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## **XSTRATA COPPER EXERCISES OPTION OVER THE FRIEDA RIVER PROJECT**

Xstrata Copper (Xstrata) has exercised its option to acquire 81.82% of Highlands Pacific Limited's (Highlands) current interest in the Frieda River Project in Papua New Guinea. The project, which includes Exploration Licences 58 and 1212 but, as explained below, excludes the Nena Deposit (within EL 58), will operate as a joint venture between Xstrata 73.00%, Highlands 16.22% and OMRD Frieda Co Limited 10.78%.

The joint venture parties will now finalise a Joint Venture Operating Agreement on terms already substantially agreed.

To maintain its interest in the project Xstrata must:

- by 23 January 2012, commission and arrange to have completed a feasibility study to a standard reasonably required by major financial institutions in connection with consideration of project financing;
- pay Highlands' share of project expenditure until the completion of the feasibility study unless Xstrata withdraws from the joint venture; and
- should the project be developed, include Highlands in any debt financing it arranges or alternatively provide Highlands with a completion guarantee for any debt funding that Highlands arranges.

Should Xstrata fail to complete the feasibility study or withdraw from the joint venture then all of Xstrata's interests in the Frieda River project will be transferred back to Highlands at no cost

At this time Xstrata has not exercised its option over the Nena Deposit which is located within the Frieda River project tenements (EL 58) but excised from the Frieda River Option. To exercise the Nena Deposit option Xstrata must make a payment of USD 10.8 million to Highlands and then satisfy the same terms and conditions outlined above. The Nena Deposit Option remains in place by virtue of Xstrata having exercised the Frieda River Option.

Managing Director Ian Holzberger noted that Highlands Pacific was pleased that Xstrata had elected to exercise its option and enter into joint venture over the project.

"We see Xstrata's involvement as a demonstration of the development potential of this world class copper and gold deposit" Mr Holzberger said.

Separately, Xstrata has also elected to become the project operator effective from 22 January, 2007.



**About Frieda River**

The Frieda River area is known to host a cluster of copper gold deposits including the large Horse/Ivaal/Trukai porphyry deposit and the high grade Nena Deposit which collectively contain approximately 16.7 billion pounds of copper and 14.3 million ounces of gold.

The project area is located in the north west of Papua New Guinea and has been the subject of a long history of exploration.

During Xstrata's option period, exploration successfully added an additional 100Mt @ 0.93% copper equivalent to the combined porphyry resource, which is now estimated at 1.28 billion tonnes @ 0.48% copper and 0.30 g/t Au (indicated and inferred) and increasing the Nena resource by 35% to 71.8Mt @ 2.0% copper and 0.5g/t gold (measured and indicated). Metallurgical studies have also focussed on viable processing options for the Nena deposit.

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