

HIGHLIGHTS OF THE 1988/89 YEAR:

We have made excellent progress in establishing our merged business and in seeing some of the benefits of the merger. There are advantages from the merger in re-arranging flows of concentrate from mines to smelters, in transportation (for both concentrate and metals) and in sending metal to markets. As an example, Pasminco Metals - BHAS at Port Pirie is now supplied 100% with smelter feed from within the Pasminco Group.

Earnings performance for our first year as a Business Unit of the Pasminco Group was, collectively, the best result for more than a decade.

Total zinc metal production for the year of 303,706 tonnes was at planned levels. However, refined lead output was below expectations early in the year because of poor blast furnace operating conditions at Port Pirie. Lead smelting operations were also disrupted as plant upgrading projects were progressed.

Employee relations at all sites were good and industrial disputes caused no major disruptions to operations. Work to achieve productivity gains continued, and progress towards award restructuring at all sites has been most encouraging. This is an area of great importance to all of us.

Considerable progress was made on major capital projects:

- \$71.5 million was spent on the Pasminco Metals - EZ Smelter Modernisation. Expenditure to date on the \$150 million programme totalled \$103 million at year end.
- The \$58 million Pasminco Metals - BHAS Smelter Environment and Economic Improvement Plan (EEIP) is now around the half-way mark following \$11.6 million expenditure during the year.
- The \$11.0 million Ventilation Project at the Pasminco Metals - Sulphide smelter was completed.

The Pasminco Metals - Sulphide smelter completed a record production campaign of 41 months duration at the end of March when the plant was shut down for one month for furnace rebuild and major maintenance. Since starting up, performance has been very good, with zinc production rates at high levels.

Pasminco Metals - BHAS celebrated the Centenary of the commencement of lead smelting operations at Port Pirie in June. The first lead smelting furnace was blown in on 27th June, 1889. Since that time, in excess of 13 million tonnes of refined lead have been produced at Port Pirie.

OBJECTIVES AND FUTURE DIRECTION:

Our Business Unit, Pasminco Metals, is committed to generating acceptable financial returns from its business. At the same time, we will seek to build and improve our long-term position as a competitive and reliable supplier of products to Australian and international markets.

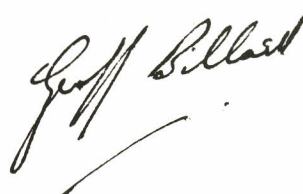
Our direction during the next one to three years is to consolidate and improve the existing business, with the main emphasis being on:

- achieving the full benefits of the merger.
- responding to customer needs and market development.
- increasing employee skills and performance as part of restructuring programmes.
- improving environmental management.
- increasing our technological expertise.

Capital expenditure will need to continue at a high level, and will focus on modernisation, improving operating and environmental performance and efficiency, and also achieving some additional production at all sites. Planned capital works for the next three years total \$250 million, of which \$90 million is planned for the 1989/90 year. This substantial capital works programme does not include a possible large production expansion at the Pasminco Metals - EZ Risdon site. A decision on this project is expected during the 1989/90 year.

Employee skills training will continue to take a high profile, and the intensity of the programme will increase during 1989/90 in line with goals for the successful achievement of workforce restructuring currently under way.

Our first year's results have provided us with an excellent springboard for the future. We have challenging and exciting opportunities before us. We all have a part to play in the future of Pasminco Metals and the Pasminco Group. I look to the future with confidence and I am sure that we can be successful. I look forward to working with you in achieving that success.



Geoff Billard
Managing Director

