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10 August 2006

## ANNOUNCEMENT

### RAMU NICKEL PROJECT – STATE AGREEMENT SIGNED

A variation to the Ramu Nickel Mining Development Contract was executed today by the Head of the State (PNG), the Governor General, and the Ramu Nickel Joint Venture participants at Government House. The variation agreement confirms the Joint Venture's right to develop and mine the Ramu Nickel project and grants the project and the Joint Venture participants a number of generous incentives in support of the development. These incentives include a 10 year taxation holiday and various import duty and excise exemptions.

During the post signing press conference, China Metallurgical Construction (Group) Corporation (MMC) reaffirmed its intention to commence project development before the end of this calendar year advising that some ground work for the erection of temporary facilities had recently commenced. MMC confirmed its objective of achieving mechanical completion by April 2009.

Mr Ian Holzberger, Managing Director, said "the incentives provided to the Ramu project by the Papua New Guinean Government and the execution of this agreement allows the project funding package to be finalised and clears the path for the development". Mr Holzberger added that Highlands Pacific was excited to be part of this quality project and that it would continue to provide support to assist MCC to move the project through final design and construction.

#### **About the Ramu Joint Venture**

Ramu is a "wet tropica" laterite nickel / cobalt project located in the Madang province of Papua New Guinea. The project is permitted for development and operations. The resource is estimated at 143 million tonnes at 1.01% Ni and 0.11% Co. It is planned that the project be developed as an intermediate producer producing a high grade pure nickel and cobalt sulphide product containing 33,000 tonnes of nickel and around 3,000 tonnes of cobalt per annum. The initial mine life is estimated to be in excess of 20 years.

The participants in the Ramu Nickel Project include, Ramu Nickel Limited (RNL), a wholly owned subsidiary of Highlands Pacific Limited, China Metallurgical Construction (Group) Corporation (MCC), Mineral Resources Development Company Limited (MRDC), a company owned by the PNG government and Mineral Resources Madang (MRM) a land owner company managed by MRDC.

Highlands Pacific (RNL) has an initial 8.56% carried interest in Ramu, increasing to 11.3% at no cost to the Company after the project debt has been repaid. At this time Highlands Pacific also has the option to increase its interest in the project by 9.25% at fair market value, which if exercised would take Highlands Pacific's interest to 20.55%.

MCC, the manager, holds an initial 85% interest in the project. It is responsible for funding 100% of the project including Highlands Pacific's equity (on a free carried basis) and arranging the debt funding. The development of Ramu will be non-recourse to Highlands Pacific.

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

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