6 April 2017

Frieda River Feasibility Study Addendum Update

Highlands Pacific Limited (ASX: HIG) has received the final report from mining industry consultant Behre Dolbear Australia Pty Ltd (BDA), which conducted an independent peer review of the Frieda River Feasibility Study and Addendum documentation prepared by Frieda River project manager PanAust Ltd.

PanAust, a wholly owned subsidiary of Chinese Government owned Guangdong Rising Assets Management Co Ltd (GRAM), released its initial Frieda River Feasibility Study in May 2016 (See Highlands Pacific ASX announcement "Frieda Study Received, 19 May 2016).

BDA subsequently conducted a peer review which made reference to a number of shortcomings and omissions in the Feasibility Study (See see ASX release entitled "Frieda River Feasibility Study Review Received", released on 19 January 2017.).

GRAM/PanAust then carried out additional work the results of which were released in an Addendum. (See ASX release of 3 March 2017 entitled "Frieda River Feasibility report Addendum (January 2017)".

The final BDA report, which is not binding on the parties, concludes that the Feasibility Study and January 2017 Addendum update work together provide a study of a standard that could be provided to lenders for consideration of finance.

Highlands Pacific remains of the view that while the Frieda River project is a valuable asset with the potential to generate significant returns for investors, the study still does not meet the standards required by the joint venture agreement and is therefore incomplete in a number of key areas.

"We are continuing to work towards a resolution of these matters with PanAust, including an agreement regarding ongoing funding of project development," said Highlands CEO Craig Lennon.

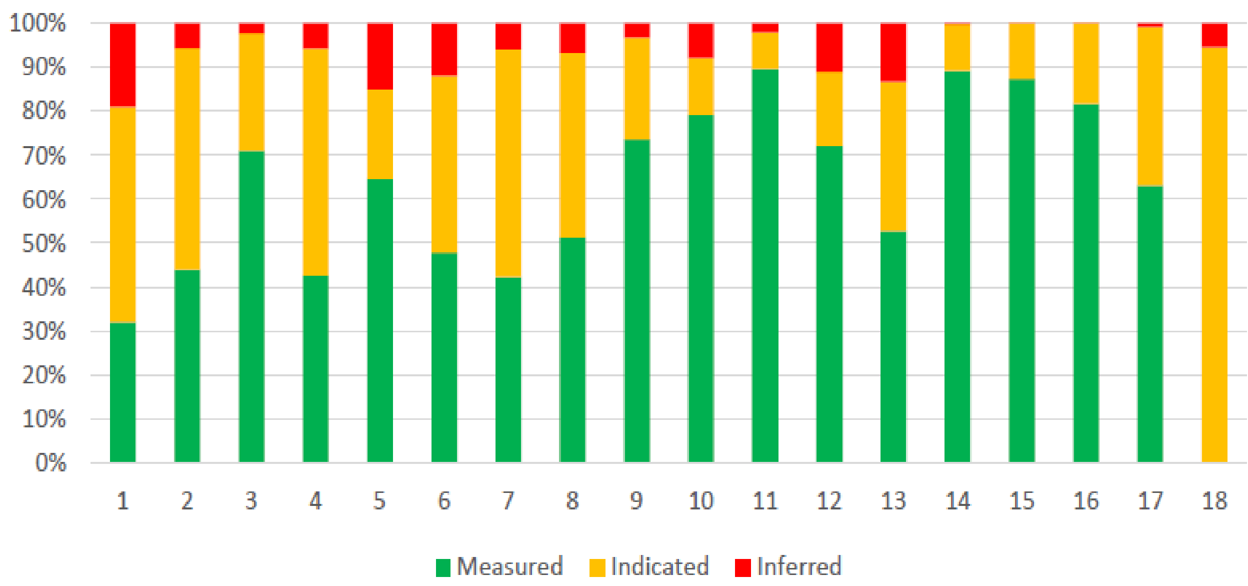
In its ASX release of 3 March 2017, Highlands provided a summary of the Addendum. Highlands also provided an update on Mineral Resources and Ore Reserves in an ASX announcement released on 24 March 2017, entitled "Frieda River Resource and Reserve Update - March 2017".

The information on the following pages is provided for completeness and has been extracted from the January 2017 Addendum. The Tables and Figures highlight the changes from the May 2016 Feasibility Study to the January 2017 Addendum.

- Data from the 2016 Ekwai and Koki resource, geotechnical and metallurgical drilling program has led to an amended open-pit design, updated mine plan and production schedule.

Mine Plan Comparison	Feasibility Study May 2016	Addendum Jan 2017
Tonnes (Mt)	700	714
Copper grade (%)	0.50	0.51
Gold grade (g/t)	0.29	0.28
Waste Mined (Mt)	470	511
Total material mined (Mt)	1170	1225
Strip ratio (waste/ore)	0.67	0.72
Measured Resource (Mt: % of total)	462:66	407:57
Indicated Resource (Mt: % of total)	130:19	243:34
Inferred Resource (Mt: % of total)	108:16	64:9
Recovered copper metal (kt)	2900	3020
Recovered gold metal (koz)	4160	4160

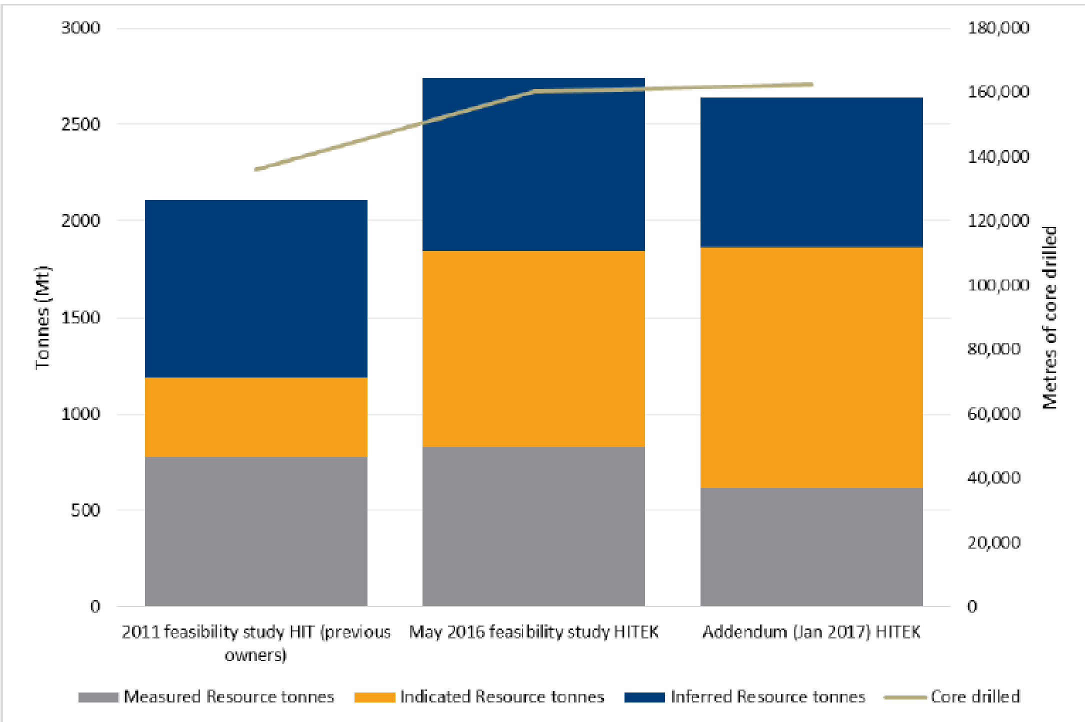
Mill Feed value per annum by Mineral Resource category



- Estimated total Horse-Ivaal-Trukai, Ekwai and Koki (HITEK) Measured, Indicated and Inferred Mineral Resource tonnes reduced marginally while contained copper increased.

Mineral Resource Comparison	Feasibility Study May 2016	Addendum Jan 2017
Measured Resource (Mt)	829	620
Indicated Resource (Mt)	1018	1240
Inferred Resource (Mt)	895	780
Total M+I+I Resource (Mt)	2742	2640
Total M+I+I Cu grade (%)	0.42	0.44
Total contained Cu (Mt)	11.5	11.5
Total M+I+I Resource gold grade (g/t)	0.23	0.23
Total contained Au (Moz)	19.7	19.3

HIT (2011) and HITEK Mineral Resource tonnes by classification



- Total Proved and Probable Ore Reserve tonnes increased by 13% to 686Mt along with contained copper.

Ore Reserve Comparison	Feasibility Study May 2016	Addendum Jan 2017
Proved Ore Reserve (Mt)	469	413
Probable Ore Reserve (Mt)	139	272
Total Ore Reserve (Mt)	608	686
Total Ore Reserve Cu grade (%)	0.49	0.50
Total Ore Reserve Gold grade (g/t)	0.27	0.28

This Ore Reserve is reported on a 100% ownership basis.
May include minor computational errors due to rounding.
The Frieda River Ore Reserve is estimated at commodity prices of US$3.30/lb copper and US$1,455/oz gold subject to a floating value-based cut-off grade. The representative average copper only cut-off grade is 0.21% copper.

- Scheduled mill feed tonnes and contained copper increased.

HITEK Mill Feed (Addendum Jan 2017)	Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
HIT mill feed	Measured	407	0.54	0.33
	Indicated	204	0.45	0.20
	Inferred	43	0.35	0.11
Ekwai mill feed	Indicated	18	0.61	0.40
	Inferred	6	0.51	0.29
Koki mill feed	Indicated	21	0.58	0.31
	Inferred	15	0.51	0.27
Total mill feed		714	0.51	0.28

Compared with the May 2016 Study outcome, the Project post-tax net present value (7.8% real discount rate) increased to US$1,130 million from US$820 million (+38%) using unchanged consumables and metal prices assumptions. This NPV has been calculated to a start date of 30 June 2018, not present date.

The Project economic evaluation using Wood Mackenzie price forecasts averaging US$3.30/lb copper, US$1,455/oz gold and US$80/bbl Brent crude oil yielded a:

- Post-tax net present value of US$7.1 billion (0% real discount rate, Start date 30 June 2018)
- Pre-production capital cost of US$3.6 billion
- Project internal rate of return (real) of 11.4%
- Payback period (post commencement of production) of six years.
- Life of mine average C1 cash cost (after by-product credits) of US$0.69/lb copper (US$0.62/lb for first five years after initial ramp-up)
- Life of mine average all-in sustaining cost of US$1.22/lb copper (US$1.40/lb for first five years after initial ramp-up).

Key financial and performance metrics (first five years post ramp up)	Feasibility Study May 2016	Addendum Jan 2017
C1 Cash Cost [a] (US$/lb Cu)	0.66	0.62
All in sustaining cost [b] (US$/lb Cu)	1.46	1.40
Total on-site operating costs (US$/t processed)	15.31	15.14
Annual net profit after tax [c] (US$ million)	440	500
Av Cu recovery (%)	83	82
Av Au recovery (%)	65	64
Av annual Cu in concentrate (ktpa)	190	200
Av annual Au in concentrate (kozpa)	260	280
Total payable Cu metal (kt)	910	970
Total payable Au metal (koz)	1260	1350
Total mill feed (mt)	210	205
Total waste mined (mt)	150	190
Strip ratio (waste/ore)	0.7/1	0.9/1

Note: US$3.30/lb copper, US$1,455/oz gold, US$23/oz silver
(a) C1 cash cost: Brook Hunt convention for the reporting of direct cash costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content.
(b) All-in sustaining cost (AISC): the C1 cash cost plus royalties, corporate support and shared services costs; and sustaining capital; and lease principal and interest charges.
(c) PNG corporate tax rate of 30%

Key financial and performance metrics (life of mine)	Feasibility Study May 2016	Addendum Jan 2017
C1 Cash Cost [a] (US$/lb Cu)	0.69	0.69
All in sustaining cost [b] (US$/lb Cu)	1.23	1.22
Total on-site operating costs (US$/t processed)	14.79	14.22
Annual net profit after tax [c] (US$M)	270	270
Post tax NPV at a real discount rate of 7.8% (US$M)	820	1130
Post tax NPV_0 (US$M)	6670	7090
Pre-production capital cost (US$M)	3605	3600
Sustaining capital over LOM (US$M)	2320	2390
Project IRR (real) (%)	10.8	11.4
Payback period (post start of production) (years)	6	6
Av Cu recovery (%)	84	84
Av Au recovery (%)	65	65
Av annual Cu in concentrate (post ramp-up) (ktpa)	175	175
Av annual Au in concentrate (post ramp-up) (kozpa)	250	240
Total payable Cu metal (kt)	2790	2910
Total payable Au metal (koz)	4030	4020
Total mill feed (mt)	700	715
Total waste mined (mt)	470	510
Strip ratio (waste/ore)	0.7/1	0.7/1
Project implementation duration [d] (years)	6	6
Project construction duration (years)	4	4
Production period (mine life) (years)	17	18

Note: US$3.30/lb copper, US$1,455/oz gold, US$23/oz silver

(a) C1 cash cost: Brook Hunt convention for the reporting of direct cash costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content.

(b) All-in sustaining cost: the C1 cash cost plus royalties, corporate support and shared services costs; and sustaining capital; and lease principal and interest charges.

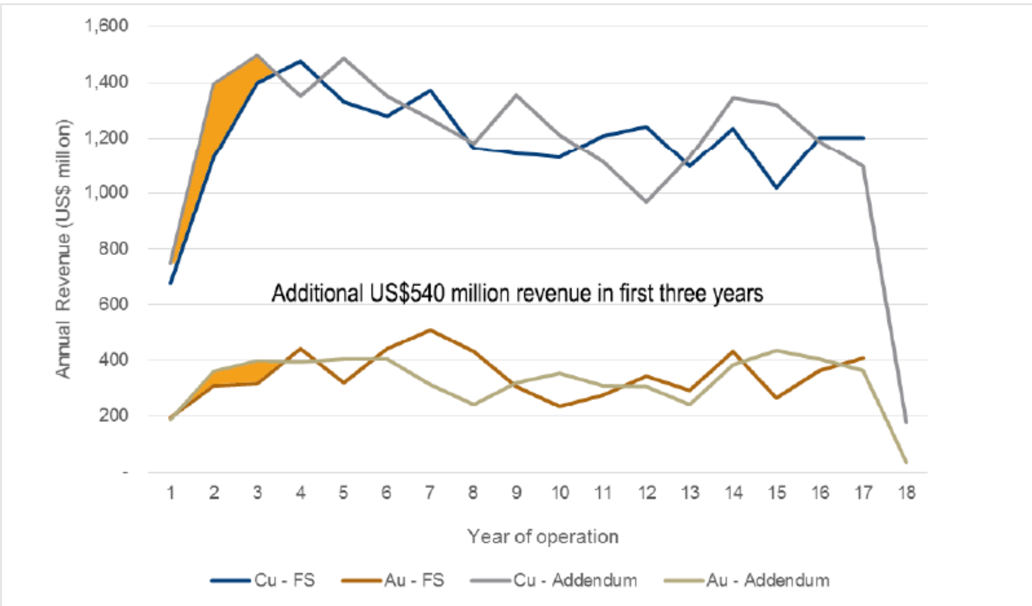
(c) PNG corporate tax rate of 30%

(d) Implementation is the period from Partial Notice to Proceed including engineering, procurement, mobilisation, construction, operational readiness, commissioning and operations ramp-up. The construction period commences at Full Notice to Proceed.

Copper Price Sensitivity	Addendum[a] Cu price (US$/lb)	Cu price (US$/lb)				
	3.30	2.50	2.75	3.00	3.25	3.50
AISC (US$/lb Cu)	1.22	1.21	1.21	1.22	1.22	1.23
Annual NPAT (US$M)	270	80	140	200	260	320
Post tax NPV at a real discount rate of 7.8% (US$M)	1130	-345	95	575	1030	1485
Post tax NPV_0 (US$M)	7090	3750	4710	5820	6870	7960
Project IRR (real terms) (%)	11.4	6.6	8.2	9.7	11.1	12.5
Payback period (post production) (years)	6	9	7	6	6	5

a) Wood Mackenzie prices with corresponding operating costs

Revenue Variance by year of operation



Pre-Production Capital Cost Estimate (US$M)	Feasibility Study May 2016	Addendum Jan 2017
Direct costs	2310	2310
Indirect and Owner's costs	1270	1270
Contingency	430	430
Total	4010	4000
Less leasable component	405	400
Total (less leasable)	3605	3600

There has been no change to the project contingency. Frieda River Limited selected a 12.5% contingency amount on the basis that continued de-risking of the Project Implementation will be achieved prior to Full Notice to Proceed. On the above basis a contingency of US$430 million equating to 12.5% of direct and indirect costs excluding design growth is included in the estimate.

There is an overall increase in sustaining capital of US$70 million, of which US$67 million is associated with the changes to the ISF sustaining capital program.

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

ASX Code: HIG
PoMSox Code: HIG
Shares on Issue: 936 million
Performance Rights: 17 million

Directors
Ron Douglas (Chairman)
Craig Lennon, Managing Director
Mike Carroll
Dan Wood
Bart Philemon

Management
Sylvie Moser, CFO & Co.Sec
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, 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 commenced 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%.

* 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.