

17 May 2004

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TO THE CREDITOR AS ADDRESSED

Dear Sir/Madam

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

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I refer to previous correspondence regarding the administration of the Pasmingo Group and am writing to provide you with an update in relation to this matter.

Float of Zinifex Limited

As you may be aware, the float of Zinifex Limited has now been successfully concluded, with the formal separation of the Zinifex Group of companies out of the Pasmingo Group being concluded on 8 April 2004.

Total proceeds of approximately AUD960 million were achieved from the float of the Zinifex Group.

Affairs of the Residual Group

Whilst a float of the Zinifex Group has now been completed, there are a number of Pasmingo Group companies that were not included as part of the Zinifex float. These companies form part of the “Residual Group” and there are a number of significant issues that need to be dealt with in order to wind up the affairs of those companies.

In this regard, we have retained from the float proceeds a sum of AUD285 million in order to deal with the affairs of the Residual Group. The key issues that have determined the quantum of the holdback include:

- Rehabilitation costs
- Workers Compensation claims
- Restructure costs and indemnities
- Contingent Creditor claims

When replying please quote:
Our Ref: SJ:JM:A1.4
Your Ref:

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Due to commercial sensitivities that surround the quantum of the holdback in respect of each of the above matters, we are not able to provide a more detailed analysis of the level of funds held back in respect of each specific issue.

As is detailed further below, however, we are hopeful that a number of the above matters will ultimately be resolved at a cost below the level of the initial holdback. We are therefore confident that over time, as certain matters are concluded, further funds should become available to enable additional distributions to creditors.

Aquila Litigation

As previously advised, Aquila Resources Limited ("Aquila") has previously lodged a Formal Proof of Debt against Pasmaenco Limited (Subject to Deed of Company Arrangement), Savage Resources Limited (Subject to Deed of Company Arrangement) ("SRL") and Savage EHM Finance Pty Limited (Subject to Deed of Company Arrangement) ("SEHMF") with respect to the sale by Pasmaenco of its 49% interest in the Ernst Henry Mine in March 2001.

There are currently three proceedings in progress with respect to Aquila.

1. Aquila's claim for damages

Aquila has made an application to the Federal Court in relation to a claim for damages it has allegedly suffered in respect of the sale of the Ernst Henry Mine to MIM following the exercise of an option by MIM which pre-empted Aquila's purchase of the Pasmaenco interest.

On the evidence available to the Deed Administrators, the claim has little merit and is accordingly being defended.

We are currently finalising Pasmaenco's discovery and inspection of each party's documents. Further directions will be made by the Court in early June 2004. No hearing date has yet been set.

2. Deed of Company Arrangement Proceeding

As you may be aware, Aquila has also made an application to the Federal Court to set aside the Deeds of Company Arrangement of SRL and SEHMF.

Aquila argues that SRL and SEHMF were not insolvent at the time Voluntary Administrators were appointed because they allege that SRL and SEHMF were not bound by the Deed of Cross Guarantee that applied to the majority of the Pasmaenco Group, and were therefore not liable for the liabilities of the Pasmaenco Group. Aquila allege that SRL and SEHMF were solvent on a "stand-alone" basis.

The Court has required that Aquila lodge a Statement of Claim by 14 May 2004 and that Pasmaenco lodge a defence by 2 June 2004. A further directions hearing is scheduled in June 2004.

3. US Assets Directions

The major asset of SRL was the Clarksville Smelter, which was owned by one of SRL's wholly owned US subsidiaries. The Clarksville Smelter was included in the Ongoing Group, which was floated as part of the Zinifex Group.

The Deed Administrators have sought directions from the Court with respect to the portion of float proceeds attributable to the Clarksville Smelter, which should be held aside pending resolution of the two Aquila proceedings discussed above.

This matter has been heard in the Federal Court and we are awaiting judgement.

Dividends

The funds of approximately AUD960 million realised from the float process have been applied as follows:

	AUD million
Total float proceeds	960,095,846
<i>Less:</i>	
Joint Lead Manager float fees	(25,877,875)
Summit Facility Repayment	(312,293,651)
Fees and Interest on Summit Facility	(829,031)
Residual Group holdback	(285,000,000)
Funds available for distribution to unsecured creditors	336,095,289

Based upon the above, an initial dividend of 12.5 cents in the dollar was declared to unsecured creditors on 8 April 2004. This dividend has now been paid to unsecured creditors, with the exception of the holders of Transferable Loan Certificates, creditors of SRL and a number of smaller claims that have yet to be formally admitted.

As discussed above, we are hopeful that a number of the issues that must be dealt with as part of the winding up of the affairs of the Residual Group will be resolved at a cost lower than originally provided for when we established the quantum of the initial holdback. Based upon our assessment of the possible outcome of each of the matters for which provision has been made, we estimate that further interim dividends totalling in the order of 6 to 6.5 cents in the dollar may be payable to unsecured creditors, providing a total return to unsecured creditors of approximately 18.5 to 19 cents in the dollar.

It should be noted, however, that a number of the issues to be dealt with within the Residual Group are likely to take several months, and in some circumstances several years, to finally resolve. It is therefore likely that unsecured creditors will receive a series of further distributions, some of which may not be paid for several years.

Creditors should note that our dividend estimate is based on our estimates of the likely outcome of the currently as yet unresolved matters. The outstanding matters are of such a nature that there are many variables in their resolution which have the potential to significantly affect the extent of future dividends available to unsecured creditors. The estimated future dividends discussed can only ever be a broad estimate that may be payable. You should be aware that the estimates cannot be guaranteed and are subject to change or revision by the Deed Administrators at their discretion.

Further Report to Creditors

As a number of the significant issues affecting the winding up of the affairs of the Residual Group are resolved, we will continue to appraise creditors on the status of the administration and in the meantime we will also continue to liaise with the Committee of Creditors.

In the meantime, should you require any further information in relation to the administration of the Pasmenco Group, please do not hesitate to contact Mr Tim Cipolloni of this office.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J M Spark', with a long horizontal flourish extending to the left.

J M SPARK
DEED ADMINISTRATOR