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18 September 2001

PRESS RELEASE

**Feasibility Study planned for US\$20 million
Kainantu Gold Project**

Recent surface sampling expose additional Bonanza Grade Zone

Highlands Pacific today announced that it has committed to a feasibility study program for its 100% owned Kainantu high grade gold project in Papua New Guinea.

Managing Director, Mr Ian Holzberger said that "assuming a positive feasibility study result it should be possible to commit the Kainantu Project to development in the second half of 2002."

He added that "the feasibility study will be based on the previously announced drilled inferred resource estimate which contains 807,000 ounces of gold grading 28 g/t Au (887,000 tonnes at 28.3 g/t Au), but will also test a recently discovered extension of the Irumafimpa vein system."

The additional potential has been identified in a landslip area, which uncovered near fresh rock on the northerly extension of the western portion of the vein system. Detailed channel and rock sampling has outlined a zone of very high gold grades. Rock sampling results include:

- 1,466.0 g/t for a rock outcrop sample over a channel length of 0.25 metres;
- 100.3 g/t for a rock outcrop sample over a channel length of 1.0 metre;
- 680.0 g/t for a subsurface rock sample; and
- 306.5 g/t for a subsurface rock sample over a channel length of 1.1 metres.

(The full results from the sampling program are provided in the attached Table).

Mr Holzberger said that "considering only the results from the channel sample material reported in the attached table, gives a weighted average of 1 metre at 59.9g/t Au over a 100 metre long strike." He added that this area could add significantly to the known resource base and will be thoroughly tested as part of the feasibility study.

The development of an adit to access the orebody underground will be included in the feasibility study program. Accessing the orebody will enhance the design of a mine and provide representative samples for confirmatory metallurgical testwork. Previous metallurgical testwork on diamond drill core gave gold recoveries in excess of 92%. The adit development will also be used to provide underground drill sites for detailed delineation diamond drilling.

Low cost gold operation expected

Mr Holzberger said “the scoping study undertaken last year indicated that Kainantu had the potential to be an attractive operation, realistically producing between 100 - 120, 000 ounces of gold per annum at an indicative cash cost of US\$110 - 120 per ounce for at least six years.

Indicative capital costs of the Kainantu project have been estimated at around USD20 million.

The Kainantu Gold Project covers 261 square kilometers of a known gold field in the Eastern Highlands province about 12 km from the Lae Madang highway, the Ramu Sugar operations and township, and the main power transmission line from the Yonki Dam hydro-electric scheme.

This close proximity to major infrastructure, and to the Ramu Valley itself, provides an excellent opportunity for the development of a project with a low cost of construction and low operating cost.

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Kainantu Gold Project
Irumafimpa Structure, Surface Sampling

Gold in g/t	Sample Type	Method	Length	Northing	Easting	RL	Unit
10.05	Rock Outcrop	Continuous Channel	1.00	60089.88	29892.26	1363.80	West Lode
1.83	Subsurface Rock	Rock Sample		60081.05	29895.93	1361.26	West Lode
31.40	Rock Outcrop	Continuous Channel	1.00	60080.76	29896.05	1361.47	West Lode
8.82	Rock Outcrop	Continuous Channel	1.00	60080.76	29896.05	1361.47	West Lode
1.73	Subsurface Rock	Rock Sample		60076.22	29897.32	1361.38	West Lode
98.80	Subsurface Rock	Rock Sample		60076.22	29897.32	1361.38	West Lode
8.30	Rock Outcrop	Continuous Channel	1.40	60075.18	29896.97	1361.73	West Lode
4.85	Rock Outcrop	Continuous Channel	1.40	60073.96	29896.78	1361.88	West Lode
100.30	Rock Outcrop	Continuous Channel	1.00	60070.32	29896.82	1362.46	West Lode
41.00	Rock Outcrop	Rock Sample		60069.45	29897.76	1361.67	West Lode
121.00	Subsurface Rock	Rock Sample		60057.85	29910.18	1368.30	West Lode
8.89	Subsurface Rock	Rock Sample		60046.55	29904.83	1382.28	West Lode
90.20	Subsurface Rock	Rock Sample		60046.55	29904.83	1382.28	West Lode
10.15	Rock Outcrop	Continuous Channel	1.00	60038.78	29902.98	1385.52	West Lode
38.60	Rock Outcrop	Continuous Channel	1.20	60037.94	29902.44	1385.59	West Lode
118.20	Subsurface Rock	Continuous Channel	0.60	60034.66	29902.58	1386.98	West Lode
42.60	Subsurface Rock	Continuous Channel	0.60	60034.66	29902.58	1386.98	West Lode
90.20	Subsurface Rock	Continuous Channel	0.95	60025.27	29902.56	1390.77	West Lode
43.20	Subsurface Rock	Rock Sample	0.95	60025.27	29902.56	1390.77	West Lode
83.00	Subsurface Rock	Rock Sample	0.95	60025.27	29902.56	1390.77	West Lode
95.00	Subsurface Rock	Continuous Channel	0.95	60025.27	29902.56	1390.77	West Lode
680.00	Subsurface Rock	Rock Sample		60022.29	29902.74	1390.74	West Lode
80.60	Subsurface Rock	Continuous Channel	1.10	60022.29	29902.74	1390.74	West Lode
306.50	Subsurface Rock	Continuous Channel	1.10	60022.29	29902.74	1390.74	West Lode
47.80	Rock Outcrop	Continuous Channel	0.90	60018.21	29900.97	1393.03	West Lode
20.70	Rock Outcrop	Rock Sample	0.20	60018.21	29900.97	1393.03	West Lode
1466.00	Rock Outcrop	Rock Sample	0.25	60018.21	29900.97	1393.03	West Lode
7.00	Rock Outcrop	Continuous Channel	1.00	59994.00	29901.39	1406.71	West Lode