RAMU NICKEL & COBALT PROJECT

Project Overview

The world class Ramu project, located in the Madang Province of PNG, is planned as a low cost operation treating laterite ores to produce nickel and cobalt as a high grade intermediate product. The development of this "wet tropical" laterite deposit inland from Madang on the PNG North Coast has received all the permits and approvals necessary for development from the National Government.

The project is in an advanced stage of development with commissioning targeted to begin at the end of 2009.

The Ramu project is premised on mining and beneficiating the nickel and cobalt ore at Kurumbukari which is located in the foothills of the Bismark Ranges approximately 75km south west of the provincial capital of Madang. The upgraded ore will be pumped, as a slurry, through a 134km pipeline to a high pressure acid leach processing facility at Basamuk Bay on the Rai Coast. The resulting high value mixed hydroxide intermediate product will be exported for refining to produce saleable nickel and cobalt products.

The feasibility study and subsequent update studies have been based on production of 31,150 tonnes of nickel and 3,300 tonnes of cobalt annually over a 20-year mine life. The Kurumbukari nickel and cobalt resource of 143 million tonnes of 1.01% nickel and 0.1% cobalt will support a very long life operation.

Benefits to the national, provincial and local economies will accrue through direct and indirect taxation, royalties, export earnings generating foreign exchange, infrastructure development, commerce, employment and educational opportunities.

Permitting

The project is fully permitted, having received all the permits and approvals required from the different levels of government.

Joint Venture Structure

The Chinese Metallurgical Group Corporation ("MCC") manages and operates the Ramu Joint Venture which was formally ratified in October 2005. The current ownership structure is:
MCC (Fortune 500 Company) is a major Chinese State-owned construction and operating company with over 70 subsidiaries.

Joint venture Structure			
85.00%	Chinese Syndicate	61.00%	MccRamu NiCo Limited (a subsidiary of MCC)
		13.00%	Jinchuan Group Limited
		13.00%	Jinlin Ji'en Nickel Industry Corporation Limited
		13.00%	Jiuquan Iron and Steel Group
8.56%	Ramu Nickel Limited (a subsidiary of Highlands Pacific)		
3.94%	Mineral Resources Ramu Limited (a subsidiary of MRDC)		
2.50%	Mineral Resources Madang Limited (a landowner company)		

The company grew rapidly as a result of being involved in the construction of many of China's major steel companies. It diversified into a range of sectors including construction and operation in the chemical, non-ferrous and mining sectors in China. More recently, it has been involved in construction and resources development outside China.

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While retaining its focus on EPC contracting, fabrication of mechanical equipment and resources and property development, MCC has a range of diversified interests outside its traditional construction activities.
In addition to Ramu, MCC has to date invested as much as US$1 billion in mining resources abroad, including the production facilities and interests in mineral deposits. MCC is one of the largest equipment manufacturers in China and has total assets of approximately US$20 billion. In 2007, the company had revenue of US$18 billion and total profit for the group of US$1 billion. It has over 50,000 technical and managerial employees.

MCC is responsible for financing 100% of the project including Highlands Pacific's equity (on a free carry basis) and arranging the debt. The development of Ramu will be entirely non-recourse to Highlands Pacific.

Highlands 8.56% interest in the project will increase to 11.30% at no cost to the Company after repayment of the debt raised to finance the project has been completed. 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 Highland's 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. Highland's 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 11.30%.

Other Chinese parties involved with MCC are Jinchuan Group Limited; Jilin Jien Nickel Industry Co., Ltd.; and Jiuquan Iron and Steel (Group) Co., Ltd. These are all major players in the steel and nickel industry in China. Jinchuan is also the largest producer of nickel metal and cobalt in China and is the fifth largest in the world. It has been very active in the Australasian market recently in both signing off-take agreements and taking holdings directly in companies. Jilin is one of the largest producers of nickel sulfate in the world and Jiuquan is a major domestic iron and steel smelting company which is listed in the top 500 of Chinese national enterprises.

Development Overview

General pre-construction activities commenced during the 2006 year and ground based pre-construction activities were initiated during the September quarter, following the negotiation and execution of a variation to the Ramu Mining Development Contract (MDC).

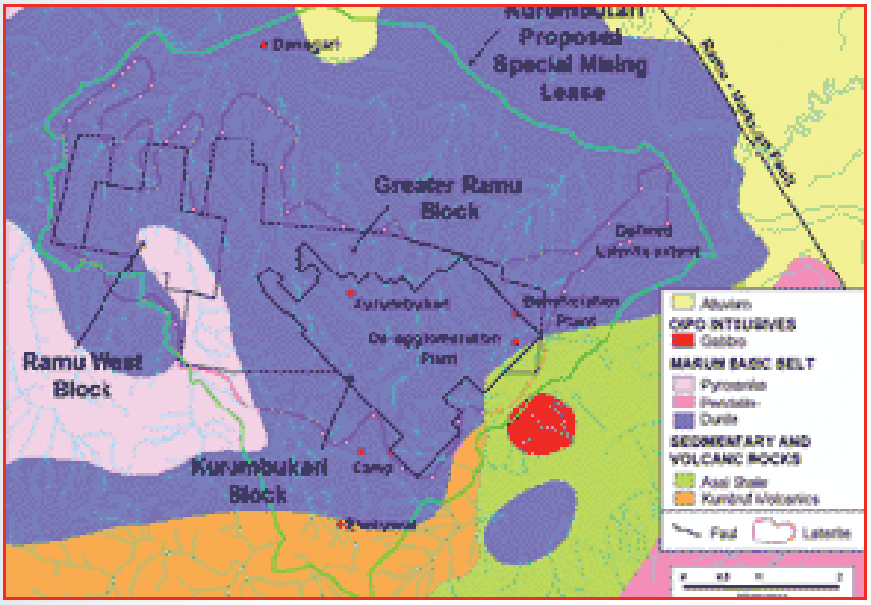
The MDC manages the relationship between the State of Papua New Guinea and the Ramu Joint Venture during the development and operation phases of the project. The revised MDC confirms the Joint Venture's right to develop and mine the Ramu deposit and grants the project and the Joint Venture participants a number of generous incentives in support of the development. Among other project specific initiatives the MDC now grants the Ramu Project a tax (corporate income tax) free status for 10 years from the commencement of commercial production. This benefit accrues to all joint venture participants.

Early in November 2006, in the presence of the Prime Minister of Papua New Guinea, the development of the Ramu nickel and cobalt project was sanctioned at a "foundation stone" laying ceremony at Basamuk, the plant site.

Pre-construction engineering and design work commenced early in the 2006 year with a number of specialists international and domestic engineering firms retained to provide services to the project. A 120 tonne ore sample was collected from the Kurumbakari mine site to be used for specific large scale test work to provide final design information. Site construction started in August 2006 and will be completed by the end of 2009 in time to start commissioning, both at the Basmauk processing plant and the mine site. The Basamuk wharf was completed at the end of 2008 which allows the shipping in of the large plant pre-fabricated in China. The wharf can birth ships of up to 50,000 tonnes displacement capacity. Permanent workers camps, both at the mine site and the processing plant, are in advanced stages of construction, replacing the temporary camps. Construction of the 134 km pipe line is nearing completion. The pipeline traverses the Ramu River, where a large multi-purpose bridge has been constructed (the second largest in PNG). This bridge enables access to the mine site from the Lae-Madang highway. A large administration building, located in Madang was opened in May 2009. Community Affairs and a Business Development unit have been established by the joint venture to ensure that PNG nationals are well placed to benefit from the construction and operation of the project. The project is on schedule to begin commissioning at the end of 2009

Geology

The following information is based on a Feasibility Study completed in 1998 by Highlands Pacific, who were then the operator and MCC who subsequently undertook a Feasibility Study in 2007. The Ramu Nickel Project Special Mining Lease area contains basement rocks that comprise dunite, gabbro and minor pyroxenite of the Miocene age, Marum Basic Belt. These rocks intrude the Asai Shale and Kumbruf Volcanics in the southeast as shown below.

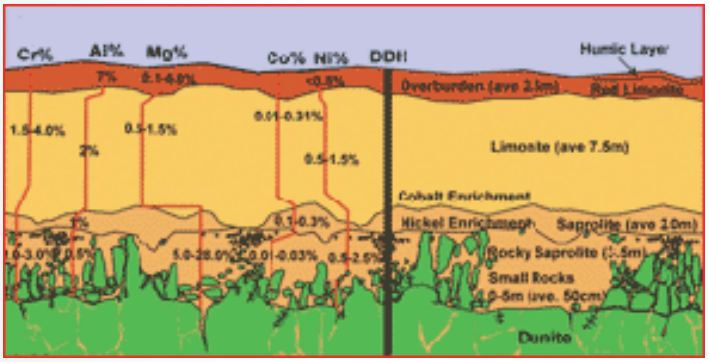


The laterite profile averages 15 m, but varies locally as a result of active erosion by streams and gullies. The laterite is thicker along major fracture zones in the dunite, which promotes downward leaching by surface waters.
The laterite profile from top to bottom comprises:

Overburden	Humic layer & Red Limonite overburden (transported) contains low nickel (<0.5% Ni) and cobalt grades.
Limonite	Yellow Limonite ore, hosts the bulk of the nickel - cobalt resource.
Saprolite	Enriched in nickel and cobalt and, significantly, magnesium. The top of the saprolite marks the boundary between acidic weathering and alkaline weathering conditions in the profile.
Rocky Saprolite	Contains dunite boulders in varying quanities in a saprolite host.
Bedrock	Typically dunite.

The ore minerals containing most of the nickel and cobalt within the laterite at Ramu include goethite and asbolan. Garnierite occurs in minor quantities within rocky saprolite. A typical Ramu laterite profile depicting metal concentrations and horizon thickness and continuity is shown below.

Geology, Defined Laterite Extent and Resource Blocks



Unlike many other laterite deposits, there is no near surface ironstone or ferricrete development and all of the Ramu ore is free digging with no requirement for blasting during mining. The region has distinct dry (May to October) and wet (November to April) seasons. The latter's high rainfall, estimated to average 4,500 mm/annum, was taken into account during the design of the operation.

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Exploration Potential

The estimated resource (143.2 Mt) is currently contained within the Kurumbukari Resource Block and the Ramu West area (10 km^2 combined) and the Greater Ramu Block (a further 8 km^2). Nickel bearing laterite is developed in areas adjoining the known resource. Of this, about 7 km^2 has been investigated by broadly spaced drilling. A further 65 km^2 of ultramafic rock occurs within the Ramu Exploration Licence over which nickeliferous laterite is thought to be developed. At this time, this potential is substantially untested. It is anticipated that further exploration, review and re-estimation will significantly enhance both resources and reserves.

Ore Resources and Reserves

The Ramu Nickel Project contains a total identified resource of 143.2 Mt of nickeliferous laterite at 1.01% nickel and 0.10% cobalt. This resource was reported in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves, 1996 (the JORC code). Using a cut-off grade of 0.5% nickel, which effectively measures the down hole limit of the overburden, the measured and indicated resources as of January 2000 are shown in the tables below. The resources include the stated reserves, which were estimated from detailed mine plans, prepared for the feasibility study.

Mineral Resources
(excluding + 2mm internal rocky material)

Resource	Mt	Ni%	Co%
Measured	42.4	0.93	0.11
Indicated	29.8	1.07	0.11
Inferred	71.0	1.04	0.10
Total	**143.2**	**1.01**	**0.10**

Ore Reserves

Category	Mt	Ni%	Co%
Proven	39.7%	0.88	0.10
Probable	36.0	0.94	0.09
Total	**75.7**	**0.91**	**0.10**

Scope of Resource Evaluation

Exploration, geological analysis and investigation of the Ramu Nickel Project has included:

- Geological mapping of resource areas:
- Detailed topographic surveys and grid establishment;
- 1,139 HQ and NQ diamond drill holes totaling 22,363 m and an average hole depth of 19.6 m;
- Most drilling on a nominal 100 m x 100 m grid, with select areas closed down to 50 m x 50 m and 25 m x 25 m to establish geo-statistical variability;
- 22,145 drill samples were assayed for Ni, Co and Mg. Selected samples and composites were analyzed for Mn, Al, Si, Fe and Cr;
- Bulk density measurement from 1,550 drill core samples and 12 insitu sand replacement tests;
- Face sampling and mapping from two trial mining pits; and
- 60 line km of ground penetrating radar (GPR) survey to map the depth profile of the top of the rocky saprolite between drill holes.

Mining Operations

The Ramu deposit is well suited to conventional open cut mining methods. A number of methods were considered, with the essential criteria being suitability, practicability, economics and reliability. An excavator/truck benching system was selected for the purposes of mine planning and design. The broad components of the mining process which best suits the Project's varying geography, ore lithologies, geotechnical characteristics and environmental objectives are:

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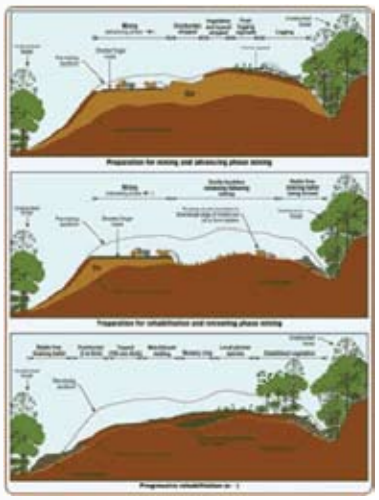
Land Clearing	To progess in stages, one dry season ahead of mining. Settlement ponds and sediment filters iwll be established close to the cleared areas to reduce sediment loads in the natural drainage system.
Overburden removal	to be removed by bulldozing into windows and loading into trucks.
Ore Mining	Does not require drilling and blasting. Two hydraulic excavators will dig up to 10m high faces advancing along a bench in face shovel mode and then retreat digging 5m below the bench in backhoe configuration.
Rehabilitation	to commence immediately after the completion of mining of each bench.

Mining Sequence and Progressive Rehabilitation



Proposed Mining Fleet	
Number	**Item**
1	150 tonne class excavators
2	Utility 75 tonne excavator
3	Spare face shovel broom kit
4	Bulldozers
20	37 tonne articulated frame haul trucks
2	Spare rigid frame haul trucks

A road maintenance fleet and appropriate ancillary equipment will also support the mining operation.

Life of Mine Schedule

Mine operations are planned for 24 hours/day, 365 days/year to provide continuous feed to the beneficiation plant and refinery. Over the course of 20 years of production, 75 Mt of the reserves grading 0.98% Ni and 0.11% Co will be fed to the beneficiation plant. Waste to ore ratio is 0.28 to 1 averaged over the life of the operation. Insitu moisture levels average 44% for the ore.

Processing Operations

Process Selection and Development

A metallurgical development program was undertaken from June 1994 to June 1996 as part of the prefeasibility assessment of the Ramu Nickel Project. The objective of the work program was to develop a metallurgical process based on pressure acid leach technology that would produce nickel metal and a cobalt by-product.

The metallurgical process subsequently developed consists of four stages:

- Ore preparation at the Ramu mine, including removal of coarse oversize host rock and chromite mineral;
- Slurry transportation by pipeline to the refinery;
- Acid pressure leaching to solubilise the nickel and cobalt, and their subsequent precipitation as intermediate hydroxides.

The successful completion of this development program and a positive pre-feasibility study led to the initiation of a feasibility study in July 1997 and operation of a fully integrated pilot plant in 1997-1998. The results from the pre-feasibility test work were used as the design basis for the pilot plants.

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Pilot Plant Testwork

In 1997-1998 a pilot plant scale test program was conducted at Hazen Research (USA) and Lakefield Research Laboratories (Canada). Hazen conducted parallel pressure leach pilot runs while the major portion of test work was conducted at Lakefield. This included 1,335 hours of continuous pilot plant operation conducted over several periods involving varying blends of the limonite and saprolite ore types. The longest single continuous phase of pilot plant operation was 330 hours.

Pilot plant operations at Lakefield and Hazen included pressure acid leaching, neutralisation, counter current decantation (CCD) and selective precipitation of iron and aluminium from the pregnant liquor. The pregnant liquor produced from both campaigns at these laboratories was processed through to nickel cobalt hydroxide by precipitation at Lakefield.

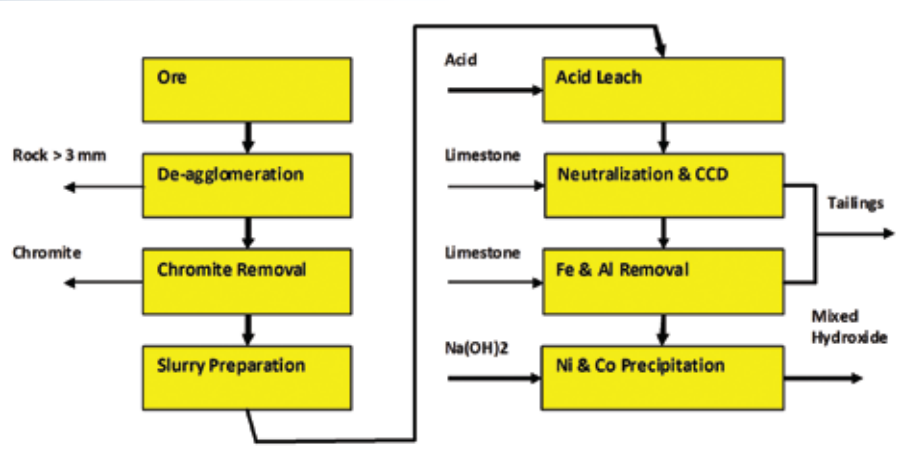
Whilst the main principals in the nickel cobalt hydrometallurgical process (pressure acid leaching and solution purification) are common to all new lateritic treatment plants, a number of options exist in circuit detail. Principally these options are a function of factors such as ore mineralogy, site water characteristics and the cost and availability of various reagents.

Principal results from pilot plant test work include:

- Ramu ore slurry could be readily thickened to produce an autoclave feed containing 32% by weight of solids;
- Direct leach tests indicated that an operating temperature of 250°C was required for optimum leach kinetics;
- For a typical Ramu autoclave feed grade, 1.2% nickel, 0.08% cobalt, 2.6% magnesium and 3.4% aluminium,
- An acid addition rate of 0.27 tonnes of acid per tonne of dry ore resulted in greater than 96% nickel and cobalt extraction in 60 minutes of leaching.
- Nickel extraction was above 95% after only 30 minutes of leaching. The results indicated that the Ramu ore is particularly amenable to pressure acid leaching with a low acid demand (comparable to Moa Bay in Cuba) and rapid leach kinetics. Acid demand was less in limonite ore tests; and
- Overall recoveries for nickel and cobalt projected from the Pilot Plant results are 92.7% Ni and 88.1% Co for a mixed limonite and saprolite ore.

The proposed Ramu ore process flowsheet is shown below.

Process Flowsheet



Beneficiation Plant

The beneficiation plant will treat run of mine ore to produce a fully de-agglomerated, correctly sized and consistent slurry density feed for overland pipeline transportation to the refinery. The plant will comprise a de- agglomeration/screening plant and a chromite removal/slurry preparation plant. It will be designed to treat 4.6 Mt per annum of dry ore at a 44% moisture content to provide 3.2 Mt per annum (dry) of feed to the refinery having metal contents of typically 1.09% nickel and 0.11% cobalt.

Slurry Pipeline

The 600mm diameter slurry pipeline will run from the beneficiation plant at Kurumbukari to the refinery at Basamuk via pumping stations at Usino Junction and near Ato. This is a distance of approximately 134 km, with a drop in elevation from about 706 m to RL 25 m above mean sea level.

Process Plant

The processing plant is located at Basamuk Bay, adjacent to the purpose built deep water port, capable of berthing 50,000 tonne displacement ships. It will produce a high grade mixed hydroxide product containing 31,150 tonnes of nickel and 3,300 tonnes of cobalt annually. The mixed hydroxide will be sold on the world market to refineries offering the most competitive off-take rates.

A visual impression of the Basamuk plant and port facilities is shown.

Tailings from the refinery will be discharged into deep ocean canyons in the adjacent offshore area utilizing the deep sea tailings placement technique currently employed at the Lihir (PNG) and Batu Hijau (Indonesia) operations.

Acid Plant

A sulphuric acid plant producing 3,350 tonnes per day of 98.5% pure sulphuric acid will be installed to supply the acid requirements for the high pressure acid leach, lime boil and solvent extraction stages within the refinery. Feed stock for the plant, comprising some 360,000 tonnes of sulphur per annum will be supplied to the site by bulk shipping over the project dedicated deep water port. The acid plant will produce a large amount of steam, which will be efficiently utilised for various process heating requirements.

Lime Plant

Around 1.2 Mt per annum of limestone is required for neutralisation (0.8 Mt) and as feed to the lime plant (0.4 Mt). This will be sourced from the abundant supplies of high grade limestone available in the vicinity of Basamuk. The initial quarry site has resources in excess of 10 years supply and is located two kilometres from the refinery site.

Design Philosophy

All process components have been designed around an availability of 7,500 hours per year or 85% availability.

Infrastructure

Owing to the remote location of the Project, most major infrastructure components will need to be constructed as part of the project development. The coastal location and proximity to the major provincial capital of Madang does however, result in good access and availability of some services.

Infrastructure requirements:

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Access Roads & Bridges

From Usino Junction to Kurumbukari.

Water

Abundant supplies sourced from rivers close to the respective plant and mine sites.

Wharf

- Project dedicated, land backed wharf developed in a deepwater natural harbour in Basamuk Bay;
- Suitable for the berthing and unloading of 50,000 DWT vessels; and
- 180 m long deck to allow for discharge of bulk material from four holds concurrently

Power

- A supply at Basamuk using fuel oil in medium speed generating units (60 MW); and
- A supply at Kurumbukari using diesel oil in high speed diesel generating units (30 MW).

Telecommunications

Network to connect the project sites with Madang and elsewhere.

Accommodation

Permanent at Madang and single style accommodation for personnel on site rosters at Kurumbukari mine site and the Basamuk processing plant.

Township

Located near Basamuk refinery, including housing and basic amenities. Additional contracts will be established for some areas of operation including:

- Security;
- Catering;
- Transport services; and
- Non-core maintenance functions.

The Environment

Integration of cost, engineering, community and environmental factors is an explicit objective of the development of the Ramu Project. Extensive physical environmental baseline studies covering water, flora and fauna have been conducted by specialist consultants and will be integrated into environmental management strategies to ensure the long term viability of the project.

The Ramu Nickel Joint Venture's commitment to ongoing rehabilitation investigations (see photograph below) and to monitoring the various aspects of mine management activities and associated environmental safeguards will continue into the mine's development and operational phases.

Re-vegetation Study in Feasibility Trial Mining Pit

Extensive socio-economic baseline studies have also been undertaken culminating in a Social and Economic Development Plan (SEDP) for the Project. The plan provides safeguards for the social and economic aspects impacted by development.

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Ramu Environmental Impact Assessment

- Thorough baseline programs have been completed with baseline data used as source information for the environmental plan;
- The marine geomorphology of Basamuk has been confirmed by detailed bathymetric surveys conducted to one metre, identifying the area as suitable for the safe placement of tailings at depth in ocean canyons;
- The Project has been designed to minimize and/or mitigate emissions and discharges;
- Management programs will be implemented to ensure the compliance of emissions and discharges with standards as nominated by international agencies and licensed by the Department of Environment and Conservation;
- Environmental controls have been designed to World Bank standards; and
- Social and Economic strategies are incorporated in the SEDP.

Environmental Management and Monitoring

The proposed environmental management and monitoring program will include the following sequential steps:

- Timely collection of baseline range (see below photograph) of information describing pre-mining conditions against which future mine-imposed changes can be compared and assessed and significant deviations from normal cyclical fluctuations can be detected;
- Monitoring of construction effects;
- Following construction, performing an intensive short-term study to validate the predictions of the effects of the Project, followed by a long-term, low intensity monitoring program;
- Monitoring operations for regulatory compliance and to identify any unforeseen effects; and
- Maintaining awareness of impacts socially in village communities.

The Ramu Project Is Committed to Minimising the Impact of Exploration and Development on the Environment

Landowners

The nature of customary land ownership in Papua New Guinea requires consultation and negotiation with landowners in relation to exploration activity.

Sharing information at a Ramu Project Community Meeting

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The Ramu project spans three distinct geographic areas of operation and involve a broad landowner base. Four traditional landowner associations have been formed to represent the respective peoples:

- Kurumbukari Landowners Association;
- Inland Pipeline Landowners Association;
- Coastal Pipeline Landowners Association; and
- Basamuk Landowners Association.

The executives of the Landowner Associations represent their constituent members in Forum meetings and compensation hearings.

Community Health and Education

The location and nature of activity at the Ramu site necessitates a strong emphasis on employee and community health and education. Too many village communities in these remote areas the Project offers the only health support and education opportunities available. In line with its commitment to each of these bodies, project community health teams travel to nearby villages to conduct immunisation and health awareness programs, as well as support Government aid posts with medical resources and logistical services. Adult literacy programs, primary school scholarships, tertiary assistance schemes and construction of elementary schools have already been implemented.

Community Health Programs Educate and Treat Local Villagers

Training

A development of the size and complexity of the Ramu Project requires the implementation of training programs, which, over time, will enhance the general skills of the local workforce. On the job skills training, trade apprenticeships and sponsored higher education programs will form the basis of training programs designed to increase local participation in the operation over time.

Business Development

The Ramu Nickel Joint Venture has developed a policy to guide business development activity associated with the Project. Where commercial competitiveness can be demonstrated, the Ramu Nickel Joint Venture will offer contracts for goods and/or services to landowner companies, locally owned companies and locally based companies.

Development Permits

The Mining Development Contract (MDC) was signed and the Special Mining Lease (SML) issued in July 2000 and a subsequent revision in August 2006.

The SML gives the Ramu Joint Venture the right to develop and operate the Ramu project for a period of forty (40) years. The MDC is a contract between the State of Papua New Guinea and the Ramu Joint Venturers. The MDC defines the right and obligations of the parties. The term of the MDC is the same as the SML (40 years).

The key elements of the MDC are:

- The State guarantees to maintain fiscal stability in relation to the project for a period of ten years from the commencement of commercial production;
- The right to hold foreign currency offshore to meet operating cost, debt servicing, capital expenditure, and dividend obligations in foreign currency from the subsequent six months;
- The right to use expatriate workers where the skills are not available in PNG;
- The right to import capital goods, services and consumables and export finished product;
- The project is zero-rated for value added tax. During construction, the project will not be required to pay VAT on imports and recover from the State resulting in a working capital saving;
- The first 10 years of operation will be on a tax free basis;
- A net smelter return royalty of 2% is payable;
- The Joint Venturers undertake to develop the project in accordance with the Approved Proposal for Development;
- The Joint Venture undertakes to comply with the laws of PNG;
- In the event of a dispute in relation to the MDC, the option of arbitration under either the ICSID or UNCITRAL rules is available.

Risk Mitigation

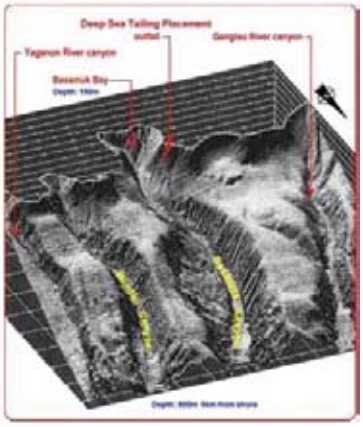
The development of a large resource project such as Ramu has various risks associated with it. In preparing for the development of Ramu, Highlands Pacific has paid attention to mitigating the technical, commercial and country risk factors in order to maximise the benefits to all stakeholders. MCC subsequently has adopted and extended the Highlands approach. A number of strategies are being developed for implementation in order to reduce risk. These strategies take the following form:

Environmental Risk Mitigation

Ramu has minimal environmental impact because of:

- The benign nature of the ore;
- The nature of the mining operation, being strip mining with continuous rehabilitation and the land being returned to the traditional landowners on a 5 year cycle;
- Mine water containment and recycling resulting in a nil discharge site;
- Designed to World Bank standards; and
- Well designed sustainable tailings disposal strategy based on submarine disposal of neutralised tailings into a deep ocean basin. See below diagram. High natural sedimentation rate (80 mtpa) is a feature of the basin.

Three dimensional image of submarine canyons off Basamuk Bay



Sovereign Issues

Sovereign risk is mitigated by:

- Significant Papua New Guinea ownership including the landowners;
- All affected landowners benefit from royalty payments, compensation payments and project equity as well as business development and employment opportunities;
- Significant benefits to the Papua New Guinea economy;
- Involvement of international agencies in financing;
- Political risk insurance cover for debt finance. Indications are that cover will be available to such a project in PNG;
- Detailed Mining Development Contract with the State of Papua New Guinea including fiscal stability measures.

Orebody Risk Mitigation

The ore body risk is mitigated by:

- The ore body being contiguous and homogenous with minimal lateral variability, no blending of ore is required; and
- The limonite and saprolite, unlike the ores of most other lateritic nickel projects, are metallurgically similar.

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