

At a Glance

The Spin-out Proposal at a Glance

What is the Spin-out Proposal?

On 25 February 2000, BHP announced that it intended to divest the steel businesses comprising OneSteel by way of a Spin-out. OneSteel is an Australian based steel company involved in the manufacture and distribution of a wide range of products including structural, rail, rod, bar, wire, pipe and tube products. The Spin-out will be implemented through a capital reduction and scheme of arrangement. It is intended that OneSteel will be listed on the ASX.

What happens if the Spin-out Proposal is approved?

If the Spin-out Proposal is approved:

- the capital of BHP will be reduced by an amount equal to \$0.66 for each BHP Share you hold;
- Fully Paid Shareholders will receive one OneSteel Share for each four Fully Paid Shares they hold at the Close of Registers;
- Ineligible Overseas Shareholders will not receive OneSteel Shares. Their OneSteel Shares will be transferred to a sale agent who will sell those OneSteel Shares and distribute the net proceeds of sale after deduction of any applicable brokerage, stamp duty and other taxes and charges to Ineligible Overseas Shareholders after the Spin-out has been implemented; and
- OneSteel will be listed on ASX.

A separate scheme of arrangement between BHP and Partly Paid Shareholders is also proposed, under which the Capital Reduction will be applied to meet an interim call on Partly Paid Shares. The Spin-out is not conditional on the approval of the Partly Paid Scheme.

- The Meetings will be held on the same date as the Annual General Meeting in Adelaide.
- The General Meeting for all BHP Shareholders to vote on the Capital Reduction will be held at the Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Tuesday 17 October 2000 at 11.30 am Adelaide Time or as soon thereafter as the Annual General Meeting has concluded or been adjourned.
- The Scheme Meeting of Fully Paid Shareholders will be held at the same venue as the General Meeting at 11.45 am Adelaide Time on Tuesday 17 October 2000 or as soon thereafter as the General Meeting has concluded or been adjourned.
- The Scheme Meeting of Partly Paid Shareholders will be held at the same venue as the General Meeting at 12 noon Adelaide Time on Tuesday 17 October 2000 or as soon thereafter as the Fully Paid Scheme Meeting has concluded or been adjourned.

If you are registered by the BHP Share Registry as a BHP Shareholder at 2.00 pm Melbourne Time on Sunday 15 October 2000, then you are entitled to vote at the Annual General Meeting, the General Meeting and the relevant Scheme Meeting.

You are entitled to vote by attending the Meetings in person, by proxy or attorney or, in the case of corporate shareholders, by a corporate representative.

You do not have to vote. However, the BHP Board believes that the Spin-out Proposal is a matter of importance to all BHP Shareholders and therefore the BHP Board urges you to read this Scheme Booklet carefully and vote.

Provided the Spin-out Proposal is approved, as the holder of one or more Fully Paid Shares, you will receive your entitlement to OneSteel Shares on the same terms as all other BHP Shareholders even if you choose not to vote or vote against the Spin-out Proposal.

Subject to other approvals, the Spin-out Proposal must be approved by:

- a majority of votes cast by BHP Shareholders, present and voting either in person or by proxy at the General Meeting to approve the Capital Reduction Resolution;
- a majority in number of Fully Paid Shareholders, present and voting either in person or by proxy at the Scheme Meeting of Fully Paid Shareholders; and
- 75% of the votes cast on the resolution approving the Fully Paid Scheme.

The result of the votes at the Annual General Meeting, the General Meeting and the Scheme Meetings will be available shortly after the conclusion of the last of the Meetings and will be announced to ASX on the afternoon of the Meetings. The results will also be published on BHP's website (www.bhp.com.au) the following day.

You should be aware that the Schemes are subject to Court approval which it is presently intended will be applied for on Wednesday 18 October 2000, the day following the Meetings.

Where are the Meetings?

Can you vote?

Should you vote?

The result

Important Notices

BHP Shareholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolutions to be considered at the General Meeting and the Scheme Meetings.

PURPOSE OF THIS SCHEME BOOKLET

This Scheme Booklet sets out all the significant elements of the Spin-out Proposal and contains:

- the Explanatory Statement required by Part 5.1 of the Corporations Law in relation to each of the Schemes. These are set out in Part 10 of this Scheme Booklet. The purpose of each Explanatory Statement is to explain the terms of the relevant Scheme, the manner in which the Scheme will be considered and implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of Fully Paid and Partly Paid Shareholders whether to approve their respective Schemes;
- a statement of all the information known to BHP and its Directors that is material to BHP Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the Corporations Law; and
- OneSteel's listing memorandum and all information required by the Listing Rules for that purpose.

A copy of this Scheme Booklet has been registered by the Australian Securities and Investments Commission ("ASIC") for the purposes of section 412(6) of the Corporations Law. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet. A copy of this Scheme Booklet has also been lodged with ASIC in accordance with section 256C(5) of the Corporations Law.

ASX

On or about the date of this Scheme Booklet, application will be made for admission of OneSteel to the ASX official list and for official quotation of all OneSteel Shares on ASX.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet. The fact that ASX may admit OneSteel to the official list of ASX is not to be taken in any way as an indication of the merits of OneSteel.

STATUS OF THIS SCHEME BOOKLET

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Law. Section 708(17) of the Corporations Law provides that Chapter 6D of the Corporations Law does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Law, approved at a meeting held as a result of an order made by the Court under section 411(1) or (1A) of the Corporations Law.

UNITED KINGDOM

Credit Suisse First Boston (Europe) Limited is regulated in the United Kingdom by the Securities and Futures Authority Limited. This Scheme Booklet has been issued by BHP and the contents of this Scheme Booklet have been approved by Credit Suisse First Boston (Europe) Limited solely for issue in the United Kingdom for the purposes of section 57 of the Financial Services Act 1986. Credit Suisse First Boston (Europe) Limited has not approved the contents of this Scheme Booklet for the purposes of distribution into any jurisdiction outside the United Kingdom.

SECURITIES AND EXCHANGE COMMISSION

The Scheme Booklet has not been filed with or reviewed by the United States Securities Exchange Commission (the "SEC"), any United States state securities commission or other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Schemes or the accuracy, adequacy or completeness of this Scheme Booklet. Any representation to the contrary is a criminal offence.

INVESTMENT DECISIONS

This Scheme Booklet does not take into account the investment objectives, financial situation and particular needs of each BHP Shareholder or any other person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to BHP Shares, OneSteel Shares or any other securities. Independent financial and taxation advice should be sought before making any investment decision in relation to BHP Shares, OneSteel Shares or any other security.

FORWARD LOOKING STATEMENTS

Certain statements in this Scheme Booklet relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of BHP or OneSteel to be materially different from future results, performance or achievements expressed or implied by such statements. BHP and OneSteel give no representation, assurance or guarantee that the occurrence of the events expressed or implied in such statements will actually occur. Such risks, uncertainties and other important factors include among other things: general economic conditions, exchange rates, interest rates, the regulatory environment, structural changes in the steel industry, selling prices, raw material prices, competitive pressures, imports and demand in the construction, manufacturing, mining and agricultural industries in Australia. These statements reflect views held only as of the date of this Scheme Booklet.

Subject to any continuing obligations under applicable law, BHP disclaims any obligation or undertaking to disseminate after the date of the Scheme Booklet any updates or revisions to any such statements to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

INDEPENDENT REVIEW OF INFORMATION

Arthur Andersen have reviewed Part 1 (pages 15 to 16), Part 3.2.5, Part 3.4.5 and Part 8 of this Scheme Booklet relating to the description given to the tax implications of the Spin-out for BHP Shareholders whose registered address on the BHP Share Register is in Australia or who are otherwise deemed resident in Australia for tax purposes. Based on the facts set out in those parts, Arthur Andersen agree with the conclusions therein.

Sullivan & Cromwell, Freshfields and Chapman Tripp have reviewed and agree with the descriptions of their advice regarding certain US, United Kingdom and New Zealand tax consequences respectively, of the Spin-out for certain BHP Shareholders outlined in Part 8.3.

CH2M Hill Australia Pty Limited has reviewed all parts in this Scheme Booklet relating to environmental issues and is satisfied that they fairly disclose the key environmental issues relating to the continued operation of the OneSteel businesses under environmental laws in force at the date of this Scheme Booklet.

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**Summary of the
Spin-out Proposal**

Summary



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What are the key elements of the Spin-out Proposal?

The key elements of the Spin-out Proposal include:

- the restructure and transfer of the businesses comprising OneSteel into a single corporate group in preparation for its separation from BHP;
- a reduction in the share capital of BHP of \$0.66 for each BHP Share on issue at the Close of Registers;
- the compulsory application of substantially all of the proceeds of the Capital Reduction towards the transfer of all of the issued capital of OneSteel on the Spin-out Date to Fully Paid Shareholders or the Sale Agent on behalf of Ineligible Overseas Shareholders; and
- the listing of OneSteel on ASX.

What is OneSteel?

OneSteel is the leading manufacturer of various steel long products and the leading distributor of metals in Australia. It manufactures a wide range of products, including structural, rail, rod, bar, wire, pipe and tube products. OneSteel also distributes sheet and coil products, piping systems, plate, tubular and aluminium products. OneSteel supplies principally the construction, manufacturing, agricultural and mining industries in Australia. It also exports some of its products.

OneSteel also owns 50.01% of the ordinary shares of Steel & Tube Holdings Limited ("**Steel & Tube Holdings**"), a steel distribution company listed on the New Zealand Stock Exchange and 14% of the ordinary shares of Email Limited ("**Email**"), a listed Australian company which manufactures appliances and manufactures and distributes a range of metal products.

OneSteel's pro forma revenue and EBITDA for the 13 month period ended 30 June 2000, calculated as if OneSteel were independent from 1 June 1999, were \$3,217.8 million and \$289.0 million, respectively.

Further details regarding OneSteel's business and management are set out in Part 4 and financial information on OneSteel is set out in Part 5.

This Scheme Booklet has been sent to you because you are a BHP Shareholder. Its purpose is to provide you with information relevant to your consideration of the Spin-out Proposal and, if relevant, the Partly Paid Scheme.

As a Fully Paid Shareholder, you are entitled to:

- vote on the Capital Reduction Resolution;
- vote on the Fully Paid Scheme; and
- receive OneSteel Shares, if the Spin-out Proposal is approved, unless your registered address on the BHP Share Register at the Close of Registers is outside Australia, New Zealand, the United Kingdom and the Channel Islands, the United States, Singapore, Hong Kong or Canada, in which case you are an “Ineligible Overseas Shareholder” and you will receive the net sale proceeds of your OneSteel Shares (see Part 2.4).

A separate scheme of arrangement between BHP and its Partly Paid Shareholders is also proposed, under which the terms of the Partly Paid Shares will be amended to require the Reduction Amount to be applied to meet an interim call on these Partly Paid Shares. If you are a Partly Paid Shareholder, you are entitled to vote on the Capital Reduction Resolution and the Partly Paid Scheme.

The Spin-out is not conditional on the approval of the Partly Paid Scheme and will still be implemented if all other approvals are obtained. If the Partly Paid Scheme is not approved, the Partly Paid Shareholders will receive the Reduction Amount by cheque. This amount may be taxable as a capital gain (see Part 8.2). For more information on the Partly Paid Scheme, see Parts 2.5 and 10.4 of this Scheme Booklet.

The key steps to implement the Spin-out Proposal are as follows:

- Step 1** BHP Shareholders vote to approve the Capital Reduction.
- Step 2** BHP Shareholders who hold Fully Paid Shares vote to approve the Fully Paid Scheme.
- Step 3** The Court approves the Fully Paid Scheme at a Court hearing intended to be held on the day following the Meetings.
- Step 4** OneSteel Shares commence trading on ASX on a deferred settlement basis.
- Step 5** On the Spin-out Date, if you are a Fully Paid Shareholder, you will receive one OneSteel Share for each four Fully Paid Shares you hold (unless you are an Ineligible Overseas Shareholder in which case you will receive the net sale proceeds of your OneSteel Shares).
- Step 6** Despatch of holding statements to OneSteel Shareholders.
- Step 7** Payment of net sale proceeds to Ineligible Overseas Shareholders.

Why has this Scheme Booklet been sent to you?

What are the key steps in the Spin-out Proposal?

How can you vote?

You can vote at the Meetings:

- in person;
- if you are a corporate shareholder, by corporate representative;
- by attorney; or
- by proxy.

If you wish to vote in person, you should attend the relevant Meetings. The barcode on the letter accompanying this pack will facilitate your admission to the Meetings. If you are a corporate shareholder and you wish to appoint a representative to attend any of the Meetings, you should ensure that your representative can provide appropriate evidence of his or her appointment.

If you wish to vote by proxy for any of the Meetings, you will need to complete and sign the proxy form accompanying this Scheme Booklet, and send it to the BHP Share Department in the pre-addressed envelope provided, so that it will be received by 2.00 pm Melbourne Time on Sunday 15 October 2000. The proxy form is for the Annual General Meeting, the General Meeting and the Fully Paid Scheme Meeting. A separate proxy form for the Partly Paid Scheme Meeting is being sent to Partly Paid Shareholders.

Your appointment of a proxy will not preclude you from attending the Meetings in person, revoking your proxy, or voting at a meeting at which you are entitled to attend and vote in person. However, if you appoint a proxy and subsequently attend and vote at the Meetings, you will be deemed to have automatically revoked your proxy in respect of any resolutions which you vote on.

Further information relating to voting procedures and details of the resolutions are contained in the Notices of Meetings included in this Scheme Booklet.

ADR holders should see Part 2.13.1 for a description of how to vote.

What are the recommendations of the BHP Board?

The BHP Directors believe that the Spin-out Proposal, together with the Partly Paid Scheme, is in the best interests of BHP Shareholders and BHP, is fair and reasonable to all BHP Shareholders (and each class of BHP Shareholders) and will not impact on the interests of BHP creditors in a materially adverse manner. Each BHP Director recommends that you vote in favour of the Capital Reduction and Schemes, and intends to vote all BHP Shares controlled by that BHP Director in favour of the Capital Reduction and Schemes.

The BHP Board believes the Spin-out Proposal has the following advantages:

- it will reduce the strategic complexity of BHP's retained steel business;
- it will allow both BHP and OneSteel to focus on their core businesses and implement strategies aimed at growing these respective businesses;
- it will allow BHP and OneSteel to have capital structures and dividend policies that are more appropriate for their respective businesses;
- it will release cash to BHP which can be used to fund growth opportunities and retire debt;
- it will allow for the more effective alignment of OneSteel management incentives to the underlying performance and share price of OneSteel;
- it will increase the financial flexibility of OneSteel as a result of its independent access to external capital markets;
- it will increase investor awareness of both BHP's and OneSteel's individual financial, strategic and operational performance;
- it will increase the choice for BHP Shareholders between holding shares in a global resources company or an Australian focussed steel company; and
- it is not expected to have a material effect on BHP's earnings, gearing or future dividends.

These advantages are explained in more detail in Part 3.1.

The Spin-out Proposal has been developed by BHP with a number of external advisers and experts.

The Spin-out Proposal has also been reviewed by an independent expert (Grant Samuel & Associates) whose report is set out in Part 12. This report concludes that the Spin-out Proposal is in the best interests of Fully Paid Shareholders.

The BHP Board considered a range of alternative divestment options before recommending the Spin-out Proposal, including:

- selling the different businesses of OneSteel to different buyers;
- selling OneSteel as a single business to a trade or financial buyer; and
- selling OneSteel by conducting an initial public offering of shares in OneSteel.

The BHP Board believes that none of the foregoing alternatives to the Spin-out Proposal would deliver as much value to BHP Shareholders as a whole, or better position BHP and OneSteel for the future.

What are the advantages of the Spin-out Proposal?

Has the Spin-out Proposal been independently reviewed?

Has the BHP Board considered alternative divestment proposals?

What are the disadvantages of the Spin-out Proposal?

The BHP Board has identified the following disadvantages of the Spin-out Proposal:

- OneSteel will incur increased corporate costs due to its status as an independent listed company;
- OneSteel will have a higher cost of borrowing in comparison with the current cost of borrowing for BHP;
- the transaction costs associated with the Spin-out Proposal;
- likely lower institutional investor interest in OneSteel due to its size relative to BHP;
- the loss of pre-CGT status in relation to OneSteel Shares transferred to Australian resident Fully Paid Shareholders who acquired their BHP Shares prior to 20 September 1985;
- the exclusion of Ineligible Overseas Shareholders from receiving OneSteel Shares; and
- BHP's ADR holders will have fewer trading choices for their OneSteel Shares, as OneSteel Shares will only be listed on ASX.

These disadvantages are explained in more detail in Part 3.2.

What are the risks of the Spin-out Proposal?

The BHP Board has identified the following risks arising from the Spin-out:

- the combined value of your BHP Shares and OneSteel Shares after the Spin-out may be less than the value of your BHP Shares before the Spin-out;
- the market price for OneSteel Shares after the company lists on ASX will be uncertain and may be subject to volatility for a period of time after the Listing Date;
- as OneSteel's earnings are not as diversified as BHP's earnings, OneSteel will be more exposed to the cyclical factors which affect the demand for its products;
- OneSteel may source products currently supplied by BHP from alternative suppliers once existing contracts expire;
- the loss of certain synergies for OneSteel and BHP as a result of the separation of OneSteel from the BHP Group;
- OneSteel may start competing with BHP in the steel flat products market segment; and
- there is no certainty regarding the net proceeds that Ineligible Overseas Shareholders will receive as a result of their OneSteel Shares being sold on their behalf by the Sale Agent.

These risks are explained in more detail in Part 3.3.

What is the effect of the Spin-out on BHP's financial profile?

The Spin-out is not expected to have a material impact on BHP's financial position. The following key financial ratios for BHP for the 13 months ended 30 June 2000 are restated on the basis that the Spin-out had occurred at the commencement of this reporting period:

	Actual	Restated
EPS before abnormals (cents)	114.9	112.0
EBITDA to interest cover (times)	8.1	8.6
Gearing (%)	42.7	42.5

BHP anticipates that its credit rating will not be affected as a result of the Spin-out. Refer to Part 6 for further details on BHP post Spin-out.

The BHP Board currently believes that the amount of BHP's dividend payments for the year ending 30 June 2001 will not be affected by the Spin-out. However, BHP Shareholders should note that dividends post Spin-out have not yet been declared and will be a matter for consideration by the BHP Board at the relevant time. In addition, after the Spin-out, OneSteel Shareholders will be entitled to any dividends paid by OneSteel.

Excluding other factors which may affect the share price, the BHP Share price is likely to fall the first day upon which BHP Shares trade without an entitlement to participate in the Spin-out (presently intended to be Monday 23 October 2000), reflecting the separate value of the OneSteel Shares. After the Spin-out, the combined value of your BHP Shares and OneSteel Shares may be more or less than the value of your BHP Shares prior to the Spin-out and may be influenced by external factors.

Following the Spin-out, it is not intended that BHP will have any ownership of OneSteel Shares or the businesses comprising OneSteel, nor will it have representation on the OneSteel Board. However, OneSteel will be a major customer of BHP. A number of short term supply arrangements between BHP and OneSteel are in place and some longer term contractual relationships exist which mainly relate to the sourcing of items including gas, electricity and scrap metal. Further details on these relationships are set out in Part 9.15.

Email, a major customer of both BHP and OneSteel, is presently subject to a takeover offer from Smorgon Distribution Limited, a wholly owned subsidiary of Smorgon Steel Group Limited ("**Smorgon Steel**"). As at the date of this Scheme Booklet, Smorgon Steel has not been successful in its takeover offer.

In June 2000, BHP acquired 14% of Email. This holding is now owned by OneSteel. BHP felt it was appropriate to make this acquisition having regard to possible structural changes in the Australian steel industry and in view of the takeover offer being made by Smorgon Steel for Email.

A change in Email ownership could impact on the financial performance of OneSteel (see Part 4.6.4). No decision has been taken by BHP or OneSteel with regard to their actions in connection with OneSteel's shareholding in Email, including whether to increase this shareholding or for OneSteel to make a takeover offer for Email.

If a takeover offer was made by OneSteel prior to the Scheme Meetings, supplementary disclosure to this Scheme Booklet may be required and a delay in the timetable for implementation of the Spin-out may occur.

Under the terms of the Fully Paid Scheme, you will not be required to pay any money for the OneSteel Shares you receive because your entitlement to the Capital Reduction will be compulsorily applied to meet the transfer costs of those shares (see Part 2 for more details on the Schemes).

How will the Spin-out affect the BHP dividends you receive?

What will happen to the BHP Share price and the OneSteel Share price?

What will be the relationship between BHP and OneSteel after the Spin-out?

What is the position regarding Email?

Are BHP Shareholders required to pay any money for their OneSteel Shares?

What will you receive if the Spin-out is approved?

Under the Capital Reduction, the share capital of BHP will be reduced by \$0.66 for each BHP Share on issue at the Close of Registers.

Under the Fully Paid Scheme, if you are a Fully Paid Shareholder, you will receive one OneSteel Share for every four Fully Paid Shares you hold, except if you are an Ineligible Overseas Shareholder (see page 15). If you do not hold any Fully Paid Shares, you will not receive any OneSteel Shares.

Fractional entitlements to a OneSteel Share which are greater than or equal to one half will be rounded up. Fractional entitlements to a OneSteel Share which are less than one half will be rounded down. If a BHP Shareholder holds only one Fully Paid Share at the Close of Registers, that BHP Shareholder will be entitled to receive one OneSteel Share in respect of their fractional entitlement.

Under the terms of the Fully Paid Scheme, BHP has the right to aggregate your (and your associates') holding of Fully Paid Shares if you split or divide your shareholding to create fractional entitlements, thereby increasing your entitlement to OneSteel Shares.

Under the Partly Paid Scheme, the Reduction Amount will be applied to meet an interim call on each Partly Paid Share you hold (if any). If the Partly Paid Scheme is not approved, the Partly Paid Shareholders will receive the Reduction Amount by cheque. This amount may be taxable as a capital gain (see Part 8.2).

The Capital Reduction and Schemes are described more fully in Part 2 and the Schemes are contained in Part 10.

Will the Spin-out affect the number of BHP Shares you hold?

The Capital Reduction and the Schemes will not affect the number of BHP Shares you hold. However, all other things being equal, the value of your BHP Shares is likely to decrease reflecting the separate value of the OneSteel Shares.

When can you sell your OneSteel Shares?

On or about the date of this Scheme Booklet, an application will be made for admission of OneSteel to the ASX official list and for official quotation of all OneSteel Shares on ASX.

BHP expects OneSteel Shares to start trading on ASX, initially on a deferred settlement basis, on 23 October 2000.

After the Spin-out Date, there will be a further period of deferred settlement trading until the despatch of OneSteel holding statements which is expected to be completed by Friday 3 November 2000.

It is your responsibility to determine your entitlement to OneSteel Shares before trading those shares to avoid the risk of selling OneSteel Shares that you do not own. You should note that the Record Date (presently intended to be Friday 27 October 2000) for determining a Fully Paid Shareholder's entitlement to OneSteel Shares will occur after the date OneSteel Shares commence trading on a deferred settlement basis (presently intended to be Monday 23 October 2000) and OneSteel Shares will not be transferred to Fully Paid Shareholders until the Spin-out Date. Accordingly, the OneSteel share registry will not be able to confirm your OneSteel shareholding until after the Spin-out Date. **If you sell your OneSteel Shares without receiving confirmation of your entitlement, you do so at your own risk.**

The above timetable is subject to variation, and is conditional on receiving ASX and Court approvals. It is not expected that OneSteel Shares will be traded or listed on any exchange other than ASX.

All Fully Paid Shareholders at the Close of Registers, including BHP Directors, BHP executives and BHP employees, but excluding Ineligible Overseas Shareholders, will receive one OneSteel Share for each four Fully Paid Shares they hold. No other person will be entitled to receive OneSteel Shares under the Spin-out Proposal.

However, at or around the Listing Date, OneSteel intends to offer OneSteel Shares to OneSteel employees under the OneSteel Share Plans (see Part 7.2).

After the Spin-out Date, OneSteel intends to offer a sale facility to OneSteel Shareholders who have received 250 OneSteel Shares or less as a result of the Spin-out.

Full details of how to participate in the sale facility will be sent to all OneSteel Shareholders as soon as practicable after implementation of the Spin-out. Costs associated with use of the sale facility by OneSteel Shareholders (such as brokerage and stamp duty) will be payable by OneSteel Shareholders.

You should note that if you wish to use this facility, and depending on the ultimate structure of the facility, you will not have control over when your OneSteel Shares are sold and therefore you will not be able to personally ensure that your OneSteel Shares are sold at a certain price.

If the BHP Share Register indicates that, at the Close of Registers, your registered address is outside Australia, New Zealand, the United Kingdom and the Channel Islands, the United States, Singapore, Hong Kong or Canada, you are deemed to be an Ineligible Overseas Shareholder and will not receive the OneSteel Shares allocated to you. Your OneSteel Shares will be sold by the Sale Agent and you will receive the net proceeds of sale by cheque in Australian dollars or your local currency, after deduction of any applicable brokerage, stamp duty and other taxes and charges. The receipt of the net sale proceeds will be in full satisfaction of your rights under the Fully Paid Scheme.

More details are set out in Part 2.4.

If the BHP Share Register indicates that, at the Close of Registers, your registered address is in New Zealand, the United Kingdom and the Channel Islands, the United States, Singapore, Hong Kong or Canada you will participate in the same manner as Australian resident Fully Paid Shareholders and receive OneSteel Shares.

The general taxation implications of the Spin-out are set out in Part 8. The following summary is expressed in general terms and is not intended to provide tax advice to any BHP Shareholder. You should obtain professional advice as to the taxation consequences of the Spin-out.

Generally, the Spin-out will have the following Australian taxation implications for Fully Paid Shareholders resident in Australia who hold their BHP Shares as capital assets:

- a ruling from the Australian Taxation Office has confirmed that the return of capital by BHP under the Capital Reduction and the Schemes of Arrangement will not be treated as a dividend for Australian tax purposes;

Who else will receive OneSteel Shares?

What happens if you are entitled to 250 OneSteel Shares or less?

What if you are an Ineligible Overseas Shareholder?

What are the tax consequences for you?

What are the tax consequences for you? (cont.)

- if you acquired all your BHP Shares before 20 September 1985, you will have no CGT consequences arising from the return of capital to be made to you under the Capital Reduction in respect of those BHP Shares;
- if you acquired your BHP Shares on or after 20 September 1985, the cost base of those BHP Shares for CGT purposes will be reduced by \$0.66 per Fully Paid Share (being an amount equal to the Capital Reduction);
- your OneSteel Shares will be treated as assets subject to the CGT regime irrespective of when you acquired your BHP Shares;
- the cost base for CGT purposes for each OneSteel Share you receive under the Spin-out will be calculated using the amount of the Capital Reduction which was applied to acquire each OneSteel Share, being \$2.64;
- your combined cost base for CGT purposes of BHP Shares and OneSteel Shares after the Spin-out has been implemented will be equivalent to the cost base of your BHP Shares prior to the Spin-out (unless you acquired your BHP Shares before 20 September 1985).

The Spin-out will have the following Australian taxation implications for Partly Paid Shareholders resident in Australia who hold their BHP Shares as capital assets:

- if the Partly Paid Scheme becomes effective, the Reduction Amount will be compulsorily applied to meet an interim call and should not be taxable; and
- if the Partly Paid Scheme is not approved, the Capital Reduction will be paid to the Partly Paid Shareholders by cheque and they may become liable for CGT to the extent that the Capital Reduction exceeds the cost base of those Partly Paid Shares.

See Part 8.3 for a discussion on the taxation consequences for New Zealand, United Kingdom and United States resident BHP Shareholders. This Scheme Booklet does not contain any discussion of possible taxation implications of the Spin-out except for BHP Shareholders whose registered address in the BHP Share Register is in Australia, New Zealand, the United Kingdom or the United States.

What if the Fully Paid Shareholders or the Court reject the Spin-out Proposal?

If Fully Paid Shareholders or the Court do not approve the Spin-out Proposal:

- the Capital Reduction will not proceed;
- Fully Paid Shareholders will not receive OneSteel Shares;
- Partly Paid Shareholders will not receive the Reduction Amount or alternatively, have the Reduction Amount applied as an interim call on their Partly Paid Shares;
- BHP will continue to own and manage the OneSteel businesses;
- the advantages of the Spin-out, as outlined in Part 3 and which the BHP Board believes will promote increased value for BHP Shareholders, may not be realised and the disadvantages and risks of the Spin-out, as identified by the BHP Board and outlined in Part 3, may not arise; and
- the BHP Board and management will consider alternatives for divestment of the OneSteel businesses although it is the BHP Board's opinion that these alternative proposals will not deliver as much value to BHP Shareholders as the Spin-out Proposal.