

## MEMORANDUM

**TO: TO ALL KNOWN CREDITORS**

**FROM: Peter McCluskey, Deed Administrator**

**DATE: 7 October 2004**                      **REF: SM:NS:**

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

**RE: DIVIDEND ESTIMATES AS AT 30 SEPTEMBER 2004**

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### Introduction

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 either the quantum or a specific breakdown of the quantum of the retention and how it relates to the provisioning for the issues that remain to be dealt within the Residual Group.

We have, in our opinion, retained sufficient funds to enable the Residual Group to meet all known actual and contingent liabilities that are liabilities of those companies under the deeds or which arise out of the restructure of the Pasmingo group or the effective winding up of the Residual Group in relation to the following:

- Site Remediation costs
- Litigation
- Workers' Compensation claims
- Tax liabilities and indemnities
- Professional fees
- Other contingencies

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

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

### **Disclaimer**

The process of estimating of future dividends that may be payable to the unsecured creditors of Pasmenco involves assessing a number of contingencies, risks, uncertainties and other factors, all of which are by and large 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 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 nor the likelihood of any particular scenario being achieved. Creditors and persons interested in acquiring unsecured debt should make their own enquiries and the Deed Administrators accept no liability for loss and damage suffered by any person relying on these estimates who suffers.

### **Summary of Dividend Estimates**

To date, dividends have been paid to unsecured creditors of 12.5 cents and 1.3 cents, totalling 13.8 cents in the dollar.

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

#### ***Undiscounted Dividend Forecast as at 30 September 2004***

<b>Estimated further dividends (cents in the dollar)</b>		
<b>Worst Case</b>	<b>Mid Case</b>	<b>Best Case</b>
<b>2.4</b>	<b>7.9</b>	<b>11.2</b>

**Net Present Value of Dividend as at 30 September 2004**

Nominal Discount Rate	Estimated further dividends (cents in the dollar)		
	Worst Case	Mid Case	Best Case
8%	1.6	5.8	8.2
10%	1.4	5.4	7.7
12%	1.3	5.1	7.2

As indicated above, our current estimate of the further dividends that may be payable to creditors on a mid case scenario is 7.9 cents, which would bring the final total dividend to unsecured creditors to 21.7 cents in the dollar.

**General Assumptions**

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

- An average interest receivable rate of 5.59% on deposit account funds has been applied.
- Interest accrues on the average mid period cash balance.
- Creditor claims are estimated to amount to \$2,683 million.
- Discount rates used are nominal rates.
- Estimates are based as at 30 September 2004 and have been discounted back to this date.

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