

22 January 2013

TO THE CREDITOR AS ADDRESSED

Dear Sir/Madam

**Pasminco Limited
(Subject to Deed of Company Arrangement)
ACN 004 368 674
and its wholly owned Australian Subsidiaries (“Pasminco”)**

We refer to previous correspondence regarding the administration of the Pasminco Group.

The purpose of this correspondence is to provide creditors with an update on the administration of Pasminco and to notify you of a forthcoming meeting.

Our report is set out as follows:

- 1. EXECUTIVE SUMMARY**
- 2. DIVIDEND ESTIMATES AND DISTRIBUTIONS**
- 3. UPDATE ON THE COCKLE CREEK SMELTER SITE**
- 4. OPTIONS FOR CREDITORS TO CONSIDER**
- 5. WORKERS’ COMPENSATION CLAIMS**
- 6. WINDING UP AND DEREGISTRATION PROCESS**
- 7. STATUS OF ADMITTED CLAIMS**
- 8. DEED ADMINISTRATORS’ FEES**
- 9. NOTICE OF MEETINGS OF CREDITORS**

Report to Creditors January 2013 - Final

1. EXECUTIVE SUMMARY

Set out below is a brief summary of the main points discussed in the report:

- Impediments to remediation progress, caused by cross boundary contamination from the neighbouring Incitec Fertilisers Limited (“IFL”) site have been addressed via a commercial agreement executed on 26 July 2012. This resulted in the successful settlement of the court proceedings in favour of Pasmaico Cockle Creek Smelter (“PCCS”) with IFL paying our litigation costs and our claim for significant damages.
- In addition to the settlement of litigation the alliance between PCCS and IFL allows for PCCS to undertake the remediation of the IFL site and to place their contaminated material within the current PCCS cell. As part of the agreement and in order to commence remediation works on the IFL site the necessary approvals from the Department of Planning (“DoP”) and the Environment Protection Authority (“EPA”) have been obtained. The alliance will provide a number of benefits for the Administration, most specifically:
 - Avoidance of costly, time-consuming litigation
 - Positive financial outcome to creditors
 - Control of the combined (PCCS/IFL) Sites and the remediation and development timetable
 - Certainty of planning outcomes for the combined (PCCS/IFL) Sites
 - IFL contribution towards the long term maintenance of the PCCS containment cell; and
 - Acquisition by PCCS of the remediated IFL site
- Creditors should note that despite the agreement resulting in additional onsite remediation works continuing until the end of 2013, the works will not extend the overall timeframe for sales of the developable land at PCCS. More likely, the realisation timetable will be shortened as the risks of further delays caused by IFL’s continued cross contamination and inactivity will be removed.
- Creditors may receive further distributions (on a mid case scenario) of 1.8 cents in the dollar, bringing the total return payable to unsecured creditors to 23.0 cents in the dollar. By way of comparison, our total dividend estimate released on 19 August 2004 anticipated a mid case return of 21.0 cents in the dollar i.e. An improvement of 2.0 cents in the dollar which equates to an improvement of approximately AUD 56 million.
- The Lead Abatement Strategy “LAS” program which commenced in April 2011 is now practically completed. We are pleased to report that we have attended to sampling and implementation works (either via provision of educational material or physical abatement works) at over 1,200 properties (initial estimates were 600) around the former PCCS site. We are also pleased to report that 80% of properties sampled as part of the program returned low lead results thus requiring little or no abatement works. We see this as a very positive result as the low lead results should improve the

perception of the local area and potentially increase the value of the PCCS developable land.

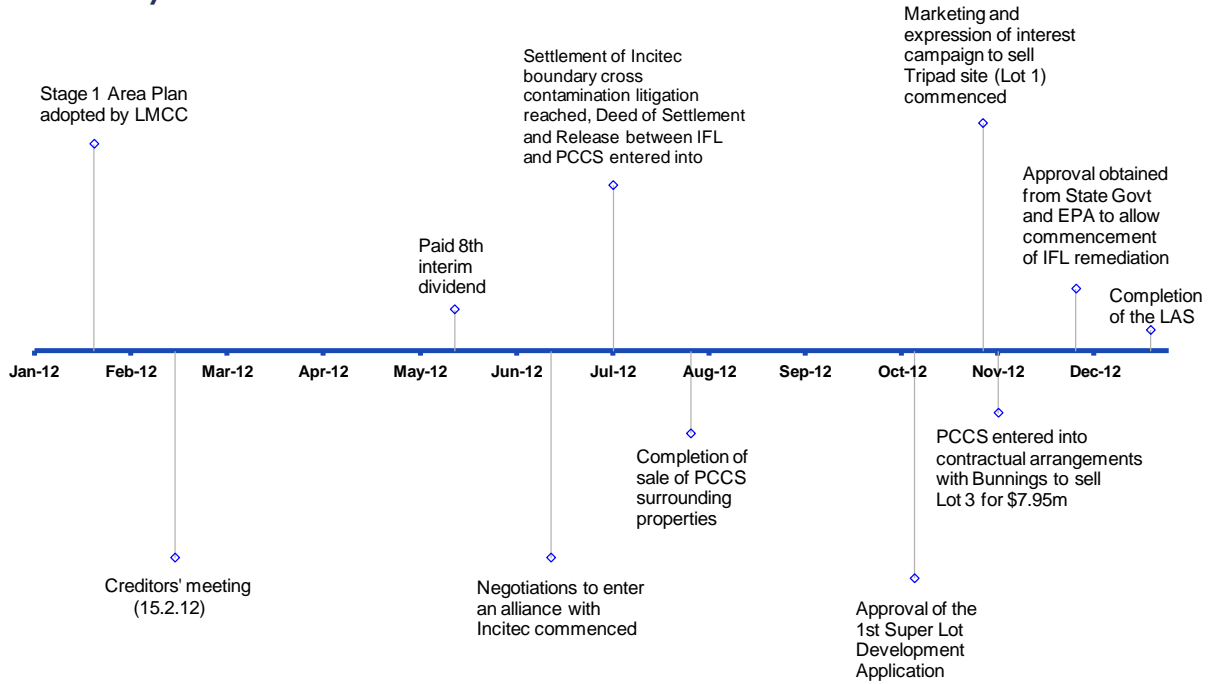
- Execution on 1 November 2012 of a Put & Call agreement with Bunning's in relation to the sale of Lot 3 for AUD7.95 million. A condition that the Board of Directors of Bunning's approve the deal has since been satisfied.
- Approval by Lake Macquarie City Council ("LMCC") of the first superlot development application in November 2012.

1.1 Update On the Cockle Creek Smelter Site ("The Site" and "PCCS Site")

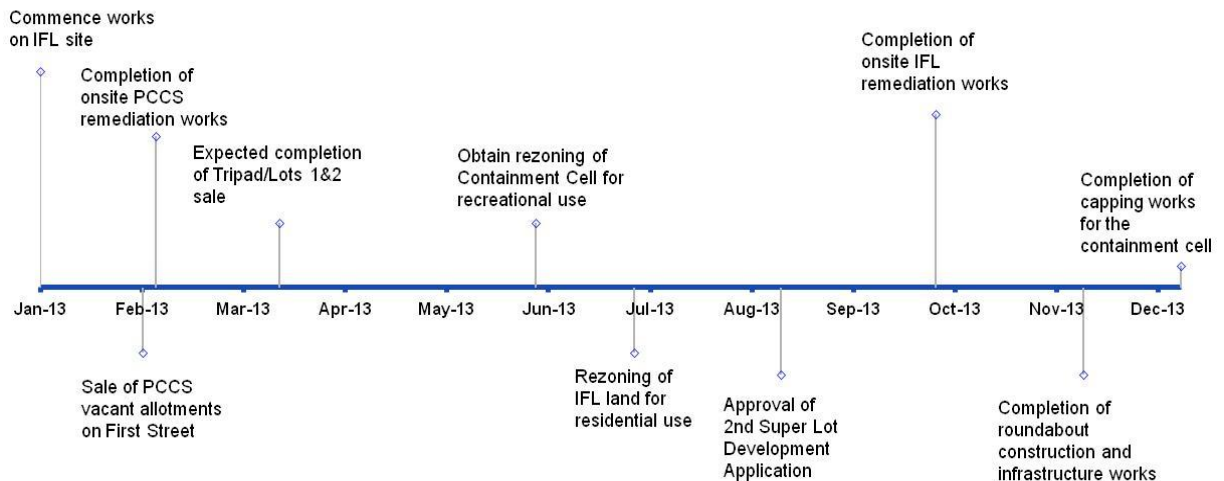
- The PCCS Site remediation works are approaching completion in accordance with requirements of stakeholder Authorities and the Site Auditor as required by the Part 3A Conditions of Consent for remediation of the Site provided to PCCS by the NSW Minister for Planning on 27 February 2007.
- Notwithstanding continued unseasonably high rainfall throughout the early months of 2012, progress in relation to the site has been acceptable with our focus primarily on:
 - In respect of the PCCS site remediation, works are expected to be completed in Q1 2013;
 - The construction of the containment cell by PCCS Services Pty Ltd ("PCCSS"), has achieved cost savings and opportunities compared to using external contractors. Costs associated with the construction of the containment cell are being tightly managed and further savings are being achieved, for example, by reducing the amount of on-site contractors;
 - Modifications to the current containment cell design (to accommodate the IFL material) have been undertaken which will result in a larger cell, in terms of height only while the footprint of the cell will remain unchanged;
 - Progressing the superlot subdivision and infrastructure strategy across the whole Site and obtaining approvals from Lake Macquarie City Council ("LMCC");
 - Continued marketing and sales at Cardiff Central ;
 - Negotiations with third party stakeholders to progress the planning and development outcomes adopted for the Site; and
 - Occupation of the Old Laboratory ("Old Lab") heritage building, the only structure to remain onsite post remediation. The Old Lab has now become the site operational office and marketing suite;
- Operating and remediation costs continue to be controlled and managed.

- Key milestone timelines for 2012 and 2013 are summarised below:

2012 Key Milestones - Achieved



2013 Key Milestones



1.2 Workers Compensation Claims

- Between December 2011 and December 2012, Pasminco once again experienced increased numbers of new and reopened claims which are predominantly lower value industrial deafness claims.
- The balance of the estimated self insured liability tail relates mainly to projected new and reopened claims. These claims, given their recurring nature, are likely to endure for an extended period into the future.
- Remittance of the balance of the funds held by Worcover will depend on the movement in outstanding workers compensation claims liabilities as assessed by an actuary or alternatively subject to any arrangement which is able to be implemented for the future management of claims, sanctioned by NSW WorkCover.

1.2 Winding Up and Deregistration Process

- We have continued to progress the wind down and deregistration of Pasminco's Residual Group companies in accordance with the Pasminco Group's DOCAs.
- Currently only three Residual Group companies remain, namely Pasminco Limited, Pasminco Finance Limited and Pasminco Cockle Creek Smelter Pty Limited.

1.3 Deed Administrators' Fees

- We estimate our professional fees for the period 1 January 2013 to 31 December 2013 will be approximately AUD1,895,537 (please note our fee rates remain unchanged). The vast majority of which will be associated with:
 - the remediation of the IFL site; and
 - overseeing the construction of the roundabout and a portion of Munibung Road
- Given that the fees are subject to a capped amount, we are unable to draw fees exceeding that amount.
- Naturally, we will provide an account of all fees incurred and paid in future reports to creditors.
- Please note that when we executed the Deed of Settlement and Release with IFL and agreed on the relevant charges to undertake the remediation works on the IFL site, we structured the pricing on the basis that we expected to recover a significant proportion of our fees for 2013.

- It is anticipated that our future fees from end 2013 onwards will reduce significantly following completion of the capping of the containment cell in late 2013, at which time we will have a fully remediated site ready for sale or future development.

2. DIVIDEND ESTIMATES AND DISTRIBUTIONS

As many creditors are aware, we provide regular updates to the dividend forecasts, which are published on the existing Pasmenco website at www.pasmenco.com.au and on our Ferrier Hodgson website at www.ferrierhodgson.com, under the section, "Current Matters/Corporate Recovery Matters/Pasmenco Limited".

Our latest dividend report to 31 December 2012 (**Annexure 1**) estimates that creditors may receive further distributions (on a mid case scenario) of 1.8 cents in the dollar, bringing the total return payable to unsecured creditors to 23.0 cents in the dollar.

We do not anticipate a further dividend distribution before 2014 and following completion of all on site remediation works and capping of the containment cell.

2.1 Disclaimer

The process of estimating future dividends that may be payable to the unsecured creditors of Pasmenco involves assessing a number of contingencies, risks, uncertainties and other factors, all of which are, to a large extent, beyond the control of the Deed Administrators. Actual dividend levels may be materially different from the estimates provided in this paper due to any number of factors beyond the Deed Administrators' control.

Furthermore, many of the assumptions adopted in calculating possible future dividend levels are based on information from a variety of sources, including advice received from a number of consultants as well as data available from market commentators and advisors. We have not independently verified this industry and market data received from various consultants and advisors.

Given the uncertainties and the contingencies that may affect the ultimate realisation, unsecured creditors and prospective acquirers of unsecured debt are cautioned not to place reliance upon the estimates provided in this document. You should not treat the dividend estimates as a representation or warranty by the Deed Administrators as to the likelihood of achieving the estimated dividend levels that are provided. Creditors and persons interested in acquiring unsecured debt should make their own enquiries and the Deed Administrators accept no liability for loss or damage suffered by any person relying on these estimates.

Our valuation experts have specifically highlighted the negative impact on the value of land prices (commercial/industrial and residential) in the areas surrounding the site.

3. UPDATE ON THE COCKLE CREEK SMELTER SITE

The following provides an update on activities undertaken by the Deed Administrators in relation to the Site since our last detailed report dated 3 February 2012.

3.1 Demolition

Removal of slabs and footings continued throughout 2012 in conjunction with our remediation program. Crushed contaminated concrete slabs and footings have been reused in the cell to provide drainage aggregate and high strength foundation material. The reuse of waste demolition material within the cell has contributed towards a reduction in cell construction costs.

Works will continue throughout 2013 with the following items scheduled for demolition and placement within the containment cell:

- Central carriageway which has historically acted as the access to the IFL site;
- Remaining concrete haul roads;
- Old Administration building;
- Effluent Treatment Plant (ETP); and
- IFL site (concrete retaining walls, slab and footings)

3.2 Whole of Site Remediation

3.2.1 Part 3A Consent

As previously reported, consent to the Part 3A application in accordance with the Environmental Planning and Assessment Act 1979 for the whole of Site remediation plan was provided to PCCS by the NSW Minister for Planning on terms acceptable to the Deed Administrators.

The Part 3A consent contains many conditions including the requirement for further ongoing approvals that need to be satisfied before, during and after each stage of the remediation works. Details of the Part 3A consent conditions and the remediation and cell design plan approved by the Minister can be obtained by visiting www.planning.nsw.gov.au under Development Assessments/Notices of Determination/Major Projects 2006-2009.

The Deed Administrators continue to progress these matters through extensive ongoing negotiation with the NSW Environmental Protection Authority ("EPA") formally the Office of Environment and Heritage ("OEH") or the Department of Environment and Climate Change and Water ("DECCW") and other stakeholder bodies including the NSW Departments of Planning ("DoP") and Health and Lake Macquarie City Council (together, "Authorities").

We continue to work with the Authorities to discuss the various conditions contained within the approved remediation plan. The key issues for discussion relate to the ongoing maintenance of the cell and its surrounds.

To satisfy the requirements of the Authorities regarding cell maintenance, insurance, water treatment and ground water monitoring, significant due diligence has been carried out with the assistance of Insurance experts and consultants who specialise in waste management services to ensure that all conditions are addressed. During 2012 we were successful in securing Environmental Impairment Liability cover on a 10 year policy to protect the site and the Deed Administrators against any legislative changes made to remediation policies and against claims for any future offsite migration of contaminants.

In our view we have allocated in the budget sufficient provisions to fund the aforementioned ongoing requirements.

All of the various staged approvals are being progressively achieved in a satisfactory and timely manner.

3.2.2 Site Remediation Works

The vast majority of the PCCS site has now been remediated with over 1.3 million cubic metres of contaminated material placed in the Containment Cell.

Cross boundary contamination, increased remediation volumes and inclement weather contributed to delays in the remediation programme throughout 2012. As an example in Parcel 4 of the site we encountered a large section of cadmium contaminants which resulted in over 200,000m³ of material being placed within the containment cell.

Detailed below is a schedule detailing the amount of material deposited into the cell during 2012 and the number of weather-affected days.

	Total
Mean Rain Williamtown (Annual)	1,124mm
Actual 2011 Williamtown	899mm
Actual 2011 Pasmenco	1,145mm
Actual Material Placed in the Containment Cell	316,825m ³
Forecast Material Placed in the Containment Cell	295,000m ³
Cumulative Actual Material Placed in the Containment Cell	1,347,965m ³
Cumulative Forecast Material Placed in the Containment Cell	1,326,140m ³
Work Days	Total
Monday - Friday Affected By Rain	74
Saturdays Worked	18
Public Holidays / Christmas Break	28
Days Not Worked in 2012	198
Days Worked in 2012	168
Total Days in 2012	366

As detailed above, remediation progress was delayed in 2012 as a result of 74 rain affected days which considerably reduced the number of productive days, most specifically during early 2012.

The high rainfall resulted in the migration of contaminated material from the IFL site onto the surrounding PCCS site due to IFL's failure to adequately control its contaminated soil and water. Cross boundary contamination was actively managed by PCCS in order to minimise the impact and delay to the remediation program whilst legal proceedings relating to the matter progressed.

As detailed below in Section 3.3, the execution of a Deed of Settlement and Release on 26 July 2012 with IFL resulted in a successful settlement of the court proceedings in favour of PCCS with IFL paying our litigation costs and our claim for significant damages. The arrangement also provides PCCS with the future management, remediation and potential for ownership of the remediated IFL site.

The Deed Administrators have managed remediation productivity by fully utilising PCCSS personnel and standing down non-required external contractors where practical and as appropriate.

The remediation status plan for the Site is included with this report at **Annexure 2**. The plan demonstrates the extent of remediation works completed to date.

The status of remediation of the specific stages is set out below.

There are currently six separate remediation areas (including the IFL Site and excluding the containment cell) in the Staging Plan. For each of these areas or parcels, it is necessary to obtain prior approval for the remediation plans and designs (Remedial Action Works Plan – ("RAWP")), firstly from the Site Auditor and then the Authorities. The Deed Administrators continue to manage and provide the Authorities with regular monitoring during and after remediation. After the remediation is complete, it is necessary to secure a Validation Report signed off by the Site Auditor as a pre-condition to future development.

Cardiff West Estate (now known as Cardiff Central)

As previously reported, remediation, validation and excision of Area 1 from the Remediation Order (Cardiff Central – 16ha area) has been completed.

Following the remediation phase, Area 1 has been developed into a 22 Lot industrial subdivision with roads and servicing completed in Q4 2011. The application for Certificates of Title for individual lots was granted by the NSW Land Titles Office in January 2012. Area 1 will continue to be maintained until all the allotments are sold. (See Section 3.4.2 for further information regarding the sales progress).

Parcel 2

Remediation of Parcel 2 (Munibung Hills – 52 ha area) is approximately 95% complete with only those areas affected by the IFL boundary works outstanding. It is intended that the IFL boundary works will be completed during 2013 in conjunction with the remediation of Parcel 6 (IFL Site), in accordance with approved RAWP documents signed off by EPA and DoP.

Parcel 3

Remediation of Parcel 3 (Tripad – 10 ha area) commenced in Q3 2009 and was completed in Q3 2010. A Site Audit Statement certifying the land being suitably remediated for residential use was issued in December 2012.

Parcel 4

Remediation of Parcel 4 (Old Plant Area – 24 ha area) is approximately 90% complete with remaining areas consisting of access roads to and from the Effluent Treatment Plant (ETP) area.

Parcel 5

Remediation of Parcel 5 (Original plant location - Cell Surrounds - 20 ha area) is approximately 50% complete. The outstanding area will be remediated during Q1 2013 which will also include the demolition of the old administration building and removal of concrete access roads to IFL. Validation of contaminated water storage dams will be undertaken in conjunction with the remediation of Parcel 6 (IFL Site) in order to maintain adequate water storage infrastructure.

Parcel 6

Remediation of Parcel 6 (IFL Site – 16 ha area) is scheduled to commence in Q1 2013 and be completed in Q4 2013. Demolition of retaining walls, slabs and footings will be undertaken in conjunction with the removal of contaminated soil. Contaminated water will be treated through the existing onsite treatment plants and contaminated soil placed into the PCCS containment cell.

First Street Sub Station

Remediation of the redundant electrical substation located on First Street and historically leased by AusGrid will be undertaken in conjunction with the remediation of Parcel 6. Works are scheduled to commence and be completed in Q1 2013. A contract with AusGrid is expected to be signed in Q1 2013 which provides adequate funding for the necessary remediation works.

Remediation and removal of the substation infrastructure will significantly improve the aesthetics to the site from the south and will assist with the sale of the 5 remaining vacant allotments that PCCS own and which are located opposite the redundant substation. (See Section 3.5.2 below for further information regarding the vacant allotments).

3.2.3 Containment Cell Design and Construction

PCCSS has continued the construction of the containment cell in conformity with its design requirements.

Following execution of a Deed of Settlement and Release with IFL we sought approval from the NSW Department of Planning and NSW EPA to the design modification of the cell to allow for the additional IFL material. The IFL material will affect the cell height (not the cell foot print) and also to ensure that PCCS are able to meet the environmental requirements associated with water management. The relevant approvals were obtained in December 2012.

On site remediation works for the PCCS site are anticipated to be completed in early Q1 2013 with the IFL remediation commencing in January 2013 and completing in Q4 2013.

3.2.4 Ongoing Site Monitoring

In accordance with the Part 3A consent conditions, monitoring will continue until the Site as a whole has been remediated and thereafter as required by the NSW EPA to confirm the effectiveness of the measures taken in addressing discharge from the Site. These ongoing requirements were previously set out in the Remediation Order issued over the Site by the NSW EPA in 2003.

Negotiations regarding the requirements and procedures for NSW EPA to lift the Significant Risk of Harm ("SRoH") (Remediation Order) notation from remediated areas prior to the conclusion of ongoing monitoring requirements has been successfully concluded for Area 1. An acceptable outcome to these ongoing negotiations was key to enabling the progressive development and future realisation of the remaining remediated Site areas.

Planning has now commenced to have the Remediation Order progressively removed from the remaining parts of the site as remediation works are completed.

3.3 Incitec Fertilisers Limited ("IFL") Site

A significant development since our last report is the alliance with IFL and the work involved in obtaining the necessary approvals from the regulators (namely DoP and EPA) to allow us to commence remediation works on the IFL site. These approvals were obtained in late December 2012 and relate, primarily to the redesign of the expanded containment cell and the management of environmental monitoring on the IFL site. As previously discussed the alliance provides significant and positive steps in respect of the future development of the PCCS site.

The arrangement means that PCCS will transfer contaminated material from the adjoining IFL site for placement within an expanded PCCS containment cell on favourable commercial terms. The result being a singular, on site, containment cell under our future management.

As previously reported to you the IFL site had been failing to manage its ground and surface water flows resulting in cross contamination from their un-remediated site on to the PCCS site. As a result proceedings against IFL were issued in both the Land and Environment Court ("LEC") and the Supreme Court ("SC").

The execution of a Deed of Settlement and Release on 26 July 2012 with IFL resulted in a successful settlement of the court proceedings in favour of PCCS with IFL paying our litigation costs and our claim for significant damages.

The agreement has numerous financial and non financial implications which are detailed below:

- PCCS will obtain control of the combined (PCCS/IFL) sites allowing for drainage, surface, groundwater and general site planning to be managed more effectively
- Favourable resolution of ongoing litigation (as detailed above)
- Very positive financial outcome to creditors
- Potential delays in the development of the site are removed
- Placement of IFL contaminated material will lead to the cessation of the cross contamination onto the PCCS site
- It removes the strong negative image of the site, identified by local council and developers, as the combined site will have only 1 containment cell rather than 2
- It provides for a more constructive working relationship with the regulators and local council
- Planning/superlot/area plan control can be achieved (reducing the number of problems currently encountered with local council and government regulators due to IFL's lack of progress in respect of its site remediation and development)
- The terms of the agreement allow for PCCS to take ownership of the remediated IFL land (at a pre-agreed price) which provides for increased developable land for residential use and allows for PCCS (if required) to develop the combined site in a more advantageous manner.
- It is clear that the relevant authorities have viewed the IFL agreement positively and we have seen a material improvement in our association with the Government and regulatory authorities, and expect that the ongoing management of the site will benefit from these developments.

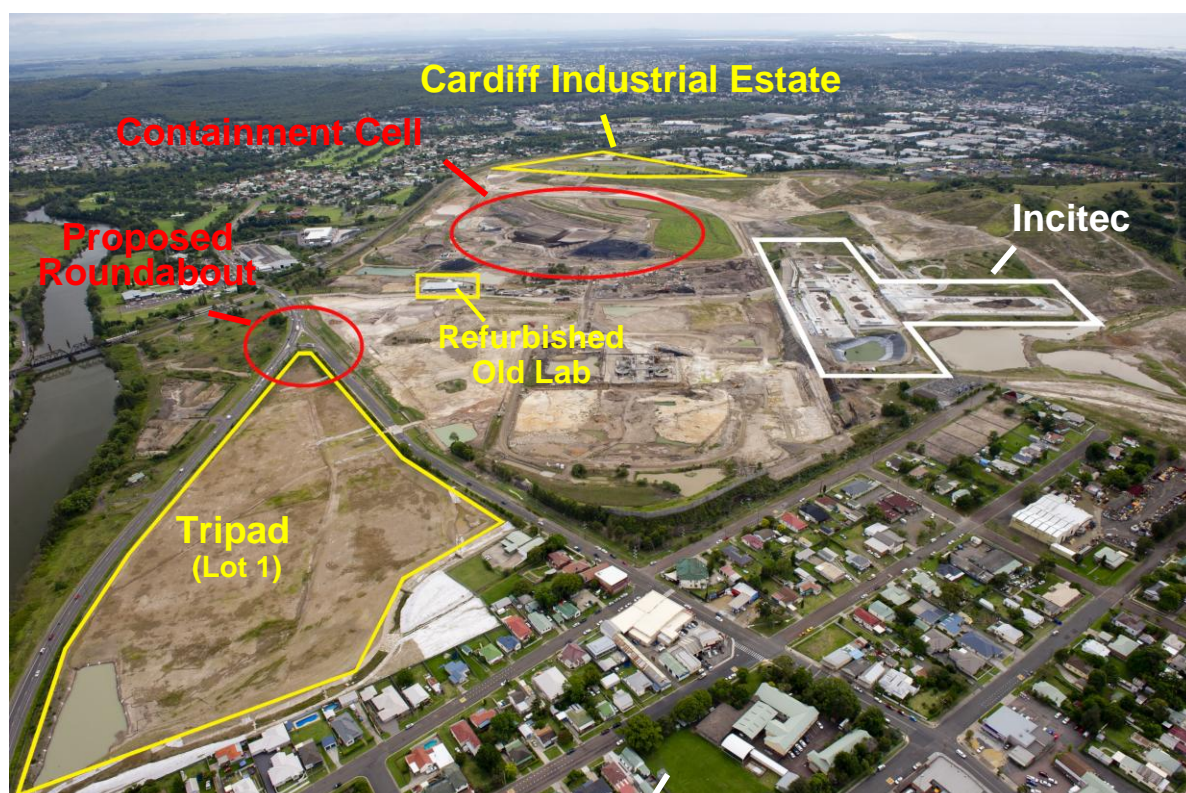
A pre-condition to the alliance with IFL was receipt of confirmation by PCCS from the EPA that no waste levies would be incurred. On 8 June 2012 the EPA provided a letter (see **Annexure 3**) confirming that no waste levy charges would be incurred under the alliance.

Following this acknowledgment from the EPA, we liaised with the relevant Government authorities to ensure that all design approvals and licence amendments were obtained in a timely manner to allow works on the IFL site to commence in January 2013, thus ensuring

there would be no disconnect between the completion of remediation works on the PCCS site and commencement of works on the IFL site.

Creditors should note that despite the agreement resulting in additional onsite remediation works continuing until the end of 2013, the works will not extend the overall timeframe for sales of the developable land at PCCS. More likely, the realisation timetable will be shortened as the risks of further delays caused by IFL's continued cross contamination and inactivity will be removed. In addition due to the proximity of the IFL site to the containment cell works will be carried out quickly and efficiently.

The completion of the remediation will also correspond with the completion of onsite infrastructure works (construction of a major roundabout and a section of Munibung Road) which we are determined to complete by December 2013.



3.4.1 Site Rezoning

Following the preparation of a Master Plan and submission of a Local Environmental Study to LMCC, the State Government in December 2011 rezoned the remaining site (being the balance not previously rezoned in September 2010), including part of the IFL site. The rezoning changed the approved land use from heavy industrial zoning to a range of land uses including light industrial, commercial, residential and open space. Residential will now be the predominant permissible use.

As previously reported, the key elements of the rezoning proposal based on the Site Masterplan are:

- Approximately 600 dwellings based on an average density of 15 dwellings per hectare;
- 1,500 additional residents based on 2.5 persons per dwelling;
- Potential for 1,600 jobs in a variety of industries;
- Additional passive regional open space on Munibung Hill and the containment cell linking with surrounding open space systems;
- Integration with the existing urban fabric of the locality; and
- The requirement for the preparation of an Area Plan (Development Control Plan) prior to any consents being issued for subdivision/development.

As a result of the agreement between IFL and PCCS in relation to the remediation of the IFL site, a Local Environmental Study will need to be submitted to LMCC in early 2013 to rezone the remainder of the IFL site for residential use.

Creditors can also obtain other useful information in relation to the site at:

www.bunderra.com.au.

3.4.2 Development

Following the first stage rezoning an Area Plan was lodged with LMCC. The Area Plan incorporated a large roundabout which provides continued Main Road access into Boolaroo as well as long term access to the site.

The Area Plan takes development planning to the next stage from the areas zoned for particular uses to identify specific development controls that will be applicable to each particular zone. These controls will provide a development guideline for future subdivision applications. It is likely, as more detailed development planning is progressed, the site's Area Plan will be modified and enhanced.

A revised Development Application was lodged with LMCC in November 2011 to subdivide the site into a number of superlots. This application is essentially an infrastructure master plan mapping out the key roads and drainage systems through the site together with identifying how the individual superlots can be provided with essential services including water, sewer and power.

The superlot application primarily relates to the first stage rezoning however a subsequent superlot application completing the infrastructure master plan will be lodged following adoption by LMCC of the second Area Plan.

The initial superlot subdivision application was approved in November 2012 and allows the construction to commence on key infrastructure, namely the major roundabout and the southern portion of the new Munibung Road. Attached at **Annexure 4 (A)** is the LMCC approval. For the sake of consistency we have adopted the LMCC numbering within this report to identify each superlot on the site. We have also included as **Annexure 4 (B)** the site wide superlot plan and attached at **Annexure 4 (C)** is a development plan identifying the changes in lot numbers and letters that we have adopted to correspond with the LMCC approval.

Completion of this roundabout together with related roads and services is essential for the completion of the sale of Lot 3 (previously known as Lot C) to Bunning's.

We detail below the progress in relation the development of each superlot (see **Annexures 4 (A),(B),(C) &(D)**).

Cardiff Central (formerly Cardiff West Estate)

A marketing and sales program for the light industrial subdivision of approximately 16 hectares in the northern part of the Site has been underway throughout 2012. Our agents Jones Lang LaSalle, Raine and Horne, Colliers and Ray White were engaged on this site in 2012.

We are not satisfied with the level of sales achieved by the sales agents to date and as such, in late 2012 we asked for fresh marketing proposals from each agent and intend to appoint a sole sales agent in 2013.

The site consists of 22 lots with revenues in the vicinity of AUD13 million expected to be achieved. To date five sales have occurred with combined revenue of approximately \$4 million.

During 2012 we had a reasonable level of interest in the Cardiff Central lots which included a number of new inspections and enquiries. To try enhance interest in the lots we recently applied to LMCC for lots 7 and 8 to be subdivided into three smaller lots namely, 781, 782 and 783. This approach has been successful as we recently accepted an offer on lot 781.

Total sales, achieved to date are detailed below:

Lot Number	Status	Amount AUD (GST excl)
1	Contract completed 22/3/2012	620,000
2	Contract completed 12/3/2012	625,000
3	Contract completed 10/2/2012	1,478,500
9	Contract completed 22/3/2012	943,740
781	Offer accepted	320,000
Total Anticipated Sale Proceeds		3,987,240

See **Annexure 5** for a detailed plan of the Cardiff Central Estate.

The sales prices for the remaining lots and future anticipated revenues for the site will be further assessed in 2013 following advice from our agents and after reviewing market conditions.

Below is a photo of the Cardiff Central industrial estate:



Tripad (Lots 1 & 2)

As previously reported the McCloy Group (“McCloys”) terminated the joint venture agreement on Lots 1 & 2 on 16 April 2012. The termination by McCloys was primarily due to their concerns regarding ongoing litigation between PCCS and IFL.

Following the termination we prepared a marketing and expression of interest campaign to sell this piece of land as an englobo sale.

A campaign was commenced in November 2012 following approval of the Superlot development application by LMCC and approval of a site audit statement from the Site Auditor. Our agents JLL ran the marketing campaign and a number of interested parties came forward. We shortlisted three key interested parties who entered an exclusive due diligence phase.

All parties are contemplating a purchase price of \$2.5 million and negotiations are continuing on other contractual terms.

Lot 3 (previously known as Lot C)

Following execution of a Heads of Agreement on Lot 3, PCCS entered into a Put and Call agreement in relation to approximately 3ha of Lot 3 on 1 November 2012.

Realisations from the sale of Lot 3 will be AUD7.95 million. Both PCCS and the proposed purchaser, Bunning's (who are Australia's largest household hardware chain with numerous stores in Australia and New Zealand) are moving forward to finalise certain approvals in order to complete a formal sale contract.

Lot 4 (previously known as Lot 2)

Following the recent superlot development application approval from LMCC this section of land of c.6.5 ha may be developed or sold englobo for residential purposes following completion of the onsite remediation works. Expected yields on this parcel of land total 78 residential properties.

Lot 5 (previously known as Lot 102)

This area of land forms a drainage reserve for onsite water catchment.

Lot 6 (A) (previously known as Lots 4 & 5)

Following the termination of the McCloy Joint Venture agreement on the Tripad site in April 2012 the proposed Joint Venture in relation to Lot 6 (A) did not eventuate.

This section of land will be considered for development options following completion of the onsite remediation works.

Lot 6 (B) – Former laboratory building (previously known to be part of Lot E)

The Old Lab is a heritage structure in which a full refurbishment has been completed. The Old Lab is currently being used as the site's operational office and marketing suite. The future long term use of the Old lab will be considered following the completion of the onsite remediation works. Arrangements are being made for the issuance of a separate title for this lot.

Lot 6 (C) (previously known as the balance of Lot E)

The balance of this section has been allocated for mixed use zoning and will be sold englobo for commercial development.

Lot 6 (D) (previously known as Lot 3)

Development options for this site are being reviewed. Question marks regarding slope stabilities require consideration and this may affect the extent of the development yields for

residential properties.

Lot 6 (E) (F) (G) & (I) – (previously known as Lot 6, Munibung Hills, Lot 7, CWE 2, Lot 9)

Development options for the remaining superlots will continue to be considered by the Deed Administrators on collective basis with the focus being on maximising returns for Creditors. These Lots may be considered for developments of future industrial, commercial and residential developments. (Refer comments in Section 5 below)

Lot 6 (H) (previously known as IFL)

This area is planned to be used for residential and open space purposes. Once works on the site are underway and remediation is substantially complete we will look to rezone the site for residential purposes prior to taking ownership of the land via the Put and Call option agreement, discussed above.

3.5 Other

3.5.1 Lead Abatement Strategy (“LAS”)

As previously reported, a condition of the Part 3A consent required that PCCS develop and implement a strategy to address lead dust deposition from the previous smelter operations at residential properties surrounding the Site.

As previously reported the LAS program was offered to over 2,000 residential properties within the suburbs surrounding the smelter site (“eligible properties”) with over 1,200 properties signing up to participate in the program.

All properties were systematically sampled in order to verify the content (in parts per million [“ppm”]) of lead at each property with the samples then independently analysed with the results then categorising the level of abatement works required.

Abatement works varied from the provision of educational material (via a DVD) up to the removal of contaminated soil from the lawned area of a property and the replacement of soil and turf.

We are pleased to report that the implementation of works on all 1,200 properties (against estimated participants of 600 properties) is now complete and the over 80% of properties returned low lead results thus requiring little or no abatement works. We see this as a positive result for the administration as the low lead results will improve the perception of the local area and should increase the value of the local area including the PCCS developable land.

The reason for the increased participation was the conduct of extensive media and public awareness campaigns by local council and community groups. The campaign was obviously something out of our control.

A consequence of the increased number of properties was the resultant increase in Ferrier Hodgson's fees associated with administering each properties requirements. In addition poor local weather has resulted in abatement works at many properties being delayed or rescheduled thus adding to the administrative requirements.

However due to the lower than expected number of properties returning high lead level results requiring abatement works, (even with the high participation) we have achieved cost savings against budget which help offset the majority of the higher than anticipated administration costs.

The LAS program has now been completed and has provided an environmental benefit to the local community.

3.5.2 Residential property sales

PCCS own 5 vacant property allotments within close proximity to the PCCS site. These vacant allotments were originally acquired by PCCS prior to the Deed Administrators' appointment in order to act as a buffer between the site and the broader community.

It is intended that these remaining allotments will be placed on the market for sale in Q1 of 2013 following the demolition of the electrical substation that sits opposite the vacant land, thus improving the allotments appeal and saleability.

Proceeds from the sale of these vacant allotments will be applied towards the cost of remediation works on the Site.

It is anticipated that these sales will provide revenues in the vicinity of AUD700,000.

3.5.3 Operating/Care and Maintenance Activities

In addition to the matters outlined above, the Deed Administrators continue to undertake operating and care and maintenance activities.

Further activities that are attended to on the site (which will also apply to the IFL site), include:

- Site contractor and consultant management
- Conduct of civil/remediation works utilising plant and equipment owned/hired by PCCS and personnel of PCCS Services
- Civil works tender process and operations management
- Managing the Site's surface and groundwater systems including the continued operation of the Effluent Treatment Plant
- Site security

- Ongoing negotiation with the EPA regarding the revision/removal of Licences and Approvals to ensure these remain in line with the progressive remediation of the Site
- Managing inquiries from the community
- Managing service and utility supplies to the Site
- Provision of regular Authority reports under the Environment Protection Licence including on and off site monitoring
- Site Personnel management and servicing of onsite remediation activities
- Bushfire and vegetation management

The Deed Administrators continue to review the staffing of operations at the Site. We maintain the required level of staff to manage remediation, compliance and regulatory requirements.

During 2013, as we near completion of the remediation phase, the requirement for certain of these activities will either reduce or cease.

4. OPTIONS FOR CREDITORS TO CONSIDER

As previously reported once the site is fully remediated, we will convene a further meeting of creditors to present a number of alternative options for the ultimate realisation of the Site, in whole or in part. These options include:

- Sell the remaining superlot sites “as is” (i.e. undeveloped with minimal or no infrastructure) as reflected in the low case scenario of the latest dividend estimates at 31 December 2012 attached at **Annexure 1**;
- Sell serviced or partially serviced and developed parcels of land as reflected in the mid case scenario of the latest dividend estimates at 31 December 2012 attached at **Annexure 1** ; and/or
- Sell fully developed lots possibly through Joint Venture partnerships (i.e. a fully serviced residential or industrial subdivision) as reflected in the high case scenario of the latest dividend estimates at 31 December 2012 attached at **Annexure 1**.

In relation to the above options we have sought professional advice from Hill PDA (Independent financial and development experts) in considering the current market climate in terms of residential, commercial and residential developments and superlot sales and/or land banking.

Hill PDA’s advice is attached at **Annexure 6**. In summary, the advice of Hill PDA is consistent with the market consensus and its confirms our understanding that the general

market conditions in all development sectors are negative due to the prevailing economic outlook.

Subject to the prevailing market conditions and having regard to overall project timing and risk exposure, a mixture of the above options may be pursued during the project's life cycle.

We are however acutely aware that the creditors of Pasminco are currently seeking dividend returns to be paid as soon as possible. Therefore at the completion of the remediation role we intend to provide you with more detailed information for discussions on our realisation proposals.

Hill PDA has also confirmed the accuracy of our 31 December 2012 forecasts to creditors and support the assumptions made.

5. WORKERS' COMPENSATION CLAIMS

5.1 Self Insured Liability Tail / Claims Management

Between December 2011 and December 2012, Pasminco once again experienced increased numbers of new and reopened claims, predominantly lower value industrial deafness claims.

The balance of the estimated self insured liability tail relates mainly to projected new and reopened claims. These claims, given their recurring nature, are likely to endure for an extended period into the future.

The Deed Administrators are continuing to explore options for the future management of the self insurance tail. A preliminary meeting with NSW WorkCover was held in November 2011 to discuss the potential, under current and future legislative arrangements, for the Deed Administrators to find a commercially prudent solution to reduce the period for which they will be required to manage claims. At this stage no further discussions have taken place, nor does it seem likely that NSW WorkCover will agree to amend the current status. We will continue with these discussions in 2013. We will advise creditors if we are able to confirm any arrangements with NSW WorkCover, however this may require legislative change and we cannot be certain if and when such a change can be implemented.

5.2 Monies held by NSW WorkCover

Pasminco's claims administration operated by the Deed Administrators has allowed for the disbursement of part of the funds retained by NSW WorkCover.

At present there are cash funds of approximately AUD16 million earning interest deposited with the New South Wales WorkCover Authority. The funds are held in support of Pasminco's New South Wales self insurance obligations in respect of Workers Compensation.

NSW WorkCover continues to remit interest on those funds as earned on a six monthly basis.

Remittance of the balance of the funds will depend on the movement in outstanding workers compensation claims liabilities as assessed by an actuary or alternatively subject to any arrangement which is able to be implemented for the future management of claims, sanctioned by NSW WorkCover.

In September 2012 we wrote to NSW WorkCover and provided them with our latest actuarial report and asked whether they would release any surplus funds they hold on behalf of PCCS. To date NSW WorkCover have refused to release any funds. We will continue to liaise closely with them in 2013.

6. WINDING UP AND DEREGISTRATION PROCESS

Since last reporting to creditors, we have continued to progress the winding-up and deregistration of Pasmenco's Residual Group companies in accordance with the Pasmenco Group's DOCAs.

The Australian Corporations Act 2001 ("Act") requirements for a company to be eligible for deregistration are as follows:

- All members of the company agree to the deregistration;
- The company is not carrying on business;
- The company's assets are worth less than AUD1,000;
- The company has paid all fees and penalties payable under the Act;
- The company has no outstanding liabilities; and
- The company is not party to any legal proceedings.

The deregistration process has required us to deal with the following issues in this regard:

- Intercompany debt forgiveness
- Deed of Cross Guarantee releases
- Security Trust Deed releases
- Deed of Cross Assumption of Claims releases
- Separation, Transitional and Shared Services Deed obligations
- Taxation obligations
- Legal sign off

We have been successful in completing the deregistration process for all residual companies in the Pasminco Group (totalling 13 companies) apart from the following three (3) entities, namely:

- Pasminco Limited,
- Pasminco Finance Limited; and
- Pasminco Cockle Creek Smelter Pty Limited.

The above three companies will remain until the finalisation of the administration as they hold assets for future distribution.

Completion of the deregistration process has helped reduce the amount of statutory lodgements and other costs.

7. STATUS OF ADMITTED CLAIMS

To date, the following amounts have been adjudicated and admitted as claims against Pasminco and are eligible to receive future dividends:

Claim Type	Admitted Amounts for Future Dividends AUD
Financiers (including former SRL Creditors)	2,605,881,995
Trade and other creditors	5,492,238
Total	2,611,374,233

Please note that the dividend calculations are based on the amount of admitted claims plus the Deed Administrators' estimate of the likely amount of claims that are yet to be admitted. I advise as follows in relation to certain creditors:

7.1 Trade and other creditors

Trade creditors represent general creditors whose claims against Pasminco are in excess of AUD10,000. Also incorporated within this figure are creditors' claims that have been or still are subject to litigation.

Contamination claims have been included in this creditor group. Primarily, these claims relate to individuals who claim loss or damage as a result of living in close proximity to the smelter sites at Port Pirie, South Australia and Cockle Creek, New South Wales.

The Deed Administrators are required to act in accordance with their obligations under the Act in assessing proofs of debt. Accordingly, satisfactory evidence to justify a creditor's claim is required before a proof of debt can be admitted in the Administration.

7.2 Small Participating Creditors

Small Participating Creditors (creditors claiming less than AUD10,000) have received a first and final dividend of 50 cents in the dollar in accordance with the Deeds of Company Arrangement.

8.0 DEED ADMINISTRATORS' FEES

At the previous meeting of creditors, held on 15 February 2012, creditors approved the Deed Administrators fees up to a cap of AUD2,486,806.83 (plus GST) for the period to 31 December 2012.

The Pasmenco Deeds of Company Arrangement provide that the Deed Administrators may calculate their fees in accordance with Ferrier Hodgson's schedule of hourly rates.

Our current fees as Deed Administrators have been calculated in accordance with Ferrier Hodgson's schedule of hourly rates, which were applied on 1 April 2009. We have determined, given the ongoing uncertain economic conditions, that we will maintain our current rates.

As at 31 December 2012 we had a work in progress of AUD481,868 which is yet to be billed. In this respect we had undrawn, but approved fees of AUD6,483, leaving a shortfall for 2012 of AUD475,385. This shortfall (explained below), combined with estimated fees for 2013 of AUD1,895,537 totals AUD2,370,922, for which approval is now sought.

The following table details the actual versus budgeted fees for the period 1 December 2011 to 31 December 2012.

2012 Actual vs Budgeted Fees				
	Budgeted 1 Dec 2011 to 31 Dec 2012	Actual 1 Dec 2011 to 31 Dec 2012		
LAS	AUD394,739	AUD1,132,116	AUD737,377	Over budget
Pasmenco	AUD2,189,150	AUD1,927,158	AUD261,992	Under budget
TOTAL	AUD2,583,889	AUD3,059,274	AUD475,385	Over budget

The main reason for the unfavourable variance in fees attributed to the LAS due to an increased number of actual participants (1,200 properties) against estimated participants (600 properties) and the associated administrative requirements in dealing with such a large number of properties.

On a positive note, the under-budget figure achieved on Pasmenco includes costs associated in negotiating the IFL deal and obtaining all relevant approvals.

Creditors should note that the average monthly fees are anticipated to reduce significantly from January 2014 onwards as completion of the remediation occurs.

We anticipate the following factors to result in a reduction of average monthly fees from January 2014:

- Remediation works will be completed by Q4 2013 and Cell closure/capping is due to occur thereafter. Consequently, care and maintenance and groundwater monitoring will be the main costs incurred after this date.
- Cessation in earthworks costs in relation to remediation activities will occur following the Cell closure.
- Infrastructures works (Roundabout and Munibung Road construction) will be completed in conjunction with the Cell closure/capping.

Accordingly, at the forthcoming meeting of creditors we will seek approval for an additional fee limit of AUD2,370,654.50 (plus GST) as detailed below:

	AUD	AUD
December 2012 WIP	0.48m	
2013 Budgeted fees	1.90m	
Budget costs for 1 Jan 2013 to 31 Dec 2013		2.38m
Fee allowance brought forward from 2011	0.09m	
Fees approved for period 1 Dec 2011 to 31 Dec 2012	2.49m	
Less fees drawn	(2.57m)	
Approved fees remaining		(0.01m)
Additional fee approval to be put to creditors		2.37m

Attached at **Annexure 7** is a remuneration report that includes details of the work we anticipate performing during 2013.

Given that the fees will be subject to a limit, we are unable to draw fees exceeding the limit. Should our fees exceed this limit, we will seek further approval from creditors at a later meeting of creditors.

I note that historically we have informed the Committee of Creditors of the level of our fees and sought their authorisation to draw fees on a periodic basis within the limit approved by the creditors. As a result of debt trading, no members remain on the Committee of Creditors. Accordingly the Deed Administrators draw fees on a periodic basis ensuring that fees are not drawn in excess of the limit approved by creditors.

Naturally, we will provide an account of all fees incurred and paid in future reports to creditors.

9. NOTICE OF MEETINGS OF CREDITORS

Concurrent meetings of the creditors of Pasminco will be held at 11:00am (Australian Eastern Daylight Savings Time) on 7 February 2013 pursuant to the Deeds of Company Arrangement executed for the Pasminco Group companies.

The purpose of the meetings will be to:

- Provide creditors with an update in relation to the status of the Administration;
- Provide an opportunity for questions from creditors; and
- Seek creditors' approval for unpaid and ongoing Deed Administrators' fees in this matter.

For your information and assistance, we enclose the following:

9.1 Notice of Meeting (Annexure 8)

Please note that the meetings of creditors will be held on 7 February 2013 at 11.00am (Australian Eastern Daylight Savings Time) at the offices of Ferrier Hodgson, Level 29, 600 Bourke Street, Melbourne, Australia.

In accordance with Corporations Regulation 5.6.23(1), creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claims against the above named companies with the Administrators and the claim is or has been admitted in whole or in part for the purposes of voting pursuant to Corporations Regulation 5.6.26.

In accordance with Corporations Regulations 5.6.13A, creditors should note that telephone conference facilities will be available for creditors to attend the meeting via telephone.

Any person who wishes to participate in the meeting via telephone must contact Mr Richard Bastow in writing no later than midday (Australian Eastern Daylight Savings Time) on 6 February 2013 providing a written statement setting out:

- the name of the person and of the proxy or attorney attending the meeting;
- an address and or facsimile number to which notices to the person, proxy or attorney may be sent; and
- a telephone number at which the person, proxy or attorney may be contacted.

Following receipt of the above details, Mr Richard Bastow will contact you and provide you with a specific telephone number and a password to enable you to attend the creditors meeting via our telephone conference facilities.

Consequently the person, proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred in attending the meeting and is not entitled to be reimbursed for those costs from the assets of the Company.

Please note that the Deed Administrators will be happy to answer any questions relating to the administration at the meeting. Should a creditor however have specific questions that they wish to raise at the meeting, which are not covered within this report, please forward your questions to Mr Richard Bastow in advance of the meeting and we can then ensure that your questions are appropriately answered.

Creditors attending in person are requested to arrive at the meeting at least 15 minutes prior to the commencement of the meeting.

9.2 Proxy Form (Annexure 9)

- Proxy Forms must be completed by:
 - All corporate creditors who wish to be represented at the meeting (i.e. if XYZ Pty Ltd is a creditor, it will need to appoint a person to act as its proxy).
 - Individuals who are creditors who are not attending the meeting to vote personally.
- If the creditor wishes to direct the person appointed as their proxy as to how they wish to vote (a special proxy), the appropriate box next to the resolutions should be ticked in accordance with that direction. You must tick one box per resolution only, i.e.: For or Against or Abstain.
- If the creditor wishes to allow the proxy appointed to vote as the proxy determines, they should not tick any of the boxes.
- Creditors must also include the amount of their pre-appointment claim prior to the distribution of any previous dividends and sign the Proxy Form in the spaces provided.

Please note that all proxy forms should be completed and returned to this office by no later than midday (Australian Eastern Daylight Savings Time) on 6 February 2013.

Should you require any further information in relation to the matters contained within this report, please do not hesitate to contact Mr Richard Bastow of this office (telephone +61 3 9604 5175).

Yours faithfully



Peter McCluskey
Deed Administrator
Encl.