



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

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3 October 2002

ANNOUNCEMENT

SHARE PLACEMENT & SHARE PURCHASE PLAN

Share Placement

Highlands Pacific has successfully completed a share placement (Placement) of 24.0 million shares at 25 cents raising A\$6.0 million. The Placement has been arranged and managed by ABN AMRO Morgans.

Share Purchase Plan

The Company has decided to offer its shareholders an opportunity to purchase additional shares at the same offer price by undertaking a Share Purchase Plan (SPP).

The SPP will be an offer to eligible shareholders to purchase up to 20,000 shares at a price of 25 cents per share. The Company has around 12,100 shareholders.

The SPP will be offered to all Australian and Papua New Guinean shareholders on the register as at the 11 October 2002.

Application of Funds

Mr Ian Holzberger, Managing Director, said "the funds raised from the Placement and the SPP will be used for pre-development and development expenditure on the Kainantu high-grade gold project. As previously announced, ABN AMRO have been mandated to provide a USD25 million project finance facility to fund the balance of the project development costs". Mr Holzberger added that "he expected the project to be committed to development in the first quarter of 2003 with first gold poured a year later in the first quarter of 2004".

Kainantu Gold Project

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 indicates that an underground gold mine producing 100,000 - 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) would provide very attractive returns to Highlands shareholders.

Recent drilling has focussed on the Irumafimpa lode where the current resource is estimated at 1,012,000 tonnes at 32.4 g/t gold cut or 38.3 g/t gold uncut.

The capital cost of the project is forecast to be around USD25 million with forecast cash costs of USD105-115 per ounce. At a gold price of USD320 per ounce the annual cashflow after debt service is forecast to be around USD18 million.

The project is permitted with the Mining Lease issued; Environmental Plan approved and has the support of the Government and landowners.

A copy of the presentation to institutional investors is available on the Company's web site.

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