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Incorporated in Papua New Guinea

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## COMPANY UPDATE

Highlands Pacific Limited (ASX: HIG) is pleased to provide an update on planned activities for the 2008 year.

Highlands has recently undergone a major change with the disposal of its Kainantu gold mine and surrounding Exploration Licences, to Barrick Gold Corporation for USD141.5 million.

In light of this, the Company believes that its interest in two other developing world-class assets and highly prospective Exploration Licences, combined with cash reserves in the vicinity of USD30 million and no debt, provides an excellent platform for future growth and potential.

### Ramu Nickel and Cobalt Project - Papua New Guinea

The Ramu project will produce some 31,150 tonnes of nickel and 3,300 tonnes of cobalt per annum when fully operational, with an operating life estimated to be in excess of 20 years.

The pre-construction work by MCC Ramu NiCo Ltd (manager and operator) "MCC" continued during the 2007 year with a number of major milestones being completed, including:

- Accommodation and administration infrastructure in place
- 95% of the total earthworks at the processing plant being completed;
- Work commencing on the Basamuk wharf;
- Ramu River road bridge completed (temporary bridge);
- Access road to the mine site opened;
- Major equipment ordered and in some cases under manufacture (autoclaves);
- Construction of the Madang office complex commencing; and
- Majority of the IT platform installed and operational.

The pre-construction committed expenditure to the end of the 2007 year amounted to nearly USD200 million. Committed expenditure for 2008 is estimated to be approximately USD350 million and the project remains on target for the Kurumbukari mine to be commissioned in the first half of 2009 and the Basamuk process plant commissioning in late 2009. The major milestones for the 2008 year include:

- Project financing to be completed and the project to move 'officially' into construction;
- Permanent Ramu River road bridge completed;
- Basamuk wharf completed – thus allowing project components and freight to be unloaded right at the project site;
- 60% of the pipeline steel work to be delivered to site with 50% of the pipeline installation completed;
- First of the autoclaves consigned with the on site installation work commenced;
- Civil construction for the mine beneficiation plant completed; and
- Madang office complex completed.

Highlands is pleased with the work being carried out by the manager and operator of the Ramu Joint Venture, MCC. During the year MCC formed a joint venture to hold their 85% in the project, selling down 39% of their 85% interest to Jinchuan Group Limited, Jinlin Nickel Industry Corporation Limited and Jinquan Iron and Steel Group. These companies are important participants in the nickel industry and Highlands regards their involvement as a very positive development for the project.

Highlands has an 8.56% interest in the Ramu project which will increase to 11.30% at no cost to the Company after debt raised to finance the project has been repaid (estimated to be 10 years). From commissioning, Highlands is able to have access to its pro-rata 8.56% share of Ramu's post debt servicing net cashflow and can, if desired, market the product separately. When the finance is repaid, Highlands will also have the option to purchase an additional 9.25% in Ramu at fair market value which, if exercised, would take Highlands' interest to 20.55%. It should be noted that the development of the Ramu project will be non-recourse to Highlands with respect to the debt funding, while the equity funding is a free carry to Highlands in respect to its 8.56% interest. Highlands' share of product based on its 8.56% share is 2,666 tonnes of nickel and 282 tonnes of cobalt per annum, rising to 3,520 tonnes of nickel and 373 tonnes of cobalt when equity increases to 11.3%.

### **Frieda River Copper Gold Project - PNG**

As previously reported the Frieda River Project, comprising the Nena, Horse Ivaal/Trukai and Koki deposits is considered to be one of the world's largest undeveloped copper and gold deposits.

Joint venture partner Xstrata Frieda River Limited (Xstrata Copper) has completed the '2007 Scoping Study' for the Frieda River copper/gold project. The scope of works outlined for the study focused on the following key issues:

- Identification of a project execution model;
- Development of understanding of scope of works for infrastructure items;
- Development of conceptual process plant facilities and associated capital costs;
- Metallurgical testwork on Nena ores;

Other work encompassed in the study included:

- Development of geological models for Nena; and
- Development of mine plan models for Nena and Porphyry deposits.

During 2008 it is planned that 16,000 metres of resource infill drilling will be completed for the Horse-Ivaal-Trukai open pit and a further 4,000 metres of exploration drilling will be undertaken. This is very positive news for the Frieda River project as it finally has a project timeline assuming hurdles are achieved.

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|--------------------------|---|
| ➤ Extended scoping study | 2008 year   |
| ➤ Pre-feasibility        | 2009 year   |
| ➤ Feasibility            | 2010 to first half 2011   |
| ➤ Detailed engineering   | Commencing 2011   |
| ➤ Construction           | 2012 to 2015  |
| ➤ Production             | 2016  |
| ➤ Mine Life              | 26 years  |
| ➤ Production profile     | 190,000 tonnes copper metal per annum and 295,000 ounces gold per annum |

Xstrata expended USD10 million during 2007 and the budget for 2008 is USD25 million, with an accelerated spend in 2009 and 2010. Xstrata Copper is funding Highlands' share of the expenditure through to bankable feasibility study completion.

The Frieda River copper/gold project covers Exploration Licences 58 and 1212, and the Nena Deposit which is subject to Xstrata Copper making a further option payment of USD10.8 million to Highlands. The project is a joint venture between Xstrata Copper 73.7%; Highlands 16.4% and OMRD Frieda Co. Limited 9.9%. To retain its share of Highlands' equity in the project, Xstrata Copper must complete a bankable feasibility study by January 2012 – clearly on plan given the above timeline developed for the project.

## **Exploration – Wau / Bulolo – PNG**

Highlands will undertake an exploration program during the 2008 year on Exploration Licence EL 1340 Bulolo, which covers the western portion of the Wau-Bulolo Graben. The area has historical production of some 4 million ounces of alluvial gold and is host to a number of known deposits, the largest of which is the Hidden Valley deposit which is currently being developed. Work completed previously by Highlands in 1995, including trench sampling and diamond drilling, has produced encouraging gold grades.

The budget for the program will be in the order of USD1-1.5 million and will include 2,000 metres of drilling.

An update on Yangalemu will be released as additional drilling information becomes available.

## **Other**

Highlands will continue to review other opportunities as they arise, both within and outside Papua New Guinea. This will include projects at an exploration stage if the ground is of good quality or at an operational stage if Highlands' management considers that it can make a difference to the project and create real value for shareholders.

A presentation on this company update is also being placed on the Company website – [www.highlandspacific.com](http://www.highlandspacific.com)

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