

27 March 2007

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TO THE CREDITOR AS ADDRESSED

Dear Sir/Madam

**RE: PASMINGO LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 004 368 674
AND ITS WHOLLY OWNED AUSTRALIAN SUBSIDIARIES ("PASMINGO")**

ADELAIDE
BRISBANE
NEWCASTLE
PERTH
SYDNEY
AUCKLAND
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
SINGAPORE
TOKYO
affiliated through
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

I refer to previous correspondence regarding the administration of the Pasmingo Group.

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

Our report is set out as follows:

1. EXECUTIVE SUMMARY
2. DIVIDEND ESTIMATES
3. DIVIDEND DISTRIBUTIONS
4. UPDATE ON THE COCKLE CREEK SMELTER SITE
5. WORKERS' COMPENSATION CLAIMS
6. AQUILA LITIGATION
7. WINDING UP AND DEREGISTRATION PROCESS
8. STATUS OF ADMITTED CLAIMS
9. DEED ADMINISTRATORS' FEES
10. NOTICE OF MEETINGS OF CREDITORS

When replying please quote:
Our Ref: SJ:JME:C
Your Ref:

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CORPORATE ADVISORY
FORENSICS
CORPORATE RECOVERY

1. EXECUTIVE SUMMARY

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

- Creditors may receive further distributions (on a mid case scenario) of **8.7** cents in the dollar, bringing the total return payable to unsecured creditors to **24.9** 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 propose to pay a 4th interim dividend distribution to the unsecured creditors of **1.5** cents in the dollar in quarter 2 of 2007.

1.1 Update On The Cockle Creek Smelter Site

- During 2006 the severance and removal of all remaining structures at the Site was completed to the satisfaction of the Deed Administrators.
- With the conclusion of the demolition process, the Site has been readied to move to the remediation civil works phase of the project.
- In accordance with Part 3A of the Planning and Assessment Act 1979, an Environmental Assessment Report detailing the Deed Administrator's proposed whole of site remediation plan was lodged with the Department of Planning in June 2006. ("Part 3A application")
- On 2 March 2007, after an extensive review and negotiation process, consent to the Part 3A application on terms acceptable to the Deed Administrators was provided to PCCS by the NSW Minister for Planning.
- The Deed Administrators are now preparing to implement a Site remediation works plan.
- An indicative development master plan for the Site has been adopted by the Deed Administrators. The master plan provides alternative scenarios for the Site; one with a predominance of residential development on the Site, the other with a predominance of light industrial development on the Site. (Refer to Annexure 3)
- The Deed Administrators have been encouraged by the progress achieved on the PCCS project generally and specifically regarding the land use alternatives for the Site.
- Accordingly the Pasminco Group dividend forecast estimate range of scenarios now indicate that between 35% and 65% of PCCS project hold back funds will eventually be distributed to creditors.

1.2 Workers' Compensation Claims

- As reported in April 2006, as a result of Pasminco's claim management efforts, settlements achieved since the last report and reducing average claim sizes, PCCS's estimated self insured liability tail has decreased by approximately 30%.

1.3 Wind Down and Deregistration Process

- Since last reporting to creditors we have continued to focus on the wind down and deregistration of Pasminco's Residual Group companies in accordance with the Pasminco Group's DOCA's.

1.4 Deed Administrators' Fees

- Creditors previously approved an increase in our fee limit to cover the Deed Administrators fees estimated until 31 December 2006. As at 28 February 2007 we had incurred fees over and above our approved fee limit by approximately AUD0.23 million (comprising fees incurred in January and February 2007). We estimate that our professional fees for the period 1 March 2007 to 31 December 2007 will be approximately AUD1.96 million.
- At the forthcoming meeting of creditors, we will seek approval for an additional fee limit of approximately AUD2.19 million (plus GST) covering the 12 month period to 31 December 2007.
- Given that the fees will be subject to a limit, we are unable to draw fees exceeding the limit.
- Naturally, we will provide an account of all fees incurred and paid in future reports to creditors.

2. DIVIDEND ESTIMATES

As many creditors are aware, we provide regular updates to the dividend forecasts, which are published on the existing Pasminco website at www.pasminco.com.au and on our Ferrier Hodgson website at www.ferrierhodgson.com.au, under the section, "Creditors Information / Current Administrations / Pasminco Limited".

Our latest dividend estimate report to 31 October 2006 is attached at Annexure 1. The report estimates that creditors may receive further distributions (on a mid case scenario) of 8.7 cents in the dollar, bringing the total return payable to unsecured creditors to 24.9 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. The estimated return to creditors has continued to increase over time due to a variety of factors, including favourable outcomes on a number of matters. These include:

- A downward revision in the estimated future workers' compensation liabilities and settlement with Rio Tinto.
- A favourable settlement of the Aquila Litigation.
- A reduction in the estimated value of creditor claims.
- A reduction in the actual expenditure incurred to date on various issues.
- Cost savings and revenue improvements achieved and anticipated in relation to the remediation and realisation of the Cockle Creek site.
- A favourable outcome on the sale /wind down of US entities.
- A deferral of expenditure on various matters, resulting in additional interest being earned on funds held.

2.1 Disclaimer

The process of estimating future dividends that may be payable to the unsecured creditors of Pasminco 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 or the advice received from various consultants and advisors.

Given these uncertainties and the contingencies that may affect the ultimate realisation of any of the scenarios, 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.

3. DIVIDEND DISTRIBUTIONS

Following the successful resolution of the Aquila litigation (discussed further in Section 6 of this report) funds previously held back to cover litigation proceedings and potential liability costs were released to the creditors of Pasminco. This, the third interim dividend distribution of 2.4 cents in the dollar, was paid in September 2006. Unsecured creditors have now received a total of 16.2 cents in the dollar since April 2004.

I am pleased to advise that I propose to pay a 4th interim dividend distribution to the unsecured creditors of 1.5 cents in the dollar in quarter 2 of 2007. This distribution has been achieved through further improvement in the estimated workers' compensation liabilities, cost savings in relation to the Cockle Creek project, continued reduction in anticipated non financier creditor liabilities and favourable bank interest rates.

In order to minimise the delay in paying the dividend I will write to each finance creditor individually utilising the provisions of clause 24 of the Pasminco Limited Deed of Company Arrangement. Financiers will be required to confirm the balance of Debt held at a specific date and withhold from making any further debt trades until the dividend is made.

Non financier creditors who have admitted unsecured claims will receive payment in the usual manner. No further actions are required by this class of creditors.

4. UPDATE ON THE COCKLE CREEK SMELTER SITE

The following provides an update on activities undertaken by the Deed Administrators in relation to the Pasminco Cockle Creek Smelter Site ("Site" and "PCCS Site") since the last report to you on 19 April 2006.

4.1 Demolition Completed

During 2006, the severance and removal of all remaining structures at the Site was completed to the satisfaction of the Deed Administrators. Accordingly, performance bonds have been returned to the demolition contractor and they have removed all of their equipment from Site.

With the conclusion of the demolition process, the Site has been readied to move to the remediation civil works phase of the project.

4.2 Whole of Site Remediation

4.2.1 Part 3A Consent

In accordance with Part 3A of the Planning and Assessment Act 1979, an Environmental Assessment Report detailing the Deed Administrator's proposed whole of site remediation plan was lodged with the Department of Planning in June 2006.

The Environmental Assessment Report was put on public display and reviewed by stakeholder bodies including the Department of Planning, the NSW Department of Environment and Conservation ("DEC"), the Mines Subsidence Board, the Department of Natural Resources, Lake Macquarie City Council and others.

On 2 March 2007, after an extensive review and negotiation process, consent to the Part 3A application on terms acceptable to the Deed Administrators was provided to PCCS by the NSW Minister for Planning. This is a significant milestone in the complex process of obtaining State Government consent and approval to the Site remediation plan proposed by the Deed Administrators.

A copy of the Environmental Assessment Report and the Part 3A consent conditions can be obtained by visiting www.planning.nsw.gov.au under Major Project Determinations.

4.2.2 Site Remediation Works

The issuance of the Part 3A consent provides the NSW Government's approval to the Deed Administrators remediation plan for the Site allowing implementation of the staged remediation works to begin.

In conjunction with the Fitzwalter Group, the Site's remediation managers, the Deed Administrators are preparing to implement a site remediation works plan. A site works manager was appointed in late 2006 to oversee the day to day remediation activities on Site.

An indicative remediation staging plan ("Staging Plan") is included with this report at Annexure 2

Remediation is currently underway on two areas of the Site: the Cardiff West Estate and the Hawkes Dams (area 1 and the eastern part of area 7 on the annexed Staging Plan). The Deed Administrators are continuing to review the most appropriate and cost effective method to expedite the remediation works and ensure that remediation is properly undertaken. It is anticipated that a suitable combination of employees utilising PCCS owned equipment and civil works contractors will provide the optimal outcome for creditors.

Contaminated materials excavated from Cardiff West Estate and Hawkes Dams are being stockpiled within the containment cell footprint pending construction of the containment cell.

It is anticipated that remediation and appropriate Auditor sign off of Cardiff West Estate and Hawkes Dams will be achieved by Q3 2007.

4.2.3 Containment Cell Design and Construction

The Deed Administrators appointed Golders Associates to prepare a detailed design of the containment cell. The design process has included liaison with the Site's independent environmental Auditor who will provide formal sign off on efficacy and suitability.

Completion of the cell design and Auditor sign off is expected during Q2 2007.

The Deed Administrators intend undertaking a tender process for the cell construction. The cell construction contract will be let during Q4 2007. Preparation of the tender documents is underway.

The containment cell construction is estimated to conclude in 2010.

Possible arrangements for the long term ownership and management of the cell are currently being considered by the Deed Administrators. Suitable arrangements are required to be made to satisfy agreed conditions under the Part 3A consent terms.

4.2.4 Ongoing Site Monitoring

Since previously reporting to creditors, the Deed Administrators have further increased the Site's water storage capacity and improved its water treatment processing efficiency to address surface water discharge. A pump and treat process has been installed to address groundwater discharge from the Site.

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 DEC to confirm the effectiveness of the measures taken in addressing discharge from the Site.

These ongoing monitoring requirements were previously set out in the Remediation Order issued over the Site by the DEC in 2003.

4.3 Incitec Site

Incitec Pivot Limited ("Incitec") owns and operates a single super-phosphate ("SSP") production plant on a separately owned 'island site' located within the PCCS Site. Incitec took ownership of the SSP facility and land from a predecessor company to PCCS in 1965.

In April 2006, Incitec announced that its operations at the site would cease by September 2009. Incitec's long term intentions for its site post closure clearly impact on the remediation strategy and land use alternatives for the PCCS Site. The Deed Administrators have therefore approached Incitec to discuss and identify mutually beneficial opportunities to remediate and develop the two sites jointly.

Incitec's closure timeframe fits conveniently with the Deed Administrator's remediation and development timeframe for the PCCS Site.

We will continue to work with Incitec's representatives and are hopeful of achieving agreement to formalise such beneficial outcomes for both parties.

In January 2007, the Deed Administrators issued Incitec with a notice extinguishing a railway easement currently enjoyed by Incitec across the PCCS Site. Incitec do not require the railway easement for its remaining operations and have not objected to the notice. The easement will be extinguished during July 2007 providing PCCS with greater latitude in the final containment cell location.

4.4 Site Development

As previously reported, there are a number of options available for the realisation of the Site after it has been remediated. These include selling the land (or parts thereof) either undeveloped (with only basic services provided to allow for future subdivision) through to PCCS undertaking future planning and development activities prior to sale.

Given the long term nature of this project, it is preferable to keep all alternatives available into the future.

To ensure that the most appropriate development master planning and development activities would be undertaken, the Deed Administrators entered into a development agreement in August 2006 with the Paclib Group ("Paclib"), a leading Sydney based property developer identified out of the Expressions of Interest process undertaken in 2005/2006.

The development agreement requires Paclib to assist the Deed Administrators in shaping and implementing Site planning and development strategies (at Paclib's cost) in consideration for which they share in profits created by their involvement in the project whilst ensuring that at all times PCCS retains control of the land, performance of the remediation works and sale timetable.

A project Control Group comprising representatives of the Deed Administrators, Paclib and Fitzwalter meets monthly to guide the Site development process including preparing and monitoring appropriate applications to further subdivide and rezone portions of the Site.

4.5.1 Master Planning

The project Control Group has settled an indicative development master plan for the Site which has been adopted by the Deed Administrators. A copy of the master plan is attached at Annexure 3.

The master plan provides alternative scenarios for the Site; one with a predominance of residential development on the Site, the other with a predominance of light industrial development on the Site.

In practice, due to the length of the project and staged nature of Site remediation, the Deed Administrators will have the benefit of remediating, developing and selling CWE and other early stages which will assist in shaping the broader development and realisation strategy for the rest of the Site.

The master plan currently assumes a staged development land sale process in line with forecast take up rates concluding in 2017-2018. A sale of undeveloped land in line with forecast take up rates could commence in 2010 and be concluded by 2014.

The Deed Administrators will continue to review the development options and timing of land sales in light of all the variables and factors impacting the project (such as cost and value of residential and industrial land, forecast take up rates, local Government's plans for the region and Incitec's plans) to ensure that the timing of sale of the land provides the most optimal outcome for creditors.

4.5.2 Project Returns

The Deed Administrators have been encouraged by the progress achieved on the PCCS project generally and specifically regarding the land use alternatives for the Site.

Operating and remediation costs have been controlled in line with budget, and estimated returns from land sales have improved reflecting the value add activities being undertaken by the project team.

Whilst we are unable to provide creditors with specific details regarding the total estimated revenues and costs for the project (as this information is sensitive and could adversely impact on ongoing project negotiations) we are confident that we will ultimately be in a position to return to creditors a significant proportion of the funds held back to deal with the site.

Accordingly the Pasminco Group dividend forecast estimate range of scenarios now indicate that between 35% and 65% of PCCS project hold back funds will eventually be distributed to creditors.

We are currently experiencing a favourable trend in the forecast costs and revenues for the PCCS project and if this continues, we believe there may be a further improvement in forecast creditor dividends.

4.6 Other

4.6.1 Lead Abatement Strategy

A condition of the Part 3A consent discussed above requires that PCCS develops and implements a strategy to address lead dust deposition from the previous smelter operations at certain residential properties surrounding the Site ("Lead Abatement Strategy").

The Deed Administrators have developed a Lead Abatement Strategy that adopts a moderate and economic approach to address the requirements of stakeholders. This strategy has been reviewed by the DEC throughout its evolution and we are now awaiting confirmation of their formal acceptance of its contents.

Implementation of the Lead Abatement Strategy is subject to the Deed Administrators receiving formal confirmation that certain key development applications previously made in relation to the Site are approved by the NSW Government on acceptable terms and conditions. It is currently estimated that this confirmation will be received in late 2007.

4.6.2 Waste Materials

A quantity of process waste materials from the former operation of the Site and the demolition process remain stored on the Site.

Discussions are underway with parties who have the ability to remove these waste materials from the Site and process or dispose of them in compliance with applicable environmental regulations.

4.6.3 Residential Property Sales

As outlined in my previous report to creditors, a realisation strategy has been adopted in relation to the 40 properties located in Boolaroo owned by PCCS.

Since my last report to creditors a further 2 properties have been sold, with total realisations in excess of independent valuations. Proceeds from the sale of the properties are applied towards the cost of the remediation of the Site.

4.6.4 Operating/Care and Maintenance Activities

In conjunction with Site Management and Fitzwalter, the Deed Administrators continue to undertake certain Site operating and care and maintenance activities including:

- Managing the site's surface and groundwater systems including the Effluent Treatment Plant
- Site security
- Operating the jig which recovers lead concentrate
- Managing inquiries from the community
- Managing service and utility supplies to the site
- 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

As the Site is progressively remediated, the requirement for certain of these activities will cease.

The cost of these activities is regularly reviewed to keep it to a minimum level without compromising OHS&R requirements.

5. WORKERS' COMPENSATION CLAIMS

5.1 Self Insured Liability Tail / Claims Management

As reported in April 2006, as a result of Pasminco's claim management efforts, settlements achieved since the last report and reducing average claim sizes, PCCS's estimated self insured liability tail has decreased by approximately 30%.

Funds have been retained in anticipation of the amounts required to meet these liabilities. Prudentially, the Deed Administrators continue to conservatively retain funds set aside for the Self Insured Liability tail, until greater certainty is achieved in respect of this liability and until the estimated future liability is further reduced in gross value.

5.2 NSW Insurance Premium

Since my previous report we favourably mitigated the potential liability relating to the additional workers compensation insurance premium payable for trading activities during the Administration period.

5.3 Potential Rio Tinto exposure / Rio Tinto Claims

As previously advised, a number of Rio Tinto Limited ("Rio Tinto") subsidiaries lodged Proofs of Debt with the Deed Administrators totalling approximately AUD15 million. The final quantum of those proofs were also dependent upon the outcome of proceedings brought before the Supreme Court of Victoria. At mediation of the proceedings in July 2005, the matters in dispute were settled on the basis that Rio Tinto's Proofs of Debt were admitted for an agreed sum on the basis that after receiving the amount of dividends paid to creditors as at July 2005 (ie total dividends of 13.8 cents in the dollar), the Proofs of Debt would be withdrawn so as not to participate in future dividends. The terms of settlement have now been effected and the proceedings brought before the Supreme Court of Victoria have been discontinued.

A further claim related to the quantum in question in the Rio Tinto proceedings was also subsequently resolved since my last report to creditors.

5.4 Lumbermans Mutual Casualty Company (Trading as Kemper Pty Limited) ("Kemper")

At present there are cash funds earning interest deposited with the New South Wales Workcover Authority of approximately \$38 million. The funds are held in support of Pasminco's New South Wales self insurance obligations in respect of Workers Compensation.

Since my last report, Kemper have issued legal proceedings against Pasminco and other associated entities, seeking to establish an interest in these funds. Pasminco maintains

that the funds should be returned to Pasmenco following the satisfaction of the New South Wales self insurance obligations in respect of Workers Compensation.

This litigation is currently in its preliminary stages.

I note however Kemper have reached agreement with certain parties to the proceedings. The effect of the settlement was that Kemper reduced their formal proof of debt in the Administration by AUD2,123,000 and have returned dividends previously received to date of AUD292,974.

5.5 Release of Funds

As mentioned above, as a result of the certainty achieved in respect of the above matters the Deed Administrators are now in a position to release funds originally retained to cover various Workers Compensation liabilities.

6. AQUILA LITIGATION

At the meeting of creditors held on 19 May 2006 a resolution was voted on and accepted by creditors of Pasmenco to accept payment of AUD14million to Aquila as agreed in mediation by the Deed Administrators to therefore resolve this matter and prevent further litigation being pursued.

Aquila's Proofs of Debt were consequently admitted for a sum lower than claimed, and on the basis that after receiving the amount of dividends paid to creditors to July 2005 (ie total dividends of 13.8 cents in the dollar), Aquila's Proof of Debt would be withdrawn so as not to participate in future dividends. The terms of settlement have now been effected and the matter has been resolved to the Deed Administrators satisfaction.

Following the settlement with Aquila an equalising dividend was paid to the previously set aside creditors of Savage Resources Limited. The creditors each received a catch up dividend and the creditors now rank equally alongside all other unsecured creditors of Pasmenco and receive all dividends at the same time as other creditors.

7. WIND DOWN AND DEREGISTRATION PROCESS

Since last reporting to creditors we have continued to focus on the wind down and deregistration of Pasmenco's Residual Group companies in accordance with the Pasmenco Group's DOCAs.

The Australian Corporations Act ("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 \$1,000;
- The company has paid all fees and penalties payable under the this Act;
- The company has no outstanding liabilities; and
- The company is not party to any legal proceedings.

The above requirements were met for Pasminco Holdings Limited which was formally deregistered on 27 August 2006.

We are currently assessing each of the individual Residual Group companies to ensure that all assets are realised and all liabilities and outstanding issues are properly dealt with prior to deregistration. This process includes addressing *inter alia*;

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

8. STATUS OF ADMITTED CLAIMS

To date the following amounts have been adjudicated and admitted as claims against Pasminco for future dividend purposes:

Claim Type	Admitted Amounts for Future Dividends AUD
Financiers (including former SRL Creditors)	2,605,881,998
Trade and other creditors	38,549,049
Small Participating Creditors	23,488
Total	2,644,454,535

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:

8.1 Financiers – SRL Creditors

At a creditors meeting held on 5 October 2004 a resolution was passed by creditors stating that once the outstanding Aquila litigation was resolved a catch up dividend would be paid to the creditors of SRL. In addition, it was resolved that a further amount, determined by the Deed Administrators, would be paid to creditors to equal the approximate interest which occurred on the creditors catch up dividend.

Consequently a catch up dividend of 13.8 cents in the dollar plus accrued interest calculated at a weighted average rate of 5.49% was paid to the SRL creditors on 12 July 2006.

Following the distribution, SRL creditors were advised that their admitted unsecured claims would now rank equally alongside all other unsecured creditors of Pasminco.

8.2 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 creditor's claims that have been or still are subject to litigation. As mentioned in Section 4.4 the recently reduced Kemper claim is included in this section and is currently subject to the preliminary stages of litigation.

8.3 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.

8.4 Aquila Resources Limited.

As discussed in Section 6 above, Aquila Resources Limited has received a first and final dividend of 13.8 cents in the dollar based on their admitted claim.

8.5 Rio Tinto Creditors

As discussed in my previous report, Rio Tinto creditors have received a first and final dividend of 13.8 cents in the dollar.

8.6 Contamination Claims

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 Corporations 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.

There have been some 86 claims made by individuals against Pasminco of which to date only a limited number of claimants have submitted adequate evidence for their claim to be seriously considered.

In relation to the remaining claims we continue to liaise with our lawyers and the claimants directly.

9. DEED ADMINISTRATORS' FEES

At previous meetings of creditors, the Deed Administrators' fees have been approved up to an interim cap of AUD 14,592,360.90 (plus GST).

Detailed below is a summary of the Deed Administrators' fees as at 28 February 2007. Creditors will note that fees incurred during the Deed Administration period have now exceeded the interim cap approved by creditors.

	AUDm
Total Deed Administrators' fees approved to date by creditors	14.59
Less:	
Fees incurred and paid 5 October 2002 to 15 January 2007	14.59
Fees incurred but outstanding 16 January 2007 to 28 February 2007	0.23
Fees incurred over and above approvals to date	0.23

Our current fees as Deed Administrators have been calculated in accordance with Ferrier Hodgson's scale of rates, which were applied on 1 April 2006.

As you may be aware, the Pasminco Deeds of Company Arrangement provide that the Deed Administrators may calculate their fees in accordance with Ferrier Hodgson's scale of rates, as amended from time to time.

We propose that the hourly rates to be adopted from 1 March 2007 be charged at Ferrier Hodgson's scale of rates set out below which were implemented by the firm on 1 September 2006. (As the majority of creditors are now US based, the proposed rates are also expressed in USD, based on a conversion rate of approximately AUD1:USD0.8049):

Classification	Existing Hourly Rate	Proposed Hourly Rate	Proposed Hourly Rate
	AUD	AUD	USD
Partner	550	575	463
Director	400	450	362
Manager 1	375	400	322
Manager 2	300	320	258
Supervisor	230	265	213
Senior 1	200	235	189
Senior 2	160	190	153
Intermediate 1	130	155	125
Intermediate 2	115	130	105
Senior Secretary	110	115	93
CP Operator	98	105	85
Clerk	85	90	72
Typist	85	85	68
Junior	70	70	56

Creditors previously approved an increase in our fee limit to cover the Deed Administrators fees estimated until 31 December 2006. As at 28 February 2007 we had incurred fees over and above our approved fee limit by approximately AUD0.23 million. We estimate that our professional fees for the period 1 March 2007 to 31 December 2007 will be approximately AUD1.96 million.

Accordingly, at the forthcoming meeting of creditors, we will seek approval for an additional fee limit of AUD2.19 million (plus GST). This additional approval is broken down as follows:

	AUDm
Fees incurred but not approved (16 January 2007 to 28 February 2007)	0.23
Estimated fees for the period 1 March 2007 to 31 December 2007 (At new hourly rates, detailed above)	1.96
Additional fee approval to be put to creditors	2.19

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.

10. NOTICE OF MEETINGS OF CREDITORS

Concurrent meetings of the creditors of Pasminco will be held at 10.00am (Australian Eastern Standard Time) on Tuesday, 1 May 2007 pursuant to the Deeds of Company Arrangement executed for the Pasminco Group companies.

The purpose of the meetings will be to:

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

For your information and assistance, we enclose the following:

10.1 Notice of Meeting (Annexure 4)

Please note that the meetings of creditors will be held on 1 May 2007 at 10.00am (Australian Eastern Standard 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 abovenamed 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 Standard Time) on Monday 30 April 2007 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 conference telephone facilities.

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

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

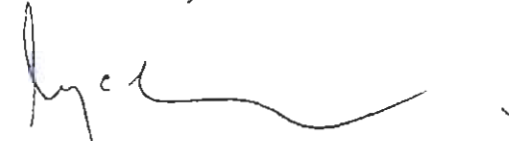
10.2 Proxy Form (Annexure 5)

- Proxy Forms must be completed by:
 - i. All corporate creditors who wish to be represented at the meeting (ie. if XYZ Pty Ltd is a creditor, it will need to appoint a person to act as its proxy).
 - ii. 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 ie. 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 3 interim dividends declared 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 Standard Time) on Monday 30 April 2007.

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 +613 9604 5175).

Yours faithfully



PETER McCLUSKEY
DEED ADMINISTRATOR

Encl.

28 February 2007

TO THE CREDITOR AS ADDRESSED

Dear Sir/Madam

**RE: PASMINGO LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 004 368 674
AND ITS WHOLLY OWNED AUSTRALIAN SUBSIDIARIES ("PASMINGO")

DIVIDEND ESTIMATES AS AT 31 OCTOBER 2006**

MELBOURNE
Level 29 600 Bourke Street
Melbourne VIC 3000 Australia
PO Box 290 Collins Street West
Melbourne VIC 3007
phone +61 3 9600 4922
fax +61 3 9642 5887
email fhmelb@melb.fh.com.au
www.ferrierhodgson.com
DX 125 Melbourne

ADELAIDE
BRISBANE
PERTH
SYDNEY
AUCKLAND
HONG KONG
JAKARTA
KUALA LUMPUR
SINGAPORE
TOKYO

Affiliated through
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

As you are aware, we have held back a proportion of the proceeds from the float of Zinifex Limited in order to deal with the completion of the Deeds of Company Arrangement of the remaining companies that comprise the Residual Group. The process from here is effectively akin to a winding up.

Due to the commercial sensitivity of the issues relating to the retention, we are unable to provide you with either the quantum or a specific breakdown of the quantum of the retention and how it relates to the provisioning for the outstanding Residual Group issues.

Given our present understanding of the likely cost of dealing with these issues, we have sought to provide creditors with an estimate of further dividends that may be payable based on "best case", "mid case" and "worst case" scenarios.

The worst and best case scenarios we consider are extremes and, in our view, dividends are unlikely to materialise at these levels. At the present time, the mid case scenario represents our best estimate of further dividends to creditors.

Disclaimer

The process of estimating future dividends that may be payable to the unsecured creditors of Pasmingo 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.

When replying please quote:
Our Ref: SM:B9
Your Ref:

g:\rjs\pasmintd\ca\dividend calculations\hold back cashflows and dividends\various scenanos and npvs\10 - qtr oct 06\letter
to creditors re dividend estimates oct 2006.doc

Furthermore, many of the estimates 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 or the advice received from various consultants and advisors.

Given these uncertainties and the contingencies that may affect the ultimate realisation of any of the scenarios, 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.

Summary of Dividend Estimates

To date, dividends have been paid to unsecured creditors of 12.5 cents, 1.3 cents and 2.4 cents paid in September 2006, totalling 16.2 cents in the dollar.

Shown below are two schedules relating to our estimate of **further** dividends, on an undiscounted and discounted basis respectively.

Undiscounted Dividend Forecast as at 31 October 2006

Estimated further dividends (cents in the dollar)		
Worst Case	Mid Case	Best Case
7.0	8.7	9.9

Discounted Dividend Forecast as at 31 October 2006

Nominal Discount Rate	Estimated further dividends (cents in the dollar)		
	Worst Case	Mid Case	Best Case
8%	5.0	6.2	7.0
10%	4.7	5.7	6.5
12%	4.3	5.3	6.0

As indicated above, our current estimate of the further dividends that may be payable to creditors on a mid case scenario is 8.7 cents, which would bring the final total dividend to unsecured creditors to 24.9 cents in the dollar.

You will note that, in our forecasts prepared as at 30 June 2006, it was estimated that future dividends on a mid case scenario would be 10.4 cents and final total dividends to unsecured creditors were estimated at 24.2 cents in the dollar.

The overall increase in this estimate to 24.9 cents in the dollar can be attributed to, amongst other things:

- Greater interest being earned on funds held as a result of the timing and amount of the funds released to creditors in the third dividend paid in September 2006.
- Favourable outcomes in relation to workers compensation issues.

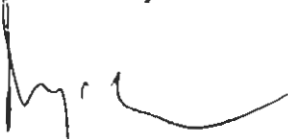
General Assumptions

It should be noted that in calculating the estimates of the dividends under these scenarios, due to yet unknown variables, assumptions have been made as follows:

- An average interest receivable rate of 5.59% on deposit account funds held been applied to those funds not locked in term deposit with a fixed rate of interest.
- Interest in respect of those funds not held in term deposit accrues on the average mid period cash balance.
- Creditor claims are estimated to amount to \$2,668 million.
- Discount rates used are nominal rates.
- Estimates are based as at 31 October 2006 and have been discounted back to this date.

Should you have any queries in this regard, please contact Richard Bastow of this office (telephone +613 9600 4922).

Yours faithfully



PETER McCLUSKEY
DEED ADMINISTRATOR

Encl



for illustration purposes only - not to scale

Annexure 3

Master site development plan

- Industrial
- Heritage Precinct
- Residential
- Open Space
- For Review



for illustration purposes only - not to scale

Subregulation 5.6.12(2)

**FORM 529
CORPORATIONS ACT 2001**

NOTICE OF MEETING OF CREDITORS

**PASMINCO LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 004 368 674**

**PASMINCO INVESTMENTS HOLDINGS PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 082 291 736**

**PASMINCO COCKLE CREEK SMELTER PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 000 083 670**

**PASMINCO FINANCE LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 007 289 296**

**PASMINCO PACIFIC PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 005 416 008**

**PASMINCO INTERNATIONAL PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 004 934 534**

**THE EMU BAY RAILWAY COMPANY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 475 790**

**PASMINCO INVESTMENTS PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 082 291 674**

**PASMINCO BROKEN HILL MINE PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 000 005 774**

**SAVAGE RESOURCES LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 551 624**

**RAMALA HOLDINGS PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 056 689 117**

**SAVAGE AUSTRALIAN EXPLORATION PTY LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 071 375 169**

**SAVOX PIGMENTS PTY LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 003 035 694**

**SAVAGE EHM PTY LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 071 375 114**

**SAVAGE EHM FINANCE PTY LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 071 375 221**

NOTICE is given that a meeting of the creditors of the abovenamed companies will be held at the offices of Ferrier Hodgson, Level 29, 600 Bourke Street, Melbourne on Tuesday 1 May 2007 at 10.00am.

AGENDA

1. Provide creditors with an update in relation to the status of the Administration;
2. Provide an opportunity for questions from creditors;
3. Seek creditors' approval for unpaid and ongoing Deed Administrators' fees in this matter; and
4. Any other business that may be lawfully brought forward.

Proxies to be used at the meeting should be lodged at the office of the Deed Administrators by midday on Monday 30 April 2007. **A corporate creditor may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A or by a representative appointed under Section 250D of the Corporations Act.**

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 abovenamed 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 on Monday 30 April 2007 providing a written statement setting out, the name of the person and of the proxy or attorney, 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 conference telephone facilities.

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

DATED this 27 day of March 2007

A handwritten signature in blue ink, appearing to read 'Peter McCluskey', with a long horizontal stroke extending to the right.

PETER McCLUSKEY
DEED ADMINISTRATOR

MEETING OF CREDITORS PROXY FORM

Annexure 5

FORM 532

Regulation 5.6.29

CORPORATIONS ACT 2001
APPOINTMENT OF PROXY

Form 7a

PASMINCO LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 004 368 674
AND ITS WHOLLY OWNED AUSTRALIAN SUBSIDIARIES
(SUBJECT TO DEEDS OF COMPANY ARRANGEMENT) ("THE COMPANIES")

*I/*We (creditor name)
of (creditor address)
a primary creditor of (Pasminco company name)
appoint (proxy appointed)
or in their absence (proxy alternate)

as *my/our *(i) general OR *(ii) special proxy to vote at the meeting of creditors to be held on 1 May 2007 at 10:00am, or at any adjournment of that meeting, to vote

- (i) on all matters arising at the meeting; OR
(ii) on each of the following kinds of resolution in the manner specified:

	For	Against	Abstain
1. A resolution that the further remuneration of the Deed Administrators of the Companies be increased and calculated in accordance with Ferrier Hodgson's scale of rates, as amended from time to time, by the sum of AUD2,194,565 plus GST as applicable and that the Deed Administrators be authorised to draw their remuneration on a periodic basis.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

I am an unsecured creditor and the total amount owed to me is \$

OR

I am a secured creditor and the total amount owed to me is \$

DATED this day of 2007

.....
Signature² of individual or person³
authorised by corporate resolution to
represent the corporation

OR The Common Seal of¹
was hereunto affixed in the presence of

.....
Director

.....
Secretary

FOR OFFICE USE ONLY

Proxy Valid: Yes/No

Cross Deed Creditor: Yes/No

Amount admitted for voting:

\$.....

¹ The method of affixing the Common Seal should be prescribed by the creditor corporation's articles. See Note (2).

² The signature of the creditor is not to be attested by the person nominated as proxy.

³ Note that a corporation may by resolution of its directors provide standing authority for a person to represent it at meetings and appoint proxies. Copy of authority to be annexed.