Capital allocation briefing

BHP will be holding an investor and analyst briefing today in Melbourne on BHP’s Capital Allocation Framework.

The purpose of the briefing is to provide greater detail in relation to BHP’s capital allocation processes, and greater transparency on BHP’s approach to capital allocation and investment decisions.

The presentation is available on BHP’s website at: https://www.bhp.com/-/media/documents/media/reports-and-presentations/2018/181121_CapitalAllocationBriefing.pdf

The webcast of the briefing will be available at: https://edge.media-server.com/m6/p/nxkxg8iw

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Capital allocation briefing
Peter Beaven
21 November 2018
Disclaimer

Forward-looking statements
This presentation contains forward-looking statements, including statements regarding: trends in commodity prices and currency exchange rates; demand for commodities; plans, strategies and objectives of management; closure or divestment of certain operations or facilities (including associated costs); anticipated production or construction commencement dates; capital costs and scheduling; operating costs and shortages of materials and skilled employees; anticipated productive lives of projects, mines and facilities; provisions and contingent liabilities; tax and regulatory developments.

Forward-looking statements can be identified by the use of terminology including, but not limited to, 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue', 'annualised' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward-looking statements.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. Readers are cautioned not to put undue reliance on forward-looking statements.

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Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of operations, mines or facilities include our ability to profitably produce and transport the minerals, petroleum and/or metals extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the minerals, petroleum or metals we produce; activities of government authorities in some of the countries where we are exploring or developing these projects, facilities or mines, including increases in taxes, changes in environmental and other regulations and political uncertainty; labour unrest; and other factors identified in the risk factors discussed in BHP’s filings with the US Securities and Exchange Commission (the ‘SEC’) (including in Annual Reports on Form 20-F) which are available on the SEC’s website at www.sec.gov.

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Presentation of data
Unless specified otherwise: operations includes operated assets and non-operated assets; total operations refers to the combination of continuing and discontinued operations; continuing operations refers to data presented excluding the impacts of South32 from the 2014 financial year onwards, and Onshore US from the 2017 financial year onwards; references to Underlying EBITDA margin exclude third party trading activities; data from subsidiaries are shown on a 100 per cent basis and data from equity accounted investments and other operations is presented, with the exception of net operating assets, reflecting BHP’s share; medium term refers to our five year plan. Queensland Coal comprises the BHP Billiton Mitsubishi Alliance (BMA) asset, jointly operated with Mitsubishi, and the BHP Billiton Mitsui Coal (BMC) asset, operated by BHP. Numbers presented may not add up precisely to the totals provided due to rounding.

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In this presentation, the terms 'BHP', 'Group', 'BHP Group', 'we', 'us', 'our' and 'ourselves' are used to refer to BHP Group Limited, BHP Group Plc and, except where the context otherwise requires, their respective subsidiaries set out in note 13 'Related undertaking of the Group' in section 5.2 of BHP's 2018 Annual Report. Notwithstanding that this presentation may include production, financial and other information from non-operated assets, non-operated assets are not included in the BHP Group and, as a result, statements regarding our operations, assets and values apply only to our operated assets unless otherwise stated.
# Key messages

Capital allocation is a key enabler of our purpose to grow long-term shareholder value and returns

<table>
<thead>
<tr>
<th>Lessons learned</th>
<th>The mining industry is capital intensive but investments have at times been poor. We have improved our capital allocation approach to support better decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital allocation</td>
<td>Our Capital Allocation Framework provides a transparent hierarchy, accountability and discipline. Centralised capital prioritisation drives purer competition for capital and reduces bias</td>
</tr>
<tr>
<td>Managing cyclical</td>
<td>Flexibility from a stronger balance sheet and payout ratio dividend policy. Use of price ranges and portfolio scenarios to ensure resilience</td>
</tr>
<tr>
<td>Balancing risk/reward</td>
<td>Accepting and managing risk is inherent to value creation. Focus on a range of risk and return measures to evaluate opportunities</td>
</tr>
<tr>
<td>Value and returns</td>
<td>Improvements are significant, sustainable and are driving improved value and returns. All investments tested against additional cash returns to shareholders</td>
</tr>
</tbody>
</table>

21 November 2018
The importance of capital allocation

Over the long term, capital allocation is a key driver and differentiator of company performance

Value vs Returns – CY97-CY18\textsuperscript{1,2,3}
(TSR CAGR, %)

Source: Bloomberg.

1. Miners, oil and gas majors include: Anglo American; BP; Chevron; ExxonMobil; Glencore; Rio Tinto; Shell; Vale.
2. Other companies include: Apple; AT&T; BASF; General Electric; HP; IBM; Samsung; Siemens; Volkswagen.
3. ROACE: Return on average capital employed; TSR: Total shareholder returns.

Capital allocation briefing
21 November 2018

\textsuperscript{1,2,3}
Where did the industry go wrong?

Pro-cyclical investing has destroyed value and eroded returns

Top 40 industry\(^1\) and BHP cumulative metrics (CY08 – CY17) (US$ billion)

- **Investment**
- **Shareholder returns**
- **Impairments**

Capital and exploration expenditure and commodity basket index\(^2\) (US$ billion) (Index, FY01=100)

- **BHP capital and exploration expenditure (LHS)**
- **Commodity basket index (RHS)**

BHP ROCE and total assets (%)

(US$ billion)

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1. Source: PwC Mine 2018 report and BHP analysis. Top 40 analysis represents global mining industry as represented by the top 40 mining companies by market capitalisation.
2. Commodity basket index: comprises oil, copper, iron ore and metallurgical coal.

Capital allocation briefing
21 November 2018
Our strategic framework

Strategy is integral to capital allocation

Capital prioritised for **safe operations** and **value-add technologies**

Leading culture and capabilities

World-class assets

Highly attractive commodities

Analysis of portfolio outcomes using **price protocol ranges**, sector attractiveness framework, scenario analysis

Robust assessment of option suite to **maximise returns for commensurate risk**

Value and returns

Capital discipline and strong balance sheet through the cycle
## Improving capital allocation

**Enhanced capital allocation processes to better manage cyclicality and improve capital productivity**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Strategy provides long-term context to today’s capital allocation decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Informs capital allocation to enable evolution from today’s optimal portfolio to the optimal portfolio in the future</td>
</tr>
<tr>
<td></td>
<td>• Long-term scenarios to test portfolio resilience and identify new opportunities as demand patterns evolve</td>
</tr>
<tr>
<td></td>
<td>• Option-based approach with rigorous capital competition supports competitive advantage in range of future states</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Allocation Framework</th>
<th>Transparent capital hierarchy promotes accountability and discipline</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Reduced debt by ~US$15 billion over last two years and established target net debt range of US$10 to US$15 billion</td>
</tr>
<tr>
<td></td>
<td>• Minimum 50% payout ratio policy ties dividends to company performance</td>
</tr>
<tr>
<td></td>
<td>• Improved capital discipline with all investments tested against additional returns to shareholders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Greater appreciation of risk as well as reward in all investment decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Quantitative and qualitative risk assessments with a broad range of return metrics</td>
</tr>
<tr>
<td></td>
<td>• Range-based forecasts, stress testing and sensitivity analysis to manage volatility</td>
</tr>
<tr>
<td></td>
<td>• Capital prioritisation fully considers ‘optimise without capital’ alternative and opportunity cost</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organisation structure</th>
<th>Centralised capital prioritisation encourages greater competition for capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Separation of sponsor and analysis to remove unconscious bias</td>
</tr>
<tr>
<td></td>
<td>• Earlier Board reviews incorporated into project tollgating process</td>
</tr>
<tr>
<td></td>
<td>• Post investment lessons critically examined and embedded</td>
</tr>
</tbody>
</table>
Our framework promotes discipline in all capital decisions

Transparent capital allocation hierarchy

- **Maximise cash flow through** lower costs, productivity, technology and culture
- **Dividend policy** linked to the performance of our business
- **Net debt range of** US$10 to US$15 billion
- **Less than US$8 billion** in capital and exploration expenditure per annum to FY20

Maximise value and returns

- ~US$23 billion cash returns to shareholders announced since 1 January 2016
- **ROCE** to ~20% by FY22 (at FY17 prices)
Holistic and objective end-to-end capital allocation process

More integrated approach to capital allocation across assets, finance and commercial functions

Capital structure and shareholder returns
Investment evaluation
Capital prioritisation
Market and scenario analysis
Strategy

Capital Allocation Framework

Maximise value and returns
Increased rigour in our evaluation approach

Scenario and range analysis underpins robust assessment of investment decisions

Shareholder considerations
- Share price
- Additional dividend amounts
- Share buy-backs
- Licence to invest

Project considerations
- Risk considerations
- Industry cost-curve position
- Embedded optionality
- Exit / deferral options

Portfolio considerations
- Strategic fit
- Portfolio risk
- Scenario / stress testing
- Opportunity cost

1. NPV: Net Present Value; ROCE: Return on average capital employed; IRR: Internal Rate of Return.

Capital allocation briefing
21 November 2018
Broad suite of attractive opportunities

Comprehensive approach to evaluate and rank opportunities based on returns, risk and optionality

- Orphan Basin exploration (Petroleum)
- Ecuador exploration (Copper)
- Trion appraisal (Petroleum)
- Olympic Dam open pit expansion (Copper)
- WAIO outer harbour (Iron ore)
- Onshore US (Petroleum)
- South Flank (Iron ore)
- Atlantis Phase 3 (Petroleum)
- Mad Dog Phase 2 (Petroleum)
- Spence Growth Option (Copper)
- Scarborough (Petroleum)
- Jansen Stage 1 (Potash)

Optionality
In execution

Higher return
Lower return
Higher risk
Lower risk

Capital allocation briefing
21 November 2018
Changes are embedded, sustainable and delivering
Rebuilding trust takes time and we will be judged on delivery, but changes are embedded and working well

Returns to shareholders and capital and exploration expenditure\(^1\)
(US$ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital and exploration expenditure</th>
<th>Progressive dividend</th>
<th>Onshore US proceeds</th>
<th>Additional dividend amount</th>
<th>50% payout ratio dividend</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>(24)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>FY14</td>
<td>(16)</td>
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<tr>
<td>FY15</td>
<td>(8)</td>
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<td></td>
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<tr>
<td>FY16</td>
<td>0</td>
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<td>FY17</td>
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<tr>
<td>FY18</td>
<td>0</td>
<td></td>
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<tr>
<td>FY19e(^2)</td>
<td>0</td>
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</tr>
</tbody>
</table>

1. Dividends represent dividends determined for the period. Capital and exploration presented on a total operations basis up to FY14.
2. FY19e dividend assumes minimum 50% payout ratio dividend amount only based on 2018 consensus prices.
3. South32 demerger value based on market capitalisation using 5-day volume weighted average prices between 18 to 22 May 2015 inclusive.

Capital allocation briefing
21 November 2018
Changes are embedded, sustainable and delivering

Outcomes since the implementation of the Capital Allocation Framework at the beginning of 2016

<table>
<thead>
<tr>
<th>Debt</th>
<th>Additional dividends</th>
<th>Buy-backs</th>
<th>Organic development</th>
<th>Acquisitions/divestments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over US$15 billion of debt reduction</td>
<td>US$9 billion of additional dividends announced</td>
<td>US$5.2 billion Limited off-market buy-back announced</td>
<td>US$15 billion invested</td>
<td>Close to optimal portfolio</td>
</tr>
<tr>
<td>At low end of the US$10 to US$15 billion net debt range</td>
<td>US$3.8 billion paid</td>
<td>~US$2.2 billion of franking credits expected to be released</td>
<td>3 major projects sanctioned at average IRR of ~20%¹</td>
<td>Onshore US sold for US$10.8 billion</td>
</tr>
<tr>
<td></td>
<td>US$5.2 billion special dividend announced</td>
<td></td>
<td>5 latent capacity projects sanctioned at average IRR of ~60%¹</td>
<td>Successful bid for Trion oil discovery in Mexico</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8 exploration wells encountered hydrocarbons</td>
<td>Strategic position in SolGold copper exploration project</td>
</tr>
</tbody>
</table>

¹. Average returns: Major project returns at consensus price forecasts at the time of Board approval; latent capacity project returns as presented in May 2018 at the Bank of America Merrill Lynch Global Metals, Mining & Steel Conference.

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Our plans are delivering

Rebuilding trust takes time and we will be judged on delivery, but changes are embedded and working well

Returns
(ROCE\(^1\), nominal %)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17 average realised prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual/forecast</td>
<td></td>
<td></td>
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</tbody>
</table>

Base value\(^2\)
(Index, FY16=100)

<table>
<thead>
<tr>
<th></th>
<th>FY16 plan</th>
<th>FY17 plan</th>
<th>FY18 plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17 average realised prices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consensus prices</td>
<td></td>
<td></td>
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</tbody>
</table>

1. Represents annualised attributable profit after tax excluding exceptional items and net finance costs (after tax) divided by average capital employed. Capital employed is net assets before net debt. Presentation of future Underlying Return on Capital Employed (ROCE) does not constitute guidance and represents outcomes based on differing price and other scenarios.

We have the assets, capability, discipline and options

Our plans show ROCE to 20% by FY22 (at FY17 prices) and improvement in base value

<table>
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<th>Organic development</th>
<th>Acquisitions/ divestments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt range of US$10 to US$15 billion</td>
<td>Committed to cash returns to shareholders</td>
<td>Compete with investments and additional dividends</td>
<td>&lt;US$8 billion capex per annum to FY20</td>
<td>Need to compete with internal options</td>
</tr>
<tr>
<td>To remain at lower end in current price environment</td>
<td>Considered at each half-yearly period</td>
<td>Risk and return metrics fully considered</td>
<td>Latent capacity projects deliver average returns &gt;100%¹</td>
<td>Potential for more copper and oil growth</td>
</tr>
<tr>
<td>Supports counter-cyclical investments</td>
<td>50% of shale proceeds to be returned in January 2019 via special dividend</td>
<td>50% of shale proceeds to be returned in December 2018 via off-market buy-back</td>
<td>Future options deliver average returns ~17%¹</td>
<td>Focused on early stage high risk / high return opportunities</td>
</tr>
<tr>
<td>Efficient return on equity focus</td>
<td></td>
<td>Continued focus on replenishing resource through exploration</td>
<td></td>
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</tr>
</tbody>
</table>

¹. Average returns: Latent capacity project and future options returns as presented in May 2018 at the Bank of America Merrill Lynch Global Metals, Mining & Steel Conference.

Capital allocation briefing
21 November 2018
Key messages

Capital allocation is a key enabler of our purpose to grow long-term shareholder value and returns

Lessons learned
The mining industry is capital intensive but investments have at times been poor
We have improved our capital allocation approach to support better decisions

Capital allocation
Our Capital Allocation Framework provides a transparent hierarchy, accountability and discipline
Centralised capital prioritisation drives purer competition for capital and reduces bias

Managing cyclicality
Flexibility from a stronger balance sheet and payout ratio dividend policy
Use of price ranges and portfolio scenarios to ensure resilience

Balancing risk / reward
Accepting and managing risk is inherent to value creation
Focus on a range of risk and return measures to evaluate opportunities

Value and returns
Improvements are significant, sustainable and are driving improved value and returns
All investments tested against additional cash returns to shareholders
Capital allocation briefing: deep dive

Capital Allocation Framework

- Market and scenario analysis
- Strategy
- Capital structure and shareholder returns
- Investment evaluation
- Capital prioritisation

Maximise value and returns

21 November 2018
Capital allocation process

**Strategy**
- Corporate strategy
- Macro-economics
- Commodity Price Protocols

**Planning**
- Opportunity assessment
- Life of Asset plans
- Capital prioritisation
- 5-year plan
- 2-year budget

**Execution**
- Minor and sustaining, initiatives, growth, M&A
- Tollgates
- Approvals

**Continuous improvement**

**LICENCE TO INVEST**

**GOVERNANCE**

21 November 2018
## Market and scenario analysis: Key messages

Market and scenario analysis narrows the range of future uncertainty, supporting better investment decisions today

<table>
<thead>
<tr>
<th>Differentiated view</th>
<th>Minerals and energy portfolio diversity enables a holistic view of the global landscape. Integrated commercial and finance functions provide end-to-end market intelligence.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent &amp; objective</td>
<td>Forecast commodity price ranges compiled independently of project sponsors. Price forecasts applied consistently across the Company.</td>
</tr>
<tr>
<td>Through the cycle</td>
<td>Structures, accountabilities and methodologies seek to mitigate bias and pro-cyclicality. More stable long-run views based on strong fundamental analysis enable counter-cyclical thinking.</td>
</tr>
<tr>
<td>Robust methods</td>
<td>Scenario, range, counterfactual and shock event analysis exposes most significant uncertainties. Stress test core beliefs and key assumptions that underpin our ‘business as usual’ projections.</td>
</tr>
<tr>
<td>Rigourous foundations</td>
<td>Holistic fundamental analysis synthesizing macro, sectoral, technological, market and ‘geo’ drivers. Deep understanding of the operating environment, including detailed external benchmarking.</td>
</tr>
</tbody>
</table>
Our portfolio and structure provide unique perspective
A holistic view of the global landscape, enabled by our portfolio diversity and end-to-end commercial insights

Diversity of our commodity portfolio

Integrated commercial and finance functions

Market and scenario analysis
Strategy
Capital structure and shareholder returns
Investment evaluation
Capital prioritisation
Capital stewardship: Minerals Australia

Diversity of our commodity portfolio

- Copper
- Iron ore
- Oil & gas
- Coal
- Potash

Integrated commercial and finance functions

- Sales
- Technical marketing
- Procurement
- Logistics
- Strategy
- Supply side intelligence
- Market analysis

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Improving capital allocation
More stable long-term views and internal consistency drive a level playing field in the competition for capital

Our internal research showed we were pro-cyclical and biased towards recency

- We have addressed both the technical and human factors behind pro-cyclicality and recency bias

We are now more stable, ...

- Less volatility in long-term forecasts, especially instability stemming from recency bias

- Independent team drives internal consistency across all projections

more objective, ...

- Engineering out inadvertent pro-cyclicality in methodology and considering views of supply and demand experts

more technically proficient, ...

- Mid case de-emphasised in favour of plausible ranges and probability weighted risk

and more measured.
This is the tip of the iceberg – what’s beneath the surface?

Our forecasts are built on rigorous foundations; and are routinely challenged by robust methods.

**Short term**
- Policy uncertainty: Growth moderating
- Sentiment mixed: Prudently cautious

**Medium term**
- New copper & oil supply
- Sustainable productivity: Emerging Asia
- Steeper cost curves

**Long term**
- Growth in population, wealth
- Decarbonisation and electrification
- New demand centres and themes: Technology

Forecasts

Market and scenario analysis
Strategy
Capital structure and shareholder returns
Investment evaluation
Capital prioritisation
Capital stewardship: Minerals Australia

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Deep understanding of the operating context

Synthesizing macro, sectoral, technological and ‘geo’ factors with commodity specific dynamics

- Living standards & demography
- Metal intensity
- Energy intensity
- Technological diffusion
- Policy drivers
- ‘Geo’ factors
- Supply dynamics
- Cost dynamics
- Price dynamics
- Acknowledging uncertainty

Market and scenario analysis
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BHP
Tracking demand dynamics on all time horizons

Short-term shocks
Sino-US trade tensions
Dynamic modelling of potential shocks, allied to bottom-up expertise, equips us to anticipate and prepare for potential stress

Impact on baseline China GDP forecast

Scenario 1
Symbolic retaliation
Scenario 2
Escalated tensions
Scenario 3
Trade war

1. BRI figures shown for demand per capita exclude China; steel figures represent average for 2016; copper figures represent average for 2017.

Medium-term shifts
China’s new reform era
Quality differentials likely to be durable; China’s mill fleet becomes bigger, coastal & greener; Belt & Road a key enabler of Eurasian development

Long-term risks & opportunities
Electrification of transport
EV share of light vehicle sales is set to grow, potentially increasing demand for copper and nickel, while lowering demand for oil

EV share of LDV sales range

EV share of LDV fleet range

Source: All data shown based on internal BHP analysis. Abbreviations: GDP – gross domestic product; BRI – Belt and Road Initiative; EV – electric vehicle; LDV – light duty vehicle.

How resilient is our Balance Sheet to shocks?

How do we replace declining Yandi volumes?

How is our portfolio set up to leverage EV trend?

Capital allocation briefing
21 November 2018
## Strategy: Key messages

**Our strategy creates long-term value for shareholders**

<table>
<thead>
<tr>
<th>Scenario analysis</th>
<th>Long-term scenarios to test portfolio resilience and identify new opportunities under materially different worlds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic focus</td>
<td>Maximise shareholder value and returns by driving competitive advantage through industry-leading capabilities applied to a portfolio of world-class assets in the most attractive commodities</td>
</tr>
<tr>
<td>Optimised portfolio</td>
<td>Strategy helps direct capital allocation enabling evolution from today’s optimal portfolio to the optimal portfolio in the future</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>Identification of key value drivers in each of our commodity businesses: productivity, simplification, maturation of our option suite; underpinned by a strong balance sheet</td>
</tr>
<tr>
<td>Future options</td>
<td>Option-based approach to investments, with rigorous competition for capital, supports competitive advantage in a range of future outcomes</td>
</tr>
</tbody>
</table>
Improving capital allocation
We have invested in strategic capabilities in the last three years

Strategic thinking
Scenario analysis to uncover opportunities and risks: from now through the very long term
Divergent thinking, bookends to test extreme what if outcomes

Strategic framework
Holistic framework drives competitive advantage: culture and capabilities, commodities and assets

Strategic fit
Assets must be on strategy and compete for capital based on risk-adjusted returns
Filling the gaps through acquisitions and divestments, exploration and early stage options

Structure and capabilities
Centralised strategy team within Finance
Strategic alignment in all decision-making across the Group focuses effort towards a common goal
Strategic framework
Leverage our values, capabilities and resources to meet the evolving needs of markets

**Culture and capabilities** that enables the execution of our business strategy to create long-term value and returns

**Commodities** with high economic rent potential that match our capabilities

**Value and returns**

**Leading culture and capabilities**

**Highly attractive commodities**

**World-class assets**

**Assets** that are resilient through the cycle, have embedded growth options, and match our capabilities
Strategic drivers

We aspire to have industry-leading capabilities applied to a portfolio of world-class assets in the most attractive commodities

<table>
<thead>
<tr>
<th>Strategic capabilities</th>
<th>Which commodities?</th>
<th>Which assets?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market intelligence</td>
<td>Market size</td>
<td>Cost curve position</td>
</tr>
<tr>
<td>Resource access</td>
<td>Supply and demand gap (i.e. growth potential)</td>
<td>Expansion options</td>
</tr>
<tr>
<td>Capital allocation</td>
<td>Potential to capture rent</td>
<td>Resource life</td>
</tr>
<tr>
<td>Value conversion</td>
<td>Risk of disruption</td>
<td>Capital intensity</td>
</tr>
<tr>
<td>Social value</td>
<td></td>
<td>Alignment with our capabilities</td>
</tr>
</tbody>
</table>

21 November 2018
Strategic process

Continually assessing our competitive advantages and future fitness of portfolio

Present portfolio

Drivers of competitive advantage
- Culture and capabilities
- Commodities
- Assets

Competitive advantage assessment
Value-conversion, de-risking and exercising options

Future portfolio

Adding new resources
Hypothesis testing

Examples of strategic themes
- Electrification of transport
- China centric world
- Rise of artificial intelligence
- Advances in materials science
- Food insecurity

Competitive portfolio of options and assets
Capital structure and shareholder returns: Key messages

Strong balance sheet and payout ratio dividend underpin financial flexibility

**Integrated**
Capital Allocation Framework embeds Treasury in balance sheet, distribution and investment decisions
Treasury an increasingly proactive influence in capital allocation

**Through the cycle**
US$10-15 billion net debt range provides optimal balance of flexibility, optionality and efficiency
Provides downside protection and supports our ability to invest counter cyclically

**Scenario analysis**
Forward-looking probabilistic and deterministic analysis to stress test the balance sheet and dividend payments
Consistently test affordability of planned portfolio and investments

**Robust liquidity**
Strong liquidity provides buffer from volatility
Debt portfolio remains diversified and long dated

**Shareholder returns**
Minimum 50% payout ratio dividend policy better suited to cyclical cash flows and supports counter-cyclical investment
Additional distributions assessed through application of Capital Allocation Framework
## Improving capital allocation

**Through the Capital Allocation Framework, Treasury is embedded in investment and capital returns decisions**

<table>
<thead>
<tr>
<th>Integrated</th>
<th>Commerciality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury expertise embedded in strategic decisions</td>
<td>Best practice from bank and corporate treasuries</td>
</tr>
<tr>
<td>Integrated approach to Financial Risk Management</td>
<td>Commercial mindset in transaction structuring</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transparent</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Treasury frameworks for balance sheet and liquidity</td>
<td>Increased focus on internal capital, market and credit risks</td>
</tr>
<tr>
<td>US$10-15 billion net debt target range</td>
<td>Range-based forecasts and stress testing to manage volatility</td>
</tr>
<tr>
<td>Minimum 50% payout ratio dividend policy</td>
<td></td>
</tr>
</tbody>
</table>
Strong balance sheet

A strong balance sheet provides stability, flexibility and optionality through the cycle

**Stress tested metrics**
- Balance sheet tested under a range of price scenarios
  - Buffer for price moves protects the company and ensures ability to act counter-cyclically
  - Consistently testing affordability of cash returns and investment

**Debt management**
- Diversified and long-dated maturity profile
  - Lower gross debt and long weighted average life of debt
  - Staggered maturity profile for added flexibility

**Strong liquidity**
- Shielding the business from volatility
  - Undrawn committed US$6 billion Revolving Credit Facility
  - Enhanced liquidity framework better caters to volatility

**Net debt target range**
- Transparent target range provides stability and flexibility
  - Net debt to move counter-cyclically
  - Range can be temporarily breached for the right opportunity with pathway back to range

Illustrative net debt range through the cycle

1. Assumes US$5 billion acquisition of early-stage opportunity.
2. FFO ratio: Funds From Operations/Net Debt.
Minimum 50% payout ratio dividend and additional returns

Rewarding our shareholders whilst maintaining flexibility

Minimum dividends

Payout ratio better suited to cyclical cash flows
- Committed to cash returns – important component of TSR¹
- More responsive to changes in conditions
- Reduces volatility in net debt
- Supports counter-cyclical investing

Considered through Capital Allocation Framework
- Additional US$9 billion over minimum dividend announced since February 2016²
- Balance sheet position considered when determining amount of excess cash available
- Additional shareholder returns compete with investments

Additional amounts

Strength and flexibility

Better placed for the next downturn
- Debt moving counter-cyclically while dividends move pro-cyclically
- Supports improved capital allocation through the cycle

1. TSR: Total shareholder returns.
2. US$3.8 billion additional dividend amounts returned in last two years, plus US$5.2 billion special dividend announced in relation to Onshore US divestment.
3. Assumes minimum 50% payout ratio dividend amount only based on 2018 consensus prices.

Payout ratio dividend policy responds to market conditions

(Commodity index, FY08=100)

FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19e³

Special dividend
Progressive dividend
Additional amount
Commodity basket index (RHS)
50% payout dividend

Capital allocation briefing
21 November 2018
Share buy-back analysis

The Capital Allocation Framework underpins the form of returns of the shale proceeds

- Materiality thresholds for off-market vs on-market buy-backs
  Buy-back limit of 10% of shares outstanding

- Risk and return metrics fully considered (share price, FX, commodity prices, competitiveness relative to other investments)

- Efficiency of franking credit distribution to reflect investor preferences and value implications

- Risk and return metrics

- Franking credits

- Market metrics

- Shareholder base

- Net asset value per share, earnings per share and dividend per share accretion

- Buy ‘cheapest to deliver’ (Lnt with up to 14% off-market discount versus DLC spread)

- Diversity of shareholder views (institutional perspective, retail preference for dividends)
# Investment evaluation: Key messages

**Thorough approach to investment evaluation to optimise our decisions**

| Portfolio | Broad suite of attractive opportunities across commodities and time periods  
|           | Objectively assessed through comprehensive risk-return framework across the development life cycle |
| Return    | Wide range of metrics to assess returns across project, portfolio and shareholder level  
|           | Used in conjunction to provide holistic view on returns |
| Risk      | Full risk assessment across quantitative and qualitative criteria  
|           | Consider full set of material risks relevant to each capital allocation decision |
| Risk-adjusted returns | Our focus on risk-adjusted returns allows us to better understand embedded optionality and value  
|           | Appropriately considering the investment risk and reward characteristics enables better decisions |
| Options   | Constantly replenishing options with flexibility at entry and exit points to manage risk  
|           | Focus on options with a low cost of carry |
# Improving capital allocation

**Structural changes to our investment evaluation processes to improve objective opportunity assessment**

### Strategic

- Centralised opportunity assessment to increase strategic alignment and reduce bias
- Simplified processes and robust internal capability enable fast investment decisions

### Objective

- Quantitative and qualitative risk-return analysis
- Focus on a range of inputs and outcomes to understand volatility
- Standardised across major, minor projects, exploration and M&A

### Transparent

- Early and iterative investment review process
- Fully incorporate impacts of incremental supply in investment decisions
- Capital Allocation Working Group formed and recommendations implemented

### Flexible

- Assets identify and optimise opportunities
- Low, medium and high scenarios considered to improve downside protection
Project risk-return assessment

A broad range of metrics used to assess risk-returns across project, portfolio and shareholder level

Investment return must at least match the returns from alternatives with similar risk and time horizons
- Appropriate risk-return balance
- Consistent long-term assumptions
- Returns at project, portfolio and shareholder level

Tested against higher of cost of capital or return of share buy-back
- Flexibility according to market conditions

Consideration of option value potential
- Future expansion options considered
- Exploration, early stage M&A, organic options
- Capital allocation guides investment decisions across real options

Opportunity cost of capital

Metrics used in conjunction to provide comprehensive view on returns

- Valuation multiple
- Cash returns
- Base value
- Shareholder
- Projects
- Portfolio
- Net operating cash flow
- Free cash flow
- ROCE
- Commodity balance
- Optionality
- Capital Efficiency Ratio
- IRR and Payback
- Margin
- NPV
- Risk metrics

Market and scenario analysis
Strategy
Capital structure and shareholder returns
Investment evaluation
Capital prioritisation
Capital stewardship: Minerals Australia
Focused on risk-adjusted returns

Simple hurdle rates may prevent us from making optimal decisions

- Investment into Tier-1 assets have been highly value accretive, returning significantly above the market average for ~30 years
  – these investments may have been missed if the decision was based on a hurdle rate, rather than their risk and reward characteristics
- In Onshore US, the expected high returns on short-cycle investments with volatile commodity prices were not realised – we have learnt from this

Asset returns (annualised)\(^1,2\)

<table>
<thead>
<tr>
<th></th>
<th>Original expected</th>
<th>Actual</th>
<th>S&amp;P Index 30 year average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escondida</td>
<td>~25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WAIO</td>
<td>~15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bowen Basin Coal(^3)</td>
<td>~14%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. IRR real on a risked, 100% basis. Indicative internal analysis.
2. Source: Thomson Reuters, BHP. Market indices reflected with Total Shareholder Return (TSR).
3. Includes BMA, BMC and Gregory Crinum.

---

Appropriately considering the investment risk and reward characteristics enables better investment decisions

<table>
<thead>
<tr>
<th>Cash flow distribution and payback</th>
<th>Real options</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Near vs long-term view on cash flows</td>
<td>• Multiple commodity price cycle improvement</td>
</tr>
<tr>
<td>• Period of time initial capital is at risk</td>
<td>• Assessing expansion, deferral and exit costs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry cost curve position</th>
<th>Downside / upside risk distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sustainable high margins</td>
<td>• Probabilistic analysis enabled</td>
</tr>
<tr>
<td>• Cost curve steepness</td>
<td>• Understanding of both downside and upside risk</td>
</tr>
</tbody>
</table>

Capital allocation briefing
21 November 2018
**Holistic approach to project risk**

*Improved understanding of risk is driving better investment decisions*

---

**Quantitative risk**

- Operational risk
- Macroeconomic risk

**Project NPV distribution (US$ billion)**

- P90
- Mean
- P10

*Understand NPV and IRR ranges to mitigate downside risks and improve certainty of outcomes*

**Qualitative risks**

- HSEC exposure
- Geopolitical risks
- Capability / experience
- Others

*Qualitative risks assessed using dedicated framework*

**Integrated risk assessment**

*Consider full set of material risks relevant to each capital allocation decision to compare against returns*

---

**Capital allocation briefing**

21 November 2018
Broad suite of attractive opportunities

Comprehensive approach to evaluate and rank opportunities based on returns, risk and optionality

- Higher return
  - Orphan Basin exploration (Petroleum)
  - Ecuador exploration (Copper)
  - Trion appraisal (Petroleum)

- Lower return
  - Olympic Dam open pit expansion (Copper)
  - WAIO outer harbour (Iron ore)
  - Onshore US (Petroleum)

- Higher risk
  - South Flank (Iron ore)
  - Atlantis Phase 3 (Petroleum)
  - Mad Dog Phase 2 (Petroleum)

- Lower risk
  - Spence Growth Option (Copper)
  - Scarborough (Petroleum)
  - Jansen Stage 1 (Potash)
## Capital prioritisation: Key messages

**Improved capital prioritisation is encouraging purer competition for capital and driving improved capital productivity**

| Fundamental analysis | Bottom-up scenario and range analysis to consider the optimal level of investments  
Greater rigour in option evaluation mitigates downside risks and improves certainty of outcomes |
|----------------------|------------------------------------------------------------------------------------------------------------------|
| Structured approach  | Opportunity assessment starts at the assets before competing centrally  
Bottom-up build during the Life of Asset planning process |
| Multi-disciplinary    | Weighing optimal capital towards balance sheet strength, growth, M&A and shareholder returns  
Incorporating input from other areas of the business (including treasury, marketing, tax, accounting and projects) |
| Portfolio optionality | Capital allocation framework provides level playing field for diverse opportunities to compete  
Growth, exploration and early stage M&A options assessed from a portfolio perspective |
| Time horizons         | Lessons learnt from the past to better manage inevitable cyclicality of the mining industry  
Embedded in our short, medium and long-term decision-making |
# Improving capital allocation

**Fundamental changes to our capital prioritisation processes to enable objective portfolio assessment**

<table>
<thead>
<tr>
<th>Holistic</th>
<th>Competitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital prioritised from a portfolio perspective consistent with long-term strategy, to ensure maximum value and returns</td>
<td>Purer competition for capital drives capital productivity</td>
</tr>
<tr>
<td>Includes major, minor &amp; sustaining projects, latent capacity, exploration, technology and functional initiatives</td>
<td>Investment tested against buy-backs and acquisition options</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective</th>
<th>Discipline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital prioritisation managed centrally to avoid bias from asset submissions</td>
<td>Standardised investment and evaluation approach</td>
</tr>
<tr>
<td>Whole of portfolio view drives better decisions</td>
<td>Fully consider risk vs reward, qualitative factors and investment constraints</td>
</tr>
<tr>
<td>Guided by the Capital Allocation Framework</td>
<td></td>
</tr>
</tbody>
</table>
Capital prioritisation is integral to our planning process

Capital prioritisation bridges planning across all time horizons to ensure alignment with strategy and day-to-day operations

Corporate strategy
Focus on competitive advantage

Opportunity assessment
Assessment of an asset’s options to grow value and considering a range of alternatives

Life of Asset
Long-term plan to maximise resource economic value and inform decisions and actions at the asset level

Capital prioritisation
Optimise allocation and timing of capital to deliver a portfolio plan representing the most valuable risk-adjusted growth portfolio

5-year plan
Rolling plan to outline actions the assets/functions will take in the medium to short term

2-year budget
Rolling budget, prepared annually in monthly increments

Value & returns
Ensuring stronger outcomes for our shareholders

Long term Medium term Short term

Market and scenario analysis Strategy Capital structure and shareholder returns Investment evaluation Capital prioritisation Capital stewardship: Minerals Australia
Structured approach to assess options

Information generated by the assets during Life of Asset planning process

Centrally assessed in corporate office with common criteria against other options

Healthy competition of options with objective approach

Bottom-up build up

Strategic fit
Scenarios
Risk-return
Sequencing

Optimise value for considered level of risk

Capital allocation briefing
21 November 2018
Bottom-up build during Life of Asset planning process

**Assets identify different options to grow value of the business and include these in their Life of Asset plans**

<table>
<thead>
<tr>
<th>Current base plan</th>
<th>Potential growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>A current long-term plan excluding unapproved capital projects</td>
<td>Potential growth options based on insights from Opportunity Assessment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Closure plan</th>
<th>Asset preferred plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plans for closure are incorporated into the long term development plan</td>
<td>A long-term plan preferred by the assets including value creating options</td>
</tr>
</tbody>
</table>

**Life of Asset plans for capital prioritisation incorporates:**

- **Minor & Sustaining:** >500 options
  - Includes latent capacity, asset integrity, compliance, risk reduction, and improvement

- **Technology:** Value Chain Optimisation
  - Focused on integration and automation

- **Value creating initiatives**
  - BHP Operating System; World Class Functions; Centres of Excellence

- **Growth projects:** >20 options
  - Focused on long-term opportunities

- **Exploration:** >10 regions
  - Focused on Petroleum and Copper

**Information generated by the assets during Life of Asset planning process**

- Information generated by the assets during Life of Asset planning process
- Minor & Sustaining: >500 options
- Technology: Value Chain Optimisation
- Value creating initiatives
- Growth projects: >20 options
- Exploration: >10 regions
- Major investments evaluated against buy-back and acquisition options; global investment process underpins all major decisions
Portfolio optionality assessed by centralised planning

Options assessed from a portfolio perspective against a number of metrics

The assessment of options evaluates:

**Strategic fit**
- Alignment to BHP’s portfolio strategy

**Risk-return**
- Evaluate capital projects against different risk-return metrics

**Scenarios**
- Stress test plans against different pricing scenarios

**Sequencing**
- Consider the timing of options to deliver the optimal value

Options are assessed across number of metrics at project and portfolio level.

- Shareholder value
  - Base multiple
  - Valuation multiple
  - Cash returns
  - Shareholder
- Portfolio
  - Projects
  - NPV
  - Risk metrics
  - Optionality
  - Commodity balance
- Maximise returns
  - Net operating cash flow
  - Free cash flow
  - Margin
  - IRR and Payback
  - Capital Efficiency Ratio
  - ROCE
- Market and scenario analysis
  - Capital structure and shareholder returns
  - Investment evaluation
  - Capital prioritisation
  - Capital stewardship: Minerals Australia

Capital allocation briefing
21 November 2018
Value is optimised for a considered level of risk

An optimised portfolio plan represents the most valuable risk-adjusted growth portfolio

The optimised portfolio plan considers:

- **Portfolio risk-return**
  - Long-term growth portfolio optimised on a risk-return basis

- **Portfolio correlation**
  - Portfolio correlation of each major growth project considered to help manage risk

- **Balance sheet**
  - Stress testing of balance sheet under different pricing scenarios

- **Timing**
  - Criticality and optionality around project execution

Options portfolio value (US$ billion)

Projects with lower than the portfolio volatility

Projects with higher than the portfolio volatility

Increasing value

Increasing individual project volatility

Market and scenario analysis | Strategy | Capital structure and shareholder returns | Investment evaluation | Capital prioritisation | Capital stewardship: Minerals Australia
Portfolio considerations

A strong portfolio gives us stability and flexibility through the cycle

Opportunities are assessed against strategic framework
- Prioritise safety in all decisions
- Targeting the right commodity and assets
- Enabled by the right internal capabilities and capacities

Optimised portfolio assessed for impact on balance sheet
- Stress testing the portfolio on multiple scenarios
- Consider size of projects and impact to capital structure
- Explore options for partnership-based risk sharing structures (e.g. Jansen)

Assess options to better ‘balance’ portfolio exposures
- Avoid concentration towards one economic driver (e.g. steel demand or energy)
- Stable portfolio reduces volatility of cash flows and lowers funding costs
- Optionality to take advantage of opportunities throughout the commodity cycle

Group portfolio NPV
Optimised Portfolio
Enterprise NPV

Group portfolio returns

Optimise value for considered level of risk

Capital allocation briefing
21 November 2018
Value maximised through our Global Investment Process

Fundamental process underpinning all major decisions before commitment of project capital

Global Investment Process (GIP)

Project Study
- Phased process with independently reviewed tollgates
- Management Committee oversight and endorsement through phases and execution
- Projects can be referred back to previous phases for further study, de-risking and optimisation

Project Delivery
- Constant monitoring on project execution
- Periodic reporting on Board set KPIs
- Material changes in execution trigger a Supplementary Approval Request

Project stages
- Conceptual
- Pre-feasibility
- Feasibility
- Execution

Examples include
- Escondida Debottlenecking
- Spence Rpios Processing Resolution
- Scarborough
- Olympic Dam Brown Field Expansion
- Hay Point Ship Loader
- Jansen Stage 1
- Atlantis Phase 3
- Ruby
- Barracouta West
- Spence Growth Option (23% complete)
- Mad Dog II (31% complete)
- South Flank (15% complete)
- Escondida Water Supply Expansion
Capital stewardship in Minerals Australia: Key messages

**Capital stewardship**
- Greater respect for every dollar of capital across all levels of the organisation
- Competition for capital and disciplined mindset now embedded throughout

**Competition for capital**
- All project capital >US$2 million goes through a robust prioritisation process
- Capital discipline encourages innovation and more intense testing of the ‘optimise without capital’ case

**Efficiency**
- Significant improvement in project capital efficiency
- Faster, better studies; programs of work increase synergies and reduce effort; dedicated contracts team

**Increased certainty**
- Improved project delivery in accordance with safety, time and cost targets
- Enhanced project management across all projects throughout the portfolio

**Capability**
- Deep project expertise drives value optimisation during study phase
- Business case to justify capital applications are better defined, bringing more scrutiny into business benefits
### Improving capital allocation

Significant improvement in major project performance (externally benchmarked); permeated into all projects in a fit for purpose way

<table>
<thead>
<tr>
<th>Certainty</th>
<th>Capital efficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated planning provides stability</td>
<td></td>
</tr>
<tr>
<td>Portfolio tracking enables early escalation</td>
<td></td>
</tr>
<tr>
<td>Project-specific commercial skills and discipline</td>
<td></td>
</tr>
<tr>
<td>Enhanced study expertise drives earlier value optimisation</td>
<td></td>
</tr>
<tr>
<td>Greater performance benchmarking</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disciplined</th>
<th>Integrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simplified operating requirements</td>
<td></td>
</tr>
<tr>
<td>Consistent standards applied to all projects &gt;US$10 million</td>
<td></td>
</tr>
<tr>
<td>Standard approach to safety in design to improve long-term outcomes</td>
<td></td>
</tr>
<tr>
<td>Working as a single projects community</td>
<td></td>
</tr>
<tr>
<td>Projects Centre of Excellence to accelerate improvement</td>
<td></td>
</tr>
</tbody>
</table>
Disciplined approach to choose only the right projects

Front-line has to justify capital demand and understand trade-offs

Process

• All projects >US$2 million must submit business case (fit for purpose) to be included in prioritisation process
  – grouped by type; prioritised for compliance, risk reduction and asset integrity
• Fed into iterative Group-wide prioritisation process to allow best allocation of limited resources (e.g. capital; capability)

Value

• All projects assessed against relevant standard metrics\(^1\)
• General Managers need to compete with each other for the best place to invest
• Increased maturity in asset integrity and sustaining capital requirements for the long term

\(^1\) Includes Capital Efficiency Ratio (CER); Internal Rate of Return (IRR); Net Present Value (NPV); Risk Efficiency Ratio (RER); Asset Integrity Assessment.
More value captured through high-quality studies

Study specialists work hand-in-hand with the operation to fully evaluate possibilities before scope is locked

How

• Invested in people with deep expertise in study leadership

• With an increased focus on brownfield projects, we bring a ‘whole of business’ mindset to what we do (not just ‘the builder of stuff’)
  – shift in focus from ‘what needs to be built’ to ‘what needs to be solved’

Examples

• Identified that Olympic Dam clarifier could be replaced (rather than repaired, as originally proposed) for similar capital, but with less risk and while catering for BFX

• Proved that leaving a major substation was higher value than relocating to extract coal from underneath

• Competition between iron ore mines for incremental capital proved which has best metric; changed batting order to match
Significant improvement in project efficiency
We are leveraging the scale of Minerals Australia Projects to drive efficiency and continuous improvement

Measuring our performance
- We have benchmarked (internally and externally) extensively to understand project performance
- We sit at, or better than, industry averages including for study costs and durations, and construction productivity
- Underpins strong safety performance

Still more to get
- Opportunities exist through more scrutiny
  - every dollar of scope
  - engineering service provider performance
  - in-field productivity

More projects delivered to plan drives efficiency and predictability
(Minerals Australia project delivery performance, %)

Cost
- Between stretch and threshold
- Less than stretch
- Greater than threshold

Schedule

More efficient studies
(Study and engineering cost as % of total cost)

1. Stretch set at P10 and threshold set at P90. Therefore, 80% of projects should be delivered between stretch and threshold.
South Flank: Getting the most out of every dollar

Investment returns were compelling, but we actively analysed every element to improve efficiency.

**Learning from past projects to optimise OHP design**

(A$/tpa)

<table>
<thead>
<tr>
<th></th>
<th>Yandi (RGP5)</th>
<th>Jimblebar</th>
<th>South Flank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>0.00</td>
<td>4.00</td>
<td>8.00</td>
</tr>
</tbody>
</table>

**Design improvements means NPI supports larger fleet**

(Heavy vehicles/bay)

<table>
<thead>
<tr>
<th></th>
<th>Yandi (RGP5)</th>
<th>Jimblebar</th>
<th>South Flank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy vehicles</td>
<td>0</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

**Integrated teams reduce costs and drive better outcomes**

(Engineering and EPCM costs as % of plant and infrastructure costs)

<table>
<thead>
<tr>
<th></th>
<th>Mt Whaleback (RGP4)</th>
<th>Yandi (RGP5)</th>
<th>Jimblebar</th>
<th>South Flank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering and EPCM costs</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
</tr>
</tbody>
</table>

1. Includes pre-commitment funding.

Delivering an improvement in capital efficiency

(Capital intensity\(^1\), US$/t)

<table>
<thead>
<tr>
<th></th>
<th>Mt Whaleback (RGP4)</th>
<th>Yandi (RGP5)</th>
<th>Jimblebar</th>
<th>South Flank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital intensity</td>
<td>150</td>
<td>100</td>
<td>50</td>
<td>15</td>
</tr>
</tbody>
</table>

Capital allocation briefing

21 November 2018
Debt maturity profile

Debt balances\(^1\)
(US$ billion)

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
<th>FY29</th>
<th>Post FY29</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of portfolio</td>
<td>US$ Bonds(^{34})</td>
<td>Euro Bonds(^{34})</td>
<td>Sterling Bonds(^{34})</td>
<td>A$ Bonds</td>
<td>C$ Bonds</td>
<td>Subsidiaries</td>
<td>Asset financing</td>
<td></td>
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<tr>
<td>FY19</td>
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<tr>
<td>FY20</td>
<td>38%</td>
<td>34%</td>
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<tr>
<td>FY21</td>
<td>38%</td>
<td>34%</td>
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<td>FY28</td>
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<tr>
<td>Post FY29</td>
<td>38%</td>
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</tr>
</tbody>
</table>

1. As at 30 June 2018.

Capital allocation briefing
21 November 2018
## Latent capacity – attractive returns, limited risk

Continuous replenishment of our suite of capital efficient, low risk, high return options supports the next wave of latent capacity

<table>
<thead>
<tr>
<th>Options</th>
<th>IRR(^1) (%)</th>
<th>Risk(^1) (1-5)</th>
<th>Timing(^1)</th>
<th>Capex (US$m)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAIO Debottlenecking</td>
<td>&gt;100</td>
<td>●</td>
<td>&lt;2 years</td>
<td>&lt;250</td>
<td>Supply chain debottlenecking initiatives at the port and rail, and releasing latent capacity at Jimblebar to increase production to 290 Mtpa</td>
</tr>
<tr>
<td>Barracouta West Petroleum</td>
<td>~20</td>
<td>Non Operated</td>
<td>&lt;2 years</td>
<td>~200</td>
<td>Brownfield tieback opportunity to existing infrastructure in the Bass Strait.</td>
</tr>
<tr>
<td>Escondida EWS Expansion</td>
<td>&gt;50</td>
<td>●●</td>
<td>&lt;2 years</td>
<td>~500</td>
<td>Expansion of desalination plant to reduce groundwater usage and maximise concentrator throughput</td>
</tr>
<tr>
<td>Escondida Debottlenecking</td>
<td>&gt;100</td>
<td>●●</td>
<td>various</td>
<td>&gt;500</td>
<td>Concentrator debottlenecking, sulphide leach reprocessing of ripios, truck and shovel fleet upgrades</td>
</tr>
<tr>
<td>Spence Ripios processing</td>
<td>~60</td>
<td>●●</td>
<td>2-5 years</td>
<td>250-500</td>
<td>Reprocessing of ripios dumped since the beginning of the Spence operations</td>
</tr>
<tr>
<td>Queensland Coal Latent capacity</td>
<td>&gt;100</td>
<td>●</td>
<td>&gt;5 years</td>
<td>&gt;500</td>
<td>Investing in stripping capacity and pipeline of productivity initiatives to shift the bottleneck towards the coal handling plants</td>
</tr>
<tr>
<td>Spence Debottlenecking</td>
<td>&gt;15</td>
<td>●●●</td>
<td>&gt;5 years</td>
<td>&gt;500</td>
<td>Processing lower grade hypogene material with increased recoveries, concentrator debottlenecking, in-pit semi mobile ore conveying</td>
</tr>
<tr>
<td>Aggregate</td>
<td>&gt;100</td>
<td></td>
<td>~US$4 bn</td>
<td></td>
<td>Up to ~2 Mt of incremental Cu eq. capacity with ~US$16 bn unrisked NPV</td>
</tr>
</tbody>
</table>

1. Projects as presented in May 2018 at the Bank of America Merrill Lynch Global Metals, Mining & Steel Conference; IRR: Returns at 2018 consensus price forecasts; ungeared, post tax, nominal return; Risk profile is based on a BHP assessment of each project against defined quantified and non-quantified risk metrics rated out of 5; 5 represents more risk; Timing: Represents potential first production
## Future options – worked for value, timed for returns

Investment decisions made in accordance with our capital allocation framework and fully consider the broader market impact

<table>
<thead>
<tr>
<th>Options</th>
<th>Description</th>
<th>Potential execution timing</th>
<th>Capex (US$m)</th>
<th>GIP tollgate(^1)</th>
<th>IRR(^1) (1-5)</th>
<th>Risk(^1)</th>
<th>Investment considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantis Phase 3 Petroleum</td>
<td>Tie back to existing Atlantis facility unlocked through Advanced Seismic Imaging</td>
<td>&lt;1 year</td>
<td>&gt;500</td>
<td>Feasibility</td>
<td>~25</td>
<td>Non Operated</td>
<td>- Resilient to price - Low risk, robust economics</td>
</tr>
<tr>
<td>Ruby Petroleum</td>
<td>Tie back into existing processing facilities in Trinidad &amp; Tobago</td>
<td>&lt;1 year</td>
<td>&gt;150</td>
<td>Feasibility</td>
<td>&gt;25</td>
<td>**</td>
<td>- Similar scope to existing tie backs - Utilisation of existing facility capacity</td>
</tr>
<tr>
<td>Olympic Dam BFX Copper</td>
<td>Accelerated development into the Southern Mine Area, debottlenecking of existing surface infrastructure to increase production</td>
<td>&lt;5 years</td>
<td>&gt;2,000</td>
<td>Pre-feasibility</td>
<td>~20</td>
<td>**</td>
<td>- Resilient to price - Improved Cu grades in the Southern Mine Area - Continued resource definition - Power network instability</td>
</tr>
<tr>
<td>Scarborough Petroleum</td>
<td>Tie back development to existing LNG facility</td>
<td>&lt;5 years</td>
<td>&gt;2,000</td>
<td>Pre-Feasibility</td>
<td>&gt;15</td>
<td>Non Operated</td>
<td>- Tier 1 resource - Ability to process through North West Shelf - Oversupply of LNG driving low price market environment - Remote field location, deep water, severe metocean conditions</td>
</tr>
<tr>
<td>Wards Well Metallurgical Coal</td>
<td>Long-life, premium hard coking coal resource, greenfield underground long-wall mine</td>
<td>&gt;5 years</td>
<td>&gt;1,000</td>
<td>Opportunity assessment</td>
<td>~15</td>
<td>****</td>
<td>- Tier 1 resource - Proximity to existing operating assets - Geological definition required to de-risk - Risk of impact on market supply - Supply chain logistic complexities</td>
</tr>
<tr>
<td>Resolution Copper</td>
<td>Underground block cave with attractive grade profile and competitive cost curve position</td>
<td>&gt;5 years</td>
<td>&lt;3,000</td>
<td>Conceptual</td>
<td>&gt;15</td>
<td>Non Operated</td>
<td>- High copper grades - Resilient to price - Non-operated JV - Technical risk due to caving at the resource depth and tailings options - Permitting requirements</td>
</tr>
<tr>
<td>Jansen Stage 1 Potash</td>
<td>Tier 1 resource with valuable expansion opportunity</td>
<td>&lt;5 years</td>
<td>~5,000</td>
<td>Feasibility</td>
<td>~13</td>
<td>****</td>
<td>- Tier 1 resource, stable jurisdiction - Operating costs of ~US$100/t (FOB Vancouver) - Sensitive to price - Unrivalled position of land - Risk of market oversupply - New commodity entry - Sensitive to price - High capital cost and long payback</td>
</tr>
<tr>
<td>Jansen Stage 2-4 Potash</td>
<td>Sequenced brownfield expansions of up to 12 Mtpa (4 Mtpa per stage)</td>
<td>&gt;15 years</td>
<td>~4,000</td>
<td>Opportunity assessment</td>
<td>~16</td>
<td>**</td>
<td>- Long term growth optionality and value generation - Risk of market oversupply - Complexities from project size - Significant capital requirement - Further de-risking required</td>
</tr>
</tbody>
</table>

### Aggregate

- Aggregate unrisked value of ~US$15 bn spanning commodities and time periods

---

1. Projects as presented in May 2018 at the Bank of America Merrill Lynch Global Metals, Mining & Steel Conference; Global Investment Process (GIP) tollgate; IRR: Returns at 2018 analyst consensus price forecasts; ungeared, post-tax, nominal rates; Risk profile is based on a BHP assessment of each project against defined quantified and non-quantified risk metrics rated out of 5; 5 represents more risk.
2. Jansen Stage 1: IRR is ~14% excluding the remaining investment for completion of the shafts and installation of essential service infrastructure and utilities.

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Capital allocation briefing

21 November 2018
## Exploration – extending our conventional reserve life

**Investment decisions made in accordance with our Capital Allocation Framework and fully consider the broader market impact**

<table>
<thead>
<tr>
<th>Options</th>
<th>Location</th>
<th>Ownership</th>
<th>Maturity</th>
<th>Earliest first production</th>
<th>Description</th>
<th>Planned future activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wildling Petroleum</td>
<td>USA - Gulf of Mexico</td>
<td>80+% Operator</td>
<td>Appraisal</td>
<td>Mid 2020s</td>
<td>Large oil resource across multiple horizons near operated infrastructure in US Gulf of Mexico</td>
<td>Complete additional appraisal to optimize development</td>
</tr>
<tr>
<td>Western GOM Petroleum</td>
<td>USA - Gulf of Mexico</td>
<td>100% Operator</td>
<td>Frontier</td>
<td>Early 2030s</td>
<td>Acquired a significant acreage position in Western Gulf of Mexico</td>
<td>Commenced acquisition of Ocean Bottom Node seismic survey in August 2018</td>
</tr>
<tr>
<td>Trion Petroleum</td>
<td>Mexico - Gulf of Mexico</td>
<td>60% Operator</td>
<td>Appraisal</td>
<td>Mid 2020s</td>
<td>Large oil discovery in the Mexican deepwater Gulf of Mexico.</td>
<td>Commenced drilling first operated appraisal well in November 2018</td>
</tr>
<tr>
<td>Magellan Southern Gas Petroleum</td>
<td>Trinidad and Tobago</td>
<td>65% Operator</td>
<td>Exploration</td>
<td>Mid 2020s</td>
<td>Potential material gas play in Deepwater Trinidad, well positioned to the Atlantic LNG plant onshore T&amp;T</td>
<td>Rig completed 2 well exploration program in October 2018</td>
</tr>
<tr>
<td>Northern Gas Petroleum</td>
<td>Trinidad and Tobago</td>
<td>70% Operator</td>
<td>Exploration</td>
<td>Mid 2020s</td>
<td>Potential material gas play in Deepwater Trinidad, well positioned to the Atlantic LNG plant onshore T&amp;T</td>
<td>Additional exploration to test other prospects following the recent Bongos-2 success</td>
</tr>
<tr>
<td>Northern Oil Petroleum</td>
<td>Trinidad and Tobago</td>
<td>70% Operator</td>
<td>Frontier</td>
<td>Late 2020s</td>
<td>Potential oil play in deepwater Trinidad</td>
<td>Further geotechnical analysis</td>
</tr>
<tr>
<td>Exmouth sub-basin Petroleum</td>
<td>Australia</td>
<td>35-75%</td>
<td>Exploration</td>
<td>Mid 2020s</td>
<td>Proved hydrocarbon system with producing oil and gas discoveries</td>
<td>3D seismic data has been received and is being analysed</td>
</tr>
<tr>
<td>Orphan Basin Petroleum</td>
<td>Canada</td>
<td>100% Operator</td>
<td>Frontier</td>
<td>Early 2030s</td>
<td>Recent bid success for blocks with large oil resource potential in the offshore Orphan Basin in Eastern Canada.</td>
<td>Exploration work programs of US$140 million up to FY2021</td>
</tr>
<tr>
<td>Samurai Petroleum</td>
<td>USA - Gulf of Mexico</td>
<td>50% Operator</td>
<td>Appraisal</td>
<td>Early 2020s</td>
<td>Oil discovery in the Wildling mini basin</td>
<td>Appraised field in 2018 with Samurai-2 and Samurai-2 sidetrack. Evaluating further appraisal and development plans</td>
</tr>
</tbody>
</table>

### Multi-billion barrel equivalent risked potential; unrisked NPV of up to US$15 billion*

**Note:** Petroleum exploration NPV: Unrisked values at BHP long-term price forecasts as presented in May 2018 at the Bank of America Merril Lynch Global Metals, Mining & Steel Conference.
BHP