NEWS RELEASE

Release Time IMMEDIATE[1]

Date 10 April 2017

Release Number 13/17

BHP BILLITON NOTES ELLIOTT PROPOSAL

BHP Billiton notes the publication of a letter from Elliott Associates, L.P. and Elliott International, L.P. (**Elliott**), which outlines a proposal for changes to the Group's Dual Listed Company (**DLC**) structure, asset portfolio and capital management.

BHP Billiton regularly reviews opportunities to create value. Those reviews have included the key elements of Elliott's proposal. We have had dialogue with Elliott over many months, consistent with our commitment to shareholder engagement.

After reviewing the elements of Elliott's proposal, we have concluded that the costs and associated risks of Elliott's proposal would significantly outweigh any potential benefits.

Elliott proposes that the Group replace the DLC with a single United Kingdom domiciled company, with a primary listing in London and with Chess Depository Instruments quoted in Australia on the Australian Securities Exchange. Although we keep the DLC structure under review, we have not yet identified sufficient benefits to outweigh the significant costs which would be incurred in unifying the DLC.

Unification of the DLC in the manner proposed by Elliott would require approval by the Australian Foreign Investment Review Board.

Elliott's proposal includes BHP Billiton demerging its US Petroleum assets into an entity to be listed on the New York Stock Exchange. Elliott's demerger proposal is based on a view that investors would ascribe a higher value for these assets in a separately listed entity.

There is no obvious discount in BHP Billiton's trading multiples relative to the weighted average of relevant mining and oil and gas peers. BHP Billiton has disclosed the information the market needs to fully value the Petroleum business.

BHP Billiton's approach is to optimise the long term value of the Petroleum business through operating excellence.

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[1] This release was made outside the hours of operation of the ASX markets announcements office.

Elliott's proposal also includes BHP Billiton buying back shares according to a formulaic approach without regard for the cyclical nature of the resources industry or the returns available from other uses of cash. Consistent with its capital allocation framework, BHP Billiton assesses the value buybacks could create compared to the competing objectives of strengthening the balance sheet, investing in growth or making additional dividend payments.

Since the formation of the DLC in 2001, we have returned to shareholders approximately US$23 billion in buybacks of BHP Billiton Limited and BHP Billiton Plc shares, and approximately US$56 billion in cash dividends.

Since 2013, BHP Billiton has reduced the number of assets in the portfolio by more than one third, through the demerger of South32 and the sale of over US$7 billion of assets. We have reduced unit costs by more than 40 per cent. Under BHP Billiton's updated dividend policy, shareholders now receive a minimum 50 per cent of underlying earnings as a dividend each period. We have introduced a rigorous capital allocation framework, which balances value creation, cash returns to shareholders and through the cycle balance sheet strength in a transparent and consistent manner.

In doing so, we have laid the foundations for the Group to substantially grow the base value of its operations. Elliott's proposal would put this at risk.

The Board of BHP Billiton will consider further its detailed response to the proposal and will make a further announcement in due course.

Further information on BHP Billiton can be found at: **bhpbilliton.com**

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