods and services, the development of infrastructure and facilities and support of regional and national economies through the payment of taxes and royalties. Through these actions, we contribute to the achievement of the United Nations (UN) Sustainable Development Goals.

Engaging with host communities

By understanding the expectations, concerns and interests of the communities in which we work, we are better equipped to plan and implement commitments, as well as monitor and measure our performance. With community input, we undertake actions to understand the social and economic environment, recognise key stakeholders (including those who are vulnerable or disadvantaged) and identify the possible social impact of our operations. We also work closely with other industry partners to understand our collective impact and best approach to working together more effectively.

58

Voluntary social investment

Aligned with the UN Sustainable Development Goals, our Social Investment Framework underpins our voluntary social investment approach and provides a consistent framework for local, regional, national and global investments. Using this Framework, we have voluntarily invested one per cent of our pre-tax profit[1] in community programs since 2001.

Our voluntary social investment in FY2017 (including BHP s equity share for both operated assets and non-operated joint venture assets) totalled US$80.1 million. This included US$75.1 million contributed to community development programs and associated administrative costs, and a US$5 million contribution to the BHP Billiton Foundation.

Supporting local economic growth

Where our standards can be met, we choose to source products and services locally, benefiting local suppliers and local communities. In line with our expectations, all our operated assets had local procurement plans in effect during FY2017.These plans enabled us to direct 22 per cent of our external expenditure to local suppliers. An additional 68 per cent of our expenditure was within the regions in which we operate.

Our largest local expenditures were mostly made by our operated assets in the United States (86 per cent), Australia (12 per cent), Trinidad and Tobago (54 per cent) and Chile (16 per cent).

Building partnerships with Indigenous peoples

As the majority of our assets are located on or near traditional lands of Indigenous peoples, we have a responsibility to recognise and respect the status of Indigenous peoples as First Peoples and embrace the opportunity to establish long-lasting relationships, based on trust.

Our approach to engaging with Indigenous peoples is articulated in our Indigenous Peoples Position Statement, which we implement through our Indigenous Peoples Strategy. The Strategy focuses our engagement with Indigenous peoples on four priority areas: governance; economic empowerment; social and cultural support; and public engagement.

Examples of our achievements in each of the four priority areas of our Indigenous Peoples Strategy during FY2017 are available in our Sustainability Report 2017.

Respecting human rights

Respecting human rights wherever we operate is critical to the sustainability of our business and is consistent with our support for the UN Declaration on Human Rights, UN Guiding Principles on Business and Human Rights, the Voluntary Principles on Security and Human Rights and the 10 UN Global Compact principles.

We aim to identify and manage human rights-related risks in all our activities. Due diligence is performed to mitigate those risks, and we seek to remediate any adverse human rights impacts we have caused or to which we have contributed.

The most relevant human rights issues for our industry include occupational health and safety, labour conditions, activities of security forces, and respecting the rights of Indigenous peoples and communities near our operations.

(1) Calculated on the average of the previous three years pre-tax profit.

Table of Contents

Our *Code of Business Conduct* outlines the human rights commitments applicable to our people, as well as our contractors and suppliers (where under relevant contractual obligation). Mandatory minimum performance requirements are articulated in our relevant standards, including our security and emergency management and our risk management standard.

Information on BHP s systems and processes for meeting the UN Guiding Principles on Business and Human Rights, our zero tolerance requirements in relation to human rights in the supply chain and BHP s 2016 UK Modern Slavery Act Statement is available online at bhp.com/respectinghumanrights.

1.10.5 Environment

We recognise our responsibility to minimise our environmental impact and contribute to enduring benefits.

We have minimum mandatory requirements for environmental management, which are in addition to any local regulatory requirements. The standard requires us to take an integrated, risk-based approach to the management of impact on land, biodiversity, water and air.

Our operated assets are required to understand baseline conditions and prioritise actions to avoid, minimise and rehabilitate environmental impacts over the short and long term, in line with our mitigation hierarchy. We do this within our area of influence, taking account of direct, indirect and cumulative impacts. If there are impacts on important biodiversity and ecosystems (or they are reasonably foreseeable), we will implement compensatory actions such as biodiversity offsets.

Water

Water is a shared resource, with high economic, environmental and social value, and access to water is a basic human right. In recognition of this, all our operated assets are required to manage water at a catchment level and maintain quantitative water balance models that enable timely management responses to water-related risks, consistent with business requirements.

At the end of FY2017, in line with our target for water, all our operated assets that identified water-related material risks implemented at least one project to improve the management of associated water resources.

Where possible, we seek to use lower-quality or recycled water to minimise extraction requirements from higher quality water resources. Our total water input (water intended for use) at our operated assets in FY2017 was 283,900 megalitres, with 91 per cent defined as Type 2 (suitable for some purposes) or Type 3 (unsuitable for most purposes). This demonstrates our approach to utilising lower-quality water wherever feasible.

Land and biodiversity

In FY2017, in line with our target, all our operated assets maintained land and biodiversity management plans that include actions to avoid, minimise and rehabilitate environmental impacts, and to manage their biodiversity and ecosystems impacts.

In addition to the environmental management actions of our operated assets, in FY2013, we established a target to finance the conservation and ongoing management of areas of high biodiversity and ecosystem value that are of national or international conservation significance. We established an alliance with Conservation International to support the delivery of this target and improve our approach to biodiversity management more broadly.

Through our partnership with Conservation International, we committed more than US$50 million to conservation as at the end of FY2017, in addition to the environmental management activities undertaken at our operated assets.

Our case study on our partnership with Conservation International is available online at bhp.com/casestudies.

Table of Contents

Environmental events

Our operated assets are required to maintain emergency response plans to minimise the potential severity of, and respond effectively to, environmental events. We conduct thorough investigations when an actual or potential significant environmental event occurs, to understand the cause and identify any corrective actions to prevent similar events.

While no significant environmental events occurred at any BHP operated assets in FY2017, we are still working to address the significant environmental impacts of the tailings dam failure at our non-operated joint venture, Samarco, in November 2015.

1.10.6 Climate change

BHP s strategy is tied to economic growth in both emerging and developed economies. As such, our sustained growth is not possible without an effective response to climate change.

Contributing to the global response

To support the development of that effective response, we seek to engage with governments, non-government organisations and other stakeholders to inform the development of an effective, long-term policy framework that delivers a measured transition to a lower emissions economy.

We are a signatory to the World Bank s Putting a Price on Carbon statement and a member of the World Bank s Carbon Pricing Leadership Coalition. We are also a member of the Energy Transitions Commission, which aims to identify pathways for change in our energy systems to ensure both better growth and a better climate .

As part of this engagement, we regularly share lessons learned in order to help identify solutions that can drive emissions reductions at the lowest cost.

Our position on climate change

We accept the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science, which has found that warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable.

We believe the world must pursue the twin objectives of limiting climate change to the lower end of the IPCC emission scenarios in line with current international agreements, while providing access to reliable and affordable energy to support economic development and improved living standards. We do not prioritise one of these objectives over the other both are essential to sustainable development.

Under all current plausible scenarios, fossil fuels are expected to continue to be a significant part of the energy mix for decades. Therefore, an acceleration of effort to drive energy efficiency, develop and deploy low-emissions technology and adapt to the impacts of climate change is needed. We believe there should be a price on carbon, implemented in a way that addresses competitiveness concerns and achieves lowest cost emissions reductions.

More information is available in our Sustainability Report 2017 at bhp.com.

Transparent reporting

We recognise the importance of open engagement with our stakeholders, including investors, to ensure a good understanding of how climate-related risks and opportunities are identified, assessed and managed.

Table of Contents

We have a strong record of supporting and complying with robust reporting requirements on climate change issues. Our extensive engagement program with investors, government and the broader society includes our voluntary submission to CDP (formerly the Carbon Disclosure project; see cdp.net). This commitment has resulted in a significant improvement in our CDP scores since FY2013.

Our climate change disclosures are aligned with the newly issued recommendations of the Financial Stability Board s Taskforce on Climate-related Financial Disclosures (TCFD). The TCFD has developed a voluntary framework for the reporting of climate-related financial risk disclosures for use by lenders, insurers, investors and other stakeholders. BHP has been a firm supporter of this work and our Vice President of Sustainability and Climate Change, Dr Fiona Wild, is a member of the TCFD. We believe the work of the TCFD builds a consistent framework for climate-related risk disclosure and see the recommendations as a strong endorsement of the work we have already undertaken.

Climate-related disclosures

Responding to climate change is an integral part of our strategy and operations. Therefore information relating to climate change is contained throughout this Report. The table below shows how our disclosures in this Report align to the TCFD recommendations, and where the relevant information can be found. Further information can also be found in BHP s Sustainability Report 2017, Climate Change: Portfolio Analysis (2015) and Climate Change: Portfolio Analysis Views after Paris (2016).

TCFD recommendation	Disclosure	Location
Governance Disclose the organisation s governance around climate-related risks and opportunities		
a) Describe the Board s oversight of climate-related risks and opportunities.	Board skills and experience climate change	2.8
	Sustainability Committee role and focus	2.13.4
b) Describe management s role in assessing and managing climate-related risks and opportunities.	Our climate change strategy	1.10.6
	Sustainability Committee role and focus	2.13.4
	FY2017 STI performance outcomes	3.3.2
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation s businesses, strategy, and financial planning where such information is material		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Sustainability risks	1.8.3
	Operational risks	1.8.3
	Climate change overview	1.10.6
b) Describe the impact of climate-related risks and opportunities on the organisation s businesses, strategy, and financial planning.	Sustainability risks	1.8.3
	Operational risks	1.8.3
	Portfolio evaluation	1.10.6
c) Describe the resilience of the organisation s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Portfolio evaluation	1.10.6

Risk management	**Disclose how the organisation identifies, assesses, and manages climate-related risks**	
a) Describe the organisation s processes for identifying and assessing climate-related risks.	Managing performance and risk	1.5.2
b) Describe the organisation s processes for managing climate-related risks.	Managing performance and risk	1.5.2
	Sustainability risks	1.8.3
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation s overall risk management.	Managing performance and risk	1.5.2
	Sustainability risks	1.8.3
	Sustainability KPIs	1.6.1

62

Table of Contents

TCFD recommendation	Disclosure	Location
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Sustainability KPIs	1.6.1
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Sustainability KPIs (GHGs)	1.6.1
	Mitigation GHGs	1.10.6
	Low emissions technology	1.10.6
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Sustainability KPIs (GHGs)	1.6.1
	FY2017 STI performance outcomes	3.3.2

Our climate change strategy

Climate change is a priority governance and strategic issue for BHP. Our Board is actively engaged in the setting of strategy and governance of climate change issues, supported by the Sustainability Committee. Management has primary responsibility for the design and implementation of our response to climate change. GHG reduction is a key performance indicator for our business, and our performance against these targets is reflected in senior executive and leadership remuneration.

Our climate change strategy is informed and underpinned by active engagement with our stakeholders, including investors, policy makers, peer companies and non-government organisations. We regularly review our position on climate change in response to emerging scientific knowledge and changes in global regulation. We seek input and insight from external experts, such as the Forum on Corporate Responsibility. We also incorporate climate change considerations into our scenario planning to understand potential impacts on our portfolio.

Our response to climate change is focused on mitigation, adaptation, low-emissions technology and portfolio evaluation. These are outlined below. For more information, see our Sustainability Report 2017 at bhp.com.

Mitigation

As a major producer and consumer of energy, we prioritise reduction of GHG emissions and energy efficiency. Rather than use an intensity metric to define our Group GHG target, we have set ourselves a challenging goal to limit our overall emissions by keeping our absolute FY2017 GHG emissions at our operated assets below our FY2006 baseline (adjusted as necessary for material acquisitions and divestments). This encourages us to reduce GHG emissions, improve our energy efficiency and increase productivity.

With our FY2017 emissions total at 21 per cent below the adjusted FY2006 baseline, we have successfully achieved our ambitious target. Numerous individual improvement projects have contributed to this achievement, as well as improvements in productivity and technology and changes in production profile. Projects tracked since FY2013 as part of our current GHG target achieved more than 975,000 tonnes CO_2-e of annualised abatement in FY2017 at our Continuing operations.

Table of Contents

GHG Scope 1 and 2 *(millions of tonnes CO_2-e)*[1]

Year ended 30 June [2]	2017	2016	2015
Scope 1 [3]	**10.5**	11.3	20.7
Scope 2 [4]	**5.8**	6.7	17.6
Total GHG millions of tonnes CO_2-e	**16.3**	18.0	38.3

(1) Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol.

(2) Includes data for Continuing and Discontinued operations.

(3) Scope 1 refers to direct GHG emissions from operated assets.

(4) Scope 2 refers to indirect GHG emissions from the generation of purchased electricity and steam that is consumed by operated assets (calculated using the market-based method).

In line with the requirements of the UK Companies Act 2006, our reported FY2017 GHG intensity was 2.4 tonnes of CO_2-e per tonne of copper equivalent production (FY2016: 2.8 tonnes of CO_2-e). Our reported FY2017 energy intensity was 20 petajoules per million tonnes of copper equivalent production. Copper equivalent production has been based on FY2013 average realised product prices.

Adaptation

Our assets are long-lived and therefore we take a robust, risk-based approach to adapting to the physical impacts of climate change. We work with globally recognised agencies to obtain regional analyses of climate change science to inform resilience planning at an asset level and improve our understanding of the climate vulnerabilities our operations and host communities may face.

All our operated assets build climate resilience into their activities through compliance with the *Our Requirements for Environment and Climate Change* standard. We also require new investments to assess and manage risks associated with the forecast impacts of climate change.

Low-emissions technology

Rapid technology development is contributing to the task of global emissions reduction today, while further innovation has the potential to enable long-term climate goals to be met. We believe industry has a significant collaborative role to play with government, academia and the community to facilitate this necessary step change. BHP has an integrated strategy to invest across a range of new technologies that have the potential to reduce emissions in our operations and from the use of our products, which are significantly higher. In FY2017, our Scope 3 emissions were 585.1[1] million tonnes. This is why we are working in partnership across our supply chain to accelerate deployment of low emissions technology, improve energy efficiency and support effective, long-term policy responses.

When evaluating investment opportunities, we aim to look at factors including the potential to materially reduce emissions and the opportunity to use our expertise to accelerate the required change. Our investments also build capacity, capability and internal awareness within the business, and leverage BHP s global Operating Model replicability, scale and market power.

(1) Scope 3 refers to other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. transmission losses) not covered in Scope 2, outsourced activities, waste disposal, etc. 97 per cent of our Scope 3 emissions comes from the processing and use of sold products.

Table of Contents

We are focusing on carbon capture and storage (CCS), technologies to reduce fugitive emissions from coal and petroleum assets, renewable energy, battery storage and high-efficiency/low-emissions power generation and transportation. As well as reducing our own emissions, the result of this work will also be shared widely to assist others in the resource sector.

Portfolio evaluation

We recognise that even well-researched forecasts are subject to uncertainty in the face of rapid technology and policy change, and that the world could move in any number of different directions to address climate change. To understand the impact of this uncertainty on BHP s portfolio, our corporate planning process uses scenario analysis to consider a wide spectrum of potential outcomes. Designed to interpret external factors, including technical, economic, political and governance trends facing the global resources industry, the scenarios offer a means to explore potential portfolio discontinuities and opportunities, as well as to test the robustness of decisions. We also test the portfolio against shock events: unlikely and extreme events, which are typically short term, but may have associated longer-term impacts.

Our Portfolio Analysis (first published in FY2015) shows our uniquely diversified portfolio of high-quality, low-cost assets is robust under both an orderly and a more rapid transition to a two degree Celsius world. We also have a strong project pipeline with many capital-efficient growth options that continue to generate shareholder value in a two degree Celsius world.

In September 2016, we released Climate Change: Portfolio Analysis Views after Paris, which included analysis of emerging climate policy (e.g. 21st Conference of the Parties (COP21)) and low-emissions technology developments. As an outcome of COP21 in Paris, the Paris Agreement was significant for establishing a common ambition to reduce emissions, but the Nationally Determined Contributions, which described each nation s plans to achieve this targets, were still relatively modest. It is important that Parties to the Paris Agreement provide regular progress assessments and increase ambition over time.

We expect non-hydro renewables, principally wind and solar, will gain market share in the power sector, mainly at the expense of energy coal. This uptake is expected to triple the combined share of wind and solar in the power mix in the next 25 years. We expect demand growth for oil to decrease due to the rise in electric vehicles and an increase in fuel efficiency of internal combustion engines vehicles.

Nevertheless, despite rapid growth in renewables and electric vehicles, the world will still require roughly four-fifths of its growing total energy needs to come from non-renewable sources in 2040. As such, it is important to look at other options to reduce emissions from the production and use of fossil fuels, such as CCS and improved power generation efficiency.

We are committed to keeping our stakeholders informed of the impact of climate change to BHP.

1.11 Our businesses

The maps in this section should be read in conjunction with the information on mining operations table in section 6.1.

1.11.1 Minerals Australia

The Minerals Australia asset group includes operated assets in Western Australia, Queensland, New South Wales and South Australia.

Table of Contents

Copper asset

Olympic Dam

Overview

Olympic Dam is one of the world s largest ore bodies. Located 560 kilometres north of Adelaide, it is one of the world s largest deposits of copper, gold and uranium, and it also has a significant deposit of silver. Olympic Dam operates a fully integrated processing facility from ore to metal.

Olympic Dam s underground mine is made up of more than 450 kilometres of underground roads and tunnels. The asset extracts copper uranium ore, with the ore hauled by automated train to feed underground crushing, storage and ore hoisting facilities.

Olympic Dam s processing plant consists of two grinding circuits in which high-quality copper concentrate is extracted from sulphide ore through a flotation extraction process. The asset includes a fully integrated metallurgical complex with a grinding and concentrating circuit, a hydrometallurgical plant incorporating solvent extraction circuits for copper and uranium, a copper smelter, a copper refinery and a recovery circuit for precious metals.

Key developments during FY2017

Olympic Dam s copper production decreased following the state-wide power outage during September and October 2016 and unplanned maintenance that took place at the refinery during December 2016 and January 2017.

Looking ahead

Development in the Southern Mining Area is progressing well and is expected to support a gradual increase in copper production to 230 kilotonnes (kt) in FY2021.

Table of Contents

Through the first half of FY2018, BHP s Olympic Dam smelter operations will be enhanced through a total A$350 million investment.

The smelter upgrade involves combined investment in the following three areas to ensure the ongoing integrity of critical infrastructure and to continue to deliver safe and reliable performance:

- rebuilding key elements of the smelter flash furnace;
- demolishing and building a new electric slag furnace;
- removing and replacing the five-storey high electro static precipitator.

Olympic Dam is also using the planned down time to undertake further refinery asset maintenance.

We are investigating further options for expanding production at Olympic Dam. The brownfield expansion project could see production grow to approximately 280 kilotonnes per annum (ktpa), with a potential upside of 330 ktpa. We are also seeing encouraging results in our heap leach trials which, if proven, would enable potential growth to 450 500 ktpa of copper.

Iron ore asset

Western Australia Iron Ore

Overview

Western Australia Iron Ore (WAIO) is an integrated system of four processing hubs and five mines, connected by more than 1,000 kilometres of rail infrastructure and port facilities in the Pilbara region of northern Western Australia.

Table of Contents

WAIO s Pilbara reserve base is relatively concentrated, allowing development to be planned around integrated mining hubs joined to the mines and satellite orebodies by conveyors or spur lines. This approach enables the value of installed infrastructure to be maximised by using the same processing plant and rail infrastructure for a number of orebodies.

At each mining hub Newman, Yandi, Mining Area C and Jimblebar ore from mines is crushed, beneficiated (where necessary) and blended to create high-grade hematite lump and fines products. Iron ore products are then transported along the Port Hedland Newman Rail Line to the Finucane Island and Nelson Point port facilities at Port Hedland.

There are four main WAIO joint ventures (JVs): Mt Newman, Yandi, Mt Goldsworthy and Jimblebar. BHP s interest in each of the joint ventures is 85 per cent, with Mitsui and ITOCHU owning the remaining 15 per cent. The joint ventures are unincorporated, except Jimblebar.

BHP, Mitsui and ITOCHU have entered into separate joint venture agreements with some customers that involve the sublease of parts of WAIO s existing mineral leases: JW4, Wheelarra and Posmac. The JW4 sublease arrangement expired on 1 April 2017 and, as such, control of the sublease area was handed back to the Yandi JV.

The ore is sold to the main joint ventures. BHP is entitled to 85 per cent of production from these subleases.

All ore is transported by rail on the Mt Newman JV and Mt Goldsworthy JV rail lines to our port facilities. WAIO s port facilities at Nelson Point are owned by the Mt Newman JV, and Finucane Island is owned by the Mt Goldsworthy JV.

Key developments during FY2017

WAIO has achieved record production as a result of continued focus on productivity improvements, the rail renewal program and the ramp-up of additional capacity at Jimblebar, where a new primary crusher and additional conveying capacity was successfully commissioned.

Productivity improvements included a reduction of locomotive service times by 50 per cent and the introduction of an improved drilling fleet configuration, which has lowered fuel usage and engine load factor. Automation was introduced for blast hole drilling across all WAIO mine sites. With some mine blasts requiring more than 6,000 drill holes, automation reduces people exposure to hazardous environments, is a key enabler for diversity, saves time and allows for greater accuracy.

The rail renewal and maintenance program progressed ahead of schedule and is now complete. In the short term, the program has resulted in higher unit costs for FY2017. However, this cost is offset by the benefits of creating a more integrated and just in time supply chain; the re-railing has unlocked further capacity and enabled us to better mitigate the impacts of unplanned events, such as bad weather.

Looking ahead

We will continue to focus on productivity improvements through standardised work processes, simplification and further cost reduction. BHP will continue to work with the regulatory authorities in relation to the necessary licence amendment to increase BHP s current authorised export capacity to 290 million tonnes (Mt).

Pre-commitment funding of US$184 million has been approved for the development of the South Flank deposit adjacent to the existing Mining Area C operations. The South Flank project, which will leverage and expand the existing Mining Area C hub, is BHP s preferred option to replace production from the 80 million tonnes per annum (Mtpa) Yandi mine (100 per cent basis) when it reaches the end of its economic life in the early-to-mid 2020s. The project is expected to be submitted for Board approval in the middle of CY2018, with first ore targeted in CY2021 and ramp-up timed to coincide with the ramp-down of Yandi.

Table of Contents

Coal assets

Our coal assets in Australia consist of open-cut and underground mines. At our open-cut mines, overburden is removed after blasting, using either draglines or truck and shovel. Coal is then extracted using excavators or loaders and loaded onto trucks to be taken to stockpiles or directly to a beneficiation facility.

At our underground mine, coal is extracted by either longwall or continuous miner. The coal is then transported to stockpiles on the surface by conveyor. Coal from stockpiles is then crushed and, for a number of the operations, washed and processed through a coal preparation plant. Domestic coal is transported to nearby customers via conveyor or rail, while export coal is transported to the port via trains or trucks. As part of the coal supply chain, both single and multi-user rail and port infrastructure is used.

Queensland Coal

Overview

Queensland Coal comprises the BHP Billiton Mitsubishi Alliance (BMA) and BHP Billiton Mitsui Coal (BMC) assets in the Bowen Basin in Central Queensland, Australia.

The Bowen Basin s high-quality metallurgical coals are ideally suited to efficient blast furnace operations. The region s proximity to Asian customers means it is well positioned to competitively supply the seaborne market.

Queensland Coal has access to key infrastructure in the Bowen Basin, including a modern, multi-user rail network and its own coal-loading terminal at Hay Point, located near the city of Mackay. Queensland Coal also has contracted capacity at three other multi-user port facilities, including the Port of Gladstone (RG Tanna Coal Terminal), Dalrymple Bay Coal Terminal and Abbot Point Coal Terminal.

BHP Billiton Mitsubishi Alliance (BMA)

BMA is Australia s largest coal producer and supplier of seaborne metallurgical coal. BMA is owned 50:50 by BHP and Mitsubishi Development.

Table of Contents

BMA operates seven Bowen Basin mines (Goonyella Riverside, Broadmeadow, Daunia, Peak Downs, Saraji, Blackwater and Caval Ridge) and owns and operates the Hay Point Coal Terminal near Mackay. With the exception of the Broadmeadow underground longwall operation, BMA s mines are open-cut, using draglines and truck and shovel fleets for overburden removal.

BHP Billiton Mitsui Coal (BMC)

BMC owns and operates two open-cut metallurgical coal mines in the Bowen Basin South Walker Creek Mine and Poitrel Mine. BMC is owned by BHP (80 per cent) and Mitsui and Co (20 per cent).

South Walker Creek Mine is located on the eastern flank of the Bowen Basin, 35 kilometres west of the town of Nebo and 132 kilometres west of the Hay Point port facilities. Poitrel Mine is situated southeast of the town of Moranbah and began open-cut operations in October 2006.

Key developments during FY2017

Tropical Cyclone Debbie hit the Queensland coast in March 2017, and the extreme rainfall that followed impacted access, power, logistics and services in the Bowen Basin. Dewatering infrastructure installed after the 2011 floods is working as designed and all sites have been fully operational since early April 2017.

BMA has announced an intention to invest US$204 million (100 per cent basis) in the Caval Ridge Southern Circuit (CRSC) capital growth project in the Bowen Basin, which was approved by BHP in March 2017. The CRSC project includes an 11-kilometre overland conveyor system that will transport coal from Peak Downs Mine to the coal handling preparation plant at the nearby Caval Ridge Mine. The project will create up to 400 new construction jobs and lock in around 200 ongoing operational roles to operate the expanded contract mining fleet and to perform maintenance on the new infrastructure. It will also enable full utilisation of the 11.5 Mtpa wash-plant with ramp-up early in FY2019.

The Integrated Remote Operations Center (IROC) in Brisbane, which supports our people working in coal surface mines and port operations in Queensland and New South Wales, was completed in February 2017. IROC provided remote monitoring of the status of our sites during Tropical Cyclone Debbie and the immediate recovery phase, updating our business in a timely and consistent manner.

Looking ahead

Construction of the CRSC capital growth project commenced in April 2017 and will take approximately 18 months to complete. The first coal on conveyor is expected in August 2018.

In addition to the new conveyor and associated tie-ins, the project will fund a new stockpile pad and run-of-mine station at Peak Downs. It includes an upgrade of the existing coal handling preparation plant and stockyard at Caval Ridge. BMA also intends to invest in new mining fleet, including excavators and trucks.

Table of Contents

New South Wales Energy Coal

Overview

New South Wales Energy Coal (NSWEC) consists of the Mt Arthur Coal open-cut energy coal mine in the Hunter Valley region of New South Wales, Australia. The site produces coal for domestic and international customers in the energy sector.

Key developments during FY2017

Following our agreement with the New South Wales Government in August 2016 to cancel the exploration licence of the Caroona Coal project, a net gain of US$115 million (after tax expense) has been recognised in the FY2017 financial results.

IndoMet Coal (Indonesia)

The sale of our 75 per cent interest in Indomet Coal to equity partner PT Alam Tri Abadi (Adaro) was completed in October 2016.

Table of Contents

Nickel West

Overview

Nickel West is a fully integrated mine-to-market nickel business. All nickel operations (mines, concentrators, a smelter and refinery) are located in Western Australia. The integrated business adds value throughout our nickel supply chain, with the majority of Nickel West s production sold as briquettes.

Low-grade disseminated sulphide ore is mined from Mt Keith, a large open-pit operation. The ore is crushed and processed on-site to produce nickel concentrate. High-grade nickel sulphide ore is mined at Cliffs and Leinster underground mines and Rocky s Reward open-pit mine. The ore is processed through a concentrator and dryer at Leinster. Nickel West s concentrator plant in Kambalda processes ore and concentrate purchased from third parties.

The three streams of nickel concentrate come together at the Nickel West Kalgoorlie smelter, a vital part of our integrated business. The smelter uses a flash furnace to smelt more than 650 ktpa of concentrate to produce nickel matte. Nickel West Kwinana then refines granulated nickel matte from the Kalgoorlie smelter into nickel powder and premium-grade nickel metal briquettes containing over 99 per cent nickel. Nickel matte and metal are exported to overseas markets via the Port of Fremantle.

Key developments during FY2017

The installation of a third grinding mill and other low-cost upgrades have lifted the production capacity at the Kwinana Refinery. This resulted in record production being achieved in FY2017, exceeding the previous record by eight per cent.

Within the Leinster underground mines, the development of the access drives to the Venus ore body has progressed, while mining of the Leinster 1A ore body continued to provide high-grade ore to the concentrator.

An environmental referral for a satellite pit at Mt Keith was lodged with the Western Australian Environmental Protection Authority in May 2017. The satellite pit will continue to supply ore to the Mt Keith concentrator upon completion of mining within the current pit.

Table of Contents

Looking ahead

Debottlenecking projects at Kwinana will continue and a range of projects are underway to extract further value from the refinery.

Exploration access to the Venus nickel deposit is scheduled to be completed in FY2018 and the drilling program to define the ore body will commence thereafter. The Venus deposit has the potential to support the extension of the expected life of Nickel West to FY2032.

1.11.2 Minerals Americas

The Minerals Americas asset group includes projects, operated and non-operated assets in Canada, Chile, Peru, the United States, Colombia and Brazil. Our assets produce copper, zinc, iron ore and coal.

Copper assets

Our copper assets in the Americas (Chile and Peru) consist of open-cut mines. At these mines, overburden is removed after blasting, using a truck and shovel. Ore is then extracted and further processed into high-quality copper concentrate or cathode. Copper concentrate is obtained through a grinding and flotation process, while copper cathode is produced from a leaching, solvent extraction and electrowinning process. Copper concentrate is transported to ports via pipeline, while cathode is transported by either rail or road where it is exported to our customers around the world.

Escondida (Chile)

Overview

We operate and own 57.5 per cent of the Escondida mine, which is a leading producer of copper concentrate and cathodes. Escondida, located in the Atacama Desert in northern Chile, is a copper porphyry deposit. Following the expected commissioning of the Escondida Water Supply project and ramp-up of the Los Colorados Concentrator in the September 2017 quarter, Escondida´s two open-cut pits will feed three concentrator plants (which use grinding and flotation technologies to produce copper concentrate), as well as two leaching operations (oxide and sulphide).

Table of Contents

Key developments during FY2017

Tragically, one of our colleagues, Rudy Ortiz, died in October 2016 during planned maintenance on the Laguna Seca Line 2 concentrator. Following completion of the investigation into the fatality, lessons have been shared across BHP. At Escondida, a number of actions have been taken to improve our change management and in-field contractor management processes, as well as investigating the use of new technology to mitigate the inherent risks associated with this activity.

Negotiations with Union N°1 began in December 2016 on a new collective agreement, as the existing agreement was set to expire on 31 January 2017. Negotiations, including government-led mediation, were unsuccessful and the union commenced strike action on 9 February 2017. On 24 March 2017, following a 44-day strike and a revised offer being presented to union members, Union N°1 exercised its rights under Article 369 of the Chilean Labour Code to extend the existing collective agreement for 18 months. Operations returned to full capacity in April 2017.

BHP is investing in long-term sustainable water and power solutions in Chile. The Escondida Water Supply project, approved in July 2013, consists of a new 2,500 litres per second sea water desalination facility at a cost of US$3.4 billion (US$2.0 billion BHP share). First water was delivered in the March 2017 quarter, on schedule and budget and the project was officially handed over to operations on 1 July 2017. This project is an important step towards our progressive substitution of water from ground to sea sources.

We have also awarded a long-term energy agreement for the development, operation and maintenance of Kelar, a 517 megawatt combined-cycle gas-fired power plant in the town of Mejillones, Chile. The plant, which is connected to the Northern Interconnected System, commenced generation in the December 2016 quarter and will supply the increasing demand for electricity at Escondida and Pampa Norte.

Looking ahead

In June 2016, the Escondida Los Colorados Extension project was approved at a cost of US$180 million (US$103 million BHP share). First production is expected in the September 2017 quarter, adding incremental milling capacity of around 100 kilotonnes per day (ktpd).

The commissioning of the Escondida Water Supply project in June 2017 and the planned ramp-up of the Los Colorados Extension project in the September 2017 quarter are expected to allow full utilisation of three concentrators during FY2018.

Negotiations with Escondida Union N°2, comprising around 700 specialist and supervisor level staff, will occur during FY2018 as the current agreement expires on 31 December 2017.

Pampa Norte (Chile)

Overview

Pampa Norte consists of two wholly owned assets in the Atacama Desert in northern Chile Spence and Cerro Colorado. Spence and Cerro Colorado produce high-quality copper cathode, using oxide and sulphide ore treatment through leaching, solvent extraction and electrowinning processes.

Key developments during FY2017

Spence processed a record 20 Mt of ore and had record production in FY2017, following the completion of the Recovery Optimisation (SRO) project.

Table of Contents

The SRO project was commissioned in September 2016 and has improved the production run rate from around 180 ktpa to 200 ktpa, as at December 2016. The SRO project was a low-cost, capital-efficient investment that accelerated leaching rates and increased metal recoveries from existing heap leach processes.

Looking ahead

The Spence Growth Option project was approved in August 2017 with expected capital expenditure of US$2.46 billion, and will extend Spence mining operations by more than 50 years. The project will access primary ore beneath the current mine footprint through the continued development of the existing pit. It will involve the design, engineering and construction of a 95 ktpd concentrator and the outsourcing of a 1,000 litre per second desalination plant, creating up to 5,000 jobs during the construction phase. The project will increase copper production capacity by around 200 ktpa and is expected to deliver first production in FY2021. The current copper cathode stream will continue until FY2025.

Antamina (Peru)

Overview

We own 33.75 per cent of Antamina, a large, low-cost copper and zinc mine in north central Peru. Antamina by-products include molybdenum, lead/bismuth concentrate and silver.

Key developments during FY2017

Antamina continued to study options to debottleneck the operation and increase throughput. In this regard, Antamina achieved record material mined of 245 Mt in FY2017.

Looking ahead

Antamina remains focused on improving productivity and reducing unit cash costs. Copper production is expected to decrease to 125 kt in FY2018, as mining continues to progress through a zinc-rich ore zone consistent with the mine plan. Zinc production is expected to increase from 88 kt to approximately 100 kt in FY2018.

Resolution Copper (United States)

Overview

We hold a 45 per cent interest in the Resolution Copper project in the US state of Arizona, which is operated by Rio Tinto (55 per cent interest). Resolution Copper is one of the largest undeveloped copper projects in the world and has the potential to become the largest copper producer in North America.

Key developments during FY2017

Studies to identify the best development pathway for the project progressed in FY2017. The multi-year National Environmental Policy Act permitting process continued according to plan. Community engagement activities with Native Americans, environmental advocates and local communities also progressed. Our share of project expenditure for FY2017 was US$49 million.

Looking ahead

We remain focused on optimising the Resolution Copper project and working with the operator Rio Tinto to develop the project in a manner that creates sustainable benefits for all stakeholders. The next key milestone for the project is in December 2018 when a draft version of the Environmental Impact Study is expected to be made public.

Coal assets

Cerrejón (Colombia)

Overview

We have a one-third interest in Cerrejón, which owns, operates and markets one of the world s largest open-cut export energy coal mines, located in the La Guajira province of Colombia. Cerrejón also owns and operates integrated rail and port facilities through which the majority of production is exported to European, Asian, North and South American customers.

Table of Contents

Cerrejón s coal assets consist of an open-cut mine. Overburden is removed after blasting, using either draglines or truck and shovel. Coal is then extracted using excavators or loaders and loaded onto trucks to be taken to stockpiles or directly to our beneficiation facility.

Coal from stockpiles is crushed, of which a certain portion is washed and processed through the coal preparation plant. Domestic coal is transported to nearby customers via conveyor. Export coal is transported to the port via trains.

Key developments during FY2017

The drought conditions that impacted Cerrejón in FY2016 have abated, allowing for resequencing of the mine plan. Production in the second half of FY2017 was affected by wet weather.

Concerns have been expressed by resettled communities near Cerrejón, including impacts associated with sustainable livelihoods and access to water. We support Cerrejón to continue to work towards outcomes that reflect strong community engagement processes and meet international best practice for resettlements.

Through a roundtable process, resettled communities and Cerrejón have collectively discussed and addressed common issues and concerns to work towards a mutually agreed solution.

Looking ahead

Cerrejón is focused on safely improving throughput by increasing asset utilisation and securing the necessary permits to access new ore reserves.

New Mexico Coal (United States)

Following the sale of the Navajo mine, we continued to manage and operate the mine until the Mine Management Agreement with Navajo Transitional Energy Company (NTEC) ended on 31 December 2016. This transaction completes the divestment of the New Mexico coal assets.

Table of Contents

Iron ore asset

Samarco (Brazil)

BHP Billiton Brasil Limitada and Vale S.A. each holds a 50 per cent shareholding in Samarco Mineração S.A. (Samarco), which operates the Samarco iron ore mine in Brazil.

Overview

As a result of the tragic dam failure at Samarco in November 2015, operations at Samarco remain suspended. For further information on the Samarco dam failure, refer to section 1.7. Samarco comprises a mine and three concentrators located in the state of Minas Gerais, and four pellet plants and a port located in Anchieta in the state of Espírito Santo. Three 400-kilometre pipelines connect the mine site to the pelletising facilities.

Samarco s main product is iron ore pellets. Prior to the suspension of operations, the extraction and beneficiation of iron ore were conducted at the Germano facilities in the municipalities of Mariana and Ouro Preto. Front end loaders were used to extract the ore and convey it from the mines. Ore beneficiation then occurred in concentrators, where crushing, milling, desliming and flotation processes produced iron concentrate. The concentrate leaves the concentrators as slurry and is pumped through the slurry pipelines from the Germano facilities to the pellet plants in Ubu, Anchieta, where the slurry is processed into pellets. The iron ore pellets are then heat treated. The pellet output is stored in a stockpile yard before being shipped out of the Samarco-owned Port of Ubu in Anchieta.

Key developments during FY2017

For information on the progress made on remediation, resettlement and compensation in response to the Fundão dam failure, refer to section 1.7.

Looking ahead

Restart of Samarco s operations remains a focus, but is subject to separate negotiations with relevant parties and will occur only if it is safe, economically viable and has the support of the community. Resuming operations requires the granting of licences by state and federal authorities, community hearings and an appropriate restructure of Samarco s debt.

Table of Contents

Potash

Overview

Potash is a potassium-rich salt mainly used in fertiliser to improve the quality and yield of agricultural production. As an essential nutrient for plant growth, potash is a vital link in the global food supply chain. The demands on that supply chain are intensifying; there will be more people to feed in future, as well as rising calorific intake comprised of more varied diets. The strains this will place on finite land supply mean sustainable increases in crop yields will be crucial and potash fertilisers will be critical in replenishing our soils.

However, in the near term, overcapacity is likely to get worse. In the 10 years to 2016, the industry added nearly 27 Mt of annual nameplate capacity. Further greenfield supply will come on stream over the next five years. As a result, potash prices are currently at their lowest levels in a decade and are likely to get worse before they get better.

Although the near-term outlook may be sombre, we expect the peak of oversupply to occur within the next few years. Positive underlying demand fundamentals, assisted by affordable pricing, should see consumption catch up to capacity in the 2020s. Our projections are that demand for potash will continue to grow at a rate of about two to three per cent per year (compound annual growth rate) and that, even taking into account new projects and latent capacity in the industry, demand will outstrip supply within the next decade.

Potash has the potential to create significant value and provide BHP with an opportunity to capture long-term growth and diversification benefits.

Our investment in the Jansen Potash Project presents an opportunity to develop a multi-decade, multi-mine business; a potential fifth major commodity offering for BHP. It is consistent with our strategy to own and operate large, expandable assets that deliver value. However, the Project will be presented to the Board for approval only if it passes our strict Capital Allocation Framework tests.

Table of Contents

Jansen Potash Project

BHP holds exploration permits and mining leases covering approximately 9,600 square kilometres in the province of Saskatchewan, Canada. The Jansen Potash Project is located about 140 kilometres east of Saskatoon. We own 100 per cent of this Project.

Jansen s large resource endowment provides the opportunity to develop it in stages, with anticipated initial capacity of 4 Mtpa.

Key developments during FY2017

Over the year, our focus was on the safe excavation and lining of two 7.3 metre diameter shafts. Both shafts were safely excavated through the Blairmore formation (which lies about 450 metres below the surface), with steel tubbing in place to prevent water inflow and provide structural support. By the end of FY2017, the production shaft had reached a depth of approximately 730 metres of the design depth of 975 metres and the service shaft had been excavated to approximately 710 metres of its eventual one-kilometre depth. Capital expenditure in the Jansen Potash Project in FY2017 was US$162 million.

During the year, we awarded the detailed engineering design contract studying the feasibility of Jansen Stage 1 to Hatch Bantrel, which formed a joint venture partnership to complete this work.

Looking ahead

Jansen is in the feasibility study phase and we continue to assess how we can reduce risk and unlock value. The current scope of work was 70 per cent complete at the end of FY2017. Work on the shafts will continue in FY2018. Once shaft excavation is complete, the shafts will be connected underground and shaft infrastructure will be installed. This falls within the current approved scope of work.

Construction beyond the current scope of work will require Board approval. With a later market window now anticipated, the Jansen Potash Project will not be brought to the Board in CY2018. In the meantime, we are considering multiple options to maximise the value of Jansen, including further improvements to capital efficiency, further optimisation of design and diluting our interest by bringing in a partner. Board approval will be sought for the project only if it passes our strict Capital Allocation Framework tests.

1.11.3 Petroleum

BHP has been in oil and gas since the 1960s. Petroleum is a high-margin business and we have globally competitive operating capability that can support long-term value creation.

Our Petroleum unit comprises conventional and unconventional oil and gas assets, and includes exploration, development and production activities. We have a high-quality resource base concentrated in the United States and Australia. We have conventional assets located in the US Gulf of Mexico, Australia and Trinidad and Tobago, and unconventional Onshore US assets. We produce crude oil and condensate, gas and natural gas liquids (NGLs) that are sold on the international spot market or delivered domestically under contracts with varying terms, depending on the location of the asset.

Table of Contents

United States

Gulf of Mexico

Overview

We operate two fields in the Gulf of Mexico Shenzi (44 per cent interest) and Neptune (35 per cent interest).

We hold non-operating interests in two other fields Atlantis (44 per cent interest) and Mad Dog (23.9 per cent interest).

All our producing fields are located between 155 and 210 kilometres offshore from the US state of Louisiana. We also own 25 per cent and 22 per cent, respectively, of the companies that own and operate the Caesar oil pipeline and the Cleopatra gas pipeline. These pipelines transport oil and gas from the Green Canyon area, where our Gulf of Mexico fields are located, to connecting pipelines that transport product onshore.

Key developments during FY2017

Mad Dog Phase 2, located in the Green Canyon area in the Deepwater Gulf of Mexico, is a southern and southwestern extension of the existing Mad Dog field. The Mad Dog Phase 2 project is in response to the successful Mad Dog South appraisal well, which confirmed significant hydrocarbons in the southern portion of the Mad Dog field.

The project cost has more than halved since 2013, with a revised field development concept leading to significant cost reductions. It is now estimated to be US$9 billion on a 100 per cent basis (US$2.2 billion BHP share). BP (the operator) sanctioned the Mad Dog Phase 2 project in December 2016 and the revised project was approved by the BHP Board in February 2017. The project includes a new floating production facility with the capacity to produce up to 140,000 gross barrels of crude oil per day from up to 14 production wells. Production is expected to begin in FY2022. Our share of the development costs is approximately US$2.2 billion.

For more information, refer to section 1.13.1.

Table of Contents

Onshore US

Overview

We hold more than 794,000 net acres in four prolific US shale areas Eagle Ford, Permian, Haynesville and Fayetteville where we produce oil, condensate, gas and NGLs. The Black Hawk field of Eagle Ford and the Permian area are two of our largest liquids-focused field developments.

Eagle Ford

We are one of the largest producers in the liquids-focused Eagle Ford shale. Our Eagle Ford area (approximately 246,000 net acres) consists of Black Hawk and Hawkville fields, with production operations located primarily in the southern Texas counties of DeWitt, Karnes, McMullen and LaSalle. We produce condensate, gas and NGLs from the two fields. The condensate and gas produced are sold domestically in the United States via connections to intrastate and interstate pipelines, and internationally through the export of processed condensate. Our average net working interest is around 63 per cent. We acted as joint venture operator for approximately 37 per cent of our gross wells. In DeWitt county, we are operators for the drilling and completion phases of the majority of wells. The Eagle Ford gathering system consists of around 1,650 kilometres of pipelines that deliver volumes to five central delivery points, from which volumes are processed and transported to market. We operate the gathering system and own 75 per cent of it, while the remaining 25 per cent is held by Kinder Morgan.

Permian

The Permian production operation is located primarily in the western Texas county of Reeves and consists of approximately 83,000 net acres. We produce oil, gas and NGLs. The oil and gas are sold domestically in the United States via connections to intrastate and interstate pipelines. Our average net working interest is approximately 91 per cent. We acted as joint venture operator for around 91 per cent of our gross wells. Permian has 113 kilometres of water pipelines and a gathering system that consists of 183 kilometres of gas pipelines that deliver volumes to third party processing plants, from where processed volumes are transported to market.

Haynesville

The Haynesville production operation is located primarily in northern Louisiana and consists of approximately 197,000 net acres. We produce gas that is sold domestically in the United States via connections to intrastate and interstate pipelines. Our average net working interest is approximately 36 per cent. We acted as joint venture operator for around 35 per cent of our gross wells.

Fayetteville

The Fayetteville production operation is located in north central Arkansas and consists of approximately 268,000 net acres. We produce gas that is sold domestically in the United States via connections to intrastate and interstate pipelines. Our average net working interest is approximately 21 per cent. We acted as joint venture operator for around 19 per cent of our gross wells. The Fayetteville gathering system consists of around 770 kilometres of pipelines that deliver volumes to multiple compressor stations where processed volumes are transported to market.

Key developments during FY2017

The development phase of an onshore shale operation requires an extensive drilling and completion program, associated gas compression and treatment facilities, and connecting pipelines. Shale development has a repetitive, manufacturing-like nature that provides opportunities for increased efficiency. Our development of the shale reservoirs utilises horizontal drilling, with average lateral lengths between 1,500 3,000 metres. We enter into service contracts with third parties to provide drilling and completion services at our operated sites. Five drilling rigs were in operation at the end of FY2017.

Table of Contents

In the Eagle Ford, tests continue on the potential for staggered wells to increase recovery, larger fracturing jobs to improve productivity and the potential of the Upper Eagle Ford horizon.

The optimisation of Permian acreage has progressed through trades and swaps in the Delaware Basin, so that we can drill longer lateral wells to improve well economics. Activity is expected to increase as we complete the trials we need to inform the future development plan.

In Haynesville, development activity is increasing with the approval of two additional rigs. We expect rates of return on portions of our FY2018 production will be strengthened by gas hedging and supply contracts secured under favourable terms.

We are working with joint venture partners in the Fayetteville to assess the potential of the Moorefield horizon.

Strategic developments

As part of our ongoing review of our portfolio, the Board and management determined in August 2017 that our Onshore US assets are non-core and options to exit these assets are being actively pursued. We will be flexible with our plans and commercial in our approach. We are examining multiple alternatives but will only divest for value. Execution of these options may take time, which we will use to continue to complete our well trials and acreage swaps, and to investigate mid-stream solutions to increase the value, profitability and marketability of our Onshore US acreage.

Table of Contents

Australia

Overview

Bass Strait

We have produced oil and gas from Bass Strait (50 per cent interest) for over 40 years. Our operations are located between 25 and 80 kilometres off the southeastern coast of Australia. The Gippsland Basin Joint Venture, operated by Esso Australia (a subsidiary of ExxonMobil), participated in the original discovery and development of hydrocarbons in the field. More recently, the Kipper gas field under the Kipper Unit Joint Venture (also operated by Esso Australia) has brought online additional gas and liquids production that are processed via the existing Gippsland Basin Joint Venture facilities.

Table of Contents

We sell the majority of our Bass Strait crude oil and condensate production to local refineries in Australia. Gas is piped onshore to the joint venture s Longford processing facility, from where we sell our share of production to domestic retailers and end users. Liquefied petroleum gas (LPG) is dispatched via pipeline, road tanker or sea tanker. Ethane is dispatched via pipeline to a petrochemical plant in western Melbourne.

North West Shelf

We are a joint venture participant in the North West Shelf Project (12.5 16.67 per cent interest), located around 125 kilometres northwest of Dampier in Western Australia. The North West Shelf Project supplies gas to the Western Australian domestic market and liquefied natural gas (LNG) to buyers primarily in Japan, South Korea and China.

North West Shelf gas is piped from offshore fields to the onshore Karratha Gas Plant for processing. LPG, condensate and LNG are transported to market by ship, while domestic gas is transported by the Dampier-to-Bunbury and Pilbara Energy pipelines to buyers.

We are also a joint venture partner in four nearby oil fields Cossack, Wanaea, Lambert and Hermes. All North West Shelf gas and oil joint ventures are operated by Woodside.

Pyrenees

We operate six oil fields in Pyrenees, which are located offshore around 23 kilometres northwest of Northwest Cape, Western Australia. We had an effective 62 per cent interest in the fields as at 30 June 2017 based on inception-to-date production from two permits in which we have interests of 71.43 per cent and 40 per cent, respectively. The development uses a floating, production, storage and off-take (FPSO) facility.

Macedon

We are the operator of Macedon (71.43 per cent interest), an offshore gas field located around 75 kilometres west of Onslow, Western Australia and an onshore gas processing facility, located around 17 kilometres southwest of Onslow.

The operation consists of four subsea wells, with gas piped onshore to the processing plant. After processing, the gas is delivered into a pipeline and sold to the West Australian domestic market.

Minerva

We are the operator of Minerva (90 per cent interest), a gas field located 11 kilometres south-southwest of Port Campbell in western Victoria. The operation consists of two subsea wells, with gas piped onshore to a processing plant. After processing, the gas is delivered into a pipeline and sold domestically. Minerva end-of-field life is expected in FY2018, after which operations will be discontinued and wells will be plugged and abandoned.

Key developments during FY2017

Bass Strait Longford Gas Conditioning

The Longford Gas Conditioning Plant (LGCP) Project was approved by the Board in December 2012 to allow the production of Turrum reserves and the production of Kipper and other undeveloped high carbon dioxide content hydrocarbons. The facility is designed to process around 400 million cubic feet per day (MMcf/d) of high carbon dioxide gas. The project was completed and first gas production occurred in FY2017, with maximum rates achieved in

March 2017. Our share of development costs is approximately US$520 million, of which US$505 million was incurred as of 30 June 2017.

Table of Contents

Bass Strait Kipper gas field development

The Kipper gas field began production in FY2017 following the completion of the Longford Gas Conditioning Plant. Funding for the installation of mercury treatment facilities was approved in March 2014, with completion in FY2017. The project included two new subsea wells, three new pipelines and platform modifications to supply 3,000 barrels per day (Mbbl/d) of condensate and 80 MMcf/d of gas.

Bass Strait Turrum field development

The Turrum field development is located 42 kilometres offshore in about 60 metres of water and operates under the Gippsland Basin Joint Venture. The Turrum field has a capacity of 10 Mbbl/d of oil and 200 MMcf/d of gas. Initial production of low carbon dioxide gas through the Turrum facilities occurred in June 2013. High carbon dioxide gas production from the Turrum reservoir has come online with completion of the Longford Gas Conditioning Plant in FY2017.

North West Shelf Other Persephone

Persephone is a two well subsea project located northeast of the existing North Rankin complex. Execution activities are in progress, with first production expected in CY2017. Our share of development costs is around US$190 million.

North West Shelf Other Greater Western Flank B

The Greater Western Flank 2 project was sanctioned by the Board in December 2015 and represents the second phase of development of the core Greater Western Flank fields, behind the GWF-A development. It is located to the southwest of the existing Goodwyn A platform. The development comprises six fields and eight subsea wells. Execution activities are in progress, with first production expected in CY2019. Our share of development costs is around US$314 million.

Scarborough

Development planning for the large Scarborough gas field (located offshore from Western Australia) is in progress. Further work to optimise a preferred development option is ongoing. On 14 November 2016, we completed the transaction to divest 50 per cent of our interest in the undeveloped Scarborough area gas fields to Woodside Energy Limited (Woodside).

The transaction included half of BHP s interests in WA-1-R, WA-62-R, WA-61-R, and WA-63-R, for an initial cash consideration of US$250 million and a further US$150 million, payable at the time a future final investment decision is made for the development of the Scarborough gas field.

WA-1-R and WA-62-R together contain the Scarborough gas field. WA-61-R and WA-63-R contain the Jupiter and Thebe gas fields. Woodside will operate WA-61-R, WA-62-R and WA-63-R and we now hold a 50 per cent working interest. Esso is the operator of the WA-1-R lease and we now hold a 25 per cent working interest.

Table of Contents

Other production operations

Overview

Trinidad and Tobago

We operate the Greater Angostura field (45 per cent interest in the production sharing contract), an integrated oil and gas development located offshore 40 kilometres east of Trinidad. The crude oil is sold on a spot basis to international markets, while the gas is sold domestically under term contracts.

Algeria

Our Algerian asset comprises an effective 29.5 per cent interest in the ROD Integrated Development, which consists of six satellite oil fields that pump oil back to a dedicated processing train. The oil is sold on a spot basis to international markets. ROD is jointly operated by Sonatrach and ENI.

United Kingdom

We hold 16 per cent non-operating interest in the Bruce oil and gas field in the North Sea and a 31.83 per cent non-operating interest in the Keith oil and gas field, a subsea tie-back. Operatorship of the Keith field was transferred to BP on 31 July 2015. Oil and gas from both fields are processed via the Bruce platform facilities.

For more information, refer to section 1.13.1.

1.11.4 Marketing and Supply

Marketing and Supply is an interdependent core business of BHP. It is the link between BHP s global operations, our customers and our local and global suppliers. It is aligned to our asset groups Minerals Australia, Minerals Americas and Petroleum.

It s how we take our iron ore mined in Australia and sell it to customers in China to make steel. It s how we source our trucks from Illinois, our rail track from Japan, our contractors from Adelaide, our rolling stock from China and our drilling rigs from Texas. It s how we connect a fabricator in Japan with copper cathode from our Chilean operations and how we pump oil in the Gulf of Mexico to fuel US transport.

Marketing focuses on optimising realised prices and sales outcomes, allowing the assets to focus on safety, volume and cost, and presenting one face to markets and customers across multiple assets. Marketing secures sales of BHP products and manages associated risks, gets our resources to market, provides governance of credit, manages market and price risks, and supports strategic and commercial decision-making by analysing commodity markets and providing short- and long-term insights.

Supply is our global procurement division, which purchases the goods and services that are used by our assets, working with our assets to optimise equipment performance, reduce operating cost and improve working capital. Supply manages supply chain risk and develops sustainable relationships with both global suppliers and local businesses in our communities.

A simple, centralised organisation co-located with key markets

Our Marketing and Supply businesses are strategically located in close proximity to our customers and suppliers. Singapore is our primary Marketing and Supply business, reflecting the fact that about 77 per cent of our sales and suppliers are in Asia. Another major Marketing and Supply business is located in Houston, United States. More than half of our oil and gas sales are to customers in North America. In addition, we have regional marketers located close to our customers in eight other cities across the world and global Supply teams supporting our assets in Australia, Chile and the United States.

Table of Contents

Marketing and Supply strategically located close to our key markets

Safer, more sustainable and efficient freight

BHP is one of the largest global shippers of bulk commodities. We use our scale and deep understanding of our markets to procure safe, low-cost freight. Our objective is to create a competitive advantage through using the highest quality freight service providers and ship owners. We drive improvement in industry safety standards and emissions reduction; for example, through our support for the Rightship ship vetting services and the use of data analytics to measure our counterparties safety performance. We also look for ways to improve efficiency, such as by coordinating our inbound and outbound ocean freight requirements.

Sustainable supply

We set global standards for critical supply controls. Our focus is on the sustainability of our supply chain, and we develop sustainable partnerships with local businesses in our communities as well as global suppliers, taking into account human rights and environmental risks.

Developing market insight to inform strategic decision-making

Through our centralised network, Marketing and Supply analyses the fundamentals of demand and incorporates views on supply to inform our long-run outlook of commodity markets and key cost drivers for our procurement. We consider various global scenarios in our modelling and regularly monitor evolving trends in the market.

Our commodity views support asset and portfolio investment decisions, strategic planning, valuations and capital management. Marketing and Supply s outlook on the global economy, the resource industry and each of the commodities in our portfolio also serves to inform broader organisational priorities, such as our position on climate change.

1.12 Summary of financial performance

1.12.1 Group overview

We prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. We publish our Consolidated Financial Statements in US dollars. All Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement information below has been derived from audited financial statements. For more information, refer to section 5.

Table of Contents

Unless otherwise noted, comparative financial information for FY2014 and FY2013 has been restated to reflect the demerger of South32 in FY2015, as required by IFRS 5/AASB 5 Non-current Assets Held for Sale and Discontinued Operations . Consolidated Balance Sheet information for these periods has not been restated as accounting standards do not require it.

Information in this section has been presented on a Continuing operations basis to exclude the contribution from assets that were demerged with South32, unless otherwise noted. Details of the contribution of the South32 assets to the Group s results are disclosed in note 27 Discontinued operations in section 5.

Year ended 30 June

US$M	**2017**	2016	2015	2014	2013
Consolidated Income Statement (section 5.1.1)					
Revenue	**38,285**	30,912	44,636	56,762	53,860
Profit/(loss) from operations	**11,753**	(6,235)	8,670	22,649	21,977
Profit/(loss) after taxation from Continuing operations	**6,222**	(6,207)	4,390	14,955	14,132
(Loss)/profit after taxation from Discontinued operations			(1,512)	269	(1,312)
Profit/(loss) after taxation from Continuing and Discontinued operations attributable to BHP shareholders (Attributable profit/(loss)) (1)	**5,890**	(6,385)	1,910	13,832	11,223
Dividends per ordinary share paid during the period (US cents)	**54.0**	78.0	124.0	118.0	114.0
Dividends per ordinary share determined in respect of the period (US cents)	**83.0**	30.0	124.0	121.0	116.0
Basic earnings/(loss) per ordinary share (US cents) (1)(2)	**110.7**	(120.0)	35.9	260.0	210.9
Diluted earnings/(loss) per ordinary share (US cents) (1)(2)	**110.4**	(120.0)	35.8	259.1	210.2
Basic earnings/(loss) from Continuing operations per ordinary share (US cents) (2)	**110.7**	(120.0)	65.5	256.5	238.6
Diluted earnings/(loss) from Continuing operations per ordinary share (US cents) (2)	**110.4**	(120.0)	65.3	255.7	237.8
Number of ordinary shares (million)					
At period end	**5,324**	5,324	5,324	5,348	5,348
Weighted average	**5,323**	5,322	5,318	5,321	5,322
Diluted	**5,336**	5,322	5,333	5,338	5,340
Consolidated Balance Sheet (section 5.1.3) (3)					
Total assets	**117,006**	118,953	124,580	151,413	139,178
Net assets	**62,726**	60,071	70,545	85,382	75,291
Share capital (including share premium)	**2,761**	2,761	2,761	2,773	2,773
Total equity attributable to BHP shareholders	**57,258**	54,290	64,768	79,143	70,667
Consolidated Cash Flow Statement (section 5.1.4)					
Net operating cash flows (4)	**16,804**	10,625	19,296	25,364	20,154
Capital and exploration expenditure (5)	**5,220**	7,711	12,763	16,210	22,425

Table of Contents

Year ended 30 June

US$M	2017	2016	2015	2014	2013
Other financial information					
Net debt [6]	**16,321**	26,102	24,417	25,786	27,510
Underlying attributable profit [6]	**6,732**	1,215	6,417	13,263	12,017
Underlying EBITDA [6]	**20,296**	12,340	21,852	30,292	28,109
Underlying EBIT [6]	**12,389**	3,469	11,866	22,098	21,680
Underlying basic earnings per share (US cents) [6]	**126.5**	22.8	120.7	249.3	225.8

(1) Includes (Loss)/profit after taxation from Discontinued operations attributable to BHP shareholders.

(2) For more information on earnings per share, refer to note 6 Earnings per share in section 5.

(3) The Consolidated Balance Sheet for FY2015 does not include the assets and liabilities demerged to South32. The Consolidated Balance Sheet of FY2014 and FY2013 does include the asset and liabilities demerged to South32 as IFRS 5/AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not require the Consolidated Balance Sheet to be restated for comparative periods.

(4) Net operating cash flows are after dividends received, net interest paid and net taxation paid and includes Net operating cash flows from Discontinued operations.

(5) Capital and exploration expenditure is presented on a cash basis and represents purchases of property, plant and equipment plus exploration expenditure from the Consolidated Cash Flow Statement in section 5. Purchase of property, plant and equipment includes capitalised deferred stripping of US$416 million for FY2017 (FY2016: US$750 million) and excludes capitalised interest. Exploration expenditure is capitalised in accordance with our accounting policies, as set out in note 10 Property, plant and equipment in section 5.

(6) We use alternate performance measures to reflect the underlying performance of the Group. Refer to section 1.12.4 for a reconciliation of alternate performance measures to their respective IFRS measure. Refer to section 1.12.5 for the definition and method of calculation of alternate performance measures. Refer to note 19 Net debt in section 5 for the composition of Net debt.

1.12.2 Financial results

The following table expands on the Consolidated Income Statement in section 5.1.1, to provide more information on the revenue and expenses of the Group in FY2017.

Year ended 30 June	**2017 US$M**	2016 US$M	2015 US$M
Revenue [1]	**38,285**	30,912	44,636

Other income	**736**	444	496
Employee benefits expense	**(3,787)**	(3,702)	(4,971)
Changes in inventories of finished goods and work in progress	**745**	(294)	(139)
Raw materials and consumables used	**(3,908)**	(4,063)	(4,667)
Freight and transportation	**(2,284)**	(2,226)	(2,644)
External services	**(4,765)**	(4,984)	(6,284)
Third party commodity purchases	**(1,157)**	(1,013)	(1,165)
Net foreign exchange (losses)/gains	**(103)**	153	469
Government royalties paid and payable	**(1,986)**	(1,349)	(1,708)
Exploration and evaluation expenditure incurred and expensed in the current period	**(612)**	(430)	(670)

Table of Contents

Year ended 30 June	**2017 US$M**	2016 US$M	2015 US$M
Depreciation and amortisation expense	**(7,931)**	(8,661)	(9,158)
Impairment of assets	**(193)**	(7,394)	(4,024)
Operating lease rentals	**(469)**	(528)	(636)
All other operating expenses	**(1,090)**	(996)	(1,413)
Expenses excluding net finance costs	**(27,540)**	(35,487)	(37,010)
Profit/(loss) from equity accounted investments, related impairments and expenses	**272**	(2,104)	548
Profit/(loss) from operations	**11,753**	(6,235)	8,670
Net finance costs	**(1,431)**	(1,024)	(614)
Total taxation (expense)/benefit	**(4,100)**	1,052	(3,666)
Profit/(loss) after taxation from Continuing operations	**6,222**	(6,207)	4,390
Loss after taxation from Discontinued operations			(1,512)
Profit/(loss) after taxation from Continuing and Discontinued operations	**6,222**	(6,207)	2,878
Attributable to non-controlling interests	**332**	178	968
Attributable to BHP shareholders	**5,890**	(6,385)	1,910

(1) Includes the sale of third party products.

Profit after taxation from Continuing and Discontinued operations attributable to BHP shareholders increased from a loss of US$6.4 billion in FY2016 to a profit of US$5.9 billion in FY2017.

Revenue of US$38.3 billion increased by US$7.4 billion, or 24 per cent, from FY2016. This increase was primarily attributable to higher average realised prices, partially offset by lower production at Escondida mainly due to industrial action, at Queensland Coal due to the impact of Cyclone Debbie and at Onshore US due to deferral of activity for value and natural field decline. For information on our average realised prices and production of our commodities, refer to section 1.13.

Total expenses of US$27.5 billion decreased by US$7.9 billion, or 22 per cent, from FY2016. This primarily reflects impairments to our Onshore US assets recorded in FY2016, with FY2017 impairment expenses declining by US$7.2 billion. Lower depreciation and amortisation expense of US$730 million reflected lower production at our coal, copper and petroleum operations and a reduction in the depreciable asset base resulting from previously recorded impairment charges in Onshore US. Changes in finished goods and work in progress inventories of US$745 million was primarily driven by a planned build of mined ore at Escondida ahead of the commissioning of the Los Colorados Extension project in the September 2017 quarter, and a benefit relative to FY2016 due to an inventory drawdown at Olympic Dam in the prior year. This was partially offset by an increase to government royalties paid and payable of US$637 million, driven by higher revenues as explained earlier in this section.

Profit/(loss) from equity accounted investments, related impairments and expenses of US$272 million has increased by US$2.4 billion from FY2016. The increase is primarily due to the initial financial impact of the Samarco dam failure decreasing the FY2016 result and higher average realised prices received by operating equity accounted investments in FY2017.

Net finance costs of US$1.4 billion increased by US$407 million, or 40 per cent, from FY2016 reflecting higher benchmark interest rates, costs related to the March 2017 bond repurchase program and increased discounting charges to provisions and other liabilities, primarily relating to the Samarco dam failure (US$127 million). This was partially offset by a lower average debt balance following the repayment on maturity of Group debt and the bond repurchase program. For more information on net finance costs, refer to section 1.12.3 and note 19 Net debt in section 5.

Table of Contents

Total taxation expense, including royalty-related taxation and exchange rate movements, was US$4.1 billion representing a statutory effective tax rate of 39.7 per cent. The FY2017 taxation expense reflects higher profits as explained earlier in this section. The FY2016 taxation benefit reflects operating losses resulting from the recognition of impairments as explained earlier in this section.

Financial results for the year ended 30 June 2016 compared with year ended 30 June 2015

Loss after taxation from Continuing and Discontinued operations attributable to the BHP shareholders was US$6.4 billion in FY2016 compared with a profit of US$1.9 billion in FY2015.

Revenue of US$30.9 billion reduced by US$13.7 billion, or 31 per cent, from US$44.6 billion in FY2015. This decrease was primarily attributable to weaker average realised prices across all major commodities. For a discussion of the average realised prices of our commodities, refer to section 1.6.3 Commodity performance overview . Lower volumes during the year, particularly for copper at Escondida (due to anticipated grade decline) and Onshore US (deferral of development activity for value), also contributed to the decline in revenue. For production results from our operations during the periods, refer to section 6.2.

Total expenses of US$35.5 billion reduced by US$1.5 billion, or four per cent, from US$37.0 billion in FY2015. This was due to a US$1.3 billion reduction in Employee benefits expense related to lower headcount, a US$1.3 billion reduction in External services related to lower contractor expenditure and a US$604 million reduction in Raw materials and consumables used due to lower fuel and energy costs.

Depreciation and amortisation expense declined by US$497 million due to a reduction in the depreciable asset base at Onshore US due to impairments previously recorded. Impairment of assets of US$7.4 billion in FY2016 primarily relates to Onshore US assets.

(Loss)/profit from operations of US$(6.2) billion reduced by US$14.9 billion from FY2015 primarily as a result of a significant decline in commodity prices, the impairment of the Onshore US assets and the financial impacts of the Samarco dam failure, partially offset by the cost reductions described above.

Net finance costs of US$1.0 billion increased by US$410 million, or 67 per cent, from US$614 million in FY2015 due to the issue of multi-currency hybrid notes during FY2016 (refer to section 1.12.3), higher benchmark interest rates and a gain on the early redemption of the Petrohawk Energy Corporation Senior Notes in FY2015.

The Group s statutory effective tax rate for FY2016 presents as nil (FY2015: 45.5 per cent) because we recognised a total taxation benefit of US$1.1 billion (including government imposed royalty-related taxation calculated by reference to profits), and a loss before taxation for the period of US$7.3 billion. The Group s adjusted effective tax rate was 35.8 per cent (FY2015: 31.8 per cent). The increase in the Group s adjusted effective tax rate in FY2016 reflects the relative higher proportion of profit from Australian petroleum assets (which are subject to a higher rate of tax due to the Petroleum Resource Rent Tax) in the Group s overall profit compared to FY2015.

Government royalties paid and payable which are not profit based are recognised as operating costs within (Loss)/profit before taxation. These amounted to US$1.3 billion during the period (FY2015: US$1.7 billion).

Discontinued operations

South32 s contribution to BHP Billiton s FY2015 results comprised a US$1.5 billion Loss after taxation. Details of the contribution of the South32 assets to the Group s results are disclosed in note 27 Discontinued operations in section 5.

Table of Contents

Principal factors that affect Revenue, Profit/(loss) from operations and Underlying EBITDA

The following table describes the impact of the principal factors that affected Revenue, Profit/(loss) from operations and Underlying EBITDA for FY2017 and relates them back to our Consolidated Income Statement. For information on the method of calculation of the principal factors that affect Revenue, Profit/(loss) from operations and Underlying EBITDA, refer to section 1.12.6.

	Revenue US$M	Total expenses, Other income and Profit/(loss) from equity accounted investments US$M	Profit/(loss) from operations US$M	Depreciation, amortisation and impairments and Exceptional Items US$M	Underlying EBITDA US$M
For the year ended 30 June 2016					
Revenue	**30,912**				
Other income		**444**			
Expenses excluding net finance costs		**(35,487)**			
Loss from equity accounted investments, related impairments and expenses		**(2,104)**			
Total other income, expenses excluding net finance costs and Loss from equity accounted investments, related impairments and expenses		**(37,147)**			
Loss from operations			**(6,235)**		
Depreciation, amortisation and impairments [1]				**8,871**	
Exceptional items [1] (refer to note 2 Exceptional items in section 5)				**9,704**	
Underlying EBITDA					**12,340**
Change in sales prices	9,261	(274)	**8,987**		**8,987**
Price-linked costs		(779)	**(779)**		**(779)**
Net price impact	9,261	(1,053)	**8,208**		**8,208**
Productivity volumes	422	(82)	**340**		**340**
Growth volumes	(668)	401	**(267)**		**(267)**
Changes in volumes	(246)	319	**73**		**73**

Operating cash costs		1,131	**1,131**		**1,131**
Exploration and business development		(170)	**(170)**		**(170)**
Change in controllable cash costs (2)		961	**961**		**961**
Exchange rates	38	(554)	**(516)**		**(516)**
Inflation on costs		(308)	**(308)**		**(308)**
Fuel and energy		(7)	**(7)**		**(7)**
Non-cash		(357)	**(357)**		**(357)**
One-off items		(602)	**(602)**		**(602)**
Change in other costs	38	(1,828)	**(1,790)**		**(1,790)**
Asset sales		176	**176**		**176**
Ceased and sold operations	(478)	417	**(61)**		**(61)**
Share of operating profit from equity accounted investments		172	**172**		**172**
Other	(1,202)	1,419	**217**		**217**
Depreciation, amortisation and impairments (1)		964	**964**	(964)	
Exceptional items (1)		9,068	**9,068**	(9,068)	

93

Table of Contents

	Revenue US$M	Total expenses, Other income and Profit/(loss) from equity accounted investments US$M	Profit/(loss) from operations US$M	Depreciation, amortisation and impairments and Exceptional Items US$M	Underlying EBITDA US$M
For the year ended 30 June 2017					
Revenue	**38,285**				
Other income		**736**			
Expenses excluding net finance costs		**(27,540)**			
Profit from equity accounted investments, related impairments and expenses		**272**			
Total other income, expenses excluding net finance costs and Profit from equity accounted investments, related impairments and expenses		**(26,532)**			
Profit/(loss) from operations			**11,753**		
Depreciation, amortisation and impairments [1]				**7,907**	
Exceptional items [1] (refer to note 2 Exceptional items in section 5)				**636**	
Underlying EBITDA					**20,296**

(1) Depreciation and impairments that we classify as exceptional items are excluded from depreciation, amortisation and impairments. Depreciation, amortisation and impairments includes non-exceptional impairments of US$188 million (FY2016: US$210 million).

(2) Collectively, we refer to the change in operating cash costs and change in exploration and business development as change in controllable cash costs. Operating cash costs by definition do not include non-cash costs. The change in operating cash costs also excludes the impact of exchange rates and inflation, changes in fuel and energy costs, changes in exploration and business development costs and one-off items. These items are excluded so as to provide a consistent measurement of changes in costs across all segments, based on the factors that are within the control and responsibility of the segment. Change in controllable cash costs and change in operating cash costs are not measures that are recognised by IFRS. They may differ from similarly titled measures reported by other companies.

Higher average realised prices across our key commodities increased Underlying EBITDA by US$9.0 billion in FY2017. This was partially offset by an increase to price-linked costs of US$779 million reflecting higher royalty charges.

Productivity volumes in Underlying EBITDA improved by US$340 million primarily as a result of ongoing efficiency improvements and the release of latent capacity across the Group, excluding US$602 million one-off items from the industrial action at Escondida, power outage at Olympic Dam and the impact of Cyclone Debbie at Queensland Coal. This was partially offset by US$267 million lower growth volumes reflecting deferral of development activity for value at Onshore US and expected natural field decline.

Our focus on best-in-class performance underpinned a US$961 million reduction in controllable cash costs during FY2017. Lower costs reflect a decrease in labour and contractor costs per tonne produced at WAIO, favourable impacts from inventory movements across the mineral assets and a change in estimated recoverable copper in the Escondida sulphide leach pad. These are partially offset by additional WAIO rail maintenance costs, closure and rehabilitation adjustments in Petroleum and the impact of higher exploration expenditure attributable to expensing the Burrokeet wells in Trinidad and Tobago and the Wildling-1 well in the Gulf of Mexico.

Table of Contents

A weaker US dollar against the Australian dollar and Chilean peso decreased Underlying EBITDA by US$516 million during the period.

Increased depletion of capitalised stripping and a lower strip ratio consistent with the Escondida mine plan further reduced Underlying EBITDA by US$357 million.

Principal factors affecting Underlying EBITDA for the year ended 30 June 2016 compared with year ended 30 June 2015

Lower average realised prices across our major commodities reduced Underlying EBITDA by US$11.3 billion in FY2016, partially offset by a reduction in price-linked costs by US$592 million reflecting lower royalty charges at Western Australia Iron Ore as a result of lower average realised prices.

Anticipated grade decline of 28 per cent at Escondida was the major contributor to lower productivity-led volumes of US$782 million in Underlying EBITDA. Deferral of development activity for value at Onshore US reduced gas volumes supporting a further volume-related decrease in Underlying EBITDA of US$383 million.

Our focus on best-in-class performance underpinned a US$1.0 billion reduction in operating cash costs during FY2016. Lower operating cash costs across the Group more than offset the impact of the drawdown of lower-grade inventory and grade decline at Escondida.

A stronger US dollar against the Australian dollar and Chilean peso increased Underlying EBITDA by US$1.1 billion during the period.

Cash flow

The following table provides a summary of the Consolidated Cash Flow Statement contained in section 5.1.4 to show the key sources and uses of cash during the periods presented:

Year ended 30 June	2017 US$M	2016 US$M	2015 US$M
Cash generated from operations	**19,377**	12,671	21,620
Dividends received	**636**	301	740
Net interest paid	**(985)**	(702)	(541)
Settlement of cash management related instruments	**(140)**		
Net taxation paid	**(2,084)**	(1,645)	(4,025)
Net operating cash flows from Continuing operations	**16,804**	10,625	17,794
Net operating cash flows from Discontinued operations			1,502
Net operating cash flows	**16,804**	10,625	19,296
Purchases of property, plant and equipment	**(4,252)**	(6,946)	(11,947)
Exploration expenditure	**(968)**	(765)	(816)

Subtotal: Capital and exploration expenditure	**(5,220)**	(7,711)	(12,763)
Exploration expenditure expensed and included in operating cash flows	**612**	430	670
Net investment and funding of equity accounted investments	**(234)**	40	117
Other investing activities	**681**	(4)	474
Net investing cash flows from Continuing operations	**(4,161)**	(7,245)	(11,502)
Net investing cash flows from Discontinued operations			(1,066)
Cash disposed on demerger of South32			(586)

Table of Contents

Year ended 30 June	2017 US$M	2016 US$M	2015 US$M
Net investing cash flows	**(4,161)**	(7,245)	(13,154)
Net (repayment of)/proceeds from interest bearing liabilities	**(5,507)**	4,607	(728)
(Distributions)/contributions to/from non-controlling interests	**(16)**		53
Dividends paid	**(2,921)**	(4,130)	(6,498)
Dividends paid to non-controlling interests	**(581)**	(87)	(554)
Other financing activities	**(108)**	(106)	(346)
Net financing cash flows from Continuing operations	**(9,133)**	284	(8,073)
Net financing cash flows from Discontinued operations			(203)
Net financing cash flows	**(9,133)**	284	(8,276)
Net increase/(decrease) in cash and cash equivalents from Continuing operations	**3,510**	3,664	(1,781)
Net increase in cash and cash equivalents from Discontinued operations			233
Cash disposed on demerger of South32			(586)

Net operating cash inflows of US$16.8 billion increased by US$6.2 billion. This increase reflects higher commodity prices, a continued focus on cash cost efficiency and higher dividends received from equity accounted investments in line with higher prices. This was partially offset by higher net interest paid due to higher benchmark interest rates, settlement of cash management related instruments and higher net taxation paid as a result of higher profits.

Net investing cash outflows of US$4.2 billion decreased by US$3.1 billion. The decrease reflects lower planned capital spend on major projects in FY2017 and higher cash proceeds from divestment and sale of assets during FY2017.

For additional information and a breakdown of capital and exploration expenditure on a commodity basis, refer to section 1.13.

Net financing cash outflows of US$9.1 billion increased by US$9.4 billion. This primarily reflects the Group s focus on debt reduction with US$3.3 billion of senior debt repaid at maturity and US$2.5 billion paid on bonds repurchased during March 2017 compared with an inflow of US$4.6 billion in FY2016 primarily due to the Group issuing multi-currency hybrid notes of US$6.4 billion. This was partially offset by lower dividends paid in FY2017 compared to FY2016 in line with the revised dividend policy.

For additional information, refer to section 1.12.3 and note 19 Net debt in section 5.

Financial results for the year ended 30 June 2016 compared with year ended 30 June 2015

Net operating cash inflows after interest and tax of US$10.6 billion reduced by US$8.7 billion from FY2015. The major contributor was a US$8.9 billion decrease in cash generated from operations (after changes in working capital balances), which was partially offset by a decrease of US$2.4 billion in net taxes paid. Despite the significant decline in commodity prices, we generated US$3.4 billion of free cash flow during FY2016 due to a reduction in operating costs and a targeted reduction of working capital.

Net investing cash outflows of US$7.2 billion reduced by US$5.9 billion from FY2015 due to a US$5.1 billion reduction in capital and exploration expenditure. Exploration expenditure was US$765 million, including US$430 million classified within Net operating cash flows.

Net financing cash inflows of US$284 million increased by US$8.6 billion from outflows of US$8.3 billion in FY2015, due to the issue of multi-currency hybrid notes during FY2016 (refer to section 1.12.3) and lower dividends paid in line with the revised dividend policy.

Table of Contents

1.12.3 Debt and sources of liquidity

Our policies on debt and liquidity management have the following objectives:

- a strong balance sheet through the cycle;
- diversification of funding sources;
- maintain borrowings and excess cash predominantly in US dollars.

Interest bearing liabilities, net debt and gearing

At the end of FY2017, Interest bearing liabilities were US$30.5 billion (2016: US$36.4 billion) and Cash and cash equivalents were US$14.2 billion[(1)] (FY2016: US$10.3 billion). This resulted in net debt[(2)] of US$16.3 billion, which represented a decrease of US$9.8 billion compared with the net debt position at 30 June 2016. Gearing, which is the ratio of net debt to net debt plus net assets, was 20.6 per cent at 30 June 2017, compared with 30.3 per cent at 30 June 2016.

During FY2017, the Group had a bias towards debt reduction. This included the decision not to refinance US$3.3 billion of Group-level debt (which matured in FY2017) and the execution of a US$2.5 billion bond repurchase program. On 23 March 2017, BHP concluded this bond repurchase program, which was funded by BHP s strong cash position and targeted short dated US dollar bonds maturing before FY2023. The early repayment of the bonds has extended BHP s average debt maturity profile and enhanced BHP s capital structure.

The following bonds were repurchased:

- US$500 million senior notes due 2018;
- US$980 million senior notes due 2019;
- US$720 million senior notes due 2021;
- US$140 million senior notes due 2022.

The decision not to refinance maturing Group debt and the bond repurchase program contributed to a US$5.9 billion overall decrease in interest bearing liabilities in FY2017.

At the subsidiary level, Escondida issued US$1.5 billion of new long-term debt to refinance US$0.8 billion of short-term debt, US$0.4 billion of long-term debt due for refinancing and to fund capital expenditure associated with key projects.

Funding sources

No new Group-level debt was issued in FY2017, and debt that matured during the year was not refinanced.

None of our Group-level borrowing facilities is subject to financial covenants. Certain specific financing facilities in relation to specific assets are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities. In addition to the Group s uncommitted debt issuance programs, we hold the following committed standby facilities.

(1) Included within Cash and cash equivalents were short-term deposits of US$13.3 billion (FY2016: US$9.8 billion).

(2) We use alternate performance measures to reflect the underlying performance of BHP. Refer to section 1.12.5 for the definition and method of calculation of alternate performance measures. Refer to note 19 Net debt in section 5 for the composition of net debt.

Table of Contents

	Facility available 2017 US$M	**Drawn 2017 US$M**	**Undrawn 2017 US$M**	Facility available 2016 US$M	Drawn 2016 US$M	Undrawn 2016 US$M
Revolving credit facility (3)	**6,000**		**6,000**	6,000		6,000
Total financing facilities	**6,000**		**6,000**	6,000		6,000

(3) The Company s committed US$6.0 billion revolving credit facility operates as a back-stop to the Company s uncommitted commercial paper program. The combined amount drawn under the facility or as commercial paper will not exceed US$6.0 billion. As at 30 June 2017, US$ nil commercial paper was drawn (FY2016: US$ nil), therefore US$6.0 billion of committed facility was available to use (FY2016: US$6.0 billion). The revolving credit facility expires on 7 May 2021. A commitment fee is payable on the undrawn balance and an interest rate comprising an interbank rate plus a margin applies to any drawn balance. The agreed margins are typical for a credit facility extended to a company with the Company s credit rating.

For more information regarding the maturity profile of our debt obligations and details of our standby and support agreements, refer to note 21 Financial risk management in section 5.

In BHP s opinion, working capital is sufficient for BHP s present requirements.

BHP s credit ratings are currently A3/P-2 outlook positive (Moody s long-term/short-term) and A/A-1 outlook stable (Standard & Poor s long-term/short-term).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency, and any rating should be evaluated independently of any other information.

Year ended 30 June 2016 compared with year ended 30 June 2015

Interest bearing liabilities, net debt and gearing

At the end of FY2016, Interest bearing liabilities were US$36.4 billion (2015: US$31.2 billion) and Cash and cash equivalents less overdrafts were US$10.3 billion (2015: US$6.8 billion). Included within Cash and cash equivalents were short-term deposits of US$9.8 billion compared with US$5.8 billion at 30 June 2015. This resulted in net debt of US$26.1 billion, which represented an increase of US$1.7 billion compared with the net debt position at 30 June 2015. Gearing, which is the ratio of net debt to net debt plus net assets, was 30.3 per cent at 30 June 2016, compared with 25.7 per cent at 30 June 2015.

Funding sources

In October 2015, BHP issued the following hybrid notes:

US$3.25 billion of subordinated fixed rate reset notes across two tranches, comprising US$1,000 million in a 60NC5 maturity bearing an initial coupon of 6.250 per cent and US$2,250 million in a 60NC10 maturity bearing an initial coupon of 6.750 per cent.

Table of Contents

2.0 billion of subordinated fixed rate reset notes across two tranches comprising 1,250 million in a 60.5NC5.5 maturity bearing an initial coupon of 4.750 per cent and 750 million in a 64NC9 maturity bearing an initial coupon of 5.625 per cent.

£600 million of subordinated fixed rate reset notes in a 62NC7 maturity bearing an initial coupon of 6.500 per cent.

None of our Group-level borrowing facilities is subject to financial covenants. Certain specific financing facilities in relation to specific assets are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities.

For more information regarding the maturity profile of our debt obligations and details of our standby and support agreements, refer to note 21 Financial risk management in section 5.

99

Table of Contents

1.12.4 Alternate performance measures

We use various alternate performance measures to reflect our underlying performance. Our two primary measures of performance are Underlying attributable profit and Underlying EBITDA. These measures, and other alternate performance measures, are reconciled below and defined in section 1.12.5.

We believe these alternate performance measures provide useful information, but should not be considered as an indication of, or as a substitute for, Attributable profit/(loss) and other statutory measures as an indicator of actual operating performance or as an alternative to cash flow as a measure of liquidity.

We consider Underlying attributable profit to be a key measure that provides insight on the amount of profit available to distribute to shareholders, which aligns to our purpose as outlined in *Our Charter*. Underlying attributable profit is also the key performance indicator against which short-term incentive outcomes for our senior executives are measured and, in our view, is a relevant measure to assess the financial performance of the Group for this purpose.

Underlying EBITDA is the key alternate performance measure that management uses internally to assess the performance of the Group s segments and make decisions on the allocation of resources. In the Group s view this is more relevant to capital intensive industries with long-life assets.

Prior to FY2016, we reported Underlying EBIT as a key alternate performance measure of operating results. Management believes focusing on Underlying EBITDA more closely reflects the operating cash generative capacity and hence the underlying performance of the Group s business. Management also uses this measure because financing structures and tax regimes differ across the Group s assets and substantial components of the Group s tax and interest charges are levied at a Group level rather than an operational level.

Underlying EBITDA and Underlying EBIT are included in the FY2017 Consolidated Financial Statements, as required by IFRS 8 Operating Segments .

Reconciling alternate performance measures

The following tables provide reconciliations between the alternate performance measure and the respective IFRS measure. Section 1.12.5 outlines the definition and calculation methodology of our alternate performance measures.

Year ended 30 June 2017 **US$M**	**Petroleum**	**Copper**	**Iron Ore**	**Coal**	**Group and unallocated items/ eliminations** (3)	**BHP Group**
Revenue	**6,872**	**8,335**	**14,624**	**7,578**	**876**	**38,285**
Revenue Group production (1)	6,856	7,232	14,543	7,578	869	**37,078**
Revenue Third party products (1)	16	1,103	81		7	**1,207**

Other income	**265**	**62**	**172**	**192**	**45**		**736**
Non-exceptional items	265	62	172	23	45	**567**	
Exceptional items attributable to BHP shareholders				169		**169**	
Depreciation and amortisation expense	(3,395)	(1,737)	(1,828)	(719)	(252)		**(7,931)**
Non-exceptional items	(3,395)	(1,525)	(1,828)	(719)	(252)	**(7,719)**	
Exceptional items attributable to non-controlling interests		(90)				**(90)**	

100

Table of Contents

Year ended 30 June 2017 **US$M**	**Petroleum**	**Copper**	**Iron Ore**	**Coal**	**Group and unallocated items/ eliminations** (3)	**BHP Group**	
Exceptional items attributable to BHP shareholders		(122)				**(122)**	
Net impairments	(102)	(14)	(52)	(20)	(5)		**(193)**
Non-exceptional items	(102)	(14)	(52)	(15)	(5)	**(188)**	
Exceptional items attributable to BHP shareholders				(5)		**(5)**	
Third party commodity purchases	(12)	(1,080)	(58)		(7)		**(1,157)**
All other operating expenses	(3,059)	(4,401)	(5,692)	(3,969)	(1,138)		**(18,259)**
Non-exceptional items	(3,059)	(4,067)	(5,661)	(3,969)	(1,087)	**(17,843)**	
Exceptional items attributable to non-controlling interests		(142)				**(142)**	
Exceptional items attributable to BHP shareholders		(192)	(31)		(51)	**(274)**	
Expenses excluding net finance costs	**(6,568)**	**(7,232)**	**(7,630)**	**(4,708)**	**(1,402)**		**(27,540)**
Profit/(loss) from equity accounted investments, related impairments and expenses	**(3)**	**295**	**(172)**	**152**			**272**
Non-exceptional items	(3)	295		152		**444**	
Exceptional items attributable to BHP shareholders			(172)			**(172)**	
Subtotal	**566**	**1,460**	**6,994**	**3,214**	**(481)**		**11,753**
Net finance costs							**(1,431)**
Non-exceptional items						**(1,304)**	

Exceptional items attributable to BHP shareholders					**(127)**	
Profit/(loss) before taxation						**10,322**
Total taxation (expense)/benefit						**(4,100)**
Non-exceptional items					**(3,857)**	
Exceptional items attributable to non-controlling interests					**68**	
Exceptional items attributable to BHP shareholders					**(311)**	
Profit/(loss) after taxation from Continuing and Discontinued operations						**6,222**
Attributable to non-controlling interests					**332**	
Attributable to BHP shareholders					**5,890**	
Reconciliation to Underlying attributable profit, Underlying EBITDA and Underlying EBIT						
Exceptional items	546	203	(164)	51	127	**763**
Tax effect of exceptional items						**243**
Exceptional items attributable to non-controlling interests (2)						**(232)**
Tax effect of exceptional items attributable to non-controlling interests (2)						**68**

101

Year ended 30 June 2017 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ eliminations [3]	BHP Group
Subtotal: Exceptional items attributable to BHP shareholders						**842**
Profit/(loss) after taxation from Continuing and Discontinued operations attributable to non-controlling interests						**(332)**
Underlying attributable profit						**6,732**
Profit/(loss) after taxation from Continuing operations attributable to non-controlling interests						**332**
Exceptional items attributable to non-controlling interests [2]						**232**
Tax effect of exceptional items attributable to non-controlling interests [2]						**(68)**
Taxation expense from non-exceptional items						**3,857**
Net finance costs excluding exceptional items						**1,304**
Underlying EBIT						**12,389**
Depreciation, amortisation and impairments excluding exceptional items	3,497	1,539	1,880	734	257	**7,907**
Underlying EBITDA	**4,063**	**3,545**	**9,077**	**3,784**	**(173)**	**20,296**
Underlying EBITDA Group production [1]	4,059	3,522	9,054	3,784	(173)	**20,246**
Underlying EBITDA Third party products [1]	4	23	23			**50**

Basic and Underlying basic earnings per share						
Underlying attributable profit (US$M)						**6,732**
Weighted basic average number of shares (Million)						**5,323**
Underlying basic earnings per ordinary share (US cents)						**126.5**
Adjusted for: Exceptional items attributable to BHP shareholders per share						**(15.8)**
Basic earnings/(loss) per ordinary share (US cents)						**110.7**
Segment contribution to Underlying EBITDA						
Segment contribution to the Group s Underlying EBITDA [4]	20%	17%	44%	19%		**100%**
Margin calculation						
Underlying EBITDA margin	59%	49%	62%	50%		**55%**
Margin on third party products	25%	2%	28%			**4%**

102

Table of Contents

Year ended 30 June 2017	Profit/(loss) before taxation US$M	Income tax (expense)/ benefit US$M	%
Adjusted effective tax rate reconciliation			
Statutory effective tax rate	**10,322**	**(4,100)**	**39.7**
Adjusted for:			
Exchange rate movements		**88**	
Exceptional items	**763**	**243**	
Adjusted effective tax rate	**11,085**	**(3,769)**	**34.0**

Year ended 30 June 2016 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ elimination (3)		BHP Group
Revenue	**6,894**	**8,249**	**10,538**	**4,518**	**713**		**30,912**
Revenue Group production (1)	6,766	7,411	10,454	4,512	701	**29,844**	
Revenue Third party products (1)	128	838	84	6	12	**1,068**	
Other income	**447**	**87**	**256**	**48**	**(394)**		**444**
Depreciation and amortisation expense	(4,147)	(1,560)	(1,817)	(890)	(247)		**(8,661)**
Net impairments	(7,232)	(17)	(42)	(94)	(9)		**(7,394)**
Non-exceptional items	(48)	(17)	(42)	(94)	(9)	**(210)**	
Exceptional items attributable to non-controlling interest	(80)					**(80)**	
Exceptional items attributable to BHP shareholders	(7,104)					**(7,104)**	
Third party commodity purchases	(111)	(792)	(92)	(6)	(12)		**(1,013)**
	(3,565)	(5,080)	(5,247)	(3,916)	(611)		**(18,419)**

All other operating expenses							
Non-exceptional items	(3,565)	(5,080)	(5,239)	(3,916)	(479)	**(18,279)**	
Exceptional items attributable to BHP shareholders			(8)		(132)	**(140)**	
Expenses excluding net finance costs	**(15,055)**	**(7,449)**	**(7,198)**	**(4,906)**	**(879)**		**(35,487)**
Profit/(loss) from equity accounted investments, related impairments and expenses	**(7)**	**155**	**(2,244)**	**(9)**	**1**		**(2,104)**
Non-exceptional items	(7)	155	136	(9)	1	**276**	
Exceptional items attributable to BHP shareholders			(2,380)			**(2,380)**	
Subtotal	**(7,721)**	**1,042**	**1,352**	**(349)**	**(559)**		**(6,235)**
Net finance costs							**(1,024)**
Profit/(loss) before taxation							**(7,259)**
Total taxation (expense)/benefit							**1,052**
Non-exceptional items						**(1,001)**	
Exceptional items attributable to non-controlling interest						**29**	

Table of Contents

Year ended 30 June 2016 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ elimination (3)	BHP Group
Exceptional items attributable to BHP shareholders						**2,024**
Profit/(loss) after taxation from Continuing and Discontinued operations						**(6,207)**
Attributable to non-controlling interests						**178**
Attributable to BHP shareholders						**(6,385)**
Reconciliation to Underlying attributable profit, Underlying EBITDA and Underlying EBIT						
Exceptional items	7,184		2,388		132	**9,704**
Tax effect of exceptional items						**(2,053)**
Exceptional items attributable to non-controlling interests (2)						**(80)**
Tax effect of exceptional items attributable to non-controlling interests (2)						**29**
Subtotal: Exceptional items attributable to BHP shareholders						**7,600**
Profit/(loss) after taxation from Continuing and Discontinued operations attributable to non-controlling interests						**(178)**

Underlying attributable profit							**1,215**
Profit/(loss) after taxation from Continuing operations attributable to non-controlling interests							**178**
Exceptional items attributable to non-controlling interests (2)							**80**
Tax effect of exceptional items attributable to non-controlling interests (2)							**(29)**
Taxation expense from non-exceptional items							**1,001**
Net finance costs							**1,024**
Underlying EBIT							**3,469**
Add: Depreciation, amortisation and impairments excluding exceptional items	4,195	1,577	1,859	984	256		**8,871**
Underlying EBITDA	**3,658**	**2,619**	**5,599**	**635**	**(171)**		**12,340**
Underlying EBITDA Group production (1)	3,641	2,573	5,607	635	(171)	**12,285**	
Underlying EBITDA Third party products (1)	17	46	(8)			**55**	

104

Table of Contents

Year ended 30 June 2016 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ elimination (3)	BHP Group
Basic and Underlying basic earnings per share						
Underlying attributable profit (US$M)						**1,215**
Weighted basic average number of shares (Million)						**5,322**
Underlying basic earnings per ordinary share (US cents)						**22.8**
Adjusted for: Exceptional items attributable to BHP shareholders per share						**(142.8)**
Basic earnings/(loss) per ordinary share (US cents)						**(120.0)**
Segment contribution to Underlying EBITDA						
Segment contribution to the Group s Underlying EBITDA (4)	29%	21%	45%	5%		**100%**
Margin calculation						
Underlying EBITDA margin	54%	35%	54%	14%		**41%**
Margin on third party products	13%	5%	(10)%			**5%**

Year ended 30 June 2016	Profit/(loss) before taxation US$M	Income tax (expense)/ benefit US$M	%
Adjusted effective tax rate reconciliation			
Statutory effective tax rate	**(7,259)**	**1,052**	

Adjusted for:			
Exchange rate movements		125	
Exceptional items	9,704	(2,053)	
Adjusted effective tax rate	**2,445**	**(876)**	**35.8**

Year ended 30 June 2015 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ elimination [3]	BHP Group
Revenue	**11,447**	**11,453**	**14,753**	**5,885**	**1,098**	**44,636**
Revenue Group production [1]	11,378	10,500	14,677	5,878	1,024	**43,457**
Revenue Third party products [1]	69	953	76	7	74	**1,179**
Other income	**124**	**345**	**69**	**107**	**(149)**	**496**
Depreciation and amortisation expense	(4,738)	(1,545)	(1,698)	(875)	(302)	**(9,158)**
Net impairments	(3,264)	(307)	(18)	(19)	(416)	**(4,024)**
Non-exceptional items	(477)	(307)	(18)	(19)	(7)	**(828)**
Exceptional items attributable to BHP shareholders	(2,787)				(409)	**(3,196)**

105

Table of Contents

Year ended 30 June 2015 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ elimination (3)	BHP Group
Third party commodity purchases	(68)	(930)	(86)	(7)	(74)	**(1,165)**
All other operating expenses	(4,302)	(5,838)	(6,459)	(4,744)	(1,320)	**(22,663)**
Expenses excluding net finance costs	**(12,372)**	**(8,620)**	**(8,261)**	**(5,645)**	**(2,112)**	**(37,010)**
Profit/(loss) from equity accounted investments, related impairments and expenses		**175**	**371**	**1**	**1**	**548**
Subtotal	**(801)**	**3,353**	**6,932**	**348**	**(1,162)**	**8,670**
Net finance costs						**(614)**
Profit/(loss) before taxation						**8,056**
Total taxation (expense)/benefit						**(3,666)**
Non-exceptional items						**(3,916)**
Exceptional items attributable to non-controlling interest						**(12)**
Exceptional items attributable to BHP shareholders						**262**
(Loss)/profit after taxation from Discontinued operations						**(1,512)**
Attributable to non-controlling interests						**61**
Attributable to BHP shareholders						**(1,573)**

Profit/(loss) after taxation from Continuing and Discontinued operations				**2,878**
Attributable to non-controlling interests			**968**	
Attributable to BHP shareholders			**1,910**	
Reconciliation to Underlying attributable profit, Underlying EBITDA and Underlying EBIT				
Exceptional items	2,787	409		**3,196**
Tax effect of exceptional items				**(250)**
Tax effect of exceptional items attributable to non-controlling interests (2)				**(12)**

106

Table of Contents

Year ended 30 June 2015 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ elimination [3]	BHP Group
Subtotal: Exceptional items attributable to BHP shareholders						**2,934**
(Loss)/profit after taxation from Discontinued operations attributable to BHP shareholders						**1,573**
Profit/(loss) after taxation from Continuing and Discontinued operations attributable to non-controlling interests						**(968)**
Underlying attributable profit						**6,417**
Profit/(loss) after taxation from Continuing and Discontinued operations attributable to non-controlling interests						**968**
(Loss)/profit after taxation from Discontinued operations attributable to non-controlling interests						**(61)**
Tax effect of exceptional items attributable to non-controlling interests [2]						**12**
Taxation expense from non-exceptional items						**3,916**
Net finance costs						**614**
Underlying EBIT						**11,866**
Add: Depreciation, amortisation and impairments excluding exceptional items	5,215	1,852	1,716	894	309	**9,986**

Underlying EBITDA	**7,201**	**5,205**	**8,648**	**1,242**	**(444)**		**21,852**
Underlying EBITDA Group production [1]	7,200	5,182	8,658	1,242	(444)	**21,838**	
Underlying EBITDA Third party products [1]	1	23	(10)			**14**	
Basic and Underlying basic earnings per share							
Underlying attributable profit (US$M)							**6,417**
Weighted basic average number of shares (Million)							**5,318**
Underlying basic earnings per ordinary share (US cents)							**120.7**

Table of Contents

Year ended 30 June 2015 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ elimination (3)	BHP Group
Adjusted for: Exceptional items attributable to BHP shareholders per share						**(55.2)**
Adjusted for: (Loss)/profit after taxation from Discontinued operations attributable to BHP shareholders per share						**(29.6)**
Basic earnings/(loss) per ordinary share (US cents)						**35.9**
Segment contribution to Underlying EBITDA						
Segment contribution to the Group s Underlying EBITDA (4)	32%	23%	39%	6%		**100%**
Margin calculation						
Underlying EBITDA margin	63%	49%	59%	21%		**50%**
Margin on third party products	1%	2%	(13)%			**1%**

108

Table of Contents

Year ended 30 June 2015	Profit/(loss) before taxation US$M	Income tax (expense)/ benefit US$M	%
Adjusted effective tax rate reconciliation			
Statutory effective tax rate	**8,056**	**(3,666)**	**45.5**
Adjusted for:			
Exchange rate movements		339	
Exceptional items	3,196	(250)	
Adjusted effective tax rate	**11,252**	**(3,577)**	**31.8**

(1) We differentiate sales of our production from sales of third party products to better measure the operational profitability of our operations as a percentage of revenue. These tables show the breakdown between our production and third party products, which is necessary for the calculation of the Underlying EBITDA margin and margin on third party products.

We engage in third party trading for the following reasons:

- Production variability and occasional shortfalls from our assets means that we sometimes source third party materials to ensure a steady supply of product to our customers.

- To optimise our supply chain outcomes, we may buy physical product from third parties.

- To support the development of liquid markets, we will sometimes source third party physical product and manage risk through both the physical and financial markets.

(2) We exclude exceptional items from Underlying attributable profit and Underlying EBITDA in order to enhance the comparability of such measures from period-to-period and provide our investors with further clarity in order to assess the underlying performance of our operations. Management monitors exceptional items separately. Additional information can be found in note 2 Exceptional items and note 3 Significant events Samarco dam failure in section 5.

(3) Group and unallocated items includes functions and other unallocated operations, including Potash, Nickel West and consolidation adjustments. Revenue not attributable to reportable segments comprises the sale of freight and fuel to third parties. Exploration and technology activities are recognised within relevant segments.

(4) Percentage contribution to Group Underlying EBITDA, excluding Group and unallocated items.

Year ended 30 June 2017 US$M	**Revenue**	**Other income and expenses excluding net finance costs**	**Exceptional items**	**Depreciation, amortisation and impairments excluding exceptional items**	**Underlying EBITDA**
Potash		(118)		10	**(108)**
Nickel West	952	(995)		87	**44**
Corporate and eliminations	(76)	(244)	51	160	**(109)**
Total	**876**	**(1,357)**	**51**	**257**	**(173)**

Year ended 30 June 2016 US$M	Revenue	Other income and expenses excluding net finance costs	Exceptional items	Depreciation, amortisation and impairments excluding exceptional items	Underlying EBITDA
		(155)		6	(149)
Nickel West	819	(1,009)		76	(114)
Corporate and eliminations	(106)	(108)	132	174	92
Total	**713**	**(1,272)**	**132**	**256**	**(171)**

Year ended 30 June 2015 US$M	Revenue	Other income and expenses excluding net finance costs	Exceptional items	Depreciation, amortisation and impairments excluding exceptional items	Underlying EBITDA
Potash		(184)		6	(178)
Nickel West	1,393	(1,876)	409	112	38
Corporate and eliminations	(295)	(200)		191	(304)
Total	**1,098**	**(2,260)**	**409**	**309**	**(444)**

Table of Contents

Net operating assets

The following table reconciles Net operating assets for the Group to Net assets on the Consolidated Balance Sheet:

Year ended 30 June	**2017 US$M**	2016 US$M
Net operating assets		
Petroleum	**23,181**	25,168
Copper	**24,100**	23,844
Iron Ore	**19,175**	20,541
Coal	**10,136**	10,651
Group and unallocated items [1]	**2,446**	2,723
Total	**79,038**	82,927
Reconciled to Net assets		
Cash and cash equivalents	**14,153**	10,319
Trade and other receivables [2]	**665**	939
Other financial assets [3]	**980**	2,557
Current tax assets	**195**	567
Deferred tax assets	**5,788**	6,147
Trade and other payables [4]	**(390)**	(421)
Interest bearing liabilities	**(30,474)**	(36,421)
Other financial liabilities [5]	**(1,345)**	(1,768)
Current tax payable	**(2,119)**	(451)
Deferred tax liabilities	**(3,765)**	(4,324)
Net assets	**62,726**	60,071

(1) Group and unallocated items includes functions and other unallocated operations including Potash, Nickel West and consolidation adjustments.

(2) Represents loans to associates of US$644 million (FY2016: US$897 million) and accrued interest receivable of US$21 million (FY2016: US$42 million) included within other receivables.

(3) Represents cross currency and interest rate swaps and available for sale shares and other investments (refer to note 21 Financial risk management in section 5) included in other financial assets.

(4) Represents accrued interest payable included within other payables.

(5) Represents cross currency and interest rate swaps (refer to note 21 Financial risk management in section 5) included in other financial liabilities.

Free cash flow

The following table reconciles Free cash flow to Net increase/(decrease) in cash and cash equivalents:

Year ended 30 June	**2017 US$M**	2016 US$M	2015 US$M
Net operating cash flows	**16,804**	10,625	19,296
Net investing cash flows	**(4,161)**	(7,245)	(13,154)
Free cash flow	**12,643**	3,380	6,142
Net financing cash flows	**(9,133)**	284	(8,276)
Net increase/(decrease) in cash and cash equivalents	**3,510**	3,664	(2,134)

Table of Contents

1.12.5 Definition and calculation of alternate performance measures

Our primary alternate performance measures are defined and calculated as follows:

Alternate performance measure	Method of calculation
Underlying attributable profit	Profit/(loss) after taxation attributable to BHP shareholders less exceptional items attributable to BHP shareholders as described in note 2 Exceptional items and note 27 Discontinued operations in section 5.
Underlying EBITDA	Earnings before net finance costs, depreciation, amortisation and impairments, taxation expense, Discontinued operations and exceptional items. Underlying EBITDA includes BHP s share of profit/(loss) from investments accounted for using the equity method, including net finance costs, depreciation, amortisation and impairments and taxation (expense)/benefit.
Underlying EBIT	Underlying EBITDA, including depreciation, amortisation and impairments.

Further alternate performance measures are defined and calculated as follows:

Adjusted effective tax rate	Total taxation (expense)/benefit, excluding exceptional items and exchange rate movements included in taxation (expense)/benefit divided by profit/(loss) before taxation and exceptional items. Management believes this measure provides useful information regarding the tax impacts from underlying operations.
Exceptional items attributable to BHP shareholders per share	Exceptional items attributable to BHP shareholders divided by the weighted basic average number of shares.
Free cash flow [(1)]	Net operating cash flows less Net investing cash flows.
Gearing ratio [(1)]	Ratio of Net debt to Net debt plus Net assets.
Margin on third party products	Underlying EBITDA from third party products divided by third party product revenue.
Net debt [(1)]	Interest bearing liabilities less Cash and cash equivalents for the total operations within the Group at the reporting date.
Net operating assets	Operating assets net of operating liabilities, including the carrying value of equity accounted investments and predominantly excludes cash balances, loans to associates, interest bearing liabilities and deferred tax balances. The carrying value of investments accounted for using the equity accounted method represents the balance of the Group s investment in equity accounted investments, with no adjustment for any cash balances, interest bearing liabilities and deferred tax balances of the equity accounted investment. Management believes this measure provides useful information by isolating the net operating assets of the business from the financing and tax balances which, in combination with our other measures, provides a meaningful

indicator of underlying performance.

Table of Contents

Operating assets free cash flow	Net operating cash flows adjusted for dividends received, net interest received/(paid) and net income tax and royalty-related taxation refunded/(paid) less net investing cash flows, dividends received, net interest and net income tax and royalty-related taxation are not allocated to operating asset free cash flow as financing structures and tax regimes differ across the Group s assets and substantial components of the Group s interest and tax charges are levied at a Group level rather than an operational level.
Segment contribution to the Group s Underlying EBITDA	Segment Underlying EBITDA divided by the Group s Underlying EBITDA excluding Group and unallocated items.
Underlying basic earnings per share	Underlying attributable profit divided by the weighted average number of basic shares.
Underlying EBITDA margin	Underlying EBITDA, excluding third party product Underlying EBITDA, divided by revenue excluding third party product revenue.

(1) Calculation is performed with reference to IFRS measures.

1.12.6 Definition and calculation of principal factors

The method of calculation of the principal factors that affect Revenue, Profit/(loss) from operations and Underlying EBITDA is as follows:

Principal factor	Method of calculation
Change in sales prices	Change in average realised price for each operation from the corresponding period to the current period, multiplied by current period volumes.
Price-linked costs	Change in price-linked costs for each operation from the corresponding period to the current period, multiplied by current period volumes.
Productivity volumes	Change in volumes for each operation not included in the Growth category from the corresponding period to the current period, multiplied by the prior year Underlying EBITDA margin.
Growth volumes	Volume Growth comprises Underlying EBITDA for operations that are new or acquired in the current period minus Underlying EBITDA for operations that are new or acquired in the corresponding period, change in volumes for operations identified as a Growth project from the corresponding period to the current period multiplied by the prior year Underlying EBITDA margin, and change in volume for our petroleum assets from the corresponding period to the current period multiplied by the prior year Underlying EBITDA margin.
Controllable cash costs	Operating cash costs and exploration and business development costs, excluding Discontinued operations. Management believes this measure provides useful information regarding the Group s financial performance because it considers these expenses to be the principal operating and overhead expenses that are most

directly under the Group s control.

113

Table of Contents

Principal factor	Method of calculation
Operating cash costs	Change in total costs, other than price-linked costs, exchange rates, inflation on costs, fuel and energy costs, non-cash costs and one-off items as defined below for each operation from the corresponding period to the current period.
Exploration and business development	Exploration and business development expense in the current period minus exploration and business development expense in the corresponding period.
Exchange rates	Change in exchange rate multiplied by current period local currency revenue and expenses. The majority of the Group s selling prices are denominated in US dollars and so there is little impact of exchange rate changes on Revenue.
Inflation on costs	Change in inflation rate applied to expenses, other than depreciation and amortisation, price-linked costs, exploration and business development expenses, expenses in ceased and sold operations and expenses in new and acquired operations.
Fuel and energy	Fuel and energy expense in the current period minus fuel and energy expense in the corresponding period.
Non-cash	Includes non-cash items mainly depletion of stripping capitalised.
One-off items	Change in costs exceeding a pre-determined threshold associated with an unexpected event that had not occurred in the last two years and is not reasonably likely to occur within the next two years.
Asset sales	Profit/(loss) on the sale of assets or operations in the current period minus profit/(loss) on sale in the corresponding period.
Ceased and sold operations	Underlying EBITDA for operations that ceased or were sold in the current period minus Underlying EBITDA for operations that ceased or were sold in the corresponding period.
Share of operating profit from equity accounted investments	Share of operating profit from equity accounted investments for the period minus share of operating profit from equity accounted investments in the corresponding period.
Other	Variances not explained by the above factors.

Table of Contents

1.13 Performance by commodity

Management believes the following financial information presented by commodity provides a meaningful indication of the underlying performance of the assets, including equity accounted investments, of each reportable segment. Information relating to assets that are accounted for as equity accounted investments are shown to reflect BHP s share, unless otherwise noted, to provide insight into the drivers of these assets.

For the purposes of this financial information, segments are reported on a statutory basis in accordance with IFRS 8 Operating Segments . The tables for each commodity include an adjustment for equity accounted investments to reconcile the equity accounted results to the statutory segment results.

For a reconciliation of alternate performance measures to their respective IFRS measure and an explanation as to the use of Underlying EBITDA and Underlying EBIT in assessing our performance, refer to section 1.12.4. For the definition and method of calculation of alternate performance measures, refer to section 1.12.5. For additional information as to the statutory determination of our reportable segments, refer to note 1 Segment reporting in section 5.

Unit cash costs is one of the financial measures used to monitor the performance of our individual assets and is included in the analysis of each reportable segment.

1.13.1 Petroleum

Detailed below is financial information for our Petroleum assets for FY2017 and FY2016 and an analysis of Petroleum s financial performance for FY2017 compared with FY2016.

Year ended

30 June 2017 **US$M**	**Revenue** [1]	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets** [11]	**Capital expenditure**	**Exploration gross** [2]	**Exploration to profit** [3]
Australia Production Unit [4]	601	451	275	176	924	15		
Bass Strait	1,096	824	261	563	2,981	154		
North West Shelf	1,190	1,013	199	814	1,630	209		
Atlantis	677	551	471	80	1,486	174		
Shenzi	509	402	204	198	956	37		
Mad Dog	202	155	57	98	722	113		
Eagle Ford	1,266	771	1,255	(484)	6,223	274		
Permian	332	143	302	(159)	996	242		
Haynesville	272	11	139	(128)	2,866	50		
Fayetteville	273	79	85	(6)	871	9		
Trinidad/Tobago	110	26	33	(7)	422	81		
Algeria	212	167	34	133	22	13		
Exploration		(473)	159	(632)	896			
Other [5][6]	133	(42)	26	(68)	3,029	101		

Total Petroleum from Group production	6,873	4,078	3,500	578	24,024	1,472	805	575
Closed mines [7]		(16)		(16)	(843)			
Third party products	16	4		4				
Total Petroleum	6,889	4,066	3,500	566	23,181	1,472	805	575
Adjustment for equity accounted investments [8]	(17)	(3)	(3)					
Total Petroleum statutory result	**6,872**	**4,063**	**3,497**	**566**	**23,181**	**1,472**	**805**	**575**

Table of Contents

Year ended 30 June 2016 US$M	Revenue [1]	Underlying EBITDA	D&A	Underlying EBIT	Net operating assets [10][11]	Capital expenditure	Exploration gross [2]	Exploration to profit [3]
Australia Production Unit [4]	707	542	349	193	1,166	246		
Bass Strait	930	690	174	516	3,082	226		
North West Shelf	1,171	830	182	648	1,576	180		
Atlantis	652	481	485	(4)	1,795	328		
Shenzi	499	386	245	141	1,133	55		
Mad Dog	123	84	44	40	697	128		
Eagle Ford	1,508	687	1,710	(1,023)	7,193	781		
Permian	260	52	279	(227)	1,114	365		
Haynesville	299	(67)	305	(372)	2,994	44		
Fayetteville	246	20	154	(134)	945	49		
Trinidad/Tobago [9]	123	95	22	73	467	(26)		
Algeria	144	41	33	8	44	86		
Exploration		(273)	97	(370)	901			
Other [5][6]	119	56	119	(63)	2,916	55		
Total Petroleum from Group production	6,781	3,624	4,198	(574)	26,023	2,517	590	288
Closed mines [7]		20		20	(855)			
Third party products	128	17		17				
Total Petroleum	6,909	3,661	4,198	(537)	25,168	2,517	590	288
Adjustment for equity accounted investments [8]	(15)	(3)	(3)					
Total Petroleum statutory result	6,894	3,658	4,195	(537)	25,168	2,517	590	288

(1) Petroleum revenue from Group production includes: crude oil US$3,625 million (FY2016: US$3,566 million), natural gas US$1,796 million (FY2016: US$1,761 million), LNG US$858 million (FY2016: US$864 million), NGL US$442 million (FY2016: US$383 million) and other US$135 million (FY2016: US$192 million).

(2) Includes US$332 million of capitalised exploration (FY2016: US$317 million).

(3) Includes US$102 million of exploration expenditure previously capitalised, written off as impaired (included in depreciation and amortisation) (FY2016: US$15 million).

(4) Australia Production Unit includes Macedon, Pyrenees, Minerva and Stybarrow (ceased production June 2015).

(5) Predominantly divisional activities, business development, Pakistan (divested in December 2015), the United Kingdom, Neptune and Genesis. Also includes the Caesar oil pipeline and the Cleopatra gas pipeline, which are equity accounted investments. The financial information for the Caesar oil pipeline and the Cleopatra gas pipeline presented above with the exception of net operating assets reflects BHP s share.

(6) Goodwill associated with Onshore US of US$3,022 million is included in Other net operating assets (FY2016: US$3,026 million).

(7) Comprises closed mining and smelting operations in Canada and the United States. Petroleum manages the closed mines due to their geographic location.

(8) Total Petroleum segment Revenue excludes US$17 million (FY2016: US$15 million) revenue related to the Caesar oil pipeline and the Cleopatra gas pipeline. Total Petroleum segment Underlying EBITDA includes US$3 million (FY2016: US$3 million) D&A related to the Caesar oil pipeline and the Cleopatra gas pipeline.

Table of Contents

(9) Negative capital expenditure reflects movements in capital creditors.

(10) Petroleum net operating assets have been restated for North West Shelf, Trinidad and Tobago, Exploration and Other to reflect the reallocation of exploration sundry receivable and sundry creditor balances on a consistent basis with FY2017. There is no change to the overall net operating asset position.

(11) Refer to section 1.12.4 for a reconciliation of Net operating assets to Net assets and section 1.12.5 for the definition and method of calculation of Net operating assets.

Key drivers of Petroleum s financial results

Price overview

Overall, oil and gas prices have performed favourably in FY2017. Petroleum commodities were supported by OPEC-led output cuts for crude oil and lower year-on-year production for US gas, while demand was stronger in both markets. Asian liquefied natural gas (LNG) saw stronger demand.

Trends in each of the major markets are outlined below.

Henry Hub gas

Our average realised sales price for gas was US$3.34 per million standard cubic feet (Mscf) (FY2016: US$2.83 per Mscf). Despite an overall mild winter in the US, the domestic gas price strengthened in FY2017 on strong power demand, rising exports and lower year on year production. Natural gas inventories ended the reporting period seven per cent above the five-year average; a significantly lower level than the corresponding period last year. Lower inventory levels and robust demand are likely to support prices in the near term, although additional North East pipelines, increasing Haynesville production and higher associated gas output are risks to this outlook. Longer term, strong demand growth and natural field decline will incentivise investment in new supply. However, the abundance of lower-cost supply is likely to moderate significant price inflation.

Liquefied natural gas

Our average realised sales price for LNG was US$6.84 per Mscf (FY2016: US$7.71 per Mscf). The LNG price rallied towards the end of the first half of FY2017, boosted by a colder than usual start to the northern hemisphere winter and operational issues with a number of nuclear and coal-fired power units in North Asia. This was combined with unexpected supply disruptions. Prices have since eased on the back of supply being restored and the commissioning of new projects. Despite strong demand growth in Asia and Europe, new supply is likely to weigh on the market in the near term. However, in the long run, the outlook for LNG remains positive, underpinned by rising energy demand from emerging economies and the need for low-emission and flexible fuels to supplement intermittent renewables. Depleting indigenous gas supplies will also increase the dependence of some major consumers on the export market.

Crude oil

Our average realised sales price for crude oil was US$48 per bbl (FY2016: US$39 per bbl). Crude oil prices overall trended higher in FY2017. OPEC reversed course on 30 November 2016 by agreeing to its first production cut since 2008 and the first cooperative deal with non-OPEC producers since 2001. Agreed output quotas were originally planned for six months, but were subsequently extended at the May 2017 meeting. This renewed cooperation and overall strong compliance by OPEC offered price support. However, concerns around near-record OECD inventories, increasing production from OPEC countries exempt from the agreement, and rising US output weighed on price at the end of June. A balanced market is forecast for the near term, although OPEC strategy and the US response to higher prices add significant risk to the outlook. The long-term outlook remains positive, underpinned by rising demand from the developing world and natural field decline.

Table of Contents

Production

Total petroleum production for FY2017 decreased by 13 per cent to 208 MMboe. Onshore US liquids volumes decreased by 29 per cent to 34 MMboe as value accretive deferral of activity in the Black Hawk and natural field decline across all fields were partially offset by increased production from the Permian. Conventional liquids volumes decreased by eight per cent to 63 MMboe as an additional infill well at Mad Dog and higher production at North West Shelf and Algeria partially offset planned maintenance at Atlantis and natural field decline across the portfolio. Natural gas production decreased by 10 per cent to 668 bcf. Divestment of our Pakistan gas business in December 2015 and lower Onshore US gas volumes as a result of the deferral of development activity for value were partially offset by a strong performance at Bass Strait and Macedon and increased LNG volumes at North West Shelf.

For additional information on individual asset production in FY2017, FY2016 and FY2015, refer to section 6.2.

Financial results

Overall, petroleum revenue remained consistent year-on-year at US$6.9 billion. Onshore US, which includes Eagle Ford, Permian, Haynesville and Fayetteville, decreased by US$170 million to US$2.1 billion. Gulf of Mexico, which includes Atlantis, Shenzi and Mad Dog, increased by US$114 million to US$1.4 billion. In Australia, Bass Strait and North West Shelf collectively increased by US$185 million to US$2.3 billion and the Australian Production Unit, which includes Macedon, Pyrenees and Minerva, decreased by US$106 million to US$601 million.

Underlying EBITDA for Petroleum increased by US$405 million to US$4.1 billion. Price impacts, net of price linked costs, increased Underlying EBITDA by US$774 million. Controllable cash costs increased by US$307 million reflecting higher exploration expenses, attributable to expensing the Burrokeet wells in Trinidad and Tobago and the Wildling-1 well in the Gulf of Mexico. During the period, gains on asset divestments of US$190 million were recognised, with the majority related to the sale of 50 per cent of BHP s interest in the undeveloped Scarborough area gas fields to Woodside Energy Limited as well as some acreage sales in Onshore US.

Conventional unit cash costs increased by two per cent to US$8.82 per barrel due to lower volumes. The calculation of conventional petroleum unit costs is set out in the table below.

Conventional petroleum unit costs [1]

US$M	FY2017	FY2016
Revenue	**4,722**	4,550
Underlying EBITDA	3,132	3,021
Cash costs (gross)	**1,590**	1,529
Less: exploration expense [2]	471	261
Less: freight	140	152
Less: other [3]	(152)	(16)
Cash costs (net)	**1,131**	1,132
Sales (MMboe, equity share)	128	131

Cash cost per Boe (US$)	**8.82**	8.63

(1) Conventional petroleum assets exclude Eagle Ford, Permian, Haynesville, Fayetteville and divisional activities recorded in Other.

(2) Exploration expense represents conventional petroleum s share of total exploration expense.

(3) Other includes non-cash profit on sales of assets, inventory movements, foreign exchange and the impact from the revaluation of embedded derivatives in the Trinidad and Tobago gas contract.

Table of Contents

Delivery commitments

We have delivery commitments of natural gas and LNG of approximately 1,720 billion cubic feet through FY2031 (74 per cent Australia and Asia, 10 per cent United States and 16 per cent other), Crude and Condensate commitments of 13.6 million barrels through FY2018 (54 per cent United States, 28 per cent Australia and Asia and 18 per cent other) and liquefied petroleum gas (LPG) commitments of 121,500 metric tonnes through FY2018. We have sufficient proved reserves and production capacity to fulfil these delivery commitments.

We have obligations for contracted capacity on transportation pipelines and gathering systems, on which we are the shipper. In FY2018, volume commitments to gather and transport are 753 million cubic feet of gas (98 per cent Onshore US and two per cent other) and 33 million barrels of oil (55 per cent Onshore US and 45 per cent Offshore US). The agreements with the gas gatherers and transporters have annual escalation clauses.

Other information

Investment expenditure

Petroleum capital expenditure for FY2017 declined by 42 per cent to US$1.5 billion.

FY2017		**Liquids-focused areas**		**Gas-focused areas**		
(FY2016)		**Eagle Ford**	**Permian**	**Haynesville**	**Fayetteville**	**Total**
Capital expenditure [1]	US$ billion	**0.3** (0.8)	**0.2** (0.4)	**0.1** ( )	( )	**0.6** (1.2)
Rig allocation	At period-end	**1** (2)	**1** (2)	**3** ( )	( )	**5** (4)
Net wells drilled and completed [2]	Period total	**51** (89)	**21** (30)	**5** (5)	**2** (11)	**79** (136)
Net productive wells	At period-end	**963** (929)	**126** (107)	**394** (411)	**1,044** (1,086)	**2,527** (2,533)

(1) Includes land acquisition, site preparation, drilling, completions, well site facilities, mid-stream infrastructure and pipelines.

(2) Can vary between periods based on changes in rig activity and the inventory of wells drilled but not yet completed at period-end.

Drilling

The number of wells in the process of drilling and/or completion during the year included:

	Exploratory wells		**Development wells**		**Total**	
	Gross	**Net** [1]	**Gross**	**Net** [1]	**Gross**	**Net** [1]
Australia			8	1	8	1
United States			66	30	66	30
Other	1	1			1	1

Total	1	1	74	31	75	32

(1) Represents our share of the gross well count.

Onshore US

BHP s Onshore US drilling and development expenditure in FY2017, which is presented on a cash basis within this section, was US$575 million (FY2016: US$1.2 billion). The expenditure was primarily related to drilling and completion activities in our liquids-focused Black Hawk and Permian fields, while deferring development in areas that are predominantly gas. The expenditure related to the following activities:

Eagle Ford: primarily drilling and completion activities, resulting in 51 net development wells completed during the year. Approximately US$14 million was spent primarily on the installation of more than 30 kilometres of pipeline infrastructure and additional well connections.

Table of Contents

Permian: primarily drilling and completion activities, resulting in 21 net development wells completed during the year. Approximately US$33 million was spent on the installation of more than 86 kilometres of pipeline infrastructure and additional gas processing facilities.

Haynesville: primarily drilling and completion activities, resulting in five net development wells completed during the year.

Fayetteville: primarily related to participation in drilling and completion activities for wells operated by third parties, resulting in two net development wells completed during the year.

Our Onshore US capital investment is expected to increase to US$1.2 billion on a cash basis in FY2018, as we progress high-return development drilling activities and trial programs designed to optimise long-term value, with Eagle Ford and Permian accounting for approximately 68 per cent of the total investment. Our average operated rig count is expected to be nine for FY2018.

Conventional

BHP s net share of conventional development expenditure in FY2017, which is presented on a cash basis within this section, was US$897 million (FY2016: US$1.3 billion). While the majority of the expenditure incurred in FY2017 was by operating partners at our Australian and Gulf of Mexico assets, we also executed development activity and incurred capital expenditure at operated Australian and Gulf of Mexico assets, and at our Algeria and Trinidad and Tobago assets.

Australia

BHP s net share of capital development expenditure in FY2017, which is presented on a cash basis within this section, was US$378 million. The expenditure was primarily related to:

North West Shelf: GWF-2 subsea tie back well development, Karratha Gas Plant refurbishment projects and external corrosion compliance and Persephone subsea tie back well development.

Bass Strait: commissioning the Longford Gas Conditioning Plant and further development of pipelines connecting our Longford and Long Island plants.

Gulf of Mexico

BHP s net share of capital development expenditure in FY2017, which is presented on a cash basis within this section, was US$340 million. The expenditure was primarily related to:

Atlantis: West Auriga rig return and schedule update that enabled execution of development activity on four wells.

Mad Dog: initial phases of Phase 2 development, with additional development activity on two wells at Spar A.
Our conventional capital investment in FY2018, which is presented on a cash basis in this section, is expected to be approximately US$0.8 billion. Capital investment activity in FY2018 remains focused on high-return infill drilling opportunities in the Gulf of Mexico, a life extension project at North West Shelf along with investments related to the recently approved Mad Dog Phase 2 project.

Exploration and appraisal

Our Petroleum exploration strategy is to focus on material opportunities, at high working interest, with a bias for liquids and operatorship. While the majority of the expenditure incurred in FY2017 was in our Gulf of Mexico, Trinidad and Tobago, and Mexico focus areas, we also incurred expenditure in Western Australia and Brazil.

Table of Contents

Access

We acquired acreage in the US and Mexico sectors of the Gulf of Mexico during FY2017. In the US sector, we were awarded 12 blocks from Lease sale 248, held in August 2016 (100 per cent working interest and operator on all blocks; 280 square kilometres). In addition, we were awarded four blocks from Lease sale 247, held in March 2017 (100 per cent working interest and operator in two blocks and 28.32 per cent working interest with BP in two blocks; 93 square kilometres).

In the Mexico sector, we acquired a 60 per cent participating interest in and operatorship of blocks AE-0092 and AE-0093 containing the Trion discovery (1,285 square kilometres).

Exploration program expenditure details

Our gross expenditure on exploration was US$805 million in FY2017, of which US$473 million was expensed.

Exploration and appraisal wells drilled, or in the process of drilling, during the year included:

Well	Location	Target	BHP equity	Spud date	Water depth	Total depth	Status
LeClerc-1	Trinidad and Tobago Block 5	Oil	65% (operator)	21 May 2016	1,800m	5,771m	Hydrocarbons encountered; plugged and abandoned
LeClerc-ST 1	Trinidad and Tobago Block 5	Oil	65% (operator)	6 July 2016	1,800m	6,973m	Hydrocarbons encountered; plugged and abandoned
Caicos-1	Gulf of Mexico GC564	Oil	100% (operator)	21 June 2016	1,288m	9,198m	Hydrocarbons encountered; plugged and abandoned
Burrokeet-1	Trinidad & Tobago Block 23a	Oil	70% (Operator)	8 August 2016	1,923m	3,337m	Plugged and abandoned
Burrokeet-2	Trinidad & Tobago Block 23a	Oil	70% (Operator)	18 August 2016	1,923m	7,348m	Plugged and abandoned
Wildling-1	Gulf of Mexico GC520	Oil	100% (Operator)	8 January 2017	1,230m	5,950m	Plugged and abandoned
Wildling-2	Gulf of Mexico GC520	Oil	100% (Operator)	15 April 2017	1,230m	8,928m	Hydrocarbons encountered; Drilling ahead

In the US Gulf of Mexico, we drilled Caicos on Green Canyon Block 654 during the period. Hydrocarbons were encountered and the well bore was plugged and abandoned. The results of the program are being further evaluated by the Wildling-2 well (which spud in April 2017 on Green Canyon Block 520) after Wildling-1 (which spud in January 2017) encountered technical difficulty and was plugged and abandoned in April 2017. Positive results were reported following the discovery of oil in multiple horizons at Wildling-2 in August 2017. We have commenced a sidetrack on Wildling-2 to further appraise the extent of the discovery. We expect results on the Wildling-2 sidetrack and the Scimitar exploration well to be spud in the September 2017 quarter.

Table of Contents

Seismic data acquisition and reprocessing were completed in order to evaluate prospects in the US and Mexico.

In Western Australia, we participated in reprocessing over the Beagle sub-basin and a regional study that was proposed as a variation for discharging our Good Standing Agreement commitment resulting from the cancellation of exploration permit WA-475-P. This work is ongoing and is expected to complete in FY2018.

In Trinidad and Tobago, we continue to mature prospects utilising the 3D seismic data acquired over Blocks 3, 5, 6, 7, 14, 23a, 23b, 28 and 29. LeClerc-1, the first well of an eight well deepwater program, which spud in May 2016, represents an industry leading three-year timeframe from access to drill test. The well encountered gas in multiple zones and the well bore was plugged and abandoned. Hydrocarbons were encountered and results of the program are being evaluated. Additionally, the Burrokeet-1 well encountered mechanical difficulty shortly after spud and was plugged and abandoned. Non-commercial hydrocarbons were encountered at Burrokeet-2 and analysis is ongoing. This well concluded Phase I of the Trinidad and Tobago deepwater drilling campaign. Phase II is expected to commence in FY2018.

In Brazil, we initiated efforts to relinquish our two blocks in the deepwater Foz do Amazonas Basin in April 2017, prior to the commencement of Exploration Period 2 (two well commitment).

Outlook

Total petroleum production for FY2018 is expected to decrease to between 180 and 190 MMboe, comprising conventional volumes between 119 and 123 MMboe and Onshore US volumes between 61 and 67 MMboe. The expanded rig program is forecast to deliver Onshore US production growth of approximately 35 per cent in FY2019, with investment plans subject to market conditions.

Conventional unit costs for FY2018 are expected to be approximately US$10 per barrel reflecting the impact of lower volumes, partially offset by productivity improvements.

Petroleum capital expenditure of approximately US$2.0 billion is planned in FY2018. This includes conventional capital expenditure of US$0.8 billion discussed earlier in this section. Onshore US capital expenditure is expected to be up to US$1.2 billion. Our focus in the liquids fields is to maximise value by completing trials to increase investable inventory, while in the Haynesville our hedging strategy allows us to reduce price risk and secure average rates of return in excess of 20 per cent.

Our plans consider up to five additional rigs at Onshore US, subject to market conditions. In July 2017, one rig commenced operations in the Hawkville and one additional rig is expected to commence in the Haynesville in the September 2017 quarter. Evaluation of trials in the Black Hawk is expected to be completed in the September 2017 quarter and, subject to approval, one additional rig will commence towards the end of that quarter. In the Permian, two additional rigs also commencing in the September 2017 quarter will focus on completion trials, which will inform a transition to full pad development as early as FY2019. At this point, we do not anticipate any operated development in the Fayetteville; however, we continue to work with joint venture partners to assess the potential of the Moorefield horizon through non-operated activity.

A US$715 million exploration program is planned for FY2018. This program includes one well in the US Gulf of Mexico and three wells in Trinidad and Tobago. Trion exploration expenditure for FY2018 is expected to be approximately US$75 million. In Trinidad and Tobago, we continued appraisal work to assess the potential commercialisation of the gas discovery at LeClerc and to prepare for deepwater oil exploration in Phase 2, which is expected to commence in the second half of FY2018.

122

Table of Contents

Strategic developments

As part of our ongoing review of our portfolio, the Board and management determined in August 2017 that our Onshore US assets are non-core and options to exit these assets are being actively pursued. We will be flexible with our plans and commercial in our approach. We are examining multiple alternatives but will only divest for value. Execution of these options may take time, which we will use to continue to complete our well trials and acreage swaps, and to investigate mid-stream solutions to increase the value, profitability and marketability of our Onshore US acreage.

Performance for the year ended 30 June 2016 compared with year ended 30 June 2015

Production

Total petroleum production for FY2016 decreased by six per cent to 240 MMboe.

Conventional production increased by one per cent to 131 MMboe as new production wells at Atlantis, Mad Dog and Pyrenees and higher gas demand at Bass Strait, offset natural field decline across the portfolio and the divestment of our gas business in Pakistan. Onshore US production declined by 13 per cent to 109 MMboe largely as a result of the value accretive deferral of activity in the Black Hawk and Hawkville.

Financial results

Petroleum revenue decreased by US$4.6 billion to US$6.9 billion. Onshore US, which includes Eagle Ford, Permian, Haynesville and Fayetteville, decreased by US$1.9 billion to US$2.3 billion. Gulf of Mexico, which includes Atlantis, Shenzi and Mad Dog, decreased by US$945 million to US$1.3 billion. In Australia, Bass Strait and North West Shelf collectively decreased by US$1.1 billion to US$2.1 billion and the Australia Production Unit, which includes Macedon, Pyrenees, Minerva and Stybarrow, decreased by US$296 million to US$707 million.

Underlying EBITDA for Petroleum decreased by US$3.5 billion to US$3.7 billion in FY2016. Price impacts, net of price-linked costs, decreased Underlying EBITDA by US$3.6 billion due to the decrease in average realised prices of crude and condensate oil from US$68/bbl to US$39/bbl, US natural gas from US$3.27/Mscf to US$2.16/Mscf and LNG from US$11.65/Mscf to US$7.71/Mscf. Conventional unit cash costs (excluding inventory movements, freight, third party and exploration expense) decreased by 30 per cent to US$8.63 per barrel as a result of lower lifting, labour and maintenance expenses.

Petroleum capital expenditure declined by 50 per cent to US$2.5 billion in FY2016, which includes a decline of US$2.4 billion of Onshore US drilling and development expenditure. Our Onshore US operated rig count has been reduced to four, however, completion activity in the Black Hawk resumed late in the June 2016 quarter.

Increased shale drilling and completions efficiency during the year was reflected in a significant improvement in drill time and completion techniques in the Black Hawk and Permian. Drilling times improved by 19 per cent to 15 days per well in the Black Hawk and by 22 per cent to 26 days per well in the Permian.

Petroleum exploration expenditure for FY2016 was US$590 million, of which US$273 million was expensed. Activity for the year was largely focused on our core areas in the deepwater Gulf of Mexico, the Caribbean and the Northern Beagle sub-basin off the coast of Western Australia, where we acquired additional acreage, seismic data and increased drilling activity. Our exploration activity has increased in the Gulf of Mexico following the positive exploration well results at Shenzi North. The Group is also encouraged by the early indications from the deepwater

LeClerc well in Trinidad and Tobago which encountered gas in multiple zones. While the focus is on a commercial oil discovery, these results support the further appraisal of the basin.

Table of Contents

1.13.2 Copper

Detailed below is financial information for our Copper assets for FY2017 and FY2016 and an analysis of Copper s financial performance for FY2017 compared with FY2016.

Year ended

30 June 2017

US$M	**Revenue**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets [6]**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Escondida [1]	4,544	2,397	996	1,401	14,972	999		
Pampa Norte [2]	1,401	620	314	306	1,662	213		
Antamina [3]	1,119	664	114	550	1,265	188		
Olympic Dam	1,287	284	224	60	6,367	267		
Other [3,4]		(118)	7	(125)	(166)	5		
Total Copper from Group production	8,351	3,847	1,655	2,192	24,100	1,672		
Third party products	1,103	23		23				
Total Copper	9,454	3,870	1,655	2,215	24,100	1,672	44	44
Adjustment for equity accounted investments [5]	(1,119)	(325)	(116)	(209)		(188)		
Total Copper statutory result	**8,335**	**3,545**	**1,539**	**2,006**	**24,100**	**1,484**	**44**	**44**

Year ended

30 June 2016

US$M	Revenue	Underlying EBITDA	D&A	Underlying EBIT	Net operating assets [6]	Capital expenditure	Exploration gross	Exploration to profit
Escondida [1]	4,881	1,743	930	813	14,449	2,268		
Pampa Norte [2]	1,098	401	401		1,786	321		
Antamina [3]	891	439	114	325	1,349	198		
Olympic Dam	1,432	385	237	148	6,339	197		
Other [3,4]		(158)	10	(168)	(79)			
Total Copper from Group production	8,302	2,810	1,692	1,118	23,844	2,984		
Third party products	838	46		46				

Total Copper	9,140	2,856	1,692	1,164	23,844	2,984	65	65
Adjustment for equity accounted investments [5]	(891)	(237)	(115)	(122)		(198)	(1)	(1)
Total Copper statutory result	8,249	2,619	1,577	1,042	23,844	2,786	64	64

(1) Escondida is consolidated under IFRS 10 and reported on a 100 per cent basis.

(2) Includes Spence and Cerro Colorado.

Table of Contents

(3) Antamina and Resolution are equity accounted investments and their financial information presented above, with the exception of net operating assets, reflects BHP s share.

(4) Predominantly comprises divisional activities, greenfield exploration and business development. Also includes Resolution.

(5) Total Copper segment Revenue excludes US$1,119 million (FY2016: US$891 million) revenue related to Antamina. Total Copper segment Underlying EBITDA includes US$116 million (FY2016: US$115 million) D&A and US$209 million (FY2016: US$122 million) net finance costs and taxation (expense)/benefit related to Antamina and Resolution that are also included in Underlying EBIT. Copper segment Capital expenditure excludes US$188 million (FY2016: US$198 million) and US$ nil (FY2016: US$1 million) Exploration expenditure related to Antamina.

(6) Refer to section 1.12.4 for a reconciliation of Net operating assets to Net assets and section 1.12.5 for the definition and method of calculation of Net operating assets.

Key drivers of Copper s financial results

Price overview

Our average realised sales price for FY2017 was US$2.54 per pound (FY2016: US$2.14 per pound). Copper prices remained at relatively subdued levels for the first four months of FY2017, with a broadly accepted view of a well-supplied market with muted demand. In November 2016, improved fundamentals arising from stronger Chinese demand and increased mine disruption saw the commencement of a price rally. This rally gained momentum as improved sentiment saw the entry of investor money, which pushed copper prices into a new, higher range. Disruptions at several large copper mines during the March and June 2017 quarters continued to provide support. In the near term, incremental mine production from committed projects, combined with increased scrap availability, will be sufficient to cover steady growth in copper demand. In the longer term, we expect demand growth to remain solid. China is expected to transition to a consumption-based economy, continued growth is expected from other emerging markets, and technological trends point to greater copper intensities in key sectors. A deficit is expected to emerge early next decade as grade declines, a rise in costs and a scarcity of high-quality future development opportunities are likely to constrain the industry s ability to cheaply meet this demand growth.

Production

Total copper production for FY2017 decreased by 16 per cent to 1.3 Mt.

Escondida copper production decreased by 21 per cent to 772 kt as a result of a four-day site-wide suspension of operations following a fatality in October 2016, 44 days of industrial action in the March 2017 quarter and severe weather in early June 2017. Pampa Norte copper production increased by one per cent to 254 kt supported by record cathode production and ore milled at Spence following the completion of the Recovery Optimisation project. Olympic Dam copper production decreased by 18 per cent to 166 kt following the state-wide power outage during September and October 2016 and unplanned maintenance at the refinery during December 2016 and January 2017. Antamina copper production decreased by nine per cent to 134 kt as record material mined was more than offset by lower copper grades as mining continues through a planned zinc rich ore zone.

For additional information on individual asset production in FY2017, FY2016 and FY2015, refer to section 6.2.

Financial results

Copper revenue increased by US$86 million to US$8.3 billion in FY2017.

125

Table of Contents

Underlying EBITDA for Copper increased by US$926 million to US$3.5 billion. Price impacts, net of price linked costs, increased Underlying EBITDA by US$1.0 billion. Controllable cash costs decreased by US$731 million, mainly due to a US$203 million planned build of mined ore ahead of the commissioning of the Los Colorados Extension project, a US$160 million ore inventory drawdown as a result of extending the operation of Los Colorados by four months in FY2016 and a US$77 million benefit related to the increase in estimated recoverable copper contained in the sulphide leach pad following commissioning of the Escondida Bioleach Pad Extension project. In addition, there was a US$103 million benefit due to an inventory drawdown at Olympic Dam in the prior year. Non-cash costs, which includes net deferred stripping, increased by US$304 million, reflecting lower capitalised development stripping at Escondida and Pampa Norte consistent with the optimised mine plans. One-off items reduced Underlying EBITDA by US$492 million and reflects US$387 million in lost volume from the 44 days of industrial action at Escondida and US$105 million due to the state-wide power outage and resultant shutdown at Olympic Dam. The idle capacity and other strike-related costs incurred as a result of the Escondida industrial action were reported as exceptional and are therefore not included in one-off items.

Unit cash costs at our operated copper assets decreased by four per cent to US$1.15 per pound, excluding the idle capacity and other strike-related costs incurred as a result of the industrial action at Escondida. Escondida unit cash costs decreased by 17 per cent to US$0.93 per pound, excluding the impact of the industrial action which was reported as an exceptional item. If costs related to the industrial action were included, unit costs would have been US$1.13 per pound. The calculation of operated copper assets and Escondida unit costs is set out in the table below.

	Operated copper assets unit costs (1)		**Escondida unit costs**	
US$M	**FY2017**	FY2016	**FY2017**	FY2016
Revenue	**7,232**	7,411	**4,544**	4,881
Underlying EBITDA	3,301	2,529	2,397	1,743
Cash costs (gross)	**3,931**	4,882	**2,147**	3,138
Less: by-product credits	580	650	213	222
Less: freight	71	85	60	75
Less: treatment and refining charges	302	356	302	356
Cash costs (net)	**2,978**	3,791	**1,572**	2,485
Sales (Mlb, equity share)	2,595	3,155	1,691	2,209
Cash cost per pound (US$)	**1.15**	1.20	**0.93**	1.12
Cash cost per pound including industrial action (US$) (2)	**1.28**		**1.13**	

(1) Operated copper assets include Escondida, Pampa Norte and Olympic Dam.

(2) Sales volumes are adjusted to exclude intercompany sales and purchases. Exceptional item relating to the industrial action of US$546 million comprises US$334 million of cash costs and US$212 million of depreciation

expense. Industrial action cash cost per pound for FY2017 calculated as: cash costs of US$334 million divided by sales of 1,691 Mlb = US$0.20 per pound.

Outlook

Total copper production is expected to increase to between 1.66 and 1.79 Mt in FY2018. Escondida production is expected to increase to between 1.13 and 1.23 Mt following the ramp-up of the Los Colorados Extension project during the September 2017 quarter, which will enable utilisation of three concentrators. At Olympic Dam, production is expected to decrease to 150 kt as a major smelter maintenance campaign is phased through August to November 2017. Production at Pampa Norte is expected to be higher than the prior year following completion of the Spence Recovery Optimisation project in FY2017. Production at Antamina is expected to decrease to 125 kt as mining continues through a zinc rich ore zone.

Table of Contents

FY2018 unit cash costs at our operated copper assets are expected to remain broadly unchanged at approximately US$1.15 per pound. At Escondida, unit cash costs are expected to rise to approximately US$1.00 per pound, reflecting an expected 10 per cent grade decline, in line with the optimised mine plan, to approximately 0.90 per cent, higher price-linked commodity input costs and an increase in usage of higher cost desalinated water. This will be partially offset by lower mining cost per tonne of material moved expected as a result of continued productivity improvements.

Performance for the year ended 30 June 2016 compared with year ended 30 June 2015

Production

Total copper production for FY2016 decreased by eight per cent to 1.6 Mt. Escondida copper production decreased by 20 per cent to 979 kt. Record cathode production and record material mined, together with the Organic Growth Project 1 reaching full capacity in the June 2016 quarter, was more than offset by an expected 28 per cent decline in grade. Pampa Norte copper production increased by one per cent to 251 kt, supported by record ore milled and higher grades at Spence. Olympic Dam copper production increased by 63 per cent to 203 kt. This reflected higher grades and improved smelter and mill utilisation after the Svedala mill outage in FY2015. Antamina copper production increased by 36 per cent to a record 146 kt due to higher grades and higher mill throughput.

Financial results

Copper revenue decreased by US$3.2 billion to US$8.2 billion, primarily due to Escondida which decreased by US$2.9 billion to US$4.9 billion.

Underlying EBITDA for FY2016 decreased by 50 per cent to US$2.6 billion. Price impacts, net of price-linked costs, decreased Underlying EBITDA by US$2.2 billion due to the decrease in average realised prices for copper from US$2.78/lb to US$2.14/lb. Anticipated grade-related volume decline decreased Underlying EBITDA by a further US$1.6 billion. This was partially offset by US$369 million increase in estimated recoverable copper contained in the sulphide leach pad following the successful completion of the Escondida Bioleach Pad Extension project, US$188 million due to the implementation of the Escondida Voluntary Retirement Program in FY2015, and productivity-led initiatives of US$243 million. A stronger US dollar against the Chilean peso and Australian dollar increased Underlying EBITDA by US$323 million.

Unit cash costs (excluding one-off items, by-product credits, freight and treatment and refining charges) at our copper operated assets increased by nine per cent to US$1.20 per pound during FY2016 due to anticipated grade decline at Escondida. In addition, Olympic Dam unit cash costs declined by 29 per cent to US$1.38 per pound as a result of productivity-led cost improvements and a further reduction in labour and contractor costs.

Table of Contents

1.13.3 Iron Ore

Detailed below is financial information for our Iron Ore assets for FY2017 and FY2016 and an analysis of Iron Ore s financial performance for FY2017 compared with FY2016.

Year ended 30 June 2017 US$M	**Revenue**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets [(5)]**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Western Australia Iron Ore	14,395	9,001	1,873	7,128	20,040	716		
Samarco [(1)]					(1,049)			
Other [(2)]	148	53	7	46	184	89		
Total Iron Ore from Group production	14,543	9,054	1,880	7,174	19,175	805		
Third party products [(3)]	81	23		23				
Total Iron Ore	14,624	9,077	1,880	7,197	19,175	805	94	70
Adjustment for equity accounted investments [(4)]								
Total Iron Ore statutory result	**14,624**	**9,077**	**1,880**	**7,197**	**19,175**	**805**	**94**	**70**

Year ended 30 June 2016 US$M	Revenue	Underlying EBITDA	D&A	Underlying EBIT	Net operating assets [(5)]	Capital expenditure	Exploration gross	Exploration to profit
Western Australia Iron Ore	10,333	5,492	1,855	3,637	21,641	969		
Samarco [(1)]	442	196	46	150	(1,193)	42		
Other [(2)]	121	(19)	4	(23)	93	86		
	10,896	5,669	1,905	3,764	20,541	1,097		

Total Iron Ore from Group production								
Third party products [3]	84	(8)		(8)				
Total Iron Ore	10,980	5,661	1,905	3,756	20,541	1,097	92	74
Adjustment for equity accounted investments [4]	(442)	(62)	(46)	(16)		(36)		
Total Iron Ore statutory result	10,538	5,599	1,859	3,740	20,541	1,061	92	74

(1) Samarco is an equity accounted investment and its financial information presented above, with the exception of net operating assets, reflects BHP Billiton Brasil Ltda s share. Includes BHP Billiton Brasil Ltda s share of operating profit prior to the Samarco dam failure but does not include any financial impacts following the dam failure as this has been reported as an exceptional item.

(2) Predominantly comprises divisional activities, towage services, business development and ceased operations.

(3) Includes inter-segment and external sales of contracted gas purchases.

(4) Total Iron Ore segment Revenue excludes US$ nil (FY2016: US$442 million) revenue related to Samarco. Total Iron Ore segment Underlying EBITDA includes US$ nil (FY2016: US$46 million) D&A and US$ nil (FY2016: US$16 million) net finance costs and taxation (expense)/benefit related to Samarco that are also included in Underlying EBIT. Iron Ore segment Capital expenditure excludes US$ nil (FY2016: US$36 million) related to Samarco.

(5) Refer to section 1.12.4 for a reconciliation of Net operating assets to Net assets and section 1.12.5 for the definition and method of calculation of Net operating assets.

Key drivers of Iron Ore s financial results

Price overview

Iron ore s average realised sales price for FY2017 was US$58 per wet metric tonne (wmt) (FY2016: US$44 per wmt). The iron ore price increase was driven by higher pig iron production in China and a preference for higher grade materials amid improved steel margins and high coke prices. Additional price support came from coke minimisation strategies to which steel mills resorted when metallurgical coal prices increased rapidly in late CY2016. Seaborne supply continued to increase from mainstream origins such as Australia and Brazil. A supply response was also observed from price sensitive origins, notably India. Iron ore production at private Chinese mines also recovered, incentivised by a higher price. The market is under pressure in the short term with the supply growth from both seaborne and domestic suppliers, and high iron ore inventories sitting at Chinese ports. In the medium and longer term, committed supply projects will ramp-up. Production increases from productivity and de-bottlenecking are likely to translate into a further flattening of the cost curve.

Production

Total iron ore production for FY2017 increased by four per cent to 231 Mt, or 268 Mt on a 100 per cent basis, following record annual production at WAIO. This increase reflected strong productivity improvements across the supply chain as well as the commissioning of a new primary crusher and additional conveying capacity at Jimblebar. Mining and processing operations at Samarco remain suspended. For further information on the Samarco dam failure, refer to section 1.7.

For additional information on individual asset production in FY2017, FY2016 and FY2015, refer to section 6.2.

Financial results

Total Iron Ore revenue increased by US$4.1 billion to US$14.6 billion due to a 32 per cent increase in the average realised price of iron ore.

Underlying EBITDA for Iron Ore increased by US$3.5 billion to US$9.1 billion. Price impact, net of price-linked costs, increased Underlying EBITDA by US$3.2 billion. Higher volumes and cost efficiencies increased Underlying EBITDA by US$533 million. This was partially offset by a weaker US dollar against the Australian dollar which unfavourably impacted Underlying EBITDA by US$151 million.

Table of Contents

WAIO unit cash costs decreased by three per cent to US$14.60 per tonne, underpinned by reductions in labour and contractor costs and increased equipment productivity. This was partially offset by a stronger Australian dollar, additional costs related to the accelerated rail renewal and maintenance program of US$0.20 per tonne that was completed in May 2017 and a stock write-off at Yandi. The calculation of WAIO unit costs is set out in the table below.

WAIO unit costs (US$M)	**FY2017**	FY2016
Revenue	**14,395**	10,333
Underlying EBITDA	9,001	5,492
Cash costs (gross)	**5,394**	4,841
Less: freight	983	764
Less: royalties	1,035	740
Cash costs (net) [1]	**3,376**	3,337
Sales (kt, equity share)	231,208	221,578
Cash cost per tonne (US$)	**14.60**	15.06

(1) Cash costs (net) includes exploration expense of US$0.30 per tonne (FY2016: US$0.34 per tonne).

Exploration activities

Western Australia

WAIO has a substantial existing deposit supported by considerable additional mineralisation, all within a 250-kilometre radius of our existing infrastructure. This concentration of ore bodies also gives WAIO the flexibility to add growth tonnes to existing hub infrastructure and link brownfield developments to our existing mainline rail and port facilities. The total area covered by exploration and mining tenure amounts to 7,900 square kilometres, excluding crown leases and general purpose and miscellaneous licences which are used for infrastructure space and access.

Total exploration expenditure in FY2017 amounted to US$94 million.

Guinea Iron Ore

We have a 41.3 per cent interest in a joint venture that holds the Nimba Mining Concession. In addition to the Mining Concession, the extension of two exploration licences covering satellite areas in southeast Guinea are currently being discussed with the Guinean mining authorities. We will continue to assess our options for the Mount Nimba iron ore project.

Outlook

WAIO production is expected to increase to between 239 and 243 Mt, or between 275 and 280 Mt on a 100 per cent basis in FY2018. This reflects continued productivity improvements and improved reliability across the supply chain.

Volumes are expected to be weighted to the last three quarters of the financial year, as scheduled port debottlenecking activities and lower stockpile levels, following the fire at the Mt Whaleback screening plant in June 2017, will impact the September 2017 quarter. BHP will continue to work with the relevant authorities in relation to the necessary approvals to increase system capacity to 290 Mtpa (100 per cent basis).

WAIO unit cash costs are expected to decline further to below US$14 per tonne in FY2018.

Table of Contents

Performance for the year ended 30 June 2016 compared with year ended 30 June 2015

Production

Total iron ore production for FY2016 decreased by two per cent to 227 Mt. Record production at Western Australia Iron Ore (WAIO) offset the suspension of operations at Samarco. WAIO production increased by two per cent to 257 Mt (100 per cent basis) as the Jimblebar mining hub operated at full capacity and utilisation at the Newman ore handling plant improved. Samarco production for FY2016 was 11 Mt (100 per cent basis).

Financial results

Total iron ore revenue decreased by US$4.2 billion to US$10.5 billion. The decrease in revenue was due to a 28 per cent decline in the average realised price of iron ore from US$61 per wet metric tonne (FOB) to US$44 per wet metric tonne (FOB).

Iron ore Underlying EBITDA decreased by US$3.0 billion to US$5.6 billion. Price impact, net of price-linked costs, reduced Underlying EBITDA by US$3.6 billion. Higher volumes and cost efficiencies increased Underlying EBITDA by US$368 million, coupled with a stronger US dollar against the Australian dollar which favourably impacted Underlying EBITDA by US$328 million.

WAIO unit cash costs (excluding freight and royalties) declined by 19 per cent to US$15 per tonne, underpinned by reductions in labour and contractor costs, increased equipment productivity, lower diesel prices and consumption and a stronger US dollar.

1.13.4 Coal

Detailed below is financial information for our Coal assets for FY2017 and FY2016 and an analysis of Coal s financial performance for FY2017 compared with FY2016.

Year ended

30 June 2017

US$M	**Revenue**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets (5)**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Queensland Coal	6,316	3,256	605	2,651	8,202	235		
New Mexico (1)	3	(6)	3	(9)		1		
New South Wales Energy Coal (2)	1,351	525	154	371	1,080	11		
Colombia (2)	749	363	96	267	873	34		
Other (3)	8	(57)	4	(61)	(19)			
Total Coal from Group production	8,427	4,081	862	3,219				