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RAMU PROJECT - China Metallurgical Construction (Group) Corporation Exercise Right to Earn 85% Interest

China Metallurgical Construction (Group) Corporation (MCC), have advised that they are exercising their exclusive right to take up an 85% interest in Ramu nickel-cobalt project as provided in the Master Agreement which was signed on the 30 March 2005.

It is planned that the Ramu Joint Venture Agreement covering MCC's involvement and was negotiated at the same time as the Master Agreement, will be formally signed by the parties in Port Moresby in October 2005.

Under the Master Agreement and Joint Venture 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 Highlands Pacific.

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 "the exercise by MCC of its right to an 85% interest in Ramu is a major milestone in the development of Ramu and for the Papua New Guinea economy". Mr Holzberger added that Highlands Pacific Limited had developed an excellent working relationship with MCC and that he looked forward to working with MCC to take the Ramu project forward to development.

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.

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.

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