



ASX Release: 28 January, 2010

Quarterly Activities Report - for the period ended 31 December 2009

ASX Code: HIG

Shares on Issue: 662 million

Options on Issue: 93 million

Shareholders: ~9,000

*Ramu Nickel project
to commence
production in 2010*

*Frieda River resource tonnage
increased by 26%*

Directors

Ken MacDonald, *Chairman*

John Gooding, *Managing Director*

Drew Simonsen

Mike Carroll

Rod Mitchell

Fiu Williame-Igara

Management

Craig Lennon, *CFO & Co.Sec*

Terry Smith, *GM Mining & BD*

Larry Queen, *Chief Geologist*

Peter Jolly, *GM Technical*

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HIGHLIGHTS

Ramu Nickel (8.56% with potential to move to 20.55%)

- Project fully funded for a total cost of US\$1.4 billion.
- All major items, purchased, shipped to site and are in an advanced stage of installation and commissioning.
- 135km slurry pipeline construction completed. Pressure testing commenced and due for completion in early January.
- Commissioning of power stations and water supply systems commenced in October and is due for completion in early February.
- Progressive commissioning commenced late in the December quarter 2009 and is expected to continue through to June quarter 2010.
- Production expected to commence in mid 2010 with a staged ramp up through to the December quarter 2010.

Frieda River (16.95%)

- US\$12.1m expenditure for the quarter (US\$38.0 million year in 2009) with Highlands free carried.
- 5,430 metres drilled for the quarter (37,388m drilled year in 2009).
- Mineral resource upgraded by 26% in mid January 2010 – 40% of mineral resource now in Measured and Indicated category.
- Spectacular drilling intercept including 980m long copper intersection.

Exploration:

- Exploration program at Tifalmin EL 1392 and Nong River EL 1312 announced and planning commenced. Both licences are in an area 20km from Ok Tedi in the Sandaun or West Sepik Province and owned 100% by Highlands with EL 1312 subject to joint venture agreement with Xstrata whereby they earn in up to 72%.

Corporate:

- Cash reserves at the end of the quarter of US\$23.7 million (or AU\$26.4 million).
- Drew Simonsen replaced Ian Burvill as Non-Executive Director.

SUMMARY COMMENTS by Managing Director John Gooding

“The 2009 year has been an exciting year for the Company and its shareholders with its two long term projects making huge steps towards their ultimate development. In terms of Ramu, the project is getting closer and closer to the stage where production will commence and ultimately cash flow produced for Highlands. Frieda continues to be very strongly supported by our JV partner Xstrata Copper and is very much on the way to defining itself as a world class project as the Pre Feasibility Study progresses.”

OUTLOOK

“2010 we believe can be better again, with Ramu heading into production, the Frieda Pre-Feasibility Study now almost two thirds complete before the commencement of a Feasibility Study in the third quarter 2010, and exploration work at Nong River delivering further growth options for the Company.”



About Ramu Nickel Cobalt Project

Location: Ramu is located 75 km west of the provincial capital of Madang, PNG.

Resource: An updated feasibility study released in 2007 showed 3.4 mtpa at 1.01% Nickel and 0.10% cobalt to sustain a minimum 20 year mine life. The mineral resources at Ramu have the potential to increase the mine life by a further 15-20 years.

Production: The Basamak treatment plant will have an annual production of 31,150 tonnes of nickel and 3,300 tonnes of cobalt.

Share: Highland's share of product based on its 8.56% share is 2,666 tpa of nickel and 282 tpa of cobalt, rising to 3,520 tpa of nickel and 373 tpa of cobalt when equity increases to 11.30%.

Equity: Highlands has an 8.56% interest in the Ramu project which will increase to 11.3% at no cost to the Company after repayment of the debt raised to finance the project has been completed from operating cash flow (estimated to be 8 years). Highlands also has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%.

It should be noted that the development of the Ramu project will be non-recourse to HPL with respect to the debt funding, while the equity funding is a free carry to HPL in respect to its 8.56% interest.

From commissioning, Highlands is able to have access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow.

RAMU NICKEL PROJECT (8.56% with potential to move to 20.55%)

- Three wharf cranes commissioned.
- 135km slurry pipeline construction completed. Pressure testing commenced and due for completion in early January.
- Commissioning of power stations and water supply systems commenced in October and is due for completion in early February.
- Relocation program for the Kurumbukari villagers continued with entire relocation to be completed by mid 2010.
- All major equipment has been purchased, shipped to site and in an advanced stage of installation. Equipment used is from world renowned suppliers to the industry including, autoclaves (Morimatsu), autoclave pumps (Wirth), autoclave stirrers and seals (Ekato), autoclave valves (Mogas), thickeners (FSSmith), power generators (Wartsilla), filters (Larox) and Liebherr excavators and Volvo trucks for mining.

Project fully funded for a total cost of US\$1.4 billion.

Progressive commissioning commenced late in the December quarter 2009 and is expected to continue through to June quarter 2010. Production expected to commence in mid 2010 with a staged ramp up through to the December quarter 2010.

MCC Ramu NiCo Limited owns 85% of the Ramu Nickel Cobalt project and is a 61% owned subsidiary of China Metallurgical Construction Corporation (MCC) which through its 100% owned Ramu NiCo Management (MCC) Limited is the project manager.

China Metallurgical Construction Corporation (MCC) (Fortune 500 Company and recently listed on the Hong Kong and Shanghai Stock Exchanges) is a major driving force behind the growth of China's steel industry and a major contractor on a number of key projects in China and the Asia Pacific region. MCC is a large industrial group operating in various specialized fields, across different industries and in many countries, with engineering and construction, resources development, equipment manufacturing and property development as their principal businesses. In 2008, the company had total assets of approximately US\$25 billion, revenues of nearly US\$25 billion and total operating profit for the group of US\$1 billion. It has over 50,000 technical and managerial employees.

Other Chinese parties involved with MCC are Jinchuan Group Limited; Jilin Jien Nickel Industry Co., Ltd.; and Jiuquan Iron and Steel (Group) Co., Ltd. These are all major players in the steel and nickel industry in China. Jinchuan is also the largest producer of nickel metal and cobalt in China and is the fifth largest in the world. It has been very active in the Australasian market in both signing off-take agreements and taking holdings directly in companies. Jilin is one of the largest producers of nickel sulfate in the world and Jiuquan is a major domestic iron and steel smelting company which is listed in the top 500 of Chinese national enterprises.



Wharf crane system at the Basamuk treatment plant (Ramu Nickel-Cobalt Mine).



Power Station (30 MW) at Kurumbukari Mine Site (Ramu Nickel-Cobalt Mine).



Cyclones at Beneficiation Plant at Kurumbukari Mine Site (Ramu Nickel-Cobalt Mine).





About Frieda River Copper Gold Project

Location: The Frieda River project is one of the world's largest undeveloped copper/ gold resources.

Owners: The project owners are Xstrata Frieda River Limited (76.30%), Highlands (16.95%) and OMRD (6.75%). Highlands has a free-carried interest in the Frieda project through to completion of a Feasibility Study (required to be completed by January 2012).

The adjacent Nena project is 100% owned by Highlands, however Xstrata have an option to move to the same percentage as above by paying Highlands US\$10.8m.

Studies: The project is currently the subject of an 18-month pre-feasibility study due in third quarter 2010.

Studies to support an Environmental Impact Assessment to be nearing completion.

Scale: The results of an extended scoping study were released in early 2009 and envisaged a 40Mtpa plant with production over an initial 27 year mine life averaging 160,000 tonnes of copper metal and 240,000 ounces of gold per year.

2009: Xstrata's actual expenditure for 2009 was US\$38.0 million.

37,388m drilled in the 2009 year.

Frieda River copper / gold project (16.95%)

- Project in pre-feasibility stage.
- US\$12.1m expenditure for the quarter (US\$38.0 million year in 2009) with Highlands free carried.
- 37,388m drilled year in 2009 (5,430m drilled for the quarter) – latest drilling results released on 2 November 2009.
- Work has commenced on the new mine plan due in the first quarter 2010
- Pit designs including access road and ramp designs are being progressed.
- Highlands' share of costs until completion of a Feasibility Study to be fully funded by Xstrata.
- Spectacular drilling intercept announced on 2 November 2009 detailing a 980m long copper intersection.
- Mineral resource upgrade released in mid January 2010 detailing a 26% increase in resource tonnage for the Horse-Ivaal-Trukai deposit contained within an economic pit shell (refer announcement dated 22 January 2010).

Highlands Pacific is exploring the Frieda River porphyry copper/gold deposit in joint venture with Xstrata Frieda River Limited (Xstrata) and OMRD Frieda Co. Limited (OMRD). Xstrata is funding Highlands' share of the expenditure until completion of the Feasibility Study. The project progressed into the Pre-Feasibility stage at the beginning of 2009.

The **December 2008 Extended Scoping Study** defined a project with the following configuration:

- Open pit operation at Horse-Ivaal-Trukai mining 40Mtpa with a LOM strip ratio of 0.96.
- A two line concentrator delivering concentrate to be exported via a pipeline to a new port on the north coast of PNG.
- Copper concentrate production averaging approximately 600kt for the first 10 years then decreasing to an average of approximately 450kt for the balance of 27 years of mine life;
- On site hydro power generation.
- Construction commencing in 2012 and production commencing in 2017.

The **2009 Pre-Feasibility Study program** progressed the following activities:

- Review mill throughput in excess of a 40Mtpa operation.
- 37,388m of drilling in 132 holes consisting of 25,706m of resource infill drilling and 11,682m of sterilization and geotechnical drilling.
- Revised resource estimate completed in mid January 2010 – increasing resource tonnage by 26%.
- Appointment by Xstrata (as the manager of the project) of Bechtel to provide technical services in relation to the overall project evaluation.
- Draft Pre-Feasibility Study on the potential hydroelectric power generation.
- Environmental baseline monitoring and commence Environmental Impact Assessment studies.
- Land ownership studies.
- Community and Government engagement.

The Frieda River project covers Exploration Licences 58 and 1212, with the Nena Deposit subject to Xstrata making a further option payment of US\$10.8million to Highlands for it to be included. The Frieda River project is a Joint Venture between Xstrata 76.30%, HPL 16.95% and OMRD 6.75%. To retain its interest in the project, Xstrata must complete a Feasibility Study by January 2012.



Exploration Focus

A number of highly prospective exploration leases.

Nong River and Tifalmin US\$3m exploration program. Both only 20km from Ok Tedi mine.

EXPLORATION

- Planning commenced for the US\$3m exploration program over the known copper gold porphyry prospects covered by the Nong River and Tifalmin exploration licences.
- Exploration activities will consist of 2,500km of airborne electromagnetic survey over both Tifalmin and Nong River licences and 2,400m of diamond drilling.
- The survey is planned to be flown in February and drilling to commence in late March / early April (weather permitting in both cases).
- The Tifalmin EL is 100% owned by Highlands while the Nong River EL is subject to a joint venture agreement with Xstrata which can earn a 72% interest by producing a feasibility study. Under the agreement Highlands can sole fund its own exploration program in the absence of an Xstrata exploration programme. Xstrata has the right to revert to a 72% interest by paying Highlands three (3) times the expenditure incurred by Highlands.
- There was no activity at the exploration license at Wau-Bulolo area (EL 1340 – 100% owned) containing the Yangalemu and Kobiak prospects.

Corporate Focus

A Papua New Guinea (PNG) based diversified mineral resource company.

CORPORATE – Cash Reserves \$US23.7 Million

- Cash reserves at the end of the quarter of US\$23.7 million (or AU\$26.4 million) – funds held in both AUD and USD holdings.
- At the end of the quarter Mr. Drew Simonsen replaced Mr. Ian Burvill as Non-Executive Director.



ATTACHMENT 1

LIST OF MINING TENEMENTS

Tenement Reference	Beneficial Interest at Commencement of Period	Beneficial Interest at End of Period
Exploration (Highlands Pacific Resources Limited) EL 1340	100% Note 1	100% Note 1
Frieda River Project (Highlands Frieda Limited) ELs 0058 and 1212 EL 1312 EL 1392 ELAs 1654, 1655, 1656, 1657, 1658, 1659, 1744, 1745 and 1746	16.9% Note 1, 2 28% Note 1, 3 100% Note 1 16.9% Note 1	16.95% Note 1, 2 100% Note 1, 3 100% Note 1 16.95% Note 1
Ramu Project (Ramu Nickel Limited) SML 8 ML 149 LMPs 42, 43, 44, 45, 46, 47, 48 and 49 MEs 75, 76, 77, 78 and 79 ELs 193 and 1178	8.56% 8.56% 8.56% 8.56% 8.56%	8.56% 8.56% 8.56% 8.56% 8.56%

NOTES

- Subject to the right of the Independent State of Papua New Guinea to acquire a 30% equity interest in any mining development in that country.
- Highlands Pacific retains a 93.25% interest in the Nena Deposit (part of EL 0058), which is subject to an Option Agreement with Xstrata.
- Xstrata was the right to claw back 72% of the Nong River EL's – EL1312.
- Definitions:

EL	-	Exploration Licence
ELA	-	Exploration Licence Application
SML	-	Special Mining Lease
ML	-	Mining Lease
LMP	-	Lease for Mining Purpose
ME	-	Mining Easements



APPENDIX 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HIGHLANDS PACIFIC LIMITED

ACN or ARBN

ARBN 078 118 653

QUARTER ENDED ("CURRENT QUARTER")

31 DECEMBER 2009

NOTE: As Highlands operating and mining development decisions are based on US dollars, Highlands Directors have adopted the US dollar as Highlands functional and management reporting currency. For ease of understanding by the Australian and PNG investment communities, results have been converted, in this report, to \$A at the rate ruling at the end of the quarter of \$A/\$US 0.8969.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter \$US'000	Current quarter \$A'000	Year to date (9 months) \$US'000	Year to date (9 months) \$A'000
Cash flows related to operating activities				
1.1 Receipts from product sales and related debtors	3	3	26	29
1.2 Payments for:				
(a) exploration and evaluation	(133)	(148)	(489)	(545)
(b) development	-	-	-	-
(c) production	-	-	-	-
(d) administration	(1,657)	(1,847)	(4,673)	(5,210)
1.3 Dividends received	-	-	-	-
1.4 Interest and other items of a similar nature received	198	221	523	583
1.5 Interest and other costs of finance paid	-	-	-	-
1.6 Income taxes paid	(21)	(23)	(31)	(35)
1.7 Other	-	-	-	-
Net Operating Cash Flows	(1,610)	(1,795)	(4,644)	(5,178)
Cash flows related to investing activities				
1.8 Payment for purchases of:				
(a) prospects	-	-	-	-
(b) equity investments	-	-	-	-
(c) other fixed assets	(41)	(46)	(99)	(110)
1.9 Proceeds from sale of:				
(a) prospects	-	-	3,000	3,345
(b) equity investments	-	-	-	-
(c) other fixed assets	5	6	1,352	1,507
1.10 Loans to other entities	-	-	-	-
1.11 Loans repaid by other entities	-	-	-	-
1.12 Other	-	-	-	-
Net investing cash flows	(36)	(40)	4,253	4,742
1.13 Total operating and investing cash flows (carried forward)	(1,646)	(1,835)	(391)	(436)



Cash flows related to financing activities					
1.14	Proceeds from issues of shares, options, etc	1,463	1,631	1,463	1,631
1.15	Proceeds from sale of forfeited shares	-	-	-	-
1.16	Proceeds from borrowings	-	-	-	-
1.17	Repayment of borrowings	-	-	-	-
1.18	Dividends paid	-	-	-	-
1.19	Other	-	-	-	-
	Net financing cash flows	1,463	1,631	1,463	1,631
	Net increase (decrease) in cash held	(183)	(204)	1,072	1,195
1.20	Cash at beginning of quarter/year to date	23,646	26,661	20,266	29,252
1.21	Exchange rate adjustments to item 1.20 - unrealised	226	(45)	2,351	(4,035)
1.22	Cash at end of quarter	23,689	26,412	23,689	26,412

Payments to directors of the entity and associates of the directors
Payment to related entities of the entity and associates of the related entities

	Current quarter		
	\$US'000	\$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	89	99
1.24	Aggregate amount of loans to the parties in item 1.10	nil	nil
1.25	Explanation necessary for an understanding of the transactions		
	Refer Quarterly Report		

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	None
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	None



Financing facilities available

	Amount available		Amount used	
	\$US'000	\$A'000	\$US'000	\$A'000
3.1 Loan facilities:				
Bridging Facility	nil	nil	nil	nil
Project Finance	nil	nil	nil	nil
3.2 Credit standby arrangements	Nil	Nil	n/a	n/a

Estimated cash outflows for next quarter

	\$US'000	\$A'000
4.1 Exploration and evaluation		
Wau/Bulolo	50	56
Nong River / Talifmin	1,000	1,115
Frieda (to be funded by joint venture)	-	-
Other	-	-
Total Exploration and evaluation	1,050	1,171
4.2 Development		
Ramu (to be funded by joint venture)	-	-
Other	-	-
Total Development	-	-
Total	1,050	1,171

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$US'000	Current quarter \$A'000	Previous quarter \$US'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,499	1,671	1,594	1,811
5.2 Deposits at call	-	-	-	-
5.3 Bank overdraft	-	-	-	-
5.4 Other short-term deposits	22,190	24,741	21,870	24,849
Total cash at end of quarter (item 1.22)	23,689	26,412	23,464	26,661

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of qtr	Interest at end of qtr
6.1 Interests in mining tenements relinquished, reduced or lapsed		Refer Table 2 in Quarterly Report		
6.2 Interests in mining tenements acquired or increased		Refer Table 2 in Quarterly Report		



Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Issued during quarter				
7.3 + Ordinary securities	661,412,148	661,412,148		
7.4 Issued during quarter	9,010,000	9,010,000		
+ Convertible debt securities <i>(description and conversion factor)</i>				
7.5				
7.6 Issued during quarter				
7.7 Options <i>(description and conversion factor)</i>	Refer Attachment A		<u>Exercise Price</u>	
Project Financiers	14,000,000	Nil	Refer attached	Nil
Directors' and Executives' Option Incentive Scheme	25,240,000	Nil	Refer attached	Nil
Other Investors	43,025,908	Nil	Refer attached	Nil
7.8 Issued during quarter	Nil	n/a	Refer attached	Nil
7.9 Exercised during quarter	9,010,000	n/a	n/a	n/a
7.10 Expired & lapsed during quarter	11,144,483	n/a	n/a	Nil
7.11 Debentures <i>(totals only)</i>	Nil	Nil		
7.12 Unsecured notes <i>(totals only)</i>	Nil	Nil		



COMPLIANCE STATEMENT

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Director/Company Secretary)

Date: 28 January 2010

Print name: C T LENNON

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.



ATTACHMENT A

HIGHLANDS PACIFIC LIMITED APPENDIX 5B – ITEM 7.7

OPTIONS (DESCRIPTION AND CONVERSION FACTOR)

Outstanding at the end of the quarter	Issued	Exercised
Exercise Price	A\$0.423	
Number of Options	1,000,000	Nil
Expiry Date	31 July 2010	
Exercise Price	A\$0.50	
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	
Exercise Price	A\$0.55	
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	
Exercise Price	A\$0.60	
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	
Exercise Price	A\$0.65	
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	
Exercise Price	A\$0.175	
Number of Options	2,500,000	Nil
Expiry Date	19 July 2010	
Exercise Price	A\$0.175	
Number of Options	200,000	Nil
Expiry Date	31 July 2011	
Exercise Price	A\$0.155	
Number of Options	10,000,000	Nil
Expiry Date	21 May 2010	



Outstanding at the end of the quarter	Issued	Exercised
Exercise Price	A\$0.20	
Number of Options	14,000,000	Nil
Expiry Date	21 Aug 2010	
Exercise Price	A\$0.175	
Number of Options	2,800,000	Nil
Expiry Date	12 Dec 2010	
Exercise Price	A\$0.135	
Number of Options	3,040,000	Nil
Expiry Date	28 Feb 2013	
Exercise Price	A\$0.13	
Number of Options	2,000,000	Nil
Expiry Date	19 July 2011	
Exercise Price	A\$0.078	
Number of Options	1,025,000	Nil
Expiry Date	29 Jan 2014	
Exercise Price	A\$0.078	
Number of Options	1,675,000	Nil
Expiry Date	29 Jan 2014	
Exercise Price	A\$0.117	
Number of Options	1,000,000	Nil
Expiry Date	26 Jun 2012	

The following options expired or lapsed during the quarter

Outstanding at the end of the quarter	Issued	Exercised
Exercise Price	A\$0.54	
Number of Options	11,144,483	Nil
Expiry Date	31 December 2009	

No options were issued during the quarter.



The following options were exercised during the quarter.

Outstanding at the end of the quarter	Issued	Exercised
Exercise Price	A\$0.175	
Number of Options	1,000,000	Nil
Expiry Date	12 Dec 2010	
Exercise Price	A\$0.078	
Number of Options	335,000	Nil
Expiry Date	29 Jan 2014	
Exercise Price	A\$0.078	
Number of Options	325,000	Nil
Expiry Date	29 Jan 2014	
Exercise Price	A\$0.135	
Number of Options	350,000	Nil
Expiry Date	28 Feb 2013	
Exercise Price	A\$0.20	
Number of Options	7,000,000	Nil
Expiry Date	21 Aug 2010	