

23 February 2011

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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”)**

We refer to previous correspondence regarding the administration of the Pasminco Group.

The purpose of this correspondence is to provide creditors with an update on the administration of Pasminco and to notify you of a forthcoming meeting.

Our report is set out as follows:

- 1. EXECUTIVE SUMMARY**
- 2. DIVIDEND ESTIMATES**
- 3. DIVIDEND DISTRIBUTIONS**
- 4. UPDATE ON THE COCKLE CREEK SMELTER SITE**
- 5. WORKERS’ COMPENSATION CLAIMS**
- 6. WINDING UP AND DEREGISTRATION PROCESS**
- 7. STATUS OF ADMITTED CLAIMS**
- 8. DEED ADMINISTRATORS’ FEES**
- 9. NOTICE OF MEETINGS OF CREDITORS**

When replying please quote:
Report to Creditors February 2010

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CORPORATE ADVISORY
FORENSICS
CORPORATE RECOVERY



1. EXECUTIVE SUMMARY

Set out below is a brief summary of the main points discussed in the report:

- Creditors may receive further distributions (on a mid case scenario) of 2.2 cents in the dollar, bringing the total return payable to unsecured creditors to 22.9 cents in the dollar. By way of comparison, our total dividend estimate released on 19 August 2004 anticipated a mid case return of 21.0 cents in the dollar i.e. An improvement of 1.9 cents in the dollar which equates to an improvement of approximately AUD50 million.

1.1 Update On the Cockle Creek Smelter Site (“The Site”)

- Progress in relation to the site has been very good with our focus primarily on: :
 - The remediation works phase of the project and completing the Cardiff Central industrial estate subdivision works. To date approximately 60% of the site has been remediated;
 - Construction of the containment cell. The external Contractor’s contract was terminated in September 2010, with works now being completed by PCCS Services Pty Ltd (“PCCSS”) which has identified significant cost savings and opportunities. Costs associated with the construction of the containment cell are being tightly managed and it is anticipated that some further savings may be achieved, for example by utilising excess material (clay capping) supply from the Site and from terminating the contract with the contractor;
 - Securing gazettal of LES-1 (Amendment 21) which occurred in September 2010, resulting in favourable rezoning of approximately 40% of the site to developable land;
 - Following lodgement of the development Master Plan with Lake Macquarie City Council (“LMCC”) a response to LMCC’s preliminary review of LES-2 (Local Environmental Study) was formulated. The LES is the form required for a change in zoning (land use). It is primarily based on the Master Plan. The LES-2 application was lodged in October 2009 to change the land uses from heavy industrial to more optimal residential and light industrial. With the recent gazettal of LES-1, progression of LES-2 has now advanced to endorsement by Council and referral to Department of Planning (“DoP”) for exhibition which is likely to occur during the 2nd quarter of 2011 effecting rezoning for the balance of the site;
 - Progress towards achieving excision of Cardiff Central from the Remediation Order over the Site with formal paperwork from the authorities expected in the first quarter of 2011. We have also obtained subdivision approval from LMCC.
 - Marketing and launch of the Cardiff Central industrial subdivision for sale;
 - Progressing the superlot subdivision and infrastructure strategy across the whole Site;
 - Negotiations with third party stakeholders to progress the planning and development outcomes adopted for the Site;
 - The refurbishment of the Old Laboratory (“Old Lab”), the only structure to remain onsite post remediation. Once complete the Old Lab will become the site operational office and marketing suite; and
 - Liaising with Incitec in relation to the future demolition and remediation of their site.



- The Deed Administrators are continuing to implement various Site remediation works in accordance with requirements of stakeholder Authorities and the Site Auditor as required by the Part 3A Conditions of Consent for remediation of the Site provided to PCCS by the NSW Minister for Planning on 27 February 2007.
- Operating and remediation costs have been controlled and some certainty has been achieved in regard to applicable Government levies. In particular, savings of \$3 - \$4 million are expected against budget for containment cell construction costs.
- Whilst we are unable to provide creditors with specific details regarding the estimated revenues and costs for the project (as this information is sensitive and could adversely impact on ongoing project negotiations) we remain confident that we will ultimately be in a position to return to creditors a proportion of the funds held back to remediate the Site.

1.2 Workers' Compensation Claims

- Between December 2009 and December 2010, Pasminco experienced a relatively stable number of new claim numbers with the nature of the claims trending towards lower value industrial deafness claims.
- The balance of the estimated self insured liability tail relates mainly to projected new and reopened claims. These claims, given their recurring nature, are likely to endure for an extended period into the future.
- Remittance of the balance of the funds will depend on the movement in outstanding workers compensation claims liabilities as assessed by an actuary. The most recent actuarial assessment should result in a further limited release of monies held by NSW Workcover.

1.3 Winding Up and Deregistration Process

- Since last reporting to creditors we have continued to progress the wind down and deregistration of Pasminco's Residual Group companies in accordance with the Pasminco Group's DOCA's.

1.4 Deed Administrators' Fees

- Creditors previously approved an increase in our fee limit to cover the Deed Administrators fees by a further limit of AUD3,354,691. As at 16 December 2010, a balance of AUD15,860 remained from our approved fee limit. We estimate our professional fees for the period 1 January 2011 to 31 December 2011 (i.e. a 12 month period) will be approximately AUD3,007,781.25.
- At the forthcoming meeting of creditors, we will seek approval for an additional fee limit of AUD3,065,677.85 (plus GST) estimated to cover a 12.5 month period from 17 December 2010 to 31 December 2011.
- Given that the fees are subject to a capped amount, we are unable to draw fees exceeding that amount.
- Naturally, we will provide an account of all fees incurred and paid in future reports to creditors.



2. DIVIDEND ESTIMATES

As many creditors are aware, we provide regular updates to the dividend forecasts, which are published on the existing Pasmaenco website at www.pasmaenco.com.au and on our Ferrier Hodgson website at www.ferrierhodgson.com.au, under the section, "Creditors Information / Current Administrations / Pasmaenco Limited".

Our latest dividend estimate report to 31 December 2010 (**Annexure 1**) estimates that creditors may receive further distributions (on a mid case scenario) of 2.2 cents in the dollar, bringing the total return payable to unsecured creditors to 22.9 cents in the dollar.

By way of comparison, our total dividend estimate released on 19 August 2004 anticipated a mid case return of 21.0 cents in the dollar. This represents an improvement of 1.9 cents or in total dollar terms equates to an improvement of approximately AUD50million. The estimated return to creditors has increased over time due to a variety of factors, including favourable outcomes on a number of matters. These include:

- Revised assumptions relating to estimated future workers' compensation liabilities and release of monies held by NSW WorkCover.
- A favourable settlement of the Aquila Litigation.
- A reduction in the estimated value of creditor claims.
- A permanent reduction in the actual expenditure incurred to date on various issues.
- Cost savings and revenue improvements achieved and anticipated in relation to the remediation and realisation of the Cockle Creek Site.
- A favourable outcome on the sale /wind down of US entities.
- Settlement of the Rio Tinto litigation and creditor claim
- Settlement of the Kemper litigation and creditor claim
- A deferral of expenditure on various matters, resulting in additional interest being earned on funds held.

However, despite the improved estimated return to creditors since appointment, the forecast returns have remained steady in the last 12 months. By way of comparison the total forecast returns as at 31 December 2009 was 22.8.

2.1 Disclaimer

The process of estimating future dividends that may be payable to the unsecured creditors of Pasmaenco 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 assumptions 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 the uncertainties and the contingencies that may affect the ultimate realisation, 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.

3. DIVIDEND DISTRIBUTIONS

As you are no doubt aware, 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 that may be obtained from the realisation of land associated with the Site. This is further compounded by numerous interest rate rises that have occurred in Australia since October 2009. These rate rises have resulted in a negative impact on the value of land prices (commercial/industrial and residential) in the areas surrounding the site.

We have therefore determined that in order to ensure that sufficient funds are withheld to complete the remediation and development of the Site, we will not be paying a dividend to creditors during the next 12 month period until significant land sales have been achieved.

Notwithstanding this we still estimate returns of a further 2.2 cents in the dollar in the mid case scenario as detailed in section 2.

4. UPDATE ON THE COCKLE CREEK SMELTER SITE

The following provides an update on activities undertaken by the Deed Administrators in relation to the Pasmenco Cockle Creek Smelter Site ("Site" and "PCCS Site") since the last report to you on 3 February 2010.

4.1 Demolition

As previously reported, following the completion of all major plant and structure demolition activities, the second phase of concrete demolition works were commenced in Q2 2009 in Parcel 4. All concrete crushing onsite ceased in Q2 2010, however, bulk removal of concrete slabs and foundations is ongoing.

4.2 Whole of Site Remediation

4.2.1 Part 3A Consent

As previously reported, consent to the Part 3A application in accordance with the Environmental Planning and Assessment Act 1979 for the whole of Site remediation plan was provided to PCCS by the NSW Minister for Planning on terms acceptable to the Deed Administrators.

The Part 3A consent contains many conditions including the requirement for further ongoing approvals that need to be satisfied before, during and after each stage of the remediation works. Details of the Part 3A consent conditions and the remediation and cell design plan approved by the Minister can be obtained by visiting www.planning.nsw.gov.au under Development Assessments/Notices of Determination/Major Projects 2006-2009.



The Deed Administrators continue to progress these matters through extensive ongoing negotiation with the Department of Environment and Climate Change and Water (“DECCW”) and other stakeholder bodies including the NSW Departments of Planning and Health and Lake Macquarie City Council (together, “Authorities”).

The various staged approvals are being progressively achieved in a satisfactory and timely manner.

4.2.2 Site Remediation Works

To date approximately 60% of the whole Site has been remediated. The status of remediation of the specific stages is set out below.

The indicative remediation staging plan for the Site (“Staging Plan”) is included with this report at **Annexure 2**.

There are currently five separate remediation areas (plus the containment cell) in the Staging Plan. For each of these, it is necessary to obtain prior approval for the remediation plans and designs (Remedial Action Works Plan – RAWP), firstly from the Site Auditor and then the Authorities. Monitoring and reporting is required during and after remediation. After the remediation is complete, it is necessary to secure a Validation Report signed off by the Site Auditor as a pre-condition to future development.

Area 1 – Cardiff Central

Remediation of Area 1 (Cardiff Central – 16ha area) has been completed and Validation reports provided to DECCW and the Department of Planning (“DoP”). Excision of the Area 1 portion from the Remediation Order has now been approved by DECCW although formal paperwork is expected in the first quarter of 2011. Approval of the subdivision of this land from the main Site has also been approved by Lake Macquarie Council. Following formalisation of the rezoning, the site has now been redeveloped for more intensive industrial purposes as discussed in Section 4.4.2.

Area 2

Remediation of Area 2 (Munibung Hills – 52 ha area) is approximately 90% complete. Remediation works will be completed in stages by the end of Q2 2011, in accordance with approved RAWP documents signed off by DECCW and DoP.

Area 3

Remediation of Area 3 (Tripad – 10 ha area) commenced in Q3 2009 and was completed in Q3 2010. The Validation Report for this area is currently being reviewed by the Site Auditor ahead of the Authorities.

Area 4

Remediation of Area 4 (Old Plant Area – 24 ha area) has commenced, following concrete removal from most areas. Approvals for this work have been signed off by the Site Auditor, DECCW and DoP. Remediation is expected to be completed in Q3 2011.



Area 5

Subject to previous reporting, remediation of Area 5 (Cell Surrounds - 20 ha area) will commence in Q2 2011 after concrete is removed. Approvals for this work have been signed off by the Site Auditor, DECCW and DoP.

The Deed Administrators continue to review the most appropriate and cost effective method to expedite the remediation and cell construction works and ensure that remediation is properly undertaken to the satisfaction of the Authorities.

4.2.3 Containment Cell Design and Construction

As previously reported, in 2009 the Deed Administrators awarded the contract for the construction of the containment cell to Ward Civil and Environmental Engineering Pty Limited ("Ward"). Initially a key reason for entering into the contract with Ward was to utilise Ward's resources, skills and experience in construction, which PCCSS did not sufficiently possess at the time.

Since entering into the contract, remediation of the site and construction of the containment cell has progressed considerably. Ward completed Stage A of the cell, including upgradient of drains, leachate collection systems, filling with waste and capping. Stage B1 infrastructure has also been completed and filling with waste has commenced.

Throughout the construction process, the relationship with Ward progressively deteriorated and it emerged that PCCSS was impeded in being able to optimally progress key aspects of the remediation and best utilise its own resources.

In particular:

- PCCSS was constrained in being able to place maximum volumes of material in each stage of the cell in order to meet time constraints and manage site logistics;
- Equipment and resources were unable to be utilised efficiently because PCCSS needed to stockpile material to be delivered to Ward because certain areas of the cell were not ready to accept material. Stockpiling resulted in double handling of material and prevented the most efficient means of remediating areas on site; and
- Considerable time was being consumed by PCCSS in managing site issues, preparing and responding to claims and controlling potential exposures under the contract from variations and extensions of time. This distracted key staff from undertaking remediation tasks and the costs associated with administering the contract were increasing.

Having regard to the above, the Deed Administrators reviewed the works that had been completed and examined whether continuing the contract with Ward was in the best interests of creditors.

N.B The contract was structured in such a way that it allowed PCCS the ability to unilaterally terminate the contract on agreeable terms without incurring any liability.

The Deed Administrators and project managers are confident that the works can be completed at a lower cost.



Having regard to the above, the Deed Administrators terminated the contract with Ward on 9 September 2010 to terms acceptable to the Deed Administrators.

PCCSS has since continued its remediation works and has engaged a number of skilled staff who are completing the works previously undertaken by Ward. As a result of the change in construction team, works on the construction of the containment cell have been reprogrammed and are now scheduled to be completed by the end of Q1 2012 earlier than under the contract with Ward.

Works continue to be completed in a staged sequence, with co-ordination of the supply of contaminated materials from the remediation areas being much more efficient.

The PCCS' civil project manager continues to oversee the various civil works operations to ensure OH&S, heavy plant movement and other procedures are properly adhered to.

The Deed Administrator and the on-site team continue to review and administer site staffing levels and budgets. At this stage, substantial savings associated with the remediation have been achieved by the Deed Administrators through the delivery by PCCS of substitute cell construction materials located on Site and establishing grounds to renegotiate contracted materials and transport prices.

4.2.4 Ongoing Site Monitoring

In accordance with the Part 3A consent conditions, monitoring will continue until the Site as a whole has been remediated and thereafter as required by the DECCW to confirm the effectiveness of the measures taken in addressing discharge from the Site. These ongoing requirements were previously set out in the Remediation Order issued over the Site by the DECCW in 2003.

Negotiation regarding the requirements and procedures for DECCW to lift the Significant Risk of Harm ("SRoH") (Remediation Order) notation from remediated areas prior to the conclusion of ongoing monitoring requirements have been successfully concluded for Area 1. An acceptable outcome to these ongoing negotiations was key to enabling the progressive development and realisation of the remaining remediated Site areas.

In recent months there have been two ground water discharge incidents one of which has resulted in a Caution Notice being issued by DECCW. In accordance with our duties we are taking steps to ensure no further incidents occur and to ensure that the authorities understand the reasons for these incidents occurring.

Overall on site monitoring works are continuing well.

4.3 Incitec Site

As can be seen from the aerial photograph below, the existence of the Intitec Pivot Limited (“Incitec”) site is both practically and visually a significant impediment to the future development of the site.



Over the last 12 months, we are pleased to report that there has been significant and positive advancements in respect of the site. In particular:

- (i) In January 2009, Incitec Pivot Limited (“Incitec”) ceased production of Single Super Phosphate (“SSP”) at its “island site” located within the PCCS Site
- (ii) Incitec lodged their Part 3A application to the Department of Planning for the demolition and remediation of their site, with approval granted in Q4 2010.
- (iii) Demolition works have commenced in Q1 2011 with remediation works expected to follow thereafter.
- (iv) An indicative program was included in their Part 3A application, however an updated program has not yet been approved/provided.
- (v) Pursuant to the cooperation agreement entered into between Incitec and PCCS, Incitec provided input into the final Master Plan lodged with the LMCC in relation to the rezoning of the PCCS and Incitec Site as a whole (refer below) and contributed to its cost of preparation.

The Deed Administrators continue to work with representatives of Incitec in relation to the ongoing remediation and redevelopment of our respective Sites to enhance their end values.



4.4 Site Development and Master Planning

As previously reported, a number of alternative options for the ultimate realisation of the Site are being considered once the Site is remediated. These options include:

- Sell 'as-is' (i.e. undeveloped with minimal or no infrastructure);
- Sell serviced Superlots (i.e. large development parcels with potential for further subdivision with connections to essential services); and/or
- Sell fully developed lots (i.e. a fully serviced residential or industrial subdivision).

Subject to the prevailing market conditions and having regard to overall project timing and risk exposure, a mixture of the above options may be pursued during the project's life cycle.

The ongoing financial modelling undertaken by the Deed Administrators and their advisors on the various land use options supports the Site having a balanced but predominantly residential land use particularly with current market conditions seeing a significant reduction in industrial land values and the market for residential property coming off previous highs. The impact of the economic climate has effected industrial land more than residential land.

4.4.1 Detailed Site Master Plan

As previously reported, the key elements of the rezoning proposal based on the Site Masterplan are:

- Approximately 800 additional dwellings based on an overall density of 15 dwelling units per hectare;
- 2,000 additional residents based on 2.5 persons per dwelling;
- Potential for 1,600 jobs in a variety of industries;
- Additional passive regional open space on Munibung Hill and the containment cell linking with surrounding open space systems; and
- Integration with the existing urban fabric of the locality.

Creditors can also obtain other useful information in relation to the site at www.bunderra.com.au.

To give statutory effect to the proposed land uses under the Master Plan Council is progressing the rezoning of the site in stages. This involves amendments to the current Local Environmental Plan controls. The first amendment, which commenced the rezoning process for the site, involved a change to a mixture of employment, residential and open space uses. The process was completed with the gazettal of LEP (Amendment 21) in September 2010, rezoning approximately 40% the site to developable land.

Also in December 2007 Council resolved to commence the rezoning process for the remainder of the PCCS site (including Incitec site). Late last year a Local Environmental Study-2 ("LES-2") was lodged with LMCC. The outcome was adopted in December 2010 following the gazettal of LEP (Amendment 21), allowing the remainder of the site rezoning process to continue. LMCC has reviewed LES-2 and provided feedback. An appropriate response to LMCC's review of LES-2 was formulated and provided to LMCC. With the recent gazettal of LEP (Amendment 21), progression of the rezoning of the remainder of the site is now underway.

4.4.2 Development

It is the Deed Administrators intent to develop each of five Superlots (see **Annexure 2** for details) on the Site as a natural progression to the remediation Staging Plan in order to achieve maximum value for creditors out of each Superlot sale. This new development has been rebranded as Bunderra.

I detail below the progress in relation the development of each Superlot.

Cardiff Central (Lot 1)

The Deed Administrators are proceeding with the light industrial subdivision of approximately 16 hectares in the northern part of the Site (the Cardiff West Estate now known as Cardiff Central). A Development Approval for this subdivision was issued by LMCC in late May 2009.

In this regard, the Deed Administrators have engaged Jones Lang LaSalle and Raine and Horne as Joint marketing and sales agents in respect of Cardiff Central.

There are currently 19 lots for sale (with an additional 2 lots to be made available for sale in due course) which are expected to achieve revenues in the vicinity of \$14 million. The official launch of the estate together with marketing took place on 16 February 2011 and was attended by numerous contractors and officials including the honourable MP and Lord Mayor of LMCC, Mr Greg Piper. Following the launch an article appeared in The Australian newspaper as enclosed at **Annexure 3**. Anticipated land sales are expected to settle in the later part of 2011. To date the Deed Administrators have achieved one pre-sale of a major block on the estate and have strong interest in 3 further allotments and are confident of consummating further sales now that the estate is launched.

Detailed below are various photos of the Cardiff Central industrial estate together with the associated branding:





Lot 2 (Munibung Hills)

This area is planned to be used for residential and open space purposes. Residential subdivision plans will be finalised in the coming years.

Tripad (Lot 3)

A call for expressions of interest for the purchase of the TriPad (Area 3) site was issued in June 2010 following a 6 week marketing campaign that closed on 21 July 2010. Overall interest in the site was fair, however due to the prevailing market conditions and obstacles in sourcing finance resulted in unacceptable offers being received. Following a review of the tenders we received, it became apparent that the most advantageous way to enhance value and returns to creditors was via a Joint Venture agreement with a local developer experienced in this market which is being negotiated. In this regard, we anticipate that a Joint Venture development with the developer will result in a share of development profits within the region of \$5m for PCCS, an increase of \$2m on our next best alternative.

Lot 4

PCCS has entered into a Heads of Agreement in relation to a portion of approximately 3 ha of Superlot 4. The realisations from the sale will be in excess of \$8 million and both PCCS and the proposed purchaser are moving forward to finalise relevant approvals and complete a formal sale contract.

We are currently assessing the plans to develop the balance of Lot 4.



Lot 5

The Old Lab is a heritage structure and before being utilised commercially is being refurbished and will become the site operational office and marketing suite. The current site operational office is to be demolished during 2011 as part of the remediation plan. Consent for its refurbishment has recently been obtained. Tender packages have been recently issued to builders and contractors for pricing, with works due to commence in Q1 2011.

Development options for the remaining Superlots will continue to be considered by the Deed Administrators on a site-by-site basis with due consideration regarding the outcome of the above industrial subdivision, prevailing and forecast market conditions and status of the remediation project.

4.5 Project Returns

The anticipated returns in today's economic climate against last year is due to further falls in estimated returns from land sales. Operating and remediation costs have been controlled and some certainty has been achieved in regard to Government levies following discussions with various State and Local Government Bodies. Costs associated with the construction of the containment cell are being tightly managed and it is anticipated that further savings may be achieved from the source, for example by utilising excess material (clay capping) supply from the Site.

Whilst we are unable to provide creditors with specific details regarding the estimated revenues and costs for the project (as this information is sensitive and could adversely impact on ongoing project negotiations) we remain confident that we will ultimately be in a position to return to creditors a proportion of the funds held back to deal with the Site.

4.6 Other

4.6.1 Lead Abatement Strategy ("LAS")

As previously reported, a condition of the Part 3A consent requires that PCCS develops and implements a strategy to address lead dust deposition from the previous smelter operations at residential properties surrounding the Site.

The Deed Administrators have designed a practical LAS that adopts a moderate and economic approach to address the requirements of Authorities. This strategy was reviewed by the DECCW throughout its evolution and in January 2008, DECCW provided a letter confirming their formal agreement to its contents. A similar letter has also been received from the DoP.

Commencement of the LAS is currently subject to the Deed Administrators receiving formal endorsement that certain correspondence conforms to the requirements contained within Clause 1.6 of the Part 3A approval. As the Deed Administrators have now received the necessary development rezonings in relation to the Site from the NSW Government on acceptable terms and conditions this is the only matter that remains outstanding prior to commencement of the LAS program. It is envisaged that the LAS program will commence in Q2 2011 and as designed, the program will provide, where necessary, abatement works and environmental benefits to the local community.

The Deed Administrators have undertaken the necessary preliminary work required ahead of any formal commencement of the LAS and are liaising with the relevant stakeholders to ensure that the LAS program when it starts meets all parties requirements.



4.6.2 Residential property sales

PCCS currently holds 18 residential property allotments within close proximity to the PCCS site. These properties comprise of 11 allotments with houses and 7 allotments of vacant land. The properties were originally acquired by PCCS prior to the Deed Administrators appointment in order to act as a buffer between the site and the broader community.

As various rezoning and approvals have been achieved, the Deed Administrators determined that sales of these allotments could be achieved. In this regard, a staged sell down of these properties was planned, with the first tranche of 5 properties going to auction on 11 December 2011. To date, we have been successful in accepting offers on three out of the five properties and are pleased with the progress in this regard. All sales have achieved values within the marketable range as provided by a certified valuer and have resulted in revenues of approximately \$750,000.

Proceeds from the sale of the properties will be applied towards the cost of the remediation works on the Site.

Further residential property sales will be undertaken as part of the broader site strategy to take advantage of uplift in value from rezoning opportunities throughout 2011. In this regard, the next tranche of 5 properties is planned to go to auction at the beginning of Q2 2011.

4.6.3 Operating/Care and Maintenance Activities

In addition to the matters outlined above, the Deed Administrators continue to undertake Site operating and care and maintenance activities.

Further activities that are attended to on the site include:

- Site contractor and consultant management
- Conduct of civil/remediation works utilising plant and equipment owned/hired by PCCS and its personnel
- Civil works tender process and operations management
- Managing the Site's surface and groundwater systems including the continued operation of the Effluent Treatment Plant
- Site security
- Ongoing negotiation with the DECCW regarding the revision/removal of Licences and Approvals to ensure these remain in line with the progressive remediation of the Site
- Managing inquiries from the community
- Managing the company's rental property book
- Managing service and utility supplies to the Site
- Provision of regular Authority reports under the Environment Protection Licence including on and off site monitoring
- Site Personnel management and servicing of onsite remediation activities
- Bushfire and vegetation management



The Deed Administrators continue to review the staffing of operations at the Site. With the automation of the Effluent Treatment Plant, the cessation of processing operations at the Site and progress in other areas of the Site remediation, a further review of Site personnel has been undertaken. With termination of the cell contract it has been necessary to employ additional resources to maintain the required rate of remediation and compliance to regulatory requirements.

As the Site is progressively remediated, the requirement for certain of these activities will either reduce or cease.

5. WORKERS' COMPENSATION CLAIMS

5.1 Self Insured Liability Tail / Claims Management

Between December 2009 and December 2010, Pasminco experienced a relatively stable number of new claim numbers with the nature of the claims trending to be more often lower value industrial deafness claims.

The balance of the estimated self insured liability tail relates mainly to projected new and reopened claims. These claims, given their recurring nature, are likely to endure for an extended period into the future.

The Deed Administrators are continuing to explore options for the future management of the self insurance tail. Legislative arrangements in NSW may require the Deed Administrators to manage the tail for an extended period.

5.2 Monies held by NSW WorkCover

Pasminco's claims administration operated by the Deed Administrators has allowed for the disbursement of part of the funds retained by NSW WorkCover.

At present there are cash funds of approximately AUD16 million earning interest deposited with the New South Wales WorkCover Authority. The funds are held in support of Pasminco's New South Wales self insurance obligations in respect of Workers Compensation.

NSW WorkCover continues to remit interest on those funds as earned on a six monthly basis.

Remittance of the balance of the funds will depend on the movement in outstanding workers compensation claims liabilities as assessed by an actuary. The most recent actuarial assessment should result in a further limited release of monies held by NSW Workcover

6. WINDING UP AND DEREGISTRATION PROCESS

Since last reporting to creditors, we have continued to progress on the wind down and deregistration of Pasminco's Residual Group companies in accordance with the Pasminco Group's DOCAs.



The Australian Corporations Act 2001 (“Act”) requirements for a company to be eligible for deregistration are as follows:

- All members of the company agree to the deregistration;
- The company is not carrying on business;
- The company’s assets are worth less than \$1,000;
- The company has paid all fees and penalties payable under the this Act;
- The company has no outstanding liabilities; and
- The company is not party to any legal proceedings.

The deregistration process in relation to the following companies has recently been completed:

- Ramala Holdings Pty Ltd and;
- Savage EHM Finance Pty Ltd;

In addition a number of other Residual Group companies have commenced the deregistration process and we are currently dealing with the following issues in this regard:

- Intercompany debt forgiveness
- Deed of Cross Guarantee releases.
- Security Trust Deed releases.
- Deed of Cross Assumption of Claims releases.
- Separation, Transitional and Shared Services Deed obligations.
- Taxation obligations.
- Legal sign off.

Following receipt of the necessary approvals and sign offs required above we will continue the deregistration process throughout 2011, thus reducing the amount of statutory lodgements and other costs.

7. STATUS OF ADMITTED CLAIMS

To date, the following amounts have been adjudicated and admitted as claims against Pasmenco and are eligible to receive future dividends:

| Claim Type | Admitted Amounts for Future Dividends AUD |
|---|---|
| Financiers (including former SRL Creditors) | 2,605,881,995 |
| Trade and other creditors | 5,492,238 |
| Total | 2,611,374,233 |

Please note that the dividend calculations are based on the amount of admitted claims plus the Deed Administrators’ estimate of the likely amount of claims that are yet to be admitted. I advise as follows in relation to certain creditors:



7.1 Financiers including former SRL Creditors

At a creditors meeting held on 5 October 2004, creditors resolved that, once the outstanding Aquila litigation was settled, a “catch up” dividend would be paid to the creditors of Savage Resources Limited (“SRL”). In addition, it was resolved that a further amount, determined by the Deed Administrators, would be paid to creditors to equal the approximate interest which occurred on the creditors “catch up” dividend.

Consequently, a “catch up” dividend of 13.8 cents in the dollar plus accrued interest calculated at a weighted average rate of 5.49% was paid to the SRL creditors on 12 July 2006.

Following the distribution, SRL creditors were advised that their admitted unsecured claims would now rank equally alongside all other unsecured creditors of Pasminco. These creditors have since participated in dividend distributions equally along with other unsecured creditors.

7.2 Trade and other creditors

Trade creditors represent general creditors whose claims against Pasminco are in excess of AUD10,000. Also incorporated within this figure are creditors’ claims that have been or still are subject to litigation.

Following a creditors meeting held on 19 May 2008, creditors approved a settlement of an ongoing litigation matter between Pasminco and Lumberman’s Mutual Casualty Company (trading as Kemper Insurance Companies) “Kemper”. As part of the settlement, Kemper withdrew their proof of debt amounting to AUD33.6 million and returned to the Administration dividends previously received by them. Under the terms of the settlement Kemper are now prevented from participating in any future dividends.

Contamination claims have been included in this creditor group. Primarily, these claims relate to individuals who claim loss or damage as a result of living in close proximity to the smelter sites at Port Pirie, South Australia and Cockle Creek, New South Wales.

The Deed Administrators are required to act in accordance with their obligations under the Act in assessing proofs of debt. Accordingly, satisfactory evidence to justify a creditor’s claim is required before a proof of debt can be admitted in the Administration.

7.3 Small Participating Creditors

Small Participating Creditors (creditors claiming less than AUD10,000) have received a first and final dividend of 50 cents in the dollar in accordance with the Deeds of Company Arrangement.

7.4 Aquila Resources Limited.

As previously reported, Aquila Resources Limited has received a first and final dividend of 13.8 cents in the dollar based on their admitted claim.

7.5 Rio Tinto Creditors

As previously reported, Rio Tinto creditors have received a first and final dividend of 13.8 cents in the dollar.



8. DEED ADMINISTRATORS' FEES

At the previous meeting of creditors, held on 17 February 2010, creditors approved the Deed Administrators fees' up to a cap of AUD 3,354,691 (plus GST) for the period starting 1 January 2010.

Detailed below is a summary of the Deed Administrators' fees as at 16 December 2010.

| | AUDm |
|---|-------------|
| Deed Administrators' fees approved by creditors on 17 February 2010 (For period 1 January 2010 onwards) | 3.35 |
| Previously undrawn fees at 1 January 2010 | 0.02 |
| Less: | |
| Fees incurred and paid 1 January 2010 to 16 December 2010 | (3.36) |
| Fees still available to draw | 0.01 |

As you may be aware, the Pasmenco Deeds of Company Arrangement provide that the Deed Administrators may calculate their fees in accordance with Ferrier Hodgson's schedule of hourly rates.

Our current fees as Deed Administrators have been calculated in accordance with Ferrier Hodgson's schedule of hourly rates, which were applied on 1 April 2009. We have determined, given the current economic conditions it is not appropriate to increase our rates at this time.

We estimate our projected professional fees for the 12 month period 1 January 2011 to 31 December 2011 to be AUD3,007,781.25 (as mentioned above, please note that our hourly rates remain unchanged since the rates applied in April 2009).

In addition, as at 31 December 2010 we have a work in progress of AUD73,757 which is yet to be drawn. This relates to fees incurred between 17 December 2010 and 31 December 2010.

As mentioned above, at 1 January 2011 fee capacity of AUD15,860 remained available to be drawn. Accordingly, at the forthcoming meeting of creditors we will seek approval for an additional fee limit of AUD3,065,677.85 (plus GST) as detailed below.

Attached at **Annexure 4** is a remuneration report that includes details of the work we anticipate carrying out over the next 12 months:

| | AUDm |
|---|-------------|
| Fees yet to be billed for the period 17 December 2010 to 31 December 2010 | 0.07 |
| Estimated fees for the period 1 January 2011 to 31 December 2011 | 3.0 |
| Less: Surplus approved not yet drawn | (0.01) |
| Additional fee approval to be put to creditors | 3.06 |

In respect of the above, I would note that the average monthly fees are anticipated to slightly reduce as compared with the 2010 calendar year.



Given that the fees will be subject to a limit, we are unable to draw fees exceeding the limit. Should our fees exceed this limit, we will seek further approval from creditors at a later meeting of creditors.

I note that historically we have informed the Committee of Creditors of the level of our fees and sought their authorisation to draw fees on a periodic basis within the limit approved by the creditors. As a result of debt trading, no members remain on the Committee of Creditors. Accordingly the Deed Administrators draw fees on a periodic basis ensuring that fees are not drawn in excess of the limit approved by creditors.

Naturally, we will provide an account of all fees incurred and paid in future reports to creditors.

9. NOTICE OF MEETINGS OF CREDITORS

Concurrent meetings of the creditors of Pasminco will be held at 11:00am (Australian Eastern Standard Time) on 4 March 2011 pursuant to the Deeds of Company Arrangement executed for the Pasminco Group companies.

The purpose of the meetings will be to:

1. Provide creditors with an update in relation to the status of the Administration;
2. Provide an opportunity for questions from creditors; and
3. Seek creditors' approval for unpaid and ongoing Deed Administrators' fees in this matter.

For your information and assistance, we enclose the following:

9.1 Notice of Meeting (Annexure 5)

Please note that the meetings of creditors will be held on 4 March 2011 at 11.00am (Australian Eastern Daylight Savings Time) at the offices of Ferrier Hodgson, Level 29, 600 Bourke Street, Melbourne, Australia.

In accordance with Corporations Regulation 5.6.23(1), creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claims against the abovenamed companies with the Administrators and the claim is or has been admitted in whole or in part for the purposes of voting pursuant to Corporations Regulation 5.6.26.

In accordance with Corporations Regulations 5.6.13A, creditors should note that telephone conference facilities will be available for creditors to attend the meeting via telephone.

Any person who wishes to participate in the meeting via telephone must contact Mr Paul Harlond in writing no later than midday (Australian Eastern Standard Time) on 4 March 2011 providing a written statement setting out:

- the name of the person and of the proxy or attorney attending the meeting;
- an address and or facsimile number to which notices to the person, proxy or attorney may be sent; and
- a telephone number at which the person, proxy or attorney may be contacted.

Following receipt of the above details, Mr Paul Harlond will contact you and provide you with a specific telephone number and a password to enable you to attend the creditors meeting via our conference telephone facilities.



Consequently the person, proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred in attending the meeting and is not entitled to be reimbursed for those costs from the assets of the Company.

Please note that the Deed Administrator will be happy to answer any questions relating to the administration at the meeting. Should a creditor however have specific questions that they wish to raise at the meeting, which may not have been covered within this report, please forward your questions to Mr Paul Harlond in advance of the meeting and we can then ensure that your questions are appropriately answered.

Creditors attending in person are requested to arrive at the meeting at least 15 minutes prior to the commencement of the meeting.

9.2 Proxy Form (Annexure 6)

- Proxy Forms must be completed by:
 - i. All corporate creditors who wish to be represented at the meeting (ie. if XYZ Pty Ltd is a creditor, it will need to appoint a person to act as its proxy).
 - ii. Individuals who are creditors who are not attending the meeting to vote personally.
- If the creditor wishes to direct the person appointed as their proxy as to how they wish to vote (a special proxy), the appropriate box next to the resolutions should be ticked in accordance with that direction. You must tick one box per resolution only ie. For or Against or Abstain.
- If the creditor wishes to allow the proxy appointed to vote as the proxy determines, they should not tick any of the boxes.
- Creditors must also include the amount of their pre-appointment claim prior to the distribution of any previous dividends and sign the Proxy Form in the spaces provided.

Please note that all proxy forms should be completed and returned to this office by no later than midday (Australian Eastern Standard Time) on 3 March 2011.

Should you require any further information in relation to the matters contained within this report, please do not hesitate to contact Mr Paul Harlond of this office (telephone +613 9604 5112).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter McCluskey', written over a horizontal line.

Peter McCluskey
Deed Administrator

Encl.

ANNEXURE 1

23 February 2011

MELBOURNE

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fax +61 3 9642 5887
email fhmelb@fh.com.au
www.ferrierhodgson.com
DX 125 Melbourne

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 2010

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.

As you are no doubt aware, 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 that may be obtained from the realisation of land associated with the Cockle Creek site (“the Site”). This is further compounded by numerous interest rate rises that have occurred in Australia since October 2009. These rate rises have resulted in a negative impact on the value of residential land prices in the areas surrounding the site.

As previously stated, the mid case scenario represents our best estimate of further dividends to creditors.

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.

When replying please quote:
Our Ref: SM:B9
<g:\rjs\pasm\td.dca\dividend calculations\hold back cashflows and dividends\various scenarios and npvs\26 - qtr sept 2010\letter to creditors re dividend estimates December 2010.doc>

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CARIBBEAN
and
KLC Kennic Lui & Co
HONG KONG
CHINA

CORPORATE ADVISORY

FORENSICS

CORPORATE RECOVERY



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.

Summary of Dividend Estimates

To date, dividends have been paid to unsecured creditors totalling 20.7 cents in the dollar.

Shown below are two schedules relating to our estimates at 31 December 2010 of **further** dividends, on an undiscounted and discounted basis respectively.

Undiscounted Dividend Forecast as at 31 December 2010

| Estimated further dividends (cents in the dollar) | | |
|---|----------|-----------|
| Worst Case | Mid Case | Best Case |
| 1.5 | 2.2 | 2.8 |

Note: Due to the modelling structure adopted in these calculations, please note that cash flows that occur beyond 2015, have been discounted back to 2015. In relation to all cash flows up to 2015, these remain undiscounted.

Discounted Dividend Forecast as at 31 December 2010

| Nominal Discount Rate | Estimated further dividends (cents in the dollar) | | |
|-----------------------|---|----------|-----------|
| | Worst Case | Mid Case | Best Case |
| 8% | 1.0 | 1.7 | 2.1 |
| 10% | 1.0 | 1.6 | 2.0 |
| 12% | 0.9 | 1.5 | 1.9 |

As indicated above, our estimate of the further dividends at 31 December 2010 that may be payable to creditors on a mid case scenario is 2.2 cents, which would bring the final total dividend to unsecured creditors to 22.9 cents in the dollar (undiscounted).



You will note that the forecasts remain unchanged from our forecasts prepared as at 30 September 2010.

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 5.5% 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 \$2,613 million.
- Discount rates used are nominal rates.
- Estimates are based as at 31 December 2010 and have been discounted back to this date.

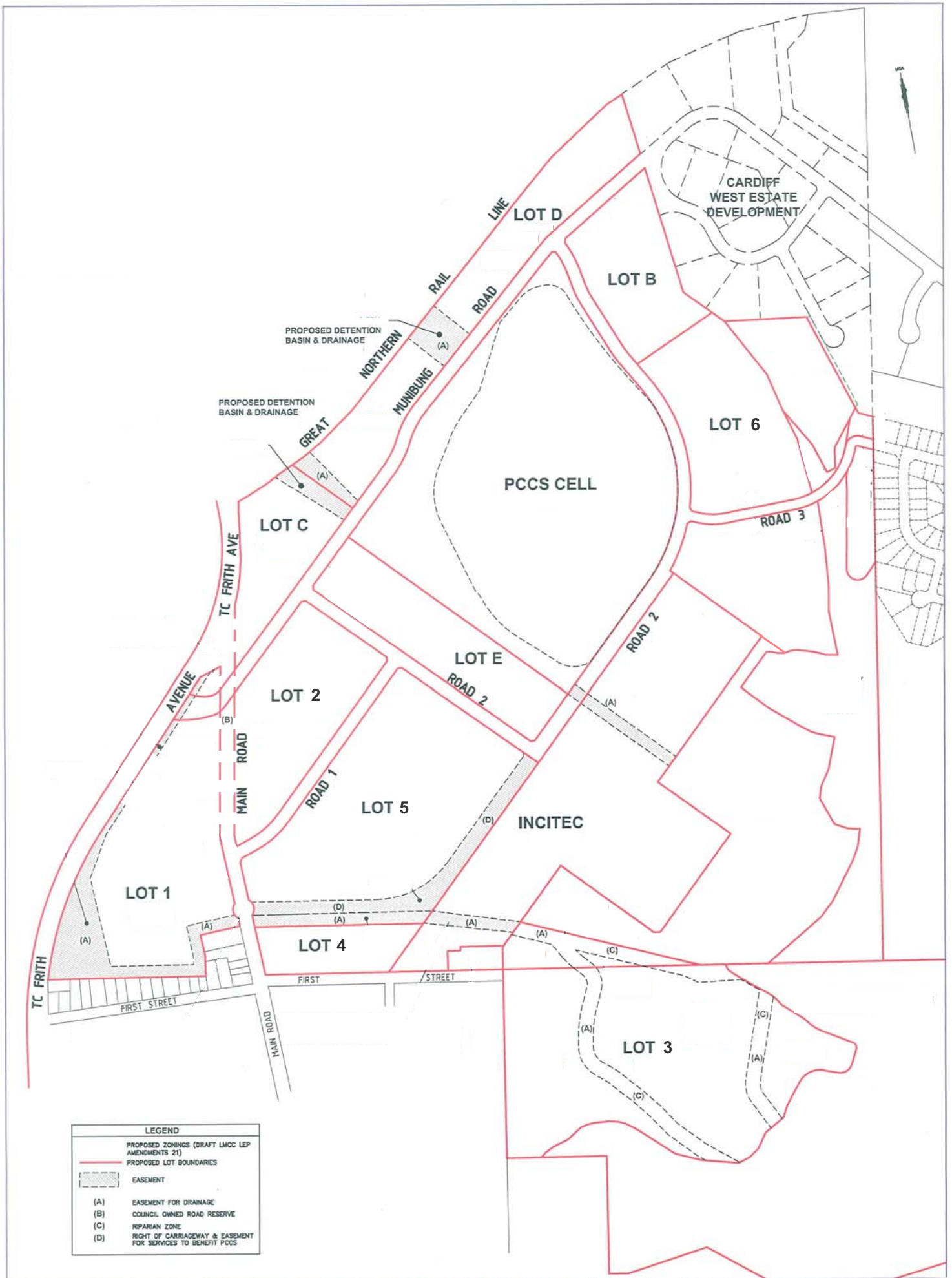
Should you have any queries in this regard, please contact Mr Paul Harlond of this office (telephone +613 9604 5112).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter McCluskey', written over a thin horizontal line.

Peter McCluskey
Deed Administrator

ANNEXURE 2



CARDIFF WEST ESTATE DEVELOPMENT

LOT D

LOT B

LOT 6

PCCS CELL

ROAD 3

ROAD 2

LOT E

ROAD 2

LOT 2

ROAD 1

LOT 5

INCITEC

LOT 1

LOT 4

LOT 3

FIRST STREET

FIRST STREET

MAIN ROAD

AVENUE

TC FRITH AVE

MAIN ROAD

PROPOSED DETENTION BASIN & DRAINAGE

PROPOSED DETENTION BASIN & DRAINAGE

NORTHERN MUMBUNG RAIL ROAD

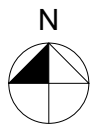
GREAT

TC FRITH



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 ALL WORK TO COMPLY WITH CURRENT REGULATIONS AND S.A.A. STANDARDS.

- LEGEND:**
- Precincts
 - Roads
 - Open space
 - Angophora reserve
 - Fire trails



| | | |
|---|----------|-------------|
| A | 17.07.08 | Information |
| B | 07.08.08 | Information |

No. DATE REVISION / ISSUE DETAILS

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CLIENT

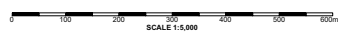
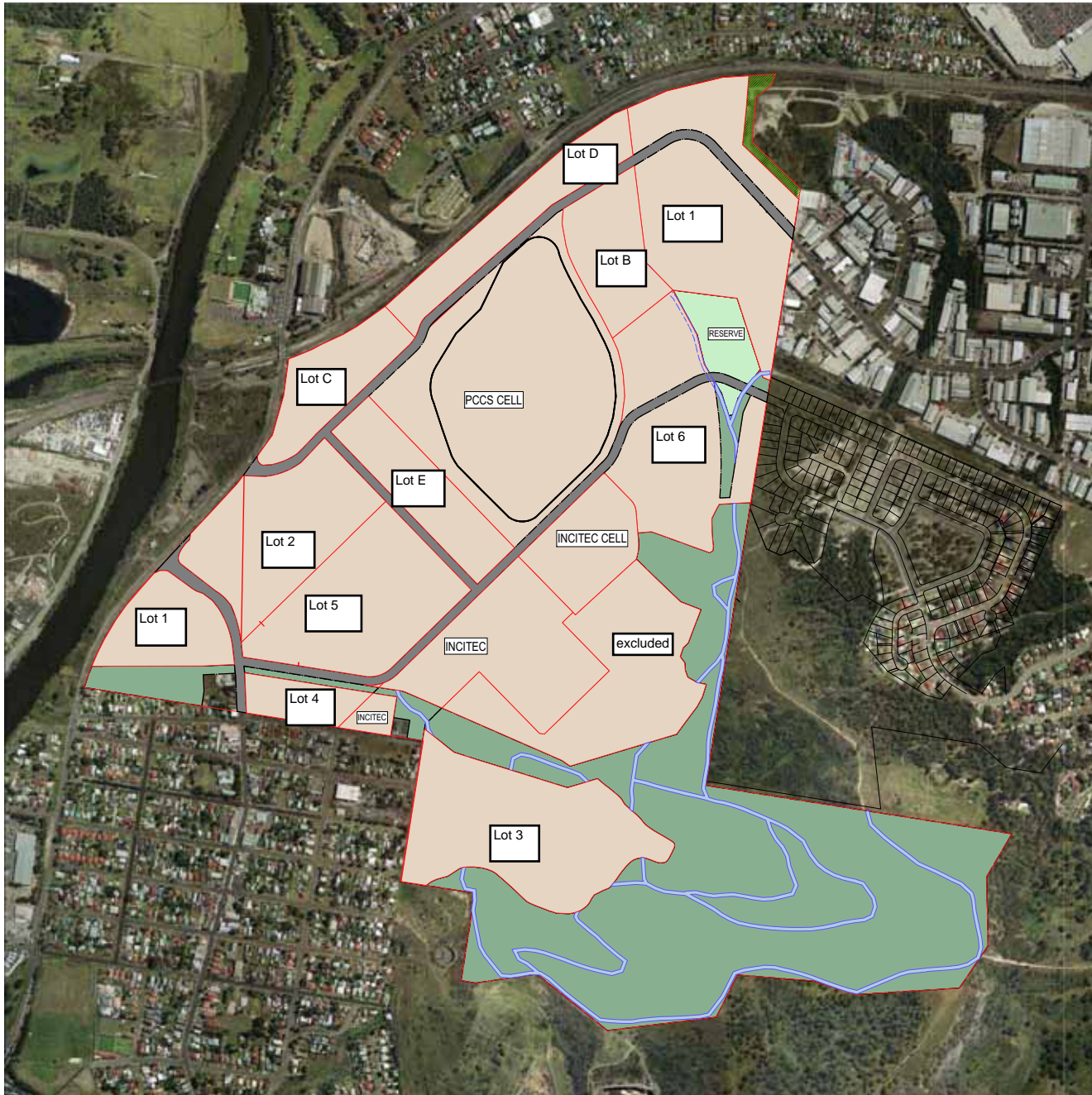
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 fax: (02) 9889 6999
 email: enq@pascall.com.au

PROJECT:
**Pasminco Cockle Creek Smelter Site
 Cockle Creek, NSW**

DRAWING TITLE:
Precincts

SCALE: 1:5000 DRAWN BY: GD PLOT DATE: 7/08/2008 CHECKED: GA

PROJECT NUMBER: 05055 DRAWING NUMBER: DA-03 ISSUE: B



ANNEXURE 3

Finance
Wind-up specialist turns its hand to development

DAMON KITNEY
1,432 words
19 February 2011
The Australian
AUSTLN
1 - All-round Country
26
English
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A decade on, efforts to repay **Pasminco** debtors continue

ADMINISTRATION

OVER the ridge from Lake Macquarie north of Sydney, some of the last remnants of the **Pasminco** mining empire are crumbling among piles of shattered concrete and twisted steel that were once the group's flagship **Cockle Creek** lead smelter.

Inside what was long known as the **Pasminco** Research Centre, one of the few buildings left on the site, the walls are adorned with history, including photos of hundreds of 1920s workers being served Christmas lunch by daintily dressed waitresses amid the dust and soot.

There's even a grand old honour board that remembers the employees of Sulphide Corporation, **Pasminco's** former incarnation, who lost their lives in the two world wars.

A scarred and faded **Pasminco** emblem still adorns one side of the old building, which is about to become the nerve centre of the rebirth of a site once condemned as a scar on both the landscape and the former miner's balance sheet.

For **Pasminco** administrator Ferrier Hodgson, **Cockle Creek** is to be the breeding ground of a new skills set for the insolvency firm -- property development.

"There is no doubt that the project management skills that we have gained from this process have been enormous," says Ferrier partner Peter McCluskey, who has overseen **Cockle Creek** since he was named **Pasminco's** administrator almost a decade ago.

The skills acquired in "project managing the remediation and the sale of the site definitely will have application in other instances", he said.

On Wednesday Ferrier and real estate agencies Jones Lang LeSalle and Raine & Horne Newcastle launched their first land release at the 200-hectare site, now known as Bunderra. The name means "amongst the hills" in the local Aboriginal language.

Known as the 16ha Cardiff Central development, the release brings to the market 19 lots zoned for light industrial use ranging in size from 4000sq m to 13,000sq m.

"This is the first stage that has been signed off by the auditors and the bottom line is it represents cashflow to us," McCluskey says. "Nineteen lots, which should generate millions of dollars in sales in the next few months.

"It is the first cleaned-up portion of the site that is going to market. We think there will be some demand for it.

"We have four under contract or under serious discussion."

The launch follows a seven-year mediation process designed to transform the site from an industrial contaminated area into a new suburb. More than 2 million tonnes of contaminated soil from the site -- up to 3m deep in some areas -- is being placed in a 20ha containment cell that will be eventually covered in grass.

Piles of black sand, a byproduct of the smelting process, which was once eagerly sought by locals as
Page 1 of 3 2011 Factiva, Inc. All rights reserved.

topsoil for their backyards, is now being buried in the cell.

Dams on the site where the local kids once learned to swim are being used to store contaminated water, which is then being treated and removed.

The century-old research laboratory building is being restored to its former glory and will become a museum showing off the sites' history and a showroom for the property development.

In addition to light industry, the redevelopment will eventually include about 800 houses, commercial projects, and conservation areas.

McCluskey says there are now more deals afoot, all intended to reduce the \$2.6 billion worth of debt still owed to **Pasminco's** 40 or so creditors.

He chooses his words carefully, because because **Pasminco** debt is still traded in debt markets.

Disclosures on the **Cockle Creek** redevelopment are meant to be contained to the annual creditors' report.

But he does reveal that Ferrier is negotiating to sell a 2.7ha industrial block at Cardiff West to a large corporate buyer, the identity of which remains confidential.

That deal is worth \$8.4 million.

Ferrier has also just entered a joint venture on 9.5ha single block adjacent to the main **smelter** site, called the Tri Paddock.

"We went to the market on it, we didn't get a good enough offer, we have now entered into a joint venture, which is effectively a profit share.

"We've got a local property developer to come in with us, and we think that development will raise in excess of \$5m," McCluskey says.

For the 50-year-old Melbourne-based Ferrier partner, the **Pasminco** administration has been by far the biggest gig in his insolvency career.

After **Pasminco** collapsed in 2001 under the weight of low metal prices and failed currency bets, **Cockle Creek's** inability to generate decent cashflow led to Ferrier shutting it down two years later.

But the shutdown left the administrator with a massive clean-up liability, and as a result it was excluded from the rebirth of **Pasminco** in the Zinifex float a year later.

Facing prohibitive clean-up costs and the threat of being saddled with ultimate liability for the site regardless of who bought the site, or parts of it, McCluskey and his team resolved to try their hand at property development.

The process, which is expected to cost about \$45m all up, has been a real eye-opener.

"Not having had the experience before of something of this size and nature, it has surprised me how long it has taken," McCluskey says.

"The difficulty of being a property developer from the start through to final development is that the timeline is so long that you are exposed to so many outside things."

Not only has Ferrier had to deal with several government departments on approval processes, but it has also been confronted by a batch of angry local residents.

Some comments to the local press tell something of that story.

"I would not feel confident to buy there.

"I don't trust authority's word that thing will be clean -- going on past records over the years in this state," one woman wrote of Bunderra.

"There's some real experts here . . . we're talking about long-term environmental impacts for the Lake Macquarie region and the project manager is an accounting firm that is the **Pasminco** receiver; and the spokesman trying to convince us of the benefits is based in Melbourne," writes another cynic.

The residents claim Ferrier has been trying to reduce work to manage lead-contaminated yards in the

adjoining suburbs of **Boolaroo**, Speers Point and Argenton as part of a so-called lead abatement strategy agreed with the state government in 2007.

The scheme provides for the administrator to clean up the yards of 2636 homes at the request of the residents, but 1000 have not taken up the offer.

Lake Macquarie Lord Mayor Greg Piper, who has had to play referee in some of the battles, says a final resolution is near.

"There are some realities that exist, whether some in the community like it or not, and one is that in 2007 the state government and the deed administrator came to an agreement about a lead abatement strategy," he says.

"That is signed off, that is the default position.

"We are trying to get some improvements to that and we will have a meeting next week with the relevant government departments and community representatives to discuss where we are at.

"But I think we are getting much closer to a resolution."

McCluskey himself is also keen to resolve the outstanding issues.

"We are committed to the lead abatement strategy.

"We are mindful that we need to clear these sites before the cell closes, so in our minds there is a level of urgency in getting things moving and we are committed to honouring our obligations.

"We have agreed the final form with the relevant government departments and will be writing to the residents very shortly, and we hope the program gets moving very quickly."

But Greg Piper is confident that with 70 per cent of the remediation complete, the legacy of **Cockle Creek** can be consigned to history.

"Most of the lands that formed part of the site have been very well remediated," he says.

"The testing has been done, I have a high level of confidence about that, and I believe the council does, as do the other relevant authorities."

With at least another year still to go in the clean-up, McCluskey is optimistic.

"The end outcome, in our view, will be a fantastic result for the community and we are quite proud of what will ultimately be delivered" as a development.

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ANNEXURE 4

CORPORATIONS ACT 2001

Section 449E

**PASMINCO LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (“THE COMPANY”)
ACN 004 368 674**

AND ITS WHOLLY OWNED AUSTRALIAN SUBSIDIARIES(“PASMINCO”)

REMUNERATION REPORT

The Deed Administrators’ Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format.

Part A

- A1 Schedule of hourly rates and general guide to staff experience
- A2 Tasks undertaken by the Deed Administrators and remuneration calculation for the period 1 January 2010 to 16 December 2010.
- A3 Schedule of the Deed Administrators’ anticipated tasks and remuneration estimate for the period 17 December 2010 to 31 December 2011. The tasks can be broadly divided into six categories, namely:
 - Assets
 - Creditors
 - Employees
 - Investigation
 - Dividends
 - Administration
- A4 Remuneration approved and drawn to date
- A5 Resolutions to be put to creditors at the meeting convened for 4 March 2011.

Part B

- B1 Deed Administrators’ disbursements
- B2 Other creditor information on remuneration

The Remuneration Report must be read in conjunction with the report to creditors dated 23 February 2011.

PART A

A1 SCHEDULE OF PROPOSED HOURLY RATES (TO APPLY IN THE PERIOD 16 DECEMBER 2010 TO 31 DECEMBER 2011) & GENERAL GUIDE TO STAFF EXPERIENCE

These rates were approved by creditors in April 2009 and we do not propose a fee increase at this time.

| Title | Rate (\$) | Experience |
|---------------------------------|-----------|--|
| Partner/Principal/ Appointee | 595 | The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com |
| Director | 495 | Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues. |
| Senior Manager | 445 | Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues. |
| Manager | 375 | Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues. |
| Supervisor | 310 | Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues. |
| Senior 1 | 285 | Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues. |
| Senior 2 | 250 | Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced. |
| Intermediate 1 | 220 | 0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks. |
| Intermediate 2 | 190 | 0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks. |
| Professional Staff Junior | 135 | 0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks. |
| Senior Secretary | 170 | Appropriate skills including machine usage. |
| Computer Operator | 120 | Appropriate skills including machine usage. |
| Clerk | 135 | Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed. |
| Typist | 90 | Appropriate skills including machine usage. |
| Office Assistant | 75 | Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff. |

Notes:

- The hourly rates are exclusive of GST.
- The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
- Time is recorded and charged in six-minute increments.

A2. Tasks undertaken by the Deed Administrators and remuneration calculation for the period 1 January 2010 to 16 December 2010.

| | | |
|--|---|---|
| <p style="text-align: center;">Assets - Pasminco Cockle Creek Smelter Pty Limited Remediation and Development requirements</p> <p style="text-align: center;">Anticipated AUD2,327,311</p> <p style="text-align: center;">Actual AUD2,551,531</p> | <p>Management of remediation redevelopment and realisation of Cockle Creek smelter site</p> | <ul style="list-style-type: none"> ▪ Appointment of onsite superintendent to review project works, assess areas of savings and report to the Administrators on a regular basis regarding progress ▪ Site visits ▪ Contract negotiations ▪ Undertaking the remediation civil works phase of the project ▪ Stakeholder negotiation and preparatory works regarding the containment cell construction ▪ Negotiating and implementing contractual arrangements to sell and/or remove certain process materials present on the Site ▪ Site master planning and detailed development design planning. ▪ Demolition ▪ Liaising with neighbouring land owners ▪ Pre-implementation works for the lead abatement strategy ▪ Contamination cell civil works and project management ▪ Managing the Site's surface and groundwater systems including the continued operation of the Effluent Treatment Plant ▪ Site security ▪ Ongoing negotiation with the DECC regarding the revision/removal of licences and approvals to ensure these remain in line with the progressive remediation of the Site ▪ Managing inquiries from the community ▪ Managing the company's rental property book ▪ Managing service and utility supplies to the Site ▪ Provision of regular authority reports under the Environment Protection Licence including on and off site monitoring ▪ Site personnel management and servicing of onsite remediation activities ▪ Bushfire and vegetation management ▪ Conduct of civil/remediation works utilising plant and equipment owned/hired by PCCS and its personnel ▪ Civil works tender process and operations management ▪ Site contractor and consultant management ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Authorising purchase orders ▪ Maintaining purchase order registers ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers |
| | <p>Sale of real property</p> | <ul style="list-style-type: none"> ▪ Liaising with valuers, agents ▪ Attendance at auctions |
| | <p>Debtors</p> | <ul style="list-style-type: none"> ▪ Correspondence with debtors |
| | <p>Other assets</p> | <ul style="list-style-type: none"> ▪ Tasks associated with realising other assets |

| | | |
|---|--|---|
| | Processing receipts and payments | <ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system and maintaining registers. ▪ Month end account reconciliations |
| | Budgeting & financial reporting | <ul style="list-style-type: none"> ▪ Reviewing remediation and development budgets and financial statements ▪ Preparing budgets ▪ Meetings to discuss trading position and accounts |
| Creditors Anticipated AUD182,170 Actual AUD126,936 | Creditor Enquiries | <ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with financiers regarding debt trades ▪ Maintaining register of current holders of unsecured debt and maintaining records. |
| | Creditor reports/circulars | <ul style="list-style-type: none"> ▪ Preparing circular to creditors providing updates on case progress and general reporting to creditors. |
| | Dealing with proofs of debt | <ul style="list-style-type: none"> ▪ Receipting and filing POD's ▪ Dealing with litigation claims including admitting and rejecting POD's |
| | Shareholder enquires | <ul style="list-style-type: none"> ▪ Responding to any shareholder queries and potential legal action |
| Employees - Workers Compensation Issues Anticipated AUD52,666 Actual AUD50,830 | Employee enquiries | <ul style="list-style-type: none"> ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ General reporting on employee issues |
| | Litigation | <ul style="list-style-type: none"> ▪ Managing and progressing ongoing legal matters. |
| | Employee dividend | <ul style="list-style-type: none"> ▪ Receipting POD's ▪ Adjudicating POD's ▪ Ensuring PAYG is remitted to ATO |
| | Workers compensation claims | <ul style="list-style-type: none"> ▪ Review insurance policies ▪ Receipt of claim ▪ Liaising with claimant ▪ Liaising with insurers and solicitors regarding claims ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements ▪ Completing receipts and payments relating to Workers Compensation issues. ▪ Liaising with Zinifex in negotiating management of claims. |
| Investigation Anticipated AUD57,514 Actual AUD63,284 | Conducting investigation/Discovery | <ul style="list-style-type: none"> ▪ Maintaining and reviewing company books and records ▪ Conducting and summarising statutory searches |
| | Litigation / Recoveries | <ul style="list-style-type: none"> ▪ Internal meetings to discuss status of litigation ▪ Preparing brief to solicitors ▪ Liaising with solicitors regarding recovery actions ▪ Attending to negotiations ▪ Attending to settlement matters |
| | ASIC reporting | <ul style="list-style-type: none"> ▪ Liaising with ASIC |
| Dividend Anticipated AUD57,810 Actual AUD56,967 | Processing proofs of debt and Dividend Procedures. | <ul style="list-style-type: none"> ▪ Liaising with Financiers to confirm holdings of unsecured debt. ▪ Preparing Bank TT's ▪ Preparing payment vouchers ▪ Preparing payment schedules and reconciliations of holdings ▪ Working with banks to ensure funds correctly deposited ▪ Preparing dividend schedules ▪ Preparing quarterly dividend forecast model updates |
| Administration | Correspondence | <ul style="list-style-type: none"> ▪ General correspondence |
| | Document maintenance/file | <ul style="list-style-type: none"> ▪ Filing of documents |

| | | |
|---|---|--|
| Anticipated AUD696,722 Actual AUD508,727 | review/checklist | <ul style="list-style-type: none"> ▪ File reviews ▪ Updating checklists |
| | Insurance | <ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Marsh regarding ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with lawyers regarding insurance issues |
| | Bank account administration | <ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Maintaining and reinvesting funds in various Term Deposit accounts. ▪ Liaising with major banks in order to maximise investments ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers |
| | ASIC Lodgements | <ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms. ▪ Correspondence with ASIC regarding statutory forms |
| | ATO & other statutory reporting | <ul style="list-style-type: none"> ▪ Preparing BAS' ▪ Completing group certificates |
| | Finalisation/ Deregistration procedures | <ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Reviewing Balance sheets ▪ Completing debt forgiveness forms 245-90's ▪ Obtaining clearances from ASIC ▪ Reviewing DOCA/ Deed of Cross Assumption of Claims/ Revocation Deed and other matters. ▪ Advertising requirements ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists |
| | Planning / Review | <ul style="list-style-type: none"> ▪ Discussions regarding status of administration |
| | Books and records / storage | <ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage |



A2 (cont) Tasks undertaken by the Deed Administrators and remuneration calculation for the period 1 January 2010 to 16 December 2010.

| Position | \$/hour (ex GST) | Total actual hours | Total (\$) | Task Area | | | | | |
|------------------------------|---------------------|-----------------------|------------------|--------------------|-----------------------|-----------------------|---------------------------|----------------------|----------------------------|
| | | | | Assets hrs (\$) | Creditors hrs (\$) | Employees hrs (\$) | Investigation hrs (\$) | Dividend hrs (\$) | Administration hrs (\$) |
| Partner | 595 | 229.7 | 136,672 | 47 | 9 | 0 | 14 | 4 | 156 |
| | | | | 28,144 | 5,058 | 0 | 8,390 | 2,202 | 92,880 |
| Principal | 575 | 93.8 | 53,935 | 1 | 4 | 84 | 0 | 3 | 3 |
| | | | | 575 | 2,128 | 48,070 | 0 | 1,725 | 1,438 |
| Director | 495 | 3,836.5 | 1,899,068 | 3,700 | 0 | 0 | 0 | 0 | 137 |
| | | | | 1,831,302 | 149 | 0 | 0 | 0 | 67,617 |
| Manager 1 | 445 | 731.5 | 325,518 | 631 | 4 | 2 | 11 | 2 | 82 |
| | | | | 280,795 | 1,825 | 935 | 4,717 | 712 | 36,535 |
| Manager 2 | 375 | 1,131.8 | 424,425 | 589 | 112 | 0 | 117 | 47 | 266 |
| | | | | 220,838 | 42,038 | 150 | 43,913 | 17,663 | 99,825 |
| Supervisor | 310 | 596.1 | 184,791 | 232 | 203 | 1 | 2 | 60 | 98 |
| | | | | 71,982 | 62,992 | 155 | 527 | 18,724 | 30,411 |
| Senior 1 | 285 | 35.9 | 10,232 | 26 | 0 | 0 | 0 | 0 | 10 |
| | | | | 7,496 | 0 | 0 | 0 | 0 | 2,736 |
| Senior 2 | 250 | 0.9 | 225 | 1 | 0 | 0 | 0 | 0 | 0 |
| | | | | 225 | 0 | 0 | 0 | 0 | 0 |
| Intermediate 1 | 220 | 247.5 | 54,450 | 223 | 0 | 0 | 0 | 0 | 25 |
| | | | | 49,038 | 0 | 0 | 0 | 0 | 5,412 |
| Intermediate 1 | 190 | 46.7 | 8,873 | 0 | 9 | 0 | 30 | 0 | 8 |
| | | | | 0 | 1,710 | 0 | 5,700 | 0 | 1,463 |
| Intermediate 2 | 190 | 1,280.0 | 243,200 | 293 | 58 | 8 | 0 | 84 | 837 |
| | | | | 55,727 | 11,039 | 1,520 | 38 | 15,941 | 158,935 |
| Senior Secretary | 170 | 51.4 | 8,738 | 0 | 0 | 0 | 0 | 0 | 51 |
| | | | | 34 | 0 | 0 | 0 | 0 | 8,704 |
| CP Operator | 120 | 57.5 | 6,900 | 42 | 0 | 0 | 0 | 0 | 15 |
| | | | | 5,076 | 0 | 0 | 0 | 0 | 1,824 |
| Typist | 90 | 12.7 | 1,143 | 0 | 0 | 0 | 0 | 0 | 13 |
| | | | | 0 | 0 | 0 | 0 | 0 | 1,143 |
| Office Assistant | 75 | 1.4 | 105 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | 0 | 0 | 0 | 0 | 0 | 105 |
| TOTAL | | 8,353 | 3,358,273 | 5,786 | 399 | 95 | 174 | 200 | 1,701 |
| | | | | 2,551,231 | 126,937 | 50,830 | 63,284 | 56,966 | 509,027 |
| GST | | | 335,827 | 255,123 | 12,694 | 5,083 | 6,328 | 5,697 | 50,903 |
| TOTAL (including GST) | | | 3,694,100 | 260,909 | 13,093 | 5,178 | 6,502 | 5,896 | 52,603 |
| Average hourly rate | | | 402 | 441 | 318 | 537 | 364 | 285 | 299 |

A3 Schedule of anticipated tasks and Administrators' estimated prospective remuneration for the Period 17 December 2010 to 31 December 2011.

Based on the following anticipated tasks, I estimate the Administrators' fees for the above period:

| | | |
|---|---|--|
| <p>Assets - Pasminco Cockle Creek Smelter Pty Limited Remediation and Development requirements</p> <p>Anticipated AUD2,329,302*</p> | <p>Management of remediation redevelopment and realisation of Cockle Creek smelter site</p> | <ul style="list-style-type: none"> ▪ Onsite superintendent appointed to undertake the following tasks: <ul style="list-style-type: none"> ○ Oversee site operations and report to the Administrators on a regular basis regarding progress ○ Provide direction, management, technical and operational experience to the Site Team, Contractors and Consultants ○ Promote continuous improvement in quality, safety, environment, risk management and productivity ○ Identify and realise opportunities to improve the outcome of the project ○ Improve efficiency and seek out cost savings on site ○ Contractual management with site contractors ○ Assistance with site forecasts, and timing for project delivery ▪ Site visits ▪ Contract negotiations ▪ Undertaking the remediation civil works phase of the project ▪ Negotiating and implementing contractual arrangements to sell and/or remove certain process materials present on the Site ▪ Site master planning and detailed development design planning. ▪ Demolition and concentrate crushing ▪ Liaising with neighbouring land owners ▪ Pre-implementation works for the lead abatement strategy ▪ Contamination cell tender process and civil works project management ▪ Managing the Site's surface and groundwater systems including the continued operation of the Effluent Treatment Plant ▪ Site security ▪ Ongoing negotiation with the DECC regarding the revision/removal of licences and approvals to ensure these remain in line with the progressive remediation of the Site ▪ Managing inquiries from the community ▪ Managing the company's rental property book ▪ Managing service and utility supplies to the Site ▪ Provision of regular authority reports under the Environment Protection Licence including on and off site monitoring ▪ Site personnel management and servicing of onsite remediation activities ▪ Bushfire and vegetation management ▪ Conduct of civil/remediation works utilising plant and equipment owned/hired by PCCS and its personnel ▪ Civil works tender process and operations management |
|---|---|--|

| | | |
|--|------------------------------------|---|
| | | <ul style="list-style-type: none"> ▪ Site contractor and consultant management ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Authorising purchase orders ▪ Maintaining purchase order registers ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers |
| | Debtors | <ul style="list-style-type: none"> ▪ Correspondence with debtors |
| | Other assets | <ul style="list-style-type: none"> ▪ Tasks associated with realising other assets |
| | Processing receipts and payments | <ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system and maintaining registers. ▪ Month end account reconciliations |
| | Budgeting & financial reporting | <ul style="list-style-type: none"> ▪ Reviewing remediation and development budgets and financial statements ▪ Preparing budgets ▪ Meetings to discuss trading position and accounts |
| Creditors Anticipated AUD115,882* | Creditor Enquiries | <ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with financiers regarding debt trades ▪ Maintaining register of current holders of unsecured debt and maintaining records. |
| | Creditor reports/circulars | <ul style="list-style-type: none"> ▪ Preparing circular to creditors providing updates on case progress and general reporting to creditors. |
| | Dealing with proofs of debt | <ul style="list-style-type: none"> ▪ Receipting and filing POD's ▪ Dealing with litigation claims including admitting and rejecting POD's |
| | Shareholder enquires | <ul style="list-style-type: none"> ▪ Responding to any shareholder queries and potential legal action |
| Employees - Workers Compensation Issues Anticipated AUD46,291 | Employee enquiries | <ul style="list-style-type: none"> ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ General reporting on employee issues |
| | Employee dividend | <ul style="list-style-type: none"> ▪ Receipting POD's ▪ Adjudicating POD's ▪ Ensuring PAYG is remitted to ATO |
| | Workers compensation claims | <ul style="list-style-type: none"> ▪ Review insurance policies ▪ Receipt of claim ▪ Liaising with claimant ▪ Liaising with insurers and solicitors regarding claims ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements ▪ Completing receipts and payments relating to Workers Compensation issues. ▪ Liaising with Zinifex in negotiating management of claims. |
| | Conducting investigation/Discovery | <ul style="list-style-type: none"> ▪ Maintaining and reviewing company books and records ▪ Conducting and summarising statutory searches |
| Investigation Anticipated AUD57,635* | Litigation / Recoveries | <ul style="list-style-type: none"> ▪ Internal meetings to discuss status of litigation ▪ Preparing brief to solicitors ▪ Liaising with solicitors regarding recovery actions ▪ Attending to negotiations |



| | | |
|---|--|--|
| | | <ul style="list-style-type: none"> ▪ Attending to settlement matters |
| | ASIC reporting | <ul style="list-style-type: none"> ▪ Liaising with ASIC |
| | Correspondence | <ul style="list-style-type: none"> ▪ General correspondence |
| | Document maintenance/file review/checklist | <ul style="list-style-type: none"> ▪ Filing of documents ▪ File reviews ▪ Updating checklists |
| Administration Anticipated AUD516,567* | Insurance | <ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Marsh regarding ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with lawyers regarding insurance issues |
| | Bank account administration | <ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Maintaining and reinvesting funds in various Term Deposit accounts. ▪ Liaising with major banks in order to maximise investments ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers |
| | ASIC Lodgements | <ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms. ▪ Correspondence with ASIC regarding statutory forms |
| | ATO & other statutory reporting | <ul style="list-style-type: none"> ▪ Preparing BAS' ▪ Completing group certificates |
| | Finalisation/ Deregistration procedures | <ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Reviewing Balance sheets ▪ Completing debt forgiveness forms 245-90's ▪ Obtaining clearances from ASIC ▪ Reviewing DOCA/ Deed of Cross Assumption of Claims/ Revocation Deed and other matters. ▪ Advertising requirements ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists |
| | Planning / Review | <ul style="list-style-type: none"> ▪ Discussions regarding status of administration |
| | Books and records / storage | <ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage |



*Please note that the above allocated costs in each of the six categories are based on our estimations. Due to the complexity of the work involved in the Administration and the variety of day to day issues that arise, the costs allocated per section may vary considerably. Creditors should refer to the report to Creditors dated 23 February 2011 which provides an explanation of the prospective work and contingencies which may result in costs greater than those estimated above.

The remuneration estimate may be summarised as follows:

| Total | Assets | Creditors | Employees | Investigation | Dividend | Administration |
|-------------|-------------|-----------|-----------|---------------|----------|----------------|
| \$3,065,677 | \$2,329,302 | \$115,882 | \$46,291 | \$57,635 | \$0 | \$516,567 |

A3 Remuneration approved and drawn to date

| FEE SUMMARY | | |
|--|-------------------------------------|-----------------------|
| Total Deed Fees Approved | Period of Approval | \$ |
| Fees approved on 30 August 2002 | 5 October 2002 – 31 January 2003 | 3,400,000.00 |
| Fees approved on 28 March 2003 | 1 February 2003 – 30 September 2003 | 3,300,000.00 |
| Fees approved on 9 December 2003 | 1 October 2003 – 15 September 2004 | 3,300,000.00 |
| Fees approved on 5 October 2004 | 16 September 2004 – 31 August 2005 | 2,383,612.00 |
| Fees approved on 19 May 2006 | 1 September 2005 – 15 January 2007 | 2,208,748.90 |
| Fees approved on 01 May 2007 | 16 January 2007 – 31 January 2008 | 2,194,565.00 |
| Fees approved on 18 March 2008 | 1 February 2008 - 31 March 2009 | 2,356,130.00 |
| Fees approved on 12 June 2009 | 1 April 2009 – 31 December 2009 | 2,022,220.00 |
| Fees approved on 17 February 2010 | 1 January 2010 – 31 December 2010 | 3,354,691.00 |
| | | 24,519,966.90 |
| Fees Incurred and Paid | | |
| Period | | |
| 5 October 2002 – 16 December 2010 | | -24,504,106.50 |
| Balance of approved limit remaining | | 15,860.40 |

A4 Resolutions to be put to creditors at the meeting convened for 4 March 2011.

At the meeting of creditors convened for 11:00am AEST on 4 March 2011, creditors will be asked to consider the following resolution:

"That the future remuneration of the Administrators of the Deed of Company Arrangement, as set out in the Administrators' remuneration report dated 23 February 2011 be approved up to the sum of AUD3,065,677.85 plus any applicable GST but subject to upward revision by resolution of creditors and that the Administrators of the Deed of Company Arrangement be authorised to make periodic payments on account of such accruing remuneration."



PART B

B1 Administrators' Disbursements

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1 Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2 Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below.

| Disbursements | Charges (Excluding GST) |
|-------------------------|----------------------------|
| Postage | At cost |
| Telephone | At cost |
| Photocopying mono | 20 cents per copy |
| Photocopying colour | 50 cents per copy |
| Facsimile | \$3.00 per page |
| File Set Up | At cost |
| Advertising | At cost |
| Printing mono | 20 cents per copy |
| Printing colour | 50 cents per copy |
| Storage – Per Box/month | \$0.37 |
| Couriers | At cost |

Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.

B2 Other creditor information on remuneration

The partners of Ferrier Hodgson, Victoria are members of the Insolvency Practitioners Association of Australia and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at www.ipaa.com.au

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.

Queries regarding remuneration should be directed to Paul Harlond of this office.

Dated this 23rd day of February 2011.

PETER MCCLUSKEY
DEED ADMINISTRATOR

ANNEXURE 5

FORM 529
CORPORATIONS ACT 2001

NOTICE OF MEETING OF CREDITORS

PASMINCO LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 004 368 674

PASMINCO INVESTMENTS HOLDINGS PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 082 291 736

PASMINCO COCKLE CREEK SMELTER PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 000 083 670

PASMINCO FINANCE LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 007 289 296

THE EMU BAY RAILWAY COMPANY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 475 790

PASMINCO INVESTMENTS PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 082 291 674

PASMINCO BROKEN HILL MINE PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 000 005 774

SAVAGE RESOURCES LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 551 624

SAVAGE AUSTRALIAN EXPLORATION PTY LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 071 375 169

NOTICE is given that a meeting of the creditors of the above named companies will be held at the offices of Ferrier Hodgson, Level 29, 600 Bourke Street, Melbourne on 4 March 2011 at 11.00am.

AGENDA

1. Provide creditors with an update in relation to the status of the Administration;
2. Provide an opportunity for questions from creditors;
3. Seek creditors' approval for the Deed Administrators' fees; and
4. Any other business that may be lawfully brought forward.

Proxies to be used at the meeting should be lodged at the office of the Deed Administrators by midday on 3 March 2011. **A corporate creditor may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A or by a representative appointed under Section 250D of the Corporations Act.**

In accordance with Corporations Regulation 5.6.23(1), creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claims against the abovenamed companies with the Administrators and the claim is or has been admitted in whole or in part for the purposes of voting pursuant to Corporations Regulation 5.6.26.

In accordance with Corporations Regulations 5.6.13A, creditors should note that telephone conference facilities will be available for creditors to attend the meeting via telephone.

Any person who wishes to participate in the meeting via telephone must contact Mr Paul Harlond in writing no later than midday on 3 March 2011 providing a written statement setting out, the name of the person and of the proxy or attorney, an address and or facsimile number to which notices to the person, proxy or attorney may be sent; and a telephone number at which the person, proxy or attorney may be contacted.

Following receipt of the above details Mr Paul Harlond will contact you and provide you with a specific telephone number and a password to enable you to attend the creditors meeting via our conference telephone facilities.

Consequently the person, proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred in participating the meeting and is not entitled to be reimbursed for those costs from the assets of the company.

DATED this 23rd day of February 2011



PETER McCLUSKEY
DEED ADMINISTRATOR

Ferrier Hodgson,
Level 29, 600 Bourke Street
MELBOURNE VIC 3000

ANNEXURE 6

CORPORATIONS ACT 2001
APPOINTMENT OF PROXY

Form 7a

PASMINCO LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 004 368 674
AND ITS WHOLLY OWNED AUSTRALIAN SUBSIDIARIES
(SUBJECT TO DEEDS OF COMPANY ARRANGEMENT) ("THE COMPANIES")

*I/*We (creditor name)
of (creditor address)
a primary creditor of (Pasminco company name)
appoint (proxy appointed)
or in their absence (proxy alternate)

as *my/our *(i) general OR *(ii) special proxy to vote at the meeting of creditors to be held on 4 March 2011 at 11:00am, or
at any adjournment of that meeting, to vote
(i) on all matters arising at the meeting; OR
(ii) on each of the following kinds of resolution in the manner specified:

Table with 4 columns: Resolution text, For, Against, Abstain. Row 1: A resolution that the future remuneration of the Deed Administrators from 17 December 2010 be determined at a sum equal to the cost of time spent by the Deed Administrators, their partners and staff, calculated at the hourly rates detailed in the remuneration report to creditors dated 23 February 2011 to a capped amount of AUD3,065,677.85 exclusive of GST and that the Deed Administrators can draw the remuneration on a periodic basis or as required. For, Against, Abstain (all empty boxes).

I am an unsecured creditor and the total amount owed to me is \$

OR

I am a secured creditor and the total amount owed to me is \$

DATED this day of 2011

Signature of individual or person authorised by corporate resolution to represent the corporation

OR The Common Seal of was hereunto affixed in the presence of Director

FOR OFFICE USE ONLY
Proxy Valid: Yes/No
Cross Deed Creditor: Yes/No
Amount admitted for voting:
\$

1 The method of affixing the Common Seal should be prescribed by the creditor corporation's articles. See Note (2).
2 The signature of the creditor is not to be attested by the person nominated as proxy.
3 Note that a corporation may by resolution of its directors provide standing authority for a person to represent it at members meeting and appoint proxies. Copy of authority to be annexed.