



PASMINCO

23 July 2001

Dear shareholder

I am writing to tell you about the restructuring initiatives your Board has decided to implement to seek to address our current financial position and ensure the company's long term viability, thereby enhancing value for shareholders for the long term.

Strategic review

As you know Pasminco has been adversely affected for some time by a range of factors including low zinc prices, high US\$ debt repayments and a restrictive foreign exchange option position, all of which have combined to see our share price at disappointingly low levels.

Accordingly the Board has been undertaking a comprehensive review of all assets and considering a range of options to restructure the business and improve performance. We have been advised during this process by UBS Warburg.

Restructuring initiatives for Pasminco

The Board has decided that the most compelling option is a significant restructuring of the company, designed to solve Pasminco's financial difficulties by refocussing the company on its core lead and zinc smelting business. The restructured company will have more stable earnings than in the past and the potential to grow when opportunities arise.

To achieve this objective we have decided to sell all of Pasminco's mining and exploration assets, other than those related to its Tennessee USA operations. The proceeds of these asset sales should enable us to reduce the company's debt and currency hedging to acceptable levels.

Following the restructure we will retain the smelters at Budel (Netherlands), Hobart (Tasmania), Port Pirie (South Australia), Cockle Creek (New South Wales) and Clarksville (USA) and Pasminco's 50 per cent interest in Australian Refined Alloys.

The Century (Queensland), Rosebery (Tasmania) and Elura (New South Wales) mines will be offered for sale over the next six months and the sale of the Broken Hill mine (New South Wales) already underway will be completed.

The exploration division of Pasminco will be disbanded and exploration assets sold. Head office costs will be substantially reduced to reflect the revised asset portfolio.

We have had a number of approaches from potential buyers with respect to each of the mining assets and expect this interest to heighten with the announcement of the decision to sell the Century mine.

Discussions are progressing with the company's principal lenders to ensure that appropriate liquidity support is available, if necessary, during the restructuring period and a memorandum of intention has been signed by the lenders. This should enable the restructuring proposals to be handled in an orderly fashion despite our present tight cash position arising from the historically low zinc price, our high US\$ debt and our currency hedging.

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Some asset sales will require regulatory approval and the consent of lenders. These processes will take some time but we envisage that the sales process will commence immediately and the restructure will be completed within twelve months.

Benefits of the restructure

The Board's objective has been to ensure the restructure provides the best possible outcome for shareholders. This direction will address our current financial position and provide a strong base from which the company can move forward with stable earnings and growth potential.

The restructure is expected to result in a company with a strong balance sheet, lower gearing and manageable debt and currency exposure.

The assets that we are retaining will deliver a substantial earnings stream allowing an early improvement in shareholder returns.

Moving forward

Refocusing on lead and zinc smelting will mean that Pasminco will be a far more stable business going forward with less exposure to the volatility of daily metal prices. By focussing on this aspect of its core business Pasminco will remain the largest zinc and primary lead producer in the world but will still have opportunities to expand the business in the future.

On a separate note, David Stewart has decided to step down as Managing Director and Chief Executive Officer, effective 31 July, 2001. We would like to acknowledge the significant development and enhancement of the company's operating assets during his tenure. The Board has appointed Greig Gailey as his replacement and he will take up his position from 6 August, 2001. Greig was most recently Chief Executive Officer of Fletcher Challenge Energy in New Zealand and prior to that successfully undertook a number of senior executive roles with BP in Australia and Europe.

If you would like further information on these changes, please visit our website at www.pasminco.com.au or contact the shareholder information line on freecall 1800 812 548 (from within Australia).

It is a challenging time for Pasminco as we work to refocus the business and improve return to shareholders. We thank you for your patience and support for Pasminco during this time. We will be endeavouring to bring about this change as quickly and efficiently as possible and will keep you periodically updated on progress.

Yours sincerely



Mark Rayner

Chairman

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