



BofA Securities 2022 Global Metals, Mining & Steel Conference

Q&A transcript

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JAMES REDFERN (BofA)

Thank you and thanks for your presentation. It was great.

We've got time for a few questions. You talked about your organic opportunities in nickel and copper and also in potash, your future-facing commodities. You touched on M&A as well. So I just want to talk about M&A a little bit. BHP's net debt is below the \$5 to \$15 billion target range. The collapse of the DLC is designed to make BHP more agile. And I guess the early-stage investments in copper and nickel are very long-dated, maybe 10 years to bring a new mine on, as we've heard this morning.

So I'm just wondering - and also with a recent pullback in copper prices and copper equities, at what point does M&A become a viable option for BHP in terms of moving the needle in those future-facing commodities?

MIKE HENRY (BHP, CEO)

Sure. So let me start by saying that our strategy isn't dependent on M&A. And you hear me, out there, talking a lot about all of the efforts that we have underway around unlocking more options within the big resources that we already have, longer dated stuff in exploration and early stage entry. So I'm pretty comfortable that we'll be able to continue to develop more options for growth within BHP without being dependent on M&A.

Now, of course, if the right opportunities come along - and that's a pretty narrow set for BHP in terms of the sorts of assets that we like - but if the right opportunities came along at the right price, we'd be ready to act on them but I'm not feeling any urgency to get out there and chase after M&A because of all the other effort that we have underway.

Now, you mentioned that it can take up to, well, 10 years or more to bring on a new mine. Certainly - and Duncan mentioned this as well - for a new greenfield resource, finding that, getting it permitted, and bringing it on, that's a 15- to 20-year prospect. That's where I point back to the big resources that BHP has. And I think, as we've been developing some of the projects that we've had underway, because we have projects in petroleum, I think there's more that we - I wish, now, that we had done in terms of focusing on the Brownfield options within the existing resources. We've got an accelerated effort underway there, now, currently. And that could certainly be under a 10-year window for some of those.

JAMES REDFERN (BofA)

OK, thank you. BHP's operational and safety record has been very strong relative to some of your peers. Wondering if you could please make some comments around the key drivers of that.

MIKE HENRY (BHP, CEO)

Well, look, thanks for calling that out. And you are right. And the thing that we can be proudest of is three - almost three and a half years now, without anybody losing their life on a BHP site. And I still remember it was probably only about six or seven years ago when we were celebrating one year fatality free. We had a few successive years of one year fatality free. And to now have three and a half years without anybody losing a life, I mean, that's something that is seriously motivating for all of us.

Now, that's been accompanied by more reliable operations. And I think that those things go hand in glove to some extent. What's driven it has been serious day in, day out management focus. Because as everybody in this room knows, safety, that's a daily thing. So serious ongoing focus and commitment from management.

And investment - investment in people, culture, asset integrity, all brought together under the BHP Operating System, which kind of provides the overall framework or package under which we bring together the skills that we're creating, the capability that we're creating in the company, and our basic operating practices that drive safer, more reliable outcomes.

JAMES REDFERN (BofA)

OK, thank you. I've got some more questions, but we might move to the audience and see if there's any questions from the floor, please. While we're waiting, Mike, lithium is not a commodity that BHP is involved in. Prices have increased 500% in the last year and doubled year to date. BHP's historically not been involved in lithium because of the view that the supply-cost curve is flat. Maybe wondering if you could please comment on your latest views around lithium, please.

MIKE HENRY (BHP, CEO)

Yeah, so it's not lost on me that I've been talking for a year or a couple of years now about the fact that we don't like lithium, it's not a commodity for BHP long term, and all the while, prices have been going up. In short, our views haven't changed. It's something that we keep a watching brief over.

But if we look at the amount of lithium out there, it's significant. So we don't see a real long-term constraint in terms of resource. Barriers to entry are relatively low as we see with all the juniors popping up in Australia currently. The demand outlook, we think, is strong. So we're pretty aligned with everybody else around the demand prospects for lithium. This is really driven by our views of the resource, how we see the long-term shape of the cost curve playing out, and then, finally, our other options.

So because we've kind of staked out our ground in potash, I've spoken about the fantastic opportunity that creates for a very sizeable, high-returning, long-term business. We believe that there's more to do in copper and nickel, where we see better cost curve shape, particularly for the sorts of assets that BHP would hold at the low end of the cost curve. So we're not feeling pressed to pursue lithium.

JAMES REDFERN (BofA)

Thanks, Mike. I think Jason has a question.

AUDIENCE

Mike, just a question on COVID. So a lot of your operations were impacted by COVID. I think Escondida in particular, we saw a hit on production. It's an industry-wide thing. Where do we stand in terms of recovering from the aftereffects of COVID? And are there now any permanent changes to your business because of practices you might have adopted during COVID?

MIKE HENRY (BHP, CEO)

Yeah, so that's a big question, Jason, in terms of what are the long-term effects of COVID. First of all, it wasn't just Escondida and it's not over. We continue to face up to 15% to 20% absenteeism at some of our operations. COVID's presented a recent challenge to operations in Australia, for example. I think Escondida was hit particularly hard earlier on in COVID, but we've seen that sweep across the world.

Now, the great thing is that, through all of that, high rates of absenteeism, in some instances, high rates of turnover as labour markets have tightened and people haven't wanted to travel and be away from family for long periods of time, we've maintained safe, reliable operations. You saw, in the third-quarter results that we just released, on track for full-year guidance in iron ore on both production and cost.

I really can't speak highly enough of the teams and the work that they've done to navigate COVID. Where are we at in terms of the impacts? There will be some lagging impact in terms of stripping, where we've need to reprioritise away from one activity to another activity, but all manageable. I think there's some bigger long-term impacts in terms of the lagging effect of all the debt that's accumulated at government levels with COVID, the changed perception of the workforce in terms of what's important in some instances, and frankly, changed working practices.

So COVID, to some extent, forced an acceleration in some of the things that we already had underway around restructuring work, making it more flexible, opening up opportunities to a wider range of people. That's going to be a permanent and positive feature of, certainly, our landscape. And I'm sure it's the same for others.

JAMES REDFERN (BofA)

Thanks, Mike. Everybody please join me in thanking Mike for his presentation this morning.

MIKE HENRY (BHP, CEO)

Thank you.