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KAINANTU GOLD PROJECT UPDATE PRE-DEVELOPMENT ACTIVITIES

The Board of Directors of Highlands Pacific Limited (ASX: HIG, 'Highlands') is pleased to report on the progress of the company's fully-owned Kainantu Gold Project in PNG.

Work on the Kainantu gold project is on schedule to support the Company's objective of committing to development in the first quarter of 2003. The mining lease has been granted and environmental approvals in place for Kainantu to proceed to development. The definitive capital cost estimate is being prepared.

Trial mining and underground development is being carried out within the resource area to confirm the suitability of the selected mining method, the ground conditions and the continuity of mineralisation within the gold bearing veins. Bulk sampling of the veins is also being carried out to support process optimisation.

Two crosscuts with a combined length of 60m have been mined at approximately 20m intervals off the exploration adit. These crosscuts intersect clearly defined gold veins south of the previous intersection in the exploration adit (refer attached diagram).

A strike drive has been mined for some 20m south along the Puma vein to its intersection with crosscut 1. From this point the strike drive will mine further south along the parallel Mill vein. Both veins will form part of the initial mining reserve.

Ground conditions have been excellent with no ground support required. The Puma vein has demonstrated visual continuity along the strike drive with the vein being well defined and easily followed. Grade distribution along the vein will be determined from assay results, which have yet to be received.

Limited assay results have been received from the sampling of the crosscuts.

Sampling of the Mill vein in crosscut 1 has showed it to average 0.97m in width and grade 19.3g/tAu at this point. This is consistent with the grade predicted from the resource model for this area and supports the current resource interpretation. Sampling of the Puma vein in crosscut 1 shows it to average 1m in width and grade 9.7g/tAu at this point.

Assay results for the strike drive along the Puma vein, where visible gold has been observed in the mining face, are not yet available. These observations indicate that gold grades could improve along the drive. As previously there had been no resource assigned to the Puma vein in this area (north of 60020N), these better than expected results point to the potential for improving the total gold resource during development.

With respect to funding, ABN AMRO Australia Limited has been mandated to raise a US\$25M debt facility to fund the Kainantu development.

Mr Holzberger added, "At present, the resource at Kainantu is estimated to contain 1.24 million ounces of gold at a high grade of 38.3 g/t, which would provide for a mine life in excess of eight years at the planned production rate. If all goes according to plan, first production should commence in the first quarter 2004."

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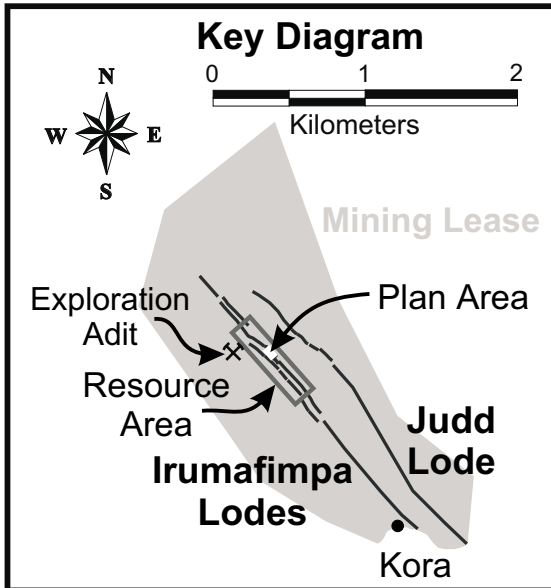
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About Kainantu

Located in the Eastern Highlands' Province of PNG, the Kainantu Gold Project (100% Highlands Pacific) consists of three exploration licences totalling 261 square kilometres encompassing the high-grade Kainantu goldfield.

A feasibility study completed in December 2001 envisages an underground gold mine producing up to 140,000 ounces of gold per annum at an average head grade of around 32g/t gold over approximately 7 years (based on the current estimated mineral resource). Returns to Highland Pacific's shareholders are expected to be very attractive.

The project is progressing rapidly with the granting of the Mining Lease and approval of the Environmental Plan.



Kainantu 1300 Level Plan Section Adit, Crosscuts, Strike Drive to date

