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## PROGRESS UPDATE – RAMU NICKEL COBALT PROJECT

### Wartsila to construct two power stations to supply Ramu – Project Construction set to be completed by end of 2009

Highlands Pacific (ASX: HIG) is pleased to announce that contracts have been awarded by Ramu NiCo Management (MCC) Limited (being the manager and operator of the Ramu Nickel Joint Venture and 100% owned by China Metallurgical Group Corporation) to ensure that the energy requirements for the Ramu Nickel Cobalt Project in PNG are met.

Finnish company Wärtsilä Corporation has been awarded the contract to construct two power plants that will provide a minimum of 90 megawatts equivalent (MWe) for Ramu.

The first power plant will be located at the mine site, whilst the second power plant will be located at the refinery site at the port area in Basamak Bay, where the finished product will be exported.

Highlands Pacific's Managing Director Mr John Gooding said, "Ramu is progressing well, with construction on track to be completed by the end of 2009.

"Wärtsilä is one of the world's leading suppliers of power plant equipment, with an excellent track record of delivering to specification and on time. Their reputation combined with their on-ground after sales support won Wärtsilä the tender."

Other notable achievements on the construction of the project include the following:

- Commencement of the 135km slurry pipeline – placement and commencement of welding of the 600mm diameter slurry pipe line both at the mine site and the plant site. Approximately 16 km of pipe is in position to be welded.
- Wharf Construction – all pylons been installed with the platform the next stage to be completed. The Wharf is targeted to be completed by fourth quarter 2008.
- Plant Site Earthworks – completed.
- Plant Site Foundations and Construction – all foundations have been completed.
- Mine Site Earthworks and Mine Site Foundations are progressing according to schedule.
- Madang Office complex is under construction and is targeted for completion at the end of 2008.

Highlands has an 8.56% interest in the Ramu project which will increase to 11.30% at no cost to the Company after repayment of the debt raised to finance the project has been completed (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 cash flow.



**Installation of the 135km Slurry Pipeline**



**Basamuk Deep Water Wharf**



**Construction of Road to Limestone Quarry**



**Infrastructure Construction at Plant Site**

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%.

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