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28 February 2003

KAINANTU GOLD PROJECT - UPDATE

The finalisation of the definitive capital and operating costs estimate for the Kainantu Gold Project will be delayed.

Recent metallurgical test work on a bulk sample collected from the strike drive has demonstrated excellent gold recoveries in excess of 93%. However, this section of the gold mineralisation has reported higher levels of soluble copper than encountered in previous testwork.

As a consequence, additional testwork and engineering studies are required to finalise the metallurgical flowsheet. The capital and operating cost estimates cannot be completed until the process flowsheet has been determined.

The additional work is expected to take up to three months to complete.

About Kainantu

Located in the Eastern Highlands' Province of PNG, the Kainantu Gold Project (100% Highlands Pacific) consists of three exploration licences totalling 261 square kilometres encompassing the high-grade Kainantu goldfield.

A feasibility study completed in December 2001 envisages an underground gold mine producing up to 140,000 ounces of gold per annum at an average head grade of around 32g/t gold over approximately 7 years (based on the current estimated mineral resource).

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