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RAMU NICKEL COBALT PROJECT UPDATE US\$1.37 BILLION PROJECT FINANCING SECURED

Highlands Pacific Limited (ASX: HIG) is pleased to announce that its Joint Venture partner, MCC Ramu NiCo Limited ("MCC Ramu", interest 85%) has executed the financing documents to fund the US\$1.37 billion development of the Ramu nickel cobalt project in PNG.

Major construction activities are underway at the project, which is targeting annual production of approximately 31,150 tonnes of nickel and 3,300 tonnes of cobalt for at least the next 20 years.

Highlands' Managing Director, John Gooding said that the execution of the financing documents was the final hurdle for financing the project, while the current construction activities continue to give confidence that the project is well on the way to successful completion with approximately USD350 million spent or committed to date.

"We are excited by the progress being made at Ramu, with financing now secured and development activities in full swing.

"Ramu remains on schedule for commissioning of the mine in the first half of 2009, with the process plant to be commissioned in late 2009.

"Whilst Highland's initial stake in the project is 8.56%, Ramu will ensure a healthy, long-term cashflow for the company, as well as providing a growth opportunity by scaling up the company's interest to 20.55% down the track."

Highlands advised on 31 March 2008 that formal project commencement and accelerated major construction at the project was due to commence within ninety (90) days. It was also announced at that time that financing for the project was expected to be finalised during this period.

Financing of the US\$1.37 billion development is as follows (approximately):

- US\$344 million supplied by MCC and other MCC-JJJ shareholders as equity on behalf of all joint venture partners;
- US\$560 million debt financing from the Export-Import Bank of China (China Eximbank); and
- US\$473 million debt financing from MCC-JJJ Mining Development Company Limited as a shareholder loan.

In broad terms the loans will be repaid by 2017 (being 8 years from commissioning) with the USD portion of the loan based on LIBOR (London inter-bank offer rate) plus a 1.6% margin and the RMB portion based on the People's Bank of China (currently around 5.7%).

MCC-JJJ Mining Development Company Limited, who owns 100% of MCC Ramu which in turn holds 85% of the Ramu project, is structured as follows:

- 61% - China Metallurgical Construction Corporation (MCC);
- 13% - Jinchuan Group Limited (Jinchuan);
- 13% - Jilin Jien Nickel Industry Co., Ltd (Jilin); and
- 13% - Jiuquan Iron and Steel (Group) Co., Ltd. (Jiuquan).

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 (2017). From commissioning, Highlands is able to have access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow. 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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