

BHP – The Story of Australia's Greatest Revenue Mine



Society is continually evolving amidst mass technological change, global market fluctuations, and urban development. However, throughout most of this period of modern expansion, the mining industry has been an ever-present constant. Mining provides the essential raw materials used in almost every component of the modern world. In an increasingly demand-driven society, it is pivotal for almost all aspects of life, from supporting the largest of infrastructure projects to components of phones. The Minerals Education Coalition estimates that the average American would need around 3.19 million pounds of minerals, metals, and fuels in their lifetime, highlighting how vital the industry's resources are. Furthermore, the mining sector is influential in contributing to global economic growth (adding A\$349 billion in GVA to the Australian economy in the 2023/24 financial year) alongside other benefits such as regional development, technological innovations and energy transitions. Standing at the forefront of the mining industry is BHP, an Australian-based mining company and the leading producer of iron ore, copper and metallurgical coal.

BHP is the world's leading mining company, working in over 90 worldwide locations, contributing US\$49.2 billion in FY2024 and employing more than 90,000 employees across the corporation. Founded in 1885 as Broken Hill Proprietary Company Limited, BHP was initially focused on silver and lead mining. In 1915, the company took significant steps towards national domination by opening up Newcastle Steelworks – the first large-scale steelworks in the nation and a thriving branch of the company for the next 84 years. Entering the steel industry was a landmark moment for BHP because it enabled vertical integration and industrial expansion. The move essentially shifted BHP from a pure mining company to an industrial leader.

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With WWII becoming a growing threat, 1940 saw the Australian government directly ask BHP to build a naval shipyard at Whyalla, South Australia. The shipyard became a source of national navy vessels, with BHP overseeing the production of 63 ships between 1941-78. BHP's role in WWII forced it to operate at a much larger scale than it had ever done so before, yet it did so with little struggle, meeting all national-security demands. The operation consequently not only expanded BHP's production capacity, but arguably more significantly, bolstered its reputation as a strategic industrial powerhouse.

In 1964, BHP entered a partnership with Esso Australia (now ExxonMobil) to explore and develop oil and gas fields within certain parts of Australia. This was motivated by Australia's growing energy needs and the desire to reduce dependence on imported oil. BHP's role was to provide capital investment and engineering expertise alongside Esso's technical knowledge. The partnership was a success, having produced more than 3.5 billion barrels of oil and 5 trillion cubic feet of gas, with a supposed A\$570 billion contribution to Australia's GDP. The venture was impactful for BHP's evolution for three reasons. Firstly, it transformed BHP into a multi-commodity resource company capable of generating revenue from energy markets. Secondly, the collaboration enabled BHP to move ahead of its competitors in the mining industry via technological advancements such as advanced drilling and seismic surveying. Thirdly, BHP's involvement in oil and gas allowed it to participate in global energy supply chains, strengthening its ability to influence price and its market access.

The following decades saw BHP capitalise on its recent expansions into global supply chains by furthering its international presence. In April 1984, BHP acquired Utah International from General Electric in a deal reportedly worth US\$2.4 billion. Utah International was a large, diversified mining and construction company with assets including coal operations in the USA, a copper mine in Canada, iron-ore projects in Brazil and a portfolio of undeveloped projects across the southern hemisphere. The acquisition marked a deliberate pivot in BHP's strategy from being a big Australian firm to aspiring for global dominance. Over time, these international assets became major sources of BHP's profitability; coal and copper, especially from Escondida, Chile, provided strong cash flow, enabling BHP to fund future expansion and reinvest whilst simultaneously diversifying its portfolio.

Having already established itself as a frontrunner in the mining industry, BHP's merger with Billiton in 2001 took it to the level where it is at now, as both the leading mining company and as Australia's most successful firm. Billiton was an Anglo-Dutch mining giant specialising in the extraction and processing of diversified mineral resources. The merger of these two successful firms, forming BHP Billiton (later renamed to BHP Group Limited), had extraordinary results. The new company reported a rise in sales revenue from US\$18.4 billion to US\$19.1 billion within a year, whilst the EBITDA margin grew from around 27.4% to approximately 29.8%. BHP also saw an increase in exposure to aluminium, manganese, nickel and ferroalloys, making it a truly diversified global miner. The merger also boosted BHP's balance sheet strength, giving it more capital firepower to execute larger-scale projects and acquisitions, as seen with Western Mining Corporation in 2005.

Despite enduring a predominantly stable route to success, BHP have encountered a few periods of concern, the most renowned being the Samarco Dam Disaster. In 2015, a joint

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venture between BHP and Vale collapsed in Mariana, Brazil. The dam's collapse saw over 40 million cubic metres of highly toxic slurry be released, with 19 people dying. The incident went on to become Brazil's worst environmental disaster in history; investigations concluded that BHP failed in its governance responsibilities, with stability warnings dating back to 2013 not adequately adhered to. BHP was found to have also relied upon third-party reports, which were revealed to have underestimated structural weaknesses.

The incident had significant financial consequences. By 2020, BHP had recorded over US\$6.5 billion in charges through the form of remediation, compensation and legal provisions. Investor confidence also wavered: in the weeks following the collapse, BHP's market value plummeted by roughly US\$20 billion. This disaster greatly impacted BHP's reputation, resulting in the firm taking a new approach. Mining in general faces inherent environmental and ethical challenges, such as land degradation, water contamination, emissions, loss of biodiversity and disruptions to local communities. The Samarco Dam Disaster showed that even the largest of mining corporations struggled to deal with these issues. BHP recognised this and began to implement a series of changes.

Since 2016, BHP has undertaken a huge structural overhaul of its risk management framework. A centralised geotechnical risk unit was created, and independent Dam Review Panels were introduced globally, ensuring that tailings facilities received external scrutiny. Engagement with local communities was also strengthened. On top of these changes, BHP began to align its portfolio with lower-carbon, long-life assets whilst committing to a net-zero operational emissions target by 2050. Large-scale investments such as the Jansen Potash Project in Canada highlight this apparent shift towards sectors aligned with global green infrastructure and food security. Additionally, environmental initiatives in green steel, low-carbon shipping and methane reduction have strengthened its ESG standing. Though the legacy of the Samarco Dam Disaster has overshadowed BHP's past decade, its reforms and consistent performance have enabled it to re-establish itself as one of the most financially stable and forward-looking mining companies in history.

Looking ahead at BHP's trajectory, its increasing focus on future-facing commodities positions it to benefit from the rising demand for electrification, renewable infrastructure, and global food security. With the copper market alone projected to face a supply gap of 4-6 million tonnes annually by 2030, and the Jansen Potash Project targeting over 4 million tonnes of output per year in its first stage, BHP is in a healthy position to capitalise upon global megatrends. Regular revenues in excess of US\$50 billion and a more disciplined capital allocation framework provide BHP the flexibility to meet its emissions goal by 2050.

Overall, BHP was ultimately transformed via its merger with Billiton into a global, multi-commodity giant. Having started out as a mere mining firm focused on silver and lead, it is now a diversified resources company with deep exposure to metals, energy and critical minerals on top of its mining projects. Strong cash flows and its extreme variance have ensured that BHP has been able to capitalise on global megatrends, implement new solutions to deal with environmental and ethical issues in the mining industry, and cement itself as the global leader in the mining industry.