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31 March 2005

## **Ramu Agreement with China Metallurgical Construction (Group) Corporation Signed**

Last night the Master Agreement for the development of the Ramu nickel/cobalt project was signed by China Metallurgical Construction (Group) Corporation (MCC), Ramu Nickel Limited (a subsidiary of Highlands Pacific) and Mineral Resources Ramu Limited (a subsidiary of Mineral Resources Development Company) at a ceremony hosted by the Prime Minister of Papua New Guinea, Hon Sir Michael Somare at Parliament House in Port Moresby.

MCC is a major State owned Chinese engineering and construction company which has been involved in the development of major projects, including mining, in Asia and Africa.

The signing of the Agreements was witnessed by the Honourable Sir Michael Somare, Prime Minister of Papua New Guinea, Chairman Yang Changheng and Vice Chairman Ma Yanli, from MCC, Mr Zhang Junsai Deputy Director-General, Department of North American and Oceania Affairs, Ministry of Foreign Affairs, Ambassador Li Zhengjun and senior government ministers plus senior representatives from several banks from the Peoples Republic of China as well as senior representatives from nickel users in China.

The signing of the Master Agreement is the culmination of 12-months of negotiations and technical review of the project by MCC after the signing of the Memorandum of Understanding in February 2004.

Highlands Pacific and MRDC have been advised by Mr Jonathan Beardsworth from Standard Bank London Mining and Metals Advisory in undertaking the transaction with MCC.

The Master Agreement sets out the commercial terms and conditions for the development of the Ramu nickel/cobalt project and includes the Joint Venture Agreement. Under this agreement MCC has a 180-day exclusive right period to take up an 85% equity interest in the project. During the 180-days MCC will incorporate its PNG company for the development of the project, and finalise its structure in Papua New Guinea.

Under the Master Agreement MCC has the right to an 85% interest in the project. Highlands Pacific will have an initial 8.56% carried interest in Ramu, increasing to 11.30% at no cost to the Company after the debt for the financing of the project has been repaid. At this time Highlands

will also have the option to purchase an additional 9.25% in Ramu at market value, which if exercised would take Highlands Pacific's total interest to 20.55%.

MCC are responsible for financing 100% of the project including Highlands Pacific's equity (on a free carry basis) and arranging the debt. This means that the development of Ramu will be non-recourse to the Company.

MCC will manage the project and have the right to purchase 100% of the nickel and cobalt produced on an arms length basis.

Mr Ian Holzberger, Managing Director, said that the signing of the Agreement was a major milestone in the development of Ramu and for the Papua New Guinea economy. It will represent the first significant mining investment by a company from the Peoples Republic of China outside of the country. He added that he looked forward to looking at further investment opportunities with Chinese companies in Papua New Guinea.

Ramu is a large "wet tropical" laterite nickel/cobalt project located in the Madang Province of PNG. The project is fully permitted. The resource at Ramu is estimated at 143 million tonnes at 1.01% nickel and 0.10% cobalt which gives a mine life in excess of 20 years based on forecast annual production of 33,000 tonnes of contained nickel per annum.

A copy Highlands Pacific's Chairman's speech delivered at the signing ceremony is attached.

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## **CHAIRMAN'S SPEECH RAMU SIGNING PORT MORESBY 30 MARCH 2005**

It is indeed an honour to be invited to Parliament House to sign the Ramu Nickel Project Master Agreement. Prime Minister, I am particularly pleased that you observed the signing of the Agreement, and to see you hosting this function tonight in celebration of that Agreement. When the parties concluded the negotiations in Beijing, it was agreed for the signing to take place in Papua New Guinea so that the signing could be witnessed officially by the Government of Papua New Guinea.

This is a momentous day for the Ramu Nickel Project and particularly the Ramu Joint Venture Partners - Highlands Pacific, MRDC and the Ramu Landowners. But it is also a very important occasion for the people of Papua New Guinea and marks a new high-point in relations between the Peoples Republic of China and the Independent State of Papua New Guinea.

I would like to acknowledge the role of Prime Minister Somare in bringing the Ramu Nickel Project to the stage it is today – to the brink of development. The Prime Minister worked tirelessly as the Minister for Mining during the permitting stage of the Project which culminated in the execution of the Mining Development Contract and the issue of the Special Mining Lease for Ramu. Later in his capacity as Prime Minister he continued to be a great supporter of Ramu, along with the current Mining Minister the Hon Sam Akoitai and Petroleum and Energy Minister Sir Moi Avi who first introduced the China Metallurgical Construction (Group) Corporation to the Ramu Nickel Project.

In addition to Chairman Yang, I would like to acknowledge the roles played by Vice-Chairman Ma and Madam Luo and their team from the China Metallurgical Construction (Group) Corporation for having the foresight to recognise that the Ramu Nickel Project is a long life world class nickel resource waiting to be developed.

The Framework Agreement between the Independent State of Papua New Guinea, China Metallurgical Construction (Group) Corporation, Highlands Pacific and Mineral Resources Development Company was signed in February 2004. Under that Framework Agreement, China Metallurgical Construction (Group) Corporation undertook to evaluate the Ramu Project with a view becoming a participant in the project. Today we see the results of that work in the signing of the Ramu Master Agreement which provides the framework for the development of Ramu.

Over the last 12-months China Metallurgical Construction (Group) Corporation have reviewed all aspects of the Ramu Project and come to terms with the technical challenges of developing a lateritic nickel project; and they have signified by the signing of the Agreement today that they are ready to take the project forward. We look forward to working with our new Chinese partners in the coming months to take the project to the next stage.

For Papua New Guinea the development and operation of the Ramu Nickel Project will provide a significant boost to its economy through employment, taxes, business development, export income and diversification from the traditional export products; and for the Madang Province it will be its first major mining related development.

The signing of the Ramu Master Agreement represents the first major investment by a Chinese company in the minerals resources sector of Papua New Guinea. I believe there are significant opportunities for companies from the Peoples Republic of China to invest further in the Papua New Guinea minerals sector, and Highlands Pacific is ready to participate in assisting this process.

The world demand for nickel is so great that Ramu nickel would find a ready market now to help fill the shortfall of nickel and take advantage of the high nickel prices which are on offer. In fact, experts tell us that the world demand for nickel will continue in deficit, unless a project the size of Ramu is developed every year.

On this properly optimistic note, on behalf of the Ramu joint venture participants, I would like to formally welcome China Metallurgical Construction (Group) Corporation to the Ramu family, confident that you will proceed as quickly as possible to develop the Project for the benefit of Papua New Guinea and all the joint venture participants.

Best wishes and good luck from all of us.

Robert Bryan  
Chairman of Directors  
Highlands Pacific Limited