



30 June 2016

Strategic Review Outcomes

Highlands Pacific Ltd (**ASX:HIG**) today announced the results of a recent strategic review, and the consequential decisions that the Board has taken.

Chairman Mr Ken MacDonald said that a major conclusion from the review was that while a company like Highlands Pacific differs considerably from most junior sector mining companies in the nature of its project portfolio, it nevertheless is subject to the same challenges in finding, promoting and developing significant prospects from inception to commercial operation, and in securing funding during low points in the commodities price cycle. This requires Highlands Pacific to be even more mindful of the costs and timeframes now involved in developing major deposits, notwithstanding the Company's success in securing funding for its interest in the Ramu nickel operation and in preserving its interest in the Frieda River project in PNG.

At a time when other companies have experienced great difficulty in securing joint venture partners for relatively early-stage exploration projects, Highlands Pacific has been able to attract one of the world's major mining companies, Anglo American plc, to benefit from the strong exploration results obtained by Highlands Pacific's work and continue exploring what appears to be a new porphyry district in the Star Mountains project.

In its deliberations the Board considered that in many cases it may be better for a company such as Highlands to consider exiting a project at an earlier stage, if and when this opportunity presents itself, as part of its growth strategy. Having regard to this view of the future, the recently announced Frieda River feasibility study which indicated that commercial operations would not commence before 2024, at the earliest, and the current equity and commodity markets, the Board concluded that it was necessary to make substantial changes to significantly reduce the Company's future cost base.

To assist in responding to these imperatives, Managing Director Mr John Gooding has elected to depart the Company at the end of November this year after having served Highlands well as Managing Director for 9 years, during which time the Ramu nickel operation was developed, a Special Mining License application lodged for the Frieda River project, and the potential of the Star Mountains project near Ok Tedi mine was indicated.

Two other senior executives will also be leaving at the end of September and one at the end of June, and in the meantime, Directors and all senior executives will be taking a 20% pay cut from 1 July 2016.

The Board is pleased to announce the appointment of the company's current Chief Financial Officer Craig Lennon as Mr Gooding's replacement from 1 December



2016. Mr Lennon is a Chartered Accountant who has served as Chief Financial Officer at Highlands for the past 9 years and has been with the company for 15 years. Prior to Highlands Mr Lennon worked at KPMG. Mr Lennon brings a wealth of knowledge about Highlands to his new role, having worked closely with Mr Gooding and Board members during his time as Chief Financial Officer, which will ensure a smooth transition to Chief Executive Officer. Details of Mr Lennon's remuneration and key contractual terms are included in Appendix 1.

Highlands' current financial controller, Sylvie Moser, will take over as Chief Financial Officer and Company Secretary from Mr Lennon. Ms Moser is a highly experienced financial executive and lawyer who has been with Highlands as financial controller for the past six years, following six years with Anglo American plc and prior to that as Chief Financial Officer / Company Secretary with Metal Storm Limited.

There will be short term costs in these changes, which trigger contractual entitlements estimated at AU\$1 million but ongoing annual savings against 2015 salary costs are in the order of AU\$1.75 million. The Board has also agreed that, in relation to the Performance Rights due to be vested on 31 December 2016 and 31 December 2017 for the departing executives, 75% of these will vest at the relevant times, subject to the executives not acting in any way which is detrimental to the Company in the meantime.

"The Board wishes to pay tribute to John Gooding for his years of excellent service and to acknowledge his many successes as our Managing Director" said Mr MacDonald. "He will leave the Company with the gratitude and admiration of the Board."

"I would also like to thank the other departing executives who have served the Company and its shareholders with great merit."

Mr Gooding said he had been honoured to serve as Managing Director of Highlands over the past 9 years.

"It has been a pleasure to work with my fellow directors and the many highly capable staff at Highlands and I look forward to a smooth transition to Craig over the next few months" he said.

For further information

Joe Dowling
0421587755



ASX Code: HIG
PoMSox Code: HIG
Shares on Issue: 928 million
Performance Rights: 29.8 million

Directors

Ken MacDonald, Chairman
John Gooding, Managing Director
Mike Carroll
Dan Wood
Bart Philemon

Management

Craig Lennon, CFO & Co.Sec
Larry Queen, Chief Geologist
Peter Jolly, GM Projects
Ron Gawi, GM Port Moresby
Leslie Nand, GM Exploration Projects

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About Highlands Pacific Limited

Highlands Pacific is a PNG incorporated and registered mining and exploration company listed on the ASX and POMSx exchanges. Its major assets are interests in the producing Ramu nickel cobalt mine and the Frieda River copper gold project; with exploration in progress in the Star Mountains. Highlands also has exploration tenements on Normanby Island (Sewa Bay).

Star Mountains Prospects*

The Star Mountains exploration tenements, which include Nong River EL1312, Mt Scorpion EL1781, Munbil EL2001 and Tifalmin EL1392, are located approximately 20km north of the Ok Tedi mine, in the West Sepik Province, PNG. They lie within the highly prospective Papua New Guinean Orogenic Belt, which hosts the Grasberg, Ok Tedi, Porgera and Hidden Valley mines, as well as the Frieda deposit. The joint venture with partner Anglo American substantiates the world class potential of the Star Mountains district and has enabled an extensive exploration program to commence in 2015.

Ramu Nickel Cobalt Mine

The producing Ramu nickel cobalt mine is located 75km west of the provincial capital of Madang, PNG. Highlands' 8.56% interest in Ramu will increase to 11.3% at no cost to Highlands after repayment of its share of the project debt. Highlands also has an option to acquire an additional 9.25% interest in Ramu at fair market value, which could increase the company's interest in the mine to 20.55%, if the option is exercised. The project's operator and majority owner is the recently merged Chinese companies Metallurgical Corporation of China Limited (MCC) / China Minmetals.

Frieda River Copper/Gold Project*

The Frieda River copper gold project is located 175kms north-west of the Porgera gold mine and 75km north-east of the Ok Tedi mine. Highlands has a 20% interest in the project and Frieda River Limited (FRL) (a wholly owned subsidiary of PanAust Limited which in turn is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd.) 80%.

* Subject to the right of the Independent State of Papua New Guinea to acquire up to a 30% equity interest in any mining development in the country.



Appendix 1:

Summary of the Key Terms of the Executive Service Agreement between Highlands Pacific Australia Pty Ltd, a wholly owned subsidiary of Highlands Pacific Limited and Mr Craig Lennon.

1. Commencement Date

Highlands Pacific Australia Pty Ltd, a wholly owned subsidiary of Highlands Pacific Limited, will employ Mr Lennon in the position of Managing Director and Chief Executive Officer. He will be appointed to the Board of Directors of Highlands Pacific Limited and other Highlands Group companies, as required. Mr Lennon's employment as Managing Director and Chief Executive Officer will commence on 1 December 2016.

2. Term

Mr Lennon will be appointed for an ongoing term subject to termination by either party (see section 4 below).

3. Remuneration

a. Fixed Remuneration

Mr Lennon will be entitled to a salary of AU\$450,000 per annum plus 12% superannuation. This will be subject to annual review, with no guaranteed increases.

b. Short-Term Incentive

Mr Lennon will be entitled to a maximum potential short-term incentive of AU\$125,000 each year in cash, subject to financial and non-financial performance of Highlands Pacific Limited and other Highlands Group companies. Mr Lennon's performance targets and priorities will be set by the Board of Highlands Pacific Limited in consultation with Mr Lennon. Mr Lennon and the Board have agreed that there will be no short-term incentive entitlement for the year ending 31 December 2016.

c. Long-Term Incentives

Subject to any approval Highlands Pacific Limited considers necessary or appropriate, Mr Lennon will be eligible to participate in the Highlands Pacific Limited performance rights plan in accordance with the rules of the plan and any applicable Highlands Pacific Group



policies. The long-term incentive element of the package will be agreed at a later date.

4. Termination

Mr Lennon's employment may be terminated at any time on three (3) months' notice or payment in lieu of notice.

Mr Lennon may terminate his employment with Highlands Pacific Limited at any time on three (3) months' notice or, at Highlands Pacific Limited's election, payment in lieu of notice.

Depending on the reason for a termination of his employment, Mr Lennon may be entitled to severance benefits of up to 12 months' cash remuneration.

Mr Lennon's employment may also be terminated at any time without notice by Highlands Pacific Limited in circumstances of his misconduct or illness.