



HIGHLANDS PACIFIC LIMITED ARBN 078 118 653
Incorporated in Papua New Guinea

Registered Office

PO Box 1486, Port Moresby NCD 121
Papua New Guinea
Level 9 Pacific Place, Musgrave Street
Port Moresby NCD 121
Papua New Guinea

Telephone: (675) 321 7633
Facsimile: (675) 321 7551
Website: www.highlandspacific.com

Registered Office in Australia

GPO Box 3086, Brisbane QLD 4001
Australia
Level 4, 167 Eagle Street
Brisbane Qld 4000
Australia

Telephone: (617) 3239 7800
Facsimile: (617) 3221 6727
Email: info@highlandspacific.com

22 February 2007

KAINANTU PROJECT – REFINANCING UPDATE

Highlands Pacific is pleased to announce that all necessary regulatory approvals have been secured and all conditions precedent met with respect to the restructuring of the Kainantu Gold forward sales program and the injection of USD20 million equity into the Company by Resource Capital Fund IV LP (RCF IV).

These transactions had been foreshadowed in Highlands Pacific's announcements of 12th and 14th February. All agreements have now been executed and the transactions are moving to completion.

1. Restructure of Kainantu Gold Forward Sales Program

The long term restructure of the Kainantu gold forward sales program has been put in place on the basis of the revised minimum delivery schedule detailed below.

Delivery Date	Ounces	Gold Price (USD)
30 March 2007	3,000	399.70
29 June 2007	7,000	399.71
28 September 2007	12,000	399.70
31 December 2007	17,539	399.74
31 March 2008	17,539	399.74
30 June 2008	17,539	399.74
30 September 2008	17,539	399.74
31 December 2008	17,539	399.74
31 March 2009	17,539	399.74
30 June 2009	17,539	399.74
30 September 2009	17,539	399.74
31 December 2009	17,539	399.74
31 March 2010	17,539	399.74
30 June 2010	17,539	399.74
30 September 2010	17,539	399.74
31 December 2010	17,532	399.74
TOTAL	250,000	399.74

The restructure provides that the greater of 65% of the gold sold in any quarter or the designated delivery schedule is acquitted against the forward sales contracts with any gold



delivered in excess of the designated quarterly delivery being applied to the outstanding deliveries in reverse order of maturity.

2. Placement of shares and issue of options to RCF IV

As previously advised, the placement to RCF IV will be made up of new shares priced at AUD0.2974. 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 AUD0.50, one option at AUD0.55, one option at AUD0.60 and one option at AUD0.65. These options, which may be exercised any time up to 3 years from the date on which they are issued, will be unquoted.

The initial tranche of the placement of shares and options (comprising approximately 82.7 million shares) will be issued on 6 March 2007 pursuant to the Company's existing placement capacity under ASX and Port Moresby Stock Exchange Listing Rule 7.1, which provides to the effect that a listed company must not issue or agree to issue in any 12 month period more than 15% of the total number of issued securities without shareholder approval. Shareholder approval will be sought for the balance of the placement of shares and options to RCF IV.

Following the issue of shares on 6 March, Mr. Ian Burvill will join the Highlands Board as a representative of RCF IV.

For further information contact:

Ian Holzberger, Managing Director
Phone: (61 7) 3239 7 800
Mobile: 0418 886 165
Email: irh@highlandspacific.com

Craig Lennon, Company Secretary
Phone: (61 7) 3239 7800
Mobile: 0417720081
Email: kgrice@highlandspacific.com