

Pasminco Limited (Subject to Deed of Company Arrangement)

ACN 004 368 674

And its wholly owned Australian subsidiaries

February 2014

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1 Executive summary

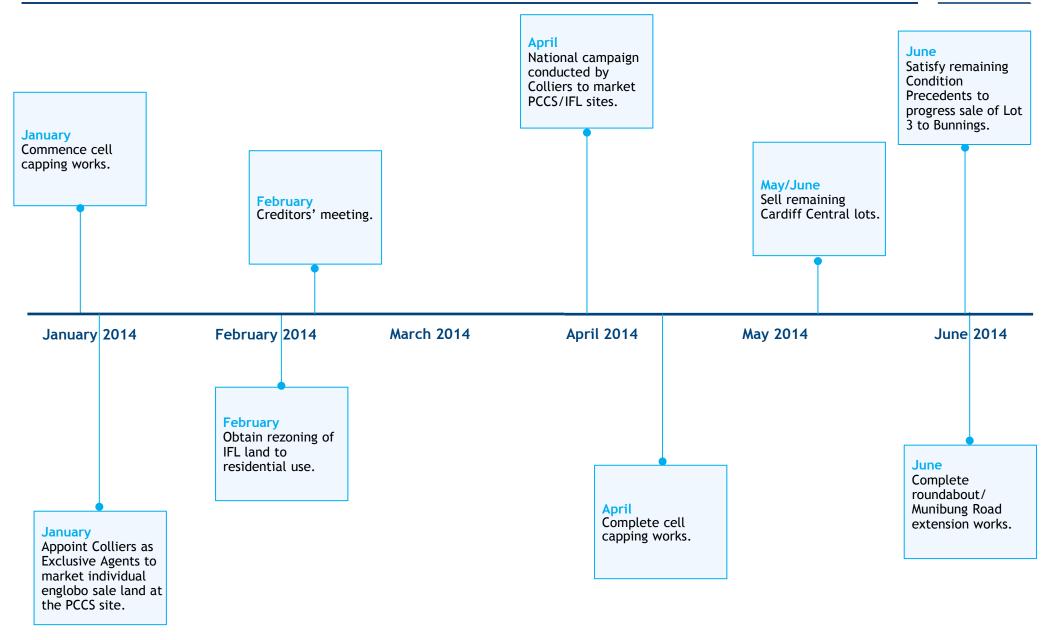
Set out below is a brief summary of the main points discussed in this report:

- Remediation of the Pasminco Cockle Creek Smelter (PCCS) site is now substantially complete. (Final validations and Site Audit Statements (SAS) are now being sought).
- Remediation of the neighbouring Incitec Fertilisers Limited (IFL) site is also now substantially complete. (Final validations and SAS are now being sought).
- Accordingly all contaminated material has now been placed in the containment cell and the cell can now be capped.
- In this regard, cell capping works on the containment cell are underway with works due to be completed in Q2, 2014.
- All necessary approvals from the Department of Planning (DoP) and the Environment Protection Authority (EPA) have been obtained for the cell construction and capping works and we continue to work closely with these Authorities.
- Sales of industrial land at the Cardiff Central subdivision are continuing. Ten lots have been sold for \$5.7m and twelve lots remain with an aggregate market value of \$4.8m.
- Colliers International (Colliers) have been appointed as sole selling agents to market the balance of the Cardiff Central industrial lots and to seek purchasers for the individual saleable Superlot sites that comprise the main site.
- During 2013, in conjunction with our lawyers, we were able to convince NSW WorkCover to release a significant portion of held back funds in respect of workers' compensation claims. These funds have been allocated towards meeting ongoing legacy liabilities (per Condition 8.8 of the Part 3A Agreement).
- Creditors may receive further distributions (on a mid-case scenario) of 1.5 cents in the dollar, bringing the total return payable to unsecured creditors to 22.7 cents in the dollar. By way of comparison on a low case scenario, our further dividend estimate is 0.8 cents in the dollar (see Annexure 1).

- The fundamental difference between the mid case and the low scenario is that the mid case assumes significantly more earthwork and development costs across the site to enhance the value of the land. It should be noted that to achieve this level of development, funding would be required via either a cash injection or from progressive land sales.
- In relation to the high case, this scenario would require additional time and development costs (over and above the mid case), and as such this is not a strategy that we can contemplate pursuing at this stage.
- Our suggested strategy over the next six months is to:
 - Complete the milestones set out on Page 4 of this report;
 - Conduct a national marketing campaign to test the market (in conjunction with Colliers) to seek buyers for the individual key Superlot sites "as is"; and
 - Reconvene with Creditors in July 2014 to further provide you with more detailed information on the success or otherwise of Colliers' marketing campaign and to set the strategy going forward.

2014 Key milestones - January to June







Update on the Cockle Creek Smelter Site ("the Site" and "PCCS Site")

The following provides an update on activities undertaken by the Deed Administrators in relation to the Site since our last detailed report dated 22 January 2013.

2.1 Overview

- The PCCS Site remediation works have been substantially completed 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 in 2007.
- Progress in relation to the Site has been acceptable over the past 12 months (predominantly helped by more favourable weather conditions than in previous years) with our focus now primarily on the completion of the containment cell by PCCS Services Pty Ltd (PCCSS). Utilising the skills and experience of our own team has led to cost savings compared to using external contractors. Costs associated with the construction of the containment cell are being tightly managed and additional savings will be achieved.
- Modifications to the current containment cell design (to accommodate higher than expected volumes from the PCCS site) were undertaken during 2013. This process involved detailed design and engineering reports to be produced and the approvals of Lake Macquarie City Council (LMCC), The Mine Subsidence Board (MSB), the EPA and DoP. All necessary approvals were obtained in Q4 2013 with the result being a larger cell, in terms of height only while the footprint of the cell remained unchanged.
- Progress of the Superlot subdivision and infrastructure works across the whole Site have been achieved including appointing a contractor to construct a major roundabout.
- These works are crucial for the Site development as without completing these works LMCC would not be able to provide PCCS with the necessary approvals to subdivide and sell the Superlot Sites.

2.2 Demolition

Removal of slabs and footings continued throughout 2013 in conjunction with our remediation program. Crushed contaminated concrete slabs and footings have been reused in the cell to provide drainage aggregate and high strength foundation material. The reuse of waste demolition material within the cell has contributed towards a reduction in cell construction costs.

Works continued throughout 2013 with the following items demolished and placed within the containment cell:

- Central carriageway which has historically acted as the access to the IFL site;
- Remaining concrete haul roads;
- Old Administration building;
- Effluent Treatment Plant (ETP); and
- IFL site (concrete retaining walls, slab and footings).

2.3 Site Remediation works

The PCCS site (and the IFL site) have now been substantially remediated with over 1.8m cubic metres of contaminated material placed into the Containment Cell.

Tabled below is a schedule detailing the amount of material deposited into the cell during 2013 and the number of weather-affected days.

	Total
Mean Rain Williamtown (Annual)	1,127mm
Actual 2011 Williamtown	1,250mm
Actual 2011 Pasminco	1,373mm
Actual Material placed in the Containment Cell	515,720m ³
Forecast Material placed in the Containment Cell	302,035m³
Cumulative Actual Material placed in the Containment Cell	1,863,688m³
(NB; original cell volumes in 2007 were forecast at c900,000m3)	
Work Days	Total
Monday - Friday affected by rain	63
Public holidays / Christmas break	15
Saturdays worked	31
Days worked in 2013	214
Total days in 2013	365

As detailed above, remediation progress in 2013 was acceptable despite 63 rain-affected days. Additional weekend work allowed us to remain on target for completion of remediation in 2013.

The Deed Administrators have enhanced remediation productivity by utilising PCCSS personnel and standing down non-required external contractors where practical and as appropriate.

The remediation status plan for the Site is included with this report at **Annexure 2**. The plan demonstrates substantial completion of remediation works across the whole Site.

Six separate remediation areas (including the IFL Site and excluding the containment cell) have been completed (except for certain hot spots which remain). For each of these areas or parcels, 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. The Deed Administrators have provided the Authorities with regular monitoring during and after remediation.

Now that remediation is complete, it is necessary to secure a Validation Report (for each parcel) signed off by the Site Auditor as a pre-condition to future development. Validation reports are anticipated in the coming months.

2.4 First Street Sub Station

Remediation of the redundant electrical substation located on First Street and historically leased by AusGrid was undertaken and completed in Q2 2013. A contract with AusGrid was executed in Q1 2013 which provided adequate funding to complete the necessary remediation works.

Remediation and removal of the substation infrastructure has significantly improved the aesthetics to the site from the south and assisted with the sale of the 5 remaining vacant allotments that PCCS owned which were located opposite the redundant substation. (See Section 2.11 below for further information regarding the vacant allotments).

2.5 Containment Cell design and construction

PCCSS has progressed the construction of the containment cell in conformity with its modified design requirements.

Following the execution of a Deed of Settlement and Release with IFL we sought approval from the DoP to a design modification of the cell to allow for the additional IFL material. The additional IFL material affected only the cell height (not the cell footprint). The relevant approvals were obtained in December 2012. A further approval was sought from the DoP in late 2013 in order to accommodate the balance of additional material located across the PCCS site (mainly from hot spots of highly contaminated sections of the Site). Again a design modification of the cell was carried out to allow for this additional material. Approvals were obtained in Q4, 2013 with remediation works completed shortly thereafter.

2.7 Ongoing Site Monitoring

In accordance with the Part 3A consent conditions, monitoring will continue until the Site has been provided with Validation reports and eventually SAS's as required by the EPA to confirm the effectiveness of the measures taken in addressing discharge from the Site.

Negotiations regarding the requirements and procedures for the EPA to lift the Significant Risk of Harm ("SRoH") (Remediation Order) notation from remediated areas prior to the conclusion of ongoing monitoring requirements has been successfully concluded for Cardiff Central. An acceptable outcome to these ongoing negotiations was key to enabling the progressive development and future realisation of the remaining remediated Site areas.

We are now seeking to have the Remediation Order progressively removed from the remaining parts of the site where remediation works are completed. Removing sections of the site from the Remediation Order will be achieved by working closely with the Site Auditor and the EPA. On going monitoring of the site will also be required on a long term basis under the provision of Condition 8.8 of the Part 3A and in conjunction with the EPS. This is discussed in detail on page 18 of this report.

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

Further activities that are attended to on the site (which will also apply to the IFL site), include:

- Site contractor and consultant management;
- Conduct of cell capping and civil works utilising plant and equipment owned/hired by PCCS and personnel of PCCS Services;
- 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 negotiations with the EPA regarding the revision/removal of Licences and Approvals to ensure these remain in line with the progressive remediation of the Site;
- Managing enquiries from the community;
- 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 activities; and
- Bushfire and vegetation management.

The Deed Administrators continue to review the staffing of operations at the Site. We maintain the required level of staff to manage compliance and regulatory requirements.

During Q2, 2014 as we near completion of the cell capping phase, the requirement for a number of these activities will either reduce or cease.



2.8 Site Rezoning

Following the preparation of a Master Plan and submission of a Local Environmental Study to LMCC, the State Government in December 2011 rezoned the remaining site (being the balance not previously rezoned in September 2010), including part of the IFL site. The rezoning changed the approved land use from heavy industrial zoning to a range of land uses including light industrial, commercial, residential and open space. Residential will now be the predominant permissible use.

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

 Approximately 600 dwellings based on an average density of 15 dwellings per hectare;

- 1,500 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;
- Integration with the existing urban fabric of the locality; and
- The requirement for the preparation of an Area Plan (Development Control Plan) prior to any consents being issued for subdivision/development.

Development planning progressed significantly throughout 2013 with many site specific planning matters resolved and broad strategic planning matters progressed to allow the further development and subdivision of the entire site.

The following points provide an overview of the key site zoning matters resolved over the period:

- As a result of the agreement between IFL and PCCS in relation to the remediation of the IFL site, a Planning Proposal was submitted on the 17 April 2013 to LMCC to rezone the remainder of the IFL site for residential use. Following a successful Gateway Approval, the documents were exhibited with no submissions received. In February 2014 LMCC will resolve whether to send the IFL rezoning to the NSW DoP with a request to publish the plan. LMCC have indicated their recommendation will be to support the rezoning and request DoP to publish the plan. DoP usually require 6-10 weeks to publish the plan with Gazettal anticipated around May 2014;
- The rezoning will provide approximately 7.9ha of additional Low Density Residential land. Combined with the residual residential zoned land already within the IFL site, the total residential land will comprise approximately 15.1 Ha of Low Density Residential land and 1.3 Ha of Medium Density Residential land; and

A submission to the Draft Lake Macquarie Local Environmental Plan has resulted in the boundary of Lot 603 (mixed use zone) being adjusted slightly to reflect current lot boundaries and Lot 3 amendments to resolve design issues for the Bunnings building. In addition, a rezoning of a slither of land around Lot 3 was gazetted on 6 September 2013 to resolve permissibility planning matters resulting from difference in the site zone boundaries and the Stage 1B Superlot Subdivision DA to allow the Bunnings' development to proceed.

2.9 Development works

Attached at Annexure 3 is an updated PCCS and IFL site Superlot plan.

As previously reported, the terms of the Area Plan lodged with LMCC require a large roundabout which provides continued Main Road access into Boolaroo as well as long term access to the site.

The site Area Plan takes development planning to the next stage from the areas zoned for particular uses to identify specific development controls that will be applicable to each particular zone. These controls provide a development guideline for future subdivision applications. It is likely, as more detailed development planning is progressed, the site's Area Plan will be further modified and enhanced.

The initial Superlot subdivision application was approved in November 2012 and allowed for planning to commence to construct key infrastructure, namely the major roundabout and the southern portion of the new Munibung Road.

Certain existing development consents were modified and new subdivision applications submitted through 2013 to resolve and refine site development. PCCS has developed a very good working relationship with LMCC staff which has provided opportunity to discuss the redevelopment of the site and resolve significant issues prior to the formal assessment process, thereby streamlining approval timeframes.

The following points provide an overview of the key statutory planning matters for the site:

- Pursuant to the LMCC Local Environmental Plan, the further subdivision of the site requires the completion and adoption of the site wide Area Plan, known as 'Area Plan 2' before any further subdivision development consents can be granted. LMCC has advised that the Area Plan 2 adoption timeline will tie in with the IFL rezoning request;
- Following consultation with LMCC over development control matters in Q2 2013, a draft of the Area Plan 2 was exhibited during Q3 2013. Six submissions were received. LMCC staff are reviewing the submissions and will report to Council's February 2014 meeting. At this meeting LMCC will decide if the draft Area Plan will be adopted with or without amendments;
- Following adoption of Area Plan 2, subdivision Development Applications which have been concurrently lodged throughout 2013 to minimise planning approval delays may then be granted consent;
- Two Subdivision Development Applications to:
 - a) create a single allotment for the Old Lab Building (Lot 600) and
 - b) create Lots 601, 602 & 603 were lodged with LMCC on 11 September 2013. Development consent cannot be granted until after the adoption of Area Plan 2.

Development consents for both subdivisions are anticipated in early 2014.

An amendment to the Stage 1B Superlot DA for extension of the road stub adjacent to the Old Lab building was granted on 30 October 2013. This amendment provides an extension of the services and road for legal access to the adjacent allotments that constitute the Superlot subdivision for Lots 601, 602 & 603. The intention is to develop the road as part of the Stage 1B construction works and thereby reduce the need to undertake these works as part of the Superlot subdivision and minimise the time to achieve title of the allotments. A site wide Heritage Interpretation Strategy (HIS) has also been prepared to meet a Stage 1B Superlot DA condition and lodged with LMCC for approval which is expected in Q1 2014.

- Following extensive consultation with Roads and Maritime Services (RMS), Hunter Water and Ausgrid, the design documentation and construction certificate for the Stage 1B Roundabout and the southern portion of Munibung Road was submitted to LMCC on 11 November 2013. Construction works on the roundabout and relocation of services has begun. Munibung Road upgrade works are being undertaken as part of the site remediation works to assist in minimising road construction times and cost. Completion of the roundabout, Lots 3, 4 & 5, the southern portion of Munibung Rd and provision of essential services including water, sewer and power is anticipated within Q2 2014.
- Completion of the roundabout together with related roads and services is essential for the completion of the sale of Lot 3 to Bunnings.
- A subdivision Development Application for 92 residential lots on the Tripad site is being prepared for lodgement with LMCC in Q1 2014. Ongoing consultation with LMCC staff has resulted in resolving various subdivision concerns and specialist consultant assessments are currently being prepared. Development consent is anticipated within Q2 2014. Earthworks are currently being undertaken on the site to finish residential subdivision requirements, thereby accelerating the development potential of the site.

Tripad (Lots 1 & 2)

As previously reported following termination of the joint venture agreement on the Tripad (Lot 1) site in 2012 (primarily due to concerns regarding ongoing litigation between PCCS and IFL) we launched a marketing and expression of interest campaign to sell this piece of land.

The campaign resulted in a number of interested parties with three key parties shortlisted to enter an exclusive due diligence phase. A purchase price of \$2.5m was agreed and a formal contract was executed with a 5% deposit paid by Signature Gardens.

However, Signature Gardens defaulted on settlement of the agreement and failed to pay the balance of funds. As a consequence the Tripad (Lot 1) site remains unsold with the forfeited deposit funds held on trust by our agents.

As a consequence of the above we have continued to seek buyers for the Tripad (Lot 1) site and have instructed Colliers to seek offers of \$3m for the land. (The increased price is due to improvements made by us to the site during 2013).

Tripad (Lot 1)

- Lot 1 is 8.06 hectares.
- Lot 1 was created by a plan of subdivision registered in Q1 2013.
- Remediation works have been completed and the site is currently being filled to the engineers specifications.
- Preparation of a Development Application for a 92 lot residential subdivision has commenced. The Development Application is expected to be lodged with LMCC for assessment in Q1 2014.
- Given the above, the Tripad site may be developed or sold englobo for residential purposes.
- Indicative value is \$2.5m \$3m.

Tripad Drainage reserve (Lot 2)

- Lot 2 is 9,470m2
- Lot 2 is a Drainage reserve Basin adjacent to the Tripad site. The Drainage reserve was dedicated to LMCC as part of the subdivision approval to create the Tripad site. The registered owner of Lot 2 is LMCC.
- The Drainage Reserve will capture water from the Tripad site and part of the PCCS site and act as a water quality control basin.
- No realisable value.

Lot 3

- Following execution of a Heads of Agreement on Lot 3, PCCS entered into a Put and Call agreement in relation to approximately 3ha of Lot 3 on 1 November 2012.
- Realisations from the sale of Lot 3 will be \$7.95m. Both PCCS and the proposed purchaser, Bunnings (who is Australia's largest household hardware chain with 210 warehouse, 67 smaller format stores, 36 trade centres and 4 frame and truss centres operating across Australia and New Zealand) are moving forward to finalise certain approvals in order to complete a formal sale contract.



- Bunnings lodged a development application with LMCC in Q1 2013 seeking approval for a Bulky Goods Premises.
- Registration of title will occur following receipt of a SAS and completion of roundabout and infrastructure works for Stage 1B.
- Indicative value is \$7.95m.

Lot 4

Following the Superlot development application approval from LMCC this section of land of c.6.5 ha may be developed or sold englobo for residential purposes following receipt of a SAS and completion of roundabout and infrastructure works.

- Expected yields on this parcel of land total 78 residential properties.
- Indicative value is \$2.5m \$3m.

Lot 5

This area of land forms a drainage reserve for onsite water catchment.

- The proposed Lot 5 is 7,752m2 to be created from a subdivision of Lot 2.
- The Superlot Stage 1B development consent from LMCC approved the creation of Lot 5.
- Lot 5 will be a drainage reserve acting as a water quality control basin capturing water from part of the PCCS site.
- Registration of the plan of subdivision will take place following receipt of a SAS and completion of roundabout and infrastructure works.
- The Superlot Stage 1B development consent requires Lot 5 to be dedicated to Council. The dedication will take place at the time of registration of the plan of subdivision.
- No realisable value.

Lot 600 (Old Lab Building)

The Old Lab is a heritage structure in which a full refurbishment has been completed. The Old Lab is currently being used as the site's operational office and marketing suite. The future long term use of the Old lab are being considered.

Arrangements are being made for the issuance of a separate title for this lot.

- The proposed Lot 600 is 1.03 hectares.
- A subdivision development application was lodged with LMCC on 11
 September 2013 to create Lot 600. Development consent for the subdivision is anticipated within Q1 2014.
- Registration of a plan of subdivision will take place following receipt of a development consent, receipt of a SAS and completion of roundabout and infrastructure works.
- Indicative value \$2m.

Lot 601

This section of land will be considered for development options following completion on site validations and upon receipt of a SAS and completion of roundabout and infrastructure works and registration of a plan of subdivision.

- The proposed Lot 601 is 14.09 hectares.
- A subdivision development application was lodged with LMCC on 11 September 2013 to create Lots 601,602 & 603. Development consent for the subdivision is anticipated within Q1 2014.
- Indicative value is \$4m -\$5m.

Lot 602

- The proposed Lot 602 is 5,452m2.
- A subdivision development application was lodged with LMCC on 11
 September 2013 to create Lot 602, 601 & 603. Development consent for the subdivision is anticipated within Q1 2014.
- Lot 602 will not be fully remediated because it would require the removal of public utilities located in Lot 602 costing a substantial sum of money. The creation of Lot 602 will allow a SAS to be issued for Lot 4 and Lot 601.
- Because only part of the Lot 602 will be remediated a suitable Environmental Management Plan will be prepared documenting conditions and restrictions that would be a condition of Lot 2's suitability.
- No realisable value.



The options for this piece of land will be considered following receipt of the development consent, receipt of a site audit report, completion of roundabout and infrastructure works and registration of a plan of subdivision.

Lot 603

The balance of this section has been allocated for mixed use zoning and will be sold englobo for commercial development.

- The proposed Lot 603 is 4.66 hectares.
- A subdivision development application was lodged with LMCC on 11 September 2013 to create Lot 603, 602 & 601. Development consent for the subdivision is anticipated within Q1 2014.
- Indicative value is \$1m

Lot 604 (Containment cell)

- The Containment Cell footprint is 19.4 hectares. A future subdivision will create a separate title for this land.
- In the last quarter of 2013 the DoP approved an increase in the volume and height of the cell to cater for the increased volumes of contaminated material from the PCCS site.
- Cell capping works are underway and will be completed in Q2 2014.
- Following completion of the cell capping works the finished site levels will be re-established and revegetation works carried out across and around the Containment cell.
- No realisable value.

Lot 605, 606, 607, 608 and remaining land

- Development options for the remaining Superlots will continue to be considered by the Deed Administrators on an individual and/or collective basis with the focus being on trying to obtain some return for Creditors. These Lots may be considered for developments of future industrial, commercial and residential developments.
- The remaining land located on the eastern and south eastern boundary of the main PCCS site is part of the Munibung Hill Environment Management Protocol. This land comprises those portions of the PCCS site that are not subject to development, and include the areas known as Munibung Hills, Boolaroo Heights, and the Angophora Reserve (AR). (Refer to Annexure 4).
- No realisable value.

Lot 609 (IFL site)

This area is planned to be used for residential and open space purposes. Remediation works on this site are complete as we wait for final validation reports to be provided post remediation. In terms of development we are awaiting rezoning approvals for the site prior to us assessing whether or not we wish to take ownership of the land via the Put and Call option agreement, discussed above.

- Lot 609 is 16.4 hectares.
- The rezoning of the IFL site to permit approximately 15.1 Ha of Low Density Residential land and 1.3 Ha of Medium Density Residential land is expected to be completed in Q2 2014.
- Indicative net value \$1m (after payment of option exercise fee).

Lot 610

Development options for this site are being reviewed. Queries regarding slope stabilities require consideration and this may affect the extent of the development yields for residential properties.

- Lot 610 is 59 hectares.
- 15 hectares of the lot 610 is zoned for residential use with the balance of land forming part of the Munibung Hill open Reserve zoned for environmental management that will be part of a Munibung Hill Environment Management Protocol.
- An interim SAS was issued for the residential portion of Lot 610 in Q4 2013 and the Munibung Hill Management Protocol is expected to be completed in Q1 2014.
- Indicative value \$1m.

Below is a summary of the Site lots and their indicative englobo sales values:

Lot	AUD Indicative value
Tripad (Lot 1)	2.5m - 3m
Tripad Drainage Reserve (Lot 2)	No realisable value
Lot 3	7.95m
Lot 4	2.5m - 3m
Lot 5	No realisable value
Lot 600	2m
Lot 601	4m - 5m
Lot 602	No realisable value
Lot 603	1m
Lot 604	No realisable value
Lot 610	1m
Lot 605	No realisable value
Lot 606	No realisable value
Lot 607	No realisable value
Lot 608	No realisable value
Lot 609 (IFL Site)	1m
Lot 610	1m
Total	22.95m - 24.95m

2.10 Cardiff Central

A marketing and sales program for this light industrial subdivision of approximately 16 hectares in the northern part of the site has been underway since 2011.

Sales of industrial land in the region have proved to be difficult despite numerous marketing campaigns and the use of various local agents . Given our dissatisfaction with the level of sales achieved by the sales agents we appointed Colliers International "Colliers" a sole selling agent in early 2013.

During 2013 we have had improved interest in the Cardiff Central lots which included a number of new inspections and enquiries.

Total sales, achieved to date are detailed below:

Lot Number	Status	Amount AUD (GST excl)
1	Contract completed 22/3/2012	620,000
2	Contract completed 12/3/2012	625,000
3	Contract completed 10/2/2012	1,478,500
9	Contract completed 22/3/2012	943,740
781	Contract completed 22/11/2013	320,000
10	Contract completed 5/11/2013	360,000
14	Contract completed 15/8/2013	500,000
17	Contract completed 29/10/2013	325,000
22	Contract completed 24/12/2013	220,000
20	Contract completed 15/1/14	400,000
Total Anticipated	d Sale Proceeds	5,792,240

In addition to the above sales achieved in 2013, the following table summarises the current status of the remaining Cardiff Central lots and their respective asking prices:

Lot number	Status	AUD Anticipated Sale Proceeds
4	Under Offer	595,000
5	On Market	495,000
6	On Market	360,000
11	On Market	355,950
12	On Market	324,450
13	Under Offer	235,000
15	On Market	635,000
16	On Market	545,000
18	On Market	286,900
21	On Market	345,000
782	On Market	259,000
783	On Market	425,000
Total		4,861,300

Indicative aggregate realisable value of remaining lots is \$4m - \$4.8m.
 See Annexure 5 for a detailed plan of the Cardiff Central Estate.

The sales price for the remaining lots and future anticipated revenues for the site will be further assessed in the coming months following advice from our agents. It is likely that further price reductions on the remaining lots will be offered to encourage and finalise sales.

Below is a photo of the Cardiff Central industrial estate:



2.11 Residential property sales

During 2013 PCCS owned five vacant property allotments within close proximity to the PCCS site. These vacant allotments 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.

These remaining allotments were sold during Q3 2013 following the demolition of the electrical substation that sat opposite the vacant land. The vacant lots were each sold for c.\$195,000 with proceeds from the sale of these vacant allotments applied towards the cost of remediation works on the Site.

Completion of the remediation works on the IFL site (except for a few remaining hot spot areas) has resulted in both favourable financial and non-financial benefits to creditors which are detailed below:

- PCCS has control of the combined (PCCS/IFL) sites allowing for drainage, surface, groundwater and general site planning to be managed more effectively;
- Positive financial outcome to creditors;
- Potential delays in the development of the site have been removed;
- Placement of IFL contaminated material prevented the ongoing cross contamination onto the PCCS site;
- Completing the work has removed a strong negative image of the site, identified by local council and developers, as the combined site now has only one containment cell rather than two;
- Planning/Superlot/Area Plan control has been achieved and relations with local council and government regulators has further improved; and
- The terms of the agreement allow for PCCS to take ownership of the remediated IFL land (at a pre-agreed price) which provides for increased developable land for residential use and allows for PCCS (if required) to develop the combined site in a more advantageous manner.

Creditors should note that despite the agreement resulting in additional onsite remediation works, the works have not extended the overall timeframe for sales of the developable land at PCCS. In fact the realisation timetable has been shortened as the risks of further delays caused by IFL's inactivity have now been removed.

A significant development in our last report was the alliance with IFL and the work involved in obtaining the necessary approvals from the regulators (namely DoP, EPA and MSB) to allow us to commence remediation works on the IFL site.

Approvals were obtained in late December 2012 and works commenced in earnest in early 2013 to both remediate the IFL site and to oversee the management of environmental monitoring on the IFL site.

The arrangement has involved transferring contaminated material from the adjoining IFL site for placement within the expanded PCCS containment cell on favourable commercial terms.

The result being a singular, on site, containment cell under our future management.

Detailed below is a schedule of the remediation works carried out on the IFL Site throughout 2013 and January 2014.

Month	Volume m3
IFL Remediation	
February	12,137
March	17,620
April	10,232
May	19,639
June	9,369
July	41,894
August	69,229
September	72,653
October	47,782
November	20,115
December	25,070
January	19,649
Remediation Total	365,389

As previously reported remediation of the IFL site is now complete. It is now necessary to secure a Validation report signed by the Site Auditor as a precondition to obtaining a SAS and for subsequent future development. A Validation report is anticipated to be received in the coming months.

In accordance with our agreement with the IFL and the Part 3A consent conditions, monitoring and management of the surface and groundwater on the IFL site will continue until the site receives a suitable validation report and a SAS. This water management role work is being carried out on behalf of IFL on agreed and favourable commercial terms.

Creditors should also note that the terms of the agreement with IFL allow for PCCS to take ownership of the remediated IFL land (at IFL book value). Subject to interest from purchasers in the land we will consider in due course whether or not to exercise the option to purchase the IFL land.

Having completed the majority of the remediation of both the PCCS and IFL sites we now turn our attention to realising the land for both maximum value and benefit to creditors.

Our focus in the coming months (in conjunction with completion of cell construction and capping works) is to complete the minimal amount of civil works required to reinstate the PCCS and IFL sites to a state that will encourage/enable developers to purchase the land. Due to the extensive remediation works carried out over the years the site currently resembles a "lunar landscape" with deep holes and excavations that require filling. These works will be conducted by PCCSS employees with (clean/uncontaminated) material sourced predominantly from the Munibung Hills area of the site.

Carrying out this work will enhance the value of the land and improve the saleability of the land.

We acknowledge that the creditors of Pasminco are seeking dividend returns to be paid as soon as possible together with the finalisation of our Administration. Our recommended strategy over the next six months (until 30 June 2014) is to engage Colliers to seek offers for the sale of individual Superlot sites whilst we simultaneously complete our cell capping works and manage all our ongoing environmental obligations.

Key milestones over the next six months (up until 30 June 2014) include:

- Complete Cell capping works;
- Obtain all necessary SAS's for the remediated PCCS and IFL site;
- Undertake the minimal necessary earthworks to reinstate the land to be suitable for sale;
- Complete all necessary infrastructure works and roundabout works to require LMCC to approve the land subdivisions across the site to allow for specific site englobo sales;

- Review the sales program for the balance of the Cardiff Central lots (currently being undertaken by Colliers) and if prudent, allow for continued discounts over the coming months to achieve sales; and
- Formally appoint Colliers as expert agents to test the market and seek buyers for the individual key Superlot sites, "as is" (including the IFL site) as per the above discussed strategy.

We will reconvene with creditors in July 2014 to provide you with more detailed information in respect of the above.

At this meeting we will present various options to creditors which may include:

- Sale of the Superlots on an "as is" basis either on an englobo basis or via individual Superlot sales; or
- Conducting further selective civil works and development activities across the Site to enhance saleability and land value.

In relation to the above options we will also seek professional advice, as required, from Independent financial and development experts in considering the current market climate in terms of residential and commercial developments and Superlot sales and/or land banking.

AEC's advice on the current local market is attached at **Annexure 6**. In summary their advice is consistent with the market consensus and confirms our understanding that the general market conditions in all development sectors are gradually improving due to the prevailing economic outlook.

5.1 Self Insured Liability Tail / Claims Management

During 2013, Pasminco once again experienced increased numbers of new and reopened claims and predominantly 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. We continue to liaise with NSW WorkCover to discuss the potential, under current and future legislative arrangements, for the Deed Administrators to find a commercially prudent solution to reduce the period for which they will be required to manage claims. We will advise creditors if we are able to confirm any arrangements with NSW WorkCover, however this may require legislative change and we cannot be certain if and when such a change can be implemented.

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 the New South Wales WorkCover Authority (NSW WorkCover).

At the date of our last report NSW WorkCover held cash funds of approximately \$16m earning interest in respect of workers compensation claims.

In July 2013, an actuary was engaged to assess the value of the self-insured liability tail. The actuarial report conservatively estimated the value of the self-insured liability tail. A copy of this report was provided to NSW WorkCover. After providing the report we requested the release of the surplus funds NSW Workcover held on behalf of PCCS.

In September 2013, NSW WorkCover agreed to release \$7.8m of the \$16m in funds set aside. The \$7.8m of released funds have been allocated to address the long-term liabilities of the PCCS site as required under Condition 8.8 as discussed in Section 6.

5.3 Settlement of Dust Disease claim

In November 2013 we received a dust disease claim on behalf of a deceased former employee of Sulphide Corporation Pty Ltd (formerly PCCS).

The claim was settled by PCCS to its satisfaction in November 2013.

We are currently pursuing recoveries from our insurer.

5.4 Legislative changes

In June 2012 the NSW government introduced changes to the Workers Compensation Scheme. These changes to workers compensation involve transitioning injured workers' claims to a new benefits system, which includes changes to weekly payment calculations, entitlements to lump sum payments, and time limits for claiming medical and related expenses.

In short, the legislative changes now allow Pasminco to deny all new industrial deafness claims and avoid lump sum claims.

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.

The Deed Administrators have worked closely throughout 2013 through extensive ongoing negotiations with the EPA and other stakeholder bodies including the EPA, DoP and LMCC (together, "Authorities").

We continue to work with the Authorities to discuss the various conditions contained within the approved remediation plan with the key issues relating to the ongoing maintenance of the cell and its surrounds. (Contained within Condition 8 of the Part 3A).

Significant due diligence has been carried out with the assistance of Insurance experts and consultants who specialise in waste management services to ensure that all conditions are addressed and to satisfy the requirements of the Authorities regarding cell maintenance. The key areas to address include:

- Insurance, land taxes and rates;
- Water treatment/management plans;
- Ground & surface water monitoring/management plans;
- Environmental management plans;
- Landscaping/vegetation plans;
- Site inductions/OH&S;
- Reporting requirements; and
- Ongoing funding covenants and long term management plans.

In this regard we continue to maintain Environmental Impairment Liability cover to protect the site and the Deed Administrators against any legislative changes made to remediation policies and against claims for any future offsite migration of contaminants.

In regards to the above, the dollar sum required to be set aside in order to satisfy the Condition 8.8 legacy requirements has increased in our estimates due to:

- Detailed discussions with the Authorities;
- Expensive environmental insurance premiums;
- The prevailing and forecast interest rate environment necessitating a significant increase in the capital sum required to be invested to produce sufficient income to satisfy budgeted costs; and
- Increased environmental management requirements and associated costs (I.e. Environmental management reporting, cell maintenance, surface and groundwater treatment, site management etc).

Additional funds have therefore been allocated in the forecast to ensure that the onsite long term liabilities for the Site can be met in the longer term.

The Deed Administrators will continue to liaise and negotiate with the Authorities in order to ensure that Condition 8.8 is satisfied.

7 Dividend estimates and distributions

7.1 Update

As you are aware, we provide regular updates to the dividend forecasts, which are published on the existing Pasminco website at www.pasminco.com.au and on our Ferrier Hodgson website at www.ferrierhodgson.com, under the section, "Current Matters/Corporate Recovery Matters/Pasminco Limited".

Our latest dividend report to 31 December 2013 (Annexure 1) estimates that creditors may receive further distributions on a mid case scenario of 1.5 cents in the dollar, bringing the total return payable to unsecured creditors to 22.7 cents in the dollar and 0.8 cents on a low case scenario bringing the total return payable to unsecured creditors to 22 cents in the dollar.

Creditors should note that in the absence of significant land sales and due to ongoing budgeted costs and the increase in legacy Condition 8.8 provisions, this means there will not be a dividend distribution to creditors in the short term. A further update on the timing of future distributions will be provided in July 2014 following the result of the aforementioned sales strategy.

8 Other administrative matters



8.1 Winding up and deregistration process

Since last reporting to creditors, we have continued to progress the winding-up 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 Act;
- The company has no outstanding liabilities; and
- The company is not party to any legal proceedings.

The deregistration process has required us to deal 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; and
- Legal sign off.

We have been successful in completing the deregistration process for all residual companies in the Pasminco Group (totalling 13 companies) apart from the following three entities, namely:

- Pasminco Limited;
- Pasminco Finance Limited; and
- Pasminco Cockle Creek Smelter Pty Limited.

The above three companies will remain until the finalisation of the administration as they hold assets for future distribution.

Completion of the deregistration process has helped reduce the amount of statutory lodgements and other costs.

8.2 Status of admitted claims

To date, the following amounts have been adjudicated and admitted as claims against Pasminco 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.

At the previous meeting of creditors, held on 7 February 2013, creditors approved the Deed Administrators fees up to a cap of \$2,370,922 (plus GST) for the period 1 January 2013 to 31 December 2013 plus the fees for carried forward work in progress from 2012.

Our 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 ongoing uncertain economic conditions, that we will maintain our current rates.

As at 31 December 2013 we had drawn fees of \$1,696,678 which is \$198,858 less than our anticipated fee total for the 2013 period.

The following table details the actual versus budgeted fees for the period 1 January 2013 to 31 December 2013.

		2013 Actual vs Appro	oved Fees	
	Budgeted	Actual		
	1 Jan 2013	1 Jan 2013		
	to	to		
	31 Dec 2013	31 Dec 2013	Variance	Result
Pasminco	\$1,895,536	\$1,696,678	\$198,858	Favourable

We estimate our professional fees for the period 1 January 2014 to 30 June 2014 will be approximately \$846,641 (please note our fee rates remain unchanged). The vast majority of our professional fees will be associated with:

- Site management, water treatment, environmental compliance and development of the Site;
- Overseeing the construction of the containment cell, roundabout and a portion of Munibung Road; and
- Supervision of Colliers and their activities in respect of their recommended sales strategy as outlined in this report.

Given that the fees will be subject to a capped amount, we are unable to draw fees exceeding that amount without prior creditor approval. Naturally, we will provide an account of all fees incurred and paid in future reports to creditors.

Attached at **Annexure 7** is a remuneration report that includes details of the work we anticipate performing during the period 1 January 2014 to 30 June 2014.

We 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.

Creditors should note that the average monthly fees are anticipated to reduce significantly from July 2014 onwards as completion of the infrastructure works and cell capping works are completed.

We anticipate the following factors to result in a reduction of average monthly fees from July 2014:

- Cell works will be completed by Q2 2014. Consequently, care and maintenance and groundwater monitoring will be the main costs incurred after this date;
- Earthworks will be considered and carried out only in conjunction with proposed land sales and following advice from our appointed agents (along with creditor approval);
- Infrastructures works (Roundabout and Munibung Road construction) will be completed; and
- Environmental reporting obligations and validation works will reduce following completion of cell capping works.

10 Notice of meeting of creditors

Concurrent meetings of the creditors of Pasminco will be held at 11:00am (Australian Eastern Daylight Savings Time) on 28 February 2014 pursuant to the Deeds of Company Arrangement executed for the Pasminco Group companies.

The purpose of the meetings will be to:

- Provide creditors with an update in relation to the status of the Administration;
- Provide an opportunity for questions from creditors; and
- 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 8)

Please note that the meetings of creditors will be held on 28 February 2014 at 11.00am (Australian Eastern Daylight Savings Time) at the offices of Ferrier Hodgson, Level 43, 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 above named 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 Richard Bastow in writing no later than midday (Australian Eastern Daylight Savings Time) on 26 February 2014 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 Richard Bastow will contact you and provide you with a specific telephone number and a password to enable you to attend the creditors meeting via our telephone conference 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 Administrators 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 are not covered within this report, please forward your questions to Mr Richard Bastow 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 9)

- Proxy Forms must be completed by:
 - All corporate creditors who wish to be represented at the meeting (i.e. if XYZ Pty Ltd is a creditor, it will need to appoint a person to act as its proxy); and
 - 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, i.e.: 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.

10 Notice of meeting of creditors

Please note that all proxy forms should be completed and returned to this office by no later than midday (Australian Eastern Daylight Savings Time) on 26 February 2014.

Should you require any further information in relation to the matters contained within this report, please do not hesitate to contact Mr Richard Bastow of this office (telephone +61 3 9604 5175).

Yours faithfully

Peter McCluskey

Deed Administrator

Encl.

Term	Definition
AEC	AEC Group Limited
AR	Angophora Reserve
Colliers	Colliers International
DA	Development Application
DOCA	Deed of Company Arrangement
DoP	Department of Planning
EPA	Environment Protection Authority
ETP	Effluent Treatment Plant
Ha	Hectare
HIS	Heritage Interpretation Strategy
IFL	Incitec Fertilizers Limited
LMCC	Lake Macquarie City Council
m	Million (AUD)
mm	Millimetres
MSB	Mine Subsidence Board
m3	Metres cubed
NSW	New South Whales
PCCS	Pasminco Cockle Creek Smelter Pty Ltd (Subject to Deed of Company Arrangement)
PCCSS	PCCS Services Pty Ltd
Q	Quarter

Abbreviations



Term	Definition	
RAWP	Remedial Action Works Plan	
RMS	Roads and Maritime Services	
SAS	Site Audit Statement	
SROH	Significant Risk of Harm	
The Act	The Corporations Act 2001	
The Site	PCCS and/or IFL site	
\$	AUD Dollar	

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