

9 March 2017

Results confirm Star Mountains mineralisation

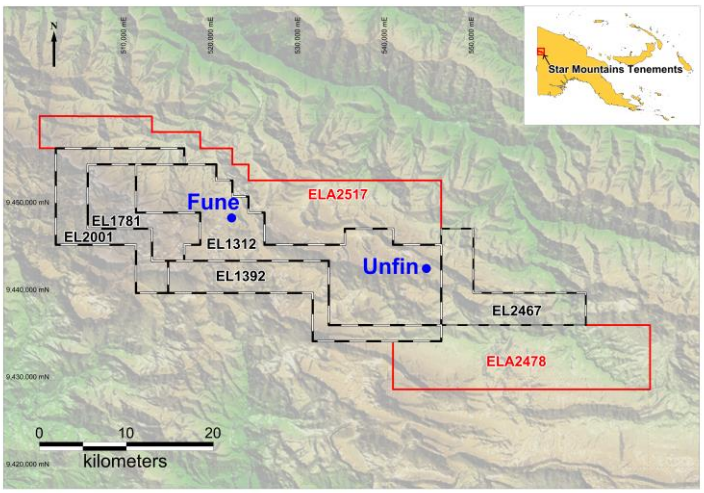
Highlands Pacific Ltd (ASX:HIG) and its joint venture partner Anglo American plc have received results from the first two holes drilled in the current Star Mountains exploration campaign.

Results are encouraging, confirming mineralisation at the targets tested and providing improved understanding of the geology of the two new prospects - Unfin and Fune.

At **Unfin,** the first hole reached a depth of 1061 metres and encountered extended zones of low grade copper and gold mineralisation as well as some higher grade intercepts including:

Unfin (001UNF16).
8.7 m @ 0.02 g/t Au and **0.64% Cu** from 777.9m and;
4.1m @ 0.05 g/t Au and **0.67% Cu** from 905.4m.

The hole confirms the existence of porphyry copper mineralisation, with skarn zones encountered suggesting the first hole is toward the edge of the mineralised system. One further hole is being drilled at Unfin in the current campaign to identify higher grade zones. The next stage of the drilling program at Unfin will be determined after results are received from the second hole.



Prospect Locations

At **Fune** drilling reached a depth of depth of 750 metres and also encountered extended low grade zones with intercepts including:

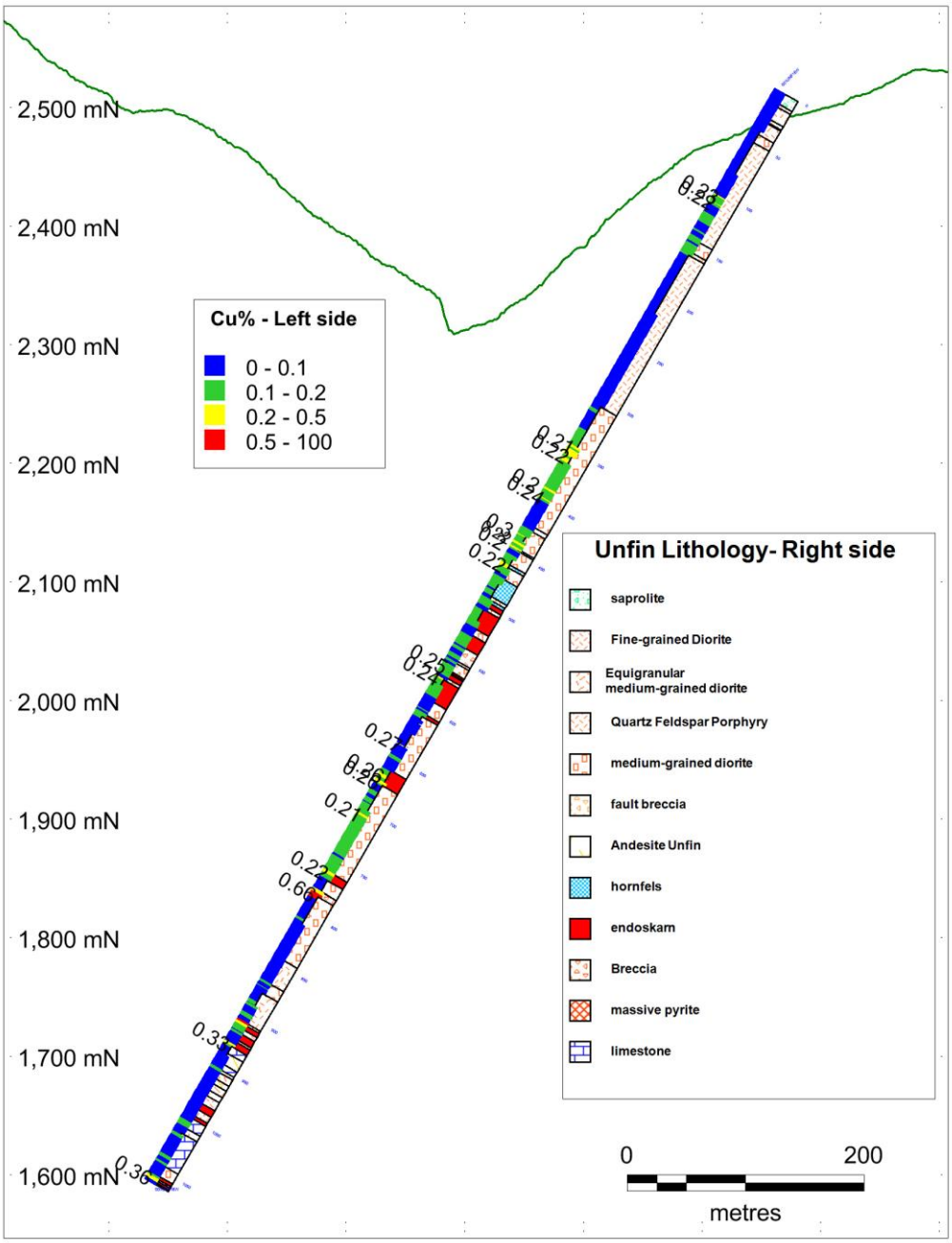
Fune (001FUN16)
6.2m @ 0.03 g/t Au and **0.26%** Cu from 244m
8m @ 0.03 g/t Au and **0.32%** Cu from 372m

The results confirm the presence of a mineralised system at Fune, requiring further drilling. One more hole is currently under way at Fune.

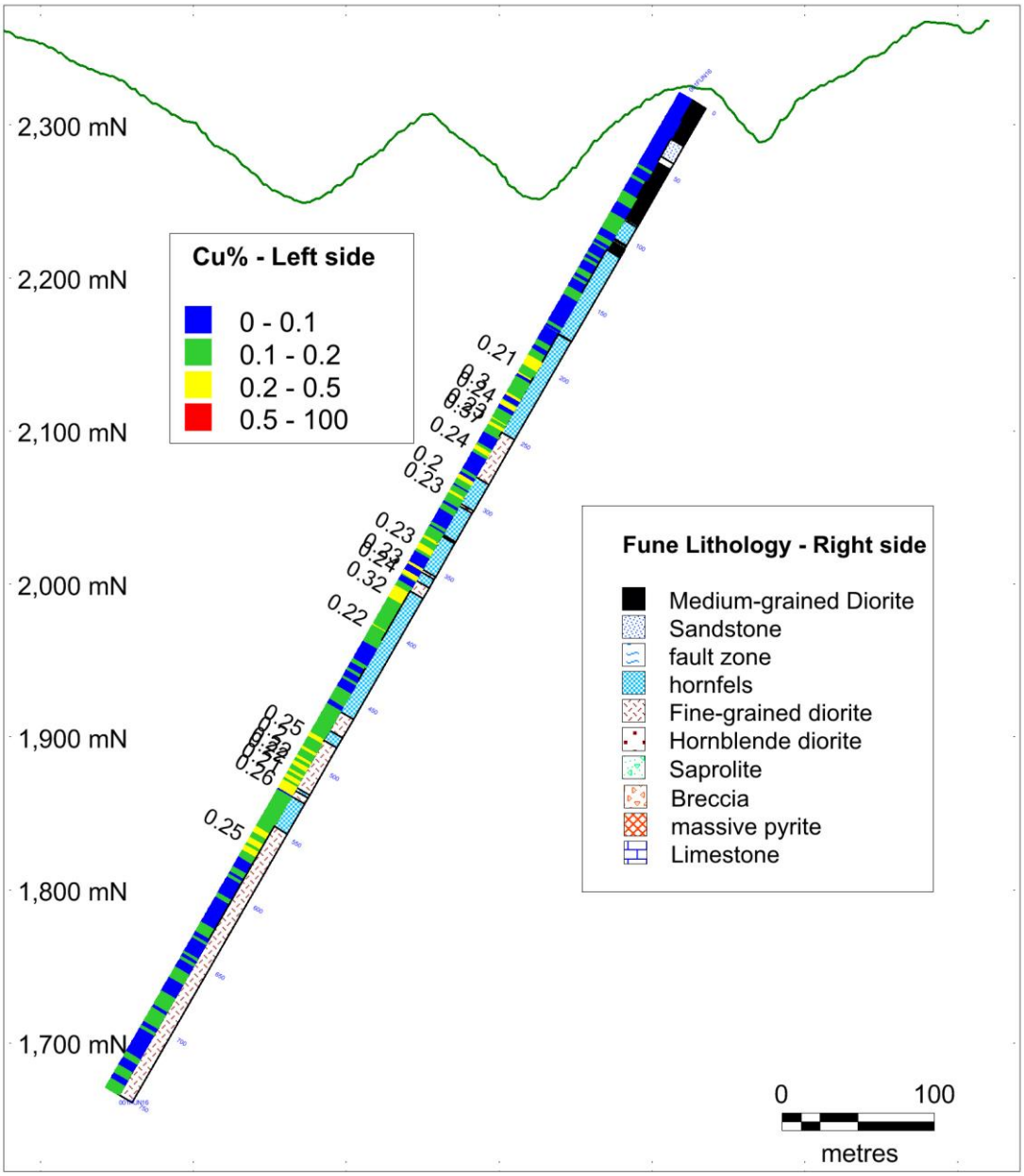


Highlands CEO Craig Lennon said the results provided further evidence of the potential at Star Mountains.

"We are encouraged by these results and remain cautiously optimistic that further drilling at these targets will identify significant high grade zones," he said. "We are steadily improving our understanding of the geology of these prospects and look forward to exciting results during the remainder of the campaign."



Unfin Section View



Fune Section View



The campaign is being funded by Anglo American, in accordance with the farm-in agreement announced in 2015.

The Star Mountains 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.

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, Tifalmin EL1392 and Mt Abemh EL2467, cover 675 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. 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 LD Queen, a member of the Australasian Institute of Mining and Metallurgy, and who is a contractor for 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: 936 million
Performance Rights: 17 million

Directors
Ken MacDonald, Chairman
Craig Lennon, MD/CEO
Mike Carroll
Dan Wood
Bart Philemon
Ron Douglas

Management
Sylvie Moser, CFO
Ron Gawi, GM Port Moresby
Leslie Nand, GM Exploration Projects

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About Highlands Pacific Limited
Highlands Pacific is a mining and exploration company registered and incorporated in PNG and listed on the Australian and Port Moresby stock exchanges. Highlands has a long history of successful exploration and project development in PNG. The Company was formed in 1997 and has since established an impressive suite of projects providing investors with leveraged exposure to copper, nickel and gold. Its major assets are interests in the producing Ramu nickel cobalt mine and the Frieda River copper gold project, with exploration in progress at the highly prospective Star Mountains tenements. Highlands also has exploration territory on Normanby Island (Sewa Bay), at the south eastern tip of PNG. Through the efforts of its highly experienced staff, the Company is committed to the responsible development of mining projects for the benefit of all its stakeholders, including shareholders, landowners, business partners and the broader PNG community.

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 (a wholly owned subsidiary of PanAust Limited which in turn is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd.) has 80%.

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Sampling reported for the Star Mountains is for ½ PQ, HQ or NQ diameter diamond drill core • Holes were generally steeply dipping (>60º) • Hole azimuths were generally planned to perpendicularly intercept any known or inferred structural trends. • Sampling was done on sawn half core. • Consistency of sampling method was maintained by reference to a written protocol • Sampling method is considered appropriate for both porphyry and skarn mineralization •
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• All holes drilled by Highlands Pacific are triple tube diamond core. Holes were collared in PQ and reduced to HQ and NQ as required. The core was un-oriented.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Recoveries recorded on a drill run and sample length basis • There were some zones of poor recovery in near surface leached and oxidized zones and in intensely altered shear zones • Recovery is good. Most holes average better than 90% recovery in the mineralized zones. • No evidence of grade bias with recovery
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or*	• All holes were geologically and geotechnically logged to a detail and standard appropriate for mineral resource estimation. • The logs are qualitative/semi-quantitative and record lithology, alteration, mineralogy, mineralization, weathering, strength, fracture numbers and orientation and other relevant features of the core. All

Criteria	JORC Code explanation	Commentary
	costean, channel, etc) photography. • *The total length and percentage of the relevant intersections logged.*	the core is photographed before it is sampled • All core recovered is logged.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Samples are taken by cutting the core in half using a diamond saw. • No non-core samples were taken. • Except at strong boundaries, are taken on a consistent 2m interval down hole. • Sampling protocol is documented with a flow sheet. • Half core samples bagged and dispatched to ALS Townsville for crushing, grinding and assay. • All sample methods and sample sizes are deemed to be appropriate and are similar to the sampling protocol used at Frieda River.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• All drill core samples were assayed using a HF-HNO3-HClO4 acid digest with HCl leach and ICP-AES finish. • Gold assay by 50 gram fire assay • Assaying carried out by ALS Townsville, an accredited lab. • Extensive QAQC programme with standards, blanks, laboratory duplicates & secondary lab checks. Outcomes indicate acceptable precision and no obvious biases •
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Significant intersections have been verified by the Competent Person and the Star Mountains Project geologists • There have been no twinned holes • Highlands Pacific has a series of written protocols relating to sampling, logging, data entry, data checking and data storage • There have been no adjustments to the assay data.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Drill hole collars are located by GPS. Elevations were extracted from a LiDAR DEM that Highlands had prepared over the prospect areas. Expected accuracy is +/- 5 m for northing and easting and +/- 5 m for elevation coordinates • AMG66 , Zone 54 • Topographic control is from a LiDAR survey flown over the area in

Criteria	JORC Code explanation	Commentary
		2010. A 2 m grid was prepared from the LiDAR.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Drill holes in the Olgal deposit are spaced on roughly 300 x 300m centers. Other prospects have only been scout drilled with two to three holes. • Downhole sampling is generally 2m • Compositing has only been applied for reporting purposes as detailed in Section 2
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The deposits being investigated in the Star Mountains are Cu-Au porphyries. The mineralization appears to be stockworks with no dominant structural direction. • Drilling orientation is believed appropriate with no bias. Where structural control is suggested either by mapping or geophysical trends the drill hole are oriented to perpendicular to the structures.
Sample security	• *The measures taken to ensure sample security.*	• Chain of custody is managed by Highlands Pacific. Samples are collected and stored on site by Highlands Pacific personnel. Half core samples are shipped directly to ALS Townsville by freight courier. Tracking sheets have been set up to track the progress of sample batches.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews have been carried out at this stage.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The results reported for the Star Mountains fall under the four Exploration Licenses (EL 1312, 1392, 1781, 2001) that Highlands Pacific holds in the Star Mountains, Sanduan and Western Provinces, Papua New Guinea. The licenses issued under the authority of the PNG Mining Act (1992) • The Star Mountains tenements are subject to the terms of a Joint Venture with Anglo American. The terms of the Joint Venture are detailed in an announcement released 11 February 2015 and available on the Highlands Pacific website.

Criteria	JORC Code explanation	Commentary
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Porphyry copper and gold mineralization was discovered in the area in late 1960s by Kennecott. In 1971 Kennecott drill five holes in the Futik and Olgal prospects. Between then and 2001 when Highlands acquired the ground a number of companies including BHP, CRA, Newcrest and OTML carried out mapping and sampling programs focused mainly on the previously identified prospects. The work by these companies is considered reliable and has been used to guide Highlands Pacific's work.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The mineralization so far identified in the Star Mountains consists of Cu-Au porphyries (Olgal, Futik, Rattatat, Kum Kom) and associated Cu-Au skarns (Kum Kom).

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		• Refer to Annexure 1 in body of text

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• All reported assays have been length weighted. No top-cuts have been applied. A nominal 0.2% Cu lower cut-off is reported as significant in the context of geological setting. • High grade copper internals (>0.5% Cu) to broader zones of copper mineralization are reported as included intervals. • Reported intervals may include up to 6m meters of internal waste. • No metal equivalent values are used for reporting exploration results.
Relationship between mineralisation widths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*	The geometry of the mineralization is not known. All reported lengths are down hole lengths. True widths are unknown.

Criteria	JORC Code explanation	Commentary
and intercept lengths	• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Refer to Figures in the report
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All results are reported at a 0.2% Cu cut-off. No top cut has been applied.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Since 2001 in addition to the diamond core drilling, the following work has been under taken on the Star Mountains tenements: • Prospect scale mapping and surface sampling at Olgal, Futik, Kum Kom, Nong River and Bumtim • In 2005, a 200m line spacing heli-borne magnetic/radiometric survey • In 2010 and 2015, LiDAR surveys to cover all of the Star Mountains tenements • In 2015, a 100m line spacing heli-borne magnetic/radiometric survey • In 2015, IP and AMT surveys orientation surveys over Olgal and Kum Kom • In 2015, prospect scale mapping over Tifalmin prospects • In 2016 a helicopter borne ZTEM survey was flown over ELs 1312, 1392, 1781 and 2001
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Highlands is currently carrying out exploration drilling on the Unfin and Fune prospects. • AMT surveys are currently being carried out over Unfin, Tuk and Bumtim



Hole	North	East	Level	Azimuth	Dip	Total Depth (m)
001UNF16	9442400	544718	2511	305	-60	1061.5
001FUN16	9448116	521953	2316	315	-60	750.6

Notes:

The following statements apply to the Star Mountain exploration results:

- *Mineralised intersections are quoted as down hole widths; true widths are not known. The porphyry mineralisation occurs as disseminations and vein stockworks. Quoted intercepts may include up to 6 m of internal waste.*

- *Collar locations are in UTM Zone 54 co-ordinates using the AMG66 horizontal datum.*

- *Drill core is PQ, HQ or NQ size.*

- *Assays were carried out on half sawn core. The unused half core is stored on site.*

- *Samples were analysed at ALS-Chemex in Townsville. Gold is by 50g fire assay and copper by ICP-AES on an aqua regia digest. Samples assaying greater than 0.5% Cu are re-assayed using an ore grade method suitable for higher grade samples.*

- *Hole positions are based on GPS survey of drill pads. Actual collars are within 10m of stated locations.*

- *Competent Persons Statement: The exploration results reported here are based on information compiled by Mr L.D. Queen who is a member of the Australian Institute of Mining and Metallurgy, and who is employed by Highlands Pacific Limited. 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition". He 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.*



Hole	From	To	Downhole Interval (m)	Cu (%)	Au (ppm)	Core Recovery %
001UNF16(at a 0.2% Cu lower cut-off)	102.8	103.4	0.8	0.23	0.01	100
	346	364	18	0.21	0.02	100
	388	390	2	0.20	0.01	100
	395.4	398	2.6	0.24	0.03	100
	440	442	2	0.22	0.02	100
	444.8	446.3	1.5	0.20	0.02	100
	459.6	464	4.4	0.22	0.02	100
	560	561	1	0.25	0.04	100
	571.5	573	1.5	0.24	0.03	100
	636	638	2	0.27	0.01	100
	666	674.7	8.7	0.21	0.09	100
	704	706	2	0.20	0.02	100
	760	762.5	2.5	0.22	0.01	80
	777.9	786.6	8.7	0.64	0.02	85
	905.4	909.5	4.1	0.67	0.05	95
	926.8	928.7	1.9	0.33	0.02	100
	1056.8	1060	3.2	0.36	0.05	100
Including the following intervals at a 0.5% Cu lower cut-off	783	786.6	3.6	0.75	0.02	64
	905.4	907.4	2	0.85	0.05	100
001FUN16(at a 0.2% Cu lower cut-off)	48	50	2	0.26	0.5	100
	198	204	6	0.27	0.07	97
	210	212	2	0.24	0.07	97
	226	228	2	0.30	0.05	100
	232	234	2	0.24	0.05	100
	244	250.2	6.2	0.26	0.03	99
	266	268	2	0.24	0.02	100
	288	290	2	0.20	0.04	100
	300	302	2	0.23	0.04	100
	334	344	10	0.22	0.04	91
	353.7	355.7	2	0.23	0.02	100
	360	362	2	0.24	0.04	100
	372	380	8	0.32	0.03	97
	400	402	2	0.22	0.04	95
	482.8	486	3.8	0.26	0.05	97
	492	494	2	0.20	0.03	100
	500	506	6	0.20	0.03	100
	510	525	15	0.22	0.03	99
	554	572	18	0.25	0.04	100