



FERRIER HODGSON

LETTER TO SHAREHOLDERS

27 September, 2001

Dear Pasmenco Shareholder,

Most shareholders will be aware that the Board of Pasmenco appointed John Spark and Peter McCluskey as Voluntary Administrators on 19 September 2001. A statement was issued to the Australian Stock Exchange that evening and trading in Pasmenco shares ceased from the morning of 20 September. At this stage, it is not possible to state how long trading will remain suspended.

Shareholders will be aware from previous Company statements that the Board had been working with management during recent months to implement a strategy to sell the Australian mining assets. That strategy would have seen Pasmenco generate cash to reduce its financial exposures and allow the Company to continue operating during this period of low metal prices, primarily as a leading smelting business. Pasmenco had been operating with short-term liquidity support provided by its lenders to allow the Company to meet its commitments, however longer-term arrangements were needed and discussions with lenders were focused on securing a six month Standstill Arrangement. In simple terms, this Agreement would have extended a line of credit to enable Pasmenco to continue operating until March 2002, without the need to meet loan and interest payments.

On the evening of Wednesday 19 September, it became clear that a number of Pasmenco's lenders were either unwilling or unable confirm their support by 28 September 2001, the last business day by which Pasmenco was required to lodge its audited Annual Accounts and the Directors' declaration with the Australian Securities and Investment Commission.

In the absence of a Standstill Agreement, the Board could not form the view that there were reasonable grounds to believe that Pasmenco could meet all of its commitments as and when they fell due and the Board therefore placed the Company into Voluntary Administration.

The Administrators assume the powers of the Board and are accountable to creditors. In the case of Pasmenco, we have three key goals:

- Conduct a full and thorough assessment of Pasmenco's financial position and develop an appropriate plan for future action, which will be recommended to a meeting of creditors. This could take a number of months.
- Keep the business operating as usual during this period.
- Once agreed by creditors, to implement a restructure of the business if it is to continue or implement a sale of assets if it is not to continue.

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GREG MEREDITH
JAMES STEWART
ROD SUTTON
GEORGE GEORGES
JOHN LINDHOLM

DIRECTORS
SIMON NELSON
ROSS BLAKELEY
CRAIG HUNTER
SIMON JENNINGS
ADRIAN BROWN
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For the time being, the Administrators are continuing with the asset sales processes already underway in respect of the Broken Hill and Century mines.

Significantly for employees of the Company, it is clear that all employee entitlements are secure and will be honoured.

A transfer of shares or an alteration in the status of Members is not possible during this period of Voluntary Administration and it is currently not possible to state either if or when trading will be resumed in view of the Voluntary Administration.

The position will become clearer once we have completed the review of operations and considered a way forward.

Management and employees are cooperating fully with us as we work towards a future plan and shareholders will be advised once a clear forward plan for Pasminco has been agreed.



J M Spark
Administrator



P D McCluskey
Administrator

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