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Exempt - section 22

From: Barrett, Chris (Treasurer's Office)
Sent: Monday, 28 June 2010 8:54 PM
To: Davis, Graeme
Cc: Parker, David; 'tom.bentley@dpm.gov.au'; 'Tracey.Winters@ret.gov.au'
Subject: Fw: Market value estimates & Price curves for iron ore ~~[SEC=IN-CONFIDENCE]~~

Classification: [SEC=IN-CONFIDENCE]

Graeme,

Herewith the market value figures and the price curves for incorporation into the model. Note the comments on effective life.

Regards,

Chris

Chris Barrett
Chief of Staff
Office of the Treasurer
The Hon Wayne Swan MP

*Sent from my blackberry

From: Bond, Gerard <Gerard.Bond@bhpbilliton.com>
To: Barrett, Chris (Treasurer's Office); tracey.winters@ret.gov <tracey.winters@ret.gov>; tom.bentley@dpm.gov.au <tom.bentley@dpm.gov.au>
Cc: Delaney, Bernie B <Bernie.Delaney@BHPBilliton.com>; Peever, David (RTS) <David.Peever@riotinto.com>; pfreyberg@xstratacoal.com <pfreyberg@xstratacoal.com>; Purdy, Brian <Brian.Purdy@bhpbilliton.com>; Anderson, Michael MT (I&VM) <Michael.T.Anderson@bhpbilliton.com>
Sent: Mon Jun 28 20:11:24 2010
Subject: Market value estimates & Price curves for iron ore

Tom, Chris & Tracey

Market Value

As requested, market value estimates for Australian iron ore and coal businesses, and that of the oil & gas businesses not already in PRRT

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These estimates have been sourced from broker reports for listed entities, and the market-capitalisation of Australian "pure plays" in this sector. The CBM projects are an estimate (extrapolated from recent market transactions). To be clear, these are not our internal valuations.

Iron ore and coal market values are estimated to be A\$ 360bn. The estimated market value of NWS is A\$ 50bn, and the CBM projects A\$ 25bn.

Total = \$435bn

It is essential that you match this with an appropriate rate of depreciation, which would be circa 25 years as a good proxy for typical / average life of asset.

Price curves

You have the full June ABARE numbers that can be used to update the budget from the March ABARE numbers that were the base. This provides a significant lift in the forecast company tax revenue from the resources industry pre any new tax (and post).

In addition, as discussed on 16 June, the move to index pricing of iron ore represents a major step-up in the terms of trade even beyond that likely to be forecast by ABARE. This too would represent a considerable increase in company tax revenue pre any new tax (and post). Attached is a comparison of the June ABARE numbers for iron ore with the early June forward curve from Platts, showing the market is projecting significantly higher prices than ABARE. Yes, Platts only goes out two years, but if the pattern of ABARE was to hold then clearly the realisable prices in this new index world are also higher. Will leave Treasury to extrapolate the possible numbers from this Platts data to get a good sense of possible future tax outcomes. This is public data.

<<External iron ore price forecasts MTA 28Jun10.xls>>

See you tomorrow.

Regards

Gerard

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Iron Ore Price Forecast US\$/dmto (nominal)	Financial Year				
	2011	2012	2013	2014	2015
Platts June	220	202			
Consensus June	185	178	159	135	117
June ABARE	173	149	140	127	113
March ABARE	128	119	119	117	113

Platts forward curve (CIF China); market freight rates applied to estimate FOB Port Hedland

June ABARE updated only FY11. Interpolated from FY12 to the same FY15 price as the March forecast