



10 April 2018

Frieda River first stage arbitration outcome

The arbitrator has determined in the first stage of the arbitration with PanAust Limited that Highlands' free carry for the Frieda River project feasibility study ended on the date of lodgement of the application for a Special Mining Lease on 23 June 2016.

Highlands has a 20% interest in the joint venture which is managed by PanAust Ltd, a wholly owned subsidiary of Chinese Government owned Guangdong Rising Assets Management Co Ltd (GRAM).

Under the terms of the Frieda River Joint Venture Agreement, GRAM/PanAust was required to fund all project expenditures and Highlands had a free carry up to the time when an application was submitted to the PNG Government for a Special Mining Lease (SML). It was Highlands' view that such an application was required to be supported by a completed feasibility study, as defined in the Joint Venture Agreement.

GRAM/PanAust submitted an application for an SML and an accompanying feasibility study to the PNG Mineral Resources Authority on 23 June 2016. However, it was Highlands' contention that the feasibility study was incomplete, and therefore Highlands' free carry continued, and it was not required to commence funding its share of project expenditures.

The dispute was referred to arbitration and the arbitration is being conducted in stages. The first stage of the arbitration proceedings has been heard and the arbitrator, Mr Richard Chesterman QC, has determined that Highlands' free carry ceased from the date of lodgement of the SML application on 23 June 2016.

The arbitration will now proceed to the second stage of the arbitration. Highlands will be contending in the second stage that other provisions of the Joint Venture Agreement should be applied to make GRAM/PanAust liable in the first instance for the full cost of the feasibility studies undertaken since 24 June 2016 with the right for Highlands to pay its share at a later date, if the project proceeds. If Highlands does not succeed in the second stage and if the cash calls made by GRAM/PanAust are held to be valid, then the Highlands's share of project expenditure from 24 June 2016 to 31 May 2018 is in the order of \$US12.4 million. Highlands may then elect to pay that amount or to dilute its joint venture share by approximately 2.2 percentage points.

The permitting process for the Frieda River project is continuing, however the PNG Government Authorities are waiting for the current feasibility study work to be completed, which is scheduled for the second half of 2018.

For further information, please contact:

**Joe Dowling,
Stockwork Corporate Communications, 0421 587755**



ASX Code: HIG
PoMSox Code: HIG
Shares on Issue: 950 million
Performance Rights: Nil

Directors

Ron Douglas, Chairman
Craig Lennon, MD/CEO
Bart Philemon
John Wylie

Management

Sylvie Moser, CFO
Ron Gawi, GM Port Moresby

Investor and Media Enquiries to:

Joe Dowling
Stockwork Corporate
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 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 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.

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%.