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PRESS RELEASE

Highlands Pacific moves to full ownership of the rich, high grade Kainantu Gold Project, Papua New Guinea

Highlands Pacific Group (ASX: HIG, "Highlands Pacific") has resumed full ownership of the high grade Kainantu gold project. Due to a reassessment of its corporate strategy Nippon Mining ("Nippon") has agreed to withdraw from the joint venture.

Mr. Ian Holzberger, Highlands' Managing Director, said that the Company was pleased to secure 100% ownership in this exciting project and would now evaluate its options to ensure the rapid development of the Kainantu resource. He added that Highlands is in discussion with several parties who have expressed an interest in participating in the project.

"As both owner and operator, Highlands is in a position to move the project forward. The next step is to lift the Irumafimpa resource to a mining reserve. We propose to excavate a 700m exploration adit to carry out close spaced underground resource drilling and bulk sampling of the gold mineralisation. Besides defining the reserve, information gained from the parallel geotechnical, mining and metallurgical studies will also be used in a feasibility study.

"Along with the Ramu Nickel project, the Kainantu Gold Project is one of the key assets in the Company", Mr Holzberger said.

Gold Resource in excess of 800,000 ounces estimated

The Kainantu project is located near the town of Kainantu in the Eastern Highlands Province, PNG. The project consists of three exploration licences that cover an area totaling 261 square kilometres.

High-grade gold mineralisation, in three veins (Irumafimpa, Arakompa and Maniape), has been defined by diamond drilling, with a substantial gold resource identified within the Irumafimpa vein in particular. The Irumafimpa gold resource is currently estimated at 886,700 tonnes @ 28.3g/t Au (inferred, 150gm Au upper cut) containing 805,600 ounces of gold, with excellent potential for further increasing the resource. To date only one third of the 2,400 metre long Irumafimpa mineralised zone has been tested by drilling, leaving significant upside potential.

The resource is located in an area which is easily accessible and near to existing power and other infrastructure which will aid in the project's development and reduce development costs.

In the Arakompa and Maniape veins sufficient drilling has been completed to recognise the gold resource potential of these systems. The Arakompa system has been tested over 600m of the known 2,000m strike length by 18 widely spaced diamond drillholes. Seventeen of the drillholes have intersected strong gold mineralisation whilst at Maniape 15 of 16 drillholes covering less than half of the known 1.5km strike length report similar intersections. A summary of the drill results is attached.

For Nippon's unconditional withdrawal from the joint venture Highlands Pacific has agreed to pay Nippon a USD 2.0 million production royalty should a project producing in excess of 25,000 ounces of gold per year be developed on the mineral tenements which were included in the joint venture.

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Arakompa Drilling Summary

Hole Number	North (AMG)	East (AMG)	From (m)	To (m)	Interval (m)	Au (g/t)
001AD92	9320343	378272	11.2	14.0	2.8	16.16
002AD92	9320424	378275	42.0	44.0	2.0	2.86
003AD92	9320472	378198	84.0	88.0	4.0	5.22
004AD92	9320479	378299	39.0	43.0	4.0	31.17
005AD92	9319818	378039	18.0	20.0	2.0	31.90
			34.0	40.0	6.0	2.51
			57.9	59.9	2.0	2.77
006AD92	9319818	378040	49.0	50.9	1.9	6.17
			68.3	77.0	8.7	1.99
007AD92	9320150	378143	15.0	19.0	4.0	1.26
008AD92	9320151	378142	39.7	42.2	2.5	13.00
009AD92	9320211	378178	13.4	17.7	4.3	11.96
010AD92	9320211	378178	26.5	31.6	5.1	14.91
011AD92	9320337	378248	26.0	28.0	2.0	6.82
			40.0	44.1	4.1	2.45
012AD92	9320337	378247	3.1	3.7	0.6	3.07
013AD92	9320481	378303	15.0	16.8	1.8	42.80
014AD92	9320481	378302	20.7	22.2	1.5	42.60
			27.8	30.6	2.8	4.35
015AD92	9320584	378333	26.8	28.0	1.2	1.32
016AD92	9320584	378334	59.0	60.6	1.6	6.48
			71.2	71.9	0.7	4.95
			84.9	90.2	5.3	15.02
018AD92	9320332	378198	199.0	202.0	3.0	5.30

Maniape Drilling Summary

Hole	North (AMG)	East (AMG)	From	To	Interval (m)	Au (g/t)
001MD92	9320099	377350	14.40	21.65	7.25	7.02
002MD92	9320099	377351	25.20	27.60	2.40	2.82
004MD92	9319866	377248	20.60	24.85	4.25	20.71
			62.20	77.80	15.60	7.91
			88.33	92.40	4.10	6.71
005MD92	9319865	377245	23.50	24.50	1.00	6.40
			51.00	55.00	4.00	13.83
006MD92	9319865	377245	43.00	45.00	2.00	8.75
			51.10	51.70	0.60	42.20
			61.00	63.00	2.00	34.50
007MD92	9319864	377246	58.00	58.50	0.50	3.58
008MD92	9319708	377258	54.00	57.50	3.50	9.73
009MD92	9319708	377259	9.50	12.50	3.00	48.25
			69.00	74.35	5.35	27.77
010MD92	9319686	377329	127.90	132.22	4.32	9.38
011MD92	9319686	377330	122.40	123.40	1.00	80.00
012MD92	9319372	377106	69.10	72.00	2.90	11.75
013MD92	9319373	377106	138.00	139.00	1.00	1.80
014MD99	9319744	377093	301.90	302.60	0.70	13.70
015MD99	9319551	377108	144.80	145.70	0.90	8.95
016MD99	9319874	377411	197.20	200.60	3.40	3.52
			223.20	224.30	1.10	9.10