Goldman Sachs' Copper Outlook and BHP's $6 Billion Escondida Decision

Near-term earnings exposure and the economics of replacement

A bullish copper forecast can improve financing flexibility. The investment decision still turns on the operating benefit protected by a new concentrator.

Executive edition of the SMPT research report
Private editorial review / 5 November 2026

S01 BHP FY26 results, 18 Aug 2026, slides 28/48; S16 GS Exchanges, 23 Oct; S18 FinancialJuice, 20 Oct; Cutoff 5 Nov 2026 / Independent SMPT research

Goldman’s forecast changes earnings exposure before sanction

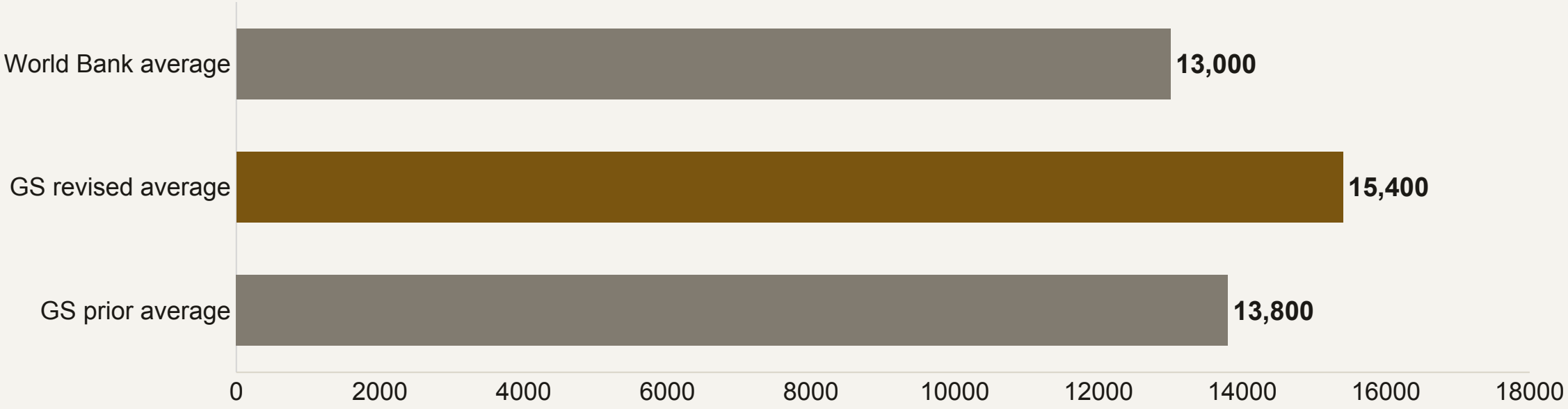
Original finding	Corporate-finance implication
$2.83bn FY26-static EBITDA differential	Reported Goldman revision at BHP’s disclosed exposure
$4.25bn same-scope differential	Goldman versus World Bank annual-average expectations
199ktpa rises to 333ktpa with shorter, later benefits	Benefit life and the no-build case can dominate
Maintain funded pre-FID readiness	Construction alternatives need an operating counterfactual

These calculations measure exposure and test assumptions. They do not independently reproduce BHP’s project IRR.

S01 BHP FY26 results, 18 Aug, slides 28/48; S03 BHP AR2026, pp.36–37; S18 FinancialJuice, 20 Oct; Cutoff 5 Nov 2026 / Independent SMPT research

Goldman’s reported 2027 average is 18.5% above the World Bank’s

US$/t / calendar 2027 annual-average forecasts



The original bank note was not obtained. Public reporting supports $15,400/t average. Goldman’s public $15,600/t end-2027 view is a distinct forecast.

S12 World Bank Oct2026, table 1; S16 GS Exchanges, 23 Oct; S18 FinancialJuice, 20 Oct; Cutoff 5 Nov 2026 / Independent SMPT research

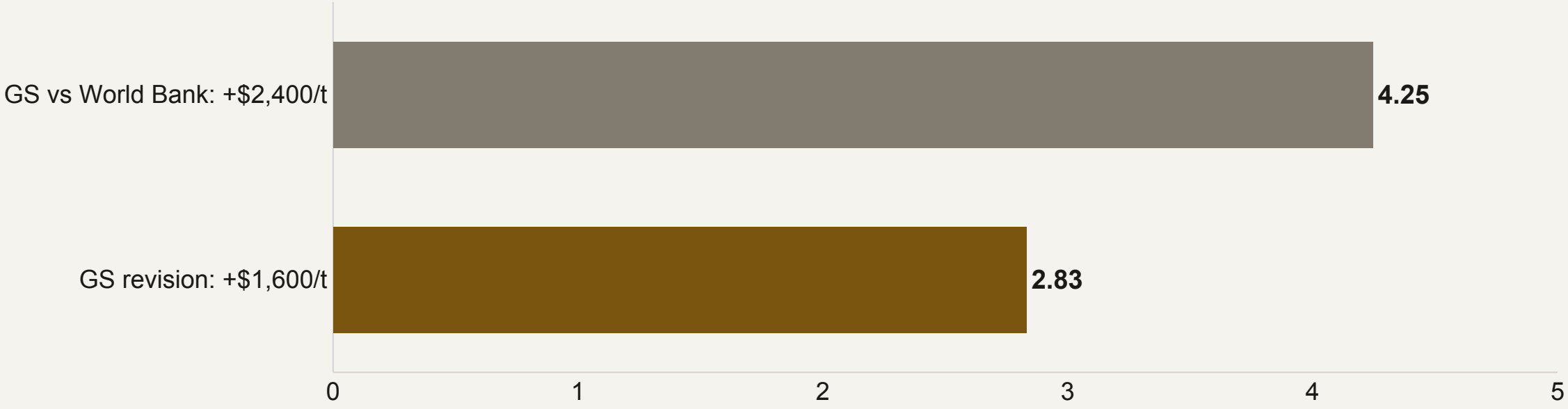
Copper generated $18.19bn of EBITDA while production fell

Metric	FY2025	FY2026
Copper revenue, US$bn	22.530	29.031
Copper underlying EBITDA, US$bn	12.326	18.187
Group underlying EBITDA, US$bn	25.978	32.947
Copper production, mixed basis, Mt	2.017	1.953

The disclosed 54% contribution excludes Group and unallocated items. Copper divided by total group EBITDA gives 55.2%.

The $1,600/t revision implies $2.83bn of static EBITDA exposure

Hypothetical FY26-static underlying EBITDA differential / US$bn



Calculation: price difference ÷ 2,204.6226 lb/t × 100 × $39m per US cent/lb. Large shocks assume linear response. This is not a 2027 earnings or FCF forecast.

S01 BHP FY26 results, 18 Aug, slide 48; S12 World Bank Oct2026, table 1; S18 FinancialJuice, 20 Oct; Model 04 D45:D46; Cutoff 5 Nov 2026 / Independent SMPT research

A lower-volume proxy gives a smaller answer on a different basis

Exposure basis	Result for the reported $1,600/t revision
Issuer FY26 sensitivity	$2.830bn underlying EBITDA illustration
FY27-scale proxy, assumed sales and leakage	$2.274bn EBITDA proxy, about 19.6% lower
Exact bridge between the two	Unavailable exposed-sales, contract and response data
Latest provisional realized price	$7.01/lb in Q1 FY27, approximately $15,454/t

The proxy stays secondary. The latest realized price also makes “persistence of strong margins” more defensible than another windfall from current prices.

S01 BHP FY26 results, 18 Aug, slide 50; S03 BHP AR2026; S05 Q1FY27 review, 20 Oct, pp.1–2/5; Cutoff 5 Nov 2026 / Independent SMPT research

The New Concentrator protects continuity at an existing mine

Project fact	Investment meaning
$5.4–6.3bn nominal gross capital	$3.105–3.623bn simple BHP 57.5% economic share
230–270ktpa facility output, FY34–43 average	Replaces Los Colorados, not wholly incremental mine output
16–18% issuer-guided IRR	Uses $4.76/lb long term, approximately $10,494/t
CY2027–28 FID / CY2031–32 first production	Pre-FID readiness approval is not full sanction
RCA pending in indexed review file	November 4 filing is an applicant request, not approval

March-to-August capex midpoint rose 13.6% while output midpoint rose 4.2%. Scope changed, so this does not establish a construction overrun.

S01 BHP FY26 results, slides 28/36/40; S05 Q1FY27 review, p.2; S06 Escondida asset page; S07 BHP, 17 Mar; S17 SEIA index, 5 Nov; Cutoff 5 Nov 2026 / Independent SMPT research

Reverse appraisal requires $839m of annual benefit in the base screen

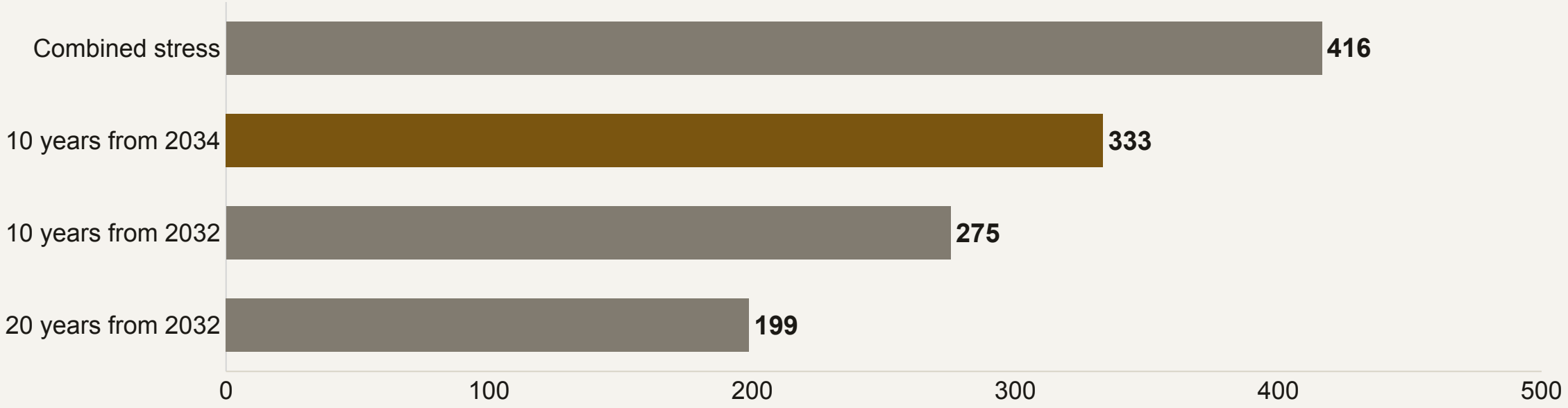
Explicit assumption or calculation	Hypothetical base
Gross capital / five equal year-end draws	$5.85bn / 2027–31
Discount rate / full benefit years	10% nominal / 20 years from 2032
PV of capital / required annual after-tax benefit	$4.435bn / $839m
Price / assumed net all-in burden / tax wedge	$10,494/t / $4,000/t / 35%
Equivalent preserved or added benefit	198.8ktpa relative to a no-build baseline

Flat nominal margins; burden is assumed, not C1 cost. Avoided sustaining costs, tax depreciation, by-products and alternatives can change the result.

S01 BHP FY26 results, slides 28/36; SMPT screen: Model 06 Escondida Economics / 08 Scenarios; Cutoff 5 Nov 2026 / Independent SMPT research

Duration assumptions can move the result beyond facility output

Required equivalent benefit / ktpa / independently assumed screens



BHP's FY34–43 averaging window does not establish 20 flat benefit years. Combined stress uses $8,500/t, 20% more capital and two years of delay.

S01 BHP FY26 results, slide 36; SMPT: Threshold_Sensitivities.csv / Model 08 Scenarios; Cutoff 5 Nov 2026 / Independent SMPT research

Historical funding and management cash projections have distinct scopes

Funding evidence	Interpretation
FY26 CFO $21.778bn less investing $12.011bn	$9.767bn FCF already includes investing spending
BHP / NCI cash dividends $6.756bn / $2.355bn	$0.656bn after distributions, before other financing
Silver-streaming receipt $4.3bn	Financing liability inflow, outside reported FCF
Copper FCF $12bn FY27–31 / $24bn FY32–35	Management cumulative attributable scenarios after capex
Group capex approximately $11bn annually	Portfolio timing and execution capacity still compete

Project capex must not be deducted twice. Cash projections do not establish a stress-tested parent funding allowance.

S01 BHP FY26 results, slides 19–22/35; S03 BHP AR2026, pp.30/37; Cutoff 5 Nov 2026 / Independent SMPT research

Fund readiness while management earns the case for faster construction

Action	Evidence that supports it
Maintain funded pre-FID readiness	Credible replacement need and a feasible permitted schedule
Accelerate selected preparatory work	Information or schedule protection worth its incremental cost
Accelerate major construction	Costed avoided production loss exceeds premium and risk
Stage, re-scope or defer	Alternatives protect output and expected return remains inadequate

Equal shifts of capital and benefits cancel the common discount factor. Assumed premiums and unmeasured continuity losses prevent a ranking of real options.

S01 BHP FY26 results; S03 BHP AR2026; S05 Q1FY27 review, 20 Oct; S17 SEIA index, 5 Nov; Cutoff 5 Nov 2026 / Independent SMPT research

The missing no-build mine plan is the next most valuable evidence

Research boundary	What would improve the decision
Original contribution	Common earnings-exposure scale and replacement-benefit sensitivities
Public attribution	GS annual average via reporting, related primary bank transcript
Required operating data	Annual with-build / no-build output and alternative processing
Required financial data	Capital draws, ramp-up, costs, tax, closure and obligations
Editorial gate	READY FOR EDITORIAL REVIEW / separate public-release approval

Editable model, report, evidence register, Python calculations and reconciliation record accompany this executive edition. Internal review is not external assurance.