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Exempt - section 22

From: Binsted, Paul
Sent: Sunday, 13 June 2010 9:20 PM
To: Parker, David; Davis, Graeme; Ray, Nigel; Barrett, Chris (Treasurer's Office); McDonald, Hamish; Chalmers, Jim
Cc: Winters, Tracey
Subject: Xstrata [SEC=IN-CONFIDENCE:COMMERCIAL]

Colleagues,

Minister Ferguson, Tracey Winters, Andrew Charlton & I met with Xstrata today from 3.30pm until 5.00pm. Xstrata had four representatives at the meeting including Peter Frykberg the head of the Aussie business, the CFO, the tax manager and the Government Relations Manager.

The tone of the meeting was completely different than previously. The aggression was gone, they had even purchased some Danish pastries for us. They indicated that they wanted to "do a deal" but wanted the RSPT to be prospective and the quantum of tax on new projects to be reduced. They made a presentation on the "suspended" Wandoan coal project and claimed that RSPT had reduced the NPV to \$7m only ! I explained that this was counter intuitive because a " Brown Tax" at 40% should both leave the IRR unchanged and leave 60% of the NPV for the mining company. They declined to share numbers.

Frykberg indicated that Xstrata:

1. Placed no value on refundability.
2. Placed very limited value on transferability.
Sought immediate or accelerated expensing of all capital expenditures.
Wanted a much higher uplift rate than the bond rate, but declined to specify the rate that they sought.

Frykberg said that Xstrata would only reach a compromise with Government in conjunction with Rio and BHP (although interestingly he continually referred to BHP as " Billiton". (I note that both Marius Kloppers and the Xstrata CEO, Mick Davis worked for Brian Gilbertson at Billiton prior to the BHP " merger ". The Billiton management team, led by Gilbertson had intended the transaction as a Billiton takeover of BHP and had intended to return the HO to London and acquire/merge with Rio).

Minister Ferguson requested specific proposals from Xstrata on which a " settlement " could be based. They indicated that they would discuss matters with BHP and Rio and get back to us within a "few days".

regards

Paul