BHP

President Petroleum investor briefing with Barrenjoey

Speaker notes

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Slide 1: Title slide

Hello, I am Geraldine Slattery, President of BHP's Petroleum business. I am joined today by Matthew Ridolfi, Vice President of Major Developments. Before we begin, I'd first like to thank Glyn for the opportunity to talk to you today, share more on the Petroleum business and to engage in areas of interest for you.

Slide 2: Combined Business creates significant scale

Starting off, I would like to briefly address the proposed merger of our Petroleum assets with Woodside. In this, we are combining two complementary businesses that we expect will to deliver substantial value creation for both sets of shareholders.

The transaction delivers significant benefits:

- The combined business has substantial scale, creating a global top 10 independent energy company by production, and the largest energy company listed on the ASX.
- It brings greater scale and diversity of geographies, products and end markets through an attractive and long-life portfolio.
- Its strong growth profile and capacity to phase the most competitive, high-return options within the portfolio.
- The combined capabilities offer a strategic advantage in proven management and technical capability in LNG, Deepwater Oil and Operational Excellence.

Despite this exciting future, today BHP Petroleum and Woodside remain separate entities. Therefore, I will be speaking specifically to the BHP portfolio and its assets today.

With that, let's turn to our FY21 performance which is indicative of our strong performance since the Petroleum Investor briefing in 2019.

Slide 3: FY21 Petroleum operational highlights

Through recent years as we have shared in prior briefings, the Petroleum business has prioritized focus on maintaining a high performing producing base, advancing the commercialization of growth opportunities, and generating new growth options through exploration and acquisition.

FY21 Operational highlights demonstrates our capabilities and performance in these priorities, and to pick up on a few points:

- First and foremost, we delivered on operational safety, reflecting investment in personal safety with a particular emphasis on COVID-19 controls as well as in asset integrity.
- On Production, and Unit Costs, we overcame weather and COVID related headwinds to exceed Guidance.
- On Growth, several sanctioned brownfield growth projects commenced first production and we advanced unsanctioned and appraisal activities.
- We invested in the communities where we operate to assure our business brings social value as well as financial value.
- We also progressed rebalancing the portfolio, with the acquisition of an additional 28% WI in Shenzi, and the divestment of our interest in the later life Neptune.

With that lens on our performance and capabilities, let turn to our Portfolio as a whole.

Slide 4: Core assets concentrated in key heartlands

The overall resource base is 3.2 Billion boe inclusive of 1 Billion boe of 2P reserves.

Our producing base is concentrated in Australia and in the Gulf of Mexico, across five major Assets – Bass Strait, NWS, Atlantis, Shenzi and Mad Dog. These are basins we have operated and partnered in for decades, where we have proven performance year after year.

Our Growth portfolio spans oil and LNG:

- In Oil, this is concentrated in continued brownfield tiebacks to the producing oil assets in the US GOM, in addition to the Trion project.
- In Gas and LNG, growth is concentrated in the Scarborough project in Australia. We are also progressing the earlier stage Calypso discovery in Trinidad and Tobago.

Our Exploration portfolio offers future optionality and growth potential, with acreage and attractive prospects in:

- Central and Western Gulf of Mexico;
- Barbados;
- Eastern Canada;
- Mexico.

Overall, our portfolio offers a balanced mix of oil, advantaged gas and LNG, which positions us well commercially.

Our portfolio of operated assets is further advantaged by a competitive emissions intensity, with 2030 outlook of ~19 kg CO_2 per BOE vs. an industry average of ~27.

From here, I'll turn to our production over the five-year outlook.

Slide 5: High-margin barrels drive production growth and returns

As you'll observe from the production chart in the top right, volumes through FY26 are dominated by the current producing base and sanctioned projects.

In totality, our portfolio is incredibly resilient, breaking even at $32/boe on an NPV10 basis. All of the cost of supply metrics quoted here today are on this basis.

Our on-stream producing assets have a competitive cost of supply of $26/boe offering resilience and exposure to commodity cycles.

The sanctioned wedge reflects Gulf of Mexico production growth, from Mad Dog Phase II, Atlantis Phase III and multiple Shenzi projects. On a go forward basis, these have a $15/boe cost of supply.

Beyond producing and sanctioned, our portfolio holds multiple unsanctioned projects including brownfield and greenfield growth options, offering potential new production from the mid-2020s at around $40/boe average cost of supply:

- The unsanctioned brownfield developments have short duration paybacks and offer higher returns, with IRRs averaging >30%. These are focused primarily in the US Gulf of Mexico and provide lower-risk, high return embedded growth options within well understood basins with existing infrastructure.
- The unsanctioned greenfield growth projects, Scarborough and Trion, are well advanced with a plan towards Scarborough FID by the end of this calendar year and Trion in FEED.

Putting all that together, over the five-year outlook our production is expected to average 109MMboe per annum at a very competitive cost of supply, with greenfield developments offering continued growth through the later 2020s.

I'll now touch on the major producing Regions and Assets.

Slide 6: Australia – strong free cash flow generation

Starting with Australia, our producing base is diversified across domestic gas, LNG and liquids in Bass Strait, NWS and our operated WA Pyrenees and Macedon.

These producing assets are highly cash generative, resilient to price, and continue to generate strong returns through the mid to late 2020s.

Growth options are dominated by the Woodside operated Scarborough LNG and domestic gas development.

In aggregate, we have 1.3 Billion boe of predominantly gas resource in Australia, providing a strong foundation for cash generation and future growth in a low-risk jurisdiction exposed to a growing global LNG market.

Turning now to our Gulf of Mexico Heartland, where BHP is the 8th largest operator in the GOM by volume, with a growing base.

Slide 7: US Gulf of Mexico – Large, long-life and expandable

Our GOM portfolio consists of 3 anchor assets: our operated Shenzi field and the BP-operated Atlantis and Mad Dog assets. These are all Deepwater, high quality, high margin oil assets that collectively underpin our near-term volumes and growth plans.

The non-operated assets Atlantis and Mad Dog are multi-billion-barrel fields, amongst the largest in the deepwater Gulf of Mexico, currently producing >100,000 and 70,000 gross b/d, respectively. Since coming online in the early 2000's, they have both gone through a number of phased developments as our understanding of the resource has improved through technology and production history.

Our operated Shenzi asset is a significant producer today at roughly 43,000 gross b/d, with multiple developments in progress including Shenzi North and the Wildling discovery.

In aggregate, the producing assets and their growth opportunities represent over 1 Billion boe of total resource with increasing production expected through to 2025.

Let me now turn to Matthew who will speak to the projects that underpin the Growth wedges through the 2020s.

Matthew Ridolfi | Vice President Major Developments

Slide 8: US Gulf of Mexico – Large, long-life and expandable

Thank you Geraldine and thanks to all of those joining the call today. To start off, I will cover our portfolio of development opportunities in the US GOM and I will then talk about those opportunities we have in other parts of the world.

Today our GOM assets are without doubt some of the most enviable in the industry. While these assets provide high margin base production, they also offer a large number of ongoing expansion and infill opportunities, which combined have a cost of supply of ~$29/bbl.

Within the currently producing Shenzi blocks, we have a suite of sanctioned and unsanctioned infill wells and expansion projects, which have strong economics with average returns over 30%.

We have also recently sanctioned the Shenzi North project, which ties in production from two royalty free blocks to the north of the existing field with very attractive economics with a rate of return over 35%, a breakeven of approximately US$25/bbl and a payback of less than 2 years.

Further expansion potential exists through the Wildling discovered resource that can also be tied into the Shenzi infrastructure. We aim to drill a development well in Wildling in CY2022.

The Atlantis field also holds growth options, including additional wells, subsea pumping and improved water injection and water handling, which allow us to maintain a healthy growth pipeline through the 2020s. The most recent of which is the Atlantis Phase 3 project which achieved first oil in July.

We are also looking forward to the Mad Dog Phase 2 project coming online in mid-CY22. This exciting development unlocks additional resources, bringing up to 140,000 boe/d of production and providing further growth opportunities post the initial field development.

These are all fantastic GOM assets that will continue to deliver strong cash flows into the next decade.

Slide 9: Future growth options – delivering into the next decade

Calypso is a material operated deepwater discovery in Trinidad and Tobago, that is well positioned to access existing regional infrastructure and both the domestic and international markets.

It contains multiple discoveries advantaged by low CO_2 content.

Appraisal activities began this year when the Bongos-3 well was spudded in July and subsequently encountered hydrocarbons. The rig is now moving to the Bongos-4 well to continue the appraisal program.

With multiple potential development concepts currently under consideration and depending on the final results of the appraisal program, first production from Calypso could be in the CY2027-2028 timeframe.

Trion is a material operated deep water oil asset in the Gulf of Mexico. The development initially targets a net resource of 275 MMboe underpinning our emerging heartland opportunity in Mexico.

We have now successfully completed the appraisal program, selected the development concept, and have entered FEED for the major scopes of work. We continue to work toward a final investment decision in CY2022, with potential first production from CY2026.

Throughout this project we have built strong relationships with our JV partner Pemex and with the Mexican government and regulators, all of which has helped us to efficiently progress the development.

Through our targeted value optimization program, we have positioned Trion as a resilient investment opportunity with a project break even below $50/bbl which compares well with similar greenfield deepwater developments.

In addition, we are also optimizing Trion's design with the inclusion of vapour recovery units and efficient power generation units, such that Trion will be one of the lowest carbon intensity fields in the deepwater industry at 13.5 kg of CO_2/boe.

Scarborough is a material deep water gas resource located offshore northwest Australia, which has access to regional infrastructure and attractive Asian LNG markets.

BHP and Woodside have developed a plan to achieve Scarborough FID by the end of this year, with first cargo potential from CY2026.

Scarborough also benefits from very a low CO_2 content in the gas stream and with new onshore LNG train design, the development will produce some of the lowest carbon footprint LNG in the industry.

Let me now turn it back to Geraldine.

Geraldine Slattery | President Operations Petroleum

Slide 10: Future growth options – Exploration & acquisitions

Our growth strategy and portfolio targets material growth opportunities with the potential to offer exposure to advantaged gas and high margin oil with low GHG intensity. This is predominantly through Exploration and early-stage entry such as Trion, complemented by opportunistic producing asset acquisitions.

In terms of performance, over 1 Billion boe has been added to the Resource base since FY17 with exploration success in the GOM and T&T in addition to successful acquisition of a high-quality resource in the Trion asset in Mexico and in the Shenzi asset in the GOM

FY22 activities are focussed on appraising the T&T gas discovery in Calypso, testing the Central GOM Wasabi prospect, seismic acquisition in Barbados, and evaluating exploration options near the Trion field.

Beyond FY22, the portfolio offers access to proven and emerging basins, with optionality across commodity and jurisdiction.

Slide 11: Petroleum has a strong record of performance and results

To sum up, our Business performance and outlook is underpinned by three factors:

- High performing base and sanctioned project delivery with low cost of supply through the 2020s
- Growth projects and options that offer material growth from the mid-2020s, diversified by commodity and region.
- Our commitment to create both long-term financial and social value. This includes our strong ESG policies and social returns, believing in a holistic approach to maintaining competitiveness over time.