BHP

Financial results for the year ended 30 June 2026

Investor and analyst briefing Q&A transcript – Session 1

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Questions and answers

PAUL YOUNG, GOLDMAN SACHS
Good morning, Brandon, Vandita. I hope you're both well. First question is on cost. Great to see that you're quantifying the impacts from BOS *(BHP Operating System)*, the US$5 billion number. Can I start just with the cost performance at Escondida, because it seemed there was a US$200 to US$300 million cost beat in the June half. That's why, at the Group level, the EBITDA beats – a great performance, and you're outperforming peers. So Brandon, can you just talk through, just specifically at Escondida? And I should say also the guidance for FY27 is better than expected as well. What actually are you doing at Escondida around BOS, truck productivity, use of less contractors? Anything you can share with respect to explaining the absolute cost beat? Thanks.

BRANDON CRAIG, BHP
Thanks, Paul. I'll make a couple of comments and then I'll also throw it to Vandita to see if she wants to add to that.

Escondida is clearly one of the assets in the business that's leading on the operating system. So, what that means is we have teams where the culture is very focused on identifying any source of waste, and getting that waste out of the business at multiple levels inside the organisation. But having said that, Escondida has also done a tremendous job at connecting technology and the latest technology, particularly processing technology, into the business. So, you'll see that recovery rates across the concentrator have improved, you can see that the leaching performance has improved. So across the board, technology deployment, in some respects AI in terms of improving process recovery, more traditional cost out. All of that comes together to produce, not only record concentrator throughput and record mining production out of Escondida, but it also translates into that unit cost performance. But let me stop there and let Vandita make some additional comments.

VANDITA PANT, BHP
Indeed. And from a guidance perspective, adding to what Brandon said, the guidance as you would see, from the mid-point perspective, almost 40% of that, Paul, is actually input costs. Sulfuric acid continues to be high, diesel continues to be high. So, think of it this way. The guidance for Escondida, 40% of that increase in guidance is purely due to input costs. That includes FX as well. So there are some one-offs relating to it. And the rest of it is just a mathematical equation around production. So, a very good cost outcome, not just for Escondida, but overall, if you see that continues to be the case. WAIO *(Western Australia Iron Ore)* guidance on unit cost is also a great example of where BOS is doing its trick, if I can say it that way. With around 7% increase in unit cost in WAIO, more than 80% of that is just one off, which is due to FX change and due to working through the inventory levels given our supply chain issues last year.

But for that, the increase in cost is only 1.3%, which is a fraction of the expected inflation and CPI. So WAIO is doing what it has done for the last four years, and in the guidance you can see that underlying performance, they will mitigate quite a bit of the inflation next year as well.

PAUL YOUNG, GOLDMAN SACHS
Thanks for that explanation. And then can we talk about the Copper growth? I mean, a few updates today, a lot of big projects progressing, a good update from Escondida today on upsizing Escondida's new concentrator. But just specifically on Copper South Australia, I think that probably the growth in SA Copper in phase one probably explains most of the gap between your 3 to 4% that you put out there as guidance over the next decade or so, compared to the street at 2 to 3%. I see today you've outlined a 10 million tonne block cave concept at OD *(Olympic Dam)*. I know we've got the site visit coming up in November. But just talking very high level on this because it's a big project, it seems, but is really the concept here transposing the Carra block cave design? And does this imply that OD mining rates effectively will double? Because that's what my calculations show. Thanks.

BRANDON CRAIG, BHP
Paul, thanks. Listen, there's so many permutations to this particular answer. I think if you step back and you have a look at what Olympic Dam is trying to do, primarily solving for the copper-sulphur ratio in the smelter by putting a Two Stage Smelter (TSS). And as we've mentioned before, that allows us to reconfigure the upstream portion of Olympic Dam. So, whether it's Carrapateena or longer-term Olympic Dam underground options, the potential to study significant increases in capacity through block caving technology or similar becomes real. And you get the twin benefit of a simpler – not simpler to get it going – but ultimately a simpler operation in the future when you've got these block caves established, higher volumes and lower cost. And that really supports the underlying economics of the whole programme. So, when you think of the multiple phases of growth we intend to go through at Olympic Dam, it's how that whole network combination comes together to be able to deliver what we think is going to be a very attractive project.

VANDITA PANT, BHP
And the only thing I would add to that, Paul, is on your comment around capex for Copper SA, the only change is due to FX. Historically, we have given the capex guidance at 68 cents in Aussie dollars[1]. Now we have revised that to 70 cents. No other change.

RAHUL ANAND, MORGAN STANLEY
Brandon and Vandita, thanks for the call. Brandon, congratulations for your first financial result. Obviously a pretty good one to start off with. And thanks also for the Olympic Dam clarity around the block cave that you were just speaking to. That's quite exciting, and obviously we're looking forward to the site trip later this year.

I might start with slide eight where you've talked about BOS and the 7,000 projects. Obviously quite remarkable. You've saved a lot of money there. You've highlighted US$5.1 billion in the first year of these projects combined. And you do have your OEI *(Operational Excellence Index)* score, which is rising again in FY27, and then you set yourself an aspirational target as well for the future. I guess for investors and ourselves, how much of these benefits that you can get from these projects have you currently accounted for in your medium-term guidance? I mean, I'm just trying to understand, would we be able to see a bit more come through? Does that mean just performing to the low end of medium-term guidance? How should we think about this operational performance that continues to improve at BHP? That's the first one. Thanks.

BRANDON CRAIG, BHP
Rahul, it's a great question. I think I'll keep my answer relatively simple, which is, clearly these improvement savings are going to contribute to medium-term guidance, but to be able to draw a direct correlation or relationship to where specifically in guidance this is going to come out, I'm probably not going to go there. What I would call out with BOS though, is if you have a look at the slide eight that you referenced, what we set out here is really only the first year of each of these initiatives in terms of their value. So, if you actually turn this around and you do a cumulative impact, you're going to see the number is a lot larger than this. And you then extrapolate an increasing maturity, not only across the operations, but even across projects, how our functions operate, you can get a sense of how we can improve the overall cost efficiency of the entire BHP business through this type of approach. And that is really our focus, broad-based waste elimination across every part of the business, just being part of the DNA and the culture of the business. And that's what you can see after what has been seven years on this BOS journey. And we've got decades to come.

VANDITA PANT, BHP
To add to that, this should give you, if it was needed, greater confidence in our medium-term guidance, which I know some people give us credit for and some don't. So, hopefully this also gives you higher confidence given the performance this year, BOS continuing to get embedded to take the medium-term guidance for what it is, i.e., the delivery that we are intending to do.

[1] FY26 FX (realised) AUD/US 0.68; FY26 FX (guidance) AUD 0.65.

BRANDON CRAIG, BHP
And Rahul, I'll just make one further comment, which is, we are very mindful on being disciplined in terms of how we portray the benefits coming out of the operating system. So, on that slide, you can see we refer to cost. We haven't captured benefits related to improved production performance as a function of efficiency projects that lift availability, reliability, and so on. These are more pure cost-out type of projects. So, when you think of BOS actually applying to the revenue line of the business, it gives you an even stronger sense of how much value in headroom still exists through the way we work.

RAHUL ANAND, MORGAN STANLEY
Oh, absolutely. I mean, it's pleasing to see, especially given the metric is pretty standardised by an external third party, and it benchmarks in a bit of an unbiased way, which is pleasing to see.

Okay, my second question is for Vandita. Vandita, obviously, dividend, a really good surprise today. But understand also that here the key drivers include: you have a current asset crystallisation programme, which has really good momentum; and then in terms of your net debt, you are below your target range. I wanted to check, how should we think about payouts in periods where you do remain below your target range? Can we expect higher payout ratios to continue during those periods? And then, if there's any update on the asset crystallisation as well, please. Thanks.

VANDITA PANT, BHP
Yeah, sure, Rahul. The way you should think about it is the way our Capital Allocation Framework *(CAF)* is intended to work, which is: 50% is what you can bank always, and that's the way we do it; but every six months, as hopefully this results as well as last 10 years of application of the Capital Allocation Framework has shown, that we actually do CAF in action and look at the cash flows coming in, outlook, which we have, both operational cash flows as well as any other cash generation which has been done, and take decisions on that basis. I would say that 50% is 50%, but you can take confidence that based on the balance sheet strength, based on cash flows with investing into attractive growth and outlook, we are very pleased to also reward the shareholders with higher returns.

Just on that, not putting a line to it, but you would have seen, and on the presentation we've talked about how, over next five years with the capex programme that we have laid out, which is very attractive, we still have attributable free cash flow after all that investment, at consensus prices, of US$35 billion. So that can give you confidence in the kind of strength and resilience of this business to do all those three things together – have a strong balance sheet, have high quality growth and investment, and reward shareholders for attractive returns.

Just on your last question around the US$10 billion unlock of value, very pleased to have done ~US$6.5 billion over last nine months, including the US$2 billion announced today. On the balance of US$3.5 billion, I would say, think of it as something that we'll work on. There isn't a timeframe to it, and we are not in a hurry to do a deal just for the sake of it. We are very clear that the bar on these transactions remains very high. We will not give up any strategic or operational control of critical assets. We will be very clear that the scale of the deal has to be worth doing, as well as the economics, and commercials should be such that we absolutely think this is a real unlock of commercial value. So things that we will work on, but no timeline to the balance, but very, very confident that we will meet our target over a period of time.

JAMES REDFERN, RBC
Thank you. Good morning, Brandon, Vandita. Hope you're well.

My first question is for you, Brandon, just regarding the Vicuña stage one project. You did talk about it briefly in your comments. There's been strong progress there. Just wondering what's required to reach an FID by the end of the year for Vicuña, please. Thank you. So that's my first one.

BRANDON CRAIG, BHP
Yeah, super. We are really happy with the progress at Vicuña. When you think of some of the key challenges we've had to work on over the last two years, we had to get all the issues with the Glacier Law resolved. We had to secure RIGI *(Argentina's Incentive Regime for Large Investments)*, which we did. So we got the strategic RIGI, which gives us 40 years of stability. More recently, we finalised securing power, and obviously we finalised the royalty agreement with the San Juan province. So from that perspective, some of the more material issues we needed to get comfortable on to support an FID decision, we sort of reached that point.

The final stage we are now working through is finalising the estimate to make sure we've really got that right, because we need to understand all matters related to construction at altitude. We're going to have a camp that sits at about 4,000 to 4,200 metres, and we're going to have a significant construction workforce working at altitude. There's going to be wind and a whole bunch of other environmental factors we have to understand and factor in the estimate. That work is currently underway. We expect it to be finalised shortly. And on the back of that, I think we are going to have a lot of the preconditions that we're going to need to take to our Board to ultimately sanction the project. So we are on track potentially for an FID before the end of this calendar year if that all continues to go well, but we still have to finalise that work before we can obviously commit to that.

I think the headline message here is the Vicuña team has done a tremendous job, and we've made rapid progress across quite a number of complex issues. So, it's looking good.

JAMES REDFERN, RBC
Thanks, Brandon. My second question is for Vandita. Vandita, just looking at slide 19, you talk about the very strong free cash flow, cumulative free cash flow of US$35 billion between FY27 and FY31. Is that BHP's FCF forecast based consensus pricing? If I look at Visible Alpha Consensus free cash flow forecast based on consensus pricing during the same period, it is around US$11 billion per year for the next five years. And so the cumulative free cashflow is US$57 billion between FY27 and FY31 compared to your slide of US$35 billion. I just want to understand where that difference might be. Is that because consensus doesn't have the capex relating to projects that BHP plans to sanction, particularly in copper?

VANDITA PANT, BHP
So just to be clear, what we have got in there is all the projects, including the NOJV, because it's a cash-out is what we assume, all commitments. So for example, Samarco is a billion here, half a billion there, that's all included. And then internal trajectory of those cash flows and production profile, along with the commitments that we know about comes into that. So there is nothing which we have not counted in terms of either our commitments or capex in that. And this is, of course, based on our internal trajectory of operational performance, volume, and capex. So the prices have been applied to that. Hopefully that clarifies.

LACHLAN SHAW, UBS
Good morning, Brandon, Vandita. Congratulations on a strong result, particularly for you, Brandon, first results. Two questions from me.

Firstly, I just wanted to start out on Queensland Coal. Obviously, some green shoots performance-wise there, which is pleasing, but I am interested particularly in the medium-term outlook and the ROCE chart highlights I guess what I'd say is part of the challenge here.

What are the thoughts that you have perhaps, Brandon, in terms of, if the fiscal regime in Queensland remains unchanged, what can you do to stabilise or sort of advance the operational performance here in terms of strip ratio, haul distance, et cetera, and ultimately get this business to where it would ideally want to be in terms of financial performance?

I'll come back with my second.

BRANDON CRAIG, BHP
Super, Lachlan. So, when you have a look at BMA, let me just step back for a minute. The Bowen Basin is one of the preeminent metallurgical coal basins of the world, and there's only a small handful of them. And BMA has clearly got a very strong resource position in the Bowen Basin. And then, having a look at market fundamentals, the future for metallurgical coal in our view is quite strong, and that's really on the back of the ongoing industrialisation we see in India. So when you have a look at steel industry growth in India, we do think the market is going to continue to support met coal. So, the critical thing then becomes the productivity we can get out of the BMA Basin, and we have teams working really hard on that currently, because your point on where it sits in the ROCE chart now is valid. We believe we're going to be able to get BMA back to being a more important pillar or a higher value contributing pillar within the BHP portfolio. And that's going to be a combination of how we set up BMA for success in terms of mine design and operations. The operating system is going to play a key role in all of that. And BMA also has a lot of opportunities to continue to deploy technology. So, the ability to progressively do automation and a range of other options is going to support that performance.

And then when you look at the life of this business, we are talking multiple, multiple decades of life out of BMA, and we will continue to work with the Queensland Government to try and address the royalty issue. And the benefit we have, because this is a genuinely tier one resource position, is we can work through that effectively over time. I do think what we're going to see is BMA recover its position as a critical pillar in the portfolio, and we have the team on the ground working on that currently.

VANDITA PANT, BHP
It is reflected also in the medium-term guidance of 43 to 45 million tonnes, with the unit cost of <US$120 per tonne.

LACHLAN SHAW, UBS
Great. Thank you. That's good colour. Second question then, and I know we've talked a little bit about BOS, but I wanted to touch quickly just on technology, and you referred to that in respect of BMA. Just more broadly, if you look at what you've achieved to date in terms of EBITDA uplift from technology, what would you say in terms of how far you progressed on that journey? What's the runway ahead of you in front of the ability to deploy technology to fundamentally re-engineer processes to extract more value? Thank you.

BRANDON CRAIG, BHP
The frank assessment is that our initial results are encouraging, but I think the runway is long. I think we are not alone in trying to work out how to use some of the latest advances in technology within our business – whether that be across our physical processes, whether that's across how we make decisions, whether it's across how we do some fundamental things like mine design and the number of permutations we have to run on those types of processes, and even to how we think about technology across the installed asset base we have, for example, processing infrastructure, trucks and similar. So, because of that, I think we've still got a really long way to go before we can claim to have extracted the full value that that technology can offer. But my assessment is frank in terms of we are still learning how to do this well, and there's a couple of really, really interesting use cases. I'll just cite one or two just as an example to show you what's possible.

One of the things you would've seen last year is that we've been having some challenges in processing complex ore at Spence. We put an AI model across how the concentrator functions. That really helped us address ore feed set point settings in that facility to be able to improve the recovery quite significantly from where we were. That's such a good case study of what is possible with technology, and we did that relatively quickly. It only took us a couple of months.

We have technology being deployed across how we do leaching; very complex processes that is very hard to address performance through primary research, yet large language models applied across the recovery we get out of some of these facilities, proven in some of our competitors to be very effective, and we're seeing the same sort of outcomes in BHP.

And there's many more examples. I won't waste any more time on this call, but I think we are only in the initial phases of what is really going to be possible here.

GLYN LAWCOCK, BARRENJOEY
Morning, Brandon. Two quick ones, hopefully.

Just on your commodity attractiveness slide, you've left off uranium. I would've thought it has many of the attributes of copper. Just interested in your thoughts on that as a commodity. Thanks.

BRANDON CRAIG, BHP
So first, the four pillar commodities remain the pillars for BHP. Uranium, gold, silver, very attractive by-products. And that continues to be the core focus.

We continue to track the potential attractiveness of other commodities, but at this stage, uranium as a by-product is probably where we still currently see the most value for BHP.

GLYN LAWCOCK, BARRENJOEY
Okay, thanks. And then can I push you a little bit on BMA? I think your words in the call were, "It doesn't include selling the business. It's got a future inside the portfolio."

But I would've thought it would benefit from being standalone. I mean, I think you've said in the past, your predecessor has said, "We'll not invest capital beyond sustaining". I mean, not selling it, does that include an in-specie distribution to shareholders so it could actually stand on its own two feet and just maybe flourish? Just interested, is there a distinction at all? Thanks.

BRANDON CRAIG, BHP
Glyn, I think it comes down to the long-term market expectation for met coal. If you look at the fundamental industry dynamics, our view is met coal is going to continue to be a very attractive commodity that we want to be in, and BMA and the Bowen Basin is one of the preeminent hard coking coal businesses. We have an operating system in BHP that we can apply across BMA to get the performance up to the level that we deliver the level of returns that make BMA earn its right as part of the BHP portfolio.

So, our thinking at the moment is absolutely about staying in BMA and pushing the BHP capability across that business to improve its cost performance, to lift its production performance, and to turn it into a real valuable addition to the portfolio.

VANDITA PANT, BHP
And as you have seen, the production has gone up around 10% in the last two years. Medium-term guidance will take it another 13% higher. And the operational performance of BMA is improving, so we're pleased that it is going in the right direction. Stripping is the highest in the last five years. And from a cost discipline perspective, as Brandon was saying, some good results, but a lot more to go. And that is also very encouraging.

BADEN MOORE, CLSA
Thank you for taking my question. Just a little bit of a follow-on just around the CAF, and where it looks like your net debt at US$8.7 billion, US$6.3 billion of assets agreed. So, you're nearly a net cash business. It's a lot of funding capacity.

I'm wondering, do you still think about that capex program on the medium term at around US$11 billion as a ceiling of reinvestment? Or do you think there's scope now to be looking at accelerating that? Or do you think that would have to be done via an inorganic process?

VANDITA PANT, BHP
So I'll talk about organic, and I'm sure Brandon will add more to the inorganic and the way he thinks about it.

Just on the organic bit, I should say that the capex is not something that we defer just because of the funding constraint. In fact, the way I think about this is that our projects compete, and as they compete with each other, because they think that there is only scarce capital to be had, projects become better and better. You can see in Escondida with the throughput of the concentrator being changed, optimised, and we are getting more copper units from that kind of capital to be put in.

Same thing will happen in Copper South Australia as it continues to go through toll gating. The teams there continue to think what's the best way to accelerate copper units if we can.

So, I would say the constraint is not just dollars, but also our ability to execute at the right time and with the right kind of scoping and intensities that we are very focused on. And the attractiveness of the portfolio is clear from our growth options. In terms of the balance sheet itself, I won't apologise for having a strong balance sheet. I think it enables us to do exactly what we want to do, which is resilience through the cycle, be able to do the growth that we have, and for exploration and for any early stage that may be there, but equally to be able to give confidence to our shareholders that through the cycle, this is an attractive business with attractive returns.

BRANDON CRAIG, BHP
And on M&A, we could never sit here and categorically rule out M&A, but it's very hard to see value at the moment. And let me give you some numbers to just give you an example. Our organic growth programme, anywhere from US$16,000 to US$30,000 per tonne, depending on the various projects and permutations you look at, versus pure-play copper, for example, which are at US$85,000 a tonne and well over US$100,000 a tonne with a takeover premium.

So, if you have a look at that, organic is just so attractive that it can deliver really outsized returns for the business. The key thing, obviously, is we need to be really disciplined at delivering the projects for the economics we set out. And we're putting a significant amount of effort as BHP into our project organisation. We are putting BOS across our project organisation. We are vending all the learnings from Jansen into how we're going to execute this programme of capital we have ahead of us.

Because by all measures, it's hugely attractive and it translates to very significant growth, particularly in the 2030s at just the time that we expect the structural deficits in copper to be visible. So, if this plan comes together, which we expect it will, I think the future in terms of when we bring the copper to market and the value we'll realise from that is going to be very attractive.

BADEN MOORE, CLSA
So, just a quick follow up then, we should be thinking that then this payout ratio at these levels as a sign, if we're full on capex and we're approaching net cash on those sort of commodity prices, then the upside will be sustainably returned to shareholders. Is that the way to think about it?

VANDITA PANT, BHP
I think the way to think about this is that 50% is the 50%. But, the strength of the business and the performance is clearly coming through in the results. And you can see what a cash-generative business it is, whatever price deck you put at it. And that should be good news that we have attractive growth that we can invest in and will continue to. And it lends itself for attractive shareholder returns. But I would not, if that's the subtext, try to drop out 50% and make it something else.

But hopefully you'll see our track record, US$115 billion returned to shareholders over the last 10 years. And every six months you have seen us, including this dividend, that our CAF comes into action with real discipline. We will invest in growth, which is really attractive – you can see it from the cost capital intensities. And we will be very disciplined in making choices around returns, balance sheet, and growth every six months as well.

KATE MCCUTCHEON, BANK OF AMERICA
Hi. Morning, Brandon and Vandita. Thank you. We've got some updates on your medium-term outlook today. The medium-term capex uplift guide, we've added a year at the back end and increased the FX. Can you just talk through the additional billion dollars versus the prior outlook to take us to that US$11 billion?

VANDITA PANT, BHP
Yeah, sure. Happy to. So, think of it this way. Last year, three years were the same as the new years. That is US$3 billion of higher capex. The way to think about this is that US$2.0 billion of that is Jansen Stage 2 increase in capex that we announced earlier. And FX has gone from 68 cents[2], for example, in Aussie dollar to 70. So, we try to keep the FX quite realistic. So, that is at 70 cents, for example. And that has contributed to another US$1.5 billion of headwind in these numbers.

However, overall, it's only a US$3 billion increase because it has been offset by the rest of the capital portfolio being more productive. And this is what I was referring to earlier. Our projects and capex spend continues to get optimised by our teams across the asset base, and that productivity has been the offset for almost US$0.5 billion on a net basis.

KATE MCCUTCHEON, BANK OF AMERICA
Okay, that's clear. Thank you. And then staying on the medium-term theme, just on Escondida, so you noted that the optimisation there has changed yet again. Can you just talk through the revisions there and what's driven the change to that concentrator size from prior plans? Is it changes to the copper price, or is it better understanding of the orebody there? Why they're changing again? I mean, it's a good outcome, bigger, more copper, but just interested in the changes there.

VANDITA PANT, BHP
Yeah, so I'll start off, and then Brandon, if you come in as well. So, as I was saying, before the final investment decision is made, the teams continue to optimise for scope, for design, for cost, for intensity. And what has happened in the new concentrator part, as you can see, is that we have increased the copper units which can come out of it. The throughput's gone up, but the intensity is at the higher end of what we had guided. It was US$16,000 to US$21,000 per tonne of copper equivalent.

Now it is around US$19,000 to US$22,000 – very much in the range of what we had said, but the size of the concentrator has been increased because that meant that we can get to unlock higher copper units as well.

BRANDON CRAIG, BHP
And Kate, it's a function of our confidence in the mining rate we can get out of the mine ultimately. So, when you have a look at Escondida, it does suffer at certain production levels from congestion risks. And as we continue to see decline in grades over time, you've got to move significantly more material to hold and then increase production.

So, the final decision on the sizing of the concentrator is a function of our confidence in terms of what we can get out of the mine. And then second, how that concentrator size translates into value in terms of copper delivery, the ability to get the volume through all of the downstream infrastructure, and so on. So, the project team continues to do that optimisation all the way through the study phases, and ultimately we will lock that in at the point of FID.

LYNDON FAGAN, JP MORGAN
Thanks. Brandon, just wanted to ask you about Jansen Stage 2, that was your first test in terms of capital allocation, and US$7 billion is a fair chunk of change. Just wondering how you get comfortable with approving that, and I guess the market impact of what looks to be another 5% into the global potash market. And I guess a linked question there is, having previously run iron ore, is there any interest to revisit the 330 Mtpa scope, which would've only added 1% for a lot less capex? I've got a follow-up after that, too.

[2] FY26 FX (realised) AUD/US 0.68; FY26 FX (guidance) AUD 0.65.

BRANDON CRAIG, BHP
So, just coming to Jansen, I think the starting point would be, we had a look at the balance sheet capacity of BHP, and the decision to invest in Jansen importantly wasn't at the expense of any of our copper investment growth. So, number one, that was really important to us. Second, then we had a look at a very large number of permutations of what we could or couldn't do with Jansen Stage 2. And across all those permutations, the option to continue continues to be the value-maximising pathway for BHP.

Any decision to delay and defer and then come back later inherently incurs significant cost and also risk, because you have to demobilise, you've got to re-mobilise. There's a whole lot of complexity. You've got to store massive amounts of equipment until you come back to execute the project. And I won't go into any more detail than that, but in principle, we had a look at this from every angle. Continuing to invest is definitely the shareholder-maximising case.

And then if you step back from the short-term dynamics of Jansen Stage 2 and the market, when you look at the long-term prospects for potash, we still continue to believe that the market is going to grow to over 100 million tonnes. It's a 75 million tonne market today. We've got to bring another 25 million tonnes to market. We want to own 8.5 million tonnes of that additional 25 million tonnes, and Jansen Stage 2 will get us there.

So, in the long run, tier 1 asset, 60 to 70-year life, 60% margins. We believe over time this is going to become a very valuable asset for BHP, and we are going to be pleased that we stuck with Jansen Stage 2.

VANDITA PANT, BHP
And just on your market absorption capacity as well. As you know, there is a ramp-up profile for both Jansen 1 and 2. So, these tonnes are not coming in short term. Jansen 1, of course, will start to produce middle of next year and then ramps up over a couple of years. And then Jansen 2 comes in early next decade and again, and ramps up over another couple of years. So, there is a real ramp-up profile. And with a market which is growing at around a 1 million tonnes a year. We think the market will be able to absorb it over a period of time.

LYNDON FAGAN, JP MORGAN
Thanks. I guess the other one is the BHP share price strength. How would you describe the relative attractiveness of BHP as an investment over the key diversified peers? What do you think has driven the re-rate? Because I guess that's all anyone's talking about. You're up massively against Rio and the copper pure-plays. So, just interested on the perspective that's coming from within BHP of what is driving that.

BRANDON CRAIG, BHP
So, I think, one, our operating credentials. We've been investing in the operating system and our underlying operating discipline, performance, productivity for a number of years now. And we are making genuine and real progress at being able to translate that into real productivity and unit cost and throughput increases over time. And I think you can see it at Escondida, you can see it in how well WAIO is performing. And our plan is to make it more visible across the likes of BMA and so on.

The second is just the quality of the growth programme that we have. When you have a look at what we're bringing to market, we've just spoken about potash, but when you have a look at copper, the quality of the assets that we are building are world-class. The plans we have for Olympic Dam, the long-term potential of Olympic Dam is 1 million tonnes per annum copper equivalent production, and that's 100% BHP. Vicuña has the potential to get up to 800,000 tonnes per annum. That's not quite an Escondida, but pretty close. The new concentrator plan is coming together really, really well. And beyond that, we still have Resolution, and there's a range of other early-stage options and other concepts that we are pursuing. And I think the market is seeing all of that. They're seeing that we can pay healthy dividends, continue to invest in growth, and still maintain balance sheet strength.

You put all of that together and I think people can see the real underlying strength and the future potential of BHP. Vandita?

VANDITA PANT, BHP
Yeah. The only thing I would add to that is our diversified model and the scale of performance. I think these two together is quite unique.

The diversified model, as some of the slides show, the cash flow we can generate, I think that is being recognised now, through the cycle. This year, EBITDA margin has been ~60%. And for the last 25 years, the average EBITDA margin for BHP has been greater than 50%. So, that reliable performance.

The second point, which is quite important I think, is around the growth that Brandon talked about. But I would argue that, given we have talked about 3% to 4% growth from here to the middle of the 2030s, if you look at consensus, I think all of you give us the credit for around 2% consensus growth. So, I would say there is full recognition of that yet to come in. But hopefully, as you can see, as we continue to de-risk our growth plan over the next 18 months, Vicuña, Copper South Australia, Escondida Concentrator, all getting to FID stage and de-risked quickly, that growth hopefully will start to get recognised, which is probably recognised only two-thirds right now in our numbers.

And last thing is, again, hopefully our track record shows that, that we are very disciplined on capital allocation. This has been the hallmark for BHP, and we can do that in a disciplined way with attractive growth and returns. So, yes, the share price has gone up, but equally, you would've seen my favourite slide on free cash flow. Attributable cash flow at spot is US$50 billion over the next five years. That's US$2 a share of free cash flow after all growth that we are very excited about as well.

So, I think it's becoming visible – the uniqueness of the performance, along with very high-quality growth backed by track record of capital allocation, which is quite disciplined. And hopefully there is much more to go, given so many, including Copper South Australia, growth projects are not in many numbers, for example. So, in November when we take you to the site with it, hopefully that can start to get reflected, and there is more to go there.

LACHLAN SHAW, UBS
Thank you for allowing me a follow-up. I just had a quick one, hopefully, just on Pampa Norte and the Sierra Gorda-Spence MOU. Just interested in how you're thinking about what those opportunities there might look like – timelines in terms of the process to identify and agree, and perhaps ultimate magnitude of what might be achievable over time. Thank you.

BRANDON CRAIG, BHP
Sure Lachlan. The synergies are quite substantial because you've got these two operations that are literally adjacent to each other. And then when you have a look at the characteristics of each business, Sierra Gorda has oxide ore that can be processed at Spence. Spence has material tailings capital, and Sierra Gorda has available tailings capacity, so potential to defer pretty significant capital on that front. There's synergies across water, dust.

Almost everywhere you look at those two businesses, there's an opportunity for extracting a better outcome if they work more closely together. So, the MOU is really the three key parties ultimately coming together to work out how we can extract that synergy. So, South32 and KGHM and then the BHP share to be able to go after that. So, it's not fully quantified yet. The teams are working on that, but it's quite an exciting opportunity, I think, when you look at what it could do for the performance of an asset like Spence.