

22 January 2013

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 2012

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.

Creditors should note that future dividend returns are predominantly based on the amount of future development work undertaken at the Cockle Creek Site. Following completion of the remediation works creditors will be provided with the options available to them. (These options are discussed in our detailed Creditors report dated 22 January 2013).

The completion of the remediation will also correspond with the completion of onsite infrastructure works (construction of a roundabout and a portion of Munibung Road) which we are determined to complete by December 2013.

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SYDNEY	Affiliated through:
MELBOURNE	Zolfo Cooper
ADELAIDE	CARIBBEAN
BRISBANE	UNITED KINGDOM
PERTH	UNITED STATES
KUALA LUMPUR	KLC Kennic Lui & Co.
SINGAPORE	CHINA
TOKYO	HONG KONG

Disclaimer

The process of estimating future dividends that may be payable to the unsecured creditors of Pasmenco involves assessing a number of contingencies, risks, uncertainties and other factors, all of which are, to a large extent, beyond the control of the Deed Administrators. Actual dividend levels may be materially different from the estimates provided in this paper due to any number of factors beyond the Deed Administrators' control.

Furthermore, many of the estimates adopted in calculating possible future dividend levels are based on information from a variety of sources, including advice received from a number of consultants as well as data available from market commentators and advisors. We have not independently verified this industry and market data or the advice received from various consultants and advisors.

Given these uncertainties and the contingencies that may affect the ultimate realisation of any of the scenarios, unsecured creditors and prospective acquirers of unsecured debt are cautioned not to place reliance upon the estimates provided in this document. You should not treat the dividend estimates as a representation or warranty by the Deed Administrators as to the likelihood of achieving the estimated dividend levels that are provided. Creditors and persons interested in acquiring unsecured debt should make their own enquiries and the Deed Administrators accept no liability for loss or damage suffered by any person relying on these estimates.

Dividend Forecast

Despite the positive financial benefits of the Incitec arrangement at the Cockle Creek Site, you will note that the forecast returns in this forecast have fallen slightly.

The fall in returns follows a recent review conducted by our property consulting experts Hill PDA who advised that land values and most specifically demand for sites such as Cockle Creek have continued to deteriorate in the Lake Macquarie area throughout 2012.

Furthermore since June 2012 interest rates in Australia have continued to fall which results in lower returns on held back funds.

These changes have been updated and reflected within our forecasts.

Summary of Dividend Estimates

Dividends paid to date total 21.2 cents in the dollar.

Shown below are two schedules relating to our estimates at 31 December 2012 on an undiscounted and discounted basis respectively.

Undiscounted Dividend Forecast as at 31 December 2012

Estimate further dividends (cents in the dollar)		
Worst Case	Mid Case	Best Case
0.8	1.8	2.9

Discounted Dividend Forecast as at 31 December 2012

Estimated further dividends (cents in the dollar)			
Nominal Discount Rate	Worst Case	Mid Case	Best Case
8%	0.6	1.0	1.7
10%	0.6	0.9	1.4
12%	0.5	0.8	1.3

As indicated above, our estimate of the further dividends at 31 December 2012 payable to creditors on a mid case scenario is 1.8 cents, a decrease since our June 2012 forecast, which would bring the final total dividend to unsecured creditors to 23.0 cents in the dollar (undiscounted).

General Assumptions

It should be noted that in calculating the estimates of the dividends under these scenarios, due to yet unknown variables, assumptions have been made as follows:

- A reduced average interest receivable rate of 4.50% (against 5% in June 2012) on deposit account funds has been applied, except for those amounts locked in a term deposit with a fixed rate of interest. Interest in respect of those funds not held in term deposit accrues on the average mid period cash balance.
- Creditor claims are estimated to amount to \$2,611 million.
- Discount rates used are nominal rates.
- Estimates are based as at 31 December 2012 and have been discounted back to the end of the 2012 calendar year.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter McCluskey', with a long horizontal flourish extending to the right.

Peter McCluskey
Deed Administrator