



18 Aug 2016

Star Mountains drilling to recommence

Highlands Pacific Ltd (ASX:HIG) and its joint venture partner Anglo American plc are to recommence exploration drilling at the Star Mountains copper/gold tenements in Papua New Guinea.

The US\$3 million program, which will increase the total Star Mountains exploration budget for 2016 to US\$9 million (funded by Anglo American), will commence in September and is scheduled for completion by the end of the calendar year.

The 2016 program will involve 3500m of drilling at two yet to be drilled targets – Unfin and Fune.

The priority targets have been identified following an extensive fieldwork program carried out over the past six months involving up to seven field crews undertaking geological mapping, rock chip, soil and stream sediment sampling combined with results from an airborne ZTEM survey covering more than 3300 line kms.

Highlands Managing Director John Gooding said the Star Mountains tenements were very exciting and provided the potential to host a major copper porphyry system.

"The contribution of Anglo American demonstrates their commitment to the Star Mountains project, and we remain quietly confident that ongoing exploration this year will identify further mineralisation. The extensive field work in the first 6 months of the year has provided a lot of information and many interesting targets to be followed up," he said.

The 2016 program will build on the successful drilling completed in 2015, which confirmed the presence of mineralisation at the two main prospects tested so far – Olgal and Kum Kom.

A total of nine holes were drilled during the 2015 campaign, for 5387 metres. Assay results included the following intercepts at 0.2% copper cut-off:

At the Olgal prospect:

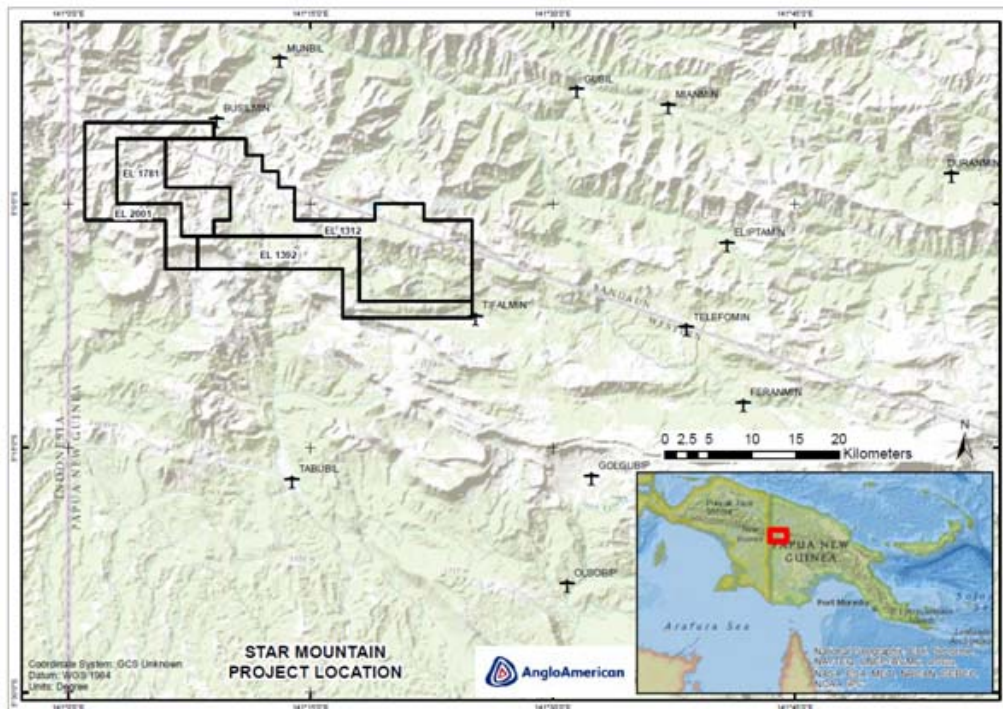
- (Hole 019OLG15) 183 metres @ 0.53% copper and 0.58 g/t gold from 168m downhole (Inc 16 metres @ 0.69% copper and 0.53 g/t gold from 198m downhole & 87 meters @ 0.67% copper and 0.84 g/t gold from 260m downhole)
- (Hole 020OLG15) 430 metres @ 0.39% copper and 0.24 g/t gold from 168m downhole
- (Hole 018OLG15) 260 metres @ 0.31% copper and 0.19 g/t gold (Including 10.9 metres @ 0.60% copper and 0.34 g/t gold from 314m downhole)
- (Hole 017OLG15) 434.9 metres @ 0.52% copper and 0.72 g/t gold (Including 100 metres @ 0.82% copper and 1.39 g/t gold from 76m downhole)



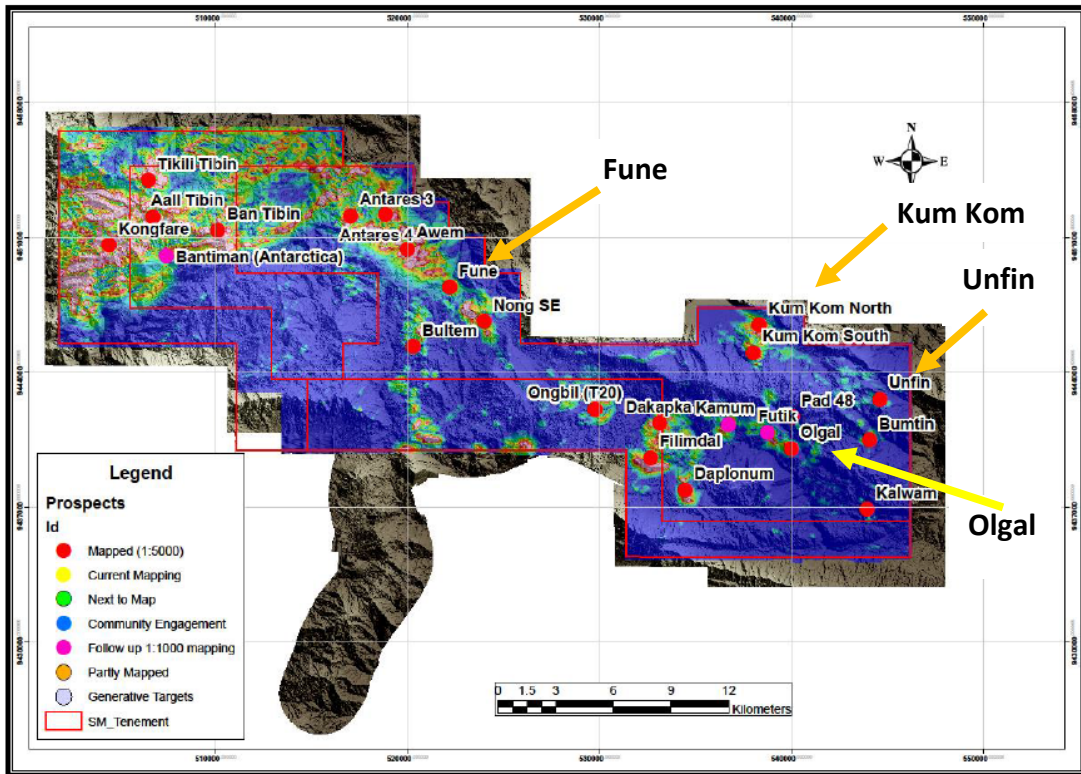
At the Kum Kom prospect:

- (Hole 003Kum15) 30.6 metres @ 0.61% copper and 0.54 g/t gold Including 12.1 metres @ 0.94% copper and 0.72 g/t gold from 292.9m downhole
- (Hole 004KUM15) 13metres @ 1.3% copper and 0.53 g/t gold from 107m downhole
 - 26.5 metres @ 0.89% copper and 1.4 g/t gold from 282m downhole
 - 30 metres @ 1.0% copper and 0.23 g/t gold from 515m downhole

(For full details of exploration results, see ASX release entitled "Star Mountains Drilling Results" released on 29 September 2015, 11 November 2015 and 25 February 2016.)



Star Mountains Tenement locations



Areas covered during the 2016 field work program and the location of Unfin and Fune prospects

The Star Mountains joint venture between Highlands and Anglo American was finalised early in 2015 on the following terms:

- **US\$10 million initial payment** – Anglo American paid Highlands US\$10 million in two tranches of US\$5 million each.
- **Phase 1 (51% interest)** – Anglo American will initially acquire a 51% interest in the Joint Venture with 15% vesting upon a farm-in spend of US\$25m over four years and 36% vesting upon the declaration of a 43-101/JORC compliant Inferred Resource of 3 million tonnes of contained copper equivalent within 5 years of execution.
- **Phase 2 (80% interest)** – Anglo American can move to an 80% interest in the Joint Venture by completing a Bankable Feasibility Study within 15 years of the execution of the Farm-in and Joint Venture Agreements.
- **Development Free Carry** – Anglo American will provide Highlands with up to US\$150 million in project development funding as a deferred free carry following the completion of the BFS. Anglo American will recover this US\$150 million from a portion of Highland's share of project cashflows once in production.
- **Management** – Highlands will manage the project however Anglo American will have the right to take over management when they have spent US\$25 million in project expenditure.

For further information, please contact:

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About the Star Mountains Exploration Tenements:

The 100% Highlands owned Star Mountains exploration tenements, which include Nong River EL1312, Mt Scorpion EL1781, Munbil EL2001 and Tifalmin EL1392, cover 515 sq kms and are located approximately 20km north east of the Ok Tedi mine and 25kms from the support town of Tabubil, in the West Sepik Province of PNG. Highlands has identified 17 copper gold targets to date and drilled six of these targets, of which all but one encountered mineralisation.

<http://www.highlandspacific.com/current-projects/star-mountains>

About Anglo American:

Anglo American is a globally diversified mining business. Its portfolio of world-class competitive mining operations and undeveloped resources provides the raw materials to meet the growing consumer-driven demands of the world's developed and maturing economies. Anglo's people are at the heart of its business. Its people use the latest technologies to find new resources, plan and build its mines and mine, process, move and market its products – from diamonds (through De Beers) to platinum and other precious metals and copper – to its customers around the world. As a responsible miner, Anglo American is the custodian of those precious resources. It works together with its key partners and stakeholders to unlock the long-term value that those resources represent for its shareholders, but also for the communities and countries in which it operates – creating sustainable value and making a real difference.

Competent Persons Statement: Details contained in this report that pertain to exploration results and exploration targets are based upon, and fairly represent, information and supporting documentation compiled by Mr Larry Queen, a member of the Australasian Institute of Mining and Metallurgy, and who is a full-time employee of Highlands Pacific. Mr Queen has sufficient experience relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Queen consents to the inclusion in the report of the matters based on the information compiled by him in the form and context in which it appears. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.



ASX Code: HIG

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Shares on Issue: 928 million

Performance Rights: 30 million

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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 POMSoX 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 at 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 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 and has enabled an extensive exploration program to be 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.

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%.