

3 February 2012

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

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## 1. EXECUTIVE SUMMARY

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

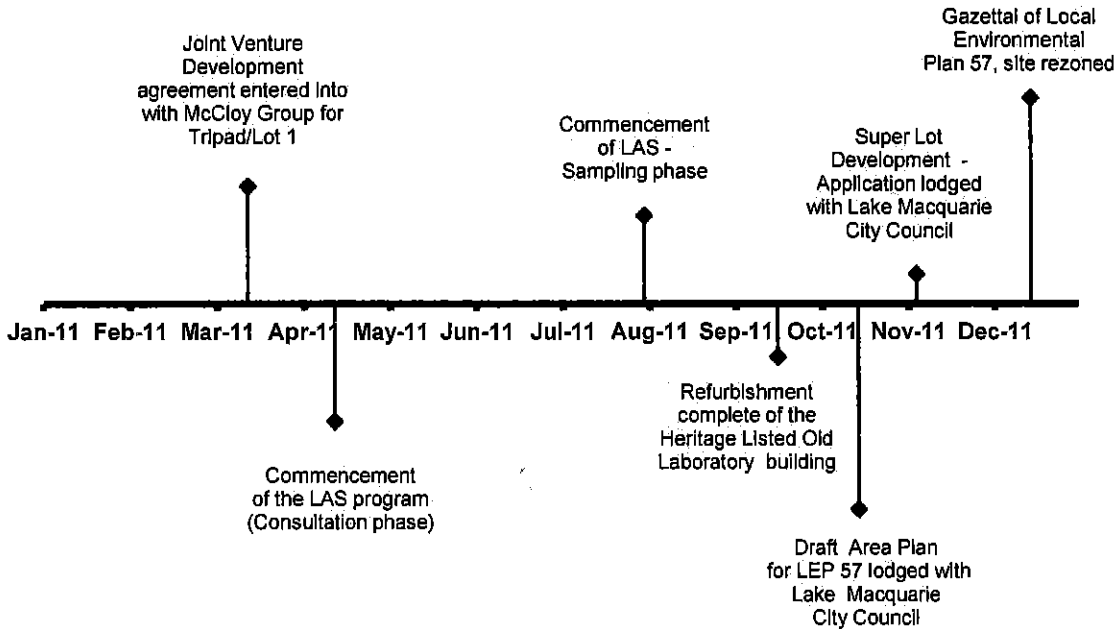
- Creditors may receive further distributions (on a mid case scenario) of 2.4 cents in the dollar, bringing the total return payable to unsecured creditors to 23.1 cents in the dollar. By way of comparison, our total dividend estimate released on 19 August 2004 anticipated a mid case return of 21.0 cents in the dollar i.e. An improvement of 2.0 cents in the dollar which equates to an improvement of approximately AUD 55 million.
- An 8<sup>th</sup> interim dividend of 0.5 cent in the dollar is proposed for Q2 of 2012, bringing the total interim distributions to creditors (following this payment) to 21.2 cents in the dollar.
- The Lead Abatement Strategy "LAS" program commenced in April 2011 and we anticipate completion of the program in Q3 2012. We are pleased to report that 80% of properties sampled to date have returned low lead results thus requiring little or no abatement works. We see this as a very positive result as the low lead results will improve the perception of the local area and ultimately potentially increase the value of the Pasminco Cockle Creek Smelter ("PCCS") developable land. In this regard we expect to achieve savings against budget on implementation of the LAS program.

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

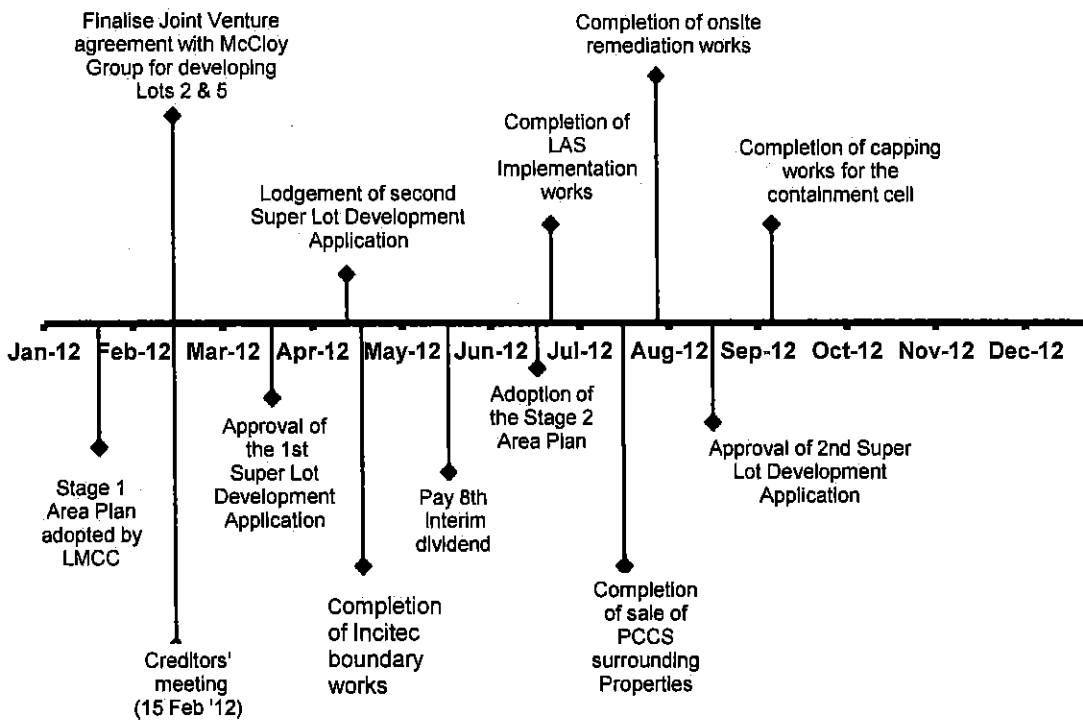
- The Deed Administrators are continuing to implement various Site remediation works in accordance with requirements of stakeholder Authorities and the Site Auditor as required by the Part 3A Conditions of Consent for remediation of the Site provided to PCCS by the NSW Minister for Planning on 27 February 2007.
- Notwithstanding unseasonably high rainfall, progress in relation to the site has been very good with our focus primarily on:
  - The continuation of the remediation phase of the project. To date approximately 80% of the site has been remediated, with completion expected in September 2012;
  - The construction of the containment cell, now being completed by PCCS Services Pty Ltd ("PCCSS") has enabled significant cost savings and opportunities. 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.
  - Progressing the superlot subdivision and infrastructure strategy across the whole Site;
  - Continued marketing and sales at Cardiff Central ;
  - Negotiations with third party stakeholders to progress the planning and development outcomes adopted for the Site;
  - Completion of the refurbishment of the Old Laboratory ("Old Lab") heritage building, the only structure to remain onsite post remediation. The Old Lab will now become the site operational office and marketing suite; and
  - Issuing legal proceedings against Incitec Pivot Limited ("Incitec") in relation to cross contamination of material and water onto the Site.
- Operating and remediation costs continue to be controlled and managed.
- Approval by Lake Macquarie City Council of the Area Plan.

- A 2011 and 2012 key milestone timeline is summarised below:

### 2011 Key Milestones



### 2012 Key Milestones (projected and achieved)



## 1.2 Workers' Compensation Claims

- Between December 2010 and December 2011, Pasminco 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 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.

## 1.3 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.
- By the end of Q2 2012 only three Residual Group companies will remain, namely Pasminco Limited, Pasminco Finance Limited and Pasminco Cockle Creek Smelter Pty Limited.

## 1.4 Deed Administrators' Fees

- We estimate our professional fees for the period 1 January 2012 to 31 December 2012 will be approximately AUD2,357,190 (please note our fee rates remain unchanged).
- 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.
- In respect of the above, we note that the average monthly fees are anticipated to reduce significantly from Q3 2012 onwards following completion of the capping of the containment cell and the completion of the LAS program, at which time we will move into the pure development of the site.

## 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](http://www.pasminco.com.au) and on our Ferrier Hodgson website at [www.ferrierhodgson.com](http://www.ferrierhodgson.com), under the section, "Current Matters/Corporate Recovery Matters/Pasminco Limited".

Our latest dividend report to 31 December 2011 (**Annexure 1**) estimates that creditors may receive further distributions (on a mid case scenario) of 2.4 cents in the dollar, bringing the total return payable to unsecured creditors to 23.1 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. This represents an improvement of 2.1 cents or in total dollar terms equates to an improvement of approximately AUD55million. The estimated return to creditors has increased over time due to a variety of factors, including favourable outcomes on a number of matters. These include:

- Cost savings achieved and anticipated in relation to the construction of the on-site containment cell and general remediation of the Cockle Creek Site
- A favourable settlement of the Aquila Litigation
- A reduction in the estimated value of creditor claims
- Revised assumptions relating to estimated future workers' compensation liabilities and release of monies held by NSW WorkCover
- A favourable outcome on the sale/wind down of US entities
- Settlement of the Rio Tinto litigation and creditor claim
- Settlement of the Kemper litigation and creditor claim
- A deferral of expenditure on various matters, resulting in additional interest being earned on funds held.

Despite the overall improved estimated return to creditors since our appointment, the forecast returns have remained comparatively steady in the last 12 months notwithstanding property values, a reduction in the protracted timing of property sales and adverse weather conditions at site. By way of comparison the total forecast return as at 31 December 2010 was 22.9 cents in the dollar.

## **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 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.

## **3. DIVIDEND DISTRIBUTIONS**

As you are no doubt aware, we are continuing to experience an unstable economic climate. This places a further element of uncertainty on the forecasts that we have prepared, particularly in relation to the quantum and timing of recoveries that may be obtained from the realisation of land associated with the Site. 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.

However, following the replacement of Wards as contractors for the construction of the cell by our own PCCSS team of qualified earth workers and cell construction workers, positive

cost savings have been achieved. Combined with further savings associated with the general remediation of the site and savings associated with development costs and infrastructure costs across the site, I am pleased to advise that I propose to pay a 8th interim dividend distribution to the unsecured creditors of 0.5 cent in the dollar in quarter 2 of 2012.

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 paid.

Non-financier creditors who have admitted unsecured claims will receive payment in the usual manner. No further action is required by this class of creditor.

Following this 8th distribution to unsecured creditors, a total 21.2 cents in the dollar will have been paid to creditors since April 2004.

#### **4. 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 the last report to you on 23 February 2011.

##### **4.1 Demolition**

As previously reported, all on-site concrete crushing has now been completed, however the removal of slabs and footings continued throughout 2011 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.

The main items remaining to be demolished over the next 5 months are the existing site office and the Effluent Treatment Plant.

##### **4.2 Whole of Site Remediation**

###### **4.2.1 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](http://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 Office of Environment and Heritage ("OEH") (formally 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").

In this regard a meeting with the Authorities has been arranged on 23 February 2012 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.

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

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

#### 4.2.2 Site Remediation Works

To date approximately 80% of the site has been remediated with over 1,000,000 cubic metres of contaminated material placed in the Containment Cell.

Remediation progress has been delayed with the program now extended to Q2 2012 as a result of increased volumes in contaminated material being encountered combined with 77 days of rain affected days which considerably reduced the number productive days during 2011.

Detailed below is a schedule detailing the amount of material deposited into the cell during 2011 and the number of weather-affected days.

	<b>Total</b>
Mean Rain Williamstown (Annual)	1,124mm
Actual 2011 Williamstown	1,263mm
Actual 2011 Pasmenco	1,293mm
Actual Material Placed in the Containment Cell	405,948m <sup>3</sup>
Forecast Material Placed in the Containment Cell	485,000m <sup>3</sup>
Cumulative Actual Material Placed in the Containment Cell	1,031,140m <sup>3</sup>
Cumulative Forecast Material Placed in the Containment Cell	1,065,144m <sup>3</sup>
<b>Work Days</b>	
	<b>Total</b>
Monday - Friday Affected By Rain	77
Saturdays Worked	18
Public Holidays / Christmas Break	19
<b>Days Not Worked in 2011</b>	<b>178</b>
<b>Days Worked in 2011</b>	<b>187</b>
<b>Total Days in 2011</b>	<b>365</b>

In order to meet the revised remediation program dates and continue with the development of the site, it will be critical to complete remediation along the boundary of Incitec.

The Deed Administrator is actively pursuing the effective remediation of this boundary with Incitec in order to achieve remediation in an effective and timely manner.

The Deed Administrator has managed remediation productivity by fully utilising PCCSS personnel and standing down non-required external contractors where practical.

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 five separate remediation areas (plus the containment cell) in the Staging Plan. For each of these, 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, in 2010 remediation, validation and excision of Area 1 from the Remediation Order (Cardiff Central – 16ha area) was completed.

Following the remediation phase, Area 1 was developed into a 21 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 allotments are sold.

#### **Parcel 2**

Remediation of Parcel 2 (Munibung Hills – 52 ha area) is approximately 95% complete with only those areas affected by the Incitec boundary works outstanding. It is intended that the Incitec boundary works will be completed by the end of Q2 2012, in accordance with approved RAWP documents signed off by OEH and DoP.

#### **Parcel 3**

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

#### **Parcel 4**

Remediation of Parcel 4 (Old Plant Area – 24 ha area) is approximately 70% complete with remaining areas including Incitec boundary works, removal of access roads to the effluent treatment plant, the treatment plant area and noise mounds scheduled for completion in Q2 2012.

#### **Parcel 5**

Remediation of Parcel 5 (Original plant location - Cell Surrounds - 20 ha area) has commenced with remediation works scheduled for completion in Q2 2012. Remediation is being undertaken in conjunction with the demolition of the current office, removal of concrete access roads, concrete slabs and footings.

The Deed Administrators continue to review the most appropriate and cost effective method to expedite the remediation and cell construction works and ensure that remediation is properly undertaken to the satisfaction of the Authorities.

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#### **4.2.3 Containment Cell Design and Construction**

PCCSS has continued the construction of the containment cell following the termination of the cell construction contract with Wards Civil and Environmental Engineering Pty Limited "Wards" in September 2010.

During 2011 we increased the efficiency and productivity of the Site operations whilst pursuing modifications to the cell design which will result in a reduction in overall costs for the cell construction.

On site remediation works are anticipated to be completed in early Q3 with the cell capping works to commence in Q3 and complete in late Q3/early Q4 2012.

In this regard we are now engaging with various stakeholders and potential interested parties regarding the key actions associated with post closure obligations including investigation of uses of the cell to benefit the surrounding community.

#### **4.2.4 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 OEH 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 OEH in 2003.

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

Planning has now commenced to have the Remediation Order removed from the remaining parts of the site. This will be finalised upon completion of remediation and the issue of the Site Audit Statement.

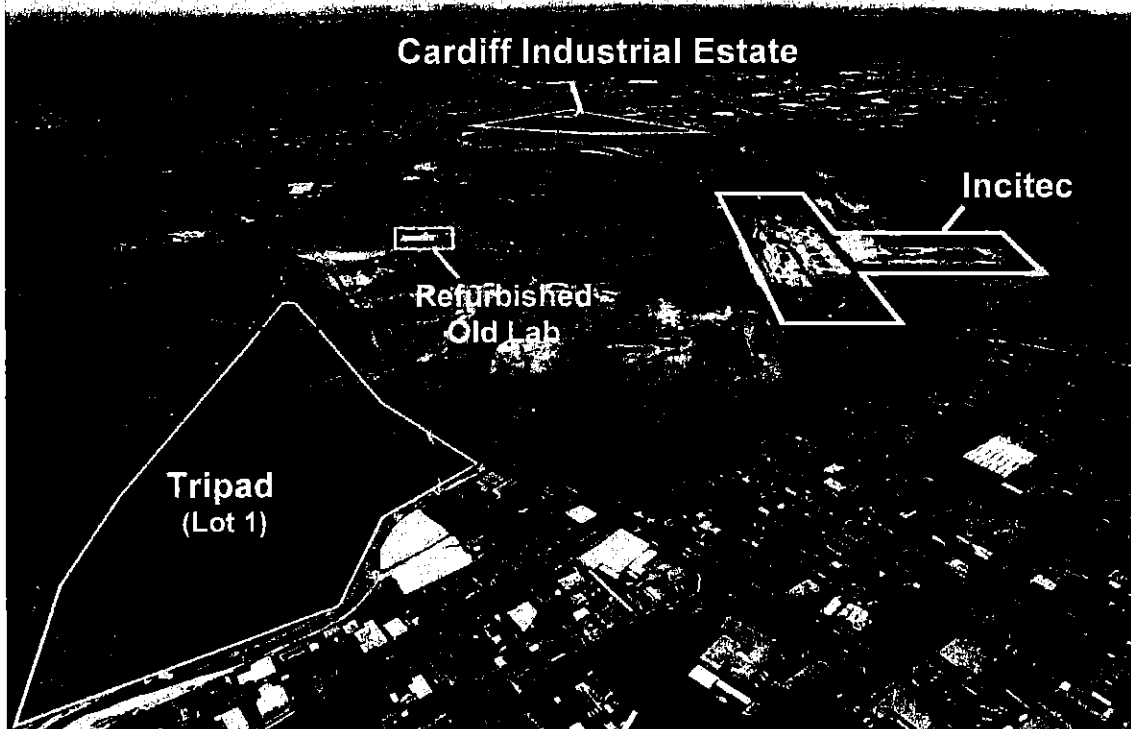
Overall on site monitoring works are continuing well, albeit frustrated by continuing poor weather conditions.

#### **4.3 Incitec Site**

As can be seen from the aerial photograph below, we are pleased to report that over the last 12 months there have been significant and positive advancements in respect of the demolition works taking place across the Incitec Pivot Limited ("Incitec") site.

This has resulted in the Incitec site becoming both practically and visually more appealing in terms of the future development of the wider PCCS site.

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It is however disappointing to note that over recent months the Incitec site has been failing to manage its groundwater flows and as a result cross contamination from their un-remediated site onto the PCCS site has been occurring.

Despite numerous letters and requests for this matter to be addressed, Incitec have failed to take the necessary action to prevent ongoing cross contamination.

As a result of this and following legal advice, proceedings against Incitec were issued in both the Land & Environment Court ("LEC") and the Supreme Court ("SC") in December 2011.

Affidavits have been prepared and subpoenas issued to Incitec, OEH and the DoP to provide discovery documentation regarding the alleged cross contamination.

Proceedings are underway and we are confident that the issues regarding the cross contamination will be addressed and resolved very quickly. In this regard we expect Incitec to provide us with a detailed remediation program and timetable to ensure that all boundary works are addressed and resolved.

Following this, the Deed Administrators will continue to work with representatives of Incitec in relation to the ongoing remediation and redevelopment of our respective Sites to enhance their end values.

#### **4.4.1 Site Rezoning**

Following the preparation of a Master Plan and submission of a Local Environmental Study to Lake Macquarie Council, the State Government in December 2011 rezoned the remaining site being the balance not previously rezoned in September 2010, including the Incitec site.. The rezoning changed the approved land use from the former smelters and fertilizer plant's heavy industrial zone to a range of land uses including light industrial, commercial, residential and open space. Residential will now be the predominant permissible use. This

now allows redevelopment of the site post remediation in accordance with the approved zones as an automatic right, eliminating the biggest risk to redevelopment of the site for alternative uses, substantially enhancing its value.

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

- Approximately 600 dwellings based on an overall density of 15 dwelling units 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 development of an Area Plan (Development Control Plan) prior to any consents being issued for subdivision/development.

Creditors can also obtain other useful information in relation to the site at:  
[www.bunderra.com.au](http://www.bunderra.com.au).

#### **4.4.2 Development**

Following the first stage rezoning in September 2010 an Area Plan was lodged with Lake Macquarie Council in March 2011. This Area Plan was subsequently modified and relodged with Council to incorporate a large roundabout which will provide continued Main Road access into Boolaroo as well as long term access to the site. This modification did not have a materially adverse impact from a cost perspective. The Area Plan was re-exhibited in December 2011 and was adopted by Lake Macquarie City Council ("LMCC") on the 30 January 2012. The Lake Macquarie City Council Development Control Plan 2004 will be amended by including the Pasmenco Area Plan. This is a significant milestone in terms of progressing the development of the Site and is a result of a productive working relationship with LMCC.

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

In anticipation of the rezoning for the remainder of the Site a second Area Plan for the remaining site was lodged with Council in November 2011. It is expected that the Area Plan will be adopted by Council in June 2012 making way for Development Applications for subdivisions.

A revised Development Application was lodged with Lake Macquarie Council in November 2011 to subdivide the site into a number of superlots. This application is essentially a 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 Council of the second Area Plan. The initial superlot subdivision application when approved (likely to be in April 2012) will essentially allow the construction to commence on key infrastructure namely the major roundabout and

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the southern portion of the new Munibung Road.

In order to secure title to the individual superlots necessary for sale or future development, the essential infrastructure needs to be completed and in the main be accepted by Council. This essential infrastructure needs to service each Superlot and includes the key access roads incorporating water, power and communication services, construction of trunk drainage from the most elevated parts of the site leading to Cockle Creek including stormwater detention and treatment dams and the provision of the main sewer lines. The proposed new roundabout connecting the existing Main Road and TC Frith Avenue with the new Munibung Road will also need to be approved by Transport for NSW (previously the Roads and Traffic Authority) albeit preliminary approval for the roundabout concept has been obtained. The design, approval and construction timeframe for this roundabout, necessary for the sale of most superlots is approximately 2 years. Completion of this roundabout together with related roads and services is essential for the completion of the AUD 8 million (approx.) sale of Lot C.

The provision of this essential infrastructure is de-risking major elements of the project in terms of authority approvals, cost and time whilst enhancing the marketability of the project and its value.

In order to expedite realisations, negotiations are proceeding with the sale and/or for possible Joint Venture partnerships for a number of superlots whilst the design, authority approvals and construction of the essential infrastructure is being progressed.

It is the Deed Administrators intent to develop each of the Superlots (see **Annexure 3** for details) on the Site as a natural progression to the remediation Staging Plan in order to achieve maximum value for creditors out of each Superlot sale. This new development has been rebranded as Bunderra.

We detail below the progress in relation the development of each Superlot (see **Annexure 3**).

#### **Cardiff Central (formerly Cardiff West Estate)**

The Deed Administrators are proceeding with the light industrial subdivision of approximately 16 hectares in the northern part of the Site.

A marketing and sales program has been underway at Cardiff Central throughout 2011 with our agents Jones Lang LaSalle and Raine and Horne working hard in difficult economic conditions to achieve sales of the lots. Indeed, a number of prospective sales could not be completed as a consequence.

In order to reinvigorate interest in the site, we recently engaged additional agents, namely Colliers and Ray White to assist in the sale process.

The site consists of 21 lots with revenues in the vicinity of AUD13 million expected to be achieved. The anticipated revenues for the site were reduced during Q3 2011 (by c.AUD1million) following advice from our agents and after reviewing market conditions.

The appointment of additional sales agents combined with the overall price reduction immediately increased interest in the site and has resulted in a number of new inspections and enquiries across a number of the lots.

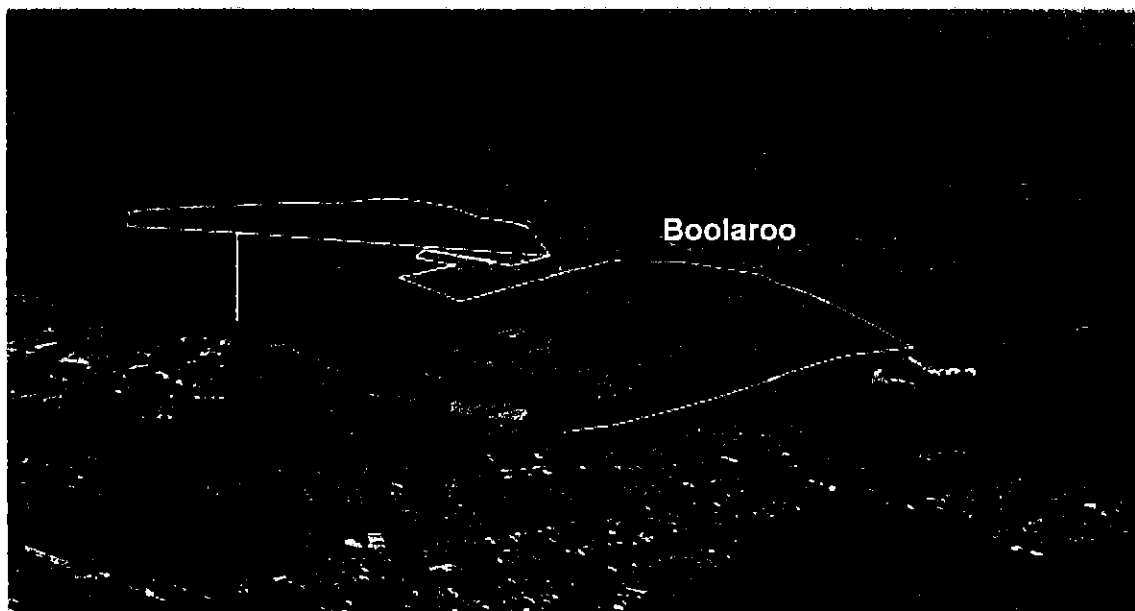
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Total anticipated sale proceeds from these three sales will be in the vicinity of AUD3 million, as detailed below:

Lot Number	Status	Amount AUD (GST excl)
2	Contract exchanged	625,000
3	Contract exchanged	1,478,500
9	Offer accepted	943,740
<b>Total Anticipated Sale Proceeds</b>		<b>3,047,240</b>

Our agents are confident of consummating further sales throughout 2012 now that individual titles for the lots have been registered with the NSW Land Titles Office and lots in the estate have begun to be sold.

Detailed below is a photo of the Cardiff Central industrial estate:



### **Munibung Hills**

This area is planned to be used for residential and open space purposes. Residential subdivision plans will be finalised in the coming years.

### **Tripad (Lot 1)**

At the time of our previous report a Joint Venture agreement with a local developer experienced in the residential market was being negotiated. In this regard, a Joint Venture agreement with McCloy Group was agreed on 23 March 2011. The agreement is an excellent result for the creditors as the Joint Venture will result in a share of development profits in the region of AUD 5 million for PCCS, an increase of AUD 2 million on our next best alternative being the sale of the land as a superlot.

### **Lot C**

PCCS has entered into a Heads of Agreement in relation to a portion of approximately 3ha of Lot C. The realisations from the sale will be in excess of AUD8 million and both PCCS and the proposed purchaser are moving forward to finalise relevant approvals and complete a formal sale contract.

## **Lot E**

The Old Lab is a heritage structure in which a full refurbishment was completed in November 2011. In the short-term the Old Lab will become the site's operational office and marketing suite. The old operational offices will be demolished during Q1 2012 as part of the remediation plan.

## **Lots 2 & 5**

We have recently received a further Joint Venture proposal from the McCloy Group in relation to Lots 2 and 5.

The McCloy Group's proposal attributes approximately AUD8million to the value of the land which is in excess of our current budgeted revenues.

Pursuant to the McCloy proposal, revenues (land, interest and profits) in the region of AUD15 million are expected to be achieved which is in line with our budget based on a staged development of the site on a mid case scenario.

Based on current market conditions and following advice from Hill PDA (see **Annexure 4**), we are proceeding to finalise a second Joint Venture agreement with the McCloy Group in relation to Lots 2 and 5 that will maximise the returns for creditors.

As with the development agreement on the Tripad site, the McCloy Group are able to provide access to local expertise and add value to the Administration. PCCS will retain control of the project and manage approvals of sub contractors and where financially beneficial PCCS will utilise its own earthworkers and machinery to assist with the development works.

## **Balance of Lots**

Development options for the remaining Superlots (ie, Lots E, REZ, 3, 4, 6, 7, 8 & 9) will continue to be considered by the Deed Administrators on a site-by-site basis with the focus being on maximising returns for Creditors. These Lots will be considered for developments of future industrial, commercial and residential developments. (refer comments in Section 5 below)

### **4.5 Projected Returns**

It is pleasing to note that notwithstanding the difficult Australian property market and global markets generally, the anticipated returns remain consistent. Operating and remediation costs have been controlled and some certainty has been achieved in regard to Government levies following discussions with various State and Local Government Bodies.

Costs associated with the construction of the containment cell are being tightly managed and further savings are being achieved from this source, for example by reducing contractor hire costs.

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

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## 4.6 Other

### 4.6.1 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.

The Deed Administrators designed a practical LAS project that adopted a moderate and economic approach to address the requirements of Authorities. This strategy was reviewed by the Authorities and in April 2011 the LAS program formally commenced.

The initial phase of the program was the Consultation phase that ran from April 2011 until 30 June 2011. Throughout the Consultation phase the LMCC and local community created a great deal of media interest in the program encouraging all eligible property owners to participate in the program.

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.

These properties are currently being systematically sampled in order to verify the content (in parts per million ["ppm"]) of lead at each property.

The samples are independently analysed by a laboratory and subject to the results varying levels of abatement works are being provided.

To date approximately 1,000 properties have been sampled with the lead level results being consistently low, meaning that low levels of abatement works will be required.

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

As mentioned above we are pleased to note that over 80% of properties sampled to date have returned low lead results thus requiring little or no abatement works. We see this as an excellent result for the administration as the low lead results will improve the perception of the local area and ultimately increase the value of the PCCS developable land. In this regard we expect to achieve savings against budget on implementation of the LAS program.

Detailed below is a summary of the key milestones to achieve prior to 31 July 2012:

Date	Milestone
30 January 2012	All sampling completed
1 February 2012	Commencement of abatement works
28 February 2012	All sampling results received and results reported to residents
31 March 2012	All abatement works requiring soil to be removed from properties completed
31 May 2012	All abatement works completed
25 June 2012	LAS Management Tool provided to the LMCC and DECCW
31 July 2012	LAS completed

The LAS program will then have provided its obligations to provide abatement works and environmental benefits to the local community.

Creditors can also obtain other useful information in relation to the LAS program at [www.pasminco.com.au](http://www.pasminco.com.au).

#### 4.6.2 Residential property sales

At the date of our last report PCCS held 18 residential property allotments within close proximity to the PCCS site. These properties comprised 11 residential houses and 7 vacant allotments. The properties 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.

As various rezoning and approvals have been achieved, the Deed Administrators determined that sales of these remaining allotments could be achieved. In this regard, a staged sell down of these properties was conducted throughout 2011.

To date, we have been successful in accepting offers on ten (10) of the eleven (11) residential properties and two (2) of the seven (7) vacant allotments generating AUD2.74 million in sales revenues. These sales are summarised below:

Property	Description	Sales price AUD
4 First Street	House and land	245,000
6 First Street	Land	180,000
3 Second Street	House and land	260,000
5 Second Street	House and land	241,000
7 Second Street	House and land	190,000
9 Second Street	House and land	220,000
11 Second Street	House and land	216,000
15 Second Street	Land	213,000
2 Lakeview Street	House and land	270,000
4 Lakeview Street	House and land	215,000
6 Lakeview Street	House and land	225,000
8 Lakeview Street	House and land	270,000
<b>Total</b>		<b>2,745,000</b>

All sales have achieved values within the marketable range as provided by a certified valuer.

Proceeds from the sale of the properties will be applied towards the cost of remediation works on the Site.

The remaining five (5) vacant allotments and the remaining residential property will be sold throughout 2012. It is anticipated that these sales will produce revenues in the vicinity of AUD1.2 million.

#### 4.6.3 Operating/Care and Maintenance Activities

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

Further activities that are attended to on the 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 OEH 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 the company's rental property book
- 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. With termination of the cell contract it was necessary to employ additional resources to maintain the required rate of remediation and compliance to regulatory requirements.

As the Site is nearing completion of the remediation phase, the requirement for certain of these activities will either reduce or cease.

## 5. OPTIONS FOR CREDITORS TO CONSIDER

As reported in our previous creditors meeting held on 4 March 2011, 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. These options include:

- Sell the remaining Superlot sites "as is" (i.e. undeveloped with minimal or no infrastructure);
- Sell serviced Superlots (i.e. large development parcels with potential for further subdivision with connections to essential services); and/or
- Sell fully developed lots through Joint Venture partnerships (i.e. a fully serviced residential or industrial subdivision).

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.

In relation to the above options we have sought professional advice from Hill PDA (Independent financial and development experts) and Jones Lang Lasalle (JLL) 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 4**. In summary, Hill PDA consistent with market consensus have confirmed our understanding that the general market conditions in all development sectors are suffering either price plateaus or falls due to the ongoing uncertainty in the economy.

JLL's paper is attached at **Annexure 5** and in summary confirms that Superlot sales of globlo land are in low demand and is not a preferred strategy at this point.

In addition to the above the ongoing financial modelling undertaken by the Deed

Administrators and their advisors on the various land use options supports the Site having a balanced but predominantly residential land use particularly with current market conditions seeing a significant reduction in industrial land values and the market for residential property coming off previous highs.

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

## **6. WORKERS' COMPENSATION CLAIMS**

### **6.1 Self Insured Liability Tail / Claims Management**

Between December 2010 and December 2011, Pasminco 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. We expect that these discussions will continue through 2012. We will advise creditors if we are to confirm any arrangements with NSW WorkCover to allow this to occur, however this may require legislative change and we cannot be certain if and when such change can be implemented.

### **6.2 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.

## **7. WINDING UP AND DEREGISTRATION PROCESS**

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

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

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- 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 in relation to the following companies has recently commenced/completed:

- Savage Australian Exploration Pty Ltd
- Savage EHM Pty Ltd
- Savage Resources limited
- Pasminco Investments Pty Limited
- Pasminco Investments Holdings Pty Limited
- The Emu Bay Railway Company Limited
- Pasminco Broken Hill Mine Pty Limited

In addition, a number of other Residual Group companies have commenced the deregistration process and we are currently dealing 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

Following receipt of the necessary approvals and sign-offs required above we will continue the deregistration process throughout 2012, thus reducing the amount of statutory lodgements and other costs.

By Q2 of 2012 it is envisaged that only the following three (3) Residual Group companies will remain, namely:

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

## 8. STATUS OF ADMITTED CLAIMS

To date, the following amounts have been adjudicated and admitted as claims against Pasmenco 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
<b>Total</b>	<b>2,611,374,233</b>

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 Trade and other creditors

Trade creditors represent general creditors whose claims against Pasmenco 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.

### 8.2 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.

## 9.0 DEED ADMINISTRATORS' FEES

At the previous meeting of creditors, held on 4 March 2011, creditors approved the Deed Administrators fees up to a cap of AUD 3,065,668 (plus GST) for the period 17 December 2010 to 31 December 2011.

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 2011 we had a work in progress of AUD219,404 which is yet to be billed. In this respect we had undrawn, but approved fees of approximately AUD89,788, leaving a shortfall for 2011 of AUD129,616. This shortfall (explained below), combined with estimated fees for 2012 of AUD2,357,190 totals AUD2,486,806.63, for which approval is now sought.

The following table details the actual versus budgeted fees for the period 17 December 2010 to 31 December 2011.

2011 Actual vs Budgeted Fees				
	Budgeted 17 Dec 2010 to 31 Dec 2011	Actual 17 Dec 2010 to 31 Dec 2011		
LAS	AUD601,875	AUD805,833	AUD203,958	Over budget
Pasminco	AUD2,479,663	AUD2,405,322	AUD74,341	Under budget
<b>TOTAL</b>	<b>AUD3,081,538</b>	<b>AUD3,211,155</b>	<b>AUD129,617</b>	<b>Over budget</b>

The main reason for the unfavourable variance in fees attributed to the LAS as a consequence of an increased number of actual participants (1,200 properties) against estimated participants (600 properties). This significant increase was due to:

- i. A concerted media campaign in Boolaroo undertaken by the Lake Macquarie City Council, the Department of Planning and local community groups encouraging participation in the LAS.
- ii. Local community representatives conducting community meetings and letter drops to encourage participation in the LAS.

With regard to fees relating to work associated with residual group matters, our fees were marginally under budget.

Creditors should note that the average monthly fees are anticipated to reduce significantly from July 2012 onwards as completion of the remediation and the LAS program approaches. This significant reduction in monthly fees is demonstrated in the following table.

2012 Fee Timeline			
	Budgeted Pre-Cell Closure Jan - Jun 2012	Budgeted Post-Cell Closure Jul - Dec 2012	TOTAL
Pasminco	AUD1,108,502	AUD853,950	AUD1,962,452
LAS	AUD394,739	-	AUD394,739
<b>TOTAL</b>	<b>AUD1,503,241</b>	<b>AUD853,950</b>	<b>AUD2,357,191</b>

We anticipate the following factors to result in a reduction of average monthly fees from July 2012:

- Remediation works will be completed by Q3 2012 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.
- Reduction in earthworks costs will occur following the Cell closure.
- The LAS 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 AUD2,486,806.63 (plus GST) as detailed below:

	AUD	AUD
December 2011 WIP	0.22m	
2012 Budgeted fees	2.36m	
<b>Budget costs for 1 Dec 2011 to 31 Dec 2012</b>		<b>2.58m</b>
Fee allowance brought forward from 2010	0.01m	
Fees approved for period 17 Dec 2010 to 31 Dec 2011	3.07m	
Less fees drawn	(2.99m)	
<b>Approved fees remaining</b>		<b>(0.09m)</b>
<b>Additional fee approval to be put to creditors</b>		<b>2.49m</b>

Attached at **Annexure 6** is a remuneration report that includes details of the work we anticipate performing during 2012.

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 11:00am (Australian Eastern Standard Time) on 15 February 2012 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:

### 10.1 Notice of Meeting (Annexure 7)

Please note that the meetings of creditors will be held on 15 February 2012 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 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 14 February 2012 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 Administrator 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 may not have been 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.

## **10.2 Proxy Form (Annexure 8)**

- Proxy Forms must be completed by:
  - 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).
  - 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.

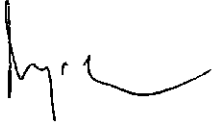
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Page 24

**Please note that all proxy forms should be completed and returned to this office by no later than midday (Australian Eastern Standard Time) on 14 February 2012.**

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

A handwritten signature in black ink, appearing to read 'Peter McCluskey', written in a cursive style.

**Peter McCluskey**  
Deed Administrator

Encl.

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# **ANNEXURE 1**

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3 February 2012

**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")**

**Dividend Estimates as at 31 December 2011**

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 amount 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.

As you are no doubt aware, we are continuing to experience an unstable economic climate. This places a further element of uncertainty on the forecasts that we have prepared, particularly in relation to the quantum and timing of recoveries that may be obtained from the realisation of land associated with the Cockle Creek site ("the Site").

As previously stated, 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 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.

**MELBOURNE**

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UNITED STATES

UNITED KINGDOM

CARIBBEAN

and

KLC Kennic Lui & Co

HONG KONG

CHINA



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 totalling 20.7 cents in the dollar.

Shown below are two schedules relating to our estimates at 31 December 2011 of further dividends, on an undiscounted and discounted basis respectively.

#### *Undiscounted Dividend Forecast as at 31 December 2011*

Estimated further dividends (cents in the dollar)		
Worst Case	Mid Case	Best Case
1.2	2.4	3.5

#### *Discounted Dividend Forecast as at 31 December 2011*

Nominal Discount Rate	Estimated further dividends (cents in the dollar)		
	Worst Case	Mid Case	Best Case
8%	0.9	1.6	2.2
10%	0.9	1.4	2.0
12%	0.8	1.3	1.8

As indicated above, our estimate of the further dividends at 31 December 2011 that may be payable to creditors on a mid case scenario is 2.4 cents, which would bring the final total dividend to unsecured creditors to 23.1 cents in the dollar (undiscounted).



You will note that the forecast is consistent with our forecast prepared as at 30 September 2011.

**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 5.0% on deposit account funds has been applied, except for those amounts locked in a term deposit with a fixed rate of interest. This has been reduced from 5.5% as a result of recent interest rate reductions by the Reserve Bank of Australia.
- 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 \$2,613 million.
- Discount rates used are nominal rates.
- Estimates are based as at 31 December 2011 and have been discounted back to this date.

Should you have any queries in this regard, please contact Mr Richard Bastow or Mr Paul Harlond of this office.

Yours faithfully

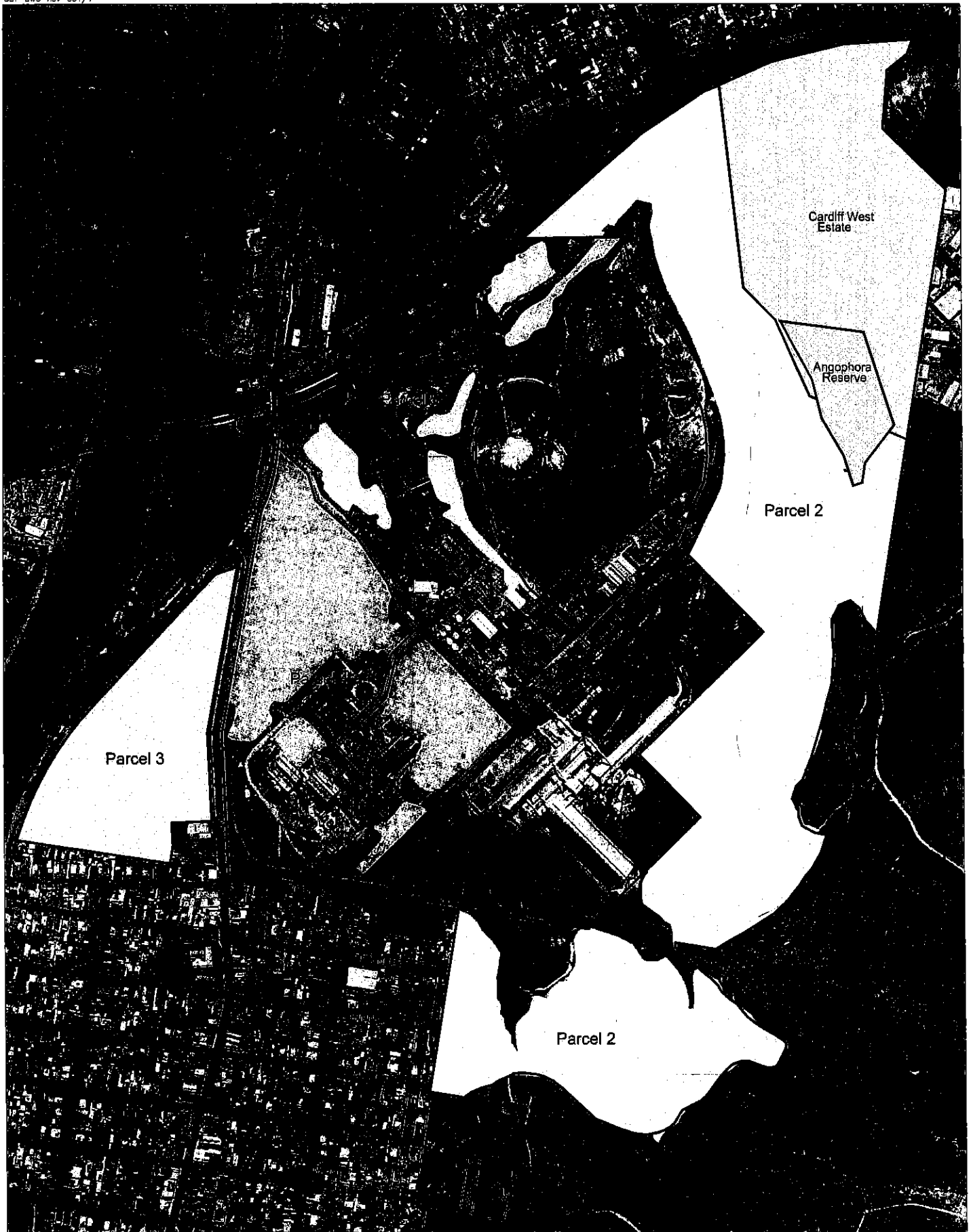
A handwritten signature in black ink, appearing to read 'Peter McCluskey', written in a cursive style.

**Peter McCluskey**  
Deed Administrator

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# **ANNEXURE 2**

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**LEGEND**

- Parcel 2  
Soil remediation and validation complete
- Parcel 3  
Soil remediation and validation complete
- Parcel 4  
Soil remediation and validation complete
- Parcel 5  
Soil remediation and validation complete

- Cardiff West Estate  
Soil remediation and validation complete
- Angophora Reserve  
Soil remediation and validation complete

**NOTE:** Drawing adapted from plan supplied by Montath & Powys Pty Ltd Ref No 04/026 Rev D, Dated 15/9/08



**REMEDIATION AND VALIDATION STATUS  
JANUARY 2012  
PCCS, BOOLAROO**

CLIENT WSP Environment and Energy		RCA Ref	5542m-413/0	
DRAWN BY	KN	SCALE	1 : 6000 (A3)	DRAWING No 1 REV 0
APPROVED BY	GM	DATE	26/1/2012	OFFICE NEWCASTLE

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# **ANNEXURE 3**

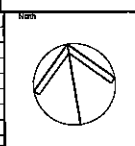
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LOT	TOTAL LOT SIZE
A	CWE
C	3.52 Ha
D	7.90 Ha
E	5.29 Ha
1	9.15 Ha
2	5.19 Ha
3	15.32 Ha
4	2.14 Ha
5	12.54 Ha
6	10.01 Ha
7	4.58 Ha



**ACOR CONSULTANTS**  
**ENGINEERS**  
**MANAGERS**  
**INFRASTRUCTURE**  
**PLANNERS**  
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 FX: +61 2 9558 5550  
 email: acor@acor.com.au  
 www.acor.com.au

Rev.	Description	Date	Drawn	Checked
1	ISSUE FOR INFORMATION	21.04.11	SH	SH
2	ISSUE FOR INFORMATION	24.05.11	SH	SH
3	ISSUE FOR INFORMATION	17.06.11	JH	SH
4	ISSUE FOR INFORMATION	12.08.11	JSH	SH
5	ISSUE FOR INFORMATION	08.09.11	JSH	SH
6	ISSUE FOR INFORMATION	04.07.11	JSH	SH
7	ISSUE FOR INFORMATION	03.07.11	AC	SH



**PASMINCO COCKLE CREEK**  
 (UNDER DEED OF COMPANY ARRANGEMENT)  
 G/L-LEVEL 1, 41 McLAREN ST  
 NORTH SYDNEY, NSW 2060  
 PHONE: 8925 8701  
 FAX: 8925 8798

**FITZWALTER GROUP**  
 LEVEL 1, 41 McLAREN ST  
 NORTH SYDNEY, NSW 2060  
 PHONE: 8925 8701  
 FAX: 8925 8798

**BUNDERRA DEVELOPMENT STAGE 1 & 2**  
 LAKE ROAD,  
 BOOLAROO, NSW 2284

SUPERLOT SUBDIVISION PLAN - HILL PDA					
Drawn	Date	Scale	At	DA Check	Date
JSW	FEB 2011	1:3000 - A3			
Drawn by	Project No.	Drawn No.	DA No.	DA No.	DA No.
CO	SY080685		SKC100.00		L

FOR INTERNAL USE ONLY



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# **ANNEXURE 4**

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24 January, 2012

Richard Bastow  
Ferrier Hodgson  
Level 29, 600 Bourke Street  
Melbourne VIC 3000

Dear Richard,

## Re: Market Update 2012

Hill PDA has been instructed by Ferrier Hodgson to provide an overview and market update on Industrial, Commercial and Residential developments in NSW. Given that the market for subdivided lots is a fundamental driver underpinning the market for development/englobo sites, commentary is also provided in this respect. This report is an update to our Market Assessment of the Residential property market in 2010.

Research has been carried out utilising commercial publications and databases (RP data, Red Square, Reed Construction data) as well as through discussions with local real estate agents and developers. The planning policies and papers issued by NSW Department of Planning and Infrastructure and National Housing Supply Council were also considered.

Following the change in NSW state government in May 2011, a comprehensive review and overhaul of the planning system is currently underway. The review is anticipated to take approximately 18 months over three stages:

- Listening and scoping stage - to identify key outcomes and planning principles;
- Green Paper - outlining options for future planning system and the basis of a legislative scheme; and
- White Paper - setting out the Government's new framework for the planning system including the draft legislation.

Although not intended, an upshot of this planning review has been developer/investor uncertainty concerning the planning system, the repeal of Part 3A of the *Environmental Planning and Assessment Act 1979* also a contributing factor.

In the repeal of Part 3A, a new system was created for assessing projects of State significance and projects previously dealt with under Part 3A to be classified as either State significant development or State significant infrastructure. Under this new system, some projects previously classified as State significant to be assessed by the Minister for Planning as consent authority have been returned to local government for assessment under local planning instruments. This has accordingly resulted in delays to the development process and increases in the costs to develop for some major projects.

The number of insolvent or distressed property asset sales was low in 2009 due to liquidity issues and poor buyer demand/appetite in the wake of the GFC. This changed somewhat in 2010 as confidence returned to the domestic economy and increased demand from investors, particularly from overseas led to stabilisation and in some cases growth within Australian property markets. As a consequence banks and lenders appointed receivers and administrators to dispose of assets feeling more confident that 'fair value' could be recovered. Not surprisingly non-income producing assets have been the most prevalent and most difficult to sell distressed property asset. Projects by both the experienced and inexperienced were placed under administration owing to a combination of factors: over-gearred developments, high historical acquisition prices particularly at the height of the market between 2005 and 2007, lack of demand from investors and inability to procure pre-sales, sale rates and prices.

## 1.1 Residential Land Uses

### **General Overview**

The NSW residential market was less affected by the GFC and this can in a large part be attributable to Government stimulus handouts, increase in first-home owner grant and lower interest rates, all assisting in the resurgence of the residential property market in the state.

Residential building construction spiked in 2009/2010 reflecting an increase in first-home buyer activity encouraged by government incentives. In the 12 months to July 2011 demand for residential land was noted to have fallen due to a combination of factors: incentive withdrawals, interest rate increases, subdued purchaser sentiment amidst economic uncertainty<sup>1</sup>.

There has been much commentary on the impact of interest rate rises on the fall in first-home buyer demand however it is opined that the majority of the decline has been due to demand effectively brought forward by the First Home Owner's Grant Boost Scheme. Total loans to first-home buyers averaged around 130,000 per annum over the last five years and in 2009 loans to first-home buyers rose to 190,000 during the operation of the Boost. As the pool of potential first-home buyers is finite around 130,000 per annum, the sharp increase in 2009 can be explained by the bringing forward of demand (in the order of 60,000 first-home buyers) to take advantage of the Boost. There were about 90,000 to 95,000 loans for first-home buyers in 2010 and 2011, implying that the 'pull forward' effect is largely exhausted with demand from first-home buyers expected to slowly return to average levels<sup>2</sup>.

Drivers of housing demand over the next 20 years will largely be centred around household formation (shaped by population growth, ageing of the population and household types) and include<sup>3</sup>:

- Declining household size with households of lone persons and couples without children increasing more rapidly than those of families with children.

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<sup>1</sup> Savills Research, Sydney Residential, September 2011

<sup>2</sup> BIS Shrapnel, Residential Land Market - Outlook for Demand and Supply, November 2011

<sup>3</sup> National Housing Supply Council, State of Supply Report, 2011

- Greater relative increase in demand for multi-dwelling units than for detached houses due to affordability.
- Underlying demand for public housing and affordable private rental accommodation is likely to increase as population ages.
- Australian born residents are more likely to own their own home than immigrants, the latter tending to move from rental accommodation to owner occupation over time.

It is widely acknowledged that development has not kept pace with demand, contributing to a tight rental market and rising house prices. In order to meet the increasing housing needs of the growing population, State and local governments have implemented various measures to ensure an affordable, well planned and sustainable supply of housing in NSW. Planning incentives have been aimed at the affordable housing sector facilitated by the Affordable Rental Housing State Environmental Planning Policy (SEPP) while sites for development (urban infill and greenfield) are identified prior to consideration for rezoning. Key sites are rezoned with increased densities around town centres and city transport nodes for redevelopment in draft LEPs prepared by Councils in accordance with the Standard Instrument LEP template.

Despite initiatives to stimulate dwelling supply, the number of development commencements is still below that required to meet dwelling numbers commensurate with population growth. Redevelopment activity is constrained by the availability of suitable sites and project feasibility. Acquisition of sites in multiple ownerships can result in increased cost and protracted development periods; in recent times there has been the additional factor of credit cost and its availability which still endures to plague the development market.

In attempting to deliver a solution and prevent the frustration of site acquisitions in strategic locations, in early 2010 the State government mooted the setting up of a development authority with compulsory acquisition powers to acquire and rezone private land for redevelopment. This led to the establishment of the Sydney Metropolitan Development Authority in late 2010.

Even though long term structural drivers of population growth and aggregate housing supply are good, short term cyclical trends with respect to demand and supply can move very differently, as is currently observed to be the case. Measures of consumer confidence are noted as declining, and at November 2011 are considered to be below average. Commensurate with this cautious approach is the relative increase in household savings from the historic lows of the early 2000's.

The continuing uncertainty in Europe is expected to filter through to the Australian property market, the extent of which is difficult to predict. A declining interest rate environment would encourage confidence but this would be undermined by economic uncertainty and impacts on employment. Notwithstanding, despite the correction evident in some markets, the fundamentals of the market are strong with the shortage of housing to meet demand, this gap further aggravated by the growing population.

### **The Hunter Region**

The key drivers to the Hunter region's residential market are not dissimilar to those of the Sydney region. With most regional areas of the state, there is a general market resistance to non-detached housing (including multi-dwelling units) and a clear preference for detached housing. However as the issue of housing affordability

Ref: C11253

continues to plague most housing markets, developers are responding with providing more housing choice in terms of lot sizes and built product. The asking prices for vacant lots in greenfield locations are particularly impacted by government infrastructure levies, leading to the popularity of the smaller lot. Demand for the smaller lot is forecast to become increasingly prevalent in 2012 around Australia, the 350sqm to 450sqm lot anticipated to be the most popular size in the future<sup>4</sup>.

The general residential market in the Lower Hunter remains benign but functional with house prices stable and sales volumes solid. House prices in the Upper Hunter performed well in recent years but appear to have plateaued. Both areas were sensitive to interest rate increases which put pressure on housing affordability and weakened purchaser sentiment.

Whilst the rental market remains tight particularly for three-bedroom houses, property development continues to be challenging against high interest rates and purchaser caution. Vacant lot prices fell 5% (to \$185,000) in the Lower Hunter during 2010 amid a steady rate of vacant lot sales and rising detached house approvals. In contrast, building activity for non-detached housing continued to fall due to weak demand and prohibitive finance. Whilst long term fundamentals are good, in the short term the outlook for the Region's residential market is largely beholden to interest rates. In the medium term housing supply is expected to increase, but at a slower rate than underlying demand<sup>5</sup>.

The challenges and high costs associated with developing new stock particularly in release (greenfield) areas are a major constraint to new supply and with the tight and restricted market for finance expected to continue in 2012, development is likely to remain soft.

## 1.2 Employment Lands

A number of local, regional and global trends affect employment generating land uses. Particularly their type, location and labour skill requirements, their success and economic viability. Together with key trends and drivers for each sector it is important to understand the wider market context at both the national and regional level.

Following the GFC a slowdown in global demand impacted the manufacturing and industrial sectors and consequently their demand for property. The reduction in demand for pre-commitments and the continuing difficulty in securing credit have caused land values to decline, and in some cases by as much as 40%-50% over the 2009/2010 period. The tightening of lending criteria and the scarcity of debt funding is not likely to abate with industrial construction activity to remain flat in the short term. An upshot of this has been the purchasing of brownfield sites for refurbish of the buildings to a higher quality, enabling developers to avoid the high cost of risk and capital expenditure associated with a new build.

There are a number of industrial estates in the vicinity that are already serviced and subdivided for purchase or awaiting pre-lease. Discussions with selling agents reveal that take-up of serviced lots to still be flat. Many purchasers are still finding the issue of procuring finance a challenge and hence hampering transactional activity.

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<sup>4</sup> Colliers Research, House View for 2012, December 2011

<sup>5</sup> Hunter Valley Research Foundation, Residential Market Outlook, June Quarter 2011

Ref: C11253

Commercial property in Australia has been the most popular investment category for overseas investors, Asian and North American investors being the most dominant group in 2011. Poor economic performance in Europe and the US had a positive impact on Australian property during and immediately post-GFC. However in more recent months, the European debt crisis and shaky confidence in the economy amongst consumers and businesses alike, particularly the financial services sector will have implications for commercial development and impact outlook for the overall market.

Development supply pipeline remains constrained by credit pricing and availability, this coupled with prevailing low rents and soft yields making large scale commercial development not as yet viable. It is acknowledged that rents and capital values are generally below that of replacement cost<sup>6</sup>.

### **Hunter Region Economy**

The Hunter Region's economy is made up of a number of sectors that combine to drive a strong regional economy, even during uncertain economic times. The Region's economy has diversified in recent years, building on traditional strengths to introduce new industries and expand existing industries to form a broader based economy that is much more resilient to external factors<sup>7</sup>.

The market for industrial and commercial space in the Cockle Creek landholding is very much a local market, demand generally confined to local business, hence market sensitivity to interest rates and business sentiment. In addition to existing industrial estates, there are a variety of new industrial areas planned, many to be managed by the Hunter Development Corporation.

Notwithstanding the current challenges of land development as discussed above, development activity is expected to be flat at least until existing subdivided lots are absorbed by the market.

## **1.3 Development Forecasts**

Over the course of 2010 Hill PDA advised that an orderly release of lots was necessary (both for englobo and subdivided lots) to avoid a flooding of the market. Based on the experience of ongoing residential subdivisions in the region, sales take-up is expected to range between 50 and 60 lots per annum, or slightly higher when development occurs on several fronts.

Development conditions are still soft with development finance constrained and market conditions/purchaser sentiment fragile. In the Low Case an exit year of 2014 is targeted with most lots (with the exception of Lot 3) are assumed to be sold englobo. This risks flooding the market with development sites, conceivably causing purchasers to acquire and hold with a view to future development or additionally require a higher margin for immediate development. Under current conditions the market for development/englobo land is characterised by "wholesale pricing" with the application of significant discounting to land prices likely.

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<sup>6</sup> BIS Shrapnel, Real Estate Market Report, April 2011

<sup>7</sup> Hunter Valley Research Foundation, Diversification of the Hunter Economy - post BHP, 2011

The Mid Case anticipates a "development work-out" concluding at the end of 2019 with Lots 7, 8 and 9 sold at the end of the development period. Premised on current market conditions and the market's appetite for large-scale greenfield development, these forecasts are accordingly reflective and considered the most realistic of the three scenarios under prevailing conditions.

Should you have any questions please do not hesitate to contact the undersigned.

Yours sincerely,

**Esther Cheong** AAPI MISM MCI Arb  
Principal  
Hill PDA

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# **ANNEXURE 5**

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# Overview of the Current Market

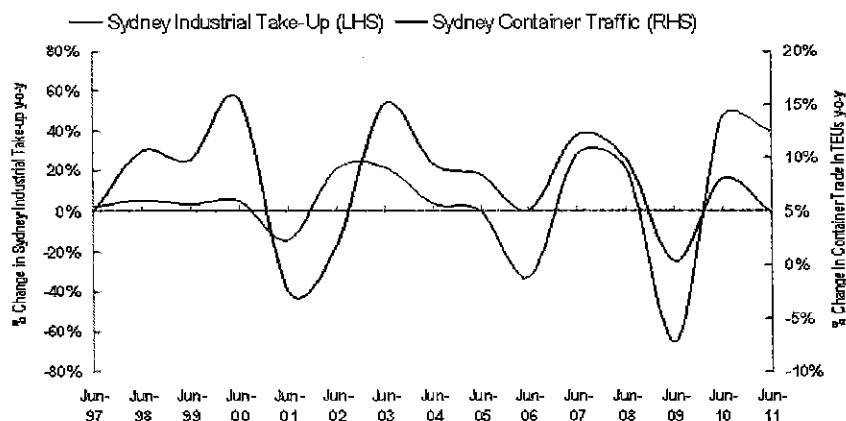
## Development Outlook

There have been very few sales of en-globo development opportunities over the past year. It seems that the majority that have come to market are 'forced sales'. The success of these sales seems dependent on several factors, however key components seem to be local market confidence, finance support and a realistic and a viable development plan. There is currently two en globo sites for sale, a significant site at Riverstone in Sydney's Northwest and one outside of Sydney at Kurri Kurri (HEZ), both are for sale by receivers. From discussions with receiver, we understand that there is interest in both the Riverstone and HEZ sites and proposals for both sites are before the bankers, that aside we understand the proposals are not straight forward and are at heavily discounted price.

To a certain extent, this confirms that there is demand for development sites with varying risk profiles and development timetables. As these longer term projects are often done by private developers the margins sought are often higher – they may also look to value add, often bringing a partner into the project and accepting a smaller profit in return of risk minimisation. Therefore pricing needs to reflect the developers need for a higher margin. Alternatively prospective buyers/developers are seeking joint venture or project management opportunities as these minimise the risk for the developer.

A key issue for an en-globo developer is ensuring they have a sense of the take-up rates for industrial land. The graph below highlights the positive correlation between Sydney container traffic and Sydney industrial take-up. With growth in container traffic, industrial take-up continues at above trend level and represents an excellent precursor for the development sector.

## Container traffic linked to industrial occupier demand...



Source : Jones Lang LaSalle Research, Sydney Port Corporation (includes overseas / coastal and full / empty container movements)

In Sydney the mood amongst development groups is improving particularly in the industrial sector. While occupiers have been relatively cautious during 2011, it is clear that many business groups are now focusing on investing in their businesses and increasing inventory levels, which usually leads to an increased demand for industrial space.

The challenge for occupiers is the cost of industrial space, with rental rates in Sydney now amongst the highest in the country. Most groups are, therefore, leaning towards new building options, where the higher rental rates are offset by the superior efficiencies of a modern structure coupled with a comparatively low land cost base. Access to major road networks such as the M76 Orbital road, as well as intermodals, are also key attractions. Furthermore,, as development has been constrained over the past three years, the availability of efficient industrial space is low and expected to be overtaken by demand in the short term. This supply and demand imbalance provides fertile conditions for development group.

2012 is also expected to see the return of the LPT sector in the industrial development sector, as these groups start to feel pressure to invest the wholesale capital they attracted during 2010 and 2011. With the supply of prime investment opportunities still tight, some of these groups are now actively seeking strategic development plays with scale, particularly in Sydney. Regional locations such as the Hunter Valley are not expected to be on the agenda for the LPT sector.

While some of this commentary suggest an emerging demand for developers to re-enter the market, it is expected that they will focus on projects with low risk, quick turn around time and some level of pre-commitment. Location such as established industrial precinct within Sydney will no doubt be a major focus. Finance is also a key to selling in the current market, banks are still very selective with their allocation of capital as such this puts further pressure on both owner occupiers and developers to minimise the risk from a funding prospective.

In context of the potential sale of Superlots and en-globo land (industrial, Commercial and residential) at Bunderra (former Pasmenco Smelto site at Boolaroo). We feel that under the current market conditions an outright sale would be difficult to achieve. We expect any sale would be at a significantly discounted price or through some form of joint venture or project management agreement. Local market confidence is still weak and banks are not likely to be supportive of funding a site with the current development risk that Bunderra has.

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# **ANNEXURE 6**

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CORPORATIONS ACT 2001

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

**AND ITS WHOLLY OWNED AUSTRALIAN SUBSIDIARIES("PASMINCO")**

**REMUNERATION REPORT**

The Deed Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format.

**Part A**

- A1 Schedule of hourly rates and general guide to staff experience
- A2 Tasks undertaken by the Deed Administrators and remuneration calculation for the period 17 December 2010 to 30 November 2011.
- A3 Schedule of the Deed Administrators' anticipated tasks and remuneration estimate for the period 1 December 2011 to 31 December 2012. The tasks can be broadly divided into six categories, namely:
  - Assets
  - Creditors
  - Employees
  - Investigation
  - Dividends
  - Administration
- A4 Remuneration approved and drawn to date
- A5 Resolutions to be put to creditors at the meeting convened for 15 February 2012.

**Part B**

- B1 Deed Administrators' disbursements
- B2 Other creditor information on remuneration

The Remuneration Report must be read in conjunction with the report to creditors dated 3 February 2012.

## PART A

### A1 SCHEDULE OF PROPOSED HOURLY RATES (TO APPLY IN THE PERIOD 1 DECEMBER 2011 TO 31 DECEMBER 2012) & GENERAL GUIDE TO STAFF EXPERIENCE

These rates were approved by creditors in April 2009 and we do not propose a fee increase at this time.

Title	Rate (\$)	Experience
Partner/Principal/ Appointee	595	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at <a href="http://www.ferrierhodgson.com">www.ferrierhodgson.com</a>
Director	495	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	445	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	375	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	310	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	285	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	250	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	220	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 1 <sup>4</sup>	190	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2	190	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks.
Professional Staff Junior	135	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks.
Senior Secretary	170	Appropriate skills including machine usage.
Computer Operator	120	Appropriate skills including machine usage.
Clerk	135	Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.
Typist	90	Appropriate skills including machine usage.
Office Assistant	75	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

#### Notes:

- The hourly rates are exclusive of GST.
- The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
- Time is recorded and charged in six-minute increments.
- Intermediate 1 rate has been applied to the LAS at a discounted rate of \$190/hr since January 2011 and this will continue until the conclusion of the LAS.

**A2. Tasks undertaken by the Deed Administrators and remuneration calculation for the period 17 December 2010 to 30 November 2011.**

<p style="text-align: center;"><b>Assets - Pasminco Cockle Creek Smelter Pty Limited Remediation and Development requirements</b></p> <p style="text-align: center;"><b>Anticipated AUD2,329,302</b></p> <p style="text-align: center;"><b>Actual AUD1,855,626</b></p>	<p>Management of remediation redevelopment and realisation of Cockle Creek smelter site</p> <p>Sale of real property</p> <p>Debtors</p> <p>Other assets</p>	<ul style="list-style-type: none"> <li>▪ Appointment of onsite superintendent to review project works, assess areas of savings and report to the Administrators on a regular basis regarding progress</li> <li>▪ Site visits</li> <li>▪ Contract negotiations</li> <li>▪ Undertaking the remediation civil works phase of the project</li> <li>▪ Stakeholder negotiation and preparatory works regarding the containment cell construction</li> <li>▪ Negotiating and implementing contractual arrangements to sell and/or remove certain process materials present on the Site</li> <li>▪ Site master planning and detailed development design planning.</li> <li>▪ Demolition</li> <li>▪ Liaising with neighbouring land owners</li> <li>▪ Pre-implementation works for the lead abatement strategy</li> <li>▪ Contamination cell civil works and project management</li> <li>▪ Managing the Site's surface and groundwater systems including the continued operation of the Effluent Treatment Plant</li> <li>▪ Site security</li> <li>▪ Ongoing negotiation with the DECC regarding the revision/removal of licences and approvals to ensure these remain in line with the progressive remediation of the Site</li> <li>▪ Managing inquiries from the community</li> <li>▪ Managing the company's rental property book</li> <li>▪ Managing service and utility supplies to the Site</li> <li>▪ Provision of regular authority reports under the Environment Protection Licence including on and off site monitoring</li> <li>▪ Site personnel management and servicing of onsite remediation activities</li> <li>▪ Bushfire and vegetation management</li> <li>▪ Conduct of civil/remediation works utilising plant and equipment owned/hired by PCCS and its personnel</li> <li>▪ Civil works tender process and operations management</li> <li>▪ Site contractor and consultant management</li> <li>▪ Liaising with suppliers</li> <li>▪ Liaising with management and staff</li> <li>▪ Authorising purchase orders</li> <li>▪ Maintaining purchase order registers</li> <li>▪ Preparing and authorising receipt vouchers</li> <li>▪ Preparing and authorising payment vouchers</li> <li>▪ Liaising with valuers, agents</li> <li>▪ Attendance at auctions</li> <li>▪ Correspondence with debtors</li> <li>▪ Tasks associated with realising other assets</li> </ul>
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	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entering receipt and payments into accounting system and maintaining registers.</li> <li>▪ Month end account reconciliations</li> </ul>
	Budgeting & financial reporting	<ul style="list-style-type: none"> <li>▪ Reviewing remediation and development budgets and financial statements</li> <li>▪ Preparing budgets</li> <li>▪ Meetings to discuss trading position and accounts</li> </ul>
<b>Creditors</b>  <b>Anticipated</b> <b>AUD115,882</b>  <b>Actual</b> <b>AUD85,478</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone</li> <li>▪ Maintaining creditor enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Correspondence with financiers regarding debt trades</li> <li>▪ Maintaining register of current holders of unsecured debt and maintaining records.</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing circular to creditors providing updates on case progress and general reporting to creditors.</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> <li>▪ Dealing with litigation claims including admitting and rejecting POD's</li> </ul>
	Shareholder enquires	<ul style="list-style-type: none"> <li>▪ Responding to any shareholder queries and potential legal action</li> </ul>
	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ General reporting on employee issues</li> </ul>
<b>Employees - Workers Compensation Issues</b>  <b>Anticipated</b> <b>AUD46,291</b>  <b>Actual</b> <b>AUD81,845</b>	Litigation	<ul style="list-style-type: none"> <li>▪ Managing and progressing ongoing legal matters.</li> </ul>
	Employee dividend	<ul style="list-style-type: none"> <li>▪ Receipting POD's</li> <li>▪ Adjudicating POD's</li> <li>▪ Ensuring PAYG is remitted to ATO</li> </ul>
	Workers compensation claims	<ul style="list-style-type: none"> <li>▪ Review insurance policies</li> <li>▪ Receipt of claim</li> <li>▪ Liaising with claimant</li> <li>▪ Liaising with insurers and solicitors regarding claims</li> <li>▪ Identification of potential issues requiring attention of insurance specialists</li> <li>▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements</li> <li>▪ Completing receipts and payments relating to Workers Compensation issues.</li> <li>▪ Liaising with Zinifex in negotiating management of claims.</li> </ul>
	ASIC reporting	<ul style="list-style-type: none"> <li>▪ Liaising with ASIC</li> </ul>
	Processing proofs of debt and Dividend Procedures.	<ul style="list-style-type: none"> <li>▪ Liaising with Financiers to confirm holdings of unsecured debt.</li> <li>▪ Preparing Bank TT's</li> <li>▪ Preparing payment vouchers</li> <li>▪ Preparing payment schedules and reconciliations of holdings</li> <li>▪ Working with banks to ensure funds correctly deposited</li> <li>▪ Preparing dividend schedules</li> <li>▪ Preparing quarterly dividend forecast model updates</li> </ul>
<b>Investigation</b>  <b>Anticipated</b> <b>AUD57,635</b>  <b>Actual</b> <b>AUD135,915</b>	Conducting investigation/Discovery	<ul style="list-style-type: none"> <li>▪ Maintaining and reviewing company books and records</li> <li>▪ Conducting and summarising statutory searches</li> </ul>
	Litigation / Recoveries	<ul style="list-style-type: none"> <li>▪ Internal meetings to discuss status of litigation</li> <li>▪ Preparing brief to solicitors</li> <li>▪ Liaising with solicitors regarding recovery actions</li> <li>▪ Attending to negotiations</li> <li>▪ Attending to settlement matters</li> </ul>
<b>Dividend</b>  <b>Anticipated</b> <b>AUD0</b>  <b>Actual</b> <b>AUD16,715</b>	ASIC reporting	<ul style="list-style-type: none"> <li>▪ Liaising with ASIC</li> </ul>
	Processing proofs of debt and Dividend Procedures.	<ul style="list-style-type: none"> <li>▪ Liaising with Financiers to confirm holdings of unsecured debt.</li> <li>▪ Preparing Bank TT's</li> <li>▪ Preparing payment vouchers</li> <li>▪ Preparing payment schedules and reconciliations of holdings</li> <li>▪ Working with banks to ensure funds correctly deposited</li> <li>▪ Preparing dividend schedules</li> <li>▪ Preparing quarterly dividend forecast model updates</li> </ul>
<b>Administration</b>  <b>Anticipated</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> </ul>



AUD516,567

Actual  
AUD816,173

Insurance

- Updating checklists
- Identification of potential issues requiring attention of insurance specialists
- Correspondence with Marsh regarding ongoing insurance requirements
- Reviewing insurance policies
- Correspondence with lawyers regarding insurance issues

Bank account administration

- Preparing correspondence opening and closing accounts
- Maintaining and reinvesting funds in various Term Deposit accounts.
- Liaising with major banks in order to maximise investments
- Requesting bank statements
- Bank account reconciliations
- Correspondence with bank regarding specific transfers

ASIC Lodgements

- Preparing and lodging ASIC forms.
- Correspondence with ASIC regarding statutory forms
- Preparing BAS
- Completing group certificates

ATO & other statutory reporting

Finalisation/ Deregistration procedures

- Notifying ATO of finalisation
- Reviewing Balance sheets
- Completing debt forgiveness forms 245-90's
- Obtaining clearances from ASIC
- Reviewing DOCA/ Deed of Cross Assumption of Claims/ Revocation Deed and other matters.
- Advertising requirements
- Cancelling ABN / GST / PAYG registration
- Completing checklists

Planning / Review

- Discussions regarding status of administration

Books and records / storage

- Dealing with records in storage
- Sending job files to storage

Lead Abatement Strategy

- Correspondence with Lake Macquarie City Council
- Correspondence with Department of Environment, Climate Change and Water (NSW)
- Preparation of educational material regarding the LAS
- Various written correspondence with residents within the LAS grid
- Telephone correspondence with residents within the LAS grid
- Telephone correspondence with other parties
- Design and develop the LAS Management Tool
- Enter data into the LAS Management Tool
- Develop LAS sampling and implementation process
- Design and develop LAS webpage
- Attend LAS grid area to meet with various stake holders
- Prepare reports for various stakeholders

Consultation Phase

Sampling Phase

- Develop sampling template documentation
- Review sampling results
- Prepare sampling reports
- Engage certifier

			<ul style="list-style-type: none"> <li>• Correspondence with certifier</li> <li>• Various correspondence with residents</li> <li>• Communicate results to LAS participants</li> <li>• Correspondence with Lake Macquarie City Council</li> <li>• Correspondence with Department of Environment, Climate Change and Water (NSW)</li> <li>• Attend LAS grid area to meet with various stakeholders.</li> <li>• Enter sampling data in to the LAS Management Tool</li> <li>• Prepare reports for various stakeholders</li> </ul>
		Implementation Phase	<ul style="list-style-type: none"> <li>• Prepare implementation template documents</li> <li>• Source appropriate contractors to complete abatement works</li> </ul>
		Other	<ul style="list-style-type: none"> <li>• Liaise with residents within the LAS grid who wish to dispose of contaminated soil outside the LAS program</li> <li>• Respond to media enquiries</li> <li>• Internal planning and strategy meetings</li> <li>• Various administration activities</li> </ul>

**A2 (cont) Tasks undertaken by the Deed Administrators and remuneration calculation for the period 17 December 2010 to 30 November 2011.**

Position	S/hour (ex GST)	Total actual hours	Total (\$)	Task Area						
				Assets hrs (\$)	Creditors hrs (\$)	Employees hrs (\$)	Investigation hrs (\$)	Dividend hrs (\$)	Administration hrs (\$)	
Partner	595*	323	189,103	110.4	8.1	139.7	8.4	6.2	50.2	
Director	495	2,109	1,043,856	65,608	4,782	80,328	4,998	3,573	29,815	
Manager 1	445	1,594	709,241	1,237.2	32.8	2.3	196.5	-	125.0	
Manager 2	375	1,252	469,463	550,554	14,596	1,024	87,443	-	55,625	
Supervisor	310	19	6,014	137,400	54,488	-	40,838	1,350	235,388	
Senior 1	285	9	2,565	12.5	-	-	-	-	6.9	
Senior 2	250	1,121	280,150	3,875	-	-	-	-	2,139	
Intermediate 1	220	427	93,874	0.2	-	-	3.5	-	5.3	
Intermediate 1	190	488	92,701	57	-	-	998	-	1,511	
Intermediate 2	190	449	85,319	125.4	16.4	-	-	26.4	952.4	
Senior Secretary	170	45	7,616	31,350	4,100	-	-	6,600	238,100	
CP Operator	120	68	8,172	303.6	8.7	-	7.0	23.6	83.8	
Typist	90	32	2,907	66,792	1,914	-	1,540	5,192	18,436	
Professional Junior Staff	135	4	567	1.5	3.4	-	-	-	483.0	
Office Assistant	75	3	203	285	646	-	-	-	91,770	
<b>TOTAL</b>		<b>7,942</b>	<b>2,991,750</b>	<b>4,318.7</b>	<b>242.4</b>	<b>144.6</b>	<b>324.5</b>	<b>59.8</b>	<b>2,652.2</b>	
<b>TOTAL (including GST)</b>				<b>1,855,626</b>	<b>85,478</b>	<b>81,845</b>	<b>135,915</b>	<b>16,715</b>	<b>816,173</b>	
<b>Average hourly rate</b>				<b>299,175</b>	<b>8,548</b>	<b>8,185</b>	<b>13,591</b>	<b>1,672</b>	<b>81,617</b>	
				<b>3,290,926</b>	<b>2,041,188</b>	<b>90,030</b>	<b>149,505</b>	<b>18,387</b>	<b>897,790</b>	
				<b>377</b>	<b>430</b>	<b>566</b>	<b>419</b>	<b>280</b>	<b>286</b>	

\*George Kompos rate = \$575/hour

\*\*Intermediate 1 rate has been applied to the LAS at a discounted rate of \$190/hr

**A3 Schedule of anticipated tasks and Administrators' estimated prospective remuneration for the Period 1 December 2011 to 31 December 2012.**

Based on the following anticipated tasks, I estimate the Administrators' fees for the above period:

<p><b>Assets - Pasminco Cockle Creek Smelter Pty Limited Remediation and Development requirements</b></p> <p><b>Anticipated AUD1,557,826*</b></p>	<p>Management of remediation redevelopment and realisation of Cockle Creek smelter site</p>	<ul style="list-style-type: none"> <li>▪ Onsite superintendent appointed to undertake the following tasks:             <ul style="list-style-type: none"> <li>○ Oversee site operations and report to the Administrators on a regular basis regarding progress</li> <li>○ Provide direction, management, technical and operational experience to the Site Team, Contractors and Consultants</li> <li>○ Promote continuous improvement in quality, safety, environment, risk management and productivity</li> <li>○ Identify and realise opportunities to improve the outcome of the project</li> <li>○ Improve efficiency and seek out cost savings on site</li> <li>○ Contractual management with site contractors</li> <li>○ Assistance with site forecasts, and timing for project delivery</li> </ul> </li> <li>▪ Site visits</li> <li>▪ Contract negotiations</li> <li>▪ Undertaking the remediation civil works phase of the project</li> <li>▪ Negotiating and implementing contractual arrangements to sell and/or remove certain process materials present on the Site</li> <li>▪ Site master planning and detailed development design planning.</li> <li>▪ Demolition and concentrate crushing</li> <li>▪ Liaising with neighbouring land owners</li> <li>▪ Pre-implementation works for the lead abatement strategy</li> <li>▪ Contamination cell tender process and civil works project management</li> <li>▪ Managing the Site's surface and groundwater systems including the continued operation of the Effluent Treatment Plant</li> <li>▪ Site security</li> <li>▪ Ongoing negotiation with the DECC regarding the revision/removal of licences and approvals to ensure these remain in line with the progressive remediation of the Site</li> <li>▪ Managing inquiries from the community</li> <li>▪ Managing the company's rental property book</li> <li>▪ Managing service and utility supplies to the Site</li> <li>▪ Provision of regular authority reports under the Environment Protection Licence including on and off site monitoring</li> <li>▪ Site personnel management and servicing of onsite remediation activities</li> <li>▪ Bushfire and vegetation management</li> <li>▪ Conduct of civil/remediation works utilising plant and equipment owned/hired by PCCS and its personnel</li> <li>▪ Civil works tender process and operations management</li> <li>▪ Site contractor and consultant management</li> </ul>
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		<ul style="list-style-type: none"> <li>▪ Liaising with suppliers</li> <li>▪ Liaising with management and staff</li> <li>▪ Authorising purchase orders</li> <li>▪ Maintaining purchase order registers</li> <li>▪ Preparing and authorising receipt vouchers</li> <li>▪ Preparing and authorising payment vouchers</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>▪ Correspondence with debtors</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entering receipt and payments into accounting system and maintaining registers.</li> <li>▪ Month end account reconciliations</li> </ul>
	Budgeting & financial reporting	<ul style="list-style-type: none"> <li>▪ Reviewing remediation and development budgets and financial statements</li> <li>▪ Preparing budgets</li> <li>▪ Meetings to discuss trading position and accounts</li> </ul>
<b>Creditors</b>  <b>Anticipated</b> <b>AUD80,961*</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone</li> <li>▪ Maintaining creditor enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Correspondence with financiers regarding debt trades</li> <li>▪ Maintaining register of current holders of unsecured debt and maintaining records.</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing circular to creditors providing updates on case progress and general reporting to creditors.</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> <li>▪ Dealing with litigation claims including admitting and rejecting POD's</li> </ul>
	Shareholder enquires	<ul style="list-style-type: none"> <li>▪ Responding to any shareholder queries and potential legal action</li> </ul>
<b>Employees - Workers Compensation Issues</b>  <b>Anticipated</b> <b>AUD35,441</b>	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ General reporting on employee issues</li> </ul>
	Employee dividend	<ul style="list-style-type: none"> <li>▪ Receipting POD's</li> <li>▪ Adjudicating POD's</li> <li>▪ Ensuring PAYG is remitted to ATO</li> </ul>
	Workers compensation claims	<ul style="list-style-type: none"> <li>▪ Review insurance policies</li> <li>▪ Receipt of claim</li> <li>▪ Liaising with claimant</li> <li>▪ Liaising with insurers and solicitors regarding claims</li> <li>▪ Identification of potential issues requiring attention of insurance specialists</li> <li>▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements</li> <li>▪ Completing receipts and payments relating to Workers Compensation issues.</li> <li>▪ Liaising with Zinifex in negotiating management of claims.</li> </ul>
	Conducting investigation/Discovery	<ul style="list-style-type: none"> <li>▪ Maintaining and reviewing company books and records</li> <li>▪ Conducting and summarising statutory searches</li> </ul>
<b>Investigation</b>  <b>Anticipated</b> <b>AUD37,727*</b>	Litigation / Recoveries	<ul style="list-style-type: none"> <li>▪ Internal meetings to discuss status of litigation</li> <li>▪ Preparing brief to solicitors</li> <li>▪ Liaising with solicitors regarding recovery actions</li> <li>▪ Attending to negotiations</li> <li>▪ Attending to settlement matters</li> </ul>



<p><b>Dividend</b> <b>Anticipated</b> <b>AUD58,874</b></p>	<p>ASIC reporting Processing proofs of debt and Dividend Procedures.</p>	<ul style="list-style-type: none"> <li>▪ Liaising with ASIC</li> <li>▪ Liaising with Financiers to confirm holdings of unsecured debt.</li> <li>▪ Preparing Bank TT's</li> <li>▪ Preparing payment vouchers</li> <li>▪ Preparing payment schedules and reconciliations of holdings</li> <li>▪ Working with banks to ensure funds correctly deposited</li> <li>▪ Preparing dividend schedules</li> <li>▪ Preparing quarterly dividend forecast model updates</li> </ul>
<p><b>Administration</b> <b>Anticipated</b> <b>AUD805,766*</b></p>	<p>Correspondence</p>	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
<p>Document maintenance/file review/checklist</p>	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>	
<p>Insurance</p>	<ul style="list-style-type: none"> <li>▪ Identification of potential issues requiring attention of insurance specialists</li> <li>▪ Correspondence with Marsh regarding ongoing insurance requirements</li> <li>▪ Reviewing insurance policies</li> <li>▪ Correspondence with lawyers regarding insurance issues</li> </ul>	
<p>Bank account administration</p>	<ul style="list-style-type: none"> <li>▪ Preparing correspondence opening and closing accounts</li> <li>▪ Maintaining and reinvesting funds in various Term Deposit accounts.</li> <li>▪ Liaising with major banks in order to maximise investments</li> <li>▪ Requesting bank statements</li> <li>▪ Bank account reconciliations</li> <li>▪ Correspondence with bank regarding specific transfers</li> </ul>	
<p>ASIC Lodgements</p>	<ul style="list-style-type: none"> <li>▪ Preparing and lodging ASIC forms.</li> <li>▪ Correspondence with ASIC regarding statutory forms</li> </ul>	
<p>ATO &amp; other statutory reporting</p>	<ul style="list-style-type: none"> <li>▪ Preparing BAS'</li> <li>▪ Completing group certificates</li> </ul>	
<p>Finalisation/ Deregistration procedures</p>	<ul style="list-style-type: none"> <li>▪ Notifying ATO of finalisation</li> <li>▪ Reviewing Balance sheets</li> <li>▪ Completing debt forgiveness forms 245-90's</li> <li>▪ Obtaining clearances from ASIC</li> <li>▪ Reviewing DOCA/ Deed of Cross Assumption of Claims/ Revocation Deed and other matters.</li> <li>▪ Advertising requirements</li> <li>▪ Cancelling ABN / GST / PAYG registration</li> <li>▪ Completing checklists</li> </ul>	
<p>Planning / Review</p>	<ul style="list-style-type: none"> <li>▪ Discussions regarding status of administration</li> </ul>	
<p>Books and records / storage</p>	<ul style="list-style-type: none"> <li>▪ Dealing with records in storage</li> <li>▪ Sending job files to storage</li> </ul>	
<p>Lead Abatement Strategy</p>	<p>Sampling Phase</p> <ul style="list-style-type: none"> <li>▪ Review sampling results</li> <li>▪ Prepare sampling reports</li> <li>▪ Correspondence with certifier</li> <li>▪ Various correspondence with LAS participants</li> <li>▪ Various correspondence with non participants</li> <li>▪ Communicate results to LAS participants</li> <li>▪ Correspondence with Lake</li> </ul>	



			<p>Macquarie City Council</p> <ul style="list-style-type: none"><li>▪ Correspondence with Department of Environment, Climate Change and Water (NSW)</li><li>▪ Enter sampling data in the LAS Management Tool</li><li>▪ Prepare reports for various stakeholders</li></ul>
		Implementation Phase	<ul style="list-style-type: none"><li>▪ Engage contractors</li><li>▪ Liaise with contractors</li><li>▪ Project manage schedule of works</li><li>▪ Various correspondence with LAS participants</li><li>▪ Correspondence with Lake Macquarie City Council</li><li>▪ Correspondence with Department of Environment, Climate Change and Water (NSW)</li><li>▪ Enter abatement works data in the LAS Management Tool</li><li>▪ Attend LAS grid area to meet with various stakeholders</li><li>▪ Prepare reports for various stakeholders</li></ul>
		Other	<ul style="list-style-type: none"><li>▪ Liaise with residents within the LAS grid who wish to dispose of contaminated soil outside the LAS program</li><li>▪ Respond to media enquiries</li><li>▪ Internal planning and strategy meetings</li><li>▪ Various administration activities</li></ul>



\*Please note that the above allocated costs in each of the six categories are based on our estimations. Due to the complexity of the work involved in the Administration and the variety of day to day issues that arise, the costs allocated per section may vary considerably. Creditors should refer to the report to Creditors dated 3 February 2012 which provides an explanation of the prospective work and contingencies which may result in costs greater than those estimated above.

The remuneration estimate may be summarised as follows:

Total	Assets	Creditors	Employees	Investigation	Dividend	Administration
\$2,576,594	\$1,557,826	\$80,961	\$35,441	\$37,727	\$58,874	\$805,766

### A3 Remuneration approved and drawn to date

FEE SUMMARY		
Total Deed Fees Approved	Period of Approval	\$
Fees approved on 30 August 2002	5 October 2002 – 31 January 2003	3,400,000.00
Fees approved on 28 March 2003	1 February 2003 – 30 September 2003	3,300,000.00
Fees approved on 9 December 2003	1 October 2003 – 15 September 2004	3,300,000.00
Fees approved on 5 October 2004	16 September 2004 – 31 August 2005	2,383,612.00
Fees approved on 19 May 2006	1 September 2005 – 15 January 2007	2,208,748.90
Fees approved on 01 May 2007	16 January 2007 – 31 January 2008	2,194,565.00
Fees approved on 18 March 2008	1 February 2008 - 31 March 2009	2,356,130.00
Fees approved on 12 June 2009	1 April 2009 – 31 December 2009	2,022,220.00
Fees approved on 17 February 2010	1 January 2010 – 31 December 2010	3,354,691.00
Fees approved on 4 March 2011	17 December 2010 – 31 December 2011	3,065,677.85
		<b>27,585,644.75</b>
<b>Fees Incurred and Paid</b>		
<b>Period</b>		
5 October 2002 – 30 November 2011		<b>-27,495,857.00</b>
<b>Balance of approved limit remaining</b>		<b>89,787.75</b>

### A4 Resolutions to be put to creditors at the meeting convened for 15 February 2012.

At the meeting of creditors convened for 11:00am AEST on 15 February 2012, creditors will be asked to consider the following resolution:

*"That the future remuneration of the Administrators of the Deed of Company Arrangement, as set out in the Administrators' remuneration report dated 3 February 2012 be approved up to the sum of AUD2,486,806.63 plus any applicable GST but subject to upward revision by resolution of creditors and that the Administrators of the Deed of Company Arrangement be authorised to make periodic payments on account of such accruing remuneration."*





## **PART B**

### **B1 Administrators' Disbursements**

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1 Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2 Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below.

<b>Disbursements</b>	<b>Charges (Excluding GST)</b>
Postage	At cost
Telephone	At cost
Photocopying mono	20 cents per copy
Photocopying colour	50 cents per copy
Facsimile	\$3.00 per page
File Set Up	At cost
Advertising	At cost
Printing mono	20 cents per copy
Printing colour	50 cents per copy
Storage – Per Box/month	\$0.37
Couriers	At cost

Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.

### **B2 Other creditor information on remuneration**

The partners of Ferrier Hodgson, Victoria are members of the Insolvency Practitioners Association of Australia and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at [www.ipaa.com.au](http://www.ipaa.com.au)

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.

Queries regarding remuneration should be directed to Richard Bastow of this office.

Dated this 3<sup>rd</sup> day of February 2012.

**Peter McCluskey**  
Deed Administrator

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# **ANNEXURE 7**

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**FORM 529  
CORPORATIONS ACT 2001**

**NOTICE OF MEETING OF CREDITORS**

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

**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**

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

NOTICE is given that a meeting of the creditors of the above named companies will be held at the offices of Ferrier Hodgson, Level 29, 600 Bourke Street, Melbourne on 15 February 2012 at 11.00am.

**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 the Deed Administrators' fees; 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 14 February 2012. **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 14 February 2012 providing a written statement setting out, the name of the person and of the proxy or attorney, an address

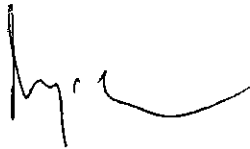
**ANNEXURE 7**

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 3rd day of February 2012

A handwritten signature in black ink, appearing to read 'Peter McCluskey', with a stylized flourish at the end.

**Peter McCluskey**  
Deed Administrator

Ferrier Hodgson,  
Level 29, 600 Bourke Street  
MELBOURNE VIC 3000

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# **ANNEXURE 8**

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# MEETING OF CREDITORS PROXY FORM

FORM 532

Annexure 8

CORPORATIONS ACT 2001  
APPOINTMENT OF PROXY

Regulation 5.6.29

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 15 February 2012 at 11:00am,  
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
<i>A resolution that the future remuneration of the Deed Administrators from 1 December 2011 be determined at a sum equal to the cost of time spent by the Deed Administrators, their partners and staff, calculated at the hourly rates detailed in the remuneration report to creditors dated 3 February 2012 to a capped amount of AUD2,486,806.63 exclusive of GST and that the Deed Administrators can draw the remuneration on a periodic basis or as required.</i>	<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 February 2012

.....  
Signature<sup>2</sup> of individual or person<sup>3</sup>  
authorised by corporate resolution to  
represent the corporation

OR      The Common Seal of<sup>1</sup>  
was hereunto affixed in the presence of

.....  
Director

.....  
Secretary

<b>FOR OFFICE USE ONLY</b>
Proxy Valid:                      Yes/No
Cross Deed Creditor:        Yes/No
Amount admitted for voting:
\$.....

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

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

<sup>3</sup> Note that a corporation may by resolution of its directors provide standing authority for a person to represent it at members meeting and appoint proxies. Copy of authority to be annexed.