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## **Highlands reaches agreement on restructure of the Kainantu forward sales program, and welcomes USD 20 million equity injection from Resource Capital Funds**

Highlands Pacific Limited (Highlands) announced today that it had agreed terms for the restructuring of the Kainantu gold forward sales program with its banking consortium led by ABN AMRO; and to boost its working capital, Highlands has agreed terms with Resource Capital Fund IV LP (RCF IV) for a placement of ordinary shares to raise USD 20 million.

Announcing the two transactions today Highlands' Managing Director Ian Holzberger said the forward sales re-structuring will result in the current forward sales contracts comprising 250,000 ozs by December 2008 (which remain in place at this date), being rescheduling out until December 2010. This reflects the increased gold reserves at Kainantu as announced in the Company's September 2006 Quarterly Report. The USD 20 million equity injection by RCF IV will be used to fund optimisation of the gold production at Kainantu and to support ongoing exploration focusing in the immediate vicinity of the Kainantu Mine.

As Highlands is a Papua New Guinean registered company all agreements of this nature require regulatory approval, including Papua New Guinea Exchange Control approval, prior to execution. Further details of the planned transactions will be announced as they are completed.

The placement to RCF IV will be made up of new shares priced at \$ 0.297, a \$0.01 premium to the last 20 working day volume weighted average price of Highlands' ordinary shares. For each eight ordinary shares issued, RCF IV will receive four free option entitlements that could be exercised according to a schedule of prices, being one option at \$0.50, one option at \$0.55, one option at \$0.60 and one option at \$0.65. These options which may be exercised any time up to 3 years from the date on which they are issued will be unquoted. The ordinary shares issued to RCF IV will represent approximately 13.22% of Highlands' expanded equity base.

The initial tranche of the placement of shares and options (comprising 82.7 million shares approximately) will be issued on completion, but together with other securities issued in the past 12 months, will not exceed 15% of Highlands current share capital at the time of issue. The balance of the placement of shares and options will be presented to shareholders at a Special Meeting for consideration.

On completion, Mr. Ian Burvill will join the Highlands Board as a representative of RCF IV. Highlands' Chairman Bob Bryan welcomed Ian's future involvement. "Having worked closely with Ian in the past, I have every confidence that Highlands will benefit greatly through his participation", Mr Bryan said.



## **About Resource Capital Funds**

Resource Capital Funds (RCF) is a private equity funds manager based in Denver, Colorado, USA. Its funds have investments in mining projects around the world in a range of commodities, including gold, base metals, coal, and industrial minerals. Over the last couple of years in this region, RCF's funds have invested in, among others, St Barbara (gold), QMAG (magnesia), Murchison Metals (iron ore), and Metallica Minerals (bauxite, nickel, and coal).

RCF IV is the fourth in a series of mining funds managed by RCF. Highlands will be the first investment for RCF IV, which has USD 527 million of committed funds.

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