

BHP Group Limited and BHP Group Plc and their directors

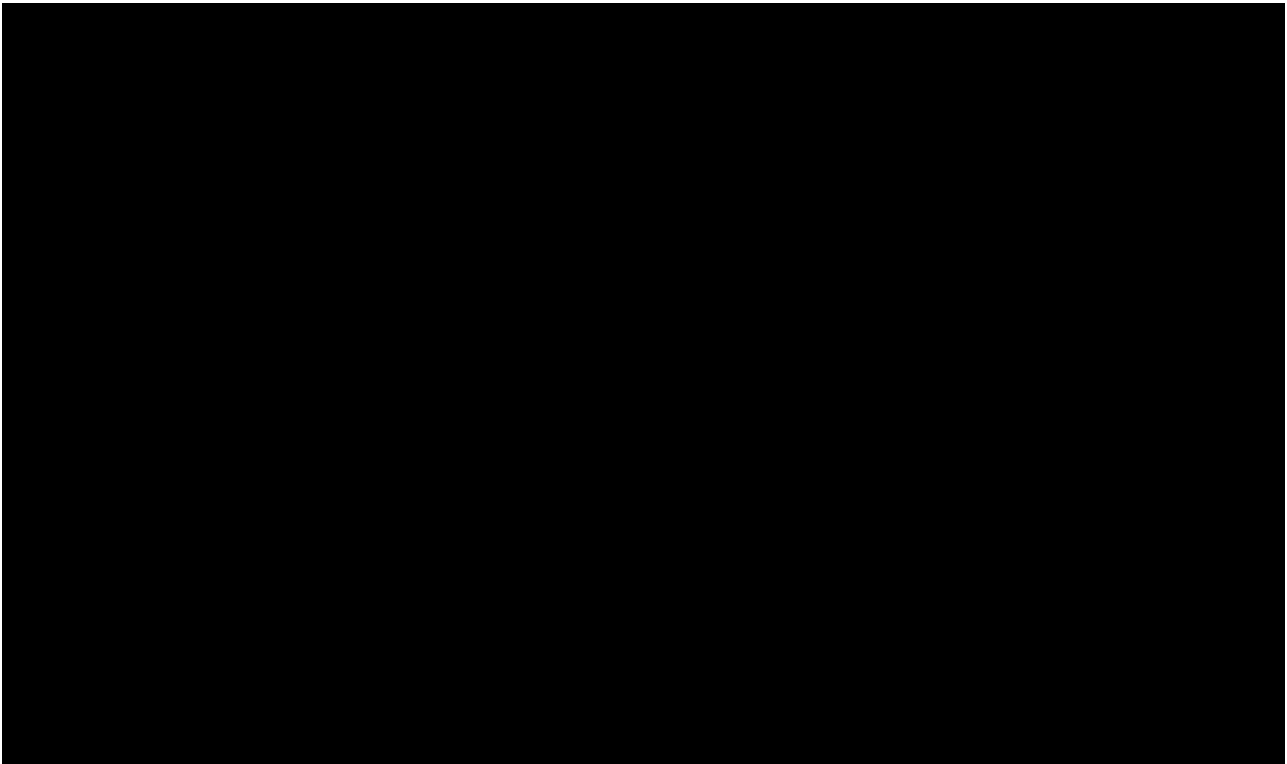
9 November 2021

By Email

Members of the Document Review Committee

Dear Directors and Members

Project Lily: Verification and sign-off of statements made in the Disclosure Documents

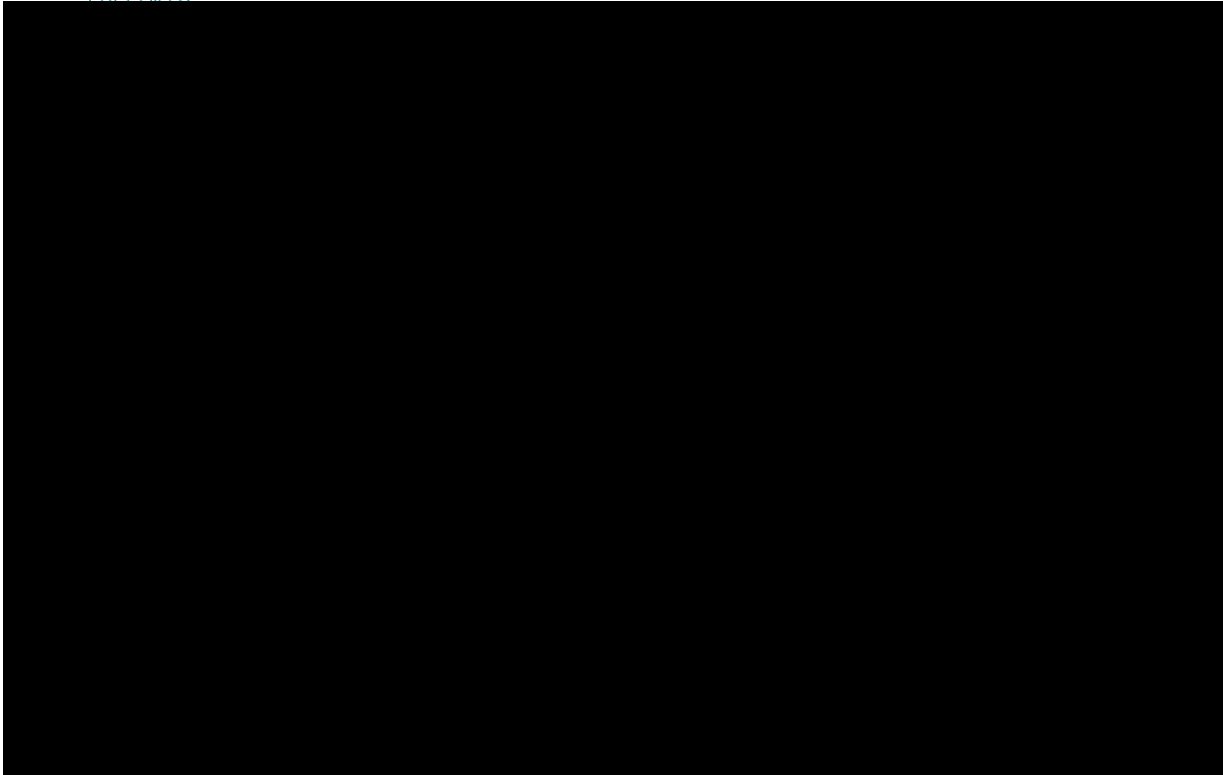


2 **Consent to be named**

We consent to being named in the Disclosure Documents as having prepared and take responsibility for the statements made in Schedule 1 and Schedule 2. Further we:

- (a) do not make, or purport to make, any statement in the Disclosure Documents other than those statements referred to in this consent;
- (b) have not authorised or caused the issue of the Disclosure Documents; and
- (c) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any statements in or omissions from the Disclosure Documents that do not pertain to the statements made in Schedule 1 and Schedule 2.

Doc 511694794.10



Yours sincerely



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Schedule 1 – Extract of statements made in the Project Lily Shareholder Circular

5.3.3 Elimination of the DLC dividend arrangements

Any dividends paid on the DLC Dividend Share from Limited to Plc must be franked to the same extent as dividends on Limited Shares, meaning that Limited is expected to continue to pay a material quantum of fully franked dividends to Plc.

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While non-Australian tax resident holders of Limited Shares are not able to use franking credits, dividends paid by Limited will not be subject to Australian withholding tax to the extent that such dividends are declared by Limited to be franked dividends. To the extent that Limited Shares are held by, or sold to and bought by, Australian tax resident shareholders, those shareholders are expected to be able to use those franking credits.

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5.3.4 Elimination of the share price differential as Plc Shares are exchanged for Limited Shares

In addition, unlike dividends currently paid on Plc Shares, dividends paid on the Limited Shares issued to the Plc Shareholders on Unification will be able to be franked. Australian tax resident holders who hold or acquire Limited Shares issued to Plc Shareholders are expected to be able to use those franking credits.

5.4.4 Limited's share capital will increase, changing the capital to dividend ratio of off-market buy-backs

An increase in Limited's share capital will reduce the frankable dividend proportion of any future Limited off-market buy-back. This is based on the ATO's average capital per share methodology whereby the capital component of the buy-back price is calculated as the company's ordinary issued capital divided by the number of shares on issue. For example, if Limited undertakes an off-market buy-back at a price of [A\$XX] (based on the five day VWAP up to and including [insert date] of A\$[XX] and a discount of 14 per cent), the dividend component of the buy-back would be approximately [99 per cent] on [insert date], compared to [91 per cent] under a unified structure. The franking credits distributed to shareholders via a buy-back would decrease by the same proportion. This may reduce the after-tax returns of certain shareholders participating in the buy-back.

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9 Taxation

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9.2 Summary of expected outcomes

If Unification is implemented, Limited will acquire all of the Plc Shares at the Plc Scheme Effective Time. Plc Shareholders will be issued one Limited Share on the Implementation Date for each Plc Share held at the Plc Scheme Record Time.

For current Limited Shareholders, none of the Unification steps should generally give rise to any tax consequences.

For current Plc Shareholders, the Unification steps may give rise to tax consequences in respect of the:

- (a) disposal of their Plc Shares;
- (b) holding New Limited Shares; and
- (c) disposal of their New Limited Shares.

A high level summary of the tax outcomes for certain Plc Shareholders that are resident in Australia, the United Kingdom, South Africa and the United States is outlined below and should be read in conjunction with the Sections referred to for each jurisdiction:

Disposal of Plc Shares

<u>Tax resident and taxing jurisdiction</u>	<u>Tax consequence</u>	<u>Refer</u>
Australia	<p>If you choose scrip for scrip roll-over relief, you will be able to disregard any capital gain that arises as a result of the disposal of your Plc Shares.</p> <p>If you do not choose scrip for scrip roll-over relief, a capital gain may arise. You may be entitled to discount capital gains tax (CGT) treatment on any capital gain if you held your Plc Shares for at least 12 months before the Plc Scheme Effective Time.</p>	<p>Section 9.3.4(j)</p> <p>Section 9.3.4(g)</p>

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Holding New Limited Shares

<u>Tax resident and taxing jurisdiction</u>	<u>Tax consequence</u>	<u>Refer</u>
Australia	<p>You will be required to include dividends in respect of Limited Shares in your assessable income for the income year in which the dividends are received.</p> <p>Dividends may be franked to the extent determined by Limited. The tax treatment of franking credits depends on the satisfaction of certain integrity rules as well as the shareholder's tax profile.</p>	Section 9.3.4(j)

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Disposal of New Limited Shares

<u>Tax resident and taxing jurisdiction</u>	<u>Tax consequence</u>	<u>Refer</u>
Australia	<p>If you choose scrip for scrip roll-over relief, the first element of the cost base of the New Limited Shares received should be equal to the cost base of your original Plc Shares.</p> <p>You will make a capital gain to the extent the capital proceeds from the disposal of the New Limited Shares exceed the cost base of the shares sold. You may be entitled to a CGT discount in certain circumstances.</p>	Section 9.3.4(k)

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9.3 Australian tax consequences for Limited Shareholders and Plc Shareholders

9.3.1 Scope

The following is a general outline of the main Australian tax implications in relation to Unification for Limited Shareholders and Plc Shareholders who:

- hold their Limited Shares or Plc Shares on capital account for income tax purposes;
- are not subject to the rules concerning the taxation of financial arrangements contained in Division 230 of the Income Tax Assessment Act 1997 (Cth) in respect of their Plc Shares and Limited Shares. Note that Division 230 will not apply to individuals, unless they have made an election for it to apply;
- are not subject to special rules which may apply to certain entities, for example, tax exempt organisations, listed investment companies, insurance companies, and banks;
- do not hold their BHP Shares as trading stock;
- do not, together with their associates hold 10 per cent or more of the issued share capital in Limited or Plc (as applicable);
- are not non-residents that use BHP Shares at any time in carrying on business through an Australian permanent establishment;
- do not hold BHP Shares as part of a straddle or a hedging or conversion transaction; and
- do not hold their BHP Shares in conjunction with an employee share scheme.

9.3.2 Class rulings

Limited has applied to the Commissioner of Taxation (**Commissioner**) for class rulings confirming certain income tax implications of Unification for Australian resident Plc Shareholders and Limited Shareholders. The final class rulings are expected to be received from the Commissioner shortly after Unification. BHP Group will notify Shareholders as soon as the rulings are released.

The class ruling applications are principally concerned with (i) confirming that there are no Australian income tax consequences for Limited Shareholders and (ii) confirming that Australian resident Plc Shareholders who make a taxable capital gain on disposal of their Plc Shares may choose to apply scrip for scrip roll-over relief to disregard the capital gain that would otherwise arise.

The information below includes the implications for Shareholders in circumstances where, based on the draft class ruling applications, scrip for scrip roll-over relief applies and is chosen by Shareholders and, alternatively, where scrip for scrip roll-over relief does not apply or is not chosen by Shareholders.

9.3.3 Australian tax consequences for Limited Shareholders

None of the Unification steps should give rise to any Australian tax consequences for Limited Shareholders. In particular, there should be no change to Limited Shareholders' current cost base and reduced cost base in their Limited Shares or their date of acquisition of their Limited Shares for CGT purposes.

9.3.4 Australian tax consequences for Australian resident Plc Shareholders

If Unification is implemented, Limited will acquire all of the Plc Shares at the Plc Scheme Effective Time. Plc Shareholders will be issued one Limited Share on the Implementation Date for each Plc Share held at the Plc Scheme Record Time.

(a) Capital gains tax

The disposal of Plc Shares by Plc Shareholders to Limited under the Plc Scheme will cause CGT event A1 to happen for Australian resident Plc Shareholders.

The time of the CGT event will be when the Plc Shareholders transfer their Plc Shares to Limited under the Plc Scheme (i.e. the Plc Scheme Effective Time).

(b) Implications of disposing of Plc Shares (except where scrip for scrip roll-over relief applies)

Australian resident Plc Shareholders will make:

- a capital gain to the extent that their capital proceeds from the disposal of their Plc Shares are more than the cost base of those Plc Shares; or
- a capital loss to the extent that the capital proceeds are less than the reduced cost base of those Plc Shares.

Subject to Section 9.3.4(f) (if scrip for scrip roll-over relief is available and chosen), an Australian Plc Shareholder who makes a capital gain on the disposal of their Plc Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain or net capital loss. Any net capital gain is included in a taxpayer's assessable income and is subject to income tax. A net capital loss may not be deducted against other types of income for income tax purposes, but may be carried forward and offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

(c) Cost base of Plc Shares

The cost base of Plc Shares will generally include the amount paid, and the market value of any property given, to acquire the Plc Shares, plus certain incidental costs of acquisition and disposal (e.g. brokerage fees and stamp duty) that are not otherwise deductible to the Plc Shareholder. The reduced cost base of Plc Shares will be similarly determined.

(d) Capital proceeds

The capital proceeds for the disposal of the Plc Shares will be the market value of the Limited Shares received under Unification, determined as at the Plc Scheme Effective Time.

(e) CGT discount

Individuals, complying superannuation entities or trustees that have held Plc Shares for at least 12 months may be entitled to benefit from the CGT discount to reduce the amount of the capital gain (after application of capital losses) from the disposal of their Plc Shares by:

- 50 per cent in the case of individuals and trusts (for trustees, the ultimate availability of the discount for the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); or
- 33 1/3 per cent for complying superannuation entities.

The CGT discount will not be available to a Plc Shareholder that is a company.

(f) Implications if scrip for scrip roll-over relief available and chosen

Australian resident Plc Shareholders who make a capital gain on disposal of their Plc Shares under the Plc Scheme may choose to apply scrip for scrip roll-over relief to disregard the capital gain.

A Plc Shareholder will provide sufficient evidence of having chosen scrip for scrip roll-over relief by the way they prepare their income tax return (i.e. by excluding the disregarded capital gain from assessable income). There is no need to lodge a separate notice with the Australian Taxation Office.

Where scrip for scrip roll-over relief has been chosen by a Plc Shareholder:

- the first element of the cost base of the Limited Shares received should be equal to the cost base of their original Plc Shares; and
- the Limited Shares will be taken to be acquired at the time the Plc Shares were originally acquired, for the purpose of any subsequent application of the CGT discount.

(g) Implications if scrip for scrip roll-over relief not available or chosen

Where scrip for scrip roll-over relief is not available or chosen in relation to a Plc Shareholder's disposal of Plc Shares under the Plc Scheme:

- the capital gain or capital loss from the disposal of the shareholder's Plc Shares will be taken into account in calculating the shareholder's net capital gain for the 2022 income year; and
- the first element of the cost base of each Limited Share received should be an amount equal to the market value of the Plc Share determined as at the Implementation Date.

The acquisition date of the Limited Shares will be the Implementation Date. This date will be relevant for any future application of the CGT discount with respect to CGT events occurring in respect of the Limited Shares.

(h) GST

Plc Shareholders should not be liable to pay GST in respect of a disposal of their Plc Shares.

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(j) Implications of holding Limited Shares

Australian resident Limited Shareholders will be required to include dividends in respect of Limited Shares in their assessable income for the income year in which the dividends are received.

Dividends may be franked to the extent determined by Limited. However, an Australian resident Limited Shareholder must be a 'qualified person' by satisfying the 'holding period rule' which requires a shareholder to continuously hold the shares 'at risk' for at least 45 days, excluding the days of acquisition and disposal for a period, or qualifying for a specific concession (for example, the small shareholder exemption which applies where an individual shareholder's total franking credit entitlement for the income year does not exceed \$5,000), to be entitled to the benefit of franking credits in respect of their Limited Shares.

On the assumption that an Australian resident Shareholder is a 'qualified person', the tax treatment of dividends received from Limited will be as follows:

- Individuals: Dividends and any attached franking credits will be included in the individual's assessable income. A tax offset for the amount of the franking credits will be available to reduce the tax payable by the individual. Any excess tax offset (i.e. to the extent it exceeds income tax payable by the individual) may be refundable to the individual.
- Companies: Dividends and any attached franking credits will be included in the company's assessable income. A tax offset for the amount of the franking credits will be available to reduce the tax payable by the company. Excess franking credits for the year may be converted to a deemed tax loss. A company that is a franking entity may be able to credit its franking account with the franking credits attached to dividends, which may enable the company to pay franked dividends to its own shareholders.

- Trustees (excluding trustees of complying superannuation funds): If Australian resident beneficiaries of a trust are presently entitled to a distribution of the net income of the trust for the year in which the dividend is derived by the trust, generally the franked dividend should flow through to, and be taxable in the hands of, the beneficiaries in accordance with their particular tax status and profile.

Following Unification, it is expected that Limited Shareholders will be given the opportunity to quote their Australian tax file number (**TFN**), TFN exemption or their Australian Business Number (**ABN**) in respect of their New Limited Shares.

Limited Shareholders need not quote a TFN, TFN exemption or ABN in respect of their New Limited Shares. However if they do not then TFN withholding may be required to be deducted from any unfranked dividends paid by Limited at the highest marginal tax rate plus the Medicare levy (currently 47 per cent in total).

(k) Implications of disposing of Limited Shares

A disposal of Limited Shares by Australian resident Limited Shareholders will cause CGT event A1 to happen for Australian resident Limited Shareholders.

For Australian resident Limited Shareholders, a capital gain will arise to the extent the capital proceeds from the disposal of the Limited Shares exceed the cost base of the shares sold.

A capital loss will be incurred to the extent the capital proceeds are less than the reduced cost base of the shares held by an Australian resident Limited Shareholder. A capital loss may be offset against other capital gains of the Australian resident Limited Shareholder arising in the same tax year or otherwise carried forward and offset against capital gains realised in the future (subject to satisfaction of loss recoupment tests for certain taxpayers).

For the purpose of determining whether an Australian resident Limited Shareholder will realise a capital gain or a capital loss in respect of the disposal of Limited Shares, the cost base or reduced cost base of the Limited Shares will be the adjusted cost base of the shares as determined at 9.3.4(f) (if scrip for scrip roll-over relief is available and chosen) and 9.3.4(g) (if scrip for scrip roll-over relief is not available or not chosen).

9.3.5 Australian tax consequences for non-resident Plc Shareholders

(a) Implications of disposing of Plc Shares

For Plc Shareholders who are not Australian tax residents, the disposal of their Plc Shares should have no CGT consequences if the Plc Shares are not "taxable Australian property".

The Plc Shares will only be "taxable Australian property" for non-resident Plc Shareholders who are individuals who made an election to disregard a CGT event I1 capital gain or capital loss in respect of their Plc Shares when they ceased to be an Australian tax resident.

For other Plc Shareholders who are not Australian tax residents, no component of the Plc Shares should be taxable Australian property as the underlying value of each share is not principally derived from Australian real property.

(b) Implications of holding Limited Shares

Dividends paid by Limited to its non-Australian shareholders will not be subject to Australian withholding tax to the extent that such dividends are declared by Limited to be franked dividends or conduit foreign income. If Australian DWT is payable on dividends from Limited, shareholders who are not tax resident in Australia should seek their own tax advice to determine the Australian and foreign taxation implications.

(c) Implications of disposing of Limited Shares

The disposal of Limited Shares by non-Australian shareholders should have no CGT or non-resident CGT withholding consequences if Limited Shares are not "taxable Australian property."

The Limited Shares will only be "taxable Australian property" for non-resident Plc Shareholders who:

- hold, together with their associates, 10 per cent or more of the issued share capital of Limited either at the time of the disposal of their Limited Shares or throughout a 12 month period within 24 months before the time of disposal;
- hold their Limited Shares in carrying on a business at or through a permanent establishment in Australia; or
- are individuals who made an election to disregard a CGT event I1 capital gain or capital loss in respect of their Limited Shares when they ceased to be an Australian tax resident.

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11.10.2 Treatment of franking credits by shareholders

A franked dividend is a dividend paid by an Australian tax resident company (such as Limited) which carries Australian franking credits, that is, tax offsets which represent the Australian company tax paid by that company. Typically, an Australian tax resident shareholder that receives franked dividends must gross up their assessable income by the franking credit and may reduce their tax payable by the franking credit tax offsets. Any excess franking credits may also be refundable to certain Australian tax resident shareholders. For non-Australian shareholders, Australian DWT is not payable on fully franked dividends

Franking credits can also be distributed by Limited under off-market buy-backs, in respect of the deemed dividend component of the buy-back price. Australian tax resident shareholders may be prepared to tender their shares into off-market buy-backs at a discount to the market price to access these franking credits and other benefits. That discount can be up to 14 per cent of the prevailing market price (as set out in the ATO's Practice Statement Law Administration 2007/9).

11.10.3 Dividend payments via the DLC Dividend Share

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Dividends paid on the DLC Dividend Share must be franked to the same percentage as dividends paid on Limited ordinary shares.

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11.10.4 Impact of Unification on franking credit utilisation

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Rather than distributing franking credits to Plc, which cannot use them, Limited will be distributing them to holders of Limited Shares.

The tax consequences for New Limited Shareholders of receiving franked dividends are set out in Section9.

Schedule 2 – Extract of statements made in the Project Lily Prospectus

PART XII TAXATION

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SECTION A: AUSTRALIAN TAXATION

(A) Scope

The following is a general outline of the main Australian taxation implications of holding Limited Shares after Unification for Shareholders who:

- hold their Limited Shares on capital account for income tax purposes;
- are not subject to the rules concerning the taxation of financial arrangements contained in Division 230 of the Income Tax Assessment Act 1997 (Cth) (ITAA 1997) in respect of their Limited Shares;
- are not subject to special rules may apply to certain entities, for example, tax exempt organisations, listed investment companies, insurance companies, and banks;
- do not hold their Plc Shares or Limited Shares (as applicable) as trading stock;
- do not, together with their associates that hold 10 per cent or more of the issued share capital in the Company or Plc (as applicable);
- are not non-residents that use Limited Shares at any time in carrying on business through an Australian permanent establishment;
- do not hold shares as part of a straddle or a hedging or conversion transaction; and
- do not hold their Plc Shares or Limited Shares (as applicable) in conjunction with an employee share scheme.

(A) Consequences for Australian resident Limited Shareholders

(i) Acquisition of New Limited Shares

Australian resident Plc Shareholders who make a capital gain on disposal of their Plc Shares under the Plc Scheme may choose to apply scrip for scrip roll-over relief.

Where scrip for scrip roll-over relief has been chosen by a Plc Shareholder:

- the first element of the cost base of the New Limited Shares received should be equal to the cost base of their original Plc Shares; and
- the New Limited Shares will be taken to be acquired at the time the Plc Shares were originally acquired, for the purpose of any subsequent application of the CGT discount.

Where scrip for scrip roll-over relief is not available or chosen in relation to a Plc Shareholder's disposal of Plc Shares under the Plc Scheme:

- the first element of the cost base of each New Limited Share received should be an amount equal to the market value of the Plc Share determined as at the Implementation Date; and
- the acquisition date of the New Limited Share will be the Implementation Date. This date will be relevant for any future application of the CGT discount with respect to CGT events occurring in respect of the Limited Shares.

(ii) Dividends

Australian resident Limited Shareholders will be required to include dividends in respect of Limited Shares in their assessable income for the income year in which the dividends are received.

Dividends may be franked to the extent determined by the Company. However, an Australian resident Limited Shareholder must be a 'qualified person' by satisfying the 'holding period rule', which requires a shareholder to continuously hold the shares 'at risk' for at least 45 days, excluding the days of acquisition and disposal for a period, or qualifying for specific concession (for example, the small shareholder exemption which applies where an individual shareholder's total franking credit entitlement for the income year does not exceed \$5,000), to be entitled to the benefit of franking credits in respect of their Limited Shares.

On the assumption that an Australian resident Shareholder is a 'qualified person', the tax treatment of dividends received from the Company will be as follows:

- *Individuals*: Dividends and any attached franking credits will be included in the individual's assessable income. A tax offset for the amount of the franking credits will be available to reduce the tax payable by the individual. Any excess tax offset (i.e. to the extent it exceeds income tax payable by the individual) may be refundable to the individual.
- *Companies*: Dividends and any attached franking credits will be included in the company's assessable income. A tax offset for the amount of the franking credits will be available to reduce the tax payable by the company. Excess franking credits for the year may be converted to a deemed tax loss. A company that is a franking entity may be able to credit its franking account with the franking credits attached to dividends, which may enable the company to pay franked dividends to its own shareholders.
- *Trustees (excluding trustees of complying superannuation funds)*: If Australian resident beneficiaries of a trust are presently entitled to a distribution of the net income of the trust for the year in which the dividend is derived by the trust, generally the franked dividend should flow through to, and be taxable in the hands of, the beneficiaries in accordance with their particular tax status and profile.

Following Unification, it is expected Limited Shareholders will be given the opportunity to quote their Australian TFN, TFN exemption or their ABN in respect of their Limited Shares.

Limited Shareholders need not quote a TFN, TFN exemption or ABN in respect of their Limited Shares. However if they do not then TFN withholding may be required to be deducted from any unfranked dividends paid by the Company at the highest marginal tax rate plus the Medicare levy (currently 47 per cent in total).

(iii) Sale of Limited Shares

A disposal of Limited Shares by Australian resident Limited Shareholders will cause CGT event A1 to happen for Australian resident Limited Shareholders.

For Australian resident Limited Shareholders, a capital gain will arise to the extent the capital proceeds from the disposal of the Limited Shares exceed the cost base of the shares sold.

A capital loss will be incurred to the extent the capital proceeds are less than the reduced cost base of the shares held by an Australian resident Limited Shareholder. A capital loss may be offset against other capital gains of the Australian resident Limited Shareholder arising in the same tax year or otherwise carried forward and offset against capital gains realised in the future (subject to satisfaction of loss recoupment tests for certain taxpayers).

For the purpose of determining whether an Australian resident Limited Shareholder will realise a capital gain or a capital loss in respect of the disposal of Limited Shares, the cost base or reduced cost base of the Limited Shares will be the adjusted cost base of the shares as determined at paragraph (B)(i) of Section A of this Part XII.

Individuals, complying superannuation entities or trustees that have held (or are deemed to have held) Limited Shares for at least 12 months may be entitled to benefit from the CGT discount to reduce the amount of the capital gain (after application of capital losses) from the disposal of their Limited Shares by:

- 50 per cent in the case of individuals and trusts (for trustees, the ultimate availability of the discount for the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); or
- 33 1/3 per cent for complying superannuation entities.

The CGT discount will not be available to a Limited Shareholder that is a company.

(B) Consequences for non-Australian resident Limited Shareholders

(i) Dividends

Dividends paid by the Company to non-Australian Limited Shareholders will not be subject to Australian withholding tax to the extent that such dividends are declared by the Company to be franked dividends or conduit foreign income. If Australian dividend withholding tax is payable on dividends from the Company, Limited Shareholders who are not tax resident in Australia should seek their own tax advice to determine the Australian and foreign taxation implications.

(ii) Sale of Limited Shares

The disposal of Limited Shares by non-Australian Limited Shareholders should have no CGT or non-resident CGT withholding consequences if Limited Shares are not “taxable Australian property”.

The Limited Shares will only be “taxable Australian property” for non-resident Limited Shareholders who:

- hold, together with their associates, 10 per cent or more of the issued share capital of the Company either at the time of the disposal of their Limited Shares or throughout a 12 month period within 24 months before the time of disposal;
- hold their Limited Shares in carrying on a business at or through a permanent establishment in Australia; or
- are individuals who made an election to disregard a CGT event I1 capital gain or capital loss in respect of their Limited Shares when they ceased to be an Australian tax resident.