NEWS RELEASE

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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

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

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Capital allocation briefing

Peter Beaven

21 November 2018

Port Hedland

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.

For example, future revenues from our operations, projects or mines described in this presentation will be based, in part, upon the market price of the minerals, metals or petroleum produced, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project, the expansion of certain facilities or mines, or the continuation of existing operations.

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.

Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or review any forward-looking statements, whether as a result of new information or future events.

Past performance cannot be relied on as a guide to future performance.

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BHP results are reported under International Financial Reporting Standards (IFRS). This presentation may also include certain non-IFRS (also referred to as alternate performance measures) and other measures including Underlying attributable profit, Underlying EBITDA (all references to EBITDA refer to Underlying EBITDA), Underlying EBIT, Adjusted effective tax rate, Controllable cash costs, Free cash flow, Gearing ratio, Net debt, Net operating assets, Operating assets free cash flow, Principal factors that affect Underlying EBITDA, Underlying basic earnings/(loss) per share, Underlying EBITDA margin and Underlying return on capital employed (ROCE) (all references to return on capital employed refer to Underlying return on capital employed), Underlying return on invested capital (ROIC). These measures are used internally by management to assess the performance of our business and segments, make decisions on the allocation of our resources and assess operational management. Non-IFRS and other measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

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

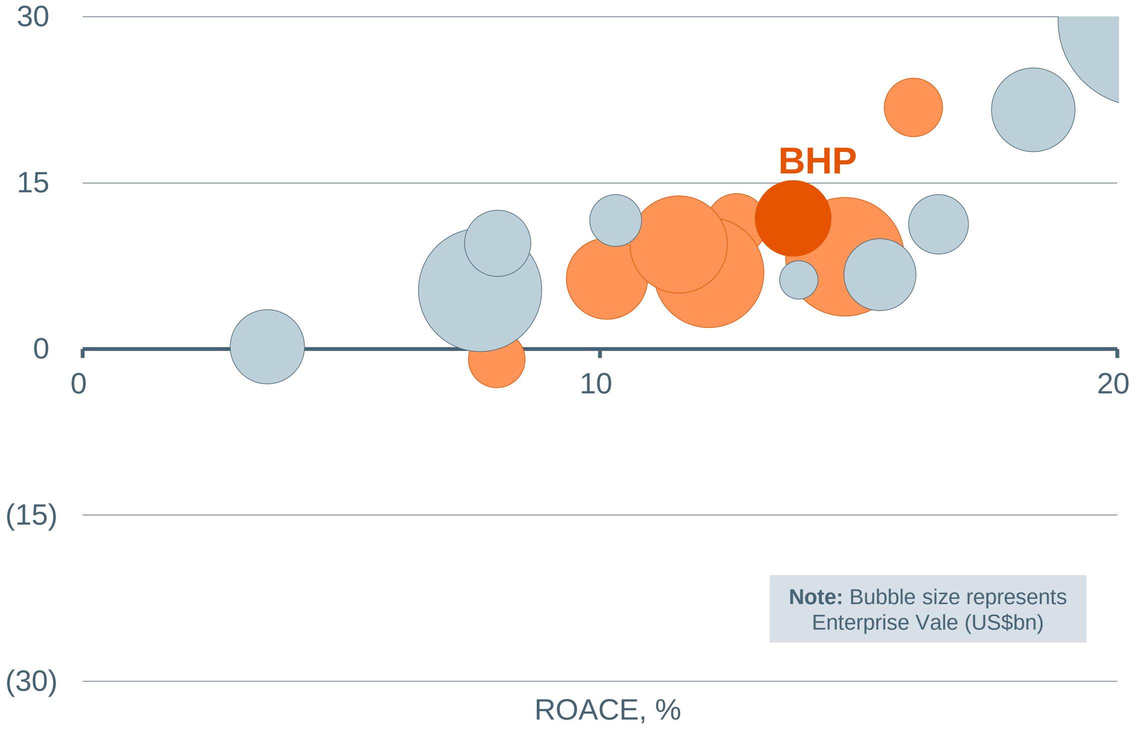
Capital allocation is a key enabler of our purpose to grow long-term shareholder value and returns

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

The importance of capital allocation

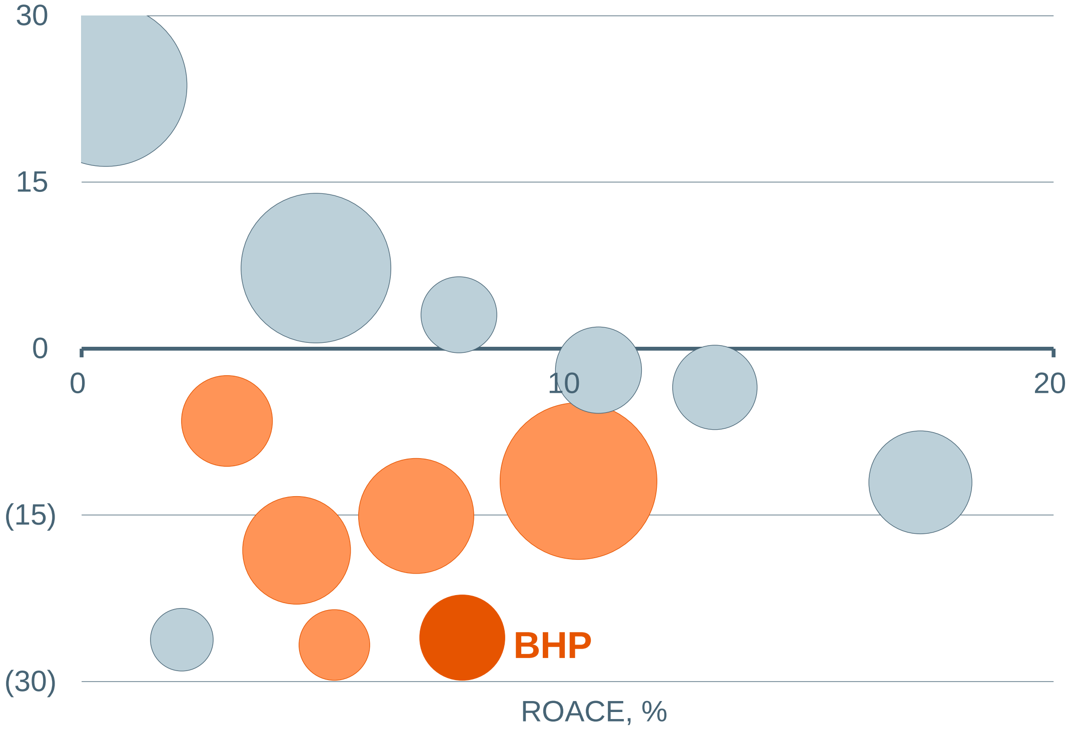
Over the long term, capital allocation is a key driver and differentiator of company performance

Value vs Returns – CY97-CY18[1,2,3]
(TSR CAGR, %)



Miners, oil and gas majors   Other companies

Value vs Returns – CY15[1,2,3]
(TSR, %)



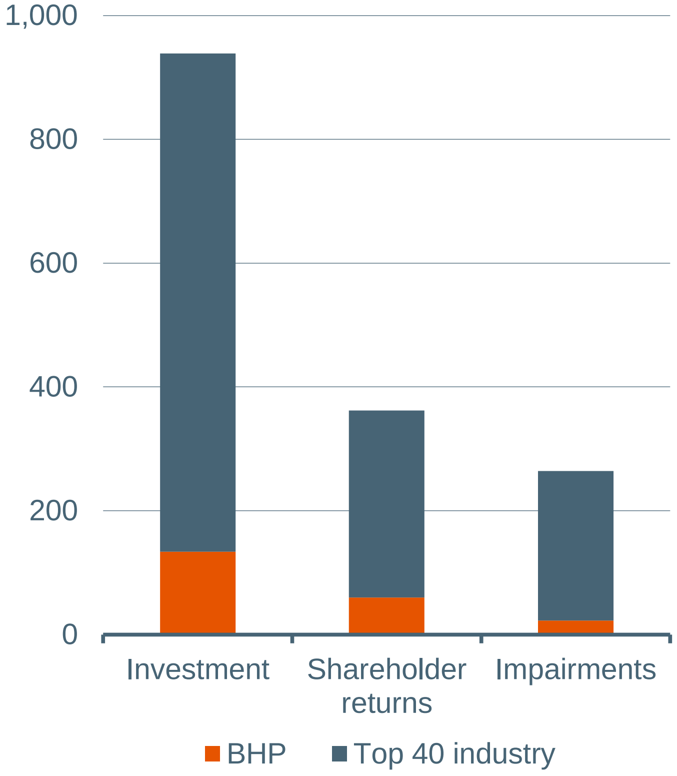
Miners, oil and gas majors   Other companies

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.

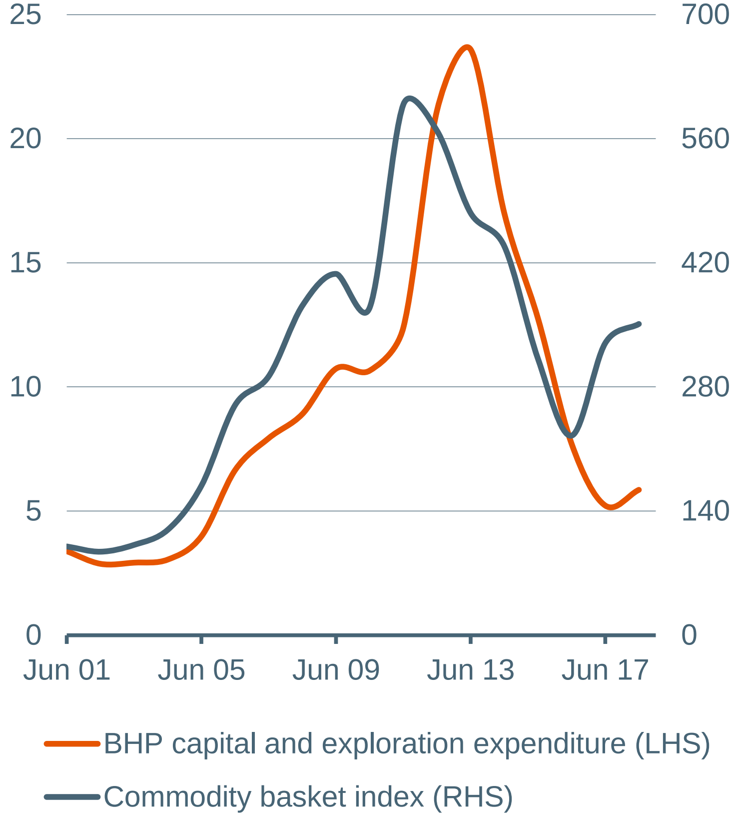
Where did the industry go wrong?

Pro-cyclical investing has destroyed value and eroded returns

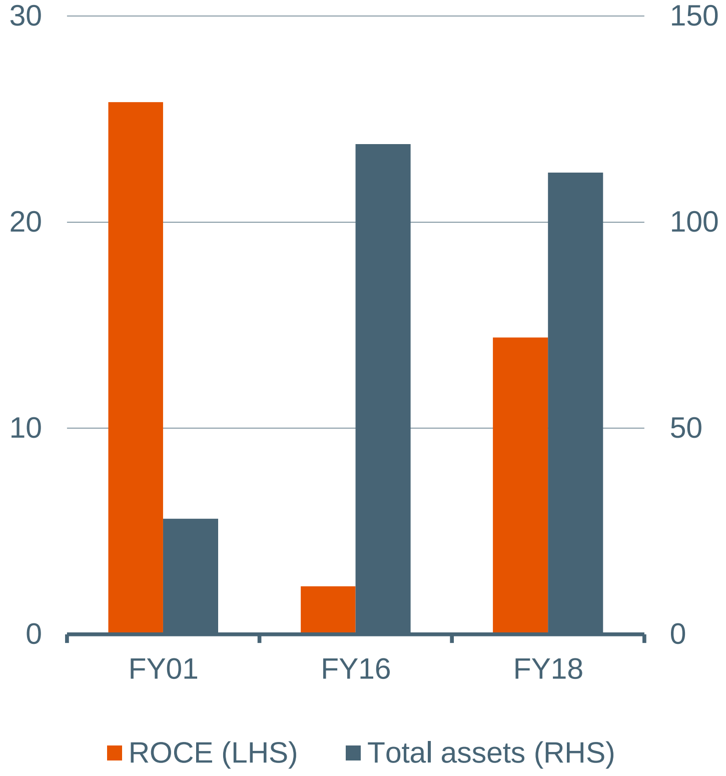
Top 40 industry[1] and BHP cumulative metrics (CY08 – CY17)
(US$ billion)



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



BHP ROCE and total assets
(%) (US$ billion)



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.

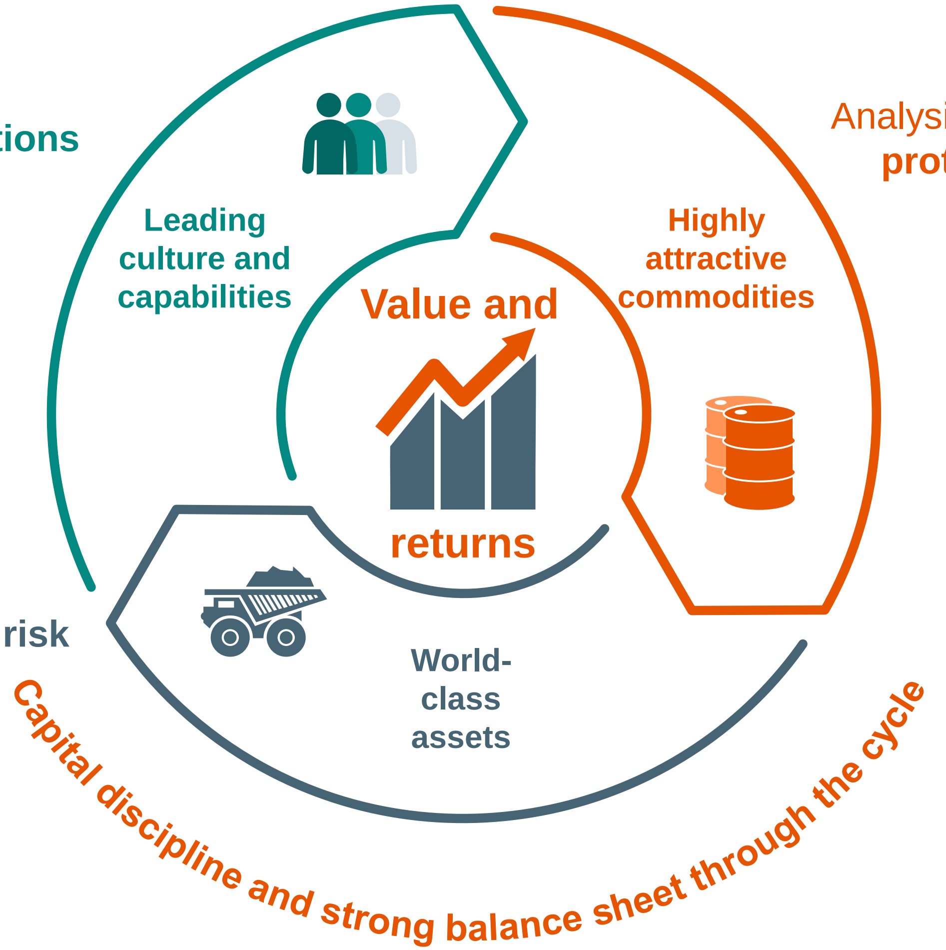
Our strategic framework

Strategy is integral to capital allocation

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

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

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



Improving capital allocation

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

Strategy	**Strategy provides long-term context to today's capital allocation decisions** • Informs capital allocation to enable evolution from today's optimal portfolio to the optimal portfolio in the future • Long-term scenarios to test portfolio resilience and identify new opportunities as demand patterns evolve • Option-based approach with rigorous capital competition supports competitive advantage in range of future states
Capital Allocation Framework	**Transparent capital hierarchy promotes accountability and discipline** • Reduced debt by ~US$15 billion over last two years and established target net debt range of US$10 to US$15 billion • Minimum 50% payout ratio policy ties dividends to company performance • Improved capital discipline with all investments tested against additional returns to shareholders
Evaluation	**Greater appreciation of risk as well as reward in all investment decisions** • Quantitative and qualitative risk assessments with a broad range of return metrics • Range-based forecasts, stress testing and sensitivity analysis to manage volatility • Capital prioritisation fully considers 'optimise without capital' alternative and opportunity cost
Organisation structure	**Centralised capital prioritisation encourages greater competition for capital** • Separation of sponsor and analysis to remove unconscious bias • Earlier Board reviews incorporated into project tollgating process • Post investment lessons critically examined and embedded

Our framework promotes discipline in all capital decisions

Transparent capital allocation hierarchy

Operating productivity | **Capital productivity**

Maximise cash flow through **lower costs, productivity, technology** and **culture**

Net operating cash flow

Maintenance capital

Strong balance sheet

Net debt range of **US$10 to US$15 billion**

Minimum 50% payout ratio dividend

Dividend policy **linked to the performance** of our business

Excess cash flow

Less than US$8 billion in capital and exploration expenditure per annum to FY20

Debt reduction | **Additional dividends** | **Buy-backs** | **Organic development** | **Acquisitions/ divestments**

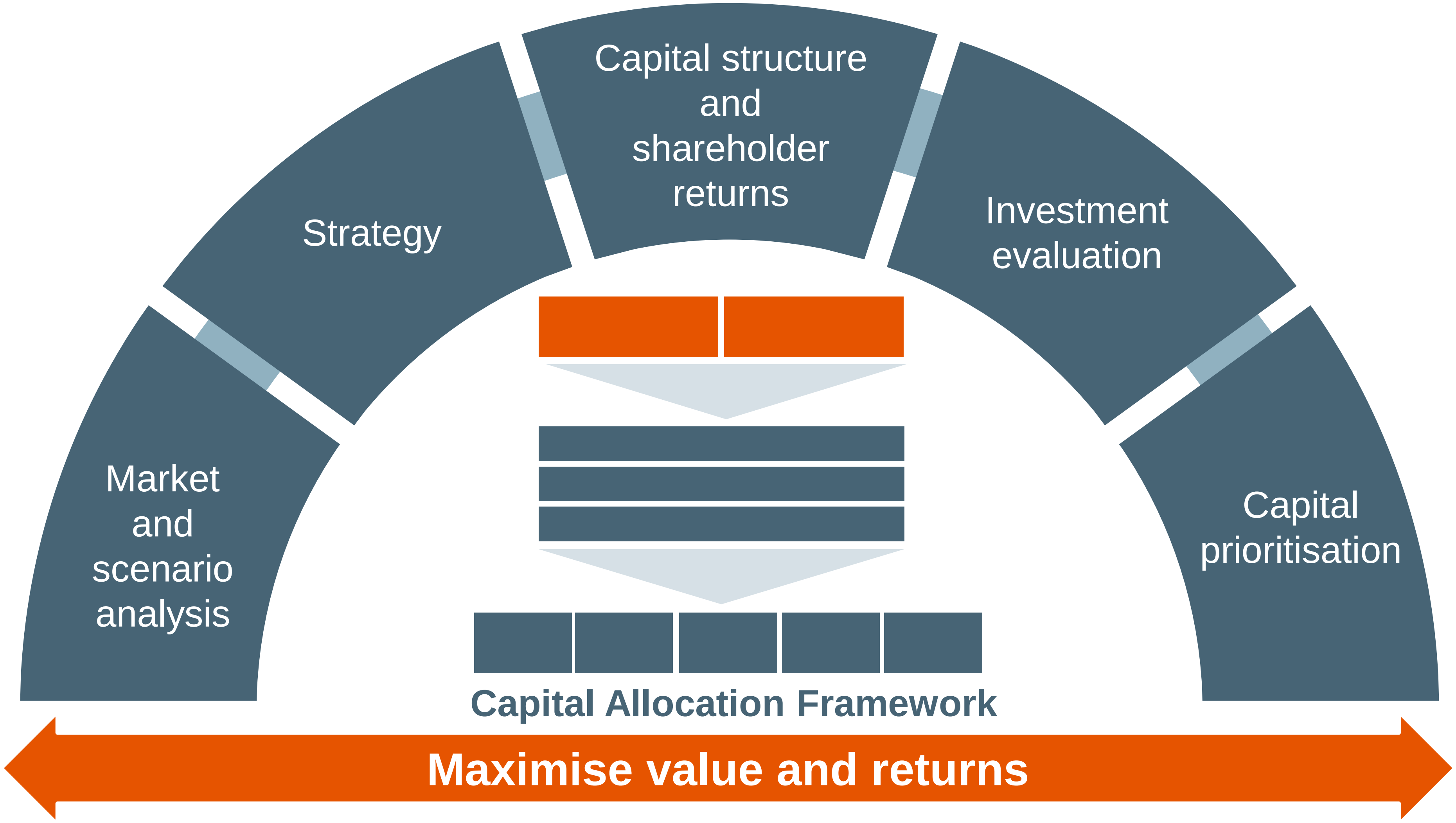
Maximise value and returns

~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

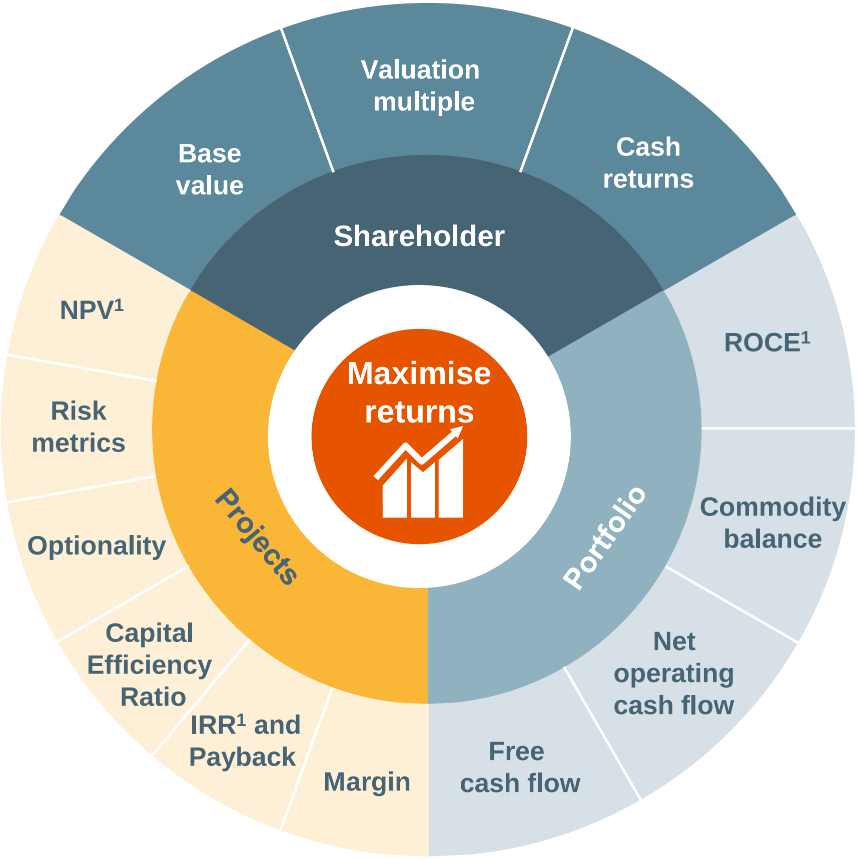


Increased rigour in our evaluation approach

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.

Broad suite of attractive opportunities

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

Optionality

In execution

Higher return

Lower return

Higher return, higher risk

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

Higher return, lower risk

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

Lower return, higher risk

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

Lower return, lower risk

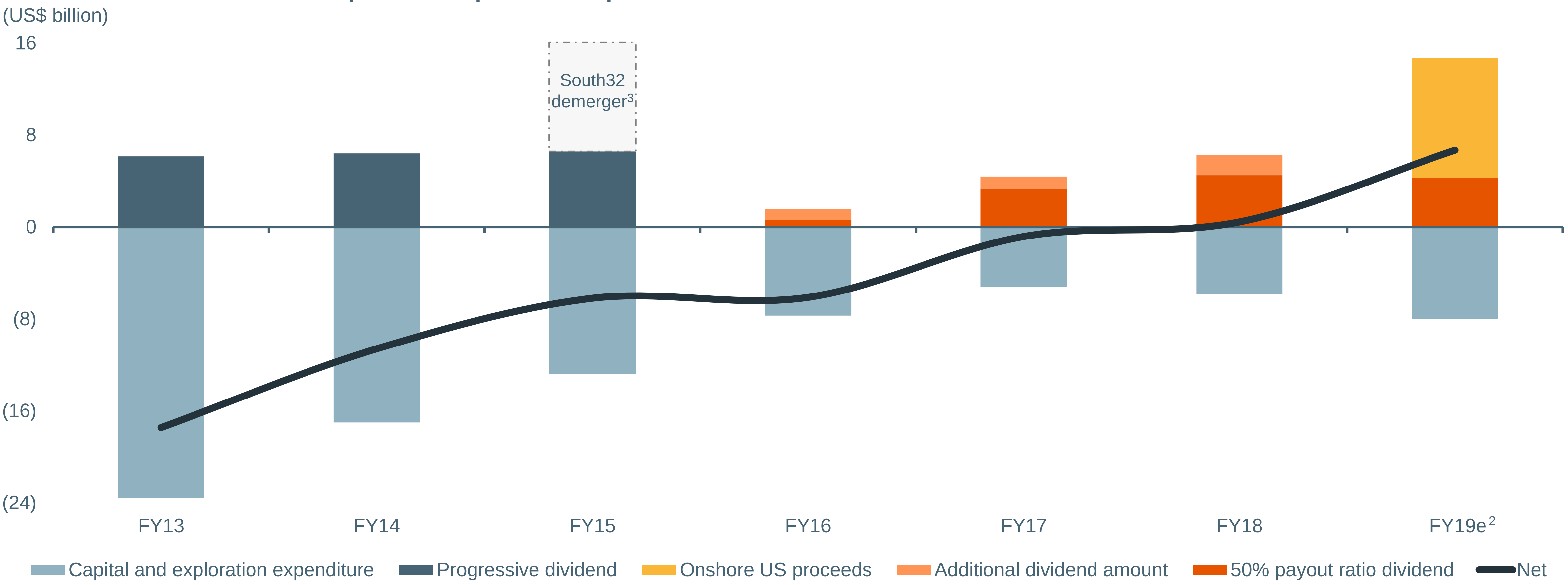
- Spence Growth Option (Copper)
- Scarborough (Petroleum)
- Jansen Stage 1 (Potash)

Higher risk — Lower risk

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]



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.

Changes are embedded, sustainable and delivering

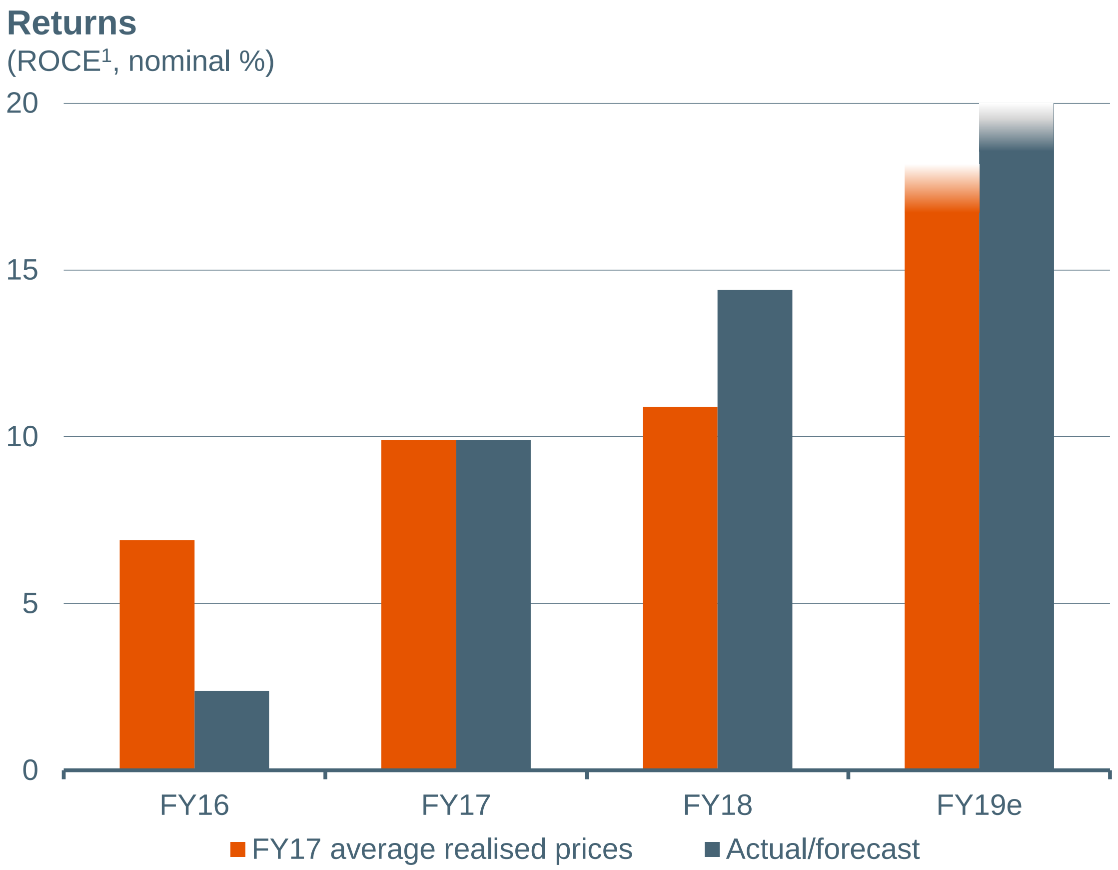
Outcomes since the implementation of the Capital Allocation Framework at the beginning of 2016

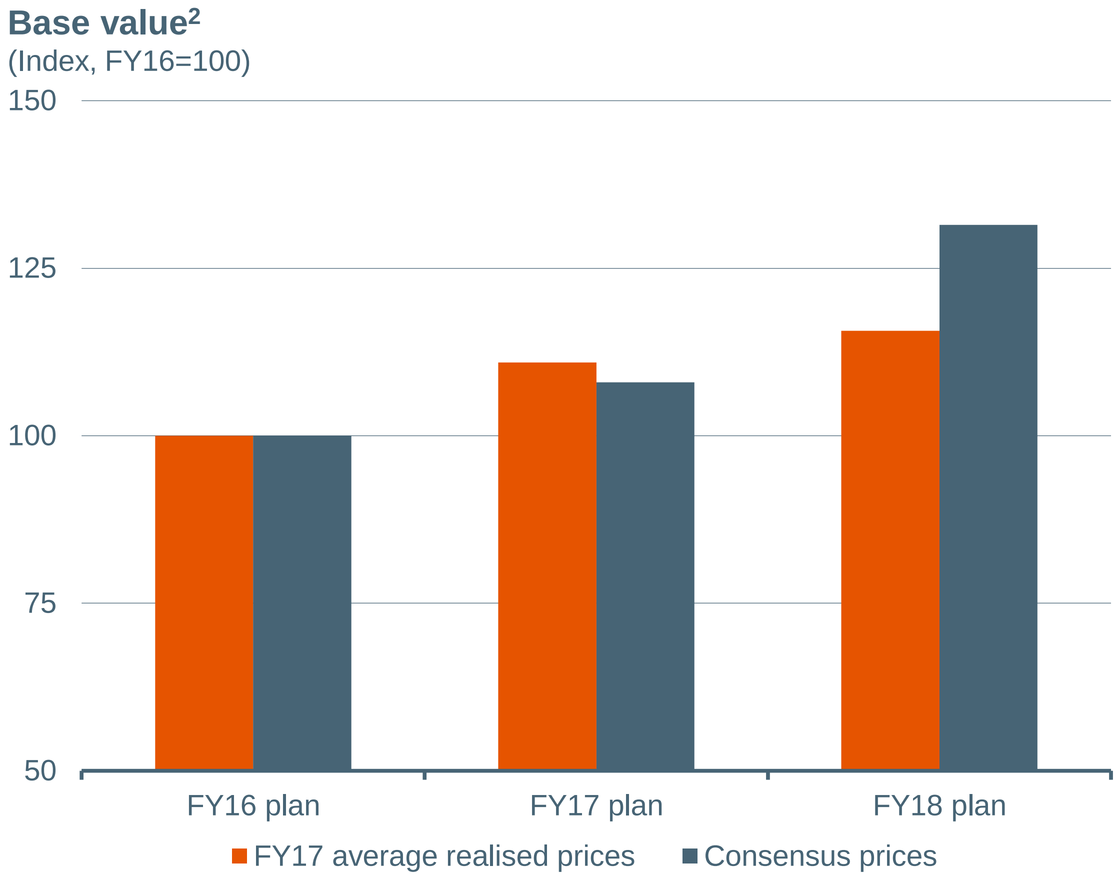
Debt	Additional dividends	Buy-backs	Organic development	Acquisitions/ divestments
Over US$15 billion of debt reduction At low end of the US$10 to US$15 billion net debt range	US$9 billion of additional dividends announced US$3.8 billion paid US$5.2 billion special dividend announced	US$5.2 billion Limited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

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.

Our plans are delivering

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





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.
2. As presented at the Bank of America Merrill Lynch 2018 Global Metals, Mining and Steel Conference on 15 May 2018. Reflects the planning forecasts at the time before the addition of upside opportunities.

We have the assets, capability, discipline and options

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

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

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.

Key messages

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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**
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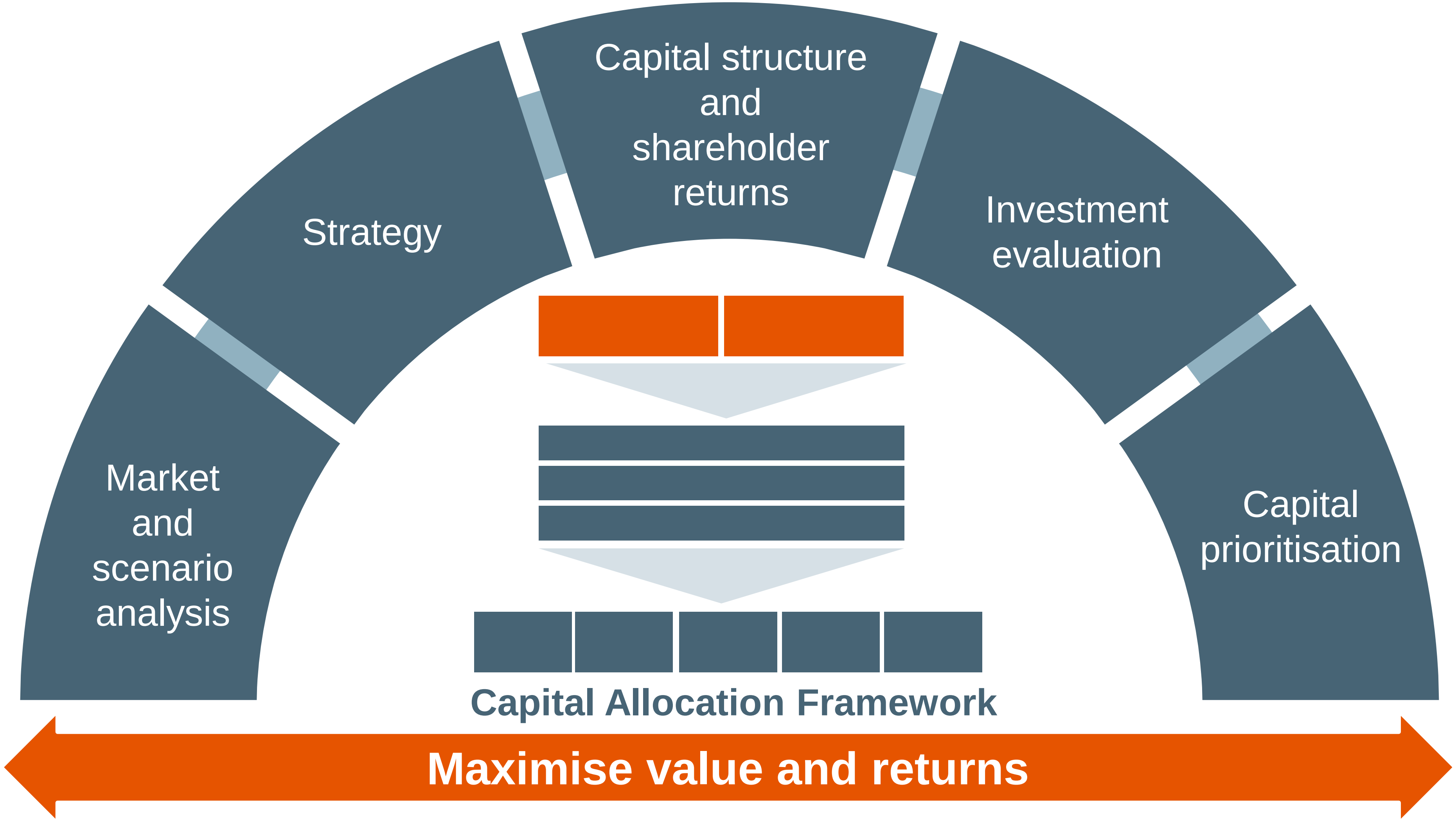
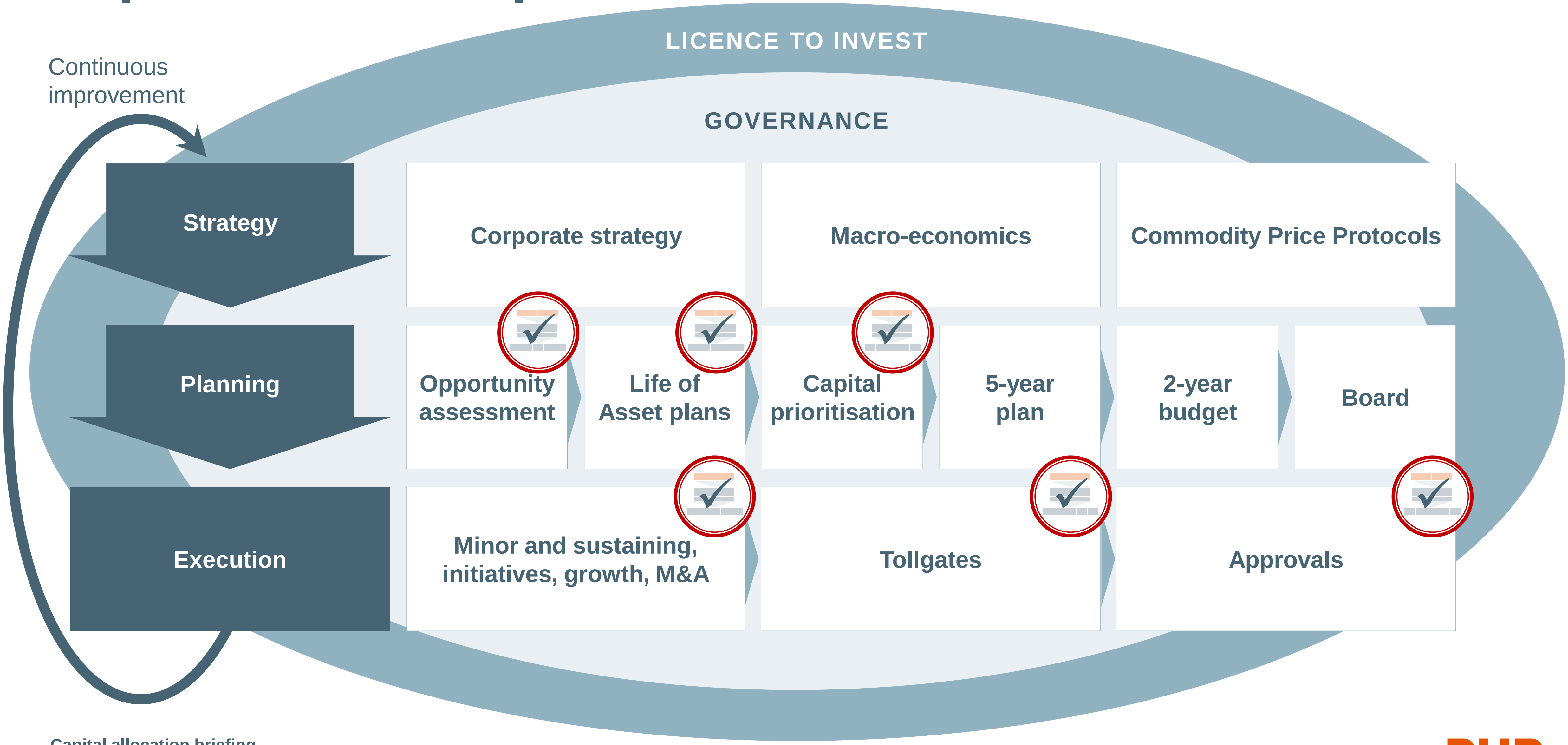
BHP

Capital allocation briefing: deep dive



Capital allocation process



Market and scenario analysis: Key messages

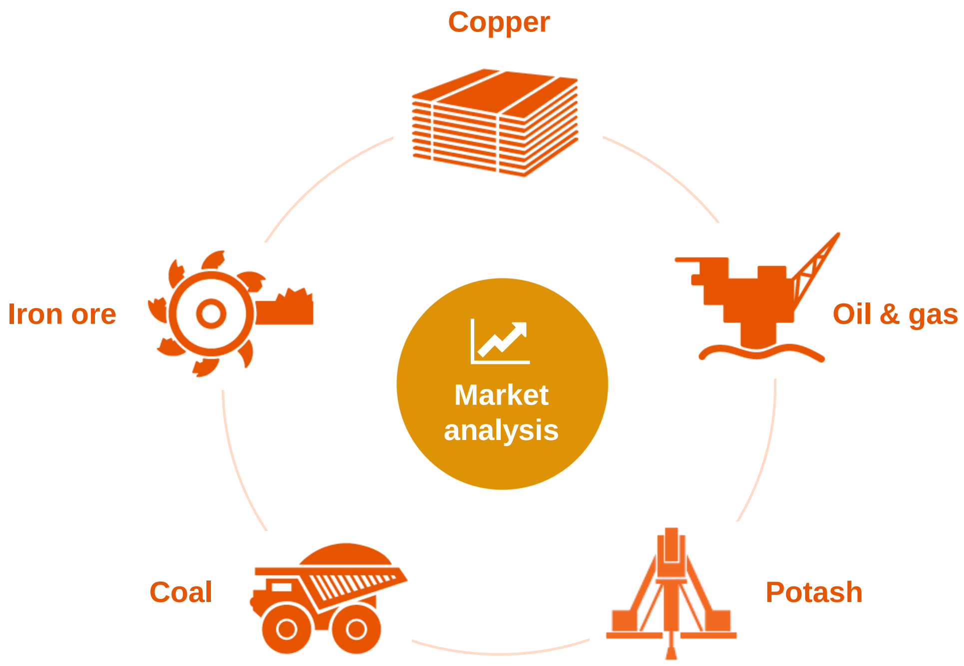
Market and scenario analysis narrows the range of future uncertainty, supporting better investment decisions today

Differentiated view	**Minerals and energy portfolio diversity enables a holistic view of the global landscape** **Integrated commercial and finance functions provide end-to-end market intelligence**
Independent & objective	**Forecast commodity price ranges compiled independently of project sponsors** **Price forecasts applied consistently across the Company**
Through the cycle	**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**
Robust methods	**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**
Rigourous foundations	**Holistic fundamental analysis synthesizing macro, sectoral, technological, market and ‘geo’ drivers** **Deep understanding of the operating environment, including detailed external benchmarking**

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

BHP

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

more objective, …

Independent team drives internal consistency across all projections

more technically proficient, …

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

and more measured.

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

This is the tip of the iceberg – what's beneath the surface?

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

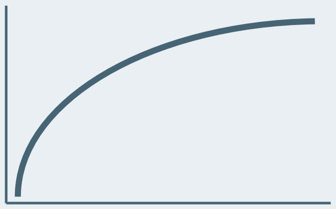
Short term		Medium term		Long term	
Policy uncertainty	Growth moderating	New copper & oil supply	Steeper cost curves	Growth in population, wealth	New demand centres and themes
Sentiment mixed	Prudently cautious	Sustainable productivity	Emerging Asia	Decarbonisation and electrification	Technology

Forecasts — Scenarios

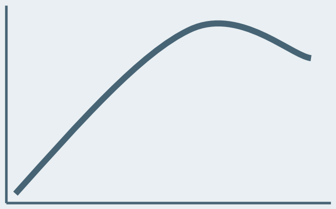
Deep understanding of the operating context

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

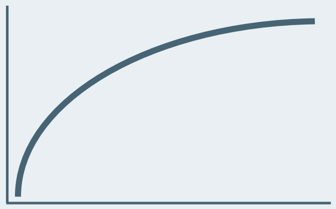
Living standards & demography



Metal intensity



Energy intensity



Technological diffusion

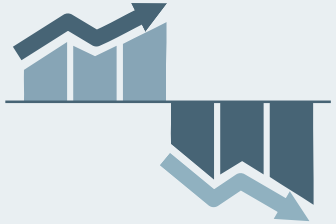
Policy drivers

'Geo' factors

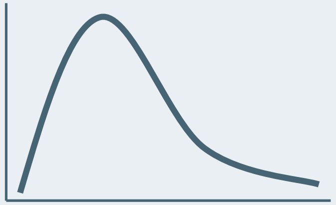
- Geology
- Geography
- Geopolitics
- Geoeconomics

Supply dynamics

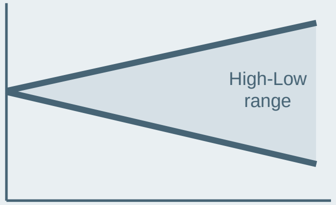
Cost dynamics



Price dynamics



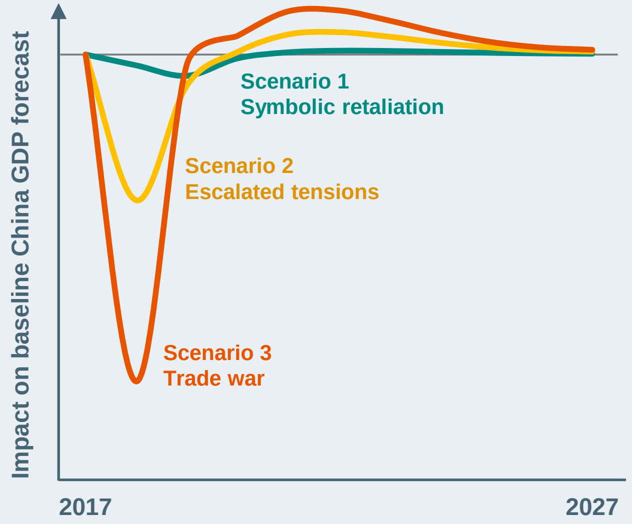
Acknowledging uncertainty



Tracking demand dynamics on all time horizons

Short-term shocks
Sino-US trade tensions

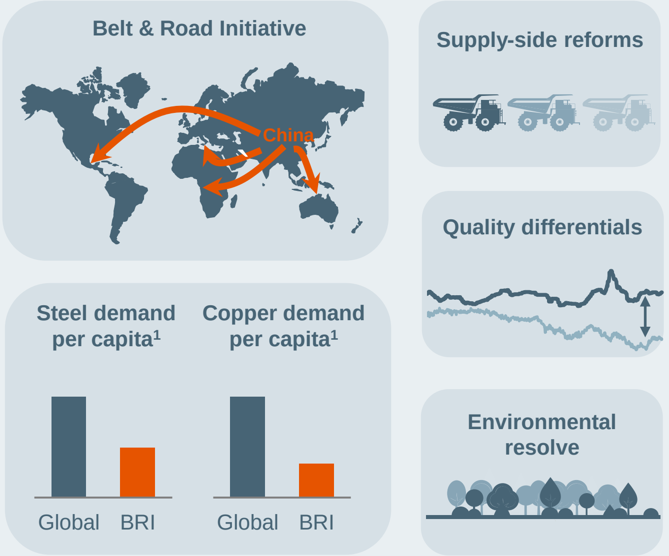
Dynamic modelling of potential shocks, allied to bottom-up expertise, equips us to anticipate and prepare for potential stress



▶ How resilient is our Balance Sheet to shocks?

Medium-term shifts
China's new reform era

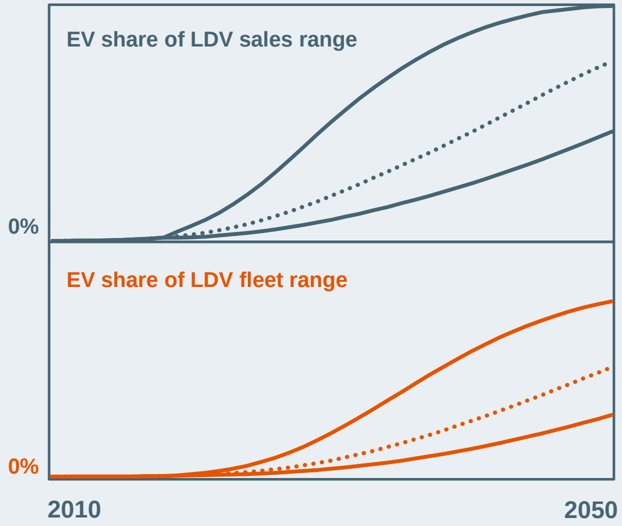
Quality differentials likely to be durable; China's mill fleet becomes bigger, coastal & greener; Belt & Road a key enabler of Eurasian development



▶ How do we replace declining Yandi volumes?

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



▶ How is our portfolio set up to leverage EV trend?

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

Strategy: Key messages

Our strategy creates long-term value for shareholders

Scenario analysis	Long-term scenarios to test portfolio resilience and identify new opportunities under materially different worlds
Strategic focus	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
Optimised portfolio	Strategy helps direct capital allocation enabling evolution from today's optimal portfolio to the optimal portfolio in the future
Competitive advantage	Identification of key value drivers in each of our commodity businesses: productivity, simplification, maturation of our option suite; underpinned by a strong balance sheet
Future options	Option-based approach to investments, with rigorous competition for capital, supports competitive advantage in a range of future outcomes

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

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

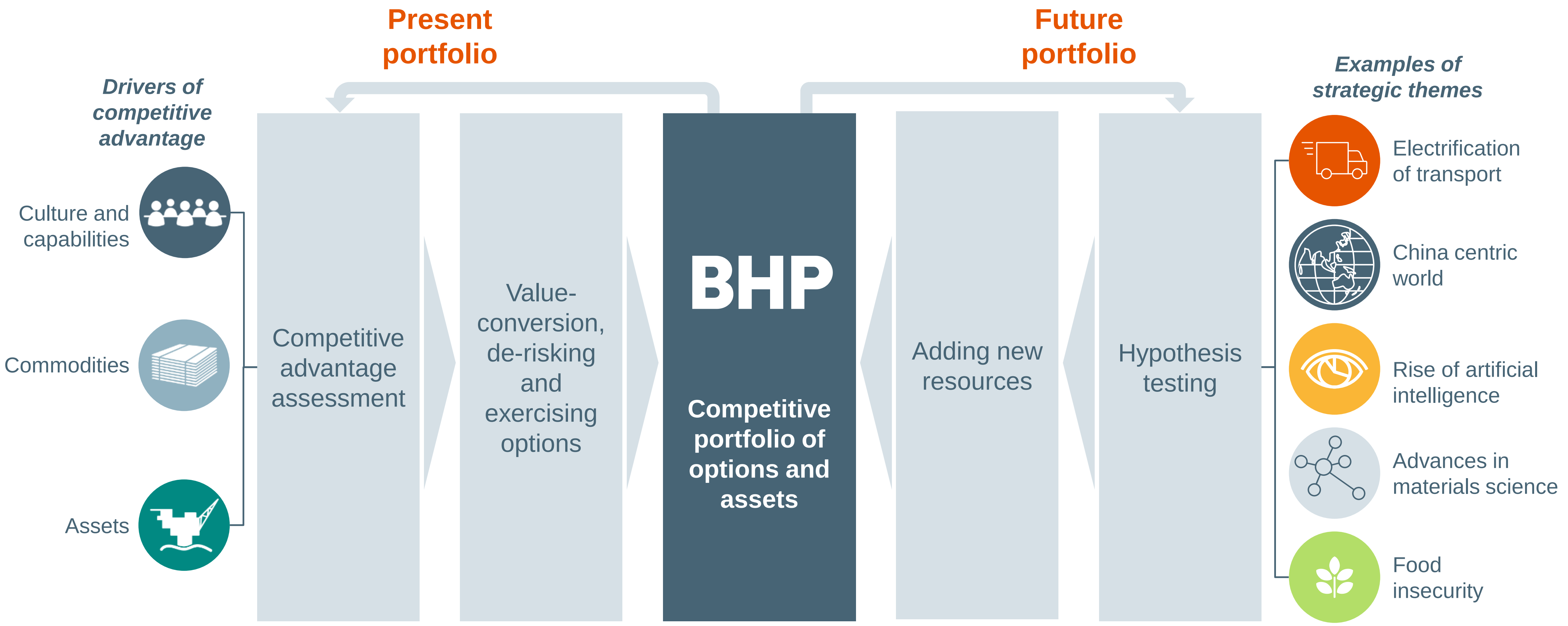
Strategic drivers

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

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

Strategic process

Continually assessing our competitive advantages and future fitness of portfolio



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

Integrated

Treasury expertise embedded in strategic decisions

Integrated approach to Financial Risk Management

Commerciality

Best practice from bank and corporate treasuries

Commercial mindset in transaction structuring

Transparent

Clear Treasury frameworks for balance sheet and liquidity

US$10-15 billion net debt target range

Minimum 50% payout ratio dividend policy

Risk

Increased focus on internal capital, market and credit risks

Range-based forecasts and stress testing to manage volatility

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

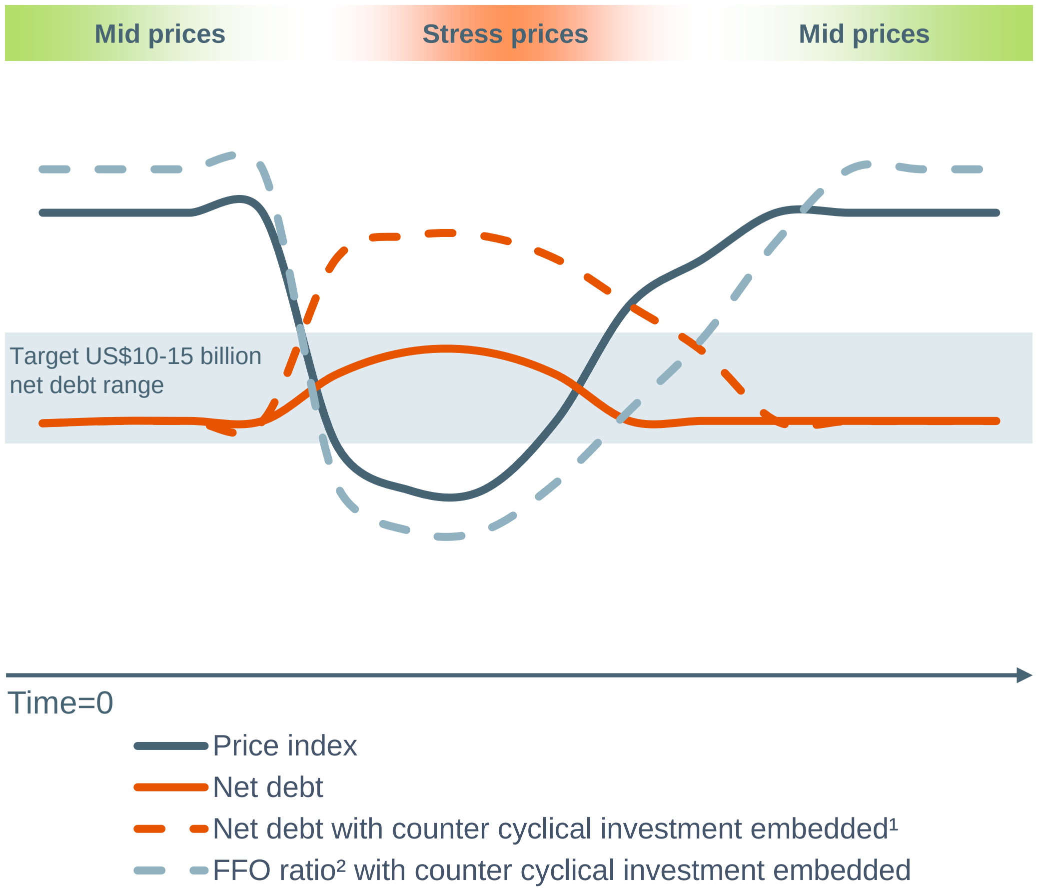
Strong liquidity

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 TSR[1]
- More responsive to changes in conditions
- Reduces volatility in net debt
- Supports counter-cyclical investing

Additional amounts

Considered through Capital Allocation Framework

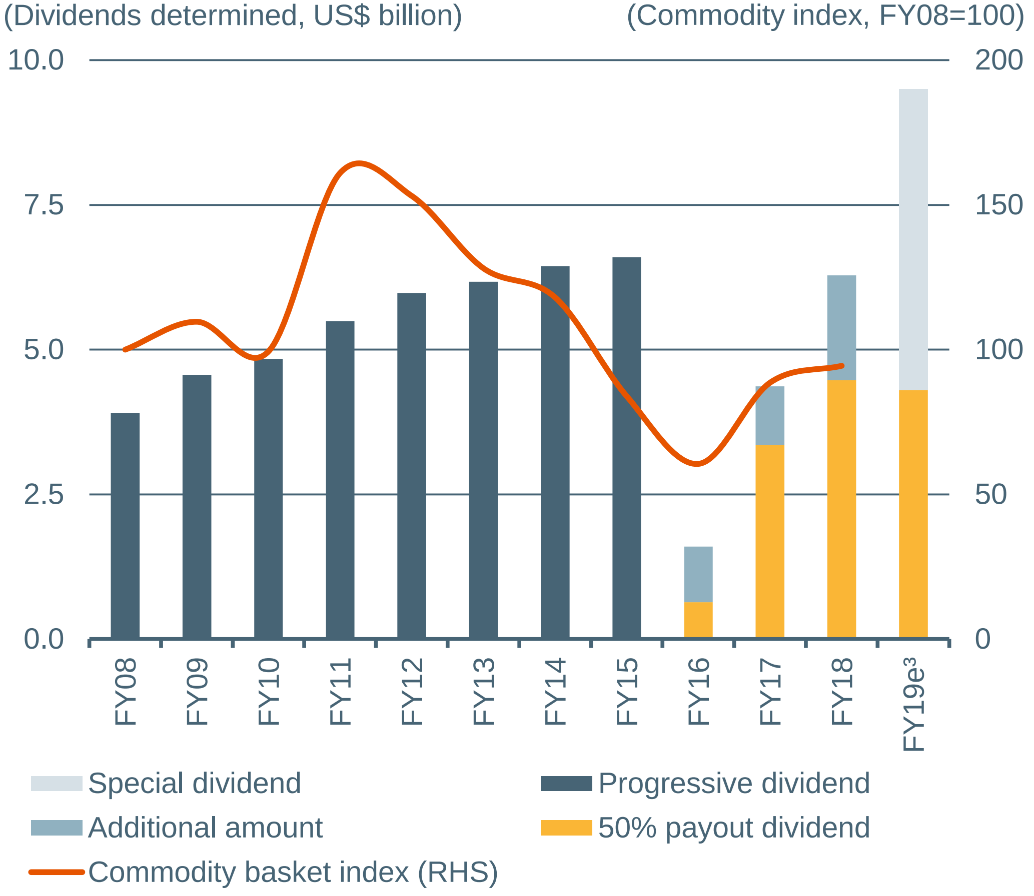
- Additional US$9 billion over minimum dividend announced since February 2016[2]
- Balance sheet position considered when determining amount of excess cash available
- Additional shareholder returns compete with investments

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

Payout ratio dividend policy responds to market conditions



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.

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

Size

Cost

Buy 'cheapest to deliver' (Ltd with up to 14% off-market discount versus DLC spread)

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

Risk and return metrics

Strong shareholder value/returns

Shareholder base

Diversity of shareholder views (institutional perspective, retail preference for dividends)

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

Franking credits

Market metrics

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

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

Transparent

Early and iterative investment review process

Fully incorporate impacts of incremental supply in investment decisions

Capital Allocation Working Group formed and recommendations implemented

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

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

Risk-adjusted returns

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

Opportunity cost of capital

Tested against higher of cost of capital or return of share buy-back

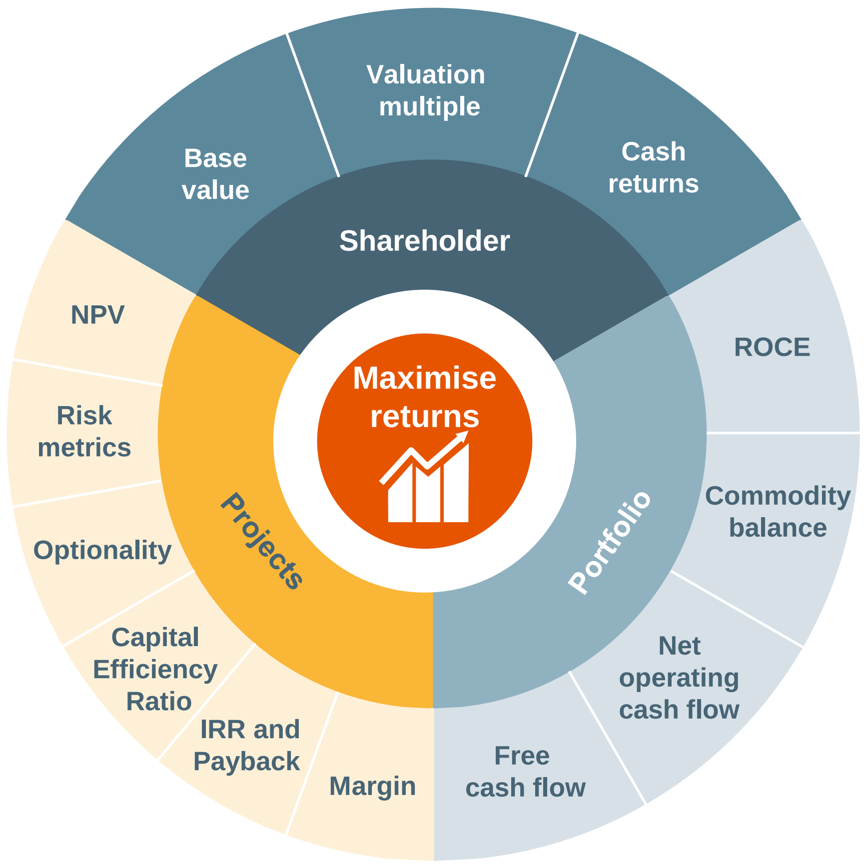
- Flexibility according to market conditions

Incorporating real options

Consideration of option value potential

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

Metrics used in conjunction to provide comprehensive view on returns

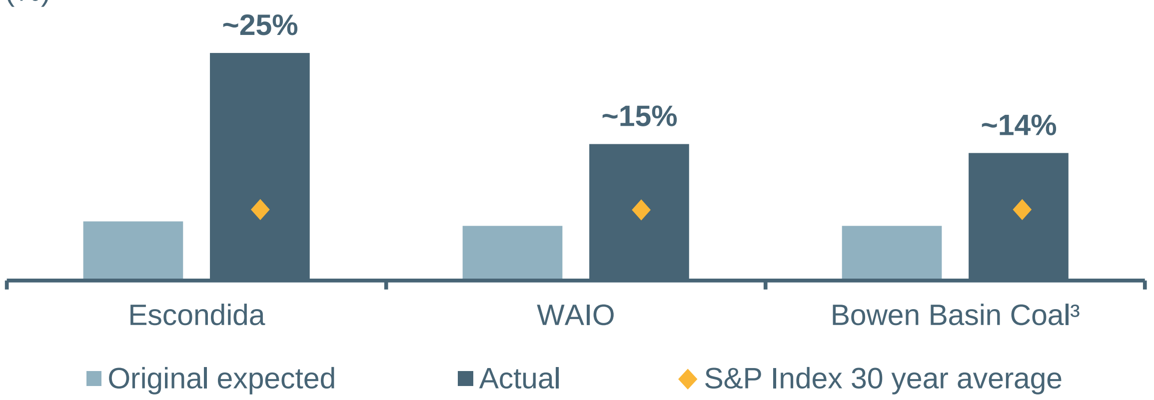


Focused on risk-adjusted returns

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]
(%)



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

Cash flow distribution and payback	Real options
• Near vs long-term view on cash flows • Period of time initial capital is at risk	• Multiple commodity price cycle improvement • Assessing expansion, deferral and exit costs
Industry cost curve position	**Downside / upside risk distribution**
• Sustainable high margins • Cost curve steepness	• Probabilistic analysis enabled • Understanding of both downside and upside risk

Holistic approach to project risk

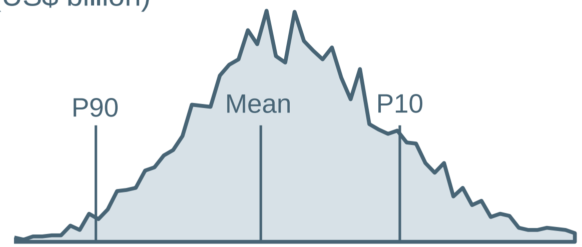
Improved understanding of risk is driving better investment decisions

Quantitative risk + Qualitative risks = Integrated risk assessment

Quantitative risk

- Operational risk
- Macroeconomic risk

Project NPV distribution
(US$ billion)



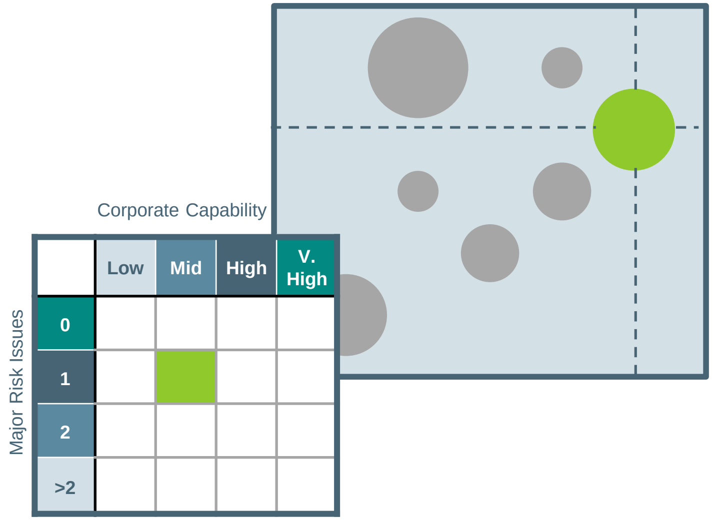
Understand NPV and IRR ranges to mitigate downside risks and improve certainty of outcomes

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

Broad suite of attractive opportunities

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

Optionality

In execution

Higher return

Lower return

Higher risk

Lower risk

Higher return, higher risk

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

Higher return, lower risk

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

Lower return, higher risk

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

Lower return, 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

Holistic

Capital prioritised from a portfolio perspective consistent with long-term strategy, to ensure maximum value and returns

Includes major, minor & sustaining projects, latent capacity, exploration, technology and functional initiatives

Competitive

Purer competition for capital drives capital productivity

Investment tested against buy-backs and acquisition options

Objective

Capital prioritisation managed centrally to avoid bias from asset submissions

Whole of portfolio view drives better decisions

Discipline

Standardised investment and evaluation approach

Fully consider risk vs reward, qualitative factors and investment constraints

Guided by the Capital Allocation Framework

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

Structured approach to assess options

Information generated by the assets during Life of Asset planning process

Bottom-up build up

Centrally assessed in corporate office with common criteria against other options

Strategic fit | Scenarios | Risk-return | Sequencing

Healthy competition of options with objective approach

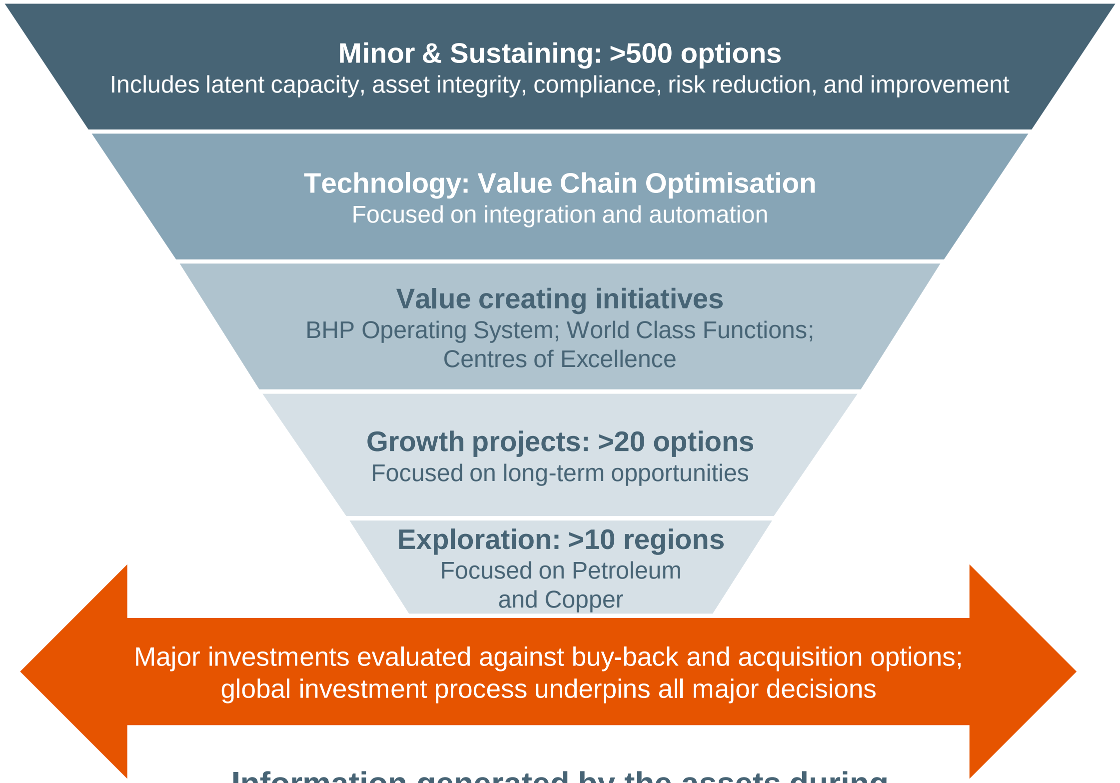
Optimise value for considered level of risk

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

Life of Asset plans for capital prioritisation incorporates:

Current base plan	Potential growth
A current long-term plan excluding unapproved capital projects	Potential growth options based on insights from Opportunity Assessment
Closure plan	**Asset preferred plan**
Plans for closure are incorporated into the long term development plan	A long-term plan preferred by the assets including value creating options



Information generated by the assets during Life of Asset planning process

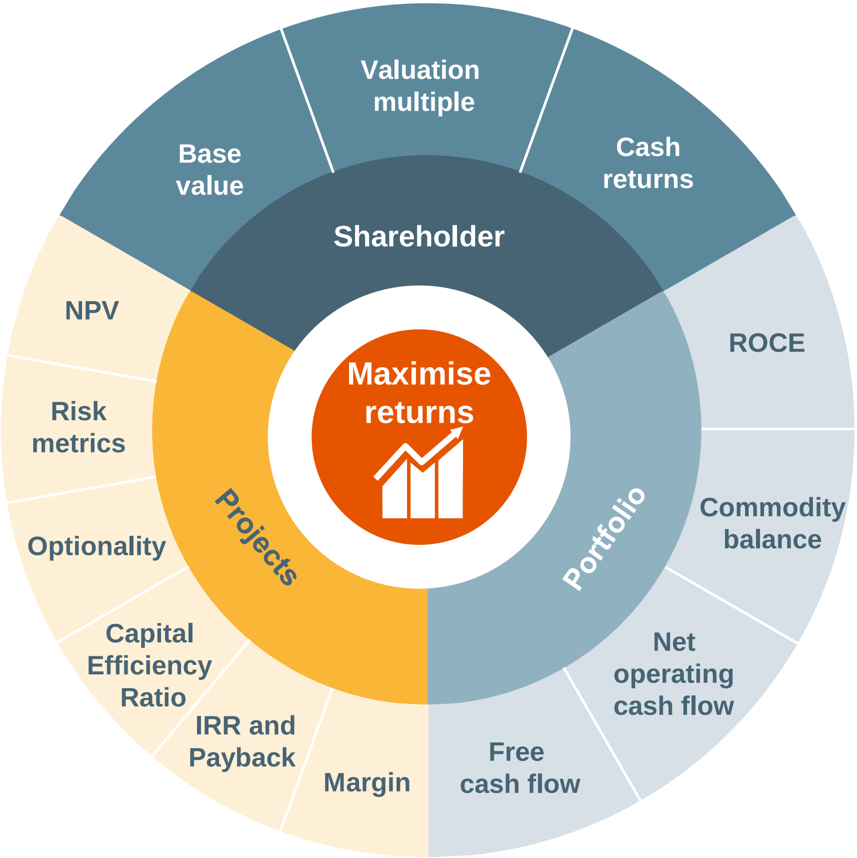
Portfolio optionality assessed by centralised planning

Options assessed from a portfolio perspective against a number of metrics

The assessment of options evaluates:

Strategic fit	Scenarios
Alignment to BHP's portfolio strategy	Stress test plans against different pricing scenarios

Risk-return	Sequencing
Evaluate capital projects against different risk-return metrics	Consider the timing of options to deliver the optimal value



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

Value is optimised for a considered level of risk

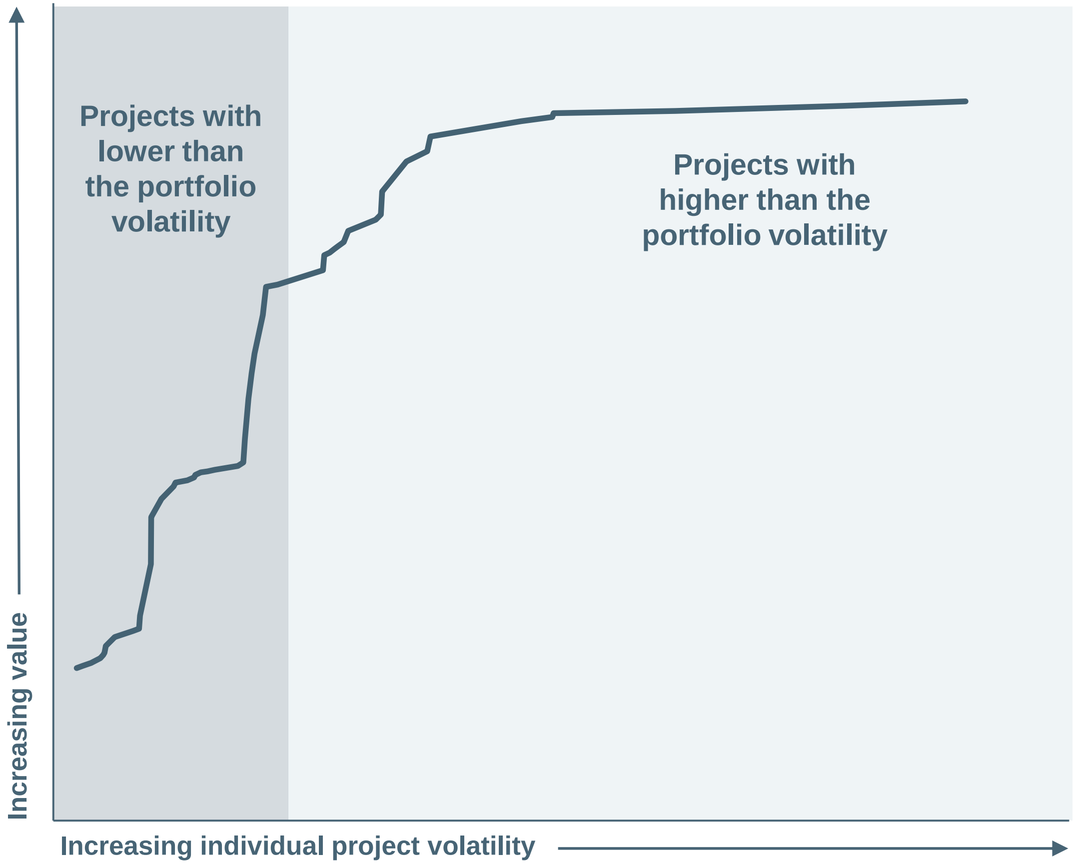
An optimised portfolio plan represents the most valuable risk-adjusted growth portfolio

The optimised portfolio plan considers:

Portfolio risk-return	Portfolio correlation
Long-term growth portfolio optimised on a risk-return basis	Portfolio correlation of each major growth project considered to help manage risk

Balance sheet	Timing
Stress testing of balance sheet under different pricing scenarios	Criticality and optionality around project execution

Options portfolio value
(US$ billion)



Portfolio considerations

A strong portfolio gives us stability and flexibility through the cycle

Strategic fit

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

Balance sheet impact

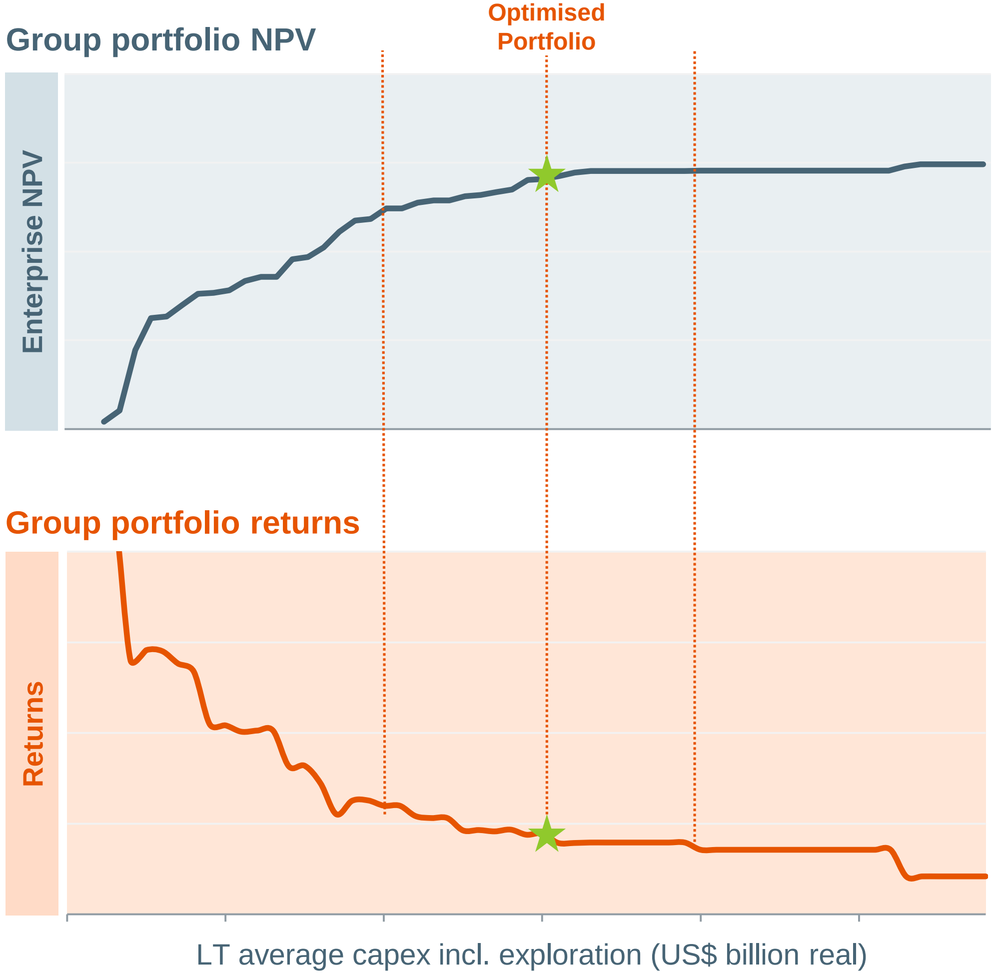
Optimised portfolio assessed for impact on balance sheet

- 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)

Portfolio risk

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



Optimise value for considered level of risk

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	Examples include
Conceptual	Escondida Debottlenecking Spence Ripios Processing Resolution
Pre-feasibility	Scarborough Olympic Dam Brown Field Expansion Hay Point Ship Loader
Feasibility	Jansen Stage 1 Atlantis Phase 3 Ruby Barracouta West
Execution	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

Embedding the culture, capability and processes to drive better capital decisions through to the front line

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

Certainty

Integrated planning provides stability

Portfolio tracking enables early escalation

Project-specific commercial skills and discipline

Capital efficient

Enhanced study expertise drives earlier value optimisation

Greater performance benchmarking

Disciplined

Simplified operating requirements

Consistent standards applied to all projects >US$10 million

Standard approach to safety in design to improve long-term outcomes

Integrated

Working as a single projects community

Projects Centre of Excellence to accelerate improvement

Disciplined approach to choose only the right projects

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

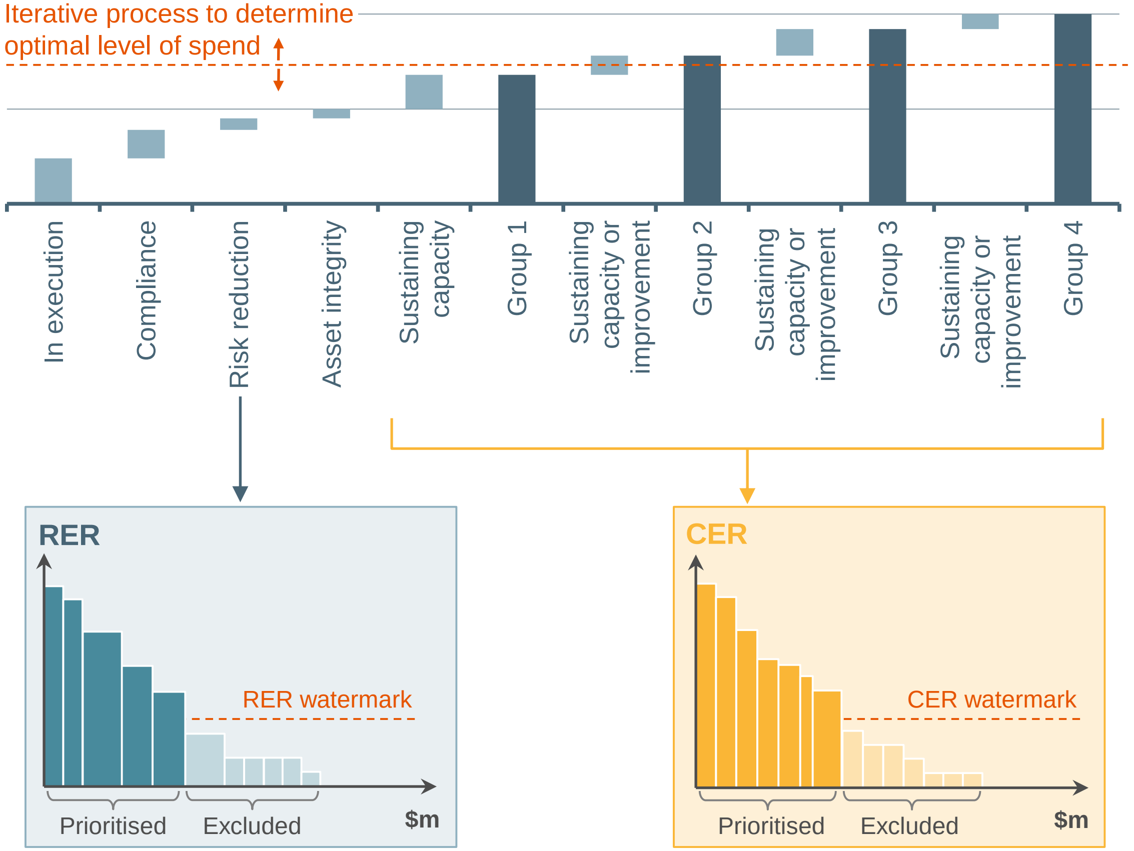
Process

- 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

Prioritisation of minor and sustaining capital
(US$)



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

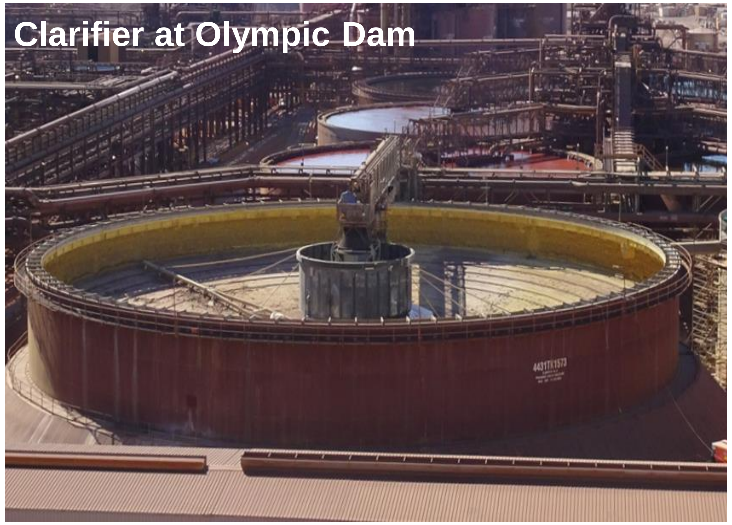
Study specialists work hand-in-hand with the operation to fully evaluate possibilities before scope is locked

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

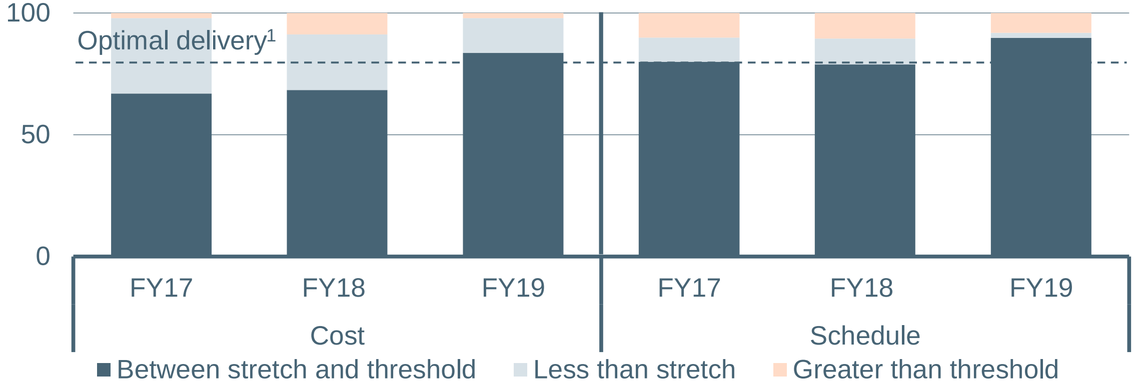
- We have benchmarked (internally and externally) extensively to understand project performance
- We sit at, or better than, industry averages including for study costs and durations, and construction productivity
- Underpins strong safety performance

Still more to get

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

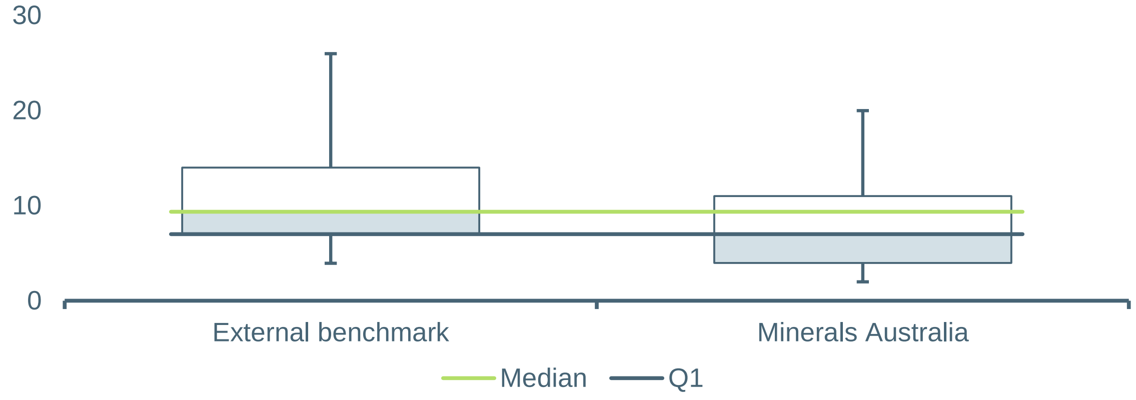
More projects delivered to plan drives efficiency and predictability

(Minerals Australia project delivery performance, %)



More efficient studies

(Study and engineering cost as % of total cost)



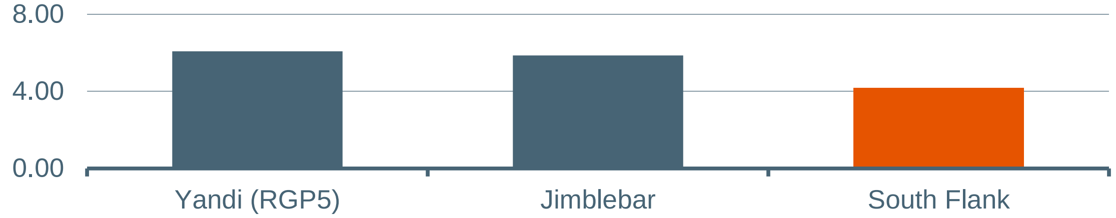
1. Stretch set at P10 and threshold set at P90. Therefore, 80% of projects should be delivered between stretch and threshold.

South Flank: Getting the most out of every dollar

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

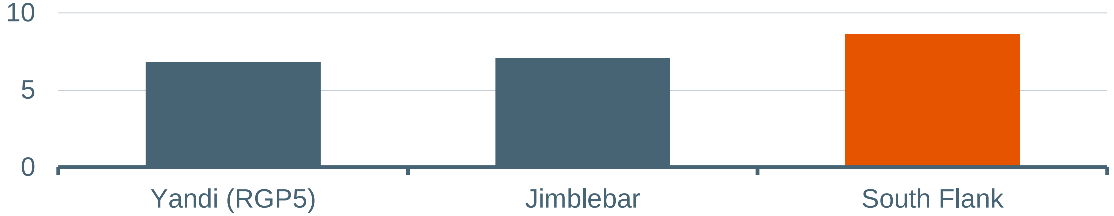
Learning from past projects to optimise OHP design

(A$/tpa)



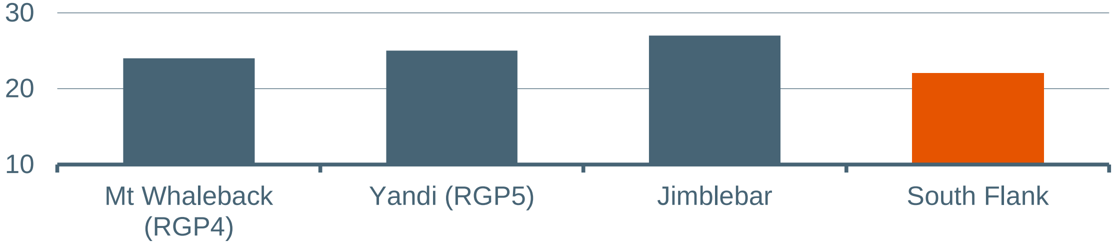
Design improvements means NPI supports larger fleet

(Heavy vehicles/bay)



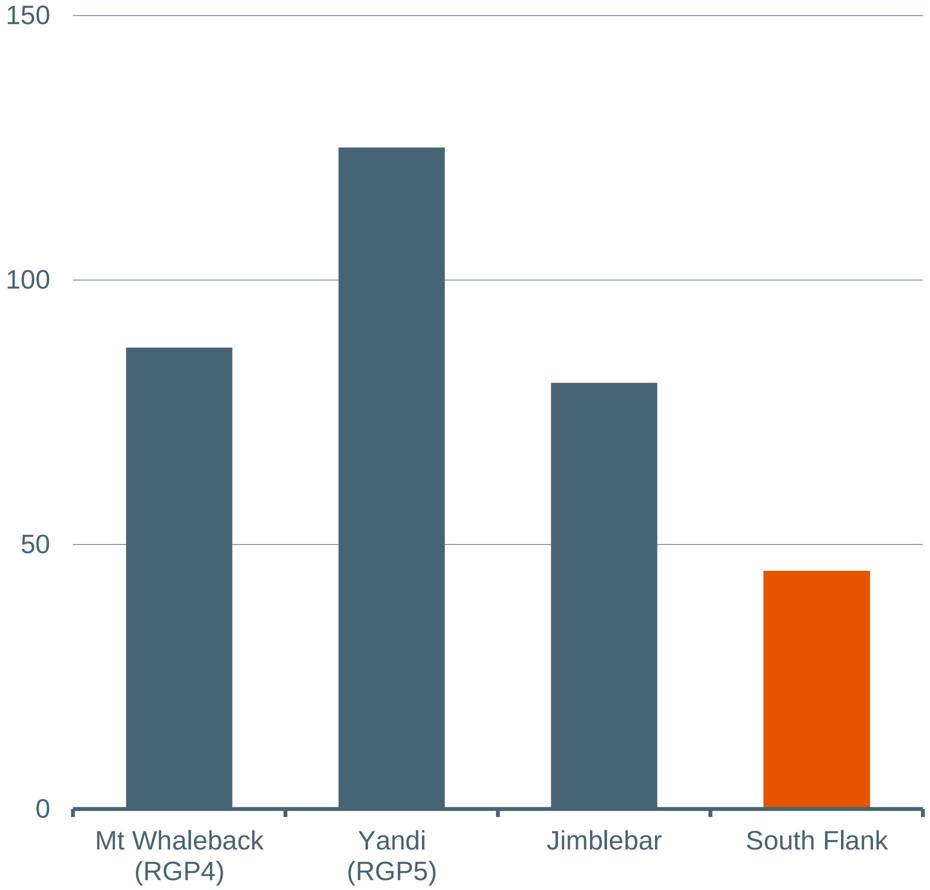
Integrated teams reduce costs and drive better outcomes

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



Delivering an improvement in capital efficiency

(Capital intensity[1], US$/t)



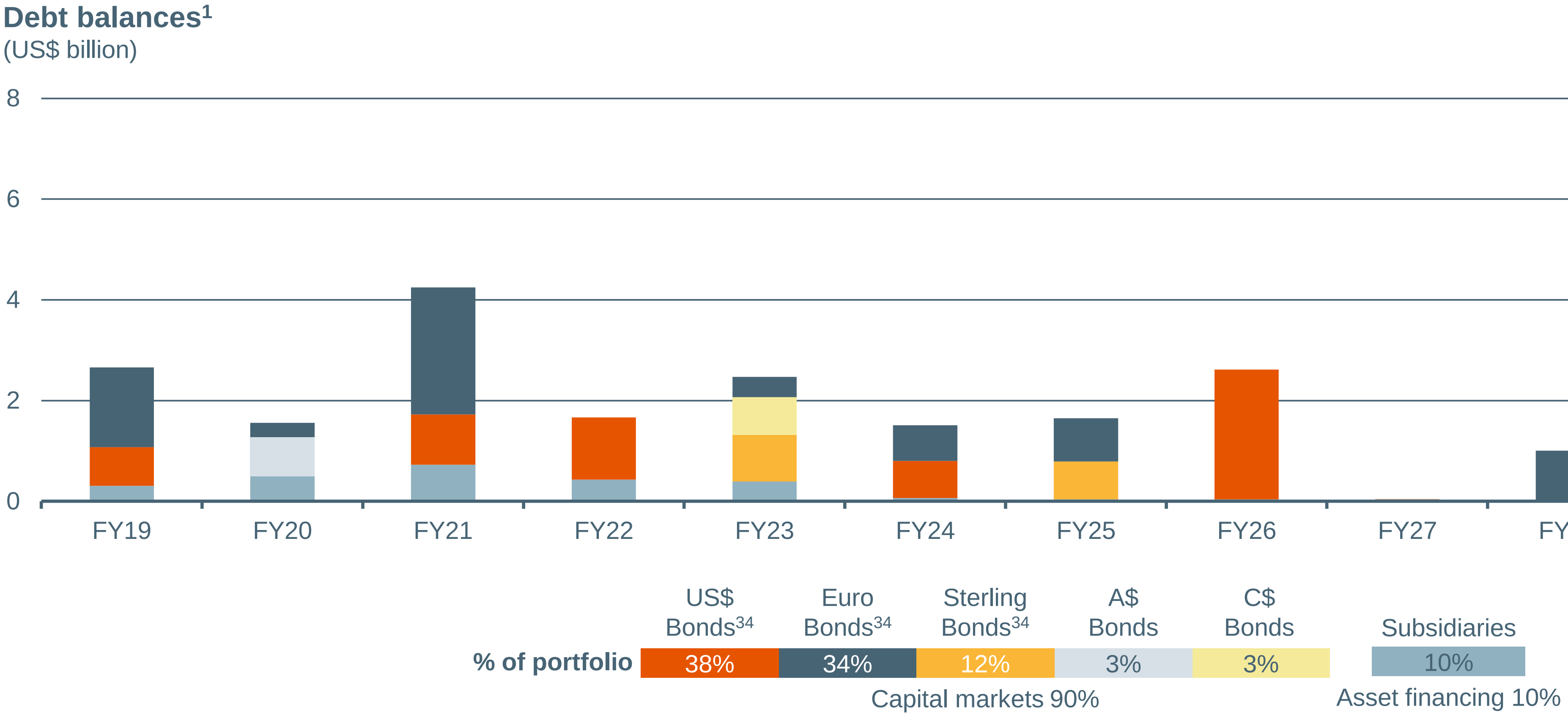
1. Includes pre-commitment funding.

BHP

BHP

Appendix

Debt maturity profile



1. As at 30 June 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

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

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

Options	Description	Potential execution timing	Capex (US$m)	GIP tollgate[1]	IRR[1]	Risk[1] (1-5)	Investment considerations	
Atlantis Phase 3 Petroleum	Tie back to existing Atlantis facility unlocked through Advanced Seismic Imaging	<1 year	>500	Feasibility	~25	Non Operated	- Resilient to price - Low risk, robust economics	- Non-operated JV
Ruby Petroleum	Tie back into existing processing facilities in Trinidad & Tobago	<1 year	>150	Feasibility	>25	●●	- Similar scope to existing tie backs - Utilisation of existing facility capacity	- Early life sensitivity to oil price
Olympic Dam BFX Copper	Accelerated development into the Southern Mine Area, debottlenecking of existing surface infrastructure to increase production	<5 years	>2,000	Pre-feasibility	~20	●●	- Resilient to price - Improved Cu grades in the Southern Mine Area	- Continued resource definition - Power network instability
Scarborough Petroleum	Tie back development to existing LNG facility	<5 years	<2,000	Pre-Feasibility	>15	Non Operated	- 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
Wards Well Metallurgical Coal	Long-life, premium hard coking coal resource, greenfield underground long-wall mine	>5 years	>1,000	Opportunity assessment	~15	●●●●	- Tier 1 resource - Proximity to existing operating assets	- Geological definition required to de-risk - Risk of impact on market supply - Supply chain logistic complexities
Resolution Copper	Underground block cave with attractive grade profile and competitive cost curve position	>5 years	<3,000	Conceptual	>15	Non Operated	- High copper grades - Resilient to price	- Non-operated JV - Technical risk due to caving at the resource depth and tailings options. - Permitting requirements
Jansen Stage 1[2] Potash	Tier 1 resource with valuable expansion optionality	<5 years	~5,000	Feasibility	~13	●●●	- Tier 1 resource, stable jurisdiction - Operating costs of ~US$100/t (FOB Vancouver) - Unrivalled position of land	- Risk of market oversupply - New commodity entry - Sensitive to price - High capital cost and long payback
Jansen Stage 2-4 Potash	Sequenced brownfield expansions of up to 12 Mtpa (4 Mtpa per stage)	>15 years	~4,000 per stage	Opportunity assessment	~16	●●	- Long term growth optionality and value generation	- Risk of market oversupply - Complexities from project size - Significant capital requirement - Further de-risking required
Aggregate					**~17**		**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.

Exploration – extending our conventional reserve life

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

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

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 Merrill Lynch Global Metals, Mining & Steel Conference.

BHP