Bank of America 2023 Global Metals, Mining & Steel Conference

Presentation & speech

16 May 2023

Good morning, everyone. It is great to be here in Barcelona and to see a mix of both new and familiar faces in the audience. I'll be catching up with a number of you one on one in the coming days.

Thank you to Jason and Bank of America for once again hosting this conference.

Today I'm going to talk about the opportunities we at BHP are pursuing to grow value for shareholders, and why we believe our portfolio, focus on operational excellence, and approach to social value present an attractive, and differentiated investment proposition.

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Forward-looking statements

This presentation contains forward-looking statements, including statements regarding: trends in economic outlook; commodity prices and currency exchange rates; demand for commodities; medium-term guidance; reserves and resources and production forecasts; operational performance; expectations; plans, strategies and objectives of management; climate scenarios; approval of certain projects and consummation of certain transactions; closure or divestment of certain assets, operations or facilities (including associated costs); anticipated production or construction commencement dates; capital expenditure or costs and scheduling; operating costs, including unit cost guidance, and shortages of materials and skilled employees; anticipated productive lives of projects, mines and facilities; provisions and contingent liabilities; and tax and regulatory developments.

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Presentation of data

Numbers presented may not add up precisely to the totals provided due to rounding. All footnote content (except in the Annexures) is contained on slide 13.

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In this presentation, the terms 'BHP', the 'Company, the 'Group', 'BHP Group', 'our business', 'organisation', 'we', 'us', 'our' and ourselves' refer to BHP Group Limited and, except where the context otherwise requires, our subsidiaries. Refer to note 28 'Subsidiaries' of the Financial Statements in the FY2022 Annual Report and Form 20-F for a list of our significant subsidiaries. Those terms do not include non-operated assets. This presentation covers BHP's functions and assets (including those under exploration, projects in development or execution phases, sites and closed operations) that have been wholly owned and/or operated by BHP or that have been owned as a joint venture[1] operated by BHP (referred to in this presentation as 'operated assets' or 'operations') during the periods referred to in this presentation.

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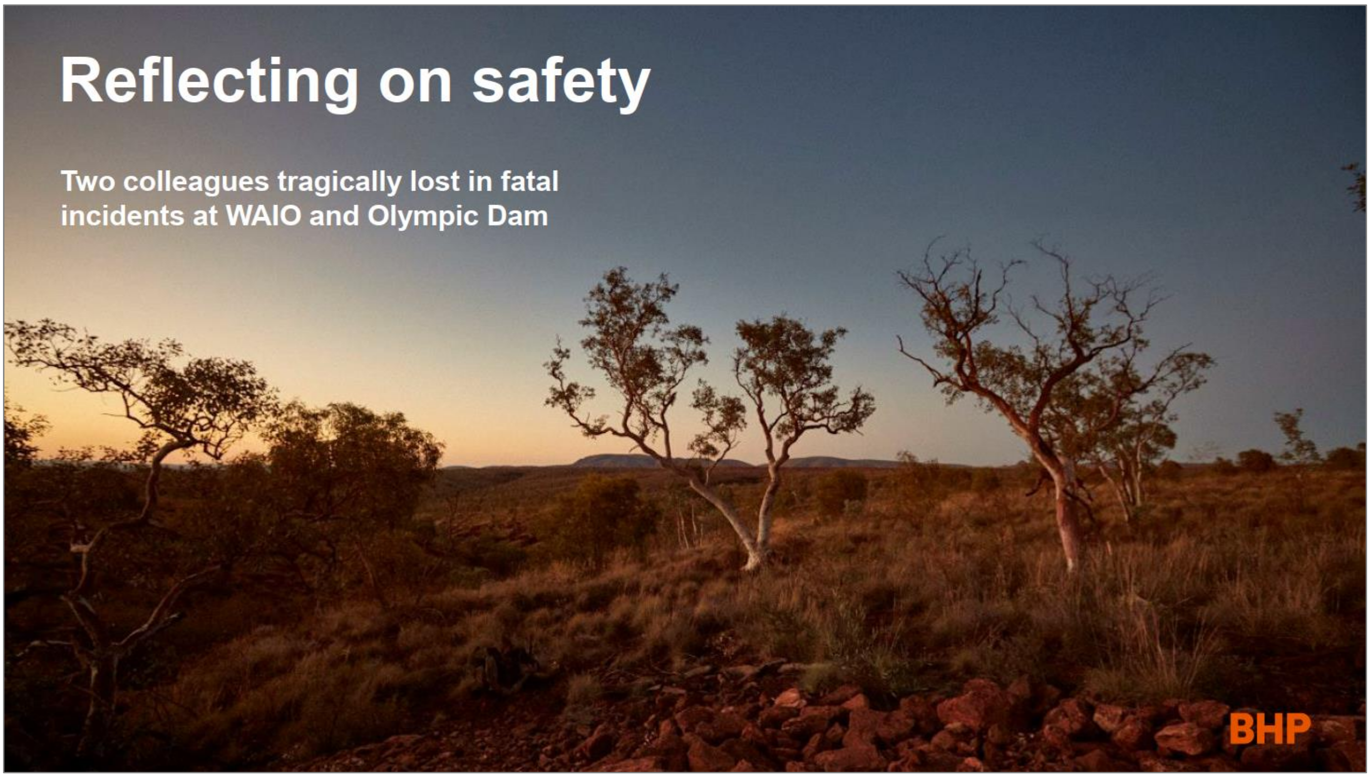
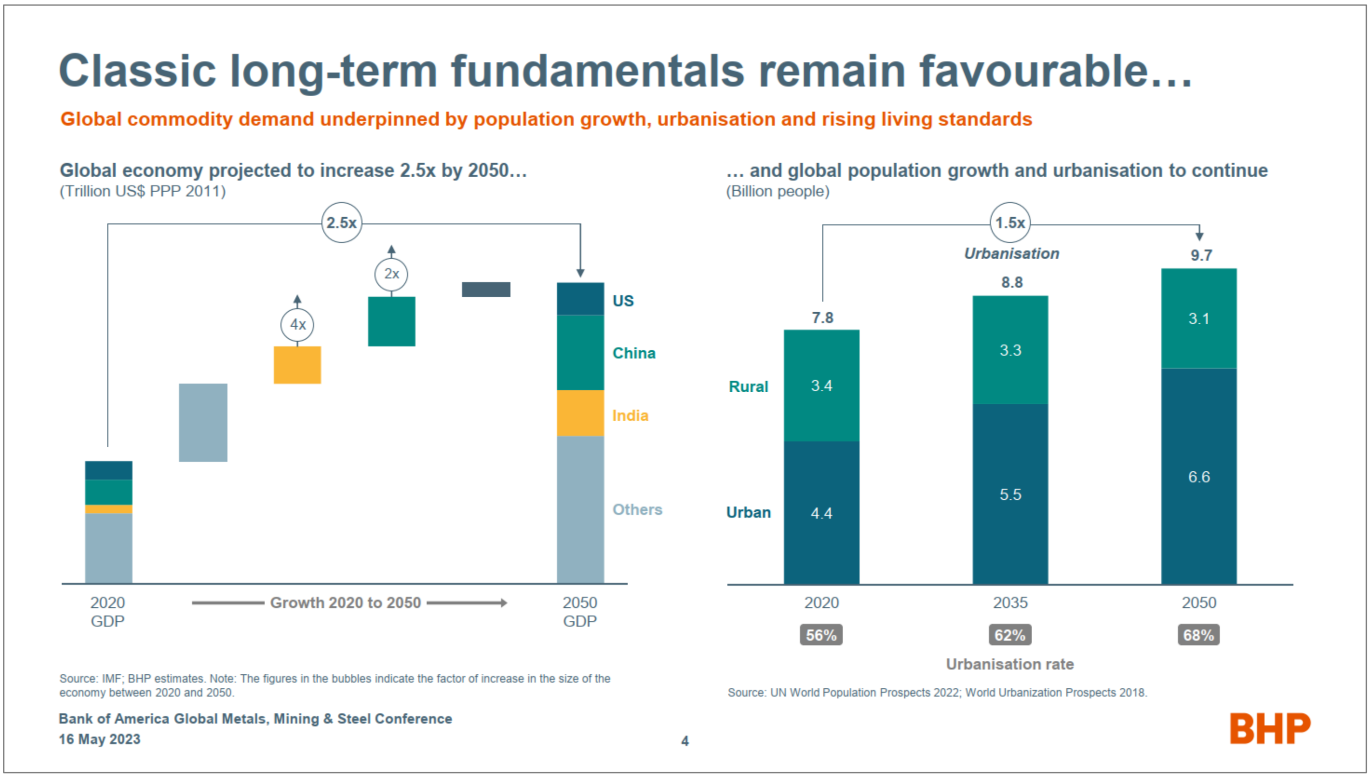
1. References in this presentation to a 'joint venture' are used for convenience to collectively describe assets that are not wholly owned by BHP. Such references are not intended to characterise the legal relationship between the owners of the asset.



Before I talk about any of that though, I really do need to acknowledge the tragic fatality that occurred at Olympic Dam at the end of April, and that follows on the heels of a fatality earlier this year at Port Hedland.

As far as we have come in recent years, we've now had two colleagues who haven't made it home at the end of shift to family and friends, and that really does tell us that we are not yet getting the most important basic right.

We need to shift gears yet again. We are going to be determining what went wrong and we'll share our learnings widely. We will also be seeking to learn from others as to how they're handling safety in our efforts to become safer.



The macroeconomic drivers of growth in our sector and our business remain favourable.

In the near-term, as we have been saying for some time now, we see China being a stabilising factor in global economic growth and commodities demand. China, coupled with India, is expected to provide roughly half of all global economic growth this year. Others are progressively arriving at this same view on China, with consensus forecasts for 2023 having been revised upwards in recent months. We do expect the second half of the calendar year is going to be better than the first – especially for construction and therefore the steel value chain.

I recently visited China for the first time post the pandemic, and I left feeling confident – both because of an upturn in leading indicators of resource-intensive activity and simply because of the conversations I had there and the level of confidence I was able to sense from our partners and others in China.

That's the near term. The long term also remains very positive.

The global economy is expected to be 2.5 times larger by 2050, with the biggest contributions coming from China, where the economy is expected to double in size, and India, where a four-fold expansion is anticipated.

And in capital investment, which is the most resource intensive segment of the economy, China is expected to provide the most significant change, obviously coming off a large base, with India also expected to grow.

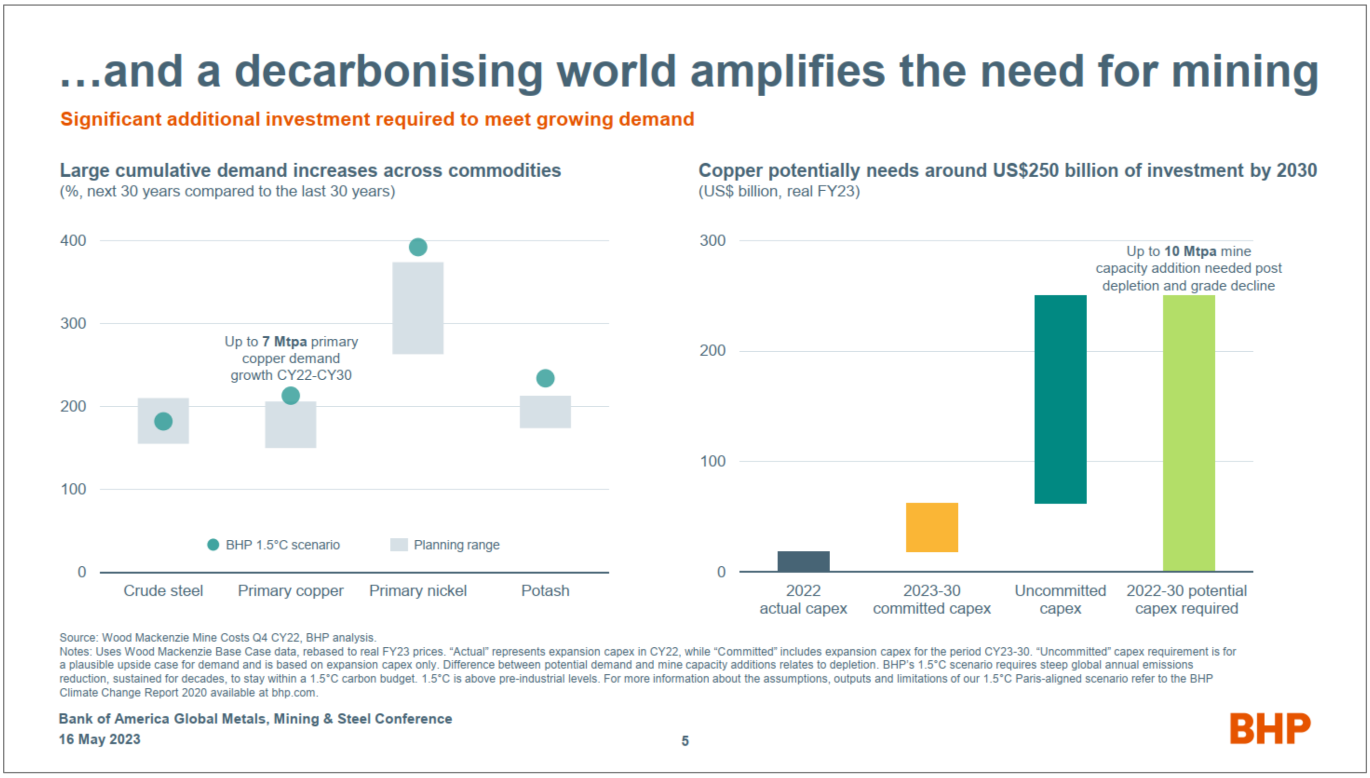
Our work to date on the potential physical impacts of climate change across the world also implies that the global economy could become even more capital intensive going forward, with increased capital stock turnover, and more defensive investments to mitigate climate risks.

In addition to these investments in adaptation, significant infrastructure will also be required to facilitate decarbonisation. I'm going to be returning to this theme in a moment.

By 2050, the global population is expected to increase by around 25 per cent while the urban population is expected to go from 4.4 billion today, to 6.6 billion. That is an extra 2.2 billion people who are all going to be enjoying a significant uplift in their incomes, in their consumption patterns and diet, while bringing additional demands for housing, commercial floor space, transport and logistics infrastructure, power and utilities. These forces together will drive increased demand for many of the products we produce.

The megatrend of decarbonisation is likely to amplify that demand and, combined with the challenges of bringing on new supply, this indicates a positive outlook for the commodities that we're in.

This is what I want to spend some time on now.



Through BHP's efforts of recent years, we now have a portfolio comprised of large assets in commodities which have upside in a faster decarbonising world. That's the BHP portfolio.

In our 1.5-degree scenario, we expect the world would need almost twice as much steel, twice as much mined copper, twice as much potash fertiliser and four times as much primary nickel over the next 30 years, as the past 30.

Other scenarios from organisations like the UN's Intergovernmental Panel on Climate Change, the International Energy Agency and a number of others, all confirm that a significant uplift in the supply of metals is going to be needed for a successful energy transition.

The questions are, where is this supply going to come from, will it arrive on time and what's it going to cost?

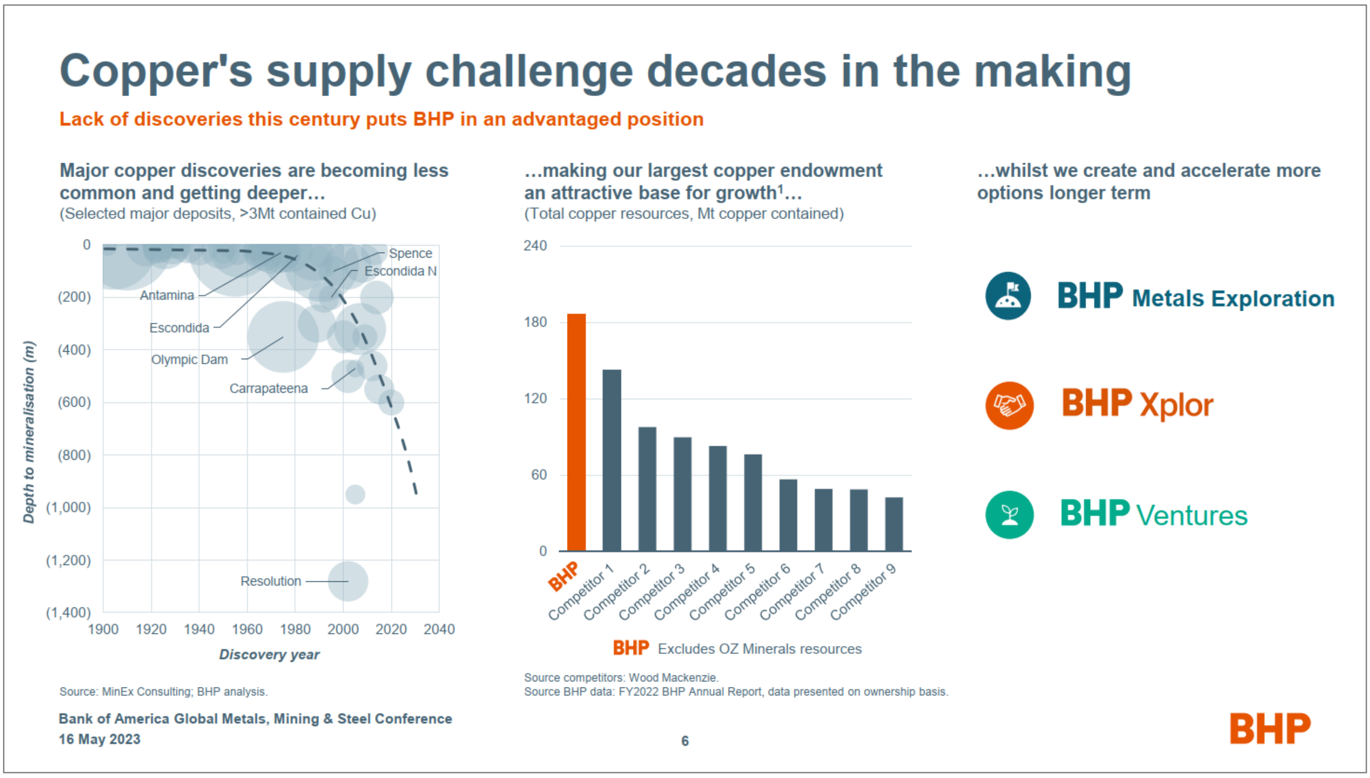
We take copper as an example. As we sit here today, there is simply not enough capital being deployed in the industry to meet expected demand.

Based on our estimates of a plausible upside case of a 1.5 degree scenario, the industry could require around a quarter of a trillion dollars in growth capital by the end of the decade. US$250 billion over the next six or seven years. And yet currently committed projects over this period only amount to around US$40 or US$50 billion, so a significant shortfall.

Ultimately, higher prices will induce further investment and more supply. But this takes time.

Governments have within their control the levers needed to accelerate the pace with which fresh supply is brought on and to ensure it is as economic as possible.

They can make permitting processes clearer, faster and more certain. Importantly, they must also maintain stable fiscal settings. Otherwise investment risk increases, required returns increase, projects take longer to come on, if at all, and supply becomes more costly.



Beyond this, another challenge the industry has is the lack of economic discoveries. The scale of new copper discoveries has decreased since the 1990s, which was the heyday for the South American copper belt. Many of the major operating assets that form the backbone of supply today were discovered 20, 30, 40 years ago. They are now mature and facing grade decline headwinds, such that a considerable amount of capital is going to need to be deployed in the coming decade merely to stand still.

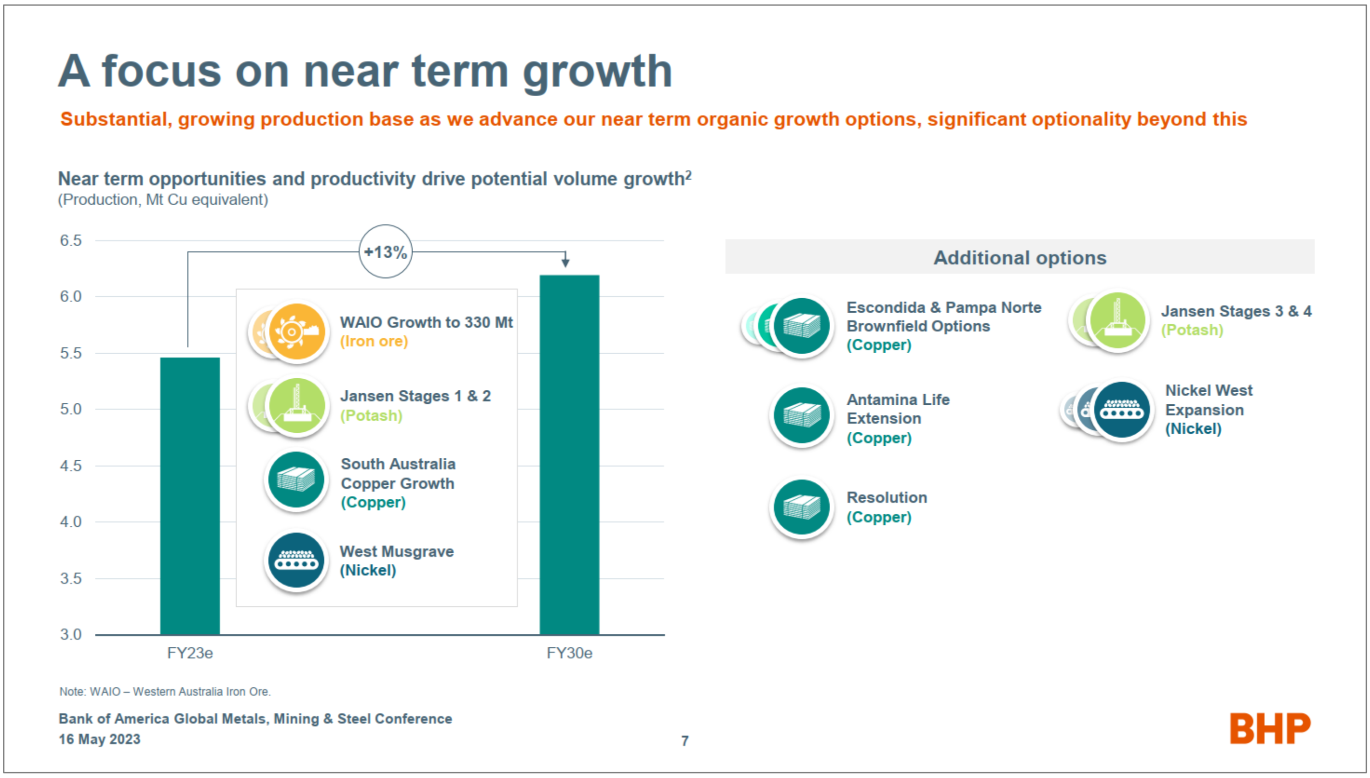
Whilst discovery of new copper mineralisation does continue, discovery of large economic deposits is becoming rarer, with new greenfield discoveries tending to be deeper and more complex. Beyond this, some of the most technically attractive deposits – so with higher grade, closer to surface – are increasingly skewed towards difficult operating jurisdictions. Greenfield projects are accordingly becoming some combination of harder to come by, more technically challenging, more expensive, riskier, all of these leading to longer development timelines.

Projects around existing operations, so brownfield expansions or proximate new developments, can also be difficult to develop because of permitting challenges, local stakeholder opposition and, in today's inflationary and labour market climate, higher costs. The industry has seen project after project run over time and over budget in recent years, while operational disruptions have roughly doubled from where they were in the late 2010s.

BHP's strategy is designed to allow it to win against the backdrop of exactly these sorts of challenges. Our portfolio of leading basin plays is unique. Paired with our operating system and our capital allocation framework, this represents a competitive advantage. Our first advantage is our incumbent position and large resource base. We have the world's largest endowment of copper, including significant undeveloped resource at Escondida. And this is at around the highest average grade of the competitor group. We have the world's second largest nickel sulphide resource and we're developing our large-scale potash resource in Saskatchewan in Canada. This is all in addition to our significant and world-class iron ore and higher-quality metallurgical coal positions.

I should note that our first focus for growth is to enhance productivity from our existing assets. This is by far and away the largest value opportunity and it's the one that's most within our control. At the same time, we are looking for new, agile and innovative ways to grow our resource base and production. Our metals exploration team has recently had technical success, discovering new copper mineralisation at Oak Dam in Australia and more recently at Ocelot, in Arizona, United States.

In terms of greenfield exploration we continue to search in the most prospective geological environments globally, leveraging innovation to give us new insights. And our Xplor and Ventures teams are building partnerships with companies across a range of jurisdictions and technologies. So lot's happening.



Now at BHP, we're already a significant producer of many of the commodities we mine. And while we are always looking for ways to grow our production, we are not focused on growth at any cost.

We will only pursue growth where we believe we can deliver long-term value for shareholders.

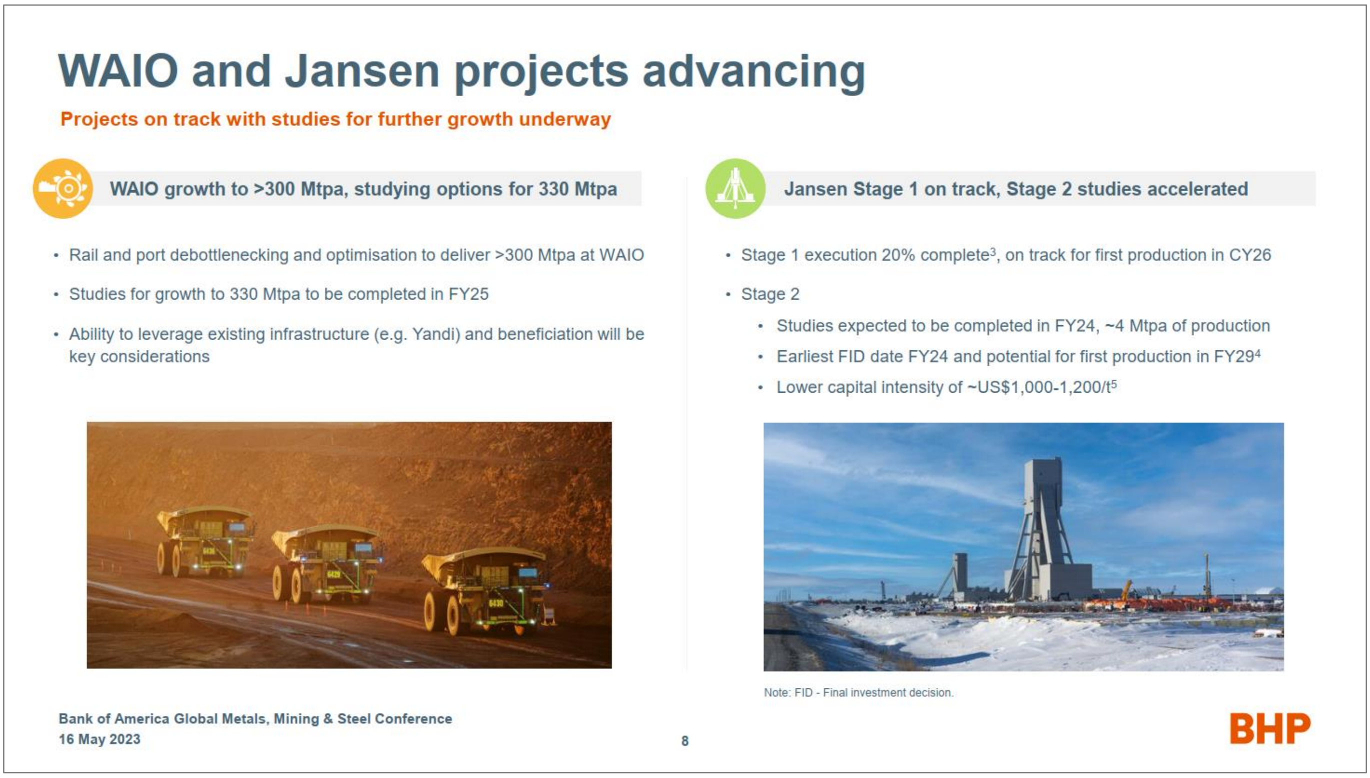
We recently completed the acquisition of OZ Minerals and have accelerated studies on a number of brownfield projects across our assets in an effort to better understand the options that we have available to us.

Looking out to 2030 we do have a number of organic options to add meaningful volume growth even after factoring in mine depletion and grade decline.

Beyond these near-term opportunities, we also have a substantial pipeline of long-term options we're actively considering. And these could provide even greater growth and upside.

We also have a proven track record of delivering projects in recent times, and that's on time and on budget.

But I do want to close this part by saying that we are very focused on productivity, this is our largest opportunity to grow value, and our BHP Operating System is key to that.



Two of the near term specific growth options we're currently advancing are in iron ore and potash.

Our industry leading Western Australia Iron Ore business sets us apart as the lowest cost iron ore producer globally. Just for your reference, this business was designed with an initial capacity of 240 million tonnes per annum, and it's currently producing at around 280 to 290 million tonnes per annum, and that's all been through a focus on productivity and incremental debottlenecking of the business.

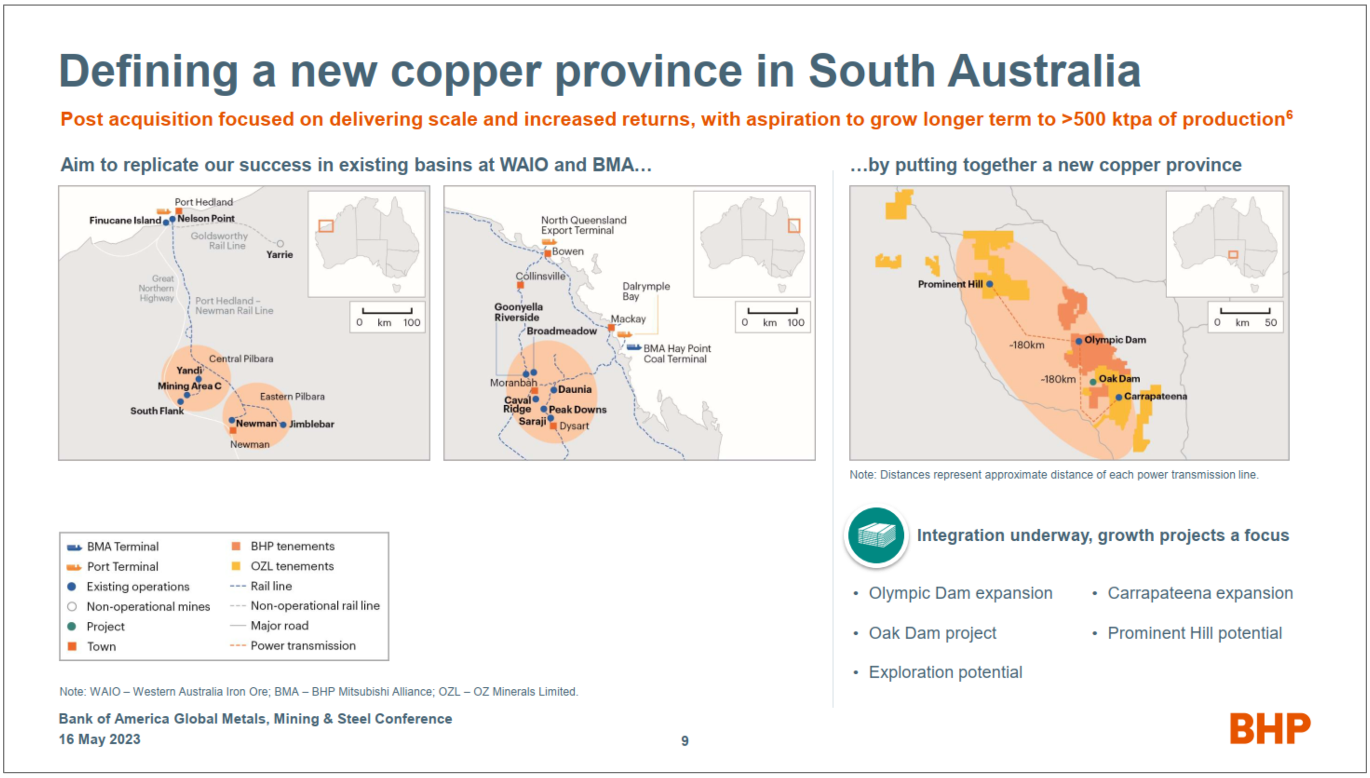
We're now looking at initiatives to grow our production to 300 million tonnes per annum over the medium-term. This low capital intensity volume increase involves further debottlenecking our port and rail systems, the rollout of autonomous haulage trucks, and ongoing productivity enhancements.

Beyond that, we are studying options to grow our annual production to 330 million tonnes as well. Some of the alternatives that we're assessing are a further debottlenecking of our port and rail systems and adding a sixth car dumper. These studies are currently underway and they'll be concluded in 2025. They will have to compete against other options in the BHP portfolio for capital and growth, and we'll make a decision at that time whether or not we pull the trigger and elect to proceed.

And then potash. We are really excited about the pipeline of growth projects that we have ahead of ourselves in potash. The long-term fundamentals for the market are compelling and have improved further since we sanctioned Jansen Stage 1. Jansen Stage 1, the first stage remains on track and on budget, and in fact we have been able to accelerate first production from 2027 into late 2026. We have recently started blasting and excavation works at the bottom of the shaft, and we're looking forward to a productive summer construction season, with a continued focus on civil and mechanical construction activities on the surface and underground.

In parallel, we have accelerated studies on Jansen Stage 2, and expect to have the option to trigger an investment decision on that second stage within the 2024 financial year. All major permits are in place for Stage 2, and we have the necessary port capacity. While our studies are not yet complete, we now expect capital intensity for Stage 2 of between US$1,000 to US$1,200 per tonne, which is lower than Stage 1.

Should we proceed, Stage 2 will add an additional 4 million tonnes per annum of potash capacity, with possible first production estimated to be in the 2029 financial year, around the time Jansen Stage 1 will be finishing its ramp up. So we'd see Stage 1 ramp up starting in 2026 through 2029, and then we'd be able to roll Stage 2 on to the back of that..



On 2 May 2023 we successfully completed the acquisition of OZ Minerals, which brings the opportunity to unlock synergies and further grow copper and nickel production.

Combining Olympic Dam, Carrapateena, Prominent Hill and Oak Dam, will create a Tier One copper province in South Australia.

As we've demonstrated at Western Australia Iron Ore and BMA, having operations in close proximity to each other brings substantial benefits, including the leveraging of shared infrastructure and relationships towards better productivity and long-term growth.

Our focus is on building scale and optionality across this new province. While OZ directly adds about 120,000 tonnes of copper production now, it also brings further copper and nickel growth in both the near and longer-term.

Studies are underway to evaluate the next steps for Olympic Dam, as we integrate the OZ assets and continue our exploration program at Oak Dam.

We will share further details on this in due course, on what the growth in South Australia could look like.

Conceptually though our aspiration is for our South Australian copper assets to grow, over time, to 500,000 tonnes per annum of copper cathode or more.

Now, of course, our ability to grow is supported by being a reliable operator which gives us higher margins and earns us the trust of shareholders.

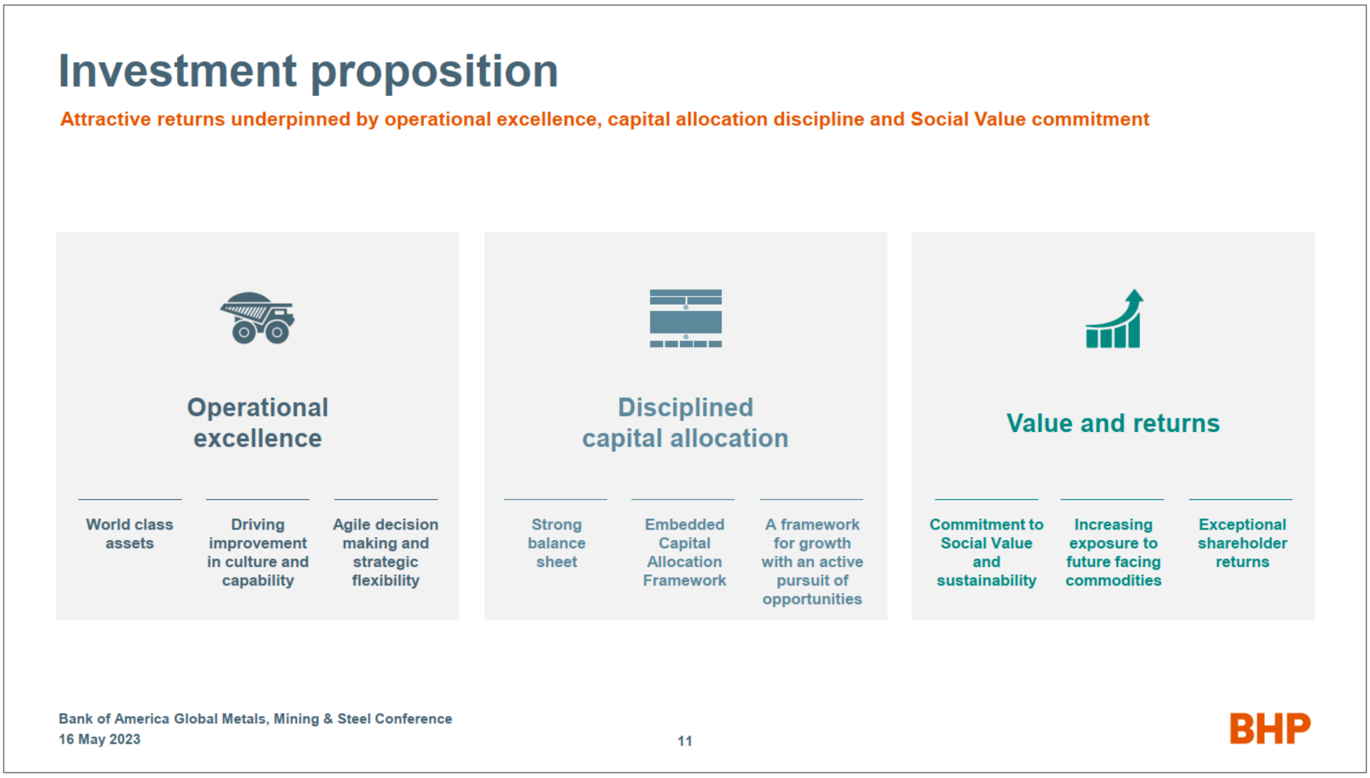
We have demonstrated this over the last few years. In the face of COVID and other disruptions, our production guidance has been markedly better than the competition. We have also done better than most of our competitors on cost guidance as well.

It was really pleasing to see our approach to operational excellence recognised recently by the Shingo Institute – some of you may be familiar with the Shingo Institute, but it’s an organisation which helps companies achieve operational excellence through the principles of the Shingo Model – Cultural Enablers, Continuous Improvement, and Enterprise Alignment. The cathodes team at Escondida was awarded the prestigious Shingo prize for operational excellence.

In addition to being a very good operator, we must also be good at designing and delivering major capital projects.

We have demonstrated our projects capability with our recent successes in Australia at South Flank and in Chile at the Spence Growth Option, both of which were delivered on time and on budget in spite of the challenges presented by COVID.

Learnings from these have positioned us well to deliver at Jansen and on our future growth. In fact we have the individual who led the South Flank project also building Jansen for us. We’ve been able to replicate learnings from one to the other.



So in short – we continue to execute the strategy that we've laid out. We're doing what we said we would do.

We are delivering consistent strong performance, and attractive returns.

We are increasingly well positioned for the megatrends of decarbonisation, urbanisation and population growth. And the future for us really couldn't be more exciting.

We have a portfolio of world class assets. They are low cost, with options to expand. We operate them very well, and we're delivering well in a disciplined way on cost and capital while at the same time continuing to deliver ongoing social value.

The commodities we are focused on are vital to the world's future, and governments around the world are finally increasingly alive to their essential nature and are working to speed up approvals processes, provide fiscal certainty, improve competitiveness and attract investments from the right, like-minded businesses like BHP.

Our focus not only on what we do, but how we do it, is making BHP as a preferred partner to governments and other stakeholders.

We aim to manage our business responsibly and more sustainably and in a way that creates enduring benefit for all of our partners and stakeholders, of course, shareholders front and centre in that.

We are strongly positioned to deliver value and returns both now and well into the future.