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ANNOUNCEMENT

RAMU HEADS OF AGREEMENT SIGNED WITH CHINESE METALLURGICAL CONSTRUCTION COMPANY

Ramu Nickel Limited (RNL), a wholly owned subsidiary of Highlands Pacific Limited, and Mineral Resources Development Company Limited (MRDC), a company owned by the PNG government, have entered into a Heads of Agreement with the Chinese Metallurgical Construction Company (MCC) to develop the Ramu Nickel Project.

The key points of the Heads of Agreement are:

- MCC will acquire an initial 85% interest in the project;
- RNL, MRDC and the Landowners will have a combined 15% interest in the project which will be "free-carried" to the commencement of commercial production. The Landowners will hold 2.5%, RNL and MRDC will hold the balance in accordance with their interest in the project, currently 68.5% and 31.5% respectively;
- Following MCC recovering the cost of development from its 85% share of the project, MCC will transfer a further 5% interest in the project free to RNL, MRDC and the Landowners to be shared amongst them pro-rata to their interest in the project;
- Also at this time, RNL, MRDC and the Landowners will have the right to buy back up to a further combined 15% interest in the project at market value;
- MCC will provide 100% of the finance for the project development through to the commencement of commercial production;
- MCC will undertake an evaluation of the project with a view to commencing construction as soon as possible;
- MCC will undertake the construction of and be the operator of the project;
- MCC will have the right to purchase 100% of the production of the project on an arms length basis; and
- This agreement is subject to a full joint venture agreement being negotiated and agreed within a three month time frame.

MCC is a major Chinese construction and operating company which is owned by the Chinese government.

Mr Holzberger, Managing Director of RNL and its parent, Highlands Pacific Limited, said that he believed that this was a very positive outcome for all parties. He added that a lot of work was still required to finalise a joint venture agreement between the parties, but that he was hopeful of construction commencing early in 2005.

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