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The BHP Shareholder Value Unlock Plan

April 10, 2017

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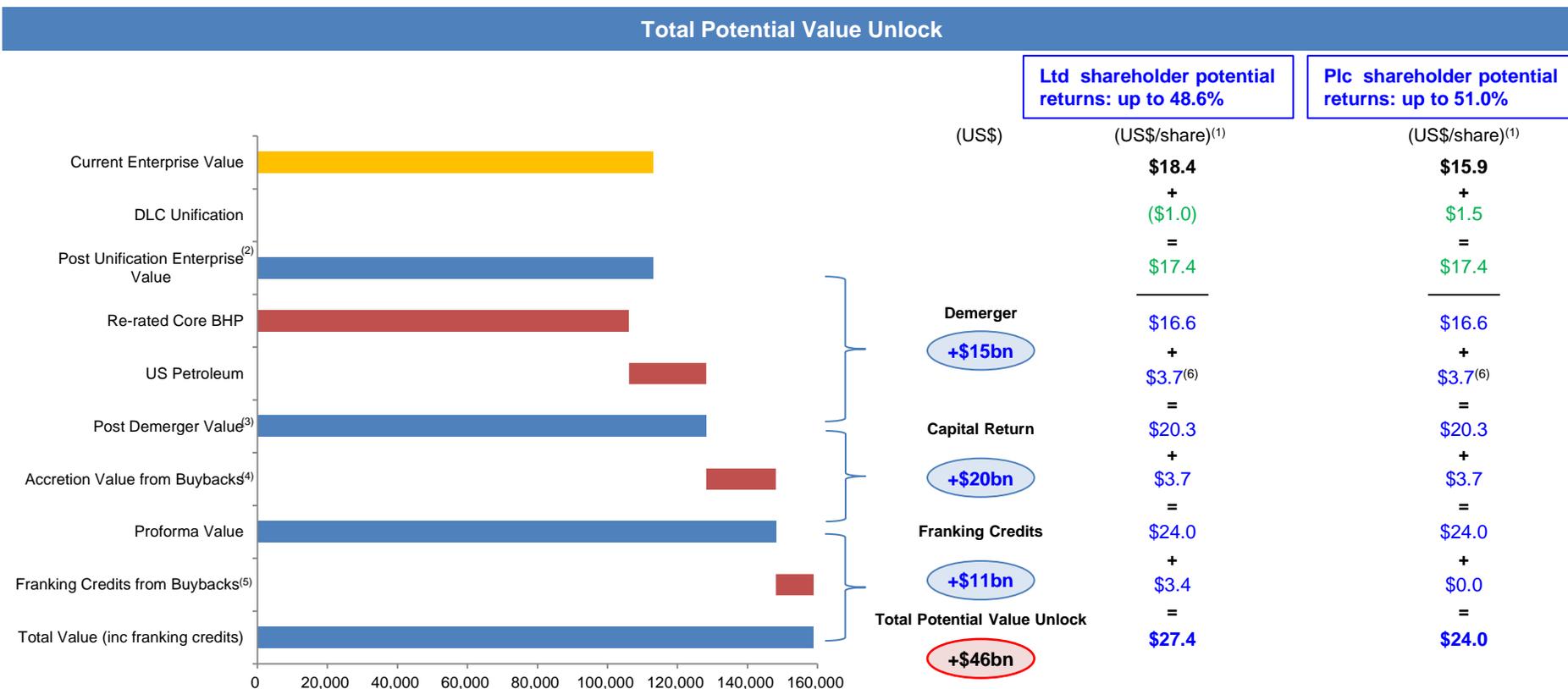
Executive summary

The BHP Shareholder Value Unlock Plan

- BHP is a leading global resources company with a first-class portfolio of assets
- Unfortunately, despite the progressive and successful demerger of South32, total shareholder returns at BHP have remained depressed because BHP's management cannot deliver optimal shareholder value without:
 - Resolving the inefficiencies caused by its dual-listed company (DLC) structure;
 - Monetizing the intrinsic value of BHP's US petroleum business, the value of which is obscured by its continued inclusion within the group, without providing any demonstrable diversification benefit for BHP; and
 - Enhancing capital management to an optimal level
- The BHP Shareholder Value Unlock Plan (the "**Value Unlock Plan**") is designed to provide management with the opportunity to directly address these issues, by:
 - I. **Unifying BHP** into a single Australian-headquartered and Australian tax resident listed company
 - ✓ Shareholder returns could be significantly enhanced by unifying the DLC group structure into a single Australian-headquartered and Australian tax resident company which would continue to be managed from Australia and which could retain BHP's current stock market listings and continue to be included within key FTSE and ASX stock indices
 - ✓ Unification would (i) put BHP's Ltd and Plc shareholders on the same footing, eliminating the current trading value mismatch between the two lines of shares; (ii) remove certain material tax, operational and strategic inefficiencies caused by the DLC structure; (iii) significantly enhance the scope for, and optimize the value impact of, BHP share buybacks; and (iv) give BHP much greater access to its existing US\$9.7bn franking credit balance, plus future franking credits
 - II. **Demerging and separately listing BHP's US petroleum business**
 - ✓ A demerger and separate listing of BHP's US onshore and Gulf of Mexico petroleum assets on the NYSE would (i) provide shareholders with access to what we believe would be a much higher market value for that business; (ii) put the demerged business in a position to benefit from further operational improvements and strategic corporate activities; and (iii) allow BHP's management and investors to fully focus on the value of core BHP's unrivalled portfolio of first-tier mineral assets
 - III. **Adopting a policy of consistent and optimal capital return to BHP's shareholders**
 - ✓ BHP can retain an "A" grade credit rating whilst using its substantial excess cashflows to deliver enhanced shareholder returns, by way of repurchasing shares at an attractive discount to market price, in a clearly-defined and communicated ongoing off-market share buyback program – in addition to continuing the current 50% dividend payout ratio
 - ✓ The adoption of this policy would help to avoid any repetition of prior tendencies to make value-destructive large-scale acquisitions for cash

Executive summary (cont'd.)

Our analysis shows that implementation of the Value Unlock Plan could provide BHP shareholders with an increase in value attributable to their shareholdings of up to c.48.6% (Ltd shareholders) / c.51.0% (Plc shareholders)



Our in-depth analysis of BHP's DLC structure and its business and assets, and the formulation of the Value Unlock Plan for BHP, has been undertaken with the benefit of extensive professional analysis and advice and other relevant input, including on the tax, accounting, legal, stock exchange, commercial, equity and other shareholder aspects of the Value Unlock Plan, covering not only Australia and the UK but also, among others, the US, Chile, Peru and South Africa

Source: Company filings and Elliott's estimates

1. These per-share numbers are in respect of the current aggregate number of BHP shares in issue, except for the franking credits from buybacks number, which is based on the number of Ltd shares currently in issue
2. Enterprise value measured before demerger of BHP's US petroleum business. Assumes that the BHP share price post-unification would be the weighted average (by number of shares in issue at Ltd and Plc) of the current share prices of Ltd and Plc. The post-unification (before demerger) enterprise value is therefore assumed to remain the same as BHP's current enterprise value
3. Valuation based on mean values of US petroleum and unified core BHP shown in the valuation slides in this presentation
4. Valuation based on the NPV of (i) the increase in core BHP's share price implied by the EPS accretion from the share buybacks which are proposed by Elliott in this presentation, applied to the reduced number of shares in issue post buybacks; and (ii) the capital thereby returned to shareholders
5. NPV of franking credits released from Elliott's proposed discounted off-market buyback program
6. Assumes US\$2.5bn of BHP's existing net debt is allocated to the US petroleum business (c.0.9x net debt / consensus 18E EBITDA)

BHP – a first-class portfolio, which is failing to deliver optimal value for shareholders

A first-class portfolio of assets

BHP has a portfolio of best-in-class large-scale diversified mining and petroleum assets

Iron Ore

Western Australia Iron Ore (WAIO), Australia

- Australia's second largest producer of iron ore and the world's third largest producer with capacity expected to reach 290mtpa by FY19
- Expected C1 cash costs of <US\$15/t by FY17

Samarco, Brazil

- High grade iron ore operation in Brazil
- Production restart in preparation

Third largest iron ore producer in the world

Base Metals

Escondida, Chile

- The world's largest copper mine
- Expected to reach unit cost of US\$1.0/lb by FY17

Pampa Norte (Spence and Cerro Colorado), Chile

- Producer of high-quality copper cathode

Antamina, Peru

- Large, first-quartile open pit, copper / zinc mine

Olympic Dam, Australia

- One of the world's largest copper deposits and the world's largest uranium deposit

Nickel West, Australia

- Fully integrated nickel mine and smelting facility in Western Australia

Operator of the world's largest copper mine

Coal

Queensland Coal (BMA & BMC), Australia

- World's largest producer and exporter of seaborne coking coal by volume

New South Wales Energy Coal, Australia

- Australia's largest export thermal coal asset by production

Cerrejon, Colombia

- Colombia's largest export thermal coal asset by production

Largest exporter of premium seaborne coking coal

Petroleum

AUSTRALIA – 2nd largest producer in Australia

Northwest Shelf, Australia

- Australia's largest LNG project by capacity

Bass Strait, Australia

- Australia's first world-class hydrocarbon province. Over 8tcf of gas and 4bn bbl of oil produced

Other petroleum assets include Minerva/Pyrenees/Macedon

UNITED STATES and RoW – 4th largest Gulf of Mexico producer with exceptional core shale acreage

US Onshore

- Portfolio of exceptional acreages in some of the most productive acreages in prominent basins including the Eagle Ford and Permian. c. 850k net acres

Gulf of Mexico

- World-class assets with growth opportunities including Mad Dog 2 and Caicos
- First multinational to partner with Pemex in Mexico

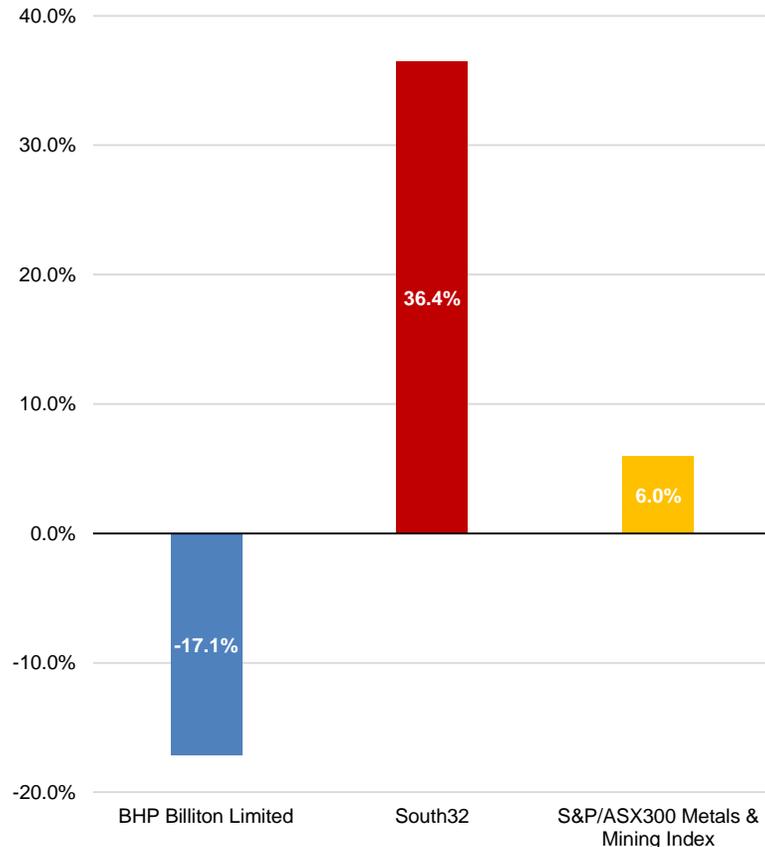
Other petroleum assets include Bruce in the UK, ROD Integrated Development in Algeria, and Greater Angostura in Trinidad and Tobago

Quality assets but with limited synergies with the mineral portfolio

Demerging South32 – a case study for future value release

Total Shareholder Returns – Since S32 Demerger (May 18, 2015)⁽¹⁾

(Indexed to 100)



- In demerging South32, BHP's management took an important first step towards streamlining BHP's portfolio, releasing value for BHP's shareholders and enhancing BHP's focus on a smaller number of mostly core assets as a means of unlocking shareholder value
- The total shareholder returns for South32's shareholders has significantly outperformed the total shareholder returns for BHP's shareholders as in under two years an independent South 32 has been able to:
 1. drive asset operational costs lower;
 2. announce an appropriate value-enhancing acquisition; and
 3. unlock shareholder value – announcing a c.US\$500m share buyback program (equivalent to c.4.3% of South32's current market capitalization) over an expected 12 month period
- Unification of BHP's DLC structure and the demerger of BHP's US petroleum business⁽²⁾ **would be the logical next step for BHP's management to take**, in order to:
 - ✓ **Remove** existing DLC inefficiencies which have been magnified by the South32 demerger
 - ✓ **Unlock** the true value of the US petroleum business and increase BHP's focus on its core Tier-1 mineral assets such as Pilbara, Escondida and Queensland coal
 - ✓ **Significantly enhance** the scope for, and optimize the value impact of, an ongoing discounted off-market share buyback program
- **We see the incomplete status of the streamlining and transformation of BHP's group structure and asset portfolio as the key reason for BHP's underperformance in terms of total shareholder returns**

Source: Broker research and company filings. Total return index (net dividends) converted to US\$ at daily foreign exchange rates

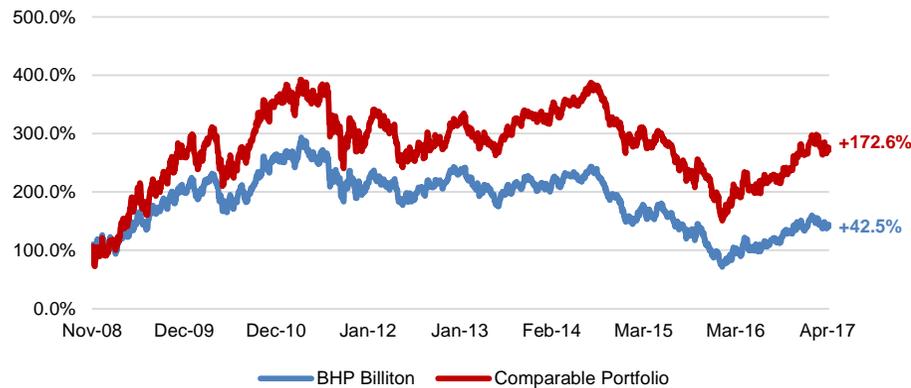
1. First trading day for South32

2. The "US petroleum business" means BHP's US onshore petroleum assets and its Gulf of Mexico assets

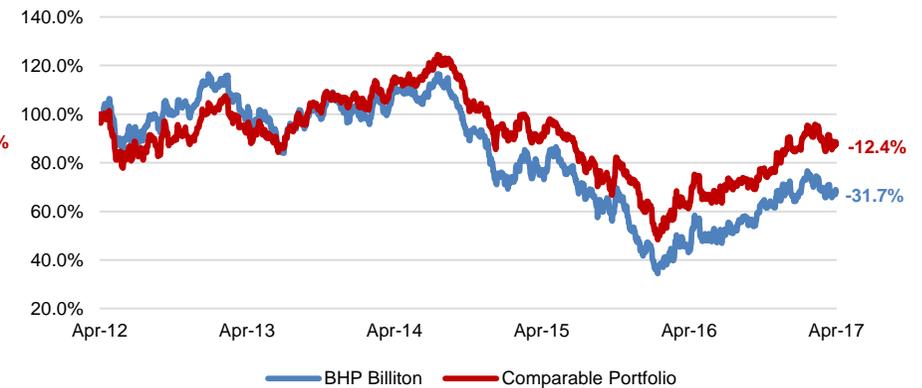
Unfortunately, underperformance is part of a continuing trend

Despite the quality of BHP's assets, BHP has underperformed a portfolio of comparable mineral and petroleum companies over a variety of time periods

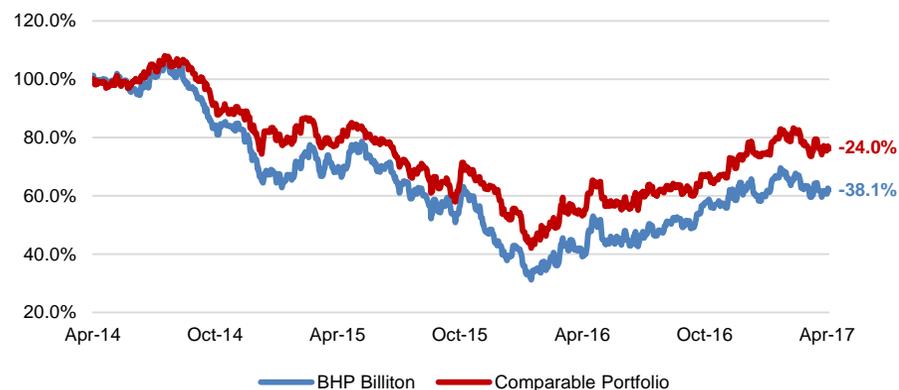
Total Shareholder Return – Since BHP's Bid for Rio (Nov 26, 2008)⁽¹⁾



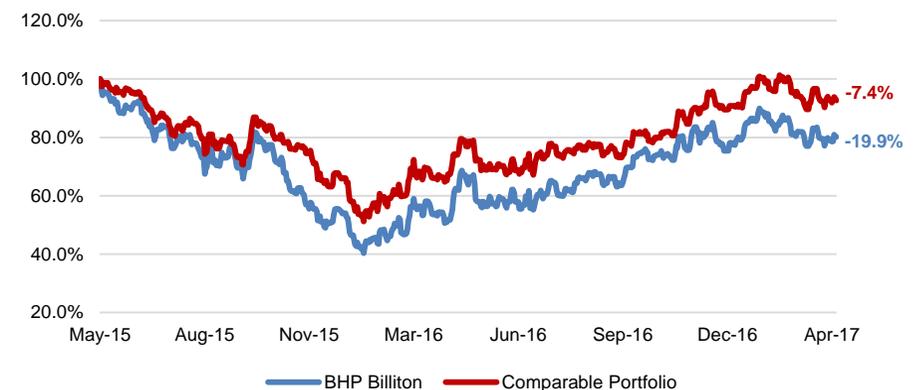
Total Shareholder Return – Five Year Performance



Total Shareholder Return – Three Year Performance



Total Shareholder Return – Since S32 Demerger (May 18, 2015)⁽²⁾



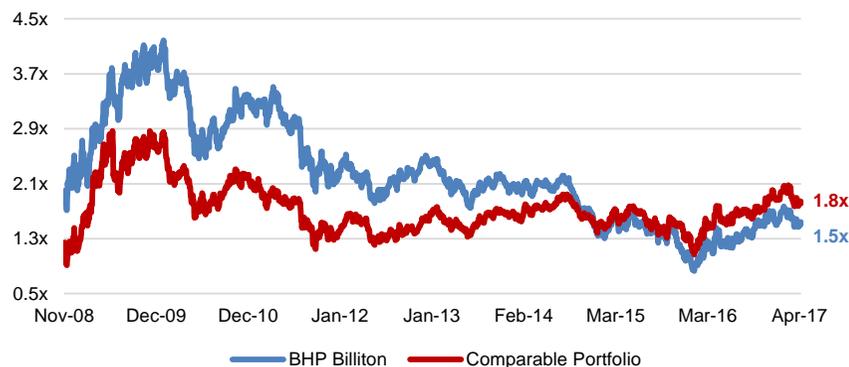
Note: Comparable Portfolio comprises Rio Tinto and a basket of oil and gas equities designed to replicate BHP's petroleum exposure (as determined by BHP's disclosed split of net operating assets over time), comprising Hess Corporation, Apache Corporation, Anadarko Petroleum, EOG Resources and Woodside Petroleum. BHP Billiton and Rio Tinto are weighted in proportion to the current respective numbers of shares in issue for each of Plc and Ltd. Total return index (net dividends) converted to US\$ at daily foreign exchange rates

1. Business day after BHP withdrew its bid for Rio Tinto
2. First trading day for South32

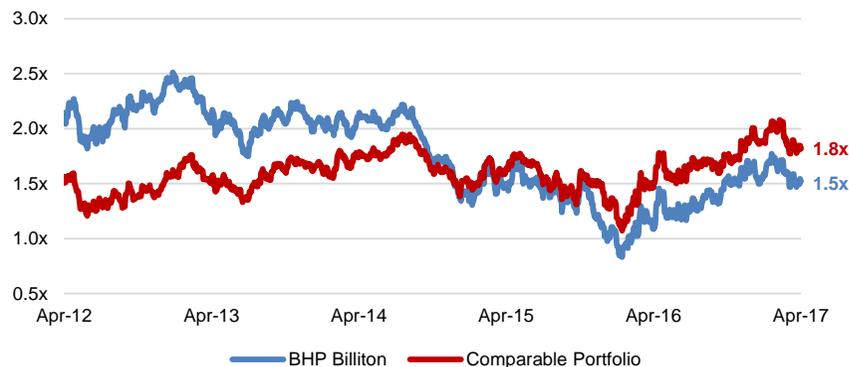
P/B underperformance

BHP's P/B⁽¹⁾ valuation has underperformed a portfolio of comparable mineral and petroleum companies

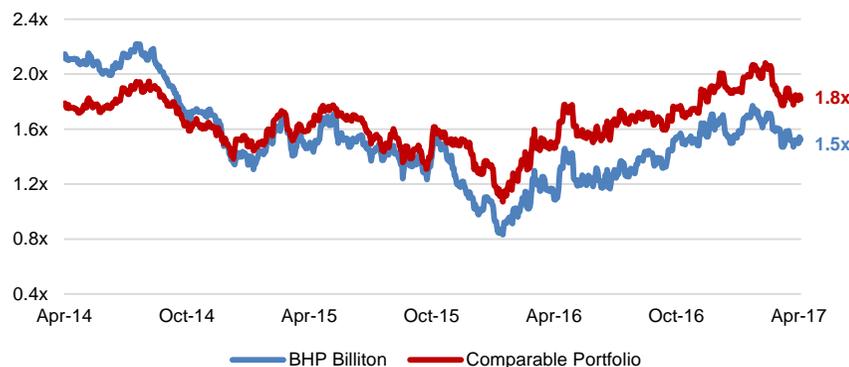
P/B – Since BHP's Bid for Rio (Nov 26, 2008)⁽²⁾



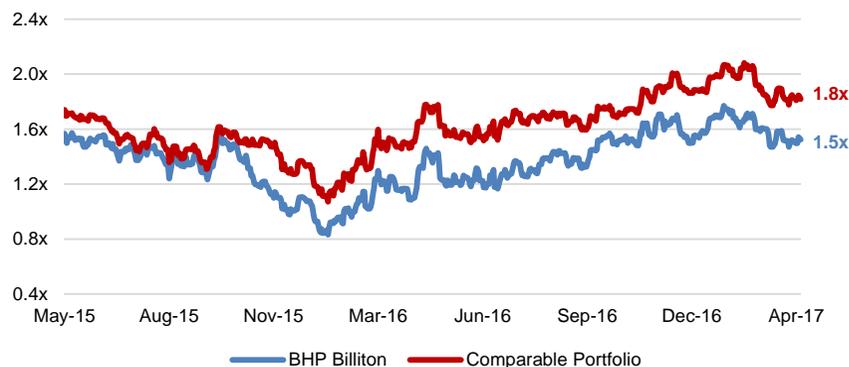
P/B – Five Year Performance



P/B – Three Year Performance



P/B – Since S32 Demerger (May 18, 2015)⁽³⁾



19.4% / US\$18.0bn Upside⁽⁴⁾

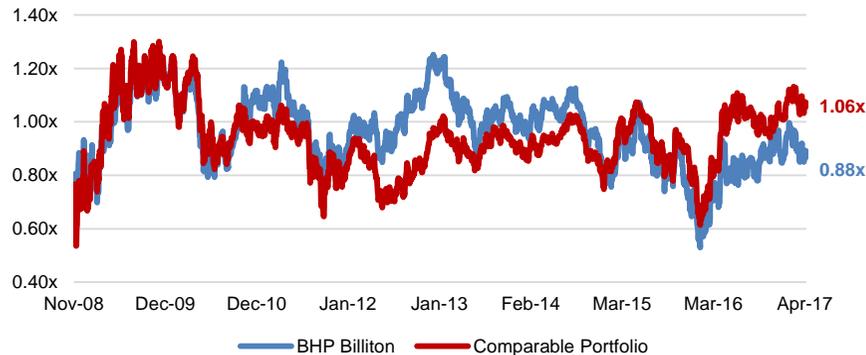
Note: Comparable Portfolio comprises Rio Tinto and a basket of oil and gas equities designed to replicate BHP's petroleum exposure (as determined by BHP's disclosed split of net operating assets over time), comprising Hess Corporation, Apache Corporation, Anadarko Petroleum, EOG Resources and Woodside Petroleum. BHP Billiton and Rio Tinto are weighted in proportion to the current respective numbers of shares in issue for each of Plc and Ltd. Share prices converted to US\$ at daily foreign exchange rates

1. Rolling one-year-forward price-to-book multiple
2. Business day after BHP withdrew its bid for Rio Tinto
3. First trading day for South32
4. 19.4% upside assumes Rio Tinto (as included in the comparable portfolio) is weighted in proportion to its number of shares in issue for each of Plc and Ltd; upside increases to 22.7% if Rio Tinto is weighted at BHP Billiton's number of shares in issue for each of Plc and Ltd

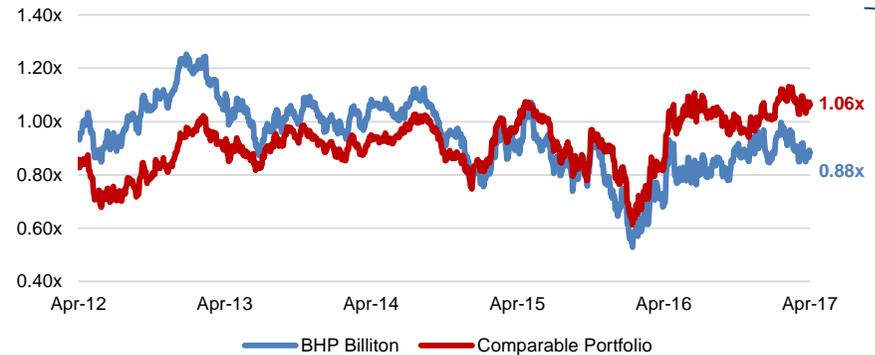
P/NAV underperformance

BHP's P/NAV⁽¹⁾ valuation has also underperformed a portfolio of comparable mineral and petroleum companies

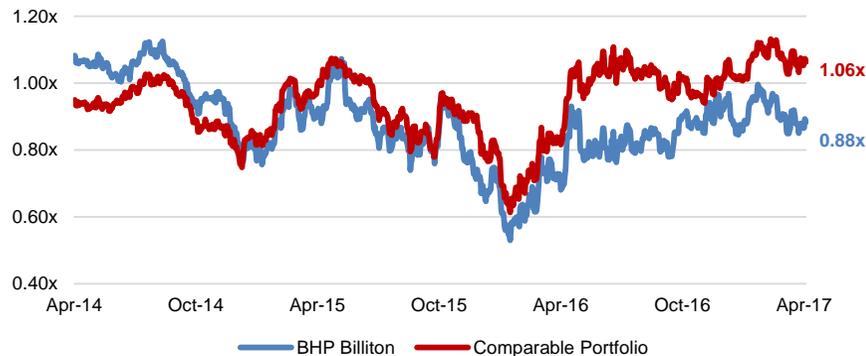
P/NAV – Since BHP's Bid for Rio (Nov 26, 2008)⁽²⁾



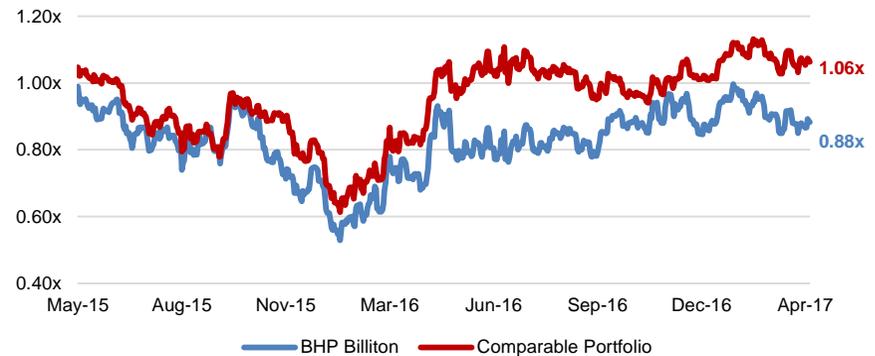
P/NAV – Five Year Performance



P/NAV – Three Year Performance



P/NAV – Since S32 Demerger (May 18, 2015)⁽³⁾



20.4% / US\$19.0bn Upside⁽⁴⁾

Note: Comparable Portfolio comprises Rio Tinto and a basket of oil and gas equities designed to replicate BHP's petroleum exposure (as determined by BHP's disclosed split of net operating assets over time), comprising Hess Corporation, Apache Corporation, Anadarko Petroleum, EOG Resources and Woodside Petroleum. BHP Billiton and Rio Tinto are weighted in proportion to the current respective numbers of shares in issue for each of Plc and Ltd. Share prices converted to US\$ at daily foreign exchange rates

1. Price-to-net asset value. Net asset value is based on gross asset value less reported net debt. Gross asset value for mineral assets is based on analyst average; upstream information on the petroleum assets was obtained from the Global Economic Model for Oil & Gas™ 2017, a product of Wood Mackenzie, and Wood Mackenzie's archive
2. Business day after BHP withdrew its bid for Rio Tinto
3. First trading day for South32
4. 20.4% upside assumes Rio Tinto (as included in the comparable portfolio) is weighted in proportion to its number of shares in issue for each of Plc and Ltd; upside increases to 23.1% if Rio Tinto is weighted at BHP Billiton's number of shares in issue for each of Plc and Ltd

Key shareholder value issues at BHP

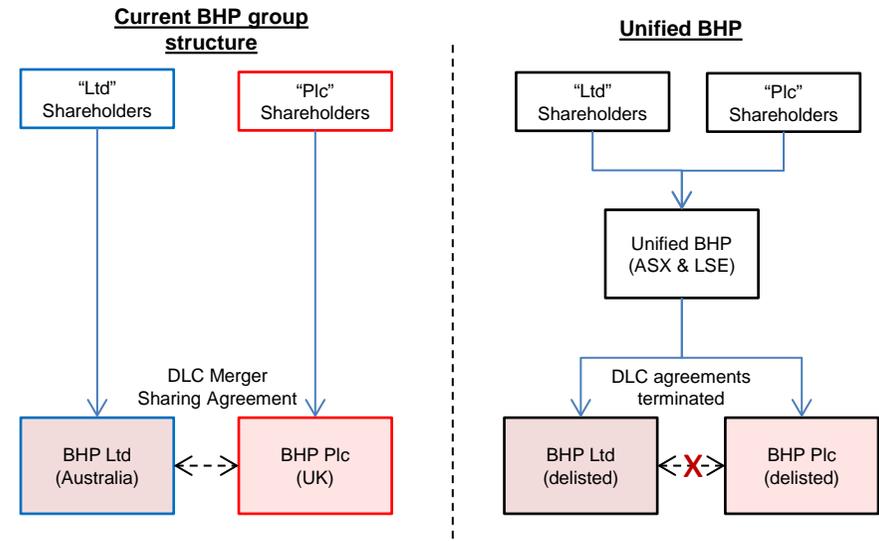
Addressing key shareholder value issues at BHP

- BHP's management took an important first step towards shareholder value optimization by successfully demerging South32 in May 2015
- Unfortunately, management still cannot deliver optimal shareholder value because of:
 - × Its dual-listed company (DLC) structure;
 - × The intrinsic value of BHP's US petroleum business being obscured by its continued inclusion within the group, without providing any diversification benefit for BHP; and
 - × Sub-optimal capital management at BHP
- The Value Unlock Plan consists of three key steps. Each step is designed to individually contribute to unlocking significant shareholder value and we present them in the order in which management should undertake them:
 - ✓ **Step 1: Unifying BHP** into a single Australian headquartered and Australian tax resident listed company – to remove a number of clear inefficiencies and create a platform for BHP to deliver optimal value to shareholders
 - ✓ **Step 2: Demerging and separately listing BHP's US petroleum business**
 - ✓ **Step 3: Adopting a policy of consistent and optimal capital return to shareholders** – which in turn will help management to avoid further value-destructive large-scale cash acquisitions (such as Petrohawk and certain Fayetteville assets)
- We believe that the timetable required, and the tax and other costs which would be incurred, in order to implement the Value Unlock Plan would be both very reasonable and far outweighed by the significant shareholder value to be unlocked

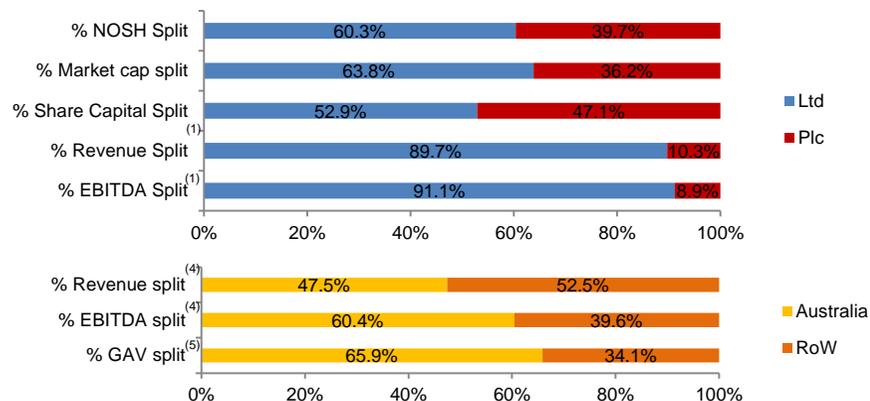
Step 1 – Unifying BHP’s DLC structure

Misalignment of profits vs. shareholder base in the DLC structure – solved by unification

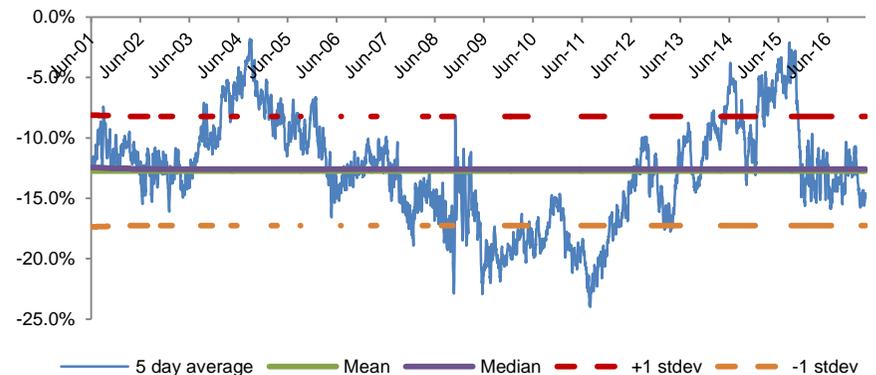
- We believe that most of Plc's assets were divested via the South32 demerger, further exacerbating the economic asymmetry within the BHP group - we estimate that currently, c.8.9% of BHP's EBITDA⁽¹⁾ is generated by Plc, whereas Plc's shareholders hold c.39.7% of the aggregate number of issued BHP shares
- A premium/discount price distortion frequently occurs between the shares of Plc and the shares of Ltd. **Since the DLC merger in 2001, Plc has traded at an average 12.7% discount to Ltd**
- In our view, this price dislocation stems from the described economic asymmetry, which in turn undermines the fundamental objectives of the DLC structure, which are for Plc and Ltd shareholders to achieve equivalent economic returns on their shares
- Unification would be implemented by way of inter-conditional share-for-share schemes of arrangement of each of Ltd and Plc under which Ltd and Plc shareholders would become shareholders in unified BHP⁽²⁾ – an Australian tax resident BHP listco incorporated in England & Wales⁽³⁾ ("Unified BHP") which would 100% own both of then-delisted Ltd and Plc
- Further detail on the current economic asymmetry in the DLC structure and how a Unified BHP could unlock franking credits and enhance economic efficiencies is set out in the Appendix



Company and geographic split



Discount of Plc to Ltd since DLC inception



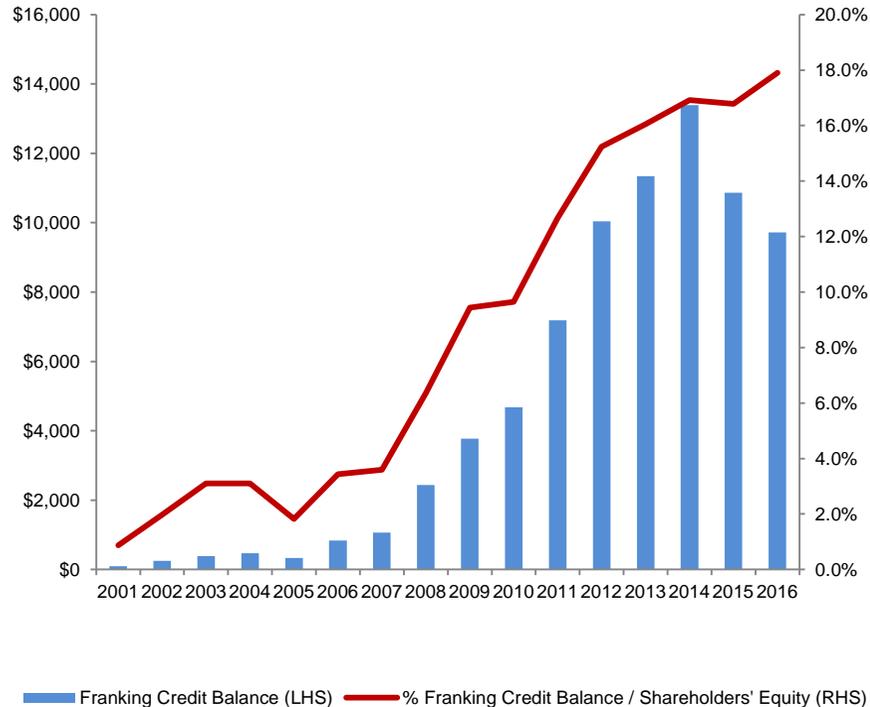
Source: Company filings and Elliott's estimates.

- Calculated by Revenue / EBITDA contribution split for the last reported twelve month period, excluding third-party products and unnamed assets. Based on Elliott estimates of asset ownership between Ltd and Plc, which is based upon asset split at the time of the DLC inception, and assumes (i) no subsequent intra-group asset transfers between Plc and Ltd; and (ii) that assets located in Australia that were acquired from Western Mining were acquired by, and continue to be held directly or indirectly by, Ltd
- Unified BHP's shares would be listed on the ASX by way of CHESS Depository Instruments ("CDIs") which represent shares in Unified BHP
- We believe being incorporated in England & Wales would assist with Unified BHP's inclusion on key FTSE indices
- Calculated by Revenue / EBITDA contribution split for the last reported twelve month period, excluding third-party products and unnamed assets. Based on Elliott estimates of asset location
- Calculated by Elliott's valuation split based on asset location

Accumulated franking credits remain unutilized - a remarkable value unlock opportunity

Franking credit balance

(US\$m, fiscal year end)



- There has been a build-up of franking credits at Ltd due to the misalignment of profits vs. shareholder base in the DLC structure
 - The reported franking credit balance in 2016 was **US\$9.7bn**, or c.10% of BHP's total market capitalization
 - Under the current BHP structure, we consider the vast majority of this value to be stranded. As an illustration, we estimate that the dividends declared as part of the half year ended 31 December 2016 results will release less than US\$600m of franking credits, compared to the **c.US\$853m of franking credits** that we estimate are likely to have been effectively **wasted** due to the US\$1,990m dividend paid to Plc through the Dividend Share Mechanism in March 2016
 - Our analysis indicates that the reduction in BHP's franking credit balance recorded in 2015 was largely a result of BHP's prior, and now-abandoned, policy of paying "progressive dividends", which required the payout of significantly more in dividends than BHP achieved in profits that year
 - BHP's massive franking credit balance does not appear to be appropriately valued by the market, in the absence of a clear path to monetizing the franking credits for shareholders
- We estimate that BHP's franking credit balance could reach **over US\$17bn by 2022** (assuming the current 50% payout ratio continues without further usage of the Dividend Share Mechanism)
- Due to the lack of earnings independently generated by Plc, any meaningful dividend distribution significantly beyond the current 50% payout ratio under the current DLC structure may require BHP to utilize the Dividend Share Mechanism which could result in **further wastage of franking credits**
- Further detail on franking credits, their potential wastage in the current DLC structure and their monetization is set out in the Appendix

The Value Unlock Plan could lead to a release of up to c.US\$13.9bn of franking credits by Year 5 through value-accretive discounted off-market buybacks for the benefit of all BHP shareholders⁽¹⁾

Source: Company filings and Elliott's estimates

1. Whilst unlocked franking credits could only be used by Australian tax resident shareholders, non-tendering shareholders should benefit from incremental accretion and share demand resulting from monetization of BHP's substantial franking credit balance

Summary of key reasons for unification

Unifying BHP's current DLC structure would remove a number of clear inefficiencies and create a platform for BHP to deliver optimal value to shareholders

<p>1. Eliminate the trading value mismatch between Ltd and Plc</p>	<ul style="list-style-type: none"> ✓ A single unified company with a single unified shareholder base would put BHP's Ltd and Plc shareholders on the same footing by eliminating the trading value mismatch between the two lines of shares which has undermined the fundamental objectives of BHP's DLC structure since inception
<p>2. Remove certain material tax, operational and strategic inefficiencies</p>	<ul style="list-style-type: none"> ✓ As an Australian tax resident company, Unified BHP would continue to generate franking credits that could be attached to income in respect of all of its shares. ✓ Remove the need for the potentially wasteful Dividend Share Mechanism by aligning BHP's earnings and its shareholders ✓ Resolve the lack of fungibility between Plc and Ltd shares ✓ Minimize outflow by retaining existing listings and inclusion in key stock indices (e.g. FTSE 100 and ASX 200) ✓ Annual cost savings from a simplified structure that can operate without the confines of the DLC agreements
<p>3. Unlock franking credits</p>	<ul style="list-style-type: none"> ✓ Our unification plan represents a remarkable opportunity for BHP to access the value represented by its existing massive US\$9.7bn franking credit balance, plus future franking credits generated by the business, for the benefit of all BHP shareholders. ✓ Unification could remove the current barrier to the efficient use of franking credits by Australian-resident shareholders by eliminating the Dividend Share Mechanism and creating full fungibility of BHP's shares ✓ Since implementation of our unification plan will ensure a core Australian nexus for BHP - Unified BHP would continue to be Australian-headquartered, would be Australian tax resident and would be managed from Australia - in our view, with the post-unification full fungibility of BHP's shares and the opportunity for the much more efficient use of franking credits, BHP's investor base would migrate towards those Australian tax resident investors who can take full advantage of the unlocked franking credits
<p>4. Enhance the scope for, and optimize the value impact of, BHP share buybacks</p>	<ul style="list-style-type: none"> ✓ Allow BHP to purchase its own shares through discounted off-market buybacks at a meaningfully lower cost than could currently be achieved by BHP and without enhancing (i) the trading value mismatch between Plc and Ltd shares, or (ii) the current misalignment of profits vs. shareholder base ✓ Provide all BHP shareholders with the opportunity to tender into highly value accretive discounted off-market share buybacks that attach franking credits
<p>5. Increase M&A flexibility</p>	<ul style="list-style-type: none"> ✓ Provide the flexibility for BHP to make appropriate strategic acquisitions using its own newly-issued shares, rather than having to utilize cash which instead could be deployed to generate optimized returns via share buybacks ✓ So far as we are aware, <u>BHP has never, since the inception of the DLC structure, closed an acquisition using its own shares as consideration</u> ✓ As an example, Royal Dutch Shell ⁽²⁾, a former DLC, was able, after unification, to use its own shares as a component of its offer for BG

1. Royal Dutch Shell was formed through the merger of Shell Transport & Trading and Royal Dutch Petroleum. The DLC structure was unified in 2005, and, to our knowledge, Shell had not completed an acquisition using its own shares within the 10 years immediately prior to its unification

Arguments against unification are outweighed by benefits

We have structured the unification aspects of the Value Unlock Plan to deal with key concerns

Topic	Potential Arguments	Outweighing Benefits
1. Ongoing ASX/CDI Weighting	<p>? Former BHP Ltd shareholders would receive CDIs in exchange for their shares. Over time, how might BHP's ASX weighting change?</p>	<p>✓ A discounted off-market program could be expected to result in more demand for the CDIs and to maintain/increase ASX weighting as a result of increased availability of franking credits</p>
2. Continued Frankability	<p>? Given that former Plc shareholders may be non-Australian, how much more efficient would the franking credit release become?</p>	<p>✓ BHP has an existing franking credit balance of US\$9.7bn, which is highly likely to continue increasing. With increased distribution of credits, <u>we expect the shareholder base to migrate towards Australian tax residents who can utilize franking credits</u></p>
3. Deal Costs / Taxes	<p>? What would be the unification tax charges and/or deal costs?</p>	<p>✓ We believe that the original DLC structure was, in part, designed to not trigger taxes that might otherwise have been payable in respect of the acquisition of Billiton. A significant portion of those assets were demerged with South32 and we believe that the associated costs have now therefore already been incurred</p> <p>✓ We estimate that the BHP group's tax and other deal costs for implementing the unification plan would be very reasonable, given that they are the key to such a significant shareholder value unlock opportunity</p>
4. Regulatory Approvals	<p>? Do you anticipate that the unification plan will encounter any significant regulatory hurdles in key jurisdictions?</p>	<p>✓ No. A group reorganization of this nature would not be expected to encounter regulatory issues which cannot be successfully resolved</p> <p>✓ Unified BHP would be a tax resident of Australia. In addition, the headquarters of the BHP group will remain in Australia. Board meetings and executive committee meetings could also continue to take place in Australia. We therefore see no reason for concern on the part of any of Australia's key regulators, including FIRB</p>
5. Overall Deal Complexity	<p>? How complex would unification be?</p>	<p>✓ We have assessed the key potential arguments against unification, and our proposed method of unification of the DLC under an Australian tax resident BHP group listco incorporated in England & Wales is designed to minimize complexity and optimize the value release opportunity</p> <p>✓ In any event, the South32 demerger has already reduced the complexity of BHP through a reduction of BHP's assets and geographies</p>

Independent analyst and press comments on DLC issues

“We cannot believe that CEO Andrew MacKenzie will be considering any medium to large-scale M&A. **One transaction the new CEO may consider with a view to stamping his mark on the business, which management has been questioned on at previous conference calls and have said they look at, is to collapse the DLC structure** (the Plc discount to Limited is currently 8% having fallen from 18% since May).”

Barclays – August 19, 2013

“Opportunity presents itself to truly simplify: The Ltd/Plc share price differential at 5% (lowest since 2006), plus talk of simplification involving structural change, is in our view, a once-in-a-decade opportunity to deal with the lingering issues of the Dual Listed Company structure. **By combining portfolio simplification (asset sales) with structural change (dismantle the DLC), we believe BHP can kill two birds with one event stone, providing modest structural upside (10%+) while also enhancing long term strategic flexibility (Brambles and AMP/Henderson are examples of DLC unwinding).** A unified share price would make it easier to use scrip as takeover currency more adequately addressing long term opportunities... potash: build or buy?”

Credit Suisse – June 17, 2014

“**DLC Structures are not permanent. Based on our analysis we have seen that DLC structures are not intended to be permanent structures and nor are they beneficial for shareholders forever. We believe that now is an appropriate time for BHP to consider unifying the DLC structure.**”

“[A] collapse of the DLC such that all shareholders are holders of Ltd shares, would see all dividends utilize franking credits going forward. We believe that BHP will be capable of maintaining the fully franked dividend to all shareholders following a collapse of the DLC, given that the bulk of earnings are generated by the Australian assets (in particular iron ore) and the payout ratio should be maintained at ~50%.”

UBS – July 14, 2014

“**New proposal will lead to wastage of future franking credits...:** Australian shareholders can benefit from tax relief on dividends (“franking credits”). Under the proposed change to the dividend funding mechanism, Ltd's dividends to plc would have franking credits attached, but these credits can only be monetised by Australian shareholders. At 30th June, BHP Ltd had \$10.9bn of franking credits, equivalent to ~4 years of fully franked Ltd dividends. **We believe certain Australian shareholders may consider the leakage of franking credits to plc shareholders, which they are unable to monetise, as disadvantaging Ltd shareholders.**”

JP Morgan – September 22, 2015

“But the structure, like the progressive dividend policy it spawned, was never supposed to last forever.”

“Given it no longer supports itself and it has lost its strategic purpose, sure then **the time has come to think very seriously, and with firm purpose, about consolidation.**”

Australian Financial Review – January 26, 2016

Note: The contents of this slide shall not be taken to mean or imply (i) that the research reports referred to are a representative sample of all research reports on the topics concerned; or (ii) that the authors of the reports or their employing banks/brokers endorse in any way the Value Unlock Plan or the views set out in this presentation. We have emboldened, by way of emphasis, certain parts of the original text of the analysts' views which appear in this presentation

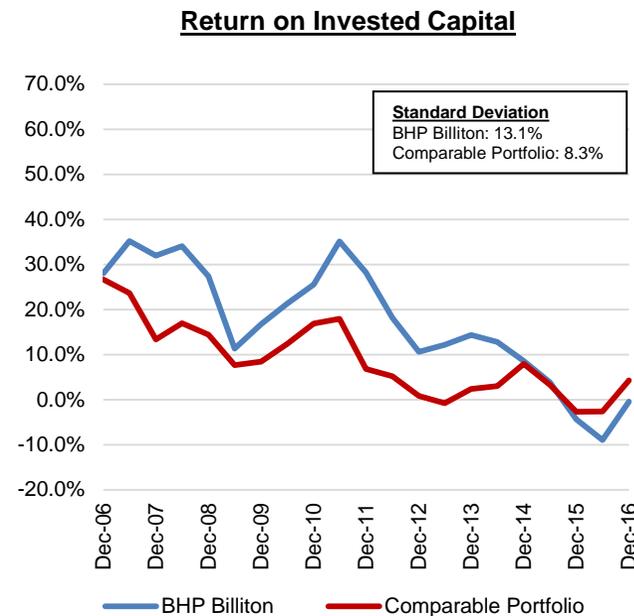
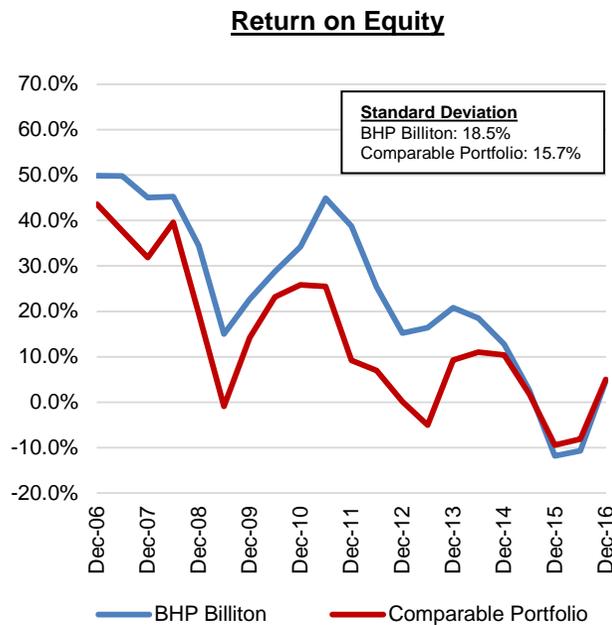
Step 2 – Demerger and separate listing of BHP's US petroleum business

Demerging BHP's US petroleum business – key reasons

- The existing US petroleum business (comprising BHP's US onshore and Gulf of Mexico petroleum assets) has not been able to demonstrate an ability to successfully contribute to shareholder value at BHP
- We see the following material issues in relation to the US petroleum business:
 - A. It provides no meaningful diversification benefits to BHP as a whole
 - B. There is a lack of synergies between BHP's US petroleum assets and its mining assets
 - C. Its intrinsic value is being obscured by bundling it with BHP's other assets
- The demerger would allow a clear value re-rating for both BHP's US petroleum business and the remaining core BHP business
- Although we can see a clear rationale for core BHP currently retaining BHP's remaining petroleum assets, we believe that management should assess the potential benefits of a subsequent sale/demerger of these assets on an ongoing basis

BHP has yet to provide any tangible evidence of diversification benefits from its petroleum assets

- Our analysis shows that diversification does not lead to superior risk-adjusted returns for companies like BHP
- In our view, comparisons of the volatility characteristics of BHP's returns as compared to comparable portfolios do not provide any evidence that BHP's petroleum assets offer diversification protection for BHP against volatility
- Any marginal potential benefits to BHP's credit rating level from business diversification would in our view be far outweighed by the shareholder value increase achieved by a renewed focus on core assets



Note: Comparable Portfolio comprises Rio Tinto and a basket of oil and gas equities designed to replicate BHP's petroleum exposure (as determined by BHP's disclosed split of net operating assets over time), comprising Hess Corporation, Apache Corporation, Anadarko Petroleum, EOG Resources and Woodside Petroleum.

Lack of synergies between BHP's US petroleum assets and its mineral assets

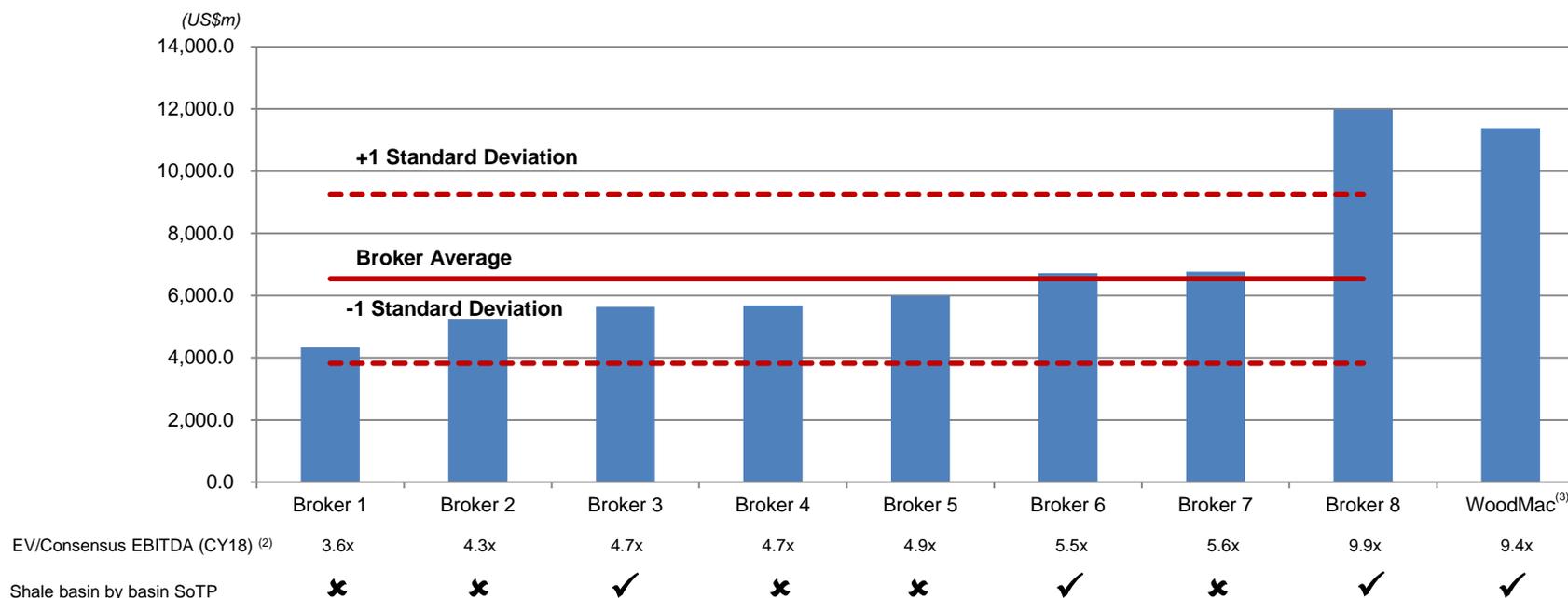
- The lack of synergies is in our view driven by:
 - The fact that BHP does not itself operate the majority⁽¹⁾ of its conventional US petroleum assets means that BHP cannot in many instances drive the sharing of costs or operational best practices as between its US petroleum assets and its mineral assets
 - The inherent geographical and subject matter limitations on sharing costs as well as operational benefits and best practices as between the two sets of assets
- On the contrary, we believe that BHP continuing to own certain US petroleum assets, such as BHP's US onshore division ("**US Onshore**"), is a distraction for management and investors which inhibits shareholder value
 - A demerger of the US petroleum business will allow management to, inter alia, refocus on BHP's core first-tier mineral assets

1. *By revenue and EBITDA contribution*

The intrinsic value of US Onshore is being obscured, causing the US petroleum business to be undervalued

- Given that US Onshore⁽¹⁾ is not the group's main focus, coverage of that business is mainly undertaken by UK and Australia based investment analysts at major international investment banks
- As a result, we see US Onshore as being poorly understood and undervalued within BHP's overall portfolio
- We believe that the average of brokers' valuations for US Onshore, of c.US\$6.5bn, is well below recent transaction prices, trading valuations of US listed peers and intrinsic value

US Onshore valuation (US Onshore assets only – not including Gulf of Mexico)



- The average of brokers' valuations of BHP's Gulf of Mexico assets is c.US\$5.8bn. The aggregate of the respective averages of brokers' valuations of US Onshore and BHP's Gulf of Mexico assets is therefore c.US\$12.3bn

Source: Broker research.

Note: Broker valuation from broker sum-of-the-parts spreadsheets. Includes only sum-of-the-parts valuations using the discounted cash flow methodology for both US Onshore and Gulf of Mexico

1. Comprises BHP's shale assets

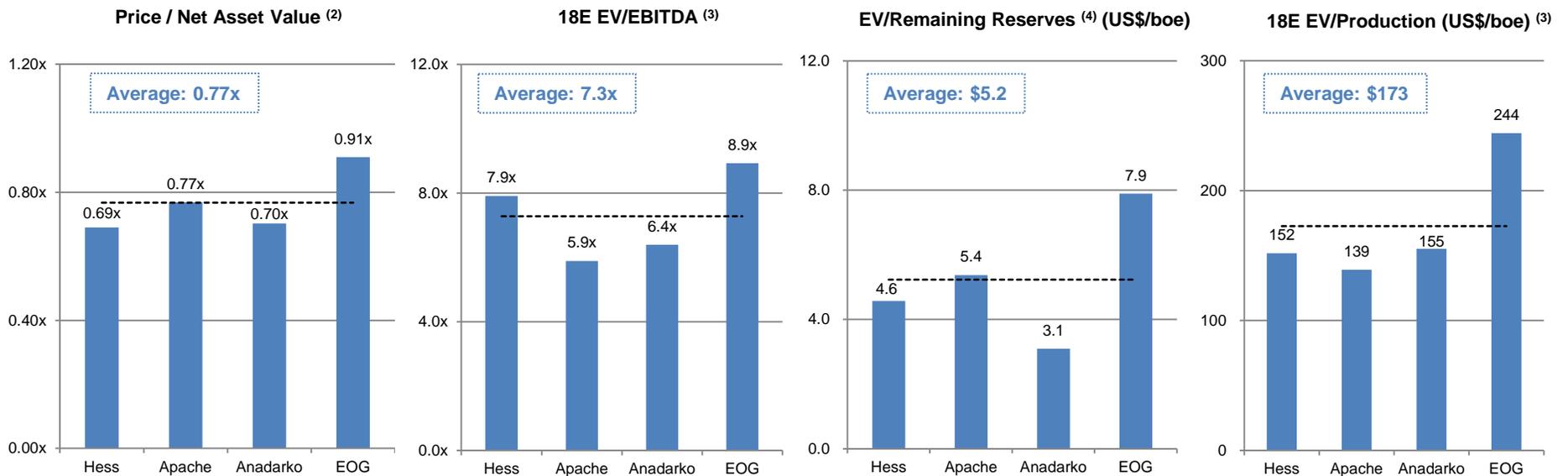
2. Consensus EBITDA based on the average of the broker models above

3. The valuation data was obtained from the Global Economic Model for Oil & Gas™ 2017, a product of Wood Mackenzie

BHP's US petroleum business could significantly re-rate as an independently listed business

Valuation metrics for comparable businesses indicate a valuation of c.US\$22bn – well in excess of analyst consensus for US petroleum⁽¹⁾

Market Comparables - Valuation Metrics



US petroleum valuation – c.US\$22bn ⁽⁵⁾

Source: Company filings, Elliott's estimates and broker research

Note: US comparables means Hess Corporation, Apache Corporation, Anadarko Petroleum and EOG Resources

1. Comprises US Onshore and Gulf of Mexico assets

2. Gross asset value is based on analyst average valuations. Net asset value is based on gross asset value less reported net debt

3. Each of the 18E EBITDA and 18E production figures for each of Hess Corporation, Apache Corporation, Anadarko Petroleum and EOG Resources are based on analyst average forecasts. In particular, the Hess Corporation analyst average 18E EBITDA forecast does not represent Elliott's internal view. For consistency, we use the same analyst average 18E EBITDA forecasts for each of the above US comparables. Annual figures are calendar year end

4. The remaining reserves data were obtained from the Global Economic Model for Oil & Gas™ 2017, a product of Wood Mackenzie

5. Average of valuations based on share price (discount) / premium to Net Asset Value (using Elliott's estimate of US petroleum's gross asset value calculated utilizing Elliott's financial forecasts and adopting typical US broker valuation methodology for US E&P equities and the averages of brokers' oil and gas price forecasts), EV/18E EBITDA (using broker average EBITDA), EV/Remaining Reserves (using Wood Mackenzie's estimates of remaining reserves) and EV/18E Production (using broker average production figures) metrics for the average of the US comparables. Assumes US\$2.5bn of BHP's existing net debt is allocated to the US petroleum business (c. 0.9x net debt / consensus 18E EBITDA). The 18E EBITDA for US petroleum applied to the EV/18E EBITDA of the E&P Portfolio is calculated based on the average proportion of US petroleum's assets vs. BHP's current asset portfolio from major international broker models applied to the total analyst consensus 18E EBITDA for BHP

A separation of the US petroleum business would position it to grow long-term profit and shareholder value

We believe the US petroleum business would be more efficiently managed and appropriately valued as a standalone entity

Strategic Fit

- US Onshore appears to be a poor fit with BHP's strategic footprint and that business has already suffered US\$13.1bn of write-downs - this is of additional concern because Petrohawk was an acquisition which was made by BHP wholly for cash in an environment when prevailing oil and gas prices were US\$97.2/bbl and US\$4.5/mmbtu ⁽¹⁾
- US Onshore's production profile varies depending on changes in underlying commodity prices. In contrast, we believe investors prefer BHP to focus on assets which provide a consistent production profile with "low-cost, long-life" characteristics across the commodity cycle
- An additional benefit of separately listing BHP's US petroleum business would be that investors could more precisely tailor their exposure to US E&P shares instead of being committed to a fixed value split between petroleum and minerals

Capital Allocation

- We believe US Onshore is unlikely to be receiving appropriate capital allocation within BHP as compared to US peer shale businesses
 - We struggle to see how US Onshore can compete for capital against BHP's other world-beating assets such as those within its iron ore division, or the repurchase of BHP's own shares at a 14% discount ⁽²⁾ without any incremental operational risk
 - Many analysts noted that US Onshore is unlikely to generate meaningful free cash flow before 2020 in the average consensus scenario ⁽³⁾ and we therefore believe that investors would be reluctant to see management expend more time and resources on that business
- In our view, maximizing shareholder returns and value from US Onshore as a properly capitalized business which is adequately resourced to compete effectively is only possible through a demerger and separate listing in the US

Growth Potential

- While BHP's Permian and Eagle Ford acreages are some of the most productive in the industry, we believe acreage growth is limited
 - The Permian basin is one of the most exciting growth plays in E&P. Acreage growth opportunities other than via acquisitions are limited because most of the relevant acreage has already been leased out. As at November 2016, the Permian basin accounted for over 20% of global upstream oil & gas M&A in 2016
 - Given the market's and management's reluctance to expand BHP's US Onshore footprint, we believe that management will run current acres to depletion and that the portfolio will not benefit from further growth potential or meaningful corporate activities other than divestment of non-core acres

Positioning

- The Gulf of Mexico ("GOM") assets could provide a separated US petroleum business with cash flow to fund further expansion
- Including the GOM assets as part of a demerged US petroleum business would allow core BHP to increase its focus on operated assets, as two of BHP's key GOM assets are operated by BP (Atlantis and Mad Dog). We would expect that BHP re-focusing on its core competencies would help its remaining portfolio to positively re-rate

1. WTI and Henry Hub prices on the date of the Petrohawk acquisition announcement
2. Maximum acceptable level of discount in a tender process off-market share buyback is 14% for an Australian tax resident company
3. As disclosed in the BHP Billiton Investor Briefing, Onshore US, dated October 5, 2016

Independent analyst comments on BHP petroleum

"We have always struggled with US onshore asset as in our view they do not fit in BHP's strategy of building large scale low cost tier 1 assets and are arguably worth more to someone else."

Citigroup – April 22, 2016

"Having run through all these scenarios and modelling, there are plenty of frustrations from a BHP analyst perspective. It may well be that BHP's Petroleum business has valuation leverage that is unique (courtesy of Onshore) but the reality is investors will, rightly, buy a pure-play oil stock – and a leveraged one at that – if they are bullish on oil."

"Has the time come to take the BHP devolution further than just S32? In the last 6 months S32 has outperformed its parent by >30%."

Credit Suisse – May 19, 2016

"While it is clear that the number of barrels being extracted is declining, we contend the decline is mainly driven by 'lower quality' barrels being removed from the portfolio. For instance removing US onshore shale production that carries zero or negative margins will have negligible impact on the profitability of the division. Ongoing production from the cash cow assets of NSW, Atlantis, Shenzi and Bass Strait is likely to see an improvement in per barrel margins"

Goldman Sachs – June 09, 2016

"BHP's US Onshore assets promised so much but have delivered so little"

Deutsche Bank - September 6, 2016

"Since 2005, BHP has spent \$7.9b on petroleum exploration, of which \$4.9b has been expensed. However, since BHP's last prolific find with Shenzi in 2002, the Petroleum exploration team has been unsuccessful in achieving their goal of a tier 1, large scale, oil find."

Bank of America – September 30, 2016

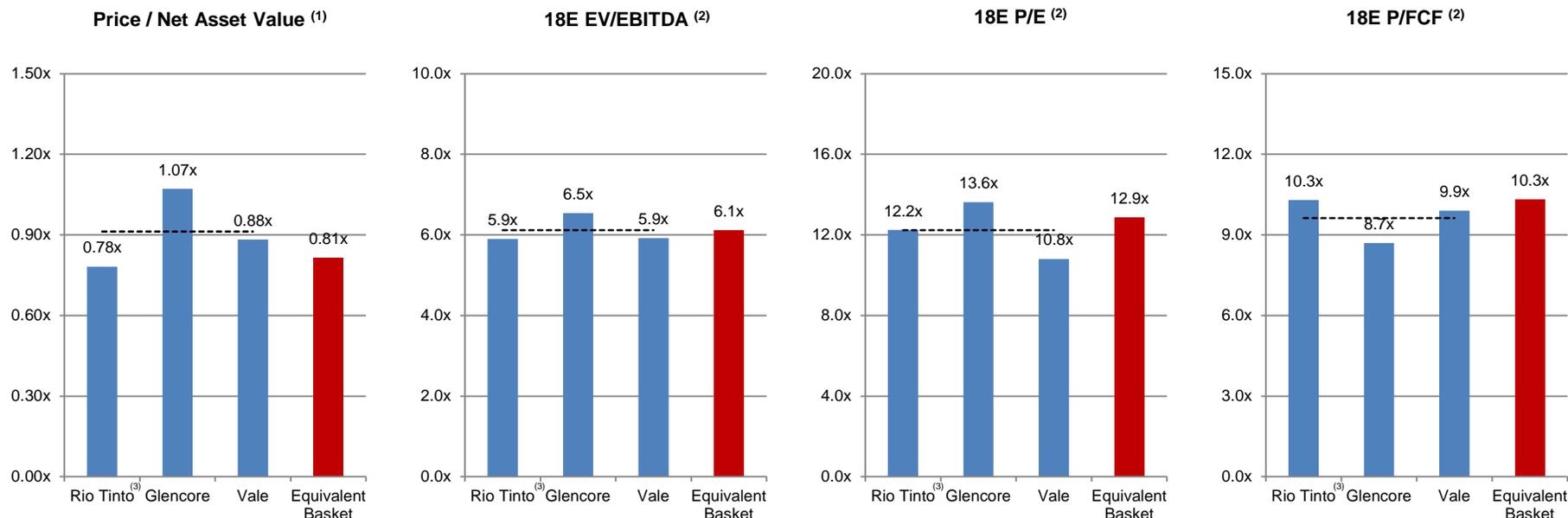
"On strategy, we think there is no real benefit from portfolio diversification per se and unless we see a dramatic outperformance of oil versus iron ore (clearly not the case at present) we see no reason for BHP to trade ahead of Rio Tinto."

Bernstein – January 5, 2017

Unified core BHP's remaining assets after the demerger of US petroleum would all contribute significantly to future shareholder value

Unified core BHP would retain a first-class portfolio of assets and could be re-rated in-line with other major global miners

Market Comparables – Valuation Metrics



We believe that after giving effect to the unification and US petroleum demerger steps of the Value Unlock Plan, core BHP's tier-1 assets could be clearly and properly valued by the market. We would not expect the implementation of these steps to materially impact core BHP's expected earnings as compared to BHP's existing earnings

Core BHP valuation – c.US\$106bn⁽⁴⁾

Source: Company filings, Elliott's estimates and broker research

Note: For each of the above valuation metrics, the Equivalent Basket represents Rio Tinto Ltd and Rio Tinto Plc (together Rio Tinto) and Woodside Petroleum Ltd in the proportions described on slides 8-10. Glencore refers to Glencore Plc and Vale refers to Vale SA.

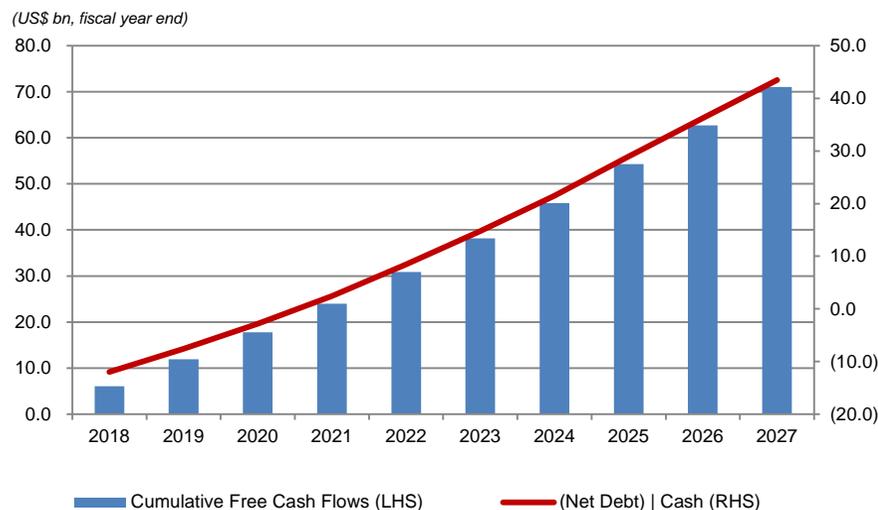
- Gross asset value is based on analyst average valuations. Net asset value is based on gross asset value less reported net debt
- Each of the 18E EBITDA, 18E EPS and 18E free cash flow figures for each of Rio Tinto, Glencore Plc, Vale SA and Equivalent Basket are based on analyst average forecasts. Annual figures are calendar year end
- Rio Tinto is weighted in proportion to its number of shares in issue for each of Rio Tinto Plc and Rio Tinto Limited; Price / Net Asset Value, EV/EBITDA, P/E and P/FCF increases to 0.81x, 6.1x, 12.8x and 10.7x respectively if Rio Tinto is weighted at BHP Billiton's number of shares in issue for each of Plc and Ltd
- Calculated using (i) the average of valuations based on Price / Net Asset Value (based on broker average gross asset valuations), 18E EV/EBITDA (based on broker average EBITDA), 18E P/E (based on broker average earnings) and 18E P/FCF (based on broker average free cash flows) metrics for the Equivalent Basket; (ii) 18E EBITDA, 18E EPS and 18E FCF for core BHP, which are calculated based on the proportion of core BHP's assets vs. BHP's current asset portfolio (using the average asset splits of major international brokers) for each relevant valuation metric applied to the total analyst consensus 18E EBITDA, 18E EPS and 18E FCF for BHP

Step 3 – Adopting a policy of consistent and optimal capital return to BHP's shareholders

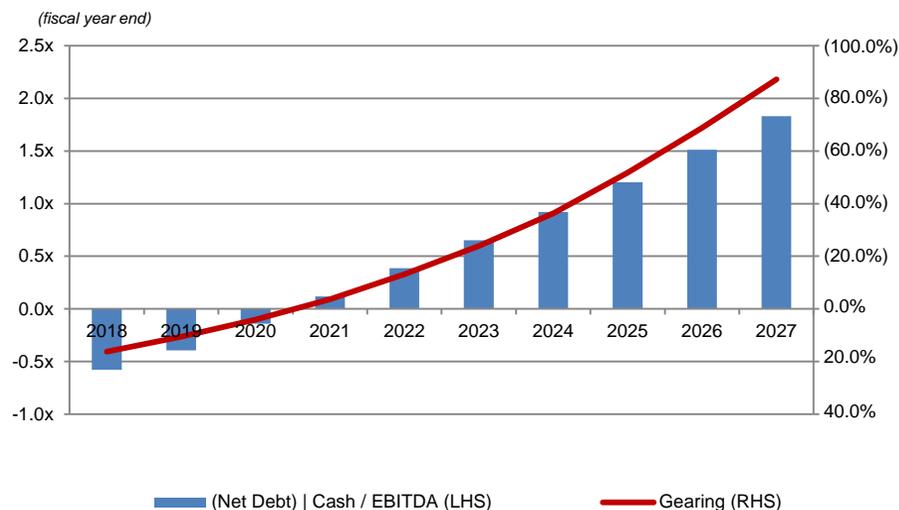
BHP's excess cash – returning it to shareholders via post-unification discounted off-market share buybacks

- **BHP is expected to generate US\$31bn⁽¹⁾ of excess cashflow in the next 5 years**, assuming the current 50% payout ratio of net income
- In our view, BHP has historically used excess cash to make value-destructive large-scale acquisitions, such as Petrohawk and certain Fayetteville assets
- **BHP should seek to avoid making badly-timed acquisitions paid for in cash and instead return the substantial upcoming excess cashflow to shareholders by way of post DLC unification 14% discounted off-market share buybacks, which would be a highly value-accretive way of deploying a large amount of capital without any additional operational risk** – effectively buying BHP's own first-class core assets at a meaningful discount to their market price

Analyst consensus cumulative free cash flows⁽¹⁾ and cash | (net debt)



Analyst consensus (net debt) | cash / EBITDA and gearing ⁽²⁾



Source: Broker research

1. Free cash flows from operations less free cash flows from investing and dividends, assuming 50% payout ratio of net income, calculated by Elliott as the average of the figures produced by analysts at major international investment banks
 2. Net debt / EBITDA and Gearing ratios are calculated by Elliott based on data from analyst models

BHP's excess cash – returning it to shareholders via post-unification discounted off-market share buybacks (cont'd)

- A policy of consistent 14% discounted off-market share buybacks would be the most efficient mechanism to release excess cash flow to shareholders
 - Combined with Step 1 (Unifying BHP) and Step 2 (Demerging BHP's US petroleum business), such share buybacks:
 - ✓ would allow BHP to purchase its own shares at a significant discount, achieving an overall **cost which is c.5.6%⁽¹⁾ lower than the price at which BHP can currently buy back its shares**
 - ✓ would have no incremental operational risk
 - ✓ could result in **up to c.66% more⁽²⁾ franking credits being released to shareholders**
 - Plc's share price would need to be trading at least c.25%⁽³⁾ below Ltd's share price in order for share buybacks under BHP's current structure to be made as cheaply as they could be after implementing the Value Unlock Plan. Plc's shares currently trade at a discount of c.14% to Ltd's shares
 - Without unification, significant-sized off-market share buybacks are likely to result in (i) a larger trading value mismatch between Plc and Ltd shares; (ii) the further misalignment of profits vs. shareholder base in the DLC structure; and (iii) a continuing inability to utilize franking credits for the benefit of a large portion of BHP's shareholder base
 - Management should incorporate the returns which are available from such discounted off-market share buybacks into BHP's Capital Allocation Framework, as the key investment return threshold against which any potential investments, acquisitions and debt retirement options are to be compared

Sources: Broker research and Elliott estimates

1. Assumes that (A) current BHP buybacks are made (i) at an off-market 14% discount for Ltd shares and on-market at the prevailing market price for Plc shares; and (ii) in proportion to the respective numbers of shares in issue for each of Plc and Ltd; and (B) post-unification BHP shares will trade at the weighted average (based on the respective numbers of shares in issue for each of Plc and Ltd) of the current share prices of Plc to Ltd. The 5.6% number excludes the impact of the demerger of US petroleum
2. Assumes that (A) current BHP buybacks are made (i) at an off-market 14% discount for Ltd shares and on-market at the prevailing market price for Plc shares; and (ii) in proportion to the respective numbers of shares in issue for each of Plc and Ltd. The fully franked dividend will be the difference between the 14% discounted off-market buyback price for Ltd shares and the capital per share of Ltd shares and will attach franking credits; (B) post unification and after the demerger of US petroleum BHP buybacks are all made at an off-market 14% discount; and (C) the same amount of cash is returned through share buybacks in each scenario. Assumes that post unification BHP shares will trade at the per share value shown on slide 35. The fully franked dividend in that situation will be the difference between the 14% discounted buyback price and the capital per share of core BHP. The core BHP capital per share will be the current BHP share capital base with the deduction of the estimated book value of the US petroleum business (calculated (absent an appropriate market valuation) by applying the proportion that the net assets of the US petroleum business represent of the total net assets of BHP to the total current BHP share capital base), allocated across all issued core BHP shares
3. Assuming that BHP maintains a 60.3%/39.7% Ltd/Plc buyback ratio. The Plc discount would need to be at least c.19% below Ltd's share price assuming a 0.0%/100.0% Ltd/Plc buyback ratio

BHP's excess cash – returning it to shareholders via post-unification discounted off-market share buybacks (cont'd)

- Assuming Unified BHP completes the US petroleum business demerger in the near term, BHP could use its excess cash flow⁽¹⁾ to:
 - undertake an initial off-market share buyback of **at least US\$6bn**; and
 - continue an ongoing 14% discounted off-market share buyback program whilst maintaining a net debt/EBITDA ratio of 1.3x (or other appropriate metric) that would facilitate an **“A” grade credit rating⁽²⁾** for BHP – without creating any economic misalignment within the shareholder base of Unified BHP
- We estimate that within the five year period ending June 2022, in addition to the continuation of the current 50% dividend payout ratio, the Value Unlock Plan could result in⁽³⁾:
 - ✓ a total of **c.US\$33bn** being returned to shareholders via share buybacks
 - ✓ **c.29%** of core BHP's share capital being repurchased
 - ✓ total **EPS accretion from buybacks of c.33%** in respect of the shares remaining in issue after the 14% discounted buyback program
 - ✓ an **increase in BHP's NPV of c.US\$20bn (equivalent to c.21% of BHP's current market capitalization)⁽³⁾** calculated in respect of (i) the increased share price implied by the EPS accretion, applied to the reduced number of shares in issue post buybacks; and (ii) the capital returned through the discounted off-market share buybacks up to June 2022

Source: Elliott's estimates and forecasts, including Elliott's estimates of cash flows, net income and balance sheet positions

1. Cash flow levels are Elliott's estimates based on a 1.3x net debt / EBITDA target

2. "A" grade credit rating when used in this presentation means an "A-, A or A+" credit rating

3. Assumes annual off-market share buybacks starting at US\$6bn then utilizing excess cashflow whilst maintaining a 1.3x net debt / EBITDA target thereafter. Cash flow levels are Elliott's estimates based on a 1.3x net debt / EBITDA target. Also assumes share price appreciates annually based on constant multiples and that BHP conducts annual buybacks at a 14% discount to the post annual EPS accretion share price

Independent analyst comments on capital returns

“However, logic suggests that once the plc:Ltd discount exceeds 14%, as it presently does (although only slightly), it becomes incrementally harder to justify an off-market Ltd buyback to a large portion of the total BHP Billiton shareholder base (ie plc shareholders and those Ltd shareholders with no financial incentive to tender into an off-market buyback).”

Macquarie – February 17, 2011

“If the DLC were to be collapsed, then every dollar returned via a buyback would be done through the buyback of Ltd shares which provided sufficient franking credits existed, could be done at a ~14% discount to the prevailing share price on the day. This is more accretive than buying back Plc shares as the discount at which Plc shares trade to Ltd shares has historically been narrower than 14%. The off-market buyback of Ltd shares also enables distribution of franking credits to shareholders that can utilise them”

UBS – July 14, 2014

“Despite having a comparable average dividend yield of ~2.5%, over the past 10 years, Exxon returned a further ~US\$225bn via buybacks taking its overall average annual dividend and buyback yield to 7.3% (compared to 3.7% for BHP and 3.6% at RIO). As a result, since 2003, Exxon has returned ~80% of its market cap via dividends and buybacks compared to just ~40% for BHP and RIO. What’s more, buying back so much stock has eased the pressure on dividend per share hikes (over the past decade, Exxon’s dividend per share has risen by 9.6% per annum while the overall dividend payments have risen by only 5.3% as there are less shares earning dividends).”

Macquarie – July 29, 2014

“No capital return (this time)

We think the market is (quite) disappointed with the lack of buyback / capital return.”

Bank of America – August 19, 2014

“Despite >US\$30b spent, failed tilts at RIO and Potash Corp and overpaying for US Shale suggest M&A is not BHP’s raison d’être.”

Citigroup – May 27, 2016

“At spot prices BHP would have even stronger free cash flow generation, largely thanks to iron ore, and be able to significantly increase shareholder returns. Dividend yield could increase to >6% and even if a more conservative balance sheet was run it would still allow for ~US\$5b to be returned per year.”

Citigroup – Feb 21, 2017

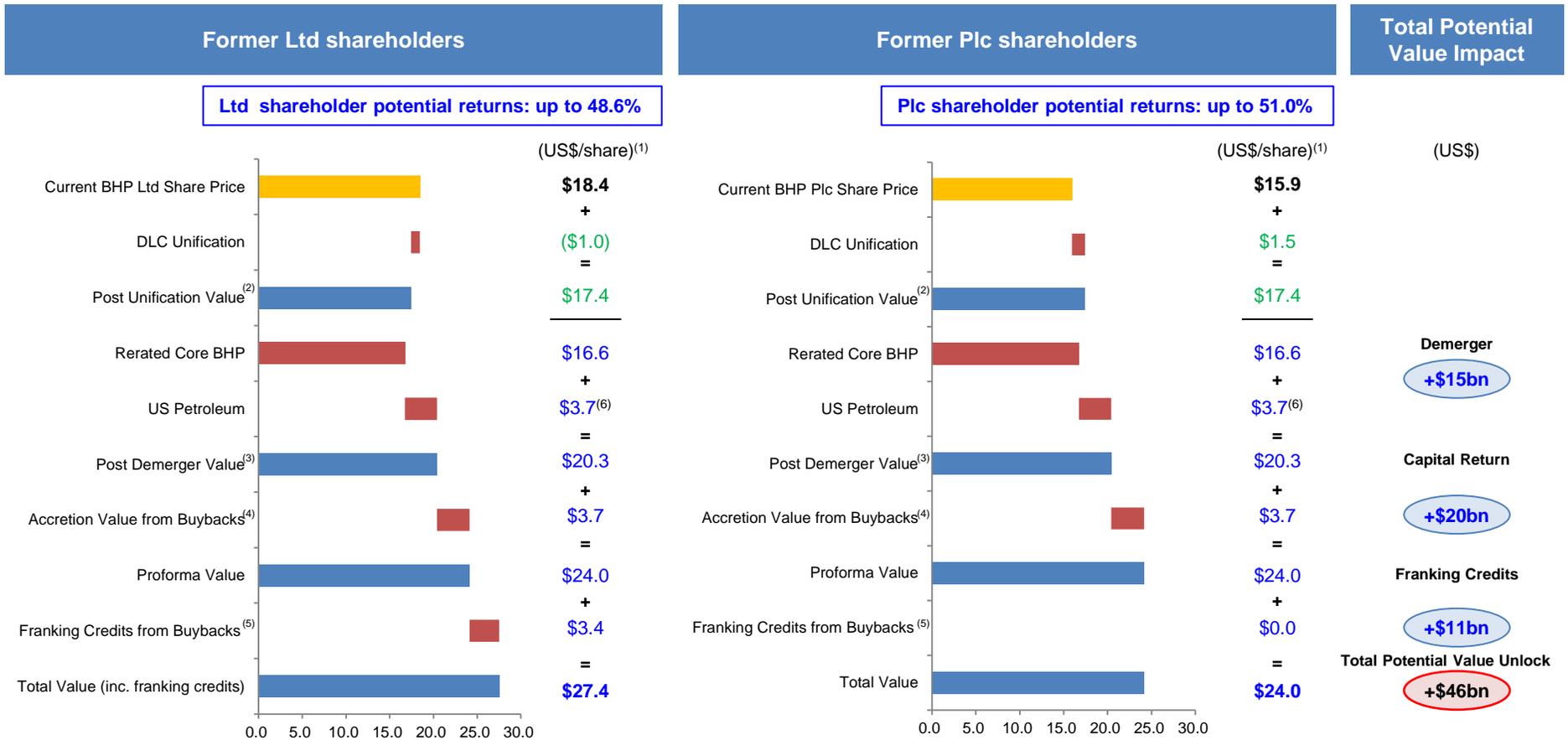
Conclusion

A significant value unlock opportunity for BHP shareholders

- Management has a remarkable opportunity to significantly enhance shareholder value. The Value Unlock Plan would:
 - **Remove the existing DLC inefficiencies** and allow BHP to conduct discounted off-market buybacks cheaper than currently possible while also releasing more franking credits. We believe that our full scale off-market buyback program may not be feasible under the current structure
 - **Achieve a significantly higher valuation for the US petroleum business** and remove the distraction of US Onshore from management and investors. We believe that the market value of the remaining unified core BHP portfolio could also re-rate
 - **Enhance shareholder returns through dedicated discounted off-market share buybacks**, in addition to BHP's existing 50% payout ratio of net income, whilst maintaining a sensible level of debt in the business. Returning significant amounts of capital to shareholders could also prevent further value-destructive large-scale acquisitions for cash
- We estimate that the total value upside to shareholders could be as much as **c.48.6% (Ltd shareholders) / c.51.0% (Plc shareholders)**

Estimated value impact – per share basis

Our analysis shows that implementation of **the Value Unlock Plan could provide BHP shareholders with an increase in value attributable to their shareholdings of up to c.48.6% (Ltd shareholders) / c.51.0% (Plc shareholders)**



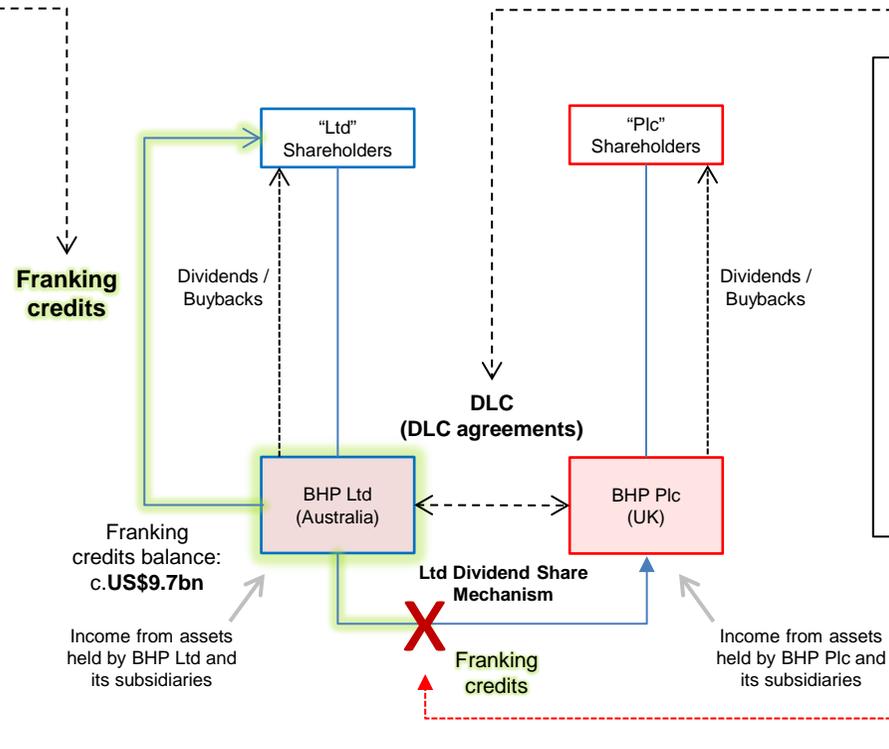
Source: Company filings and Elliott's estimates

1. These per-share numbers are in respect of the current aggregate number of BHP shares in issue, except for the franking credits from buybacks number, which is based on the number of Ltd shares currently in issue
2. Assumes the BHP share price post-unification would be the weighted average (by number of shares in issue at Ltd and Plc) of the share prices of Ltd and Plc
3. Per share values based on mean values of US petroleum and unified core BHP shown in the valuation slides in this presentation. Assumes US\$2.5bn of BHP's existing net debt is allocated to the US petroleum business (c.0.9x net debt / consensus 18E EBITDA)
4. Per share value based on the NPV of (i) the increase in core BHP's share price implied by the EPS accretion from the share buybacks which are proposed by Elliott in this presentation, applied to the reduced number of shares in issue post buybacks; and (ii) the capital thereby returned to shareholders
5. Per share (based on current number of Ltd shares in issue) value of the NPV of franking credits released from Elliott's proposed discounted off-market buyback program
6. Assumes US\$2.5bn of BHP's existing net debt is allocated to the US petroleum business (c.0.9x net debt / consensus 18E EBITDA)

Appendix

Economic misalignment in the current BHP group structure – inhibiting shareholder value

- Franking credits were introduced in 1987 to allow Australian tax resident companies to pass on credits for taxes paid at the company level to shareholders
- When Ltd, as an Australian tax resident company, pays tax on its income it can record that tax paid as a credit, known as franking credits
- Ltd then attaches those franking credits to (a) any dividend it makes; or (b) any income component of a share buyback which it undertakes
- Those franking credits can then be used by Australian tax resident shareholders who receive them to offset their own liability to Australian tax on the dividend income or the income component of any share buyback (as the case may be) received from Ltd

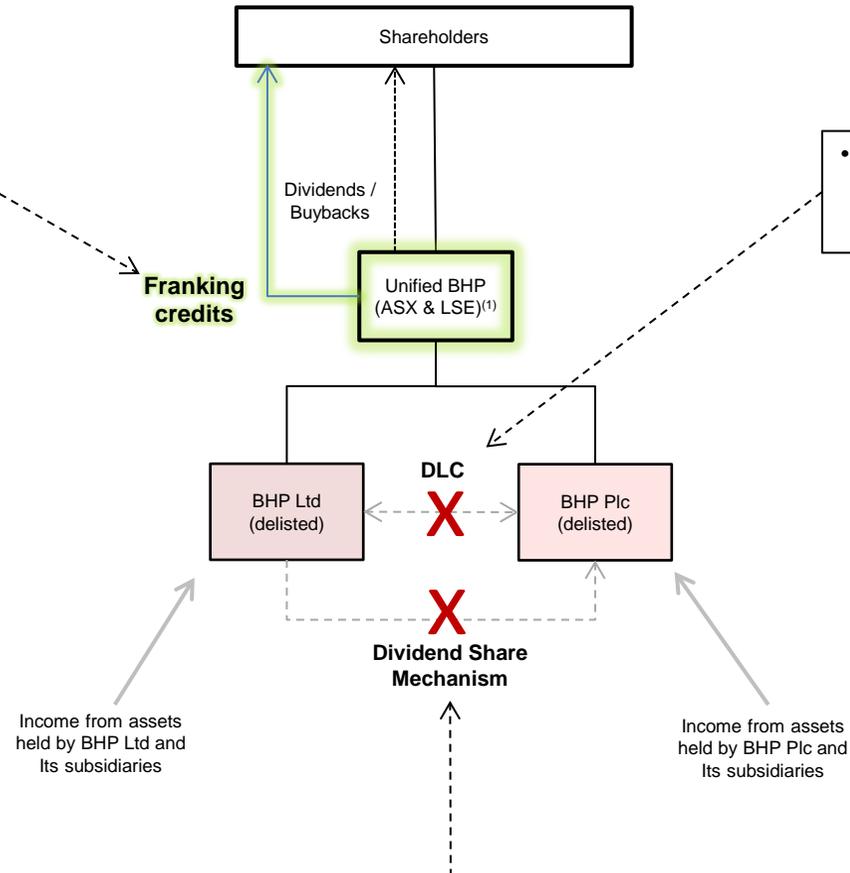


- BHP Billiton was formed in 2001 from the merger of BHP Limited (an Australian listed company) and Billiton Plc (a UK listed company). The merger was effected by way of a dual listed companies (DLC) structure, meaning that although the companies continue to be separate legal entities (now renamed BHP Billiton Limited and BHP Billiton Plc) with separate share listings and share registers, they are supposed to be managed and run as a single economic entity, under the DLC agreements
- Under the DLC agreements, shareholders in Ltd and Plc have equal voting rights on key matters and are supposed to receive equivalent economic returns on their shares to the extent practicable

- Under the DLC agreements, Plc and Ltd should ordinarily issue matching cash dividends. Plc's ability to generate distributable reserves to sustain such matching dividends for its shareholders (as required under the DLC agreements) has diminished as a result of the inadequate EBITDA generated by Plc's assets, in our view
- BHP introduced the Dividend Share Mechanism to help resolve Plc's then diminishing ability to generate distributable reserves – as part of which Ltd has issued a single share to the Plc group (the "Ltd DLC Share"). Any dividends paid by Ltd on the Ltd DLC Share help to move distributable reserves from Ltd to Plc, so that Plc can issue matching cash dividends to its shareholders. However, Australian Tax Office franking credits attached to dividends on the Ltd DLC Share cannot be passed on to Plc's shareholders and therefore are effectively wasted
- In our view, the large build-up of franking credits at Ltd is primarily due to the constrained capital returns that BHP can undertake to release these credits in its current structure, stemming from the lack of EBITDA independently generated by Plc to support any significant returns to Plc shareholders. Any meaningful capital return to shareholders to use these franking credits in the existing structure, should be undertaken by Ltd AND Plc, which would be likely to require increased use of the Dividend Share Mechanism to give Plc sufficient reserves, resulting in further wastage of franking credits

Unified BHP: a simplified structure to unlock the value of franking credits and enhance economic efficiencies

- As an Australian tax resident company, Unified BHP would be able to attach franking credits to (a) any dividend it makes; or (b) any income component of a share buyback which it undertakes, in each case on all of its fully fungible shares
- Unification will ensure a core Australian nexus for BHP - Unified BHP would continue to be Australian-headquartered, would be Australian tax resident and would be managed from Australia - in our view, with the post-unification full fungibility of BHP's shares and the opportunity for the much more efficient use of franking credits, BHP's investor base would migrate towards those Australian tax resident investors who can take full advantage of the unlocked franking credits



- With a unified BHP, the DLC agreements would no longer be required and would be terminated, removing the restrictions and complexities of those agreements

- The Dividend Share Mechanism would no longer be required and could be removed
- Removing the Dividend Share Mechanism would ensure that BHP does not needlessly waste franking credits through Ltd having to issue dividends on the Ltd DLC Share to ensure Plc has sufficient distributable reserves to provide its shareholders with the necessary equivalent economic returns on their shares

1. Unified BHP would be able to maintain BHP's current stock market listings and continue to be included within key FTSE and ASX stock indices

Australian tax implications for discounted off-market buybacks of core BHP shares

In addition to receiving up to c.US\$3.7 in potential value per share in the demerged US petroleum business⁽¹⁾, Australian tax-resident shareholders could receive additional value, depending on their marginal tax rate, of up to c.22%⁽²⁾ per core BHP share that they tender into the discounted off-market buybacks:

(US\$ per share)			Australian resident individuals			
			Australian superfund	A\$0-A\$18,200	A\$18,201-A\$37,000	A\$37,001-87,000
Taxable Income						
Tax rate	A	Assumption ⁽³⁾	15.0%	0.0%	19.0%	32.5%
Beginning share price	B	Assumption ⁽⁴⁾	16.64	16.64	16.64	16.64
14% Discount	C	B X 14%	(2.33)	(2.33)	(2.33)	(2.33)
Buyback price	D	B + C	14.31	14.31	14.31	14.31
Income tax consequences (deemed dividend)						
Illustrative buy-back price	E	D	14.31	14.31	14.31	14.31
Less: capital component	F	Assumption ⁽⁵⁾	(0.34)	(0.34)	(0.34)	(0.34)
Assumed fully franked dividend	G	E + F	13.97	13.97	13.97	13.97
Add: gross up for franking credits (X 30%/70%)	H	G X 30%/70%	5.99	5.99	5.99	5.99
Assessable income	I	G + H	19.95	19.95	19.95	19.95
Tax on assessable income	J	A X I	(2.99)	0.00	(3.79)	(6.48)
Tax offset	K	H	5.99	5.99	5.99	5.99
Net tax offset (tax payable) on franked deemed dividend	L	J + K	2.99	5.99	2.19	(0.50)
After tax proceeds	M	G + L	16.96	19.95	16.16	13.47
CGT consequences (capital)						
Capital component	N	F	0.34	0.34	0.34	0.34
Add: excess tax value over buy-back price	O	C	2.33	2.33	2.33	2.33
Less: illustrative cost base	P	Assumption ⁽⁶⁾	(15.07)	(15.07)	(15.07)	(15.07)
Nominal capital gain/(loss) on disposal	Q	N + O + P	(12.40)	(12.40)	(12.40)	(12.40)
Tax impact of capital gain/loss	R	Q X A ⁽⁷⁾	1.86	0.00	2.36	4.03
After tax proceeds	S	N + R	2.20	0.34	2.70	4.37
Total after tax proceeds	T	M + S	19.16	20.29	18.86	17.84
Beginning share price	U	B	16.64	16.64	16.64	16.64
%return over beginning share price	V	T / U - 1	15.2%	22.0%	13.3%	7.2%

The information contained in this slide is solely for illustrative purposes and is not, and should not be construed as, tax advice. Your attention is drawn to the important information set out on slide 2

Note: Assumptions based on an investor holding shares on capital account

- All BHP shareholders will have the opportunity to access the potential per share value of the demerged US petroleum business
- The c.22% is the estimated maximum additional value available for an Australian tax-resident individual shareholder with a marginal tax rate percentage of zero and is based on the calculations in the above table and the assumptions in footnotes 5 and 6 below, including, in particular, the illustrative per share cost base for core BHP. Such additional value benefit would be less for Australian tax-resident shareholders with higher marginal tax rates. This additional per share value would only be available in respect of core BHP shares tendered into any discounted off-market buyback
- Respective tax rates for various shareholder groups
- Share price valuation of re-rated core BHP per slide 4
- Assumes the current BHP share capital base with the deduction of the estimated book value of the US petroleum business (calculated (absent an appropriate market valuation) by applying the proportion that the net assets of the US petroleum business represent of the total net assets of BHP to the total current BHP share capital base), allocated across all issued core BHP shares
- Assumes the current Ltd share price less the estimated share price of the US petroleum business (calculated (absent an appropriate market valuation) by applying the proportion that the net assets of the US petroleum business represent of the total net assets of BHP to the current Ltd share price)
- Value of future tax benefit