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## **SUSPENSION OF OPERATIONS – KAINANTU GOLD MINE PNG**

The Board of Directors of Highlands Pacific Limited has taken the decision to suspend all mining operations at the Kainantu Gold Mine, due to a significant security threat posed by the Barola Kafe Clan and certain other groups who claim land ownership in the mine area

This decision took effect at 11.00 am Wednesday 12<sup>th</sup> April 2006.

The threat posed by the claimant groups is currently being investigated by the police, and government officials are currently in discussion with the parties in an effort to resolve the dispute. The Company is co-operating fully with this initiative.

It is clear that the security threat is a result of the claimant's frustration with the Lands Title Commission (LTC) which is charged with the determination of land ownership at the Kainantu mine site. The LTC commenced hearing claims to land ownership in May 2004 but went into recession in May 2005 due to lack of PNG Government funding; the LTC resumed hearings in November 2005, but went into recession in December 2005 again due to a lack of funding.

Highlands Pacific's Chairman Bob Bryan stressed that the safety of the Company's employees, contractors and the communities in the vicinity of the mine site was the paramount consideration in taking this action. He stated that the mine would not be re-opened until Highlands Pacific was confident that there was no ongoing security risk to personnel or the Company's property.

Mr Bryan noted that the frustration of the claimant groups with the LTC process was understandable, and stressed that the Company shared the wish to see the LTC process completed as soon as possible. However, threats to personnel and property were totally counterproductive as well as being unlawful.

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