

12 February 2014

**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 2013**

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.

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 from the realisation of land associated with the Cockle Creek site. Further, falling deposit interest rates are causing a decline in income receipts.

SYDNEY  
MELBOURNE  
ADELAIDE  
BRISBANE  
PERTH  
JAKARTA  
KUALA LUMPUR  
SINGAPORE

Affiliated through:  
Zolfo Cooper  
CARIBBEAN  
UNITED KINGDOM  
UNITED STATES  
KLC Kennic Lui & Co.  
CHINA  
HONG KONG

## 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 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.

## Dividend Forecast December 2013 Key Points

Having substantially completed all the onsite remediation works on both the PCCS and IFL sites we now turn our attention to realising the land for both maximum value and benefit to the creditors.

Our realisation strategy in the coming months in conjunction with completion of cell construction and capping works is to complete the minimal amount of civil works required to reinstate the PCCS and IFL sites to a state that will encourage/enable developers to purchase the land.

In this regard you will note that on a low case scenario the returns to creditors (since our previous report) have improved, despite increased provisions being allocated to the legacy Condition 8.8 requirements discussed in section 6 of our February Creditors report. The improved returns relate predominantly to savings achieved in our remediation, revenues from the IFL works and the reduced budgeted earthwork costs required to sell the PCCS and IFL sites in the short term.

In relation to the mid and high case scenarios you will note that forecasted returns have fallen due to the low interest rate environment, increased earthworks and the associated costs required to develop the sites (costs include additional infrastructure, drainage, sewer, utilities and earthworks).

We will report further to creditors in July 2014 in relation to the timing of future dividend payments, however creditors should note that, in the absence of significant land sales, no dividend distributions to creditors will be paid in the short term.

### Summary of Dividend Estimates

Dividends paid to date total 21.2 cents in the dollar.

Shown below are two schedules relating to our estimates at 31 December 2013 on an undiscounted and discounted basis respectively.

#### ***Undiscounted Dividend Forecast as at 31 December 2013***

Estimated further dividends (cents in the dollar)		
Low Case	Mid Case	Best Case
0.8	1.5	2.6

#### ***Discounted Dividend Forecast as at 31 December 2013***

Estimated further dividends (cents in the dollar)			
Nominal Discount Rate	Low Case	Mid Case	Best Case
8%	0.1	0.6	1.3
10%	0.1	0.5	1.1
12%	0.0	0.4	0.9

As indicated above, our estimate of future dividends at 31 December 2013 payable to creditors on a mid case scenario is 1.5 cents, which would bring the final total dividend to unsecured creditors to 22.7 cents in the dollar (undiscounted). Our estimate of future dividends payable on a low case scenario is 0.8 cents, which would bring the final total dividend to 22 cents in the dollar (undiscounted).

### 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 3.45% on deposit account funds has been applied, except for those amounts locked in a term deposit with a fixed rate of interest. Interest in respect of those funds not held in term deposit accrues on the average mid period cash balance.
- Creditor claims are estimated to amount to \$2,611 million.

- Discount rates used are nominal rates.
- Estimates are based as at 31 December 2013 and have been discounted back to the end of the 2013 calendar year.

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

Yours faithfully

**Pasminco Limited**



**Peter McCluskey**  
Deed Administrator