



13 October 2016

Star Mountains drilling campaign begins

Highlands Pacific Ltd (ASX:HIG) and its joint venture partner Anglo American plc have commenced a US\$3 million exploration drilling program at the Star Mountains copper/gold tenements in Papua New Guinea.

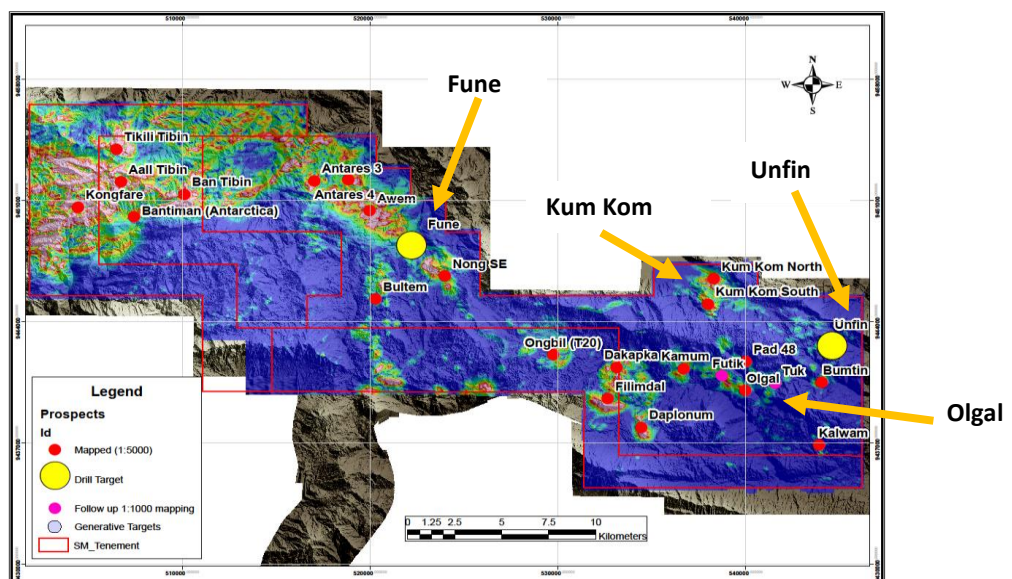
The campaign will involve four diamond drill holes of approximately 800 metres each at two highly prospective targets - Unfin and Fune - which have been identified through extensive airborne surveys and fieldwork during the past 12 months.

Drilling has commenced at the first hole at Unfin, with a second rig to begin drilling at Fune within the next two weeks. Initial assay results are expected to be received by the end of the year, with the campaign scheduled to be completed by January 2017.

Highlands Managing Director John Gooding said the program was proceeding to schedule, with drill pad preparations and logistics completed to plan.

"We are working closely with our joint venture partner Anglo American, and we are confident the campaign will continue to provide a wealth of information to support the potential for a major copper porphyry system at Star Mountains.

"The work we are doing builds on the earlier drilling completed in 2015 which confirmed the presence of mineralisation in the nearby Olgal and Kum Kom prospects. Aero-magnetic surveys, ZTEM surveys and extensive prospect mapping over the past 12 months have identified Unfin and Fune as the two most promising untested targets in the tenements, and this drilling campaign will test the potential for mineralisation at depth," he said.

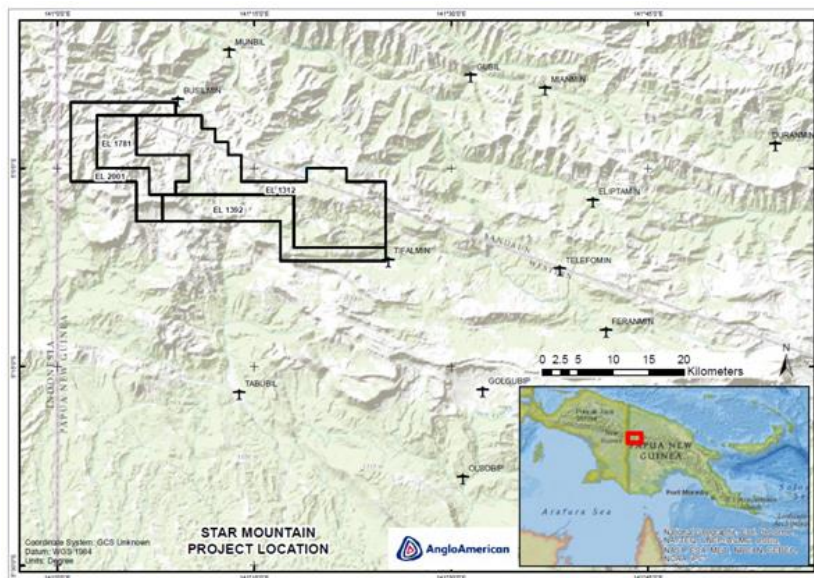


Areas covered during 2016 field work program and the location of Drilling targets Unfin and Fune

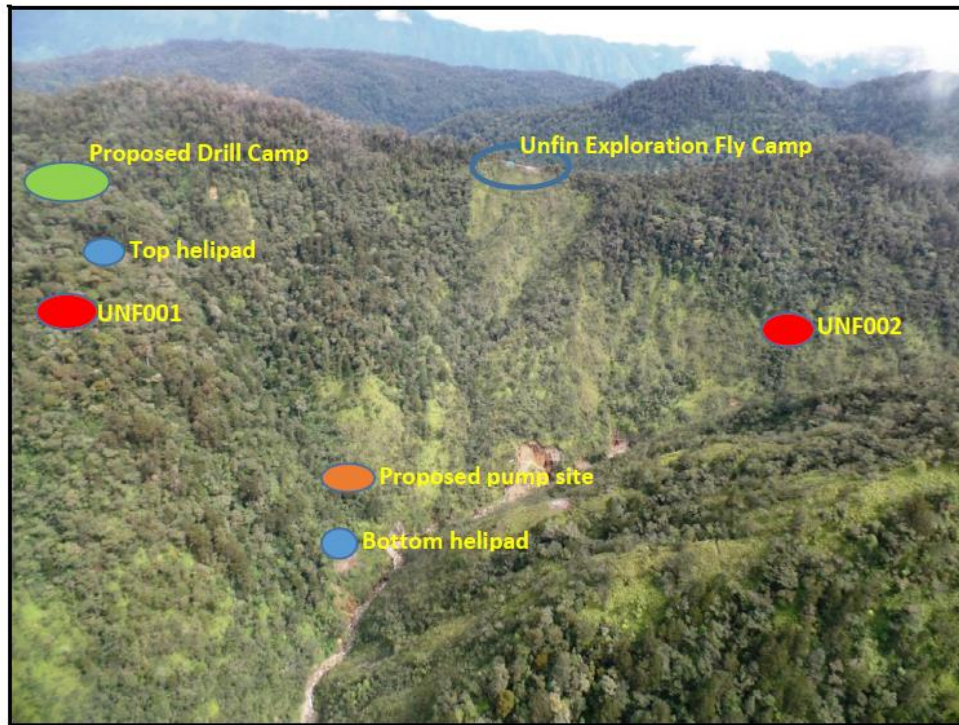


The campaign is being funded by Anglo American, in accordance with the farm-in agreement announced in 2015. The joint venture was finalised on the following terms:

- **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.



Star Mountains Tenement Locations



Unfin –drill sites, camp, pump station and helipad locations

For further information, please contact:
Joe Dowling, Stockwork Corporate Communications
0421 587755



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

PoMSox Code: HIG

Shares on Issue: 928 million

Performance Rights: 30 million

Directors

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

Management

Craig Lennon, CFO & MD/CEO Elect
Ron Gawi, GM Port Moresby
Leslie Nand, GM Exploration
Projects

**Investor and Media Enquiries
to:**

Joe Dowling - 0421 587755

Website:

www.highlandspacific.com

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 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 Star Mountains project is held within a joint venture with partner Anglo American plc.

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%.