

## **MEMORANDUM**

**TO: DEED CREDITORS OF PASMINGO LIMITED**

**FROM: Peter McCluskey, Deed Administrator**

**DATE: 19 August 2004**

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

**RE: DIVIDEND ESTIMATES**

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### **Introduction**

As you are aware, we have held back a proportion of the proceeds from the float of Zinifex Ltd in order to deal with the completion of the Deeds of Company Arrangement of the remaining twenty-two 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 details of 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 with in the Residual Group.

We have in our opinion retained sufficient funds to enable the Residual Group to meet all known actual and contingent 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 unforeseen 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 dividend payments to creditors.

In addition, these dividend estimates have been discounted at rates of 8%, 10%, 12% to provide a Net Present Value of those payments estimated as at 30 June 2004. The calculations take into account bank interest receivable on the deposit funds currently held.

### **Disclaimer**

The process of estimating of 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 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 which 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 as at 30 June 2004

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

#### *Undiscounted Dividends*

Estimated further dividends (cents)		
Worst Case	Mid Case	Best Case
2.9	8.5	11.9

#### *Net Present Value of Dividends as at 30 June 2004*

Nominal Discount Rate	Estimated further dividends (cents)		
	Worst Case	Mid Case	Best Case
8%	2.6	6.9	9.5
10%	2.5	6.6	9.0
12%	2.4	6.3	8.6

As indicated above, our current estimate of the further dividends that may be payable to creditors if the mid case scenario is achieved is 8.5 cents, which would bring the final total dividend payable to unsecured creditors to 21.0 cents in the dollar.

#### **General Assumptions**

It should be noted that in calculating the estimates of the dividends under the various scenarios, the following assumptions have been made:

- 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 \$2,667 million, excluding certain contingent and disputed claims.
- Discount rates used are nominal rates.
- Estimates are based as at 30 June 2004 and have been discounted back to this date.

Should you have any queries, please contact Sara Missen on +61 3 9600 4922.