



# BHP

## BMO Global Metals & Mining Conference

Mike Henry  
Chief Executive Officer

Western Australia Iron Ore

# Disclaimer

## Forward-looking statements

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

Forward-looking statements can be identified by the use of terminology including, but not limited to, 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue', 'annualised' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward-looking statements.

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

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## Presentation of data

Unless specified otherwise: variance analysis relates to the relative performance of BHP and/or its operations during the December 2019 half year compared with the December 2018 half year; operations includes operated assets and non-operated assets; total operations refers to the combination of continuing and discontinued operations; continuing operations refers to data presented excluding the impacts of South32 from the 2014 financial year onwards, and Onshore US from the 2017 financial year onwards; copper equivalent production based on 2019 financial year average realised prices; references to Underlying EBITDA margin exclude third party trading activities; data from subsidiaries are shown on a 100 per cent basis and data from equity accounted investments and other operations is presented, with the exception of net operating assets, reflecting BHP's share; medium term refers to our five year plan. Queensland Coal comprises the BHP Mitsubishi Alliance (BMA) asset, jointly operated with Mitsubishi, and the BHP Mitsui Coal (BMC) asset, operated by BHP. Numbers presented may not add up precisely to the totals provided due to rounding.

## Alternative performance measures

We use various alternative performance measures to reflect our underlying performance. For further information please refer to alternative performance measures set out on pages 53 to 64 of the BHP Results for the half year ended 31 December 2019.

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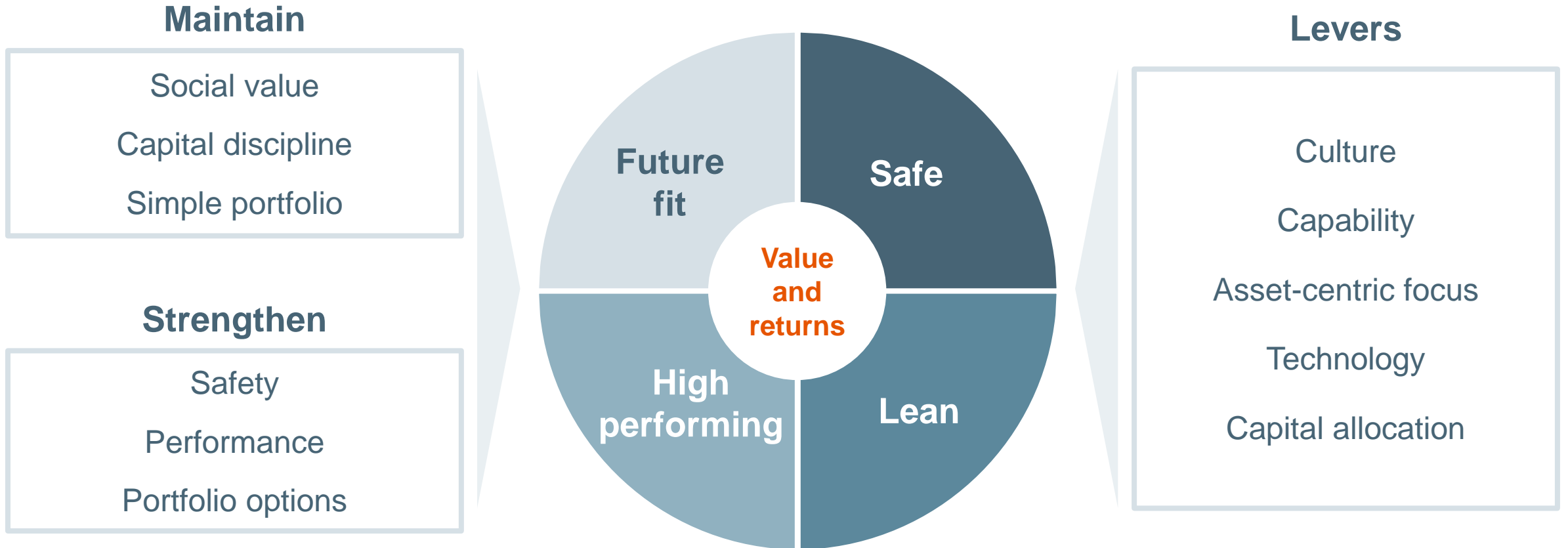
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# Exceptional performance in a dynamic world

BHP aims to be the sector's best operator and reliably deliver leading financial returns and social value



# We have a strong foundation

World class assets across the best commodities, underpinned by the Capital Allocation Framework

Iron Ore	Copper	Metallurgical Coal	Petroleum																																								
<ul style="list-style-type: none"> <li>• Low cost iron ore producer</li> <li>• Fe ~62% and higher lump with South Flank</li> <li>• No new hub required for at least a decade, with &gt;100 years of optionality</li> </ul>	<ul style="list-style-type: none"> <li>• Top 3 copper producer with high-quality deposits<sup>16</sup></li> <li>• Pipeline of growth options (Spence, Olympic Dam)</li> <li>• Increased optionality through interests in exploration</li> </ul>	<ul style="list-style-type: none"> <li>• Largest seaborne supplier of premium hard coking coal</li> <li>• Strong seaborne cost curve position</li> <li>• Pipeline of opportunities to reduce costs and steadily grow volumes</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent high margins and strong returns</li> <li>• Strong pipeline of competitive growth options</li> <li>• Increased 2P + 2C resources to 3.3 Bboe<sup>18</sup></li> </ul>																																								
<p><b>Cost performance</b> (C1 excluding freight and royalties, US\$/t)</p> <table border="1"> <caption>Cost performance (US\$/t)</caption> <thead> <tr> <th>Period</th> <th>Cost (US\$/t)</th> </tr> </thead> <tbody> <tr> <td>FY19</td> <td>~12.8</td> </tr> <tr> <td>HY20</td> <td>~12.7</td> </tr> </tbody> </table> <p>● Peers range</p>	Period	Cost (US\$/t)	FY19	~12.8	HY20	~12.7	<p><b>Escondida</b> (Production, Mt) (Index, FY15=100)</p> <table border="1"> <caption>Escondida Performance (FY15=100)</caption> <thead> <tr> <th>Period</th> <th>Production (Mt)</th> <th>Grade (Index)</th> <th>Cost (Index)</th> </tr> </thead> <tbody> <tr> <td>FY15</td> <td>~1,200</td> <td>100</td> <td>100</td> </tr> <tr> <td>FY20e</td> <td>~1,200</td> <td>~105</td> <td>~105</td> </tr> <tr> <td>MT</td> <td>~1,200</td> <td>~105</td> <td>~105</td> </tr> </tbody> </table> <p>■ Production (LHS) — Grade — Cost</p>	Period	Production (Mt)	Grade (Index)	Cost (Index)	FY15	~1,200	100	100	FY20e	~1,200	~105	~105	MT	~1,200	~105	~105	<p><b>Strong cost curve position</b> (C1 Seaborne, US\$/t)<sup>17</sup></p> <p>■ BHP assets</p>	<p><b>Unit costs actively managed to offset base decline impacts</b> (US\$/boe) (MMboe)</p> <table border="1"> <caption>Unit costs and production (FY15-FY19)</caption> <thead> <tr> <th>Year</th> <th>Unit costs (US\$/boe)</th> <th>Production (MMboe)</th> </tr> </thead> <tbody> <tr> <td>FY15</td> <td>~10</td> <td>~125</td> </tr> <tr> <td>FY16</td> <td>~9</td> <td>~125</td> </tr> <tr> <td>FY17</td> <td>~9</td> <td>~125</td> </tr> <tr> <td>FY18</td> <td>~10</td> <td>~125</td> </tr> <tr> <td>FY19</td> <td>~10</td> <td>~125</td> </tr> </tbody> </table> <p>■ Unit costs — Production</p>	Year	Unit costs (US\$/boe)	Production (MMboe)	FY15	~10	~125	FY16	~9	~125	FY17	~9	~125	FY18	~10	~125	FY19	~10	~125
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# H1 FY20 financial highlights

Solid operational performance and strong earnings

## Profitability

US\$ **12.1 bn**  
Underlying EBITDA up 15%

## Margin

**56%**  
Underlying EBITDA margin

## Free cash flow

US\$ **3.7 bn**  
free cash flow

## Net debt

US\$ **12.8 bn**  
net debt

## Shareholder returns

**65** US cps  
payout ratio of 63%  
dividend determined

## ROCE

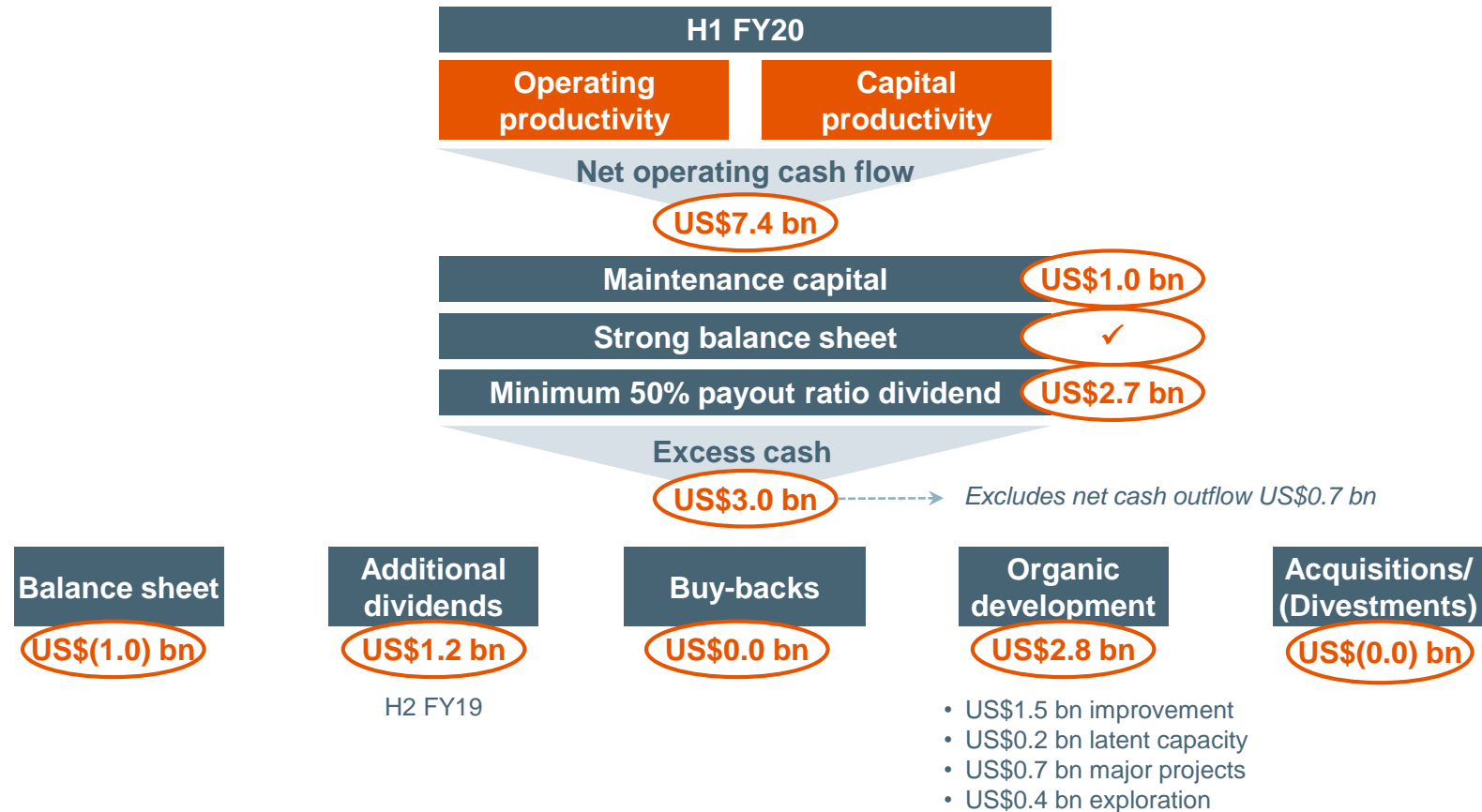
**19%**  
ROCE

Note: Net debt up US\$3.4 bn since June 2019 (US\$1.9 bn relating to IFRS 16).



# Capital allocation

Disciplined adherence to our Capital Allocation Framework



Note: Excess cash includes total net cash outflow of US\$0.7 billion (H1 FY19: US\$0.8 billion) which comprises dividends paid to non-controlling interests of US\$0.6 billion (H1 FY19: US\$0.6 billion); net investment and funding of equity accounted investments of US\$0.3 billion (H1 FY19: US\$0.4 billion) and an adjustment for exploration expenses of US\$(0.2) billion (H1 FY19: US\$(0.2) billion) which is classified as organic development in accordance with the Capital Allocation Framework.

# H1 FY20 operational highlights

We will continue our work to improve safety and performance at our operations

## Safety

### Zero fatalities

TRIF ↓2%;  
High Potential Injuries<sup>1</sup> ↑5%

## Production

### Volumes stable

On track to full year guidance

## Unit costs

### On track

to full year guidance

H1 FY20: WAIO ↓10%; Escondida ↓6%  
Petroleum ↓14%; Queensland Coal ↑1%

## GHG emissions

### On target

7.3 Mt CO<sub>2</sub>-e, equivalent to FY17 target  
baseline on an annualised basis

## Exploration

### Successful

Ongoing drilling program at Oak Dam  
Exploration program complete at T&T North

## Major projects

### First production

at SGO and AP3  
in the next 12 months

Note: TRIF – Total recordable injury frequency; WAIO – Western Australia Iron Ore; T&T – Trinidad and Tobago; SGO – Spence Growth Option; AP3 – Atlantis Phase 3.

# Investment proposition

We have the assets, options, capabilities and discipline to sustainably grow long-term shareholder value and returns

## Maximise cash flow

### Low-cost producer

efficiency, technology, culture

### Volume growth

performance, project delivery

### Constructive outlook

for our commodities,  
solid demand, disciplined supply

## Capital discipline

### Net debt

targeting lower end  
of US\$12-17 bn range

### <US\$8 bn capex

in FY20 and ~US\$8 bn in FY21

### Organic opportunities

rich option set across commodities  
and time periods assessed on risk  
and return metrics

## Value and returns

### 18% ROCE

at spot prices

### Portfolio

creating and securing options

### Shareholder returns

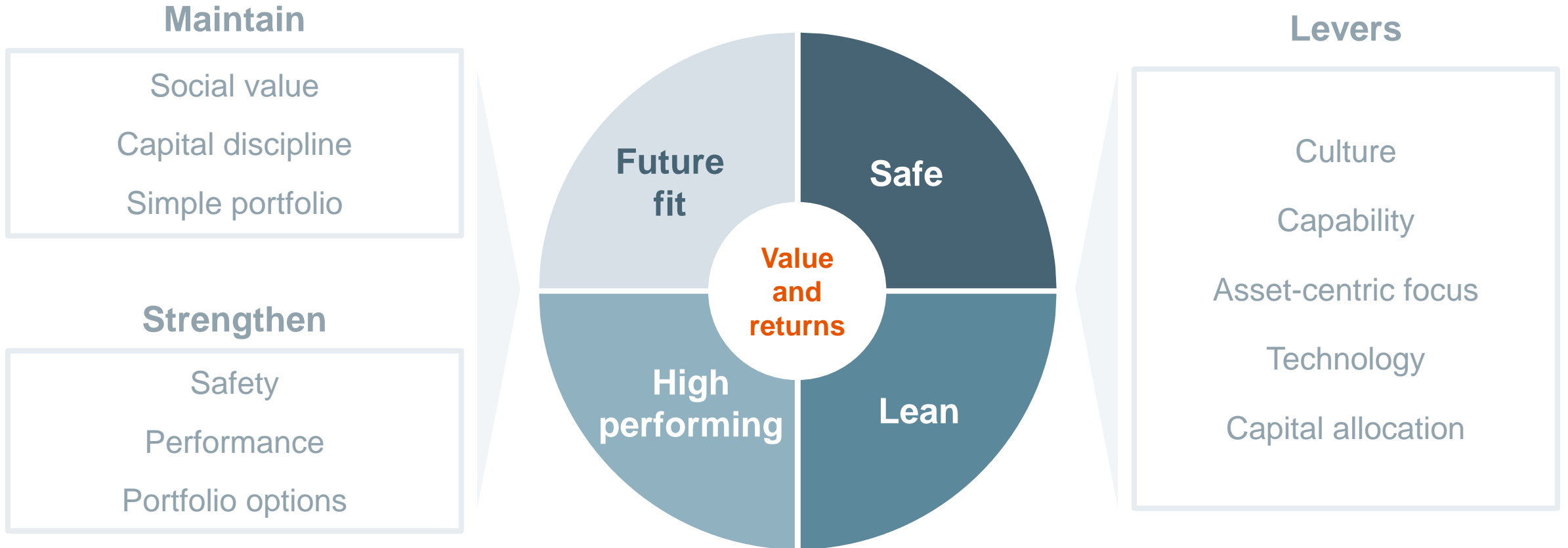
US\$3.3 bn dividends  
determined in H1

Note: Spot prices as of 4 February 2020.



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**BHP**