BHP

Jefferies Virtual Base Metals & Battery Materials Summit

Fireside chat with Rag Udd

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CHRISTOPHER LAFEMINA, JEFFERIES LLC:
It is my pleasure to be hosting the next session with Mr Ragnar Udd, who is the President of Minerals Americas at BHP. He oversees a very important part of BHP's portfolio, including its Chilean copper assets, which is a market which has a very constructive outlook in our view. The format is going to be a fireside chat. I have a bunch of questions for Rag regarding BHP's operations, its growth optionality, its strategy and so on, so this should be a good session. Rag, thank you for taking the time. Maybe to kick things off, there is a big focus on what is happening in the copper markets. BHP is obviously a major player in copper, especially in Chile. You have delivered the Spence growth option (SGO), which is a pretty big organic growth project for you. You have various growth optionality around the world in base metals. Maybe you can start with what BHP's growth pipeline looks like. I think a lot of people look at BHP as being ex-growth but maybe that is not the case in the base metals assets. Maybe you can clarify that as a starting point.

RAG UDD, PRESIDENT, MINERALS AMERICAS:
I will do so, Chris. Thanks for having me today. BHP likes to think about its growth pipeline across a bunch of different time horizons and across different levers for growth, whether that it is exploration, early stage entry, M&A, technology and innovation or traditional brownfield or greenfield growth. Specifically when you look at our South American copper operations you are spot on that those existing assets are going to generate significant cashflow even before we factor in additional growth.

What I think gets missed in these assets is there is actually a fair bit of growth already built into those plans. If you look at Escondida as an example, our guidance for this fiscal year is just above 1 million tonnes and medium-term guidance is basically sitting at 1.2 million tonnes over the next five years, which implies a reasonable step up in production over that period. Obviously, at Spence we are going to have a ramp up in terms of the new growth option there. That is going to support 300,000 tonnes of production for four years after ramp up and after we add that new concentrator stream that sits out there.

In terms of our mid to long-term growth, we are looking at a few different avenues. In terms of processing, we are looking at reprocessing some of our spent ore and introducing chalcopyrite leaching at both Escondida and Spence. We are also looking at transferring the chloride leaching technology already implemented at Spence across to Escondida. That has implied upside options, as we are able to use some of those leaching plants that we have been using for oxide leaching over the last couple of decades and start to use them for the sulphide leaching products that come through with that.

In terms of mining, we have a few things that will enhance our productivity there. Mining is pretty important for us because that will be our bottleneck process at both Escondida and Spence in the future, so we are looking at a few approaches to unlock our materials handling, including autonomy, which we have already successfully implemented at our iron ore assets in Western Australia and are starting to implement in our coal operations in Queensland as well. We see that as a big unlock both in terms of additional product coming into the processing streams downstream and as a way to reduce cost, improve safety and unlock new resources that potentially are not accessible by having humans involved in the process.

The other big one for us is around technology. We receive big opportunities through the use of an accelerated technology stream. We call it a digital factory. It helps us to use technology through automated decision-making and is starting to deliver better grades, better recovery and better throughput through some of the algorithms that we are able to implement across some of our processing plants.

Longer term, we have some brownfield opportunities that are sitting out there, including the Escondida underground. I am not kidding myself though, as that is long-dated. To get the underground up and running will be a 10-15 year process. With that said, at Escondida we have a lot of ore in the ground and we just need to bring that to the surface. We also have a large resource base at Cerro Colorado, so we are exploring optionality there.

Beyond those examples, we have some potential growth at Antamina and Resolution. Hopefully we will have a chance to talk about that a little bit later on, but obviously there is some growth that sits behind that. We have also taken some of our learnings from our Oak Dam discovery in Australia. That has moved into the next phase. Obviously, it is a pretty attractive growth option for us and that has now moved out of the Exploration team and into our Planning and Technical teams as well.

There are quite a number of options available for us in the future. I do recognise, though, that we have just come off of SGO, which potentially creates a perception of ex-growth. With that said, there is a whole stream and a lot of ore in the ground that we just need to turn into product.

CHRISTOPHER LAFEMINA:
In terms of the autonomy technology and the potential improvements you can see there, is this something we should think more of as a de-bottlenecking exercise, or is it possible to have real transformational growth by using technology?

RAG UDD:
I think it is entirely possible to have transformational growth through technology. I do not think you can use it just as a de-bottlenecking process. As a case in point, I mentioned that the trucking processes at Escondida would be the bottleneck process in terms of that stream moving forward. Nonetheless, I know that if I can apply a lot of decision autonomy at our processing plants where we have had significant investment in capital over the last couple of decades, that can unleash additional recovery and additional throughput for those plants. Even though it may not be the bottleneck process, it takes that bottleneck process that is downstream and it is basically becoming much more efficient in terms of what it can deliver, which means more copper to the market. For us that is a fantastic outcome.

CHRISTOPHER LAFEMINA:
You mentioned Resolution which, as a massive underground ore body, has potential to be a real tier one operating asset, but politically there are obstacles to get through. Can you just give us an update as to what the developments are there, the timeline and so on, and what needs to happen for this project to come to fruition and any material changes?

RAG UDD:
I can, Chris. Something that sticks with me more and more is that, if there is a view that there is an easy-to-extract copper deposit out there, people need to rethink that a fair bit. When it comes to Resolution, we are a minority partner; Rio is the majority partner for the project.

Let us talk about what we see about this project that excites us. It is a very attractive resource. It is one of the largest undeveloped copper deposits in the world with an estimated copper resource of about 1.8 billion tonnes, and that is grading at 1.5% copper. It is a superb deposit in terms of what we are seeing behind that.

Secondly, and something that is missed here, is the value that this brings. It benefits BHP and Rio, but it also has a significant impact in terms of the communities and I actually think the USA as well in terms of what it brings. The mine is expected to take 10 years to construct and will have a 40-year operational life. It potentially brings jobs to over 3,000 people during the construction and operation phases, and would be a significant contributor to the US copper supply, producing something like 25% of the US copper supply needed for a number of decades to come. That will have a significant impact on the local, state and federal tax contributions we make as a company.

You will have seen what is happening with the final environmental impact statement having been rescinded earlier, and that there is draft legislation being considered by the US House of Representatives. We continue to work through those challenges and we are supporting Resolution each step of the way along that.

A key message that we need to resonate for anybody involved with this project is that we are committed to continuing to consult with the Native American communities. We are really supportive of the commitments and continued consultation in terms of what is going on there. I do appreciate that the most recent legislation in Congress has actually received some attention, but I think it is important that we recognise that is only one step in a process that began well over seven years ago and we still have a long way to run on this project. Based on what I have just described, we are pretty excited about it and we think it is worth the effort.

CHRISTOPHER LAFEMINA:
It could be a strategically important asset, not just to BHP and Rio but to the US as well, as a large supply of domestic copper.

RAG UDD:
I could not agree more.

CHRISTOPHER LAFEMINA:
BHP has also taken some positions on very early-stage projects in Ecuador, and looking at a potential acquisition with Noront in nickel. Can you talk about some of these very early stage projects and maybe smaller assets where there is potential? BHP is obviously a very big company and to have growth that is sufficient to move the needle there may be a couple of very big projects or maybe many smaller projects. Can you speak about how you think

about expanding your organic growth with some of these early-stage projects and options like you have been pursuing recently?

RAG UDD:
That is a great thing to call out. Something that I think is worthwhile discussing a little is that a project like SolGold or Noront will not shift the needle from day one. We need to get used to this idea. Our iron ore business is fantastic, with almost 300 million tonnes of iron ore a year; our metallurgical coal business is superb, with well over 60 million tonnes a year; and Escondida is a giant in terms of what it delivers for copper. However, it is really important to understand that they did not start that big and in order to create those operations, and to be respectful in terms of creating value for our shareholders, it is really important that we actually start those and then grow them over time in terms of the potential that sits there. That is what you are going to see with us, whether it is working around some of the deposits that you mentioned or even at Jansen, which hopefully we will have a chance to talk about a little later on, in terms of putting them into these foundations, learning more and growing them like we have in some of our other commodities.

We like Ecuador. It is a developing nation. We like the prospectivity and the potential in the country. Our experiences to date have been really positive in terms of what we have seen in Ecuador, and we actually see this as a long-term option in our portfolio. Specifically on SolGold, we see the Alpala project is early stage and moving towards pre-feasibility in the next couple of months. We currently own about 13.6% of SolGold and we see this as part of our strategy to replenish the long-term copper basis as we move forward.

It is important to understand that, when we say we like Ecuador, it is not just SolGold. We have established an exploration office in Quito. We have nine exploration concessions underway and we are actually working with a Canadian-based exploration and development company to develop a couple of those concessions.

It is a very similar story when we get into Noront. Again, we like Canada. We actually think it is a fantastic country to be doing work in. It is relatively unexplored in terms of some of the deposits that sit out there, and we are big fans of nickel sulphide and what we think it can bring in terms of batteries and that low-cost conversion to battery quality nickel and the battery demand that we are going to see over the next couple of years. We see getting into Noront as increasing our exposure, and it allows us to secure a prospective nickel basin that is capable of delivering something that looks tier one for us longer term, and it is very much in line with what we call a seed deposit strategy where we see that there are small kernels to begin with and those grow as we do more exploration around that.

In terms of Noront, it is slightly different in terms of the progress we have made with SolGold. We have made an all cash offer for C$0.55 per share that has been supported by the board. We would note that that is the only bid that has been recommended or actually received at this point in terms of firm offers.

CHRISTOPHER LAFEMINA:
Back to comments about Ecuador, it seems that that is a region of the world that has generally been under-explored and may have a lot of potential. What is it about Ecuador that attracts BHP? Is it just the political climate there? What is favourable to the mining industry in general to enter? It seems that there may not be the necessary skills domestically yet because the mining industry is not very big there. What about it attracts you specifically to that country?

RAG UDD:
We do see it as relatively unexplored, and if you take a look at where copper exists in great parts of the world there is no doubt that the western side of South America and North America are fairly prospective in terms of what sits out there. We like the geology and what sits around there. More importantly, the reality is that it does not matter what is in the ground a lot of the time rather than the support you actually get from the government, the communities and how we can contribute in terms of making a whole company difference to the country that adds up being a net benefit to everybody involved in that conversation.

We are starting to see some of the dynamics in Ecuador actually shifting more towards that. It is important to understand, though, that when we make these sorts of decisions it is not just based on the current government. It is basically what we are going to be living for the next 50 to 100 years, so we actually need to make sure that we have some stability on policies, stability on investment, and that we are clear on what that looks like. We are starting to see the pendulum shift a little in Ecuador, with it leaning more and more towards that environment.

CHRISTOPHER LAFEMINA:
Thank you for that. I have maybe one more question about South American copper mining and some of the inflationary pressures you might be experiencing there. It seems that inflation is becoming a relevant factor in every industry, but maybe even more so in mining. Obviously, the high commodity prices can hide that a little bit, but what have you been seen in terms of inflation recently? Has there been acceleration of inflation in terms of consumables and obviously energy costs rising? Currency probably has some headroom still, but how is inflation progressing for you guys and how are you managing that?

RAG UDD:
As we come out of COVID and particularly as we see policies around electrification, de-carbonisation and population growth continuing to grow, we can expect inflation to ramp up and remain volatile. For ourselves, particularly in Chile, we have seen some of our import prices increase, whether that is power, acid or explosives. The Chilean peso actually has strengthened by just under 10% over the last year. I think it is 7%. Despite that, Chris, this is actually part of operations. You will hear us talk about our BHP operating system a fair bit. For us, this is the growth engine we use to actually ensure that we continue to practise operational perfection in terms of trying to drive out those efficiencies in our organisation and trying to reduce costs.

You have also heard me talk a fair bit about the technology that we are trying to bring into the operations to actually help improve recovery and throughput, all of which we think will help us contribute to lower unit costs. Now, it is easy to say. Let us talk about some facts in terms of what that looks like. If you look at Escondida over the last five years we have seen some quite significant grade declines over that period, yet we have been able to broadly keep our costs flat. That is really where we are pushing to as an organisation. If you take a look at FY22, our costs do go up, based on some of the earlier conversations we have talked about, mainly due to really starting to ramp up that brownfield exploration activity to start to build up Escondida a bit more. Mid-term we are broadly sitting around that guidance of about US$1.10 per pound in terms of what we are looking for. For ourselves that is really a big push.

CHRISTOPHER LAFEMINA:
So maybe what we should think about – and correct me if I am wrong – is there is going to maybe be some structural, inflationary pressures in mining, but you believe that you have the operational potential to offset those inflation pressures via efficiencies, assets, using technology, for example. Not only can you offset the cost inflation;. That is probably a bit of a point of differentiation with BHP. Maybe some other mining companies will not be able to do that, but maybe for you it is really where an advantage lies.

RAG UDD:
I will not talk about others on this one, but we think we have the nous to do this. To be honest with you, I want teams that get excited about this stuff. When you are in operations and when you get out of bed in the morning, this needs to fire you up and be something that you are excited about getting into, to figure out how to make something more efficient and to make a difference in terms of what we are contributing every day. We have a great quote in BHP about starting each day with a sense of purpose and leaving at the end of the day with a sense of accomplishment. That is where we want our operational teams focused. This is a big focus for us, on top of making sure that our safety performance stays really solid, as it has over the last couple of years. That is really where we want our operational teams focused.

CHRISTOPHER LAFEMINA:
So there are some cost factors that you have some control over with potentially the technology to improve efficiencies, etc, but some cost issues which maybe are less within your control, for example tax and royalties. Of course, in every mining cycle when we get to a high commodity price environment, tax and royalties tend to not go down. If anything, we see pressure on the upside, and maybe those tax and royalty increases become embedded through the cycle. You have sticky tax and royalty inflation through the cycle, right? Taxes and royalties never go down. They only go up. What is your general view about progression in terms of mining tax and royalties in Chile, for example, and even globally? Is your sense that these countries where you operate generally understand that there is a balancing act here between continuing to attract foreign direct investment and maybe generating more revenue for their own needs, and therefore the outcome is likely to be something that is more mutually agreeable rather than one side? A lot of the media reports indicate that a big tax and royalty pressure is going to kill the mining industry. Maybe it is a little bit more balanced than some of the media reports indicate. What is your view on that?

RAG UDD:
It is important to actually take a rounded perspective on this one. The reality is, copper was sitting at about US$4.25 yesterday, I think, a pound. If you are seeing those sort of prices it is really, really natural for people who are going through – particularly in Chile – social unrest and Covid over the last two years to actually be sitting there going, 'Well, hold on. If they are doing really well, are we getting a fair share of that? What does that actually look like?' As an industry I do not know that we have done enough to talk about what we are doing to actually contribute to Chile, not just in terms of employment and taxes and royalties, but on a bunch of fronts. You will see a lot of activity on that over the next six months to a year across a number of jurisdictions about us starting to actually get that message out there a bit more, because I think we have actually been quite silent on it.

Something else we are picking up, Chris, is that your comment about, 'Do people understand it?' is actually really pertinent. In some jurisdictions we think it is actually very mature in terms of that understanding, in others not so much. If I take a look at Chile as an example, Chilean tax rates are very competitive and in line with what other mining regions such as Australia, Canada and Peru pay, but you would not get that impression if you were actually reading the media in terms of what is being put out there. In fact, if you take a look at the current taxes that were originally proposed in the congress it would make the effective tax rates in Chile ridiculously high, getting up to 70% and above in terms of what those effective tax rates would look like.

Obviously, Chris, you touched on it. That impacts the viability of the existing operations. I am sure you will have some operations like Escondida who may be able to continue to operate with what they have got, but there is a great deal of the operations that sit in Chile that are not BHP operations, but other operations that are sitting in the third and fourth quartile, based on the grade declines we have seen over the last couple of decades. Now, similar to the conversation we just had about Ecuador, the reality is that we have a choice in terms of where we actually put our next dollars. The reality is that in terms of those future investments we have to make sure that we are actually working in a place that we consider as competitive globally and that we have stable policies in the regions where we invest, so simply just having the resources is not enough. Other nations are well-resourced, and we will find different ways to actually invest that and drive that forward.

The simple message for me is that the Chilean mining industry specifically has a really, really great opportunity to take advantage of the increasing copper demand and what that can do to actually continue to help build Chile. However, it is super important that we get the policy balance right, so that there is a shift in terms of what that looks like.

CHRISTOPHER LAFEMINA:
Thank you for that – very interesting. I just wanted to follow-up to some comments that Mike Henry made on the most recent earnings call. He talked about how the unification and planned sale of the petroleum business will make BHP nimbler with respect to potential acquisitions. Mike, of course, talked about future-facing commodities: copper, nickel, potash. We will talk about Jansen in a minute here, but can you talk about this potential flexibility that BHP will have and how this might impact your own decisions? We are looking at a company now in BHP that has a very strong balance sheet and debt levels well below the bottom of the target range. You are generating very strong cash flows as we speak. You are expanding your organic growth optionality.

If we look at where BHP was a couple years ago versus where it is today, the growth tentacles are definitely getting longer and there is a lot more going on now. But you could be in a position where you have a significant amount of financial capacity to grow the business in maybe future-facing commodities, and of course in a world where equity valuations are very high and commodity prices are rising it is tougher to do, but in downturns maybe it is not so tough to do. Maybe talk about the flexibility that BHP might have to the cycle. I am not sure if it is really the right question for you, but in terms of how the unification and the planned sale of the petroleum business might actually increase BHP's flexibility through the cycle.

RAG UDD:
Let me explore this and talk about this on a few fronts. I think it is important to understand. This is about setting the company up for the future. It is not about preparing for large-scale M&A. Why are we doing this? Because we want to be more agile and nimbler generally, and this is about setting up BHP for the future for us. While they are separate deals in terms of the petroleum and unification transaction, we see that unification will make the petroleum transaction easier. It is going to shorten the execution timing, basically, and it is going to simplify what is needed to be executed by having a single set of shareholders and being able to work through those approvals processes in a much quicker manner.

On the petroleum merger, as I mentioned, we have been looking at that for a number of years, as you would expect us to do in terms of a big stream in our portfolio. What we saw with petroleum is we actually really like petroleum for the next couple of decades. We actually think there is a really attractive market there, but there were two factors that came into the conversation and decision around that petroleum focus or the spin to Woodside. One was around scale. We thought that was going to be important, so by actually merging this company with Woodside it actually does create a top 10 independent global energy company. For us we think that creates more optionality and value for that asset to move forward.

We also saw this about creating value and choice for our shareholders. We do recognise that some individuals do have concerns about ESG, and this actually gives them a choice to either continue to follow through with that Woodside portfolio that sits out there, or make a decision to exit it together and still have a great suite of BHP options to work for it in terms of future-facing commodities.

CHRISTOPHER LAFEMINA:
Speaking of future-facing commodities, that takes us to Jansen, where BHP hosted a very good seminar about a week ago talking more about the potash markets, the longer-term views on potash – which BHP is generally pretty constructive on, especially going beyond 2030 – and then also obviously Jansen's competitive positioning as a relatively low-cost asset. There is very significant growth optionality, with pretty low geopolitical risk. It seems like things are going relatively well there. Can you talk about the potash strategy in general? Jansen has gone through multiple iterations in terms of how you are going to bring it online and now staging it, which seems like a very prudent approach. Talk about potash, how that fits into the BHP strategy and where additional optionality might be around that commodity.

RAG UDD:
You have talked about a few of the elements. When we think about these sort of investments, first, we actually take a look at the commodity. For ourselves we have been looking at potash for well over 15 years. We actually like potash quite a bit. We see that it has got a steep cost curve. Why that is important to us is the rent gets set basically in the third or fourth quartile in terms of what it looks like. There has not been a new underground potash mine built in Saskatchewan in the better part of 30 or 40 years, and with some of the advents of technology and what sits out there we believe that we can actually bring on a relatively low-cost potash mine, which will allow us to operate in the first quartile and actually capture a reasonable portion of that rent moving forward. We actually like the steepness of the cost curve.

We see a piece for us around the diversity that this actually brings to the BHP portfolio. This is not directly linked in terms of electrification and decarbonisation. Potash is linked into population growth, and we see population growth as something that we believe is going to be a truism over the next several decades. When we start to get into the optionality around, 'Well, it is a different market that we are dealing with,' this is not entirely focused on China, or a great deal of it focused on China. It has actually got diversity in spread across the globe. It is not a new country to us; it is actually increasing our footprint in Canada. We see that as a stable jurisdiction that actually allows us to grow a bit further in the future as well. Yes, this is a pretty exciting deposit for us to get into. I can honestly share with you, after having watched this one develop over the last decade, I could not be happier to be getting into it and starting to grow that portfolio.

CHRISTOPHER LAFEMINA:
If we think about the progression of Jansen and how it will progress over time, obviously there are multiple phases in terms of the potential production ramp there – bottom of the cost curve.

RAG UDD:
How you should think about Jansen is that we are bringing on just over a 4 million-tonne chunk to begin with. That is into a market that will, six years from now, probably be about 70 or 80 million tonnes. We are adding about an additional 5% into the market. What we have seen with potash is that it grows somewhere between 1% and 3% a year. If I use rule of thumb of about 2% we think that this additional potash will fit very neatly into that market over the next three to five years. We have optionality to scale that deposit by an additional three phases above that 4 million tonnes.

What is super important to understand about Jansen is that one of the things we have received a lot of feedback on – and rightly so – is that we over-invested in the shafts. Those shafts are capable of actually hoisting somewhere in the neighbourhood of just over 16 million tonnes of finished product. What that means for us is that potash shafts tend to be very high risk and high cost. That investment is already made for BHP in terms of those next three phases, which basically creates low-cost latent optionality to actually grow this from 4 million tonnes to 16 million tonnes, basically, over the next couple of decades.

In terms of when you can expect stage two, stage three and stage four, it will depend. We are doing the study work on that. It is when we think there is value to be created in the market that we will actually consider making those investments.

CHRISTOPHER LAFEMINA:
If we think about the market itself and the positioning of Jansen over time, it is a steep cost curve to begin with, but do we expect the cost curve to steepen over time? Marginal cost-based pricing would imply higher prices in the future than people might think today. In other words, when we look at the returns of Jansen, they are okay returnsespecially on a go-forward basis in which some of the capital has already been sunk. The big upside here, of course, is if the market is wrong about where potash prices go. Maybe it is a function of a steepening cost curve that drives prices higher; if Jansen is sitting at the bottom of that curve you might experience some higher margins in the long run as a result of that. Based on the geology of the marginal assets around the world today, very mature basins and no growth, do we expect the cost curve to steepen over time, and that is really what the benefit of Jansen is in the long run?

RAG UDD:
Long ago I gave up trying to predict what I think is going to happen in terms of prices and commodities, but suffice to say a truism that sits out there is, we absolutely do believe that it will continue to be cyclical in terms of the highs and lows that we actually see in the industry. What seems to really stand out when you look at that potash cost curve is that solution mining tends to be much higher cost in that third and fourth quartile, and we see that continuing to basically persist in the future.

In addition to that, we see the Belarusian and Russian basins basically starting to decline over the next 20 to 30 years, which we think actually creates a bit more scarcity of supply in terms of what is potential. We see that Saskatchewan basin starting to grow in terms of importance globally. It is important to understand that we have got about 37% of the tenure in that Saskatchewan basin, so we think that actually gives us huge optionality for growth, not only for Jansen, which I have talked about in terms of those four phases, but a whole suite of projects that sit behind that, if the market is able to accept that.

CHRISTOPHER LAFEMINA:
I think we have time for just one more question. Just because it is so topical, have you any thoughts regarding the global macro? Obviously you are not managing a business where it is going to happen over the next three months, but are you seeing evidence of any material demand weakness yet? There is a lot of concern in the equity markets about what is going on in China, but what do you see from your seat in terms of how the global economy is changing and how that is impacting demand for your products, if at all?

RAG UDD:
I think we can expect volatility to be the norm, and investor sentiment to actually probably closely follow behind that. In terms of the commodities that I am looking after at the moment around copper and nickel, I actually think that those are set up in quite a strong position, fundamentally. If you believe in the trend around decarbonisation, that is going to basically increase copper. If you then actually take a look at the supply that is coming online, what we have seen over the last ten years in particular is a relative under-investment in terms of new deposits coming forward. What I think you are going to see is that those investments obviously will come. They take time, though; we are in a relatively good spot, basically, for the next five years in particular, where we are going to see strong demand for copper moving forward. That will be the truth in nickel as well, where we actually see a lot of similar trends playing out in terms of copper and nickel.

Iron ore, I know, has really been topical. It is really important to understand that iron ore above $100 a tonne is still very good business for us as an organisation. While we all love it when it is sitting at $200 a tonne or the high $180’s, the reality is that in terms of that balance, historically – coming back to my comment around potash – this is a cyclical industry and we have to expect that it will go up and down. Yes, there are some short-term hits we are seeing at the moment around power shortages and government intervention in the delta variant, but we actually do think that balance will return over time and we will continue to see strong performance out of most of our businesses.

CHRISTOPHER LAFEMINA:
Not to mention that what is going on in the coal market is certainly not hurting BHP, right? It is offsetting some of the weakness in your iron ore and nickel prices.

RAG UDD:
Spot on, Chris. Let us not forget where we were sitting with coal a year ago. We have gone from US$100 per tonne to – I was looking at it last night – just over US$350 per tonne, which is not a bad spot to be.

CHRISTOPHER LAFEMINA:
I guess one of the advantages for BHP right now is that in light of the strength of your balance sheet, where your assets across the business sit on the cost curves, you are not a position where you will have to compromise your strategy depending on what is going on in the economic cycle. If things do get worse for a six, 12 or 18-month horizon, your strategy should be resilient through the cycle, in which case it becomes more predictable in terms of capital allocation and potential value creation. If anything, maybe BHP could be opportunistic if clear opportunities do arise, again because of the financial capacity you have. BHP has been in this position in prior downturns, but it is not a typical position for a mining company to be in, to have this financial flexibility through the cycle, right? It is good to know that you can progress your strategy even if things do get worse in the world.

RAG UDD:
Spot on, Chris. We have a very simple strategy. We find commodities that we like. We then actually find the best assets that sit out there. We just talked about Jansen. We find the best space in the world, find premier positions in it, and then make sure that we have actually got the operating nous to actually deliver on that in terms of the follow-through that actually sits behind it. It is a simple strategy, but it takes a long time to play out and deliver. It is something that I think we are getting better at as a company over time, which puts us into a great position in the longer term.

CHRISTOPHER LAFEMINA:
I totally agree. Right, I think we have run out of time, but thanks a lot for taking the time with us today. This has been really helpful and insightful, and good luck to you with a lot of the initiatives that you guys are pursuing. We will definitely be keeping an eye on it. We appreciate the time today. Thanks a lot.

RAG UDD:
Chris, a real pleasure.

CHRISTOPHER LAFEMINA:
Talk to you soon. Thanks.

RAG UDD:
Thanks.