BHP Group Ltd
Form 6-K
February 19, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

February 19, 2019

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or

Form 40-F: Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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Release Time	IMMEDIATE
Date	19 February 2019
Number	05/19

BHP RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Safety and sustainability: We will continue our work to improve safety at our operations

Tragically we had a fatality at Saraji in December 2018, despite improvements in our safety performance indicators.

Maximise cash flow: Solid free cash flow generation and margin above 50%

Attributable profit of US$3.8 billion and Underlying attributable profit(i) of US$3.7 billion down 8% from the prior period.

Underlying EBITDA(i) of US$10.5 billion at a margin(i) of 52% from continuing operations.

Net operating cash flow of US$6.7 billion and free cash flow(i) of US$3.6 billion from continuing operations with volumes and commodity prices broadly in line with the prior period.

Productivity(i) guidance is now expected to be broadly flat for the 2019 financial year largely reflecting the unplanned production outages at Olympic Dam, Western Australia Iron Ore, Spence and Nickel West.

Capital discipline: Net debt reduced to US$9.9 billion and to remain at the lower end of the target range

Net debt(i) of US$9.9 billion, reduced by US$1.0 billion from 30 June 2018 (reduced by US$5.5 billion from 31 December 2017), which includes US$7.0 billion(ii) of proceeds received from the Onshore US sale, partially offset by the completion of a US$5.2 billion off-market BHP Group Limited share buy-back.

Capital and exploration expenditure(i) of US$3.5 billion. Guidance unchanged at below US$8 billion per annum for the 2019 and 2020 financial years. This includes investments in the high returning West Barracouta (Bass Strait) and Atlantis Phase 3 (US Gulf of Mexico) projects approved in December 2018 and February 2019, respectively.

In exploration, we encountered oil at Trion (Mexico), hydrocarbons at Bongo-2 (Trinidad and Tobago) and had early success at our copper exploration program in the Stuart Shelf (South Australia). We also added new optionality with interests acquired in the Orphan Basin (offshore Eastern Canada) and SolGold (Cascabel copper project in Ecuador).

Value and returns: Onshore US sale completed with US$10.4 billion net proceeds returned to shareholders

The Onshore US sales process was completed on 31 October 2018, with the net proceeds of US$10.4 billion returned to shareholders through a combination of an off-market buy-back in December 2018 and a special dividend (US$1.02 per share) in January 2019.

The Board has determined to pay an interim dividend of 55 US cents per share which includes an additional amount of 18 US cents per share (equivalent to US$0.9 billion) above the 50% minimum payout policy. This brings the total announced returns to shareholders over the last six months to US$13.2 billion.

Underlying return on capital employed(i), excluding Onshore US assets, of 15% (after tax).

Half year ended 31 December	**2018 US$M**	**2017 US$M**	**Change %**
Total operations			
Attributable profit	3,764	2,015	87%
Basic earnings per share (cents)	71.0	37.9	87%
Interim dividend per share (cents)	55.0	55.0	0%
Net operating cash flow	7,274	7,343	(1%)
Capital and exploration expenditure	3,501	2,877	22%
Net debt	9,890	15,411	(36%)
Underlying attributable profit	3,732	4,053	(8%)
Underlying basic earnings per share (cents)(i)	70.4	76.1	(8%)
Continuing operations			
Profit from operations	7,333	7,165	2%
Underlying EBITDA	10,539	10,836	(3%)
Underlying attributable profit(i)	4,032	4,399	(8%)
Net operating cash flow	6,709	6,993	(4%)

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Results for the half year ended 31 December 2018

BHP Chief Executive Officer, Andrew Mackenzie:

The collapse of the Brumadinho dam in Brazil is a tragedy and we offer our heartfelt sympathy to all those affected. At BHP, we are committed to learn from what happened, and as an industry we must redouble our efforts to make sure events like this cannot happen.

Our focus on portfolio simplification, cash generation and capital discipline delivered higher cash returns to shareholders in the December 2018 half year.

Our strong balance sheet and fully funded capital investment plans allowed us to return the US$10.4 billion net Onshore US proceeds to shareholders in the form of a US$5.2 billion off-market share buy-back completed in December 2018 and a US$5.2 billion special dividend paid in January 2019. The Board has also today determined to pay an interim dividend of 55 cents per share, which equates to a payout ratio of 75 per cent.

Since the beginning of 2016, we have reduced debt by US$16 billion, reinvested US$20 billion in the business and returned more than US$25 billion to shareholders.

A strong second half is expected to partially offset the impacts from operational outages in the first half, with unit costs across our business forecast to improve.

We have a portfolio of attractive development opportunities and have recently approved the West Barracouta and Atlantis Phase 3 projects in petroleum and had early success in our oil and copper exploration programs. We are confident in our plans to increase shareholder value and returns.

Sustainability is one of our core values

Safety, health and environment

The health and safety of our employees and contractors, and that of the broader communities in which we operate, are central to the success of our organisation. Tragically, one of our colleagues died at Saraji in Queensland in December 2018. Our Total Recordable Injury Frequency (TRIF) was 4.3 per million hours worked[iii] for the first half of the 2019 financial year, a two per cent reduction from 30 June 2018. The frequency rate for high potential injuries, which are injury events where there was the potential for a fatality, declined by 25 per cent[iii].

We are determined to become safer through the redesign of our work and increased application of technology to eliminate hazards, while improving our awareness through leadership engagement in the field. Proactive hazard reporting from the workforce and in-field safety leadership engagements increased significantly in the December 2018 half year.

Samarco

BHP remains committed to supporting the Renova Foundation with the recovery of communities and ecosystems affected by the Samarco tragedy.

Resettlement of the Bento Rodrigues, Paracatu and Gesteira communities is a priority of the Renova Foundation. Key milestones have been achieved in each of the three relocation programs.

As part of the compensation program, more than 8,200 general damages claims have been resolved in addition to the resolution of approximately 260,000 claims for temporary interruption to water supplies immediately following the dam failure. The river remediation programs continue to deliver improvements in water quality, with turbidity levels in impacted areas returned to historical levels.

The restart of Samarco s operations will occur only if it is safe, economically viable and has the support of the community. To restart, Samarco requires the necessary licencing approvals and the funding for restart preparation works. A key consideration regarding further shareholder funding is that restart remains economically viable, which includes an appropriate debt restructure.

In the December 2018 half year, BHP reported an exceptional loss of US$210 million (after tax) in relation to the Samarco dam failure. Additional commentary is included on page 42.

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Financial performance

Earnings and margins

Attributable profit of US$3.8 billion includes an exceptional gain of US$32 million (after tax), compared to an attributable profit of US$2.0 billion, which includes an exceptional loss of US$2.0 billion (after tax), in the prior period. The December 2018 half year exceptional gain is related to the reversal of provisions for global taxation matters which were resolved during the period, partially offset by a loss related to the Samarco dam failure. The December 2017 half year exceptional loss related to the US tax reform and the Samarco dam failure.

Underlying attributable profit of US$3.7 billion, compared to US$4.1 billion in the prior period.

Profit from operations (continuing operations) of US$7.3 billion, compared to US$7.2 billion in the prior period, has increased as a result of lower depreciation and amortisation charges and the favourable impacts of exchange rate movements, partially offset by higher costs.

Underlying EBITDA (continuing operations) of US$10.5 billion, compared to US$10.8 billion in the prior period, with higher costs (including production outages), inflation and other net movements (in total US$1.1 billion) more than offsetting the benefits of higher volumes at WAIO and Queensland Coal and favourable exchange rate movements (in total US$0.8 billion).

Underlying EBITDA margin (continuing operations) of 52 per cent, compared to 55 per cent in the prior period.

Underlying return on capital employed of 13.0 per cent (after tax), compared with 12.8 per cent in the prior period. Underlying return on capital employed, excluding Onshore US assets, is approximately 15 per cent (after tax), compared with 17 per cent in the prior period.

Productivity and costs

A negative movement in productivity of US$460 million was recorded and reflects a negative impact of US$835 million related to unplanned production outages at Olympic Dam (acid plant outage in August 2018), WAIO (train derailment in November 2018), Spence (fire at the electro-winning plant in September 2018) and Nickel West (fire at the Kalgoorlie smelter in September 2018). This impact was partially offset by the build-up of inventory levels during the outages (benefit of approximately US$160 million) as well as record volumes at Jimblebar and South Walker Creek. The inventory build from the outages will be released in the coming periods.

We expect a strong second half performance to offset the negative productivity movement in this period, bringing the overall movement to broadly flat for the full year, down from the previous guidance of US$1 billion.

We will continue to drive productivity improvements as we unlock value through technology with the ongoing automation of our supply chain, reduce our reliance on labour hire through the continued roll out in Australia of our Operations Services initiative to leverage best practice in production and maintenance, and continue to set records for underground development, equipment utilisation, milling and production across our operations.

Unit costs[i] at our major assets were above full year guidance (at 2019 financial year guidance exchange rates of AUD/USD 0.75 and USD/CLP 663) as a result of planned maintenance and production outages during the period.

Full year unit cost guidance remains unchanged for our major assets (based on exchange rates of AUD/USD 0.75 and USD/CLP 663).

Historical costs and guidance are summarised below:

			H1 FY19 at			
	Medium-term guidance(1)	**FY19 guidance(1)**	**guidance exchange rates(1)**	**realised exchange rates(2)**	**H1 FY18**	**H1 FY19(2) vs H1 FY18**
Conventional Petroleum unit cost (US$/boe)	<13	<11	11.36	11.14	10.17	10%
Escondida unit cost (US$/lb)	<1.15	<1.15	1.18	1.17	1.06	10%
Western Australia Iron Ore unit cost (US$/t)	<13	<14	15.03	14.51	14.90	(3%)
Queensland Coal unit cost (US$/t)	~57	68 72	72.72	70.20	71.21	(1%)

(1) FY19 unit costs guidance are based on exchange rates of AUD/USD 0.75 and USD/CLP 663.
(2) Average exchange rates for H1 FY19 of AUD/USD 0.72 and USD/CLP 671.

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Production and guidance are summarised below:

Production	H1 FY19	H1 FY18 vs H1 FY19	FY18	FY19 guidance	
Petroleum Conventional (MMboe)	63	(1%)	120	113 - 118	FY19 guidance unchanged, with volumes expected to be towards the upper end of range.
Copper (kt)	825	(1%)	1,753	1,645 - 1,740	FY19 guidance increased.
Escondida (kt)	580	0%	1,213	1,120 - 1,180	FY19 guidance unchanged, with volumes expected to be towards the lower end of range.
Other copper(1) (kt)	245	(2%)	540	525 - 560	FY19 guidance increased from 500-525 kt and reflects the retention of Cerro Colorado (60-70 kt).
Iron ore(2) (Mt)	119	2%	238	241 - 250	FY19 guidance unchanged.
WAIO (100% basis) (Mt)	135	(1%)	275	273 - 283	FY19 guidance unchanged.
Metallurgical coal (Mt)	21	2%	43	43 - 46	FY19 guidance unchanged.
Energy coal (Mt)	13	(5%)	29	28 - 29	FY19 guidance unchanged.

(1) Other copper comprises Pampa Norte (including Cerro Colorado production for the full 2019 financial year to reflect its retention, previous guidance only included 35 kt of production for the first half of the 2019 financial year), Olympic Dam and Antamina.

(2) Increase in BHP s share of volumes reflects the expiry of the Wheelarra Joint Venture sublease in March 2018, with control of the sublease area reverted to the Jimblebar Joint Venture, which is accounted for on a consolidated basis with minority interest adjustments.

Group copper equivalent production was broadly unchanged in the December 2018 half year(iv), with volumes for the full year also expected to be in line with the 2018 financial year(iv).

Cash flow and balance sheet

Net operating cash flows (continuing operations) of US$6.7 billion, with volumes and commodity prices broadly in line with the prior period and higher Australian and Chilean income tax payments in the period.

Free cash flow (continuing operations) of US$3.6 billion for the half year. Free cash flow of US$10.6 billion, which includes US$7.0 billion(ii) of proceeds received from the sale of Onshore US. Remaining consideration of US$3.5 billion to be received during the June 2019 half year.

Our balance sheet remains strong with net debt of US$9.9 billion at 31 December 2018 (30 June 2018: US$10.9 billion; 31 December 2017: US$15.4 billion). The reduction of US$1.0 billion in the half year (or US$5.5 billion from 31 December 2017) includes proceeds received from the sale of Onshore US, partially offset by the completion of a US$5.2 billion off-market buy-back.

We will maintain a strong balance sheet through the commodity price cycle, with a targeted net debt range of US$10 to US$15 billion[v]. In the near term, we expect net debt to remain at the lower end of the target range.

Gearing ratio[i] of 15.2 per cent (30 June 2018: 15.3 per cent; 31 December 2017: 19.9 per cent).

Dividends and share buy-back

On 17 December 2018, a US$5.2 billion off-market buy-back of BHP Group Limited shares was successfully completed. On 30 January 2019, a special dividend of US$1.02 per share, representing the balance of US$5.2 billion of the net proceeds from the sale of Onshore US, was paid to shareholders.

The dividend policy provides for a minimum 50 per cent payout of Underlying attributable profit at every reporting period. The minimum dividend payment for the December 2018 half year period is 37 US cents per share or US$1.9 billion.

The Board has determined to pay an additional amount of 18 US cents per share or US$0.9 billion, taking the interim dividend to 55 US cents per share. This is equivalent to a 75 per cent payout ratio.

This brings the total announced returns to shareholders over the last six months to US$13.2 billion.

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Capital and exploration

Capital and exploration expenditure of US$3.5 billion in the December 2018 half year included maintenance expenditure(vi) of US$0.8 billion, exploration of US$0.4 billion and Onshore US expenditure of US$0.4 billion.

Capital and exploration expenditure guidance is unchanged at below US$8 billion per annum for the 2019 and 2020 financial years, subject to exchange rate movements.

This guidance includes a US$0.9 billion exploration program being executed for the 2019 financial year, with US$750 million for petroleum exploration and appraisal expenditure.

Historical capital and exploration expenditure and guidance are summarised below:

	FY19e US$B	H1 FY19 US$M	H1 FY18 US$M	FY18 US$M
Maintenance(1)(2)	2.1	829	994	1,930
Development				
Minerals	4.0	1,545	859	2,494
Conventional Petroleum(2)	0.6	287	225	555
Capital expenditure (purchases of property, plant and equipment)	**6.7**	**2,661**	**2,078**	**4,979**
Add: exploration expenditure	0.9	397	464	874
Capital and exploration expenditure continuing operations	**7.6**	**3,058**	**2,542**	**5,853**
Capital and exploration expenditure discontinued operations	0.4	443	335	900
Capital and exploration expenditure total operations	**<8.0**	**3,501**	**2,877**	**6,753**

(1) Includes capitalised deferred stripping of US$1.0 billion for the FY19e and US$508 million for the H1 FY19 (H1 FY18: US$433 million; FY18: $880 million).
(2) Conventional Petroleum capital expenditure for FY19e includes US$0.6 billion of development and US$0.1 billion of maintenance.

Average annual sustaining capital expenditure guidance over the medium term is unchanged and forecast to be approximately:

US$4 per tonne for WAIO, including the capital cost for South Flank;

US$8 per tonne for Queensland Coal; and

US$5 per tonne for New South Wales Energy Coal (NSWEC).

At the end of the December 2018 half year, BHP had five major projects under development (in petroleum, copper, iron ore and potash) with a combined budget of US$10.6 billion over the life of the projects.

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Major projects

On 13 February 2019, the BHP Board approved an investment of US$0.7 billion (BHP share) for the development of the Atlantis Phase 3 project in the deepwater Gulf of Mexico.

Major projects are summarised below:

Commodity	Project and ownership	Project scope / capacity[1]	Capital expenditure[1] US$M Budget	Date of initial production Target	Progress / comments
Projects in execution at 31 December 2018					
Iron Ore	South Flank (Australia) 85%	Sustaining iron ore mine to replace production from the 80 Mtpa Yandi mine.	3,061	CY21	21% complete On schedule and budget
Copper	Spence Growth Option (Chile) 100%	New 95 ktpd concentrator is expected to increase Spence s payable copper in concentrate production by approximately 185 ktpa in the first 10 years of operation and extend the mining operations by more than 50 years.	2,460	FY21	34% complete On schedule and budget
Petroleum	North West Shelf Greater Western Flank-B (Australia) 16.67% (non-operator)	To maintain LNG plant throughput from the North West Shelf operations.	216	CY19	98% complete First production achieved in October 2018, ahead of schedule and below budget.
Petroleum	Mad Dog Phase 2 (US Gulf of Mexico) 23.9% (non-operator)	New floating production facility with the capacity to produce up to 140,000 gross barrels of crude oil per day.	2,154	CY22	37% complete On schedule and budget

Other projects in progress at 31 December 2018

Potash[2]	Jansen Potash (Canada) 100%	Investment to finish the excavation and lining of the production and service shafts, and to continue the installation of essential surface infrastructure and utilities.	2,700	82% complete Within the approved budget

(1) Unless noted otherwise, references to capacity are on a 100 per cent basis, references to capital expenditure from subsidiaries are reported on a 100 per cent basis and references to capital expenditure from joint operations reflect BHP s share.
(2) Potash capital expenditure of approximately US$240 million is expected for the 2019 financial year.

Capital Allocation Framework

Adherence to our Capital Allocation Framework aims to balance value creation, cash returns to shareholders and balance sheet strength in a transparent and consistent manner.

	H1 FY19 US$B	H1 FY18 US$B	FY18 US$B
Net operating cash flow total operations	**7.3**	**7.3**	**18.5**
Our priorities for capital			
Maintenance capital	0.8	1.0	1.9
Strong balance sheet			
Minimum 50% payout ratio dividend	2.5	1.8	3.8
Excess cash[1]	**3.6**	**3.8**	**11.8**
Balance sheet	1.8	1.5	5.6
Additional dividends	0.9	0.5	1.4
Buy-back	5.2		
Organic development	2.7	1.9	4.9
Acquisitions/(Divestments)	(7.0)	(0.1)	(0.1)

(1) Includes dividends paid to non-controlling interests of US$0.6 billion for H1 FY19 (H1 FY18: US$0.9 billion); excludes exploration expenses of US$0.2 billion (H1 FY18: US$0.2 billion) which is classified as organic development in accordance with the Capital Allocation Framework; net cash outflow of US$0.4 billion (H1 FY18: US$0.7 billion).

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Outlook

Economic outlook

The global economy grew around 3¾ per cent in the 2018 calendar year, with a notable pick up in the US economy and resilient growth in China. We expect world growth to sit in the range of 3¼ per cent to 3¾ per cent for the 2019 calendar year. Further escalation in trade protection is a downside risk.

We expect China s economic growth to slow modestly in the 2019 calendar year. The negative impact of weaker exports will be partially offset by easier monetary and fiscal policy. In our view, China s policymakers will continue to seek a balance between the pursuit of reform and maintenance of macroeconomic and financial stability. Over the longer term, we expect China s economic growth rate to decelerate as the working age population falls and the capital stock matures.

The US performed strongly in the 2018 calendar year but near-term prospects are less certain. The expansionary impact of tax cuts will progressively fade and trade policies remain unpredictable. In Europe and Japan, we believe business confidence and manufacturing momentum peaked in the 2018 calendar year. In India, growth prospects are solid. The general election, timed for the first half of the 2019 calendar year, is a key milestone for the country s reform trajectory.

Commodities outlook

Crude oil prices were volatile in the second half of the 2018 calendar year. Brent Crude hit a four year high ahead of US sanctions on Iran taking effect. Prices then fell sharply towards the end of the 2018 calendar year on mounting oversupply concerns, despite OPEC Plus announcing further production cuts in December 2018. The fundamental outlook remains positive, underpinned by rising demand from the developing world and natural field decline in supply.

The Japan-Korea Marker price for LNG was higher on average compared to the previous calendar year, reflecting strong demand and slower than expected ramp-ups. A material amount of new supply is expected to come online in 2019. Longer term, the demand outlook for gas remains positive. Depleting domestic gas supplies in some major consuming markets will help LNG to grow faster than overall gas demand.

Copper prices have maintained a relatively tight range for much of the December 2018 half year. This period of stability followed a sharp drop associated with the trade tensions that escalated in the June quarter of 2018. Against this backdrop, we believe underlying fundamentals remain sound. Copper demand should grow steadily. Grade decline, rising input costs, water constraints and a scarcity of high-quality future development opportunities continue to constrain the industry s ability to cheaply meet this growing demand and provide support for our positive outlook.

Global steel production has maintained healthy growth in the 2018 calendar year. Growth is expected to slow in the 2019 calendar year, along with the global economy. Margins have begun to normalise from the extremes seen in the initial stages of steel Supply Side Reform in China. That is an anticipated development. We expect quality differentiation to remain a durable element in price formation for steel-making raw materials.

The Platts 62% Fe Iron Ore Fines index performed solidly in the December 2018 half year, driven by firm pig iron production and unanticipated supply disruptions. The lump premium has been strong. In the short term, the supply picture is uncertain following the tragedy in Brazil. Total demand in the 2019 calendar year is expected to be similar to last year.

The Platts premium low-volatility metallurgical coal price index finished the 2018 calendar year strongly, with healthy demand conditions, especially in India, set against a modest recovery in seaborne supply. China s import policies remain a source of uncertainty. Over the longer term, India is expected to sustain strong demand growth, while high quality metallurgical coals are expected to continue to offer steelmakers value-in-use benefits in mature markets.

Potash prices have performed strongly over the last year, despite several major capacity additions coming online. Demand lifted again in the 2018 calendar year, following a record in 2017 calendar year. We expect annual demand growth of between two and three per cent over the next decade, resulting in demand exceeding available supply from existing and forthcoming capacity by the mid-to-late 2020s.

Further information on BHP s economic and commodity outlook can be found at**: bhp.com/prospects**

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Underlying EBITDA

The following table and commentary describe the impact of the principal factors(i) that affected Underlying EBITDA for the December 2018 half year compared with the December 2017 half year:

	US$M	
Half year ended 31 December 2017	**10,836**	
Net price impact:		
Change in sales prices	32	Higher average realised prices for petroleum and metallurgical coal, offset by lower average realised prices for thermal coal, copper and iron ore.
Price-linked costs	(173)	Increased royalties reflect higher realised prices related to petroleum and metallurgical coal.
	(141)	
Change in volumes:		
Productivity	50	Increased volumes at WAIO (record production at Jimblebar, expiry of the Wheelarra Joint Venture, partially offset by the impact from a train derailment) and our Australian coal operations (record production at South Walker Creek, higher wash-plant throughput at Poitrel and improved ultra-class truck productivity) offset by lower volumes at Spence (fire at the electro-winning plant).
Growth	(95)	Lower petroleum volumes due to planned dry-dock maintenance at Pyrenees and expected natural field decline.
	(45)	
Change in controllable cash costs:		
Operating cash costs	(606)	Higher costs reflect: increased planned maintenance activity; costs related to unplanned production outages at Olympic Dam, WAIO, Spence and Nickel West; increased contractor stripping activity and rates at Queensland Coal; and lower concentrator head grade at Escondida, partially offset by favourable inventory movements across a number of assets.
Exploration and business development	(1)	Higher petroleum exploration expenses (expensing of two wells and seismic acquisition cost) offset by lower study costs (following development approval of the Escondida Water Supply Extension project in March 2018).
	(607)	
Change in other costs:		
Exchange rates	674	Impact of the weakening Australian dollar and Chilean peso against the US dollar.
Inflation	(206)	Impact of inflation on the Group s cost base.
Fuel and energy	(158)	Predominantly higher diesel prices at minerals assets.
Non-Cash	124	Higher capitalisation of deferred stripping and lower depletion at Escondida.
One-off items		
	434	

Asset sales	20	
Ceased and sold operations	45	Sale of Bruce and Keith oil and gas fields in the United Kingdom.
Other items	(3)	Lower average realised prices received by our equity accounted investments largely offset by higher sales volumes from Antamina and a favourable impact from the revaluation of the embedded derivative in the Trinidad and Tobago gas contract.
Half year ended 31 December 2018	**10,539**	

The following table reconciles relevant factors with changes in the Group s productivity:

Half year ended 31 December 2018	**US$M**
Change in controllable cash costs	**(607)**
Change in volumes attributed to productivity	50
Change in productivity in Underlying EBITDA	**(557)**
Change in capitalised exploration	97
Change attributable to productivity measures	**(460)**

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Prices and exchange rates

The average realised prices achieved for our major commodities are summarised in the following table and are presented on a total operations basis:

Average realised prices[1]	H1 FY19	H1 FY18	H2 FY18	FY18	H1 FY19 vs H1 FY18	H1 FY19 vs H2 FY18	H1 FY19 vs FY18
Oil (crude and condensate) (US$/bbl)	69.41	53.76	67.07	60.12	29%	3%	15%
Natural gas (US$/Mscf)[2]	3.98	3.54	3.71	3.62	12%	7%	10%
US natural gas (US$/Mscf)	2.88	2.84	2.77	2.80	1%	4%	3%
LNG (US$/Mscf)	10.19	7.48	8.65	8.07	36%	18%	26%
Copper (US$/lb)[5]	2.54	3.08	2.93	3.00	(18%)	(13%)	(15%)
Iron ore (US$/wmt, FOB)	55.62	56.54	56.86	56.71	(2%)	(2%)	(2%)
Metallurgical coal (US$/t)	179.82	164.22	189.66	177.22	9%	(5%)	1%
Hard coking coal (HCC) (US$/t)[3]	197.86	182.29	205.80	194.59	9%	(4%)	2%
Weak coking coal (WCC) (US$/t)[3]	134.12	120.99	143.40	131.70	11%	(6%)	2%
Thermal coal (US$/t)[4]	84.15	87.49	86.47	86.94	(4%)	(3%)	(3%)
Nickel metal (US$/t)	12,480	11,083	13,974	12,591	13%	(11%)	(1%)

(1) Based on provisional, unaudited estimates. Prices exclude sales from equity accounted investments, third party product and internal sales, and represent the weighted average of various sales terms (for example: FOB, CIF and CFR), unless otherwise noted. Includes the impact of provisional pricing and finalisation adjustments.
(2) Includes internal sales.
(3) Hard coking coal (HCC) refers generally to those metallurgical coals with a Coke Strength after Reaction (CSR) of 35 and above, which includes coals across the spectrum from Premium Coking to Semi Hard Coking coals, while weak coking coal (WCC) refers generally to those metallurgical coals with a CSR below 35.
(4) Export sales only; excludes Cerrejón. Includes thermal coal sales from metallurgical coal mines.
(5) Comparative financial information has been restated for the new accounting standard, IFRS 15 Revenue from Contracts with Customers, which became effective from 1 July 2018.

In Copper, the provisional pricing and finalisation adjustments will decrease Underlying EBITDA by US$272 million in the 2019 financial year.

The following exchange rates relative to the US dollar have been applied in the financial information:

	Average Half year ended 31 December 2018	Average Half year ended 31 December 2017	As at 31 December 2018	As at 31 December 2017	As at 30 June 2018
Australian dollar[1]	0.72	0.78	0.71	0.78	0.74
Chilean peso	671	638	696	615	648

(1) Displayed as US$ to A$1 based on common convention.

Depreciation, amortisation and impairments

Depreciation, amortisation and impairments decreased by US$449 million to US$3.1 billion, reflecting lower depreciation and amortisation at Petroleum due to lower volumes at Shenzi and an increase in estimated remaining reserves at Atlantis, lower depreciation at Escondida due to an increase in asset life of the Escondida Water Supply project, and lower impairment charges compared to the previous period which predominantly related to conveyors at Escondida.

Net finance costs

Net finance costs decreased by US$125 million to US$533 million due to higher interest earned on increased cash and term deposit holdings along with higher interest.

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Taxation expense

Half year ended 31 December	2018 Profit before taxation US$M	2018 Income tax expense US$M	%	2017 Profit before taxation US$M	2017 Income tax expense US$M	%
Statutory effective tax rate	**6,800**	**(2,358)**	**34.7**	**6,507**	**(4,101)**	**63.0**
Adjusted for:						
Exchange rate movements		68			(98)	
Exceptional items[1]	210	(242)		210	2,320	
Adjusted effective tax rate[i]	**7,010**	**(2,532)**	**36.1**	**6,717**	**(1,879)**	**28.0**

(1) Refer exceptional items below for further details.

The Group s adjusted effective tax rate, which excludes the influence of exchange rate movements and exceptional items, was 36.1 per cent (31 December 2017: 28.0 per cent). The higher adjusted effective tax rate reflects a reduction in US tax credits related to Chilean taxes. The adjusted effective tax rate is expected to be in the range of 33 to 38 per cent for the 2019 financial year.

Other royalty and excise arrangements which are not profit based are recognised as operating costs within Profit before taxation. These amounted to US$1.2 billion during the period (31 December 2017: US$986 million).

Exceptional items

The following table sets out the exceptional items for the December 2018 half year. Additional commentary is included on page 36.

Half year ended 31 December 2018	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Samarco dam failure[1]	(210)		(210)
Global taxation matters[2]		242	242
Total	**(210)**	**242**	**32**
Attributable to non-controlling interests			
Attributable to BHP shareholders	(210)	242	32

(1) Refer to note 4 Exceptional items and note 12 Significant events Samarco dam failure of the Financial Report for further information.

(2) Financial impact of US$242 million relates to the reversal of provisions for global taxation matters which were resolved during the period. Refer to note 4 Exceptional items of the Financial Report for further information.

Debt management and liquidity

During the December 2018 half year, the Group continued to focus on debt reduction, with no new debt issued and a 1.25 billion bond repaid at maturity. The repayment of maturing debt and fair value adjustments contributed to a US$1.3 billion overall decrease in the Group s gross debt, from US$26.8 billion at 30 June 2018 to US$25.5 billion at 31 December 2018.

At the subsidiary level, Escondida refinanced US$0.2 billion of maturing long term debt.

The Group has a US$6.0 billion commercial paper program backed by a US$6.0 billion revolving credit facility which expires in May 2021. As at 31 December 2018, the Group had no outstanding US commercial paper, no drawn amount under the revolving credit facility and US$15.6 billion in cash and cash equivalents.

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Dividend

The BHP Board today determined to pay an interim dividend of 55 US cents per share (US$2.8 billion). The interim dividend to be paid by BHP Group Limited will be fully franked for Australian taxation purposes.

BHP s Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend. Full terms and conditions of the DRP and details about how to participate can be found at bhp.com.

Events in respect of the interim dividend	Date
Currency conversion into rand	1 March 2019
Last day to trade cum dividend on Johannesburg Stock Exchange Limited (JSE)	5 March 2019
Ex-dividend Date JSE	6 March 2019
Ex-dividend Date Australian Securities Exchange (ASX), London Stock Exchange (LSE) and New York Stock Exchange (NYSE)	7 March 2019
Record Date	8 March 2019
Dividend Reinvestment Election date (including currency conversion and currency election dates for ASX and LSE)	11 March 2019
Payment Date	26 March 2019
DRP Allocation Date (ASX and LSE) within 10 business days after the payment date	9 April 2019
DRP Allocation Date (JSE), subject to the purchase of shares by the Transfer Secretaries in the open market Central Securities Depository Participant (CSDP) accounts credited/updated on or about	9 April 2019

BHP Group Plc shareholders registered on the South African section of the register will not be able to dematerialise or rematerialise their shareholdings between the dates of 6 March and 8 March 2019 (inclusive), nor will transfers between the UK register and the South African register be permitted between the dates of 1 March and 8 March 2019 (inclusive). American Depositary Shares (ADSs) each represent two fully paid ordinary shares and receive dividends accordingly. Details of the currency exchange rates applicable for the dividend will be announced to the relevant stock exchanges following conversion, and will appear on the Group s website.

Any eligible shareholder who wishes to participate in the DRP, or to vary a participation election, should do so in accordance with the timetable set out above or, in the case of shareholdings on the South African branch register of BHP Group Plc, in accordance with the instructions of their Central Securities Depository Participant (CSDP) or broker. The DRP allocation price will be calculated in each jurisdiction as an average of the price paid for each share purchased to satisfy DRP elections. The allocation price applicable to each exchange will made available at bhp.com/DRP.

On 17 December 2018, BHP determined to pay a special dividend of US$1.02 per share (US$5.2 billion), which was paid on 30 January 2019 related to the disbursement of proceeds from the disposal of Onshore US.

Corporate governance

During the December 2018 half year, we announced that Wayne Murdy had decided not to stand for re-election at the 2018 Annual General Meetings of BHP, and retired from the Board as a Non-executive Director effective 2 November 2018.

The current members of the Board s committees are:

Risk and Audit Committee	Nomination and Governance Committee	Remuneration Committee	Sustainability Committee
Lindsay Maxsted (Chairman)	Ken MacKenzie (Chairman)	Carolyn Hewson (Chairman)	Malcolm Broomhead (Chairman)
Terry Bowen	Malcolm Broomhead	Anita Frew	Ken MacKenzie
Anita Frew	Carolyn Hewson	Shriti Vadera	John Mogford
	Shriti Vadera		

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Segment summary[1]

A summary of performance for the December 2018 and December 2017 half years is presented below. It excludes Onshore US.

Half year ended

31 December 2018

US$M	Revenue[2]	Underlying EBITDA[3]	Underlying EBIT[3]	Exceptional items[4]	Net operating assets[3]	Capital expenditure	Exploration gross[5]	Exploration to profit[6]
Petroleum	3,203	2,258	1,440		7,828	339	316	167
Copper	5,069	1,924	895		23,796	1,014	20	20
Iron Ore	7,418	4,341	3,526	(130)	18,264	732	46	21
Coal	4,512	2,025	1,696		9,801	305	10	10
Group and unallocated items[7]	582	(9)	(74)	(20)	3,517	271	5	5
Inter-segment adjustment[8]	(42)							
Total Group	**20,742**	**10,539**	**7,483**	**(150)**	**63,206**	**2,661**	**397**	**223**

Half year ended

31 December 2017

(Restated)

US$M	Revenue[2][9]	Underlying EBITDA[3]	Underlying EBIT[3]	Exceptional items	Net operating assets[3]	Capital expenditure	Exploration gross[5]	Exploration to profit[6]
Petroleum	2,581	1,633	617		8,589	277	378	208
Copper	6,132	3,195	2,052		23,983	993	19	19
Iron Ore	7,221	4,307	3,430	(153)	19,135	470	41	10
Coal	4,047	1,790	1,436		9,904	185	7	7
Group and unallocated items[7]	589	(89)	(204)	(13)	2,492	153	19	19
Inter-segment adjustment[8]	(44)							
Total Group	**20,526**	**10,836**	**7,331**	**(166)**	**64,103**	**2,078**	**464**	**263**

(1) Group and segment level information is reported on a statutory basis which, in relation to Underlying EBITDA, includes depreciation, amortisation and impairments, net finance costs and taxation expense of US$291 million (2017: US$318 million) related to equity accounted investments. It excludes exceptional items of US$117 million (2017: US$137 million) related to share of loss from equity accounted investments.

Group profit before taxation comprised Underlying EBITDA, exceptional items, depreciation, amortisation and impairments of US$3,206 million (2017: US$3,671 million) and net finance costs of US$533 million (2017: US$658 million).

(2) Revenue is based on Group realised prices and includes third party products. Sale of third party products by the Group contributed revenue of US$633 million and Underlying EBITDA of US$26 million (2017: US$725 million and US$29 million).
(3) For more information on the reconciliation of certain alternative performance measures to our statutory measures, reasons for usefulness and calculation methodology, please refer to alternative performance measures set out on pages 57 to 66.
(4) Exceptional items of US$(150) million excludes net finance costs of US$(60) million included in the total US$(210) million related to the Samarco dam failure.
(5) Includes US$175 million capitalised exploration (2017: US$272 million).
(6) Includes US$1 million of exploration expenditure previously capitalised, written off as impaired (included in depreciation and amortisation) (2017: US$71 million).
(7) Group and unallocated items includes Functions, 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 the relevant segments.

Half year ended 31 December 2018 US$M	**Revenue**	**Underlying EBITDA(3)**	**D&A**	**Underlying EBIT(3)**	**Net operating assets(3)**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Potash		(56)	2	(58)	3,585	86		
Nickel West	563	43	1	42	(180)	128	5	5

Half year ended 31 December 2017 US$M	**Revenue**	**Underlying EBITDA(3)**	**D&A**	**Underlying EBIT(3)**	**Net operating assets(3)**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Potash		(76)	2	(78)	3,258	117		
Nickel West	575	71	39	32	(296)	27	19	19

(8) Comprises revenue of US$37 million generated by Petroleum (2017: US$38 million) and US$5 million generated by Iron Ore (2017: US$6 million).
(9) Comparative financial information has been restated for the new accounting standard, IFRS15 Revenue from Contracts with Customers, which became effective from 1 July 2018.

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Petroleum

Underlying EBITDA for Petroleum, excluding Onshore US, increased by US$625 million to US$2.3 billion in the December 2018 half year.

	US$M	
Underlying EBITDA for the half year ended 31 December 2017	**1,633**	
Net price impact	692	Higher average realised prices: Crude and condensate oil US$69.91/bbl (2017: US$54.27/bbl); Natural gas US$4.67/Mscf (2017: US$4.13/Mscf); LNG US$10.19/Mscf (2017: US$7.48/Mscf).
Change in volumes: growth	(95)	Higher uptime in the US Gulf of Mexico and Australia and increased tax barrels in Trinidad & Tobago were more than offset by planned Pyrenees dry-dock maintenance and natural field decline across the portfolio.
Change in controllable cash costs	(97)	Additional maintenance at our Australian assets (US$60 million) and higher exploration expenses (US$37 million) due to Ocean Bottom Node survey acquisition in Gulf of Mexico and expensing the Bongos-1 (mechanical failure) and Concepcion-1 wells.
Ceased and sold operations	42	Sale of our interests in the Bruce and Keith oil and gas fields.
Other	83	Other includes exchange rate, inflation and other items. Other items includes the impact from revaluation of embedded derivatives in Trinidad and Tobago gas contract of US$11 million loss (2017: US$97 million loss).
Underlying EBITDA for the half year ended 31 December 2018	**2,258**	

Conventional Petroleum unit costs increased by 10 per cent to US$11.14 per barrel of oil equivalent due to the impact of planned maintenance and lower volumes. Unit cost guidance for the 2019 financial year remains unchanged at less than US$11 per barrel (based on an exchange rate of AUD/USD 0.75). In the medium term, we expect an increase in unit costs to less than US$13 per barrel as a result of natural field decline.

Conventional Petroleum unit costs[(1)] (US$M)	**H1 FY19**	**H2 FY18**	**H1 FY18**	**FY18**
Revenue	3,203	2,827	2,581	5,408
Underlying EBITDA	2,259	1,749	1,644	3,393
Gross costs	944	1,078	937	2,015
Less: exploration expense[(2)]	166	379	137	516
Less: freight	64	84	68	152

Less: development and evaluation	20	21	13	34
Less: other[3]	(8)	38	68	106
Net costs	**702**	**556**	**651**	**1,207**
Production (MMboe, equity share)	63	56	64	120
Cost per boe (US$)[4][5]	**11.14**	**9.93**	**10.17**	**10.06**

(1) Conventional Petroleum assets exclude divisional activities reported in Other and closed mining and smelting operations in Canada and the United States.
(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, provision for onerous lease costs and the impact from revaluation of embedded derivatives in the Trinidad and Tobago gas contract.
(4) H1 FY18 and H2 FY18 restated to exclude costs related to the Onshore US sale process
(5) H1 FY19 based on an exchange rate of AUD/USD 0.72.

On 13 February 2019, the BHP Board approved the development of the Atlantis Phase 3 project in the US Gulf of Mexico. The project includes a subsea tie back with the potential to increase production by an estimated 38,000 barrels of oil per day (100 per cent basis) at its peak from eight new production wells. This decision follows sanction by BP (the operator).

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Petroleum exploration

Petroleum exploration expenditure for the December 2018 half year was US$316 million, of which US$166 million was expensed. Activity for the period was largely focused in the US Gulf of Mexico, Trinidad & Tobago and Mexico. A US$750 million exploration and appraisal program is being executed for the 2019 financial year.

In the US Gulf of Mexico, Samurai-2 and Samurai-2 ST01 drilling has delineated the accumulation of oil. Further appraisal and development planning at Samurai is in progress. In the southern portion of the Wildling sub-basin, we continue to assess the potential resource, with further appraisal drilling now expected in the 2020 financial year. In the Western US Gulf of Mexico, the Ocean Bottom Node[vii] seismic acquisition was completed in early January 2019 and processed data is expected to be delivered during the March 2020 quarter.

Following the success in Trinidad and Tobago of the Bongos-2 Exploration well in the first half of the 2019 financial year, phase 3 of our deepwater exploration drilling campaign has been accelerated and will start in the second half of the 2019 financial year. Phase 3 will test three wells on three prospects in the northern licence area.

In Mexico, we spud the Trion-2DEL appraisal well in November 2018 and encountered oil in line with expectations. This was followed by a planned down dip geologic sidetrack which encountered oil and water, as predicted, further appraising the field and delineating the resource. Following the recent encouraging results in the Trion block, an additional appraisal well (3DEL) to further delineate the scale and characterisation of the resource is expected to be drilled in the second half of the 2019 calendar year.

Having been the successful bidder in October 2018 for licences in the Orphan Basin, offshore Eastern Canada, we have begun working with the Canada-Newfoundland and Labrador Offshore Petroleum Board to meet all regulatory requirements for the exploration phase. The licences became effective 15 January 2019.

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Financial information for Petroleum for the December 2018 and December 2017 half years is presented below.

Half year ended 31 December 2018 US$M	**Revenue[1]**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross[2]**	**Exploration to profit[3]**
Australia Production Unit[4]	201	124	90	34	650	8		
Bass Strait	768	580	241	339	2,300	16		
North West Shelf	906	691	148	543	1,527	61		
Atlantis	505	414	136	278	1,150	8		
Shenzi	294	241	77	164	739	28		
Mad Dog	160	124	29	95	1,070	180		
Trinidad/Tobago	145	82	29	53	259	15		
Algeria	143	119	13	106	46	3		
Exploration		(166)	20	(186)	974			
Other[5]	89	52	37	15	(32)	20		
Total Petroleum from Group production	3,211	2,261	820	1,441	8,683	339	316	167
Closed mines[6]		(1)		(1)	(855)			
Third party products								
Total Petroleum	3,211	2,260	820	1,440	7,828	339	316	167
Adjustment for equity accounted investments[7]	(8)	(2)	(2)					
Total Petroleum statutory result	**3,203**	**2,258**	**818**	**1,440**	**7,828**	**339**	**316**	**167**

Half year ended 31 December 2017 (Restated) US$M	**Revenue[1]**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross[2]**	**Exploration to profit[3]**
Australia Production Unit[4]	291	206	135	71	828	2		
Bass Strait	666	512	288	224	2,701	19		
North West Shelf	663	497	116	381	1,573	80		
Atlantis	355	245	198	47	1,361	71		
Shenzi	264	212	94	118	845	5		

Mad Dog	118	84	28	56	787	47		
Trinidad/Tobago	64	(60)	19	(79)	290	6		
Algeria	101	78	14	64	18	3		
Exploration		(136)	98	(234)	1,174			
Other[(5)]	57	9	28	(19)	(143)	44		
Total Petroleum from Group production	2,579	1,647	1,018	629	9,434	277	378	208
Closed mines[(6)]		(11)		(11)	(845)			
Third party products	10	(1)		(1)				
Total Petroleum	2,589	1,635	1,018	617	8,589	277	378	208
Adjustment for equity accounted investments[(7)]	(8)	(2)	(2)					
Total Petroleum statutory result	**2,581**	**1,633**	**1,016**	**617**	**8,589**	**277**	**378**	**208**

(1) Total Petroleum statutory result revenue includes: crude oil US$1,667 million (2017: US$1,403 million), natural gas US$676 million (2017: US$581 million), LNG US$665 million (2017: US$423 million), NGL US$175 million (2017: US$141 million) and other US$20 million (2017: US$33 million which includes third party products).

(2) Includes US$150 million of capitalised exploration (2017: US$241 million).

(3) Includes US$1 million of exploration expenditure previously capitalised, written off as impaired (included in depreciation and amortisation) (2017: US$71 million).

(4) Australia Production Unit includes Macedon, Pyrenees and Minerva.

(5) Predominantly divisional activities, business development, UK (divested in November 2018), 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) Comprises closed mining and smelting operations in Canada and the United States. Petroleum manages the closed mine sites due to their geographic location.

(7) Total Petroleum statutory result Revenue excludes US$8 million (2017: US$8 million) revenue related to the Caesar oil pipeline and the Cleopatra gas pipeline. Total Petroleum statutory result Underlying EBITDA includes US$2 million (2017: US$2 million) D&A related to the Caesar oil pipeline and the Cleopatra gas pipeline.

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Copper

Underlying EBITDA for the December 2018 half year decreased by US$1.3 billion to US$1.9 billion.

	US$M	
Underlying EBITDA for the half year ended 31 December 2017	**3,195**	
Net price impact	(940)	Lower average realised price: Copper US$2.54/lb (2017: US$3.08/lb).
Change in volumes: productivity	(114)	Lower concentrator head grade at Escondida; decreased sales volumes at Spence predominantly as a result of a fire at the electro-winning plant and lower stacked materials at the end of June 2018 reflecting planned maintenance, partially offset by higher cathode sales at Cerro Colorado.
Change in controllable cash costs	(301)	Lower concentrator head grade at Escondida; planned drawdown of mined ore inventory following the Los Colorados Extension commissioning; end-of-negotiation bonus payments at Escondida and Cerro Colorado and costs related to production outages at Olympic Dam and Spence. This was partially offset by favourable inventory movements at Cerro Colorado, inventory build-up at Olympic Dam and Spence during outages and prior period unfavourable fixed cost dilution impact as a result of the smelter maintenance campaign at Olympic Dam.
Change in other costs:		
Exchange rates	208	
Inflation	(73)	
Non-cash	84	Increased waste movement and decreased deferred stripping depletion at Escondida.
Other	(135)	Other includes fuel and energy of US$(56) million and other items (including lower profit from equity accounted investments).
Underlying EBITDA for the half year ended 31 December 2018	**1,924**	

Escondida unit costs increased by 10 per cent to US$1.17 per pound, mainly due to lower concentrator head grade (11 per cent decrease) and labour settlement costs. Unit cost guidance for the 2019 financial year remains unchanged at less than US$1.15 per pound (based on an exchange rate of USD/CLP 663), as improved labour productivity and maintenance optimisation strategies are expected to partially offset a decrease in average concentrator head grade of approximately 15 per cent, consistent with the mine plan, and an increase in the usage of higher cost desalinated water. Unit costs are expected to remain at less than US$1.15 per pound over the medium term.

Escondida unit costs (US$M)	H1 FY19	H2 FY18	H1 FY18	FY18
Revenue	3,339	4,234	4,112	8,346

Underlying EBITDA	1,570	2,403	2,518	4,921
Gross costs	1,769	1,831	1,594	3,425
Less: by-product credits	224	251	196	447
Less: freight	76	73	50	123
Net costs	**1,469**	**1,507**	**1,348**	**2,855**
Sales (kt, equity share)	571	631	578	1,209
Sales (Mlb, equity share)	1,259	1,391	1,273	2,664
Cost per pound (US$)[1]	**1.17**	**1.08**	**1.06**	**1.07**

(1) H1 FY19 based on exchange rates of AUD/USD 0.72 and USD/CLP 671.

Consistent with our exploration focus on copper, in September 2018, BHP acquired an initial 6.1 per cent interest in SolGold Plc (SolGold), the majority owner and operator of the Cascabel porphyry copper-gold project in Ecuador. On 15 October 2018, BHP entered into an agreement to acquire an additional 100 million shares in SolGold, for an investment of US$59 million, with our total interest now approximately 11.2 per cent.

In November 2018, BHP confirmed identification of a potential new iron oxide, copper, gold mineralised system, located 65 kilometres to the south east of BHP s operations at Olympic Dam in South Australia. Laboratory assay results show downhole mineralisation intercepts ranging from 0.5 per cent to six per cent copper with associated gold, uranium and silver metals. This exploration project is at an early stage and there is currently insufficient geological information to assess the size, quality and continuity of the mineralised intersections. BHP is evaluating and interpreting the results reported, and planning a further drilling program to commence in early in the 2019 calendar year.

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Financial information for Copper for the December 2018 and December 2017 half years is presented below.

Half year ended

31 December 2018 US$M	**Revenue**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Escondida[1]	3,339	1,570	611	959	13,223	475		
Pampa Norte[2]	613	284	207	77	2,254	291		
Antamina[3]	562	374	55	319	1,310	119		
Olympic Dam	523	(38)	207	(245)	7,123	247		
Other[3][4]		(103)	5	(108)	(114)	1		
Total Copper from Group production	5,037	2,087	1,085	1,002	23,796	1,133		
Third party products	594	13		13				
Total Copper	5,631	2,100	1,085	1,015	23,796	1,133	20	20
Adjustment for equity accounted investments[5]	(562)	(176)	(56)	(120)		(119)		
Total Copper statutory result	**5,069**	**1,924**	**1,029**	**895**	**23,796**	**1,014**	**20**	**20**

Half year ended

31 December 2017 US$M	**Revenue[6]**	**Underlying EBITDA**	**D&A**	**Underlying EBIT**	**Net operating assets**	**Capital expenditure**	**Exploration gross**	**Exploration to profit**
Escondida[1]	4,112	2,518	900	1,618	14,580	466		
Pampa Norte[2]	860	428	143	285	1,686	191		
Antamina[3]	677	495	57	438	1,254	103		
Olympic Dam	479	27	97	(70)	6,657	334		
Other[3][4]		(83)	4	(87)	(194)	2		
Total Copper from Group production	6,128	3,385	1,201	2,184	23,983	1,096		
Third party products	681	23		23				
Total Copper	6,809	3,408	1,201	2,207	23,983	1,096	19	19

Adjustment for equity accounted investments[5]	(677)	(213)	(58)	(155)		(103)		
Total Copper statutory result	**6,132**	**3,195**	**1,143**	**2,052**	**23,983**	**993**	**19**	**19**

(1) Escondida is consolidated under IFRS 10 and reported on a 100 per cent basis.
(2) Includes Spence and Cerro Colorado.
(3) Antamina, SolGold and Resolution are equity accounted investments and their financial information presented above with the exception of net operating assets reflects BHP Group s share.
(4) Predominantly comprises divisional activities, greenfield exploration and business development. Includes Resolution and SolGold (acquired in October 2018).
(5) Total Copper statutory result Revenue excludes US$562 million (2017: US$746 million) revenue related to Antamina. Total Copper statutory result Underlying EBITDA includes US$56 million (2017: US$58 million) D&A and US$120 million (2017: US$155 million) net finance costs and taxation expense related to Antamina, Resolution and SolGold that are also included in Underlying EBIT. Total Copper Capital expenditure excludes US$119 million (2017: US$103 million) related to Antamina.
(6) Comparative financial information has been restated for the new accounting standard, IFRS15 Revenue from Contracts with Customers, which became effective from 1 July 2018.

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Iron Ore

Underlying EBITDA for the December 2018 half year increased by US$34 million to US$4.3 billion.

	US$M	
Underlying EBITDA for the half year ended 31 December 2017	**4,307**	
Net price impact	(166)	Lower average realised price: Iron ore US$55.62/wmt, FOB (2017: US$56.54/wmt, FOB).
Change in volumes: productivity	123	Increased sales volumes supported by record production at Jimblebar, higher volumes reflecting the expiry of the Wheelarra Joint Venture[1] and the prior period impact from the Mt Whaleback fire. This increase was partially offset by the impact from a train derailment on 5 November 2018 which resulted in the suspension of rail operations for five days.
Change in controllable cash costs	28	Favourable inventory movements, partially offset by derailment remediation costs and higher maintenance activity.
Change in other costs:		
Exchange rates	169	
Inflation	(53)	
Other	(67)	Other includes fuel and energy of US$(44) million, non-cash and other items.
Underlying EBITDA for the half year ended 31 December 2018	**4,341**	

(1) Increased volumes reflecting the expiry of the Wheelarra Joint Venture sublease in March 2018, with control of the sublease areas reverting to the Jimblebar Joint Venture, which is accounted for on a consolidated basis with minority interest adjustments.

WAIO unit costs decreased by three per cent to US$14.51 per tonne (or US$13.85 per tonne on a C1 basis excluding third party royalties(2)), reflecting favourable exchange movements which offset impacts from maintenance and unplanned outages during the period. Unit cost guidance for the 2019 financial year remains unchanged at less than US$14 per tonne (based on an exchange rate of AUD/USD 0.75). In the medium term, we expect to lower our unit costs to less than US$13 per tonne.

WAIO unit costs (US$M)	**H1 FY19**	**H2 FY18**	**H1 FY18**	**FY18**
Revenue	7,317	7,479	7,117	14,596
Underlying EBITDA	4,300	4,604	4,265	8,869
Gross costs	3,017	2,875	2,852	5,727
Less: freight	741	650	626	1,276
Less: royalties	540	571	504	1,075
Net costs	1,736	1,654	1,722	3,376
Sales (kt, equity share)	119,620	121,228	115,543	236,771
Cost per tonne (US$)[(1)]	**14.51**	**13.64**	**14.90**	**14.26**
Cost per tonne on a C1 basis excluding third party royalties (US$)[(2)]	**13.85**	**12.41**	**13.68**	**13.03**

(1) H1 FY19 based on an average exchange rate of AUD/USD 0.72.

(2) Excludes third party royalties of US$0.84 per tonne (December 2017: US$0.73 per tonne), exploration expenses, depletion of production stripping, demurrage, exchange rate gains/losses, net inventory movements and other income.

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Financial information for Iron Ore for the December 2018 and December 2017 financial years is presented below.

Half year ended

31 December 2018

US$M